

TURBULENT TIMES

Budget airline Nok Air slips into the red, while full-service carrier Bangkok Airways sees its profit slump by 62%. **B6**

Nok Air slips into red amid fierce price war

Bangkok Airways sees 2014 profit fall 62%

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Nok Air and Bangkok Airways showed a sharp contrast in their 2014 financial performances, with the former slipping into the red and the latter remaining in the black, albeit with reduced earnings.

It was a reversal of fortune for budget carrier Nok Air, which posted a net loss of 472 million baht last year compared with profits of 1.06 billion in 2013 and 505 million in 2012.

Although regional airline Bangkok Airways finished 2014 with a net profit of 351 million baht, it represented a 62.3% decline from 2013's profit of 932 million.

The two airlines, both listed on the Stock Exchange of Thailand (SET), were said to be badly affected by the downturn in passenger traffic in the first nine months of last year caused by the country's political turmoil.

Earlier, Thai Airways International, the struggling flag carrier also listed on the SET, posted a full-year 2014 loss of 15.6

billion baht, worse than the 12-billion-baht loss it suffered in 2013.

Asia Aviation Plc, the major stakeholder in low-cost carrier (LCC) Thai AirAsia, managed to finish 2014 with a full-year net profit of 183 million baht.

However, that was sharply down by 82% from the previous year's record high of 1.04 billion.

In a filing with the SET, Nok Air attributed its loss to overcapacity among LCCs, an intense price war, the sluggish economy, a drop in foreign arrivals and a weakened baht.

Nuanwan Bhuprasert, Nok Air's chief financial officer, said the ongoing fleet expansion of several budget airlines and the market entrance of others resulted in an 18.6% increase in capacity, exceeding domestic air passenger growth of 10.1% and leading to fierce fare competition.

Thailand's GDP rose by a mere 0.7% last year, while the number of foreign visitors fell by 6.7% from 2013.

Depreciation of the baht against the US dollar of 5.69% in 2014, to 32.48 baht from 30.73 baht in 2013, affected Nok Air's expenditure since 65% of its operating costs — aircraft leasing, maintenance and fuel — were in foreign currencies.

Although Nok Air was able to maintain its cabin factor at a relatively high rate of 81.3% last year, its revenue per available seat-kilometre (RASK) was down by 14% to 2.26 baht.

Another main contributor to its 2014 losses was a recognition of a loss of 61.2 million baht at subsidiaries, primarily NokScoot Airlines, the long-haul LCC set up in partnership with Singapore's Scoot.

NokScoot has yet to begin scheduled service.

Nok Air's 2014 revenue inched up by 8.8% to 12.3 billion baht.

Bangkok Airways showed a more robust balance sheet despite difficulties in a hostile environment.

Though its revenue rose by 6.84% in 2014 to 22.6 billion baht, RASK dropped by 24.2% to 3.41 baht from 4.50 baht in 2013.

Its cabin factor also dropped to 65.3% from 67.9% in the previous year even though it carried 14.77% more passengers in 2014 with a record 4.78 million.

NOK shares closed yesterday on the SET at 14 baht, up 40 satang, in trade worth 45.7 million baht.

Bangkok Airways shares (BA) closed at 19.60 baht, down 40 satang, in trade worth 109 million baht.