Asia Aviation Pcl (AAV TB) - SELL, Price Bt2.84, TP Bt2.00

Results Comment

Saksid Phadthananarak | Email: saksid.pha@thanachartsec.co.th

Lower-than-expected 3Q loss

- AAV reported a normalized loss of Bt961m for 3Q21 versus a normalized loss of Bt1.4bn in 3Q20 and a normalized loss of Bt1.3m in 2Q21. The loss was lower than what we had expected due to the cost cutting plans.
- Given the easing of the lockdown, we expect AAV's operation to gradually improve and turn into a profit in 2023F when international passengers recover meaningfully.
- However, a rise in the share price by 33% from its low this year looks to already factor in the expectation of its recovery even though there are still risks of the ongoing COVID-19, high oil prices and 27% EPS dilution from the capital increase. We thus maintain a SELL call on AAV to our fully diluted TP (2022F base year) of Bt2/share (pre-diluted TP of Bt2.5).
- AAV's revenue decreased 92% y-y in 3Q21 due to the impacts of the lockdown measures causing it to suspend operation between 12 July, 2021 and 2 September, 2021. Its passengers decreased 96% y-y while its average fares rose 84% y-y.
- The loss in this quarter was partly offset by a cut in the operating costs by 58% y-y in 3Q21 and SG&A expenses by 7% y-y.
- Cash on hand remained at only Bt23m at end 3Q21. However, the success of its capital increase will allow AAV to have Bt6.2bn cash for its operation in the next 18-24 months if the COVID-19 situation doesn't improve.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	2,122	3,433	1,147	983	170
Gross profit	**(2,248)**	**(1,110)**	**(1,670)**	**(1,807)**	**(1,648)**
SG&A	307	592	335	313	284
Operating profit	(2,555)	(1,702)	(2,004)	(2,120)	(1,932)
EBITDA	**(1,141)**	**(288)**	**(860)**	**(836)**	**(813)**
Other income	285	182	62	106	294
Other expense	0	0	19	1	2
Interest expense	410	447	426	425	476
Profit before tax	**(2,681)**	**(1,967)**	**(2,387)**	**(2,439)**	**(2,117)**
Income tax	(183)	319	(212)	(152)	(369)
Equity & invest. income	0	0	0	0	0
Minority interests	1,124	1,029	979	1,030	787
Extraordinary items	(463)	143	(668)	(434)	(1,137)
Net profit	**(1,837)**	**(1,114)**	**(1,865)**	**(1,692)**	**(2,098)**
Normalized profit	**(1,374)**	**(1,257)**	**(1,196)**	**(1,258)**	**(961)**
EPS (Bt)	(0.38)	(0.23)	(0.38)	(0.35)	(0.43)
Normalized EPS (Bt)	(0.28)	(0.26)	(0.25)	(0.26)	(0.20)

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(83)	(92)	66	3,509	13,213
Gross profit	**na**	**na**	**69**	**(7,446)**	**(3,658)**
SG&A	(9)	(7)	76	1,228	1,718
Operating profit	na	na	70	(8,674)	(5,376)
EBITDA	**na**	**na**	**90**	**(2,780)**	**1,002**
Other income	176	3	76	611	625
Other expense	106		na	0	0
Interest expense	12	16	74	1,788	1,954
Profit before tax	**na**	**na**	**70**	**(9,851)**	**(6,705)**
Income tax	na	na	74	(985)	(670)
Equity & invest. income			na	0	0
Minority interests	(24)	(30)	70	3,990	0
Extraordinary items	na	na	na	0	0
Net profit	**na**	**na**	**116**	**(4,876)**	**(6,034)**
Normalized profit	**na**	**na**	**70**	**(4,876)**	**(6,034)**
EPS (Bt)	na	na	199	(0.59)	(0.48)
Normalized EPS (Bt)	na	na	120	(0.59)	(0.48)

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	2,352	1,110	1,220	234	23
A/C receivable	442	284	295	267	260
Inventory	185	240	219	214	223
Other current assets	947	1,125	1,090	1,000	1,087
Investment	0	0	0	0	0
Fixed assets	6,090	6,230	6,168	5,899	5,442
Other assets	61,826	58,987	57,894	56,987	57,555
Total assets	**71,842**	**67,978**	**66,885**	**64,601**	**64,590**
S-T debt	3,573	3,286	2,796	3,643	3,944
A/C payable	616	757	838	813	961
Other current liabilities	15,150	13,780	16,270	17,224	17,865
L-T debt	4,074	4,672	5,140	4,598	4,309
Other liabilities	29,579	28,122	27,678	27,231	30,196
Minority interest	3,766	3,094	1,655	272	(1,429)
Shareholders' equity	**15,084**	**14,266**	**12,508**	**10,820**	**8,744**
Working capital	11	(232)	(325)	(332)	(479)
Total debt	7,647	7,958	7,936	8,241	8,253
Net debt	**5,295**	**6,848**	**6,717**	**8,008**	**8,230**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(77.5)	(65.7)	(85.3)	268.9	(92.0)
Operating profit growth	na	na	na	na	na
EBITDA growth	na	na	na	na	na
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	(106.0)	(32.3)	(145.6)	(183.7)	(970.5)
Operating margin	(120.4)	(49.6)	(174.8)	(215.6)	(1,137.7)
EBITDA margin	(53.8)	(8.4)	(75.0)	(85.0)	(478.5)
Norm net margin	(64.7)	(36.6)	(104.3)	(128.0)	(566.1)
D/E (x)	0.5	0.6	0.6	0.8	0.9
Net D/E (x)	0.4	0.5	0.5	0.7	0.9
Interest coverage (x)	(2.8)	(0.6)	(2.0)	(2.0)	(1.7)
Interest rate	21.8	22.9	21.4	21.0	23.1
Effective tax rate	6.8	(16.2)	8.9	6.2	17.4
ROA	(7.6)	(7.2)	(7.1)	(7.7)	(6.0)
ROE	(34.8)	(34.3)	(35.7)	(43.2)	(39.3)

Sources: Company data, Thanachart estimates

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