

Tiger Airways Holdings Ltd

Strong performance out of Singapore

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Industry: Airlines

Phillip Securities Research Pte Ltd

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Report type: Results

Company Overview

Tiger Airways is a low cost carrier based in Singapore and Australia. The Group 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.

- Turnaround in profits as expected.
- Outstanding performance from Tiger Airways Singapore on seasonal strength.
- Start up losses at the JVs remain a drag
- Switched to SOTP valuation model.
- Maintain Sell with revised TP of S\$0.65.

What is the news?

Tiger Airways finally reported a profit of S\$2.0mn after 6 consecutive quarters of losses. Driven by seasonal strength, Tiger Airways Singapore (TAS) booked in record profits of S\$27mn. Tiger Airways Australia (TAA) remained in the red with losses of S\$13mn (3QFY12: -S\$8.6mn), largely due to poor load factors on its planes. Management guided for an operating loss for FY13E.

Fig 1. Results Summary

Income Statement				
(Extract)	3QFY12	3QFY13	y-y (%)	Comments
(S\$'mn)				
Revenue	168.4	247.7	47.1%	TAS: +35%, TAA: +80%
EBITDA	(5.4)	25.6	n.m.	
EBIT	(13.0)	17.9	n.m.	
Net Income	(17.4)	2.0	n.m.	In line with expectations

Source: Company, PSR

How do we view this?

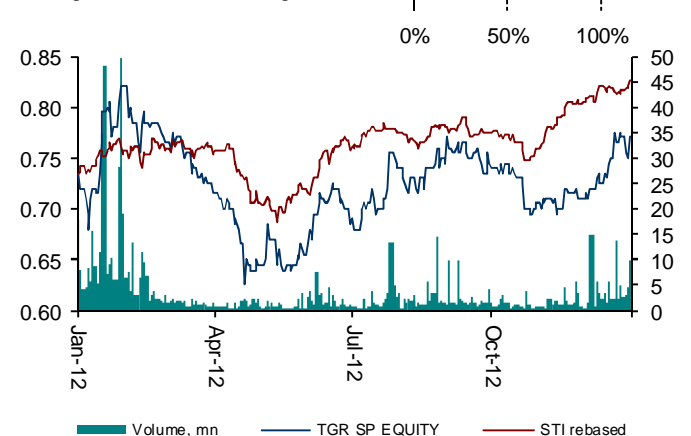
The profit turnaround was in line with our expectations. We believe that the key source of profits at TAS was the significantly higher aircraft utilization (PSR est.: +20%y-y). The key source of surprise in the quarter was the tight rein on operating expenses, despite its shift to Changi Airport Terminal 2.

Investment Actions?

We roll forward our valuation basis to FY14E, switched to a SOTP model and lifted our target price to S\$0.65. In our SOTP model, we valued the core operations of the group at 7X FY14E EBITDA and pegged the valuation of TAA to the offer price by Virgin Australia. Due to lack of earnings visibility, we did not assign any value to the group's stake in Mandala and SEAIR. Despite our expectations of a turnaround at Tiger Airways, we remain cautious in our recommendation on the stock largely due to its unattractive valuation. Maintain Sell.

Tiger Airways Holdings Ltd

Rating	5	Sell
- Previous Rating	5	Sell
Target Price (SGD)	0.65	
- Previous Target Price (SGD)	0.45	
Closing Price (SGD)	0.77	
Expected Capital Gains (%)	-15.0%	
Expected Dividend Yield (%)	0.0%	
Expected Total Return (%)	-15.0%	
Raw Beta (Past 2yrs weekly data)	1.14	
Market Cap. (USD mn / SGD mn)	515 / 632	
Enterprise Value (USD mn / SGD mn)	833 / 1021	
3M Average Daily T/O (mn)	2.3	
52 week range (SGD)	0.62 - 0.86	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Singapore Airlines Ltd	32.8
2. Dahlia Investments Pte Ltd	7.4

