

Asia Aviation Pcl (AAV TB) - SELL**Analyst Meeting**

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Continuing a recovery but still making a loss in 4Q22F

- **AAV expects 4Q22F to be the best results in the year.**
- **Despite that, it still expects a loss in 4Q22F.**
- **We are still concerned on sustained high jet fuel prices, ...**
- **...higher operating costs, and fierce competition. SELL.**

The following are the key takeaways from AAV's analyst meeting yesterday.

- AAV has seen a continued strong recovery of tourism in 4Q22 and it expects;
 - 1) 4m passengers (vs. 2.8m in 3Q22, 1.7m in 2Q22, and 5.4m in 4Q19).
 - 2) A further market share gain (32% as of September 2022) as AAV has the highest number of flights in the domestic market.
 - 3) Additional new strategic routes and more flight frequency using 43 airplanes in 4Q22F from its fleet of 53 airplanes (vs. 35 in 3Q22, 25 in 2Q22) with a load factor of almost 90% (vs. 87% in 3Q22, 75% in 2Q22, and 86% in 4Q19).
 - 4) 20-25% higher average fare in 4Q22F than in 3Q22 (vs. Bt1,404 in 3Q22, Bt1,317 in 2Q22, and 1,508 in 4Q19) driven by strong travel demand and domestic fuel surcharge imposition.
- However, given the sustained high jet fuel price of almost US\$150/bbl and some airplanes still being on ground, AAV may still make a normalized loss in 4Q22F.
- China continues to show reopening signs. Its quarantine days are now down to 5+3 days, PCR is down to 1 test, and it removes the circuit breaker rule (the rule that will suspend airlines' operation if those airlines carry COVID-19 infected passengers at 4% of the total passengers on a single inbound flight).
- TAT target Thailand's tourist arrival at 10m tourists this year while it expects 18m tourists next year. However, on the best-case scenario assuming China to fully reopen next year, TAT expects 30m tourists.
- We have a SELL call in AAV as we are concerned on 1) sustained high jet-fuel prices, 2) higher operating expenses after AOT ends its assistance measures in March 2023F, 3) airlines' capacity ramp-up to bring back fierce competition, and 4) its weak balance sheet.

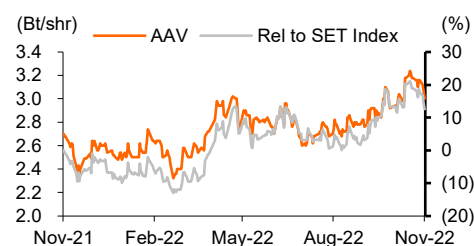
Key Valuations

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	3,828	21,778	32,422	38,669
Net profit	(6,647)	(6,423)	(557)	752
Norm net profit	(4,785)	(6,423)	(557)	752
Norm EPS (Bt)	(0.6)	(0.5)	(0.0)	0.1
Norm EPS gr (%)	na	na	na	na
Norm PE (x)	na	na	na	51.2
EV/EBITDA (x)	na	4.8	6.6	5.2
P/BV (x)	1.7	2.9	3.0	2.8
Div. yield (%)	0.0	0.0	0.0	0.0
ROE (%)	na	na	na	5.7
Net D/E (%)	13.7	28.4	34.0	24.9

Source: Thanachart estimates

Stock Data

Closing price (Bt)	3.00
Target price (Bt)	2.30
Market cap (US\$ m)	987
Avg daily turnover (US\$ m)	2.6
12M H/L price (Bt)	3.24/2.32

Price Performance

Source: Bloomberg

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