

COMPANY UPDATE

Tigerair (TGR SP)

4QFY15 Earnings Preview: Expect Uninspiring Results

We expect Tigerair to report low single-digit profit for 4QFY15, assuming a 13% rise in average fares. In 3QFY15, the airline reported S\$2.2m in net profit on improved loads and a 12.8% yoy rise in fares. The improvement in loads for 4QFY15 was lower than that in 3QFY15 but costs are likely to drop due to lower fuel prices. Average ticket prices remain the key variable. Every S\$1 change in average ticket price assumption will lead to a S\$1.2m change in PBT. Maintain HOLD with a target price of S\$0.34. Preferred entry at S\$0.29.

4QFY15 EARNINGS PREVIEW

(S\$m)	4QFY15F	Comments
Pax Load Factor (%)	79.0	Pax load factor rose 3.2ppt yoy
Unit cost S cents/ASK	5.66	Assuming a 12% reduction in fuel cost (net of hedging losses)
Pax Yield S cents/RPK	6.94	6.7% higher yoy but 3.4% lower qoq
Breakeven pax load Factor (%)	81.6	
Operating profit(loss)	2.5	A reversal from 4QFY14's S29.4m loss
PBT(loss)	4.3	Every S\$1.0 rise/decline in pax ticket price will lead to S\$1.2m rise/decline in forecast PBT
Net profit(loss)	2.4	

Source: UOB Kay Hian

- **Losses likely stemmed but 4QFY15 profitability likely to be weak.** Tigerair's return to profitability in 3QFY15 was aided by a 5% rise in yields and a 6.2ppt rise in loads. In 4QFY15, loads improved by a smaller quantum (3.2ppt). Earnings will thus be highly dependant on ongoing improvement in yields. We have already assumed a 6.7% increase in pax yields, assuming improved pricing power following the crash of AirAsia Indonesia QZ8501.
- **Improvement in load factor, driven by capacity cuts.** Capacity declined 10.7% yoy in 4QFY15, accelerating from the 5.7% yoy drop in the third quarter. As a result, its passenger load factor has improved 380bp from the same period last year. On a full-year basis, its load factor has improved 4% to 82.1%.

KEY FINANCIALS

Year to 31 Mar (S\$m)	2013	2014	2015F	2016F	2017F
Net turnover	866	734	664	733	772
EBITDA	41	(18)	(3)	120	157
Operating profit	7	(52)	(36)	78	107
Net profit (rep./act.)	(45)	(223)	(243)	61	89
Net profit (adj.)	(45)	(227)	(247)	57	89
EPS (cent)	(5.5)	(25.1)	(15.3)	2.3	3.5
PE (x)	n.m.	n.m.	n.m.	15.4	9.9
P/B (x)	1.4	5.7	2.2	2.2	1.8
EV/EBITDA (x)	21.5	n.m.	n.m.	7.4	5.7
Dividend yield (%)	0.0	0.0	0.0	0.0	n.a.
Net margin (%)	(5.2)	(30.4)	(36.6)	8.3	11.5
Net debt/(cash) to equity (%)	200.0	67.6	4.3	(17.7)	(39.6)
Interest cover (x)	6.0	(3.9)	(0.5)	13.1	61.9
ROE (%)	(20.3)	(93.4)	(75.4)	15.3	18.6
Consensus net profit	-	-	(165)	17	49
UOBKH/Consensus (x)	-	-	1.50	3.44	1.82

Source: Tigerair, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.355
Target Price	S\$0.34
Upside	-2.0%

COMPANY DESCRIPTION

Tigerair is one of seven low-cost carriers (LCC) operating out of Changi Airport.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	TGR SP
Shares issued (m):	2,496.6
Market cap (S\$ m):	873.8
Market cap (US\$m):	640.9
3-mth avg daily t'over (US\$m):	3.1

Price Performance (%)

