

# Tiger Airways Holdings Ltd

## Weak performance from Singapore

Bloomberg | Reuters | POEMS  
TGR.SP | TAHL.SI | TAW.SG  
Industry: Airlines

Phillip Securities Research Pte Ltd

31 January 2012

### Report type: Results

#### Company Overview

Tiger Airways is a low cost carrier based in Singapore and Australia. The Group also aims to grow its footprint through strategic joint ventures across Asia-Pacific. Tiger Airways intends to grow its fleet size to 68 by the end of 2015.

- Losses of S\$17.4mn in the quarter
- Losses from Singapore a surprise
- Tiger Airways Australia still suffering from overcapacity
- Downgrade to Reduce with revised TP of S\$0.58

#### What is the news?

Tiger Airways reported losses of S\$17.4mn for the quarter, mainly due to the under utilization of its fleet in Australia. Tiger Airways Australia (TAA) reported losses of S\$8.6mn on sales of S\$40.3mn, while Tiger Airways Singapore (TAS) reported losses of S\$4.8mn on sales of S\$128.5mn.

Fig.1. Results Summary

Income Statement				
(Extract)	3QFY11	3QFY12	y-y (%)	Comments
<b>(S\$'mn)</b>				
Revenue	170.4	168.4	-1.2%	
EBITDA	29.5	(5.4)	nm	TAA capacity underutilised
EBIT	26.6	(13.0)	nm	
Net Income	22.6	(17.4)	nm	Below expectations

Source: Company, PSR

#### How do we view this?

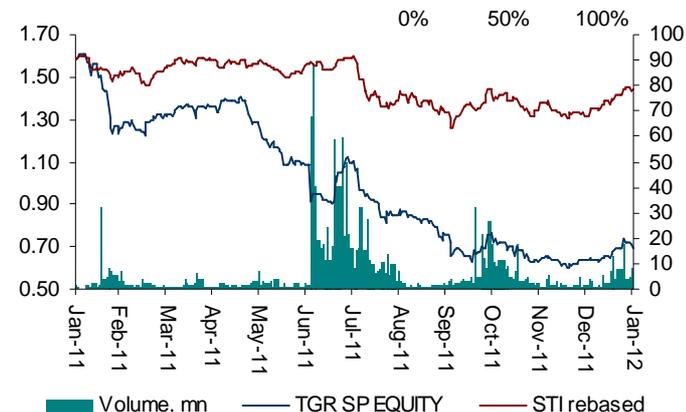
Losses from TAA are within expectations due to under utilization of its fleet. However, TAS disappointed with losses in the peak travel season. Lower load factor for TAS at lower yields is a cause for concern, as it indicates that capacity out of Singapore could be growing too quickly. From this set of results, it is evident that Tiger Airways had been struggling to pass on higher operating costs, largely due to high fuel prices, to consumers. Faced with overcapacity with low fleet utilization, we expect bigger losses in FY12E and lower profits in FY13E.

#### Investment Actions?

While operations in Australia should improve progressively with gradual lifting of flight restrictions, the group could continue to struggle with higher fuel prices and may not be able to lift yields sufficiently. Hence, we downgrade our recommendation to Reduce with revised target price of S\$0.58, based on 1.7X FY13E BVPS.

#### Tiger Airways Holdings Ltd

<b>Rating</b>	<b>4</b>	<b>Reduce</b>
- Previous Rating	3	Neutral
<b>Target Price (SGD)</b>	<b>0.58</b>	
- Previous Target Price (SGD)	0.77	
Closing Price (SGD)	0.70	
Expected Capital Gains (%)	-16.5%	
Expected Dividend Yield (%)	0.0%	
<b>Expected Total Return (%)</b>	<b>-16.5%</b>	
Raw Beta (Past 2yrs weekly data)	1.13	
Market Cap. (USD mn)	455	
Enterprise Value (USD mn)	754	
3M Average Daily T/O (mn)	4.4	
52 week range (SGD)	0.6 - 1.6195	
Closing Price in 52 week range		



#### Major Shareholders

	(%)
1. Temasek Holdings Pte Ltd	27.2
2. Singapore Airlines Ltd	21.8
3. Tembusu Capital Pte Ltd	5.2

#### Key Financial Summary

FYE	03/10	03/11	03/12F	03/13F
Revenue (SGD mn)	486	622	631	953
Net Profit, adj. (SGD mn)	45	40	(81)	18
EPS, adj. (SGD)	0.10	0.07	(0.12)	0.02
P/E (X), adj.	6.7	9.5	(5.6)	32.7
BVPS (SGD)	0.28	0.36	0.32	0.34
P/B (X)	2.5	1.9	2.2	2.1
DPS (SGD)	0.00	0.00	0.00	0.00
Div. Yield (%)	0.0%	0.0%	0.0%	0.0%

