Asia Aviation Pcl (AAV TB) - SELL

Analyst Meeting

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

Key takeaways from the meeting

- **AirAsia Group and AAV see manageable financial position...**
- **...with improvement expected in 2H26F.**
- **But high jet fuel prices and slow tourism recovery…**
- **…remain key risks in our view.**

- We joined AirAsia Group's meeting on 18 September and AAV's meeting on 21 September. Key takeaways for AirAsia Group's meeting are as follows:
  - Co-founder Tony Fernandes dismissed reports that AirAsia Group needs a Malaysian government bailout, saying the group has strong liquidity and that no aircraft have been grounded due to loan defaults.
  - The group's US$1bn fundraising plan (not US$3bn) is mainly aimed at refinancing high-interest debt rather than covering operational shortfalls. The financing is expected to be finalized around December 2026 or January 2027.
  - Tony believes the second quarter was the toughest period for the airline and he expects improving conditions as AirAsia Group adjusts fares to reflect higher jet fuel costs.
- Key takeaways for AAV's meeting are as follows:
  - Thai AirAsia continues to operate as usual, with planned capacity cuts of 23% in 3Q26F and 10% in 4Q26F to reflect seasonal effects and focus on profitable routes.
  - 3Q26F passenger yield is expected to remain stable q-q due to the low season, before increasing in 4Q26F on strong high-season demand. Cabin factor is expected at around 77–78% in 3Q26F, vs. 78% in 2Q26.
  - Management expects intra-group related-party receivables to decline in 2H26F following repayments by AirAsia Group. Thai AirAsia's related-party receivables surged to Bt14.6bn in 2Q26, of which Bt7.3bn was overdue.
  - It still plans to issue debentures in November to refinance bonds due in December and fund working capital. In addition, two owned aircraft are undergoing sale-and-leaseback transactions, with a total value of almost Bt2bn.
- Despite liquidity mitigation plans, we remain concerned about AAV's financial constraints amid sustained high jet fuel prices and a slow recovery in Thailand's tourist arrivals. We expect a 3Q26F loss due to seasonality, followed by a 4Q26F recovery, but jet fuel at US$180/bbl could derail the recovery. With the share price below our TP, we put our forecasts and TP under review.

Key Valuations

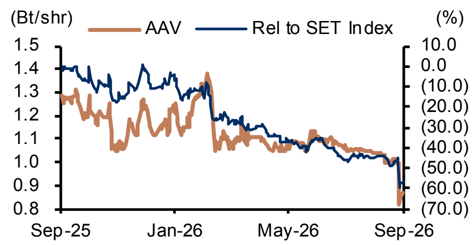
Y/E Dec (Bt m)	2025A	2026F	2027F	2028F
Revenue	45,691	50,213	47,981	49,369
Net profit	2,336	(2,549)	712	663
Norm net profit	405	(1,542)	712	663
Norm EPS (Bt)	0.03	(0.12)	0.06	0.05
Norm EPS gr (%)	(86.3)	na	na	(6.9)
Norm PE (x)	27.6	na	15.7	16.9
EV/EBITDA (x)	7.4	180.7	7.7	7.8
P/BV (x)	0.8	1.0	1.0	0.9
Div. yield (%)	0.0	0.0	0.0	0.0
ROE (%)	3.2	na	6.3	5.5
Net D/E (%)	58.2	115.9	108.2	102.0

Source: ttb wealth estimates

Stock Data

Closing price (Bt)	0.87
Target price (Bt)	U.R.
Market cap (US$ m)	336
Avg daily turnover (US$ m)	1.8
12M H/L price (Bt)	1.38/0.82

Price Performance



Source: Bloomberg

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