52-week high/low S\$ 0.434/S\$ 0.221

1mth	3mth	6mth	1yr	YTD
12.9	34.6	20.4	4.2	32.1

Major Shareholders

	%
Singapore Airlines	55.8
FY16 NAV/Share (S\$)	0.16
FY16 Net Cash/Share (S\$)	0.03

PRICE CHART



Source: Bloomberg

ANALYST

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OPERATING STATS

	4QFY15	yoy % chg
Passengers ('000)	1195.0	-9.3%
Pax Traffic (RPKm)	2,277	-6.1%
Pax Capacity (ASKm)	2,884	-10.7%
PLF (%)	79.0	3.8 ppt

Source: Tigerair

STOCK IMPACT

• **Extent of pricing power and future capacity additions will be share price catalysts.**

For FY16, we have assumed that average fares will rise 4.1% in FY16 to S\$129/per pax, which is still lower than FY13's S\$139.1/ per pax. 4QFY15's average price will highlight the extent of Tigerair's forward pricing power and is thus a key catalyst to share price performance. Tigerair's ability to add capacity will also be a key factor. Thus far, it has announced 4 daily flights to Ipoh, while cutting back on flights to Australia. For FY16, we have assumed no additional capacity increase, but a 2% rise in pax traffic.

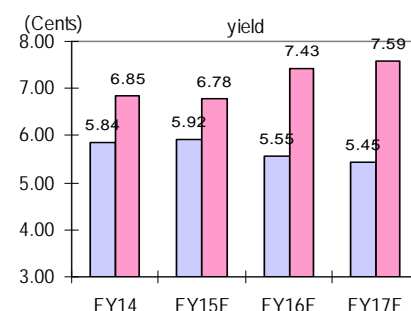
EARNINGS REVISION/RISK

• **Minimal change to our FY16 estimates.** Tigerair's market share at Changi continues to decline yoy as it cuts capacity and this is a key risk.

VALUATION/RECOMMENDATION

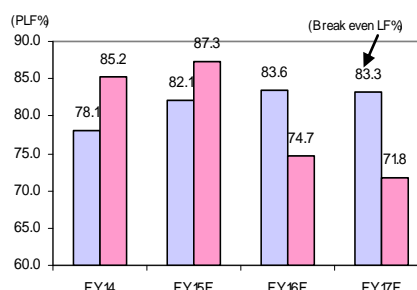
• **Maintain HOLD.** Fuel costs are likely to decrease yoy and average ticket prices remain as the biggest variable. Most of Tigerair's routes face competitions from other LCC's and thus the ability to raise ticket prices could be dependent on competitive factors. We continue to rate Tigerair as a HOLD and value it at 14x PE. This approximates 2.0x 2016F P/B. Preferred entry level is S\$0.29.

TIGERAIR UNIT COST & YIELD



Source: UOB Kay Hian

TIGERAIR PAX LF AND BREAKEVEN LF



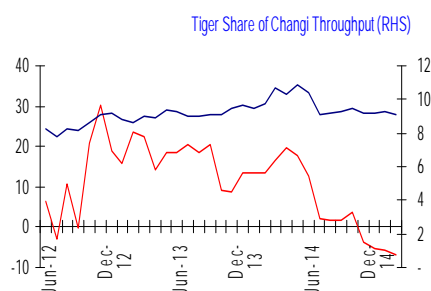
Source: UOB Kay Hian

TIGERAIR SINGAPORE ASSUMPTIONS

Year to 31 Mar	FY15F	FY16F	FY17F
RPK Growth (%)	4.0	1.8	3.0
ASK Growth (%)	(1.1)	0.0	3.3
Average Net Fares (S\$)	124	130	134
yoy % chg	(1.5)	4.9	2.5
Avg Gross Pax Fares (S\$)	102.4	107.5	110.7
yoy % chg	1.7	5.0	3.0
Jet Fuel (US\$/bbl)	98	100	100
Load Factor (%)	82.1	83.6	83.3

Source: UOB Kay Hian

TIGERAIR SHARE OF CHANGI THROUGHPUT



Tiger Passengers Carried yoy % chg (LHS)