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

P/B (1.7X FY13E)

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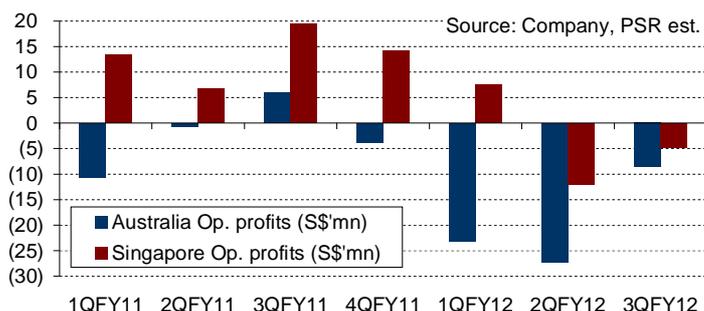
### Updates on TAA operations

TAA is currently operating with a limit of 32 sectors/day under restrictions from CASA, but had appealed to increase limits to 38 sectors/day. Aircraft utilization remains poor with overcapacity due to 10 aircrafts deployed in Australia. However, management aims to open up a second base by mid year to fully utilize its existing capacity. TAA also has a contingent liability of A\$2.25mn, which had not been booked into its statements for this year. This liability is due to a potential refund of a grant granted by the Government of South Australia for setting up a base in the State. On the positive note, losses from Australia narrowed sequentially to S\$8.6mn in the quarter.

### TAS underperformed in its peak travel season

Operating losses from Singapore came as a surprise to us. The quarter ending in December is the traditional peak season for operations out of Singapore. However, load factors declined on year, due to a 71% increase in capacity for TAS. Higher fuel prices were also not passed through to its customers, which resulted in the operating loss of S\$4.8mn.

**Fig.2. Quarterly Segmental Op Profits (S\$'mn)**



### Updates on Mandala JVs

Tiger Airways announced that its 33% joint venture in Indonesia, Mandala Airlines is expected to reactivate its Air Operator's Certificate (AOC) in Feb 2012 and flights are expected to resume in April 2012. Mandala is likely to begin operation with 3 aircrafts and is expected to take in majority of the aircrafts deliveries to the Group in FY13E. Specific routes and operational details would be announced at a later date.

### Valuation

With lower visibility on Tiger Airways' earning outlook, we switch to a book value multiples peg. We used a 10% discount to Air Asia's 5yr historical average P/B of 1.9X and apply 1.7X FY13E BVPS to derive our target price of S\$0.58. We see more downside to Tiger Airways' share price with the below par performance and downgrade our recommendation to Reduce.

**Fig.3. Air Asia's historical P/B (X)**



FYEMar	FY09	FY10	FY11	FY12F	FY13F
<b>Valuation Ratios</b>					
P/E (X), adj.	(5.0)	6.7	9.5	(5.6)	32.7
P/B (X)	(2.3)	2.5	1.9	2.2	2.1
EV/EBITDA (X), adj.	(19.1)	27.9	20.2	(24.2)	12.6
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Per share data (SGD)</b>					
EPS, reported	(0.14)	0.07	0.07	(0.14)	0.02
EPS, adj.	(0.14)	0.10	0.07	(0.12)	0.02
DPS	0.00	0.00	0.00	0.00	0.00
BVPS	(0.30)	0.28	0.36	0.32	0.34
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	24.4%	28.6%	28.0%	1.4%	51.1%
EBITDA	-1031.6%	-168.5%	38.0%	-183.6%	-292.2%
EBIT	-705.8%	-176.4%	3.0%	-290.9%	-140.4%
Net Income, adj.	-616.0%	-188.2%	-11.0%	-303.7%	-121.7%
<b>Margins</b>					
EBITDA margin	-13.3%	7.1%	7.6%	-6.3%	8.0%
EBIT margin	-12.6%	7.5%	6.0%	-11.3%	3.0%
Net Profit Margin	-13.4%	7.5%	6.4%	-14.2%	1.9%
<b>Key Ratios</b>					
ROE (%)	68.6%	181.7%	23.2%	-39.4%	6.6%
ROA (%)	-29.4%	9.4%	5.0%	-7.6%	1.2%
Net Debt/(Cash)	88	5	345	632	913
Net Gearing (X)	-80.3%	3.2%	177.2%	243.1%	328.8%
<b>Income Statement (SGD mn)</b>					
<b>Revenue</b>	<b>378</b>	<b>486</b>	<b>622</b>	<b>631</b>	<b>953</b>
<b>EBITDA</b>	<b>(50)</b>	<b>34</b>	<b>47</b>	<b>(40)</b>	<b>76</b>
Depreciation & Amortisation	3	2	(10)	(32)	(47)
<b>EBIT</b>	<b>(48)</b>	<b>36</b>	<b>37</b>	<b>(71)</b>	<b>29</b>
Net Finance (Expense)/Income	0	0	20	(4)	(7)
Other items	0	(8)	0	(8)	0
Associates & JVs	(0)	0	0	0	0
<b>Profit Before Tax</b>	<b>(48)</b>	<b>28</b>	<b>57</b>	<b>(84)</b>	<b>22</b>
Taxation	(3)	8	(17)	(6)	(4)
<b>Profit After Tax</b>	<b>(51)</b>	<b>37</b>	<b>40</b>	<b>(90)</b>	<b>18</b>
Non-controlling Interest	0	0	0	0	0
<b>Net Income, reported</b>	<b>(51)</b>	<b>37</b>	<b>40</b>	<b>(90)</b>	<b>18</b>
<b>Net Income, adj.</b>	<b>(51)</b>	<b>45</b>	<b>40</b>	<b>(81)</b>	<b>18</b>