Key Financial Summary

FYE	03/12	03/13F	03/14F	03/15F
Revenue (SGD mn)	618	842	1,085	1,264
Net Profit, adj. (SGD mn)	(99)	(36)	26	74
EPS, adj. (SGD)	(0.14)	(0.04)	0.03	0.09
P/E (X),adj.	(5.4)	(17.3)	24.0	8.5
BVPS (SGD)	0.30	0.26	0.29	0.38
P/B (X)	2.5	3.0	2.6	2.0
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

SOTP

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Start up losses at Mandala & SEAIR

Mandala & SEAIR continued to suffer from start up losses. The group's share of unrecognized losses in Mandala increased to S\$14.3mn in the quarter. Tiger Airways injected another S\$20mn of equity into SEAIR, but booked another S\$8.3mn of losses for the quarter. In order to support the growth of its JVs, Tiger Airways also provided total loans of S\$33mn to them. Mandala lacks the scale to compete efficiently with the larger incumbents in the Indonesian market with its 7 aircraft. We expect the group's investment into these 2 JVs to be fully eroded by the end of FY14E.

Divestment of Tiger Airways Australia

The EGM for the proposed divestment of its 60% stake in TAA would be held on 31st Jan. Separately, Australia's anti competition authority, ACCC, is expected to announce their findings on the 7th Feb.

Fig 2. SOTP Valuation

Value (S\$'mn)	Remarks
Core (TAS + Group)	902 7X FY 14E EBITDA, peer average
TAA	74 Virgin Australia's offer for 60% of TAA at A\$35m
Mandala	0
SEAIR	0
Enterprise Value	975
Less: FY 14E Net Debt	(444)
Market Value of Equity	531
Outstanding number of shares ('mn)	820
Target Price (S\$)	0.65

Source: PSR est.

FYEMar	FY11	FY12	FY13F	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.	10.4	(5.4)	(17.3)	24.0	8.5
P/B (X)	2.1	2.5	3.0	2.6	2.0
EV/EBITDA (X), adj.	17.0	(19.5)	34.2	11.2	6.8
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Per share data (SGD)					
EPS, reported	0.07	(0.15)	(0.04)	0.03	0.09
EPS, adj.	0.07	(0.14)	(0.04)	0.03	0.09
DPS	0.00	0.00	0.00	0.00	0.00
BVPS	0.36	0.30	0.26	0.29	0.38
Growth & Margins (%)					
Growth					
Revenue	28.0%	-0.6%	36.2%	28.9%	16.5%
EBITDA	62.3%	n.m	n.m	205.3%	64.5%
EBIT	30.0%	n.m	n.m	n.m	117.0%
Net Income, adj.	-11.0%	n.m	n.m	n.m	181.9%
Margins					
EBITDA margin	9.6%	-8.4%	3.5%	8.4%	11.8%
EBIT margin	7.6%	-13.5%	-0.6%	4.4%	8.1%
Net Profit Margin	6.4%	-16.9%	-4.3%	2.4%	5.8%
Key Ratios					
ROE (%)	23.2%	-47.1%	-15.7%	11.6%	26.8%
ROA (%)	5.0%	-10.1%	-3.6%	2.6%	6.4%
Net Debt/(Cash)	345	423	463	444	389
Net Gearing (X)	1.8	1.7	2.2	1.9	1.2
Income Statement (SGD mn)					
Revenue	622	618	842	1,085	1,264
EBITDA	60	(52)	30	91	149
Depreciation & Amortisation	(13)	(31)	(35)	(44)	(47)
EBIT	47	(83)	(5)	47	103
Net Finance (Expense)/Income	10	(7)	(9)	(10)	(10)
Other items	0	(10)	0	0	0
Associates & JVs	0	0	(16)	(5)	0
Profit Before Tax	57	(101)	(31)	33	92
Taxation	(17)	(4)	(6)	(7)	(18)
Profit After Tax	40	(104)	(36)	26	74
Non-controlling Interest	0	0	0	0	0
Net Income, reported	40	(104)	(36)	26	74
Net Income, adj.	40	(99)	(36)	26	74

