

Tiger Airways (TGR SP)

Transport - Aviation

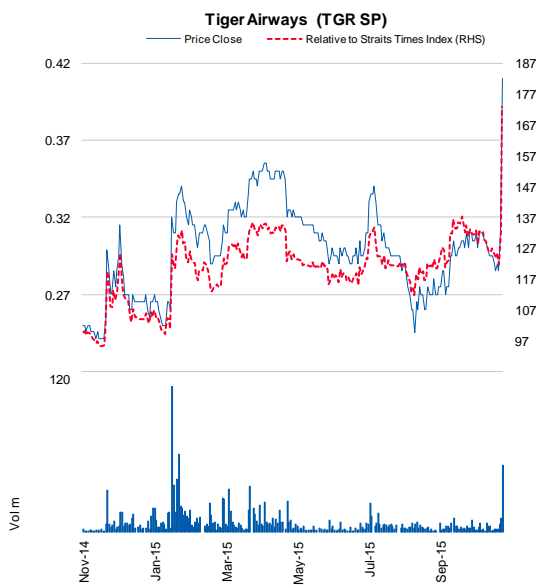
Market Cap: USD727m

Take Profit (from Neutral)

 Target Price: **SGD0.41**

 Price: **SGD0.41**

SIA Offers To Buy Tigerair's Minorities

 Macro ◆◆◆
 Risks ◆◆◆
 Growth ◆
 Value ◆◆◆


Source: Bloomberg

Avg Turnover (SGD/USD)	1.30m/0.93m
Cons. Upside (%)	-26.8
Upside (%)	0.0
52-wk Price low/high (SGD)	0.24 - 0.41
Free float (%)	44
Share outstanding (m)	2,499
Shareholders (%)	
Singapore Airlines	55.8
Vanguard Group	0.5
Check Kian Low	0.3
Share Performance (%)	
	YTD 1m 3m 6m 12m
Absolute	54.7 36.7 39.0 26.2 56.4
Relative	65.2 32.8 44.8 39.2 64.9

SIA has made a voluntary conditional offer to acquire all of Tigerair's shares it does not currently own with an intention to delist and privatise the budget airline. Recommend investors to 'accept the offer' (TAKE PROFIT, from Neutral) and raise to SGD0.41 TP (from SGD0.30). It has offered SGD0.41 for each Tigerair share and an option to subscribe 0.036 SIA shares at SGD11.1043 for each share held in Tigerair. The offer values Tigerair at USD721m, which we deem fair.

- ◆ **Details of the offer.** Singapore Airlines (SIA) (SIA SP, NR) has offered SGD0.41 per share for all shares in Tigerair that it does not own (1,105.2m shares) and also for all shares converted on the exercise of perpetual securities (26.7m shares) and outstanding options (19m shares). SIA intends to fund SGD471m, maximum amount payable, from its internal cash balance. The offer also includes an option to subscribe 0.036 SIA shares at SGD11.1043 subject to the offer becoming unconditional.
- ◆ **Conditions to the offer.** SIA's offer is conditional upon: i) SIA owning more than 90% of Tigerair by the close of the offer, and ii) SIA securing in-principle approval for the dealing in, listing and quotation for the new SIA shares to be issued in connection with the offer.
- ◆ **Take cash or subscribe to SIA shares.** While we do not cover SIA, Bloomberg's consensus 12-month TP of SGD11.93 (seven BUYS, nine HOLDS and two SELLS) implies only 7% upside. Amidst a limited upside to SIA's share price over the next 12 months, we prefer taking cash on offer.
- ◆ **Continue building synergies.** In our initiation report [Ready \(Again\) For Take Off](#) dated 15 Sep, we stated that SIA becoming Tigerair's largest shareholder and parent was the key element for the latter's turnaround and growth. Tigerair becoming 100% subsidiary would enable SIA to expedite the turnaround. While a merger of Tigerair and Scoot would bring cost savings, management plans to keep the entities separate.
- ◆ **Compelling offer.** SIA's offer of SGD0.41 is 37% above our previous SGD0.30 TP and values Tigerair at 20.3x FY17F P/E (Mar) and 3.6x FY17F P/BV, while regional lower-cost carriers (LCCs) are trading at 4.7x-16.4x FY16F (Dec) P/E and 0.65x-1.13x FY16F P/BV.

