

Asia Aviation Pcl (AAV TB) - SELL, Price Bt3.12, TP Bt2.30**Results Comment**

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A 3Q22 loss in line

- AAV reported a normalized loss of Bt1.2bn for 3Q22 versus a normalized loss of Bt961m in 3Q21 and Bt2.3bn in 2Q22. The loss was in line with what we had expected.
- We expect AAV to report a lower loss in 4Q22 given a strong air travel demand due to the high season and lower oil prices.
- However, we maintain our SELL call on AAV as 1) we believe a rise in the share price have reflected its earnings turnaround, 2) we are still concerned on intense competition after other airlines have fully resumed their operation, and 3) despite a capital increase early this year, its financial status is still weak with a net D/E ratio starting to rise again to 1.3x.
- AAV's revenue increased 2,733% y-y in 3Q22 due to a strong air travel demand recovery after the COVID-19 crisis. Its passengers increased 3,354% y-y in 3Q22 while its average fare fell by 24% y-y. The higher available seat kilometers (ASK) by 2,791% y-y in 3Q22 caused its revenue per ASK to fall by 2% y-y to Bt1.68 in 3Q22.
- Moreover, higher ASK caused its costs per ASK to fall 89% y-y in 3Q22 to Bt2.62/ASK. This made its gross margin to improve to a negative 37.6% in 3Q22 vs. a negative 970.5% in 3Q21.
- SG&A expenses also increased 45% y-y following higher revenue.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	170	1,529	1,786	2,692	4,811	Revenue	79	2,733	43	21,778	32,422
Gross profit	(1,648)	(2,270)	(2,549)	(2,296)	(1,807)	Gross profit	na	na	166	(4,007)	3,581
SG&A	284	334	368	376	412	SG&A	10	45	48	2,396	2,432
Operating profit	(1,932)	(2,604)	(2,917)	(2,671)	(2,220)	Operating profit	na	na	122	(6,403)	1,149
EBITDA	(813)	(718)	(1,341)	(1,068)	(679)	EBITDA	na	na	(35)	8,873	6,527
Other income	294	(123)	101	90	89	Other income	(1)	(70)	63	442	425
Other expense	2	21	0	0	0	Other expense					
Interest expense	476	572	559	552	625	Interest expense	13	31	75	2,304	2,270
Profit before tax	(2,117)	(3,321)	(3,375)	(3,133)	(2,756)	Profit before tax	na	na	112	(8,265)	(696)
Income tax	(369)	(1,008)	(722)	(841)	(1,578)	Income tax	na	na	190	(1,653)	(139)
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	787	927	184	0	0	Minority interests			98	189	0
Extraordinary items	(1,137)	362	98	(2,432)	(2,872)	Extraordinary items	na	na	na	0	0
Net profit	(2,098)	(1,024)	(2,371)	(4,724)	(4,050)	Net profit	na	na	174	(6,423)	(557)
Normalized profit	(961)	(1,385)	(2,468)	(2,292)	(1,178)	Normalized profit	na	na	92	(6,423)	(557)
EPS (Bt)	(0.43)	(0.10)	(0.24)	(0.41)	(0.35)	EPS (Bt)	na	na	198	(0.50)	(0.04)
Normalized EPS (Bt)	(0.20)	(0.14)	(0.25)	(0.20)	(0.10)	Normalized EPS (Bt)	na	na	109	(0.50)	(0.04)
Balance Sheet						Financial Ratios					
(consolidated)						(%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q21	4Q21	1Q22	2Q22	3Q22	
Cash & ST investment	23	5,360	2,807	1,326	1,456	Sales grow th	(92.0)	(55.5)	55.8	173.8	2,732.6
A/C receivable	260	563	669	480	912	Operating profit grow th	na	na	na	na	na
Inventory	223	230	217	265	281	EBITDA grow th	na	na	na	na	na
Other current assets	1,087	1,520	1,949	2,405	2,536	Norm profit grow th	na	na	na	na	na
Investment	0	0	0	0	0	Norm EPS grow th	na	na	na	na	na
Fixed assets	5,442	5,277	4,392	4,310	4,235	Gross margin	(970.5)	(148.5)	(142.7)	(85.3)	(37.6)
Other assets	57,555	58,258	57,555	57,042	57,251	Operating margin	(1,137.7)	(170.3)	(163.3)	(99.2)	(46.1)
Total assets	64,590	71,208	67,589	65,827	66,671	EBITDA margin	(478.5)	(47.0)	(75.1)	(39.7)	(14.1)
S-T debt	3,944	3,571	3,633	2,764	3,483	Norm net margin	(566.1)	(90.6)	(138.2)	(85.1)	(24.5)
A/C payable	961	989	806	956	1,113	D/E (x)	1.1	0.5	0.6	0.8	1.6
Other current liabilities	17,865	13,000	12,161	15,759	18,303	Net D/E (x)	1.1	0.1	0.3	0.6	1.3
L-T debt	4,309	4,093	3,889	4,095	3,935	Interest coverage (x)	(1.7)	(1.3)	(2.4)	(1.9)	(1.1)
Other liabilities	30,196	32,726	33,613	33,489	35,122	Interest rate	23.1	28.7	29.4	30.7	35.0
Minority interest	(1,429)	(3,372)	0	0	0	Effective tax rate	17.4	30.4	21.4	26.9	57.3
Shareholders' equity	8,744	20,201	13,489	8,765	4,715	ROA	(6.0)	(8.2)	(14.2)	(13.7)	(7.1)
Working capital	(479)	(196)	81	(211)	80	ROE	(39.3)	(38.3)	(58.6)	(82.4)	(69.9)
Total debt	8,253	7,664	7,521	6,858	7,417						
Net debt	8,230	2,305	4,714	5,533	5,961						

Sources: Company data, Thanachart estimates

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