Source: PSR

FYEMar	FY09	FY10	FY11	FY12F	FY13F
<b>Balance Sheet (SGD mn)</b>					
PPE	125	320	740	1,085	1,414
Intangibles	0	0	0	0	0
Associates & JVs	0	0	0	0	0
Investments	0	0	0	0	0
Others	23	33	28	28	28
<b>Total non-current assets</b>	<b>148</b>	<b>353</b>	<b>768</b>	<b>1,113</b>	<b>1,442</b>
Inventories	0	0	0	0	0
Accounts Receivables	20	21	25	23	25
Investments	0	0	0	0	0
Cash	13	207	196	210	230
Others	6	6	12	12	12
<b>Total current assets</b>	<b>39</b>	<b>234</b>	<b>232</b>	<b>245</b>	<b>266</b>
<b>Total Assets</b>	<b>187</b>	<b>587</b>	<b>1,001</b>	<b>1,358</b>	<b>1,708</b>
Short term loans	101	110	167	167	167
Accounts Payables	78	113	117	107	139
Others	87	83	106	106	106
<b>Total current liabilities</b>	<b>266</b>	<b>305</b>	<b>390</b>	<b>380</b>	<b>412</b>
Long term loans	0	102	374	675	976
Others	30	30	43	43	43
<b>Total non-current liabilities</b>	<b>30</b>	<b>132</b>	<b>416</b>	<b>717</b>	<b>1,018</b>
Non-controlling interest	0	0	0	0	0
<b>Shareholder Equity</b>	<b>(110)</b>	<b>150</b>	<b>195</b>	<b>260</b>	<b>278</b>
<b>Cashflow Statements (SGD mn)</b>					
CFO					
PBT	(48)	28	57	(84)	22
Adjustments	(0)	(13)	(0)	35	54
Cash from ops before WC changes	(48)	15	57	(48)	76
WC changes	8	43	24	(8)	31
Cash generated from ops	(40)	58	81	(57)	106
Taxes paid, net	(0)	(0)	0	(6)	(4)
Interest paid	(0)	(0)	(4)	(5)	(8)
<b>Cashflow from ops</b>	<b>(40)</b>	<b>58</b>	<b>77</b>	<b>(68)</b>	<b>93</b>
CFI					
CAPEX, net	(38)	(196)	(433)	(376)	(376)
Dividends from associates & JVs	0	0	0	0	0
Dividends/Interest from Investments	1	0	1	2	2
Purchase/sale of investments	0	0	0	0	0
Investments in subs & associates	0	0	0	0	0
Others	0	0	0	0	0
<b>Cashflow from investments</b>	<b>(38)</b>	<b>(196)</b>	<b>(432)</b>	<b>(374)</b>	<b>(374)</b>
CFF					
Share issuance	0	225	2	155	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	58	115	343	301	301
Dividends to minority interests	0	0	0	0	0
Dividends to shareholders & capital reduction	0	0	0	0	0
Others	0	0	0	0	0
<b>Cashflow from financing</b>	<b>58</b>	<b>340</b>	<b>344</b>	<b>456</b>	<b>301</b>
<b>Net change in cash</b>	<b>(20)</b>	<b>201</b>	<b>(11)</b>	<b>14</b>	<b>20</b>
Effects of exchange rates	(0)	0	0	0	0
<b>CCE, end</b>	<b>13</b>	<b>215</b>	<b>196</b>	<b>210</b>	<b>230</b>

Source: PSR



**PSR Rating System**

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
> -20%	Sell	5

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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