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (\$m)	2014	2015F	2016F	2017F
Net turnover	734.0	663.5	733.4	771.7
EBITDA	(17.9)	(2.9)	120.3	156.7
Deprec. & amort.	34.1	32.9	42.4	50.0
EBIT	(52.0)	(35.7)	77.9	106.7
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	(228.7)	(33.3)	0.0	0.0
Net interest income/(expense)	(4.6)	(5.8)	(9.2)	(2.5)
Pre-tax profit	(231.6)	(247.2)	68.7	104.1
Tax	8.6	4.2	(7.6)	(15.6)
Minorities	0.0	0.0	0.0	0.0
Net profit	(223.0)	(243.0)	61.2	88.5
Net profit (adj.)	(227.4)	(247.4)	56.8	88.5

CASH FLOW

Year to 31 Mar (\$m)	2014	2015F	2016F	2017F
Operating	(82.7)	(160.6)	151.9	193.3
Pre-tax profit	(231.6)	(247.2)	68.7	104.1
Deprec. & amort.	31.3	29.3	39.2	46.6
Associates	17.9	33.3	0.0	0.0
Working capital changes	(84.3)	4.1	32.7	38.5
Non-cash items	16.8	11.8	0.0	0.0
Other operating cashflows	167.1	8.0	11.3	4.1
Investing	10.0	8.3	(49.5)	(62.0)
Capex (growth)	(365.2)	(108.0)	(162.0)	(162.0)
Investments	33.3	1.3	0.0	0.0
Proceeds from sale of assets	544.6	125.0	112.5	100.0
Others	(202.7)	(10.0)	0.0	0.0
Financing	127.1	253.2	(183.0)	(48.4)
Issue of shares	75.6	229.4	0.0	0.0
Proceeds from borrowings	14.4	0.0	0.0	0.0
Loan repayment	(168.8)	(72.0)	(172.8)	(46.1)
Others/interest paid	205.9	95.8	(10.2)	(2.3)
Net cash inflow (outflow)	54.4	100.8	(80.6)	82.9
Beginning cash & cash equivalent	117.2	171.6	272.4	191.8
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	171.6	272.4	191.8	274.6

BALANCE SHEET

Year to 31 Mar (\$m)	2014	2015F	2016F	2017F
Fixed assets	603.0	518.2	525.4	533.7
Other LT assets	45.5	14.5	14.5	10.5
Cash/ST investment	171.6	272.4	191.8	274.6
Other current assets	137.8	112.1	87.3	60.4
Total assets	957.9	917.1	818.9	879.2
ST debt	53.1	49.5	40.8	38.5
Other current liabilities	270.7	221.2	228.8	240.2
LT debt	307.0	238.6	74.4	30.6
Other LT liabilities	36.5	36.5	36.5	38.8
Shareholders' equity	278.7	365.4	432.5	519.2
Total liabilities & equity	957.9	917.1	818.9	879.2

KEY METRICS

Year to 31 Mar (%)	2014	2015F	2016F	2017F
Profitability				
EBITDA margin	(2.4)	(0.4)	16.4	20.3
Pre-tax margin	(31.5)	(37.3)	9.4	13.5
Net margin	(30.4)	(36.6)	8.3	11.5
ROA	(22.2)	(25.9)	7.0	10.4
ROE	(93.4)	(75.4)	15.3	18.6
Growth				
Turnover	(15.3)	(9.6)	10.5	5.2
EBITDA	(143.4)	n.a.	n.a.	30.2
Pre-tax profit	n.a.	n.a.	n.a.	51.5
Net profit	n.a.	n.a.	n.a.	44.7
Net profit (adj.)	n.a.	n.a.	n.a.	55.9
EPS	n.a.	n.a.	n.a.	55.9
Leverage				
Debt to total capital	56.4	44.1	21.0	11.8
Debt to equity	129.2	78.8	26.6	13.3
Net debt/(cash) to equity	67.6	4.3	(17.7)	(39.6)
Interest cover (x)	(3.9)	(0.5)	13.1	61.9

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