Forecasts and Valuations	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Total turnover (SGDm)	746	677	716	751	809
Reported net profit (SGDm)	(223)	(264)	8	50	61
Recurring net profit (SGDm)	(223)	(264)	8	50	61
Recurring net profit growth (%)	391.2	18.5	na	529.8	20.0
Recurring EPS (SGD)	(0.25)	(0.15)	0.00	0.02	0.02
Recurring P/E (x)	na	na	128	20	17
P/B (x)	1.45	4.75	4.42	3.63	2.99
P/CF (x)	na	24.8	17.0	9.5	8.0
EV/EBITDA (x)	na	na	15.4	8.1	6.4
Return on average equity (%)	(93.4)	(107.0)	3.6	19.6	19.4
Net debt to equity (%)	67.6	net cash	net cash	net cash	net cash
Our vs consensus EPS (adjusted) (%)			(54.2)	44.2	34.6

Source: Company data, RHB

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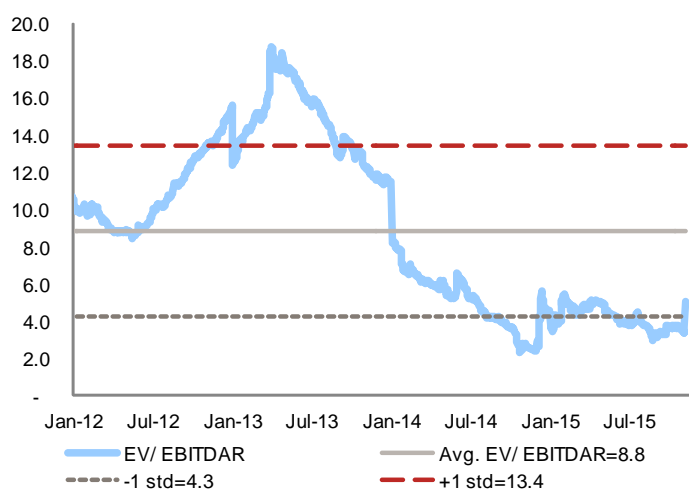
Figure 1: Regional peer valuation

	P/E		P/BV		EV/EBITDA		Net debt/equity	
	FY01	FY02	FY01	FY02	FY01	FY02	FY01	FY02
AirAsia	6.2	4.7	0.73	0.65	6.4	6.5	199%	203%
AirAsia X	na	na	1.08	1.13	40.4	9.6	142%	124%
Asia Aviation	13.1	16.4	1.12	1.07	7.0	8.9	14%	25%
Nok Air	10.7	5.5	1.14	0.98	na	0.6	-80%	-84%
Tiger Air	127.8	20.3	4.42	3.63	15.4	8.1	-50%	-68%

Note: FY01 for Tigerair refers to year ending Mar 2016, while for other companies it refers to year ending Dec 2016.

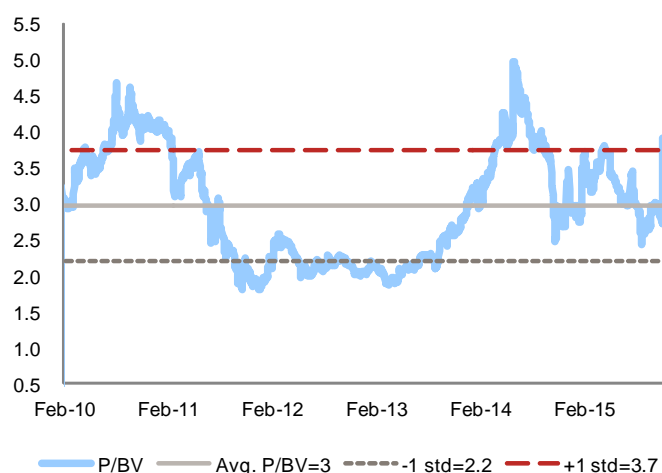
Source: Bloomberg, RHB

Figure 2: Tigerair - 1-year forward (unadjusted) EV/EBITDAR



Source: Bloomberg, Company data, RHB

Figure 3: Tigerair - 1-year forward P/BV



Source: Bloomberg, Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-10-26	Neutral	0.30	0.30
2015-09-15	Buy	0.32	0.28
2013-05-20	Buy	0.85	0.54
2012-11-02	Buy	0.85	0.58
2012-10-31	Buy	0.85	0.58
2012-10-02	Neutral	0.76	0.59
2012-08-03	Buy	2.45	0.55
2012-07-31	Buy	0.75	0.54
2012-05-22	Buy	0.75	0.50
2012-04-18	Buy	0.87	0.57

Source: RHB, Bloomberg

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