Asia Aviation Pcl (AAV TB) - SELL, Price Bt2.90, TP Bt2.00

Results Comment

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1Q22 loss in line

- AAV reported a normalized loss of Bt1.5bn for 1Q22 versus a normalized loss of Bt1.2bn in 1Q21 and a normalized loss of Bt1.4bn in 4Q21. 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 call on AAV as 1) we believe the share price recovery have already reflected the expectation, 2) we are concerned on the current high oil prices and intense competition after other airlines have resumed their operation, and 3) we expect AAV's operation to recover this year but we forecast it to make a higher loss due to a 100% stake in Thai AirAsia (from 55% last year).
- AAV's revenue increased 56% y-y in 1Q22 due to a recovery of air travel demand after the lockdown. Its passengers increased 48% y-y in 1Q22 and its average fares rose by 7% y-y. This caused its revenue per available seat kilometres (RASK) to increase 16% y-y to Bt1.29/ASK.
- However, its costs per available seat kilometres (CASK) also increased 13% y-y in 1Q22 to Bt3.67/ASK mainly due to higher oil and repair expenses, causing its gross margin to remain negative. Its SG&A expenses also increased 21% y-y following higher revenue.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	1,147	983	170	1,529	1,786
Gross profit	**(1,670)**	**(1,807)**	**(1,648)**	**(2,270)**	**(2,549)**
SG&A	304	313	284	334	368
Operating profit	(1,974)	(2,120)	(1,932)	(2,604)	(2,917)
EBITDA	**(829)**	**(836)**	**(813)**	**(718)**	**(1,341)**
Other income	62	106	294	(123)	101
Other expense	19	1	2	21	0
Interest expense	426	425	476	572	559
Profit before tax	**(2,356)**	**(2,439)**	**(2,117)**	**(3,321)**	**(3,375)**
Income tax	(212)	(152)	(369)	(1,008)	(722)
Equity & invest. income	0	0	0	0	0
Minority interests	965	1,030	787	925	1,194
Extraordinary items	(654)	(434)	(1,137)	376	(912)
Net profit	**(1,834)**	**(1,692)**	**(2,098)**	**(1,011)**	**(2,371)**
Normalized profit	**(1,179)**	**(1,258)**	**(961)**	**(1,387)**	**(1,459)**
EPS (Bt)	(0.38)	(0.35)	(0.43)	(0.21)	(0.49)
Normalized EPS (Bt)	(0.24)	(0.26)	(0.20)	(0.29)	(0.30)

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	17	56	14	13,213	26,518
Gross profit	**na**	**na**	**70**	**(3,658)**	**4,147**
SG&A	10	21	21	1,718	2,121
Operating profit	na	na	54	(5,376)	2,026
EBITDA	**na**	**na**	**(134)**	**1,002**	**8,793**
Other income	na	62	16	625	640
Other expense					
Interest expense	(2)	31	29	1,954	1,818
Profit before tax	**na**	**na**	**50**	**(6,705)**	**847**
Income tax	na	na	108	(670)	42
Equity & invest. income					
Minority interests	29	24	na	0	0
Extraordinary items	na	na	na	0	0
Net profit	**na**	**na**	**39**	**(6,034)**	**805**
Normalized profit	**na**	**na**	**24**	**(6,034)**	**805**
EPS (Bt)	na	na	103	(0.48)	0.06
Normalized EPS (Bt)	na	na	63	(0.48)	0.06

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	1,220	234	23	5,360	2,807
A/C receivable	295	267	260	563	669
Inventory	219	214	223	230	217
Other current assets	1,090	1,000	1,087	1,520	1,949
Investment	0	0	0	0	0
Fixed assets	6,168	5,899	5,442	5,277	4,392
Other assets	57,894	56,987	57,555	58,258	57,555
Total assets	**66,885**	**64,601**	**64,590**	**71,208**	**67,589**
S-T debt	2,796	3,643	3,944	3,571	3,633
A/C payable	838	813	961	989	806
Other current liabilities	16,270	17,224	17,865	13,000	12,161
L-T debt	5,140	4,598	4,309	4,093	3,889
Other liabilities	27,678	27,231	30,196	32,726	33,613
Minority interest	1,655	272	(1,429)	(3,372)	0
Shareholders' equity	**12,508**	**10,820**	**8,744**	**20,201**	**13,489**
Working capital	(325)	(332)	(479)	(196)	81
Total debt	7,936	8,241	8,253	7,664	7,521
Net debt	**6,717**	**8,008**	**8,230**	**2,305**	**4,714**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(85.3)	268.9	(92.0)	(55.5)	55.8
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	(145.6)	(183.7)	(970.5)	(148.5)	(142.7)
Operating margin	(172.1)	(215.6)	(1,137.7)	(170.3)	(163.3)
EBITDA margin	(72.3)	(85.0)	(478.5)	(47.0)	(75.1)
Norm net margin	(102.9)	(128.0)	(566.1)	(90.7)	(81.7)
D/E (x)	0.6	0.8	0.9	0.4	0.6
Net D/E (x)	0.5	0.7	0.9	0.1	0.3
Interest coverage (x)	(1.9)	(2.0)	(1.7)	(1.3)	(2.4)
Interest rate	21.4	21.0	23.1	28.7	29.4
Effective tax rate	9.0	6.2	17.4	30.4	21.4
ROA	(7.0)	(7.7)	(6.0)	(8.2)	(8.4)
ROE	(35.2)	(43.2)	(39.3)	(38.3)	(34.6)

Sources: Company data, Thanachart estimates

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