

## Q2 earnings sink at Asia Aviation, Nok Airlines but analysts upbeat on 2nd-half

THE NATION

THE SECOND-QUARTER net profits of two listed low-cost carriers declined sharply from their previous three months' earnings, due to the low season and fierce price competition.

Asia Aviation, the owner Thai AirAsia, reported a second-quarter net profit of Bt265 million, down 98 per cent year on year and 33 per cent quarter on quarter.

Nok Airlines recorded a net profit of Bt260 million in the period, up 136 per cent year on year but down 37 per cent quarter on quarter.

However, analysts believe the two airlines will recover in the second half, due to the introduction of new aircraft and the ability to maintain cabin-factor ratios.

An analyst at Krungsri Securities said in research that Nok would show dramatic net-profit growth in the second half, thanks to an increase in its number of aircraft and the adjustment of its entire fleet from Boeing 737-400s to Boeing 737-800s.

The new aircraft will boost the carrier's available seats per kilometre, which has already expanded 52 per cent year on year to 993 this quarter.

Nok's cabin factor this quarter has also climbed. to 86.6 per cent

from 83.7 per cent in the second quarter.

The cost of available seats per kilometre (CASK), meanwhile, has improved to Bt2.33 from Bt2.70 in the second quarter last year, said Krungsri Securities.

Kiatnakin Securities said in its research that it might revise Nok's profit this year upward from the current target of Bt1.17 billion to reflect CASK efficiency, apart from the high-season factor in the second half.

An analyst at KGI Securities expects Asia Aviation's profit to be strong during the 2013-2015 period, due to the bright outlook for Thai tourism.

The company's executives told the analyst that despite fierce price competition from new rivals Lion Air and Viet Jet, the newcomers would not find it easy to achieve the flight timetables they are seeking around the region.

Asia Aviation expects to maintain Thai AirAsia's load factor at 82 per cent this year, as it will be adding 10 aircraft to its fleet of 25.

Meanwhile, the company will maintain its ticket prices and increase the load factor from new routes in Indo-China and southern China, in order to offset fare reductions from the fierce competition on domestic routes.