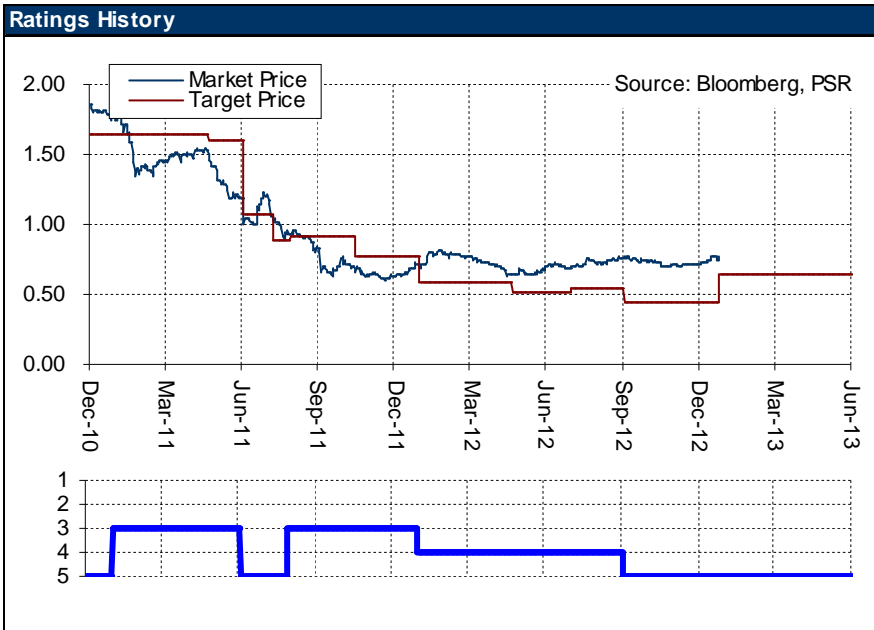
Source: PSR

FYEMar	FY11	FY12	FY13F	FY14F	FY15F
Balance Sheet (SGD mn)					
PPE	740	832	807	847	883
Intangibles	0	2	2	2	2
Associates & JVs	0	0	5	0	0
Investments	0	0	0	0	0
Others	28	37	74	74	74
Total non-current assets	768	871	887	922	959
Inventories	0	0	0	0	0
Accounts Receivables	25	27	27	28	28
Investments	0	0	0	0	0
Cash	196	161	24	109	231
Others	12	13	13	13	13
Total current assets	232	201	64	150	273
Total Assets	1,001	1,072	951	1,073	1,232
Short term loans	167	205	100	100	100
Accounts Payables	117	123	135	164	183
Others	106	78	78	78	78
Total current liabilities	390	406	314	342	361
Long term loans	374	379	387	454	520
Others	43	38	38	38	38
Total non-current liabilities	416	417	425	492	559
Non-controlling interest	0	0	0	0	0
Shareholder Equity	195	248	212	238	312

Cashflow Statements (SGD mn)

CFO					
PBT	57	(101)	(31)	33	92
Adjustments	(0)	50	60	58	57
Cash from ops before WC changes	57	(50)	29	90	149
WC changes	24	(42)	12	28	18
Cash generated from ops	81	(93)	42	118	167
Taxes paid, net	0	(1)	(6)	(7)	(18)
Interest paid	(4)	(12)	(10)	(10)	(11)
Cashflow from ops	77	(106)	26	102	137
CFI					
CAPEX, net	(433)	(125)	(10)	(83)	(83)
Dividends from associates & JVs	0	0	0	0	0
Dividends/Interest from Investments	1	1	2	0	1
Purchase/sale of investments	0	0	0	0	0
Investments in subs & associates	0	0	(21)	0	0
Others	0	(4)	(37)	0	0
Cashflow from investments	(432)	(128)	(66)	(83)	(82)
CFF					
Share issuance	2	155	0	0	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	343	43	(97)	67	67
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
Cashflow from financing	344	199	(97)	67	67
Net change in cash	(11)	(35)	(137)	86	122
Effects of exchange rates	0	0	0	0	0
CCE, end	196	161	24	109	231

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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