Asia Aviation Pcl (AAV TB) - SELL, Price Bt2.50, TP Bt2.00

Results Comment

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4Q21 loss in line

- AAV reported a normalized loss of Bt1.4bn for 4Q21 versus a normalized loss of Bt1.3bn in 4Q20 and a normalized loss of Bt961m in 3Q21. The loss was in line with what we had expected.
- Even though we expect a recovery of air travel demand to gradually turn around AAV's earnings into a profit in 2023F, we have a SELL rating on AAV as 1) we believe the share prices have already recovered to reflect that expectation, 2) there are still downside risks on the ongoing COVID-19 and the current high oil prices, 3) even though we expect AAV's operation recovery this year, we forecast it to still make a huge loss due to higher loss contribution from holding 100% stake in Thai AirAsia this year (from 55% last year), and 4) valuation is expensive at 42x PE in 2023F.
- AAV's revenue decreased 55% y-y in 4Q21 due to a gradual recovery of domestic travel after the suspension of its operation due to the COVID-19 lockdown between 12 July, 2021 and 2 September, 2021. Its passengers decreased 59% y-y in 4Q21, but its average fares rose by 10% y-y. This caused its revenue per available seat kilometres (RASK) to increase 37% y-y.
- However, its costs per available seat kilometres (CASK) jumped by 159% y-y in 4Q21 mainly due to higher oil costs while its SG&A expenses fell by 49% y-y following the lower revenue.
- Cash on hand increased to Bt5.4bn at end 4Q21 after the capital increase. However, Bt3.9bn will be used to buy remaining 31% stake in Thai AirAsia.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	3,433	1,147	983	170	1,529
Gross profit	**(1,110)**	**(1,670)**	**(1,807)**	**(1,648)**	**(2,270)**
SG&A	406	335	313	284	303
Operating profit	(1,517)	(2,004)	(2,120)	(1,932)	(2,574)
EBITDA	**513**	**(860)**	**(836)**	**(813)**	**(688)**
Other income	182	62	106	294	(123)
Other expense	0	19	1	2	21
Interest expense	447	426	425	476	572
Profit before tax	**(1,782)**	**(2,387)**	**(2,439)**	**(2,117)**	**(3,290)**
Income tax	319	(212)	(152)	(369)	(1,008)
Equity & invest. income	0	0	0	0	0
Minority interests	945	979	1,030	787	913
Extraordinary items	41	(668)	(434)	(1,137)	376
Net profit	**(1,114)**	**(1,865)**	**(1,692)**	**(2,098)**	**(993)**
Normalized profit	**(1,155)**	**(1,196)**	**(1,258)**	**(961)**	**(1,369)**
EPS (Bt)	(0.23)	(0.38)	(0.35)	(0.43)	(0.20)
Normalized EPS (Bt)	(0.24)	(0.25)	(0.26)	(0.20)	(0.28)

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	800	(55)	109	3,828	13,213
Gross profit	**na**	**na**	**99**	**(7,395)**	**(3,658)**
SG&A	7	(25)	101	1,236	1,718
Operating profit	na	na	99	(8,630)	(5,376)
EBITDA	**na**	**na**	**115**	**(3,196)**	**1,002**
Other income	na	na	56	339	625
Other expense	935		na	43	0
Interest expense	20	28	106	1,899	1,954
Profit before tax	**na**	**na**	**104**	**(10,234)**	**(6,705)**
Income tax	na	na	177	(1,741)	(670)
Equity & invest. income			na	0	0
Minority interests	16	(3)	93	3,708	0
Extraordinary items	na	820	na	(1,862)	0
Net profit	**na**	**na**	**136**	**(6,647)**	**(6,034)**
Normalized profit	**na**	**na**	**98**	**(4,785)**	**(6,034)**
EPS (Bt)	na	na	234	(0.80)	(0.48)
Normalized EPS (Bt)	na	na	169	(0.57)	(0.48)

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	1,110	1,220	234	23	5,360
A/C receivable	284	295	267	260	563
Inventory	240	219	214	223	230
Other current assets	1,125	1,090	1,000	1,087	1,520
Investment	0	0	0	0	0
Fixed assets	6,230	6,168	5,899	5,442	5,277
Other assets	58,987	57,894	56,987	57,555	58,258
Total assets	**67,978**	**66,885**	**64,601**	**64,590**	**71,208**
S-T debt	3,286	2,796	3,643	3,944	3,571
A/C payable	757	838	813	961	989
Other current liabilities	13,780	16,270	17,224	17,865	13,000
L-T debt	4,672	5,140	4,598	4,309	4,093
Other liabilities	28,122	27,678	27,231	30,196	32,726
Minority interest	3,094	1,655	272	(1,429)	(3,372)
Shareholders' equity	**14,266**	**12,508**	**10,820**	**8,744**	**20,201**
Working capital	(232)	(325)	(332)	(479)	(196)
Total debt	7,958	7,936	8,241	8,253	7,664
Net debt	**6,848**	**6,717**	**8,008**	**8,230**	**2,305**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	(65.7)	(85.3)	268.9	(92.0)	(55.5)
Operating profit growth	na	na	na	na	na
EBITDA growth	296.9	na	na	na	na
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	(32.3)	(145.6)	(183.7)	(970.5)	(148.5)
Operating margin	(44.2)	(174.8)	(215.6)	(1,137.7)	(168.3)
EBITDA margin	15.0	(75.0)	(85.0)	(478.5)	(45.0)
Norm net margin	(33.7)	(104.3)	(128.0)	(566.1)	(89.5)
D/E (x)	0.6	0.6	0.8	0.9	0.4
Net D/E (x)	0.5	0.5	0.7	0.9	0.1
Interest coverage (x)	1.1	(2.0)	(2.0)	(1.7)	(1.2)
Interest rate	22.9	21.4	21.0	23.1	28.7
Effective tax rate	(17.9)	8.9	6.2	17.4	30.6
ROA	(6.6)	(7.1)	(7.7)	(6.0)	(8.1)
ROE	(31.5)	(35.7)	(43.2)	(39.3)	(37.8)

Sources: Company data, Thanachart estimates

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