

Air Partner plc

Mid Market Opportunities

UK Equity Research

5 May 2020

Canaccord Genuity Ltd (UK)

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Strong start to the year

Canaccord Genuity view

The company has made a good start to its financial year, with particularly good performances in Group Charter and Freight. As a leading air charter broker, we believe Air Partner is well positioned to benefit from the long-term growth trends in aviation. In the near term, however, global aviation will be significantly impacted by the COVID-19 crisis. Due to the lack of visibility beyond the next couple of months, the full year impact of COVID-19 is unclear and the stock remains Under Review.

What's new?

Trading has started well in Q1 FY21E, driven by Freight and Group Charter, delivering an underlying PBT of £6m. Cash at the end of April was £13m.

Impact

Even though the company has an encouraging order book for May and June, visibility beyond that is poor. Given the ongoing uncertainty surrounding COVID-19, our forecasts, target price and recommendation remain Under Review.

Trading summary

Initial trading in Q1 FY21E (Feb-April) confirms that the Group has made a strong start to the financial year, with unaudited accounts showing an underlying PBT of £6m. April was a record month, benefiting from unusually high activity levels in Freight and Group Charter. Private Jet and Safety & Security, however, remained notably behind previous years. While the order book for May and June is encouraging, particularly in Freight and Group Charter, the Group has limited visibility beyond that period.

Operations

Significant repatriation and evacuation work has continued to be carried out by Group Charter. The division is also involved in corporate shuttles and flying agricultural workers from Europe to the UK.

Air Partner's Freight teams were extremely busy in April, notably flying emergency shipments of PPE on behalf of a number of customers. This is likely to continue in May.

Activity in Private Jets has remained very weak, reflecting wider aviation trends as people follow government advice globally against non-essential travel. When international aviation starts to reopen, however, demand is likely to improve as some executives and high net worth individuals may avoid scheduled flights and busy airports. It is worth noting, however, that Redline recently won two contracts.

Safety & Security has been adversely affected by COVID-19 as government restrictions have resulted in a strong decline in aviation industry activities, with a knock-on effect on customer demand for training, consulting and quality assurance.

Controlling costs and cash

Costs continue to be managed tightly in order to preserve cash and maintain working capital. Normalised cash (excluding significant customer deposits and JetCard cash) at the end of April was £13m. The company has access to a total debt facility of £14.5m (£1.5m overdraft and £13m RCF), which is drawn down by £11.5m as at 1 May 2020. The RCE is due to expire in February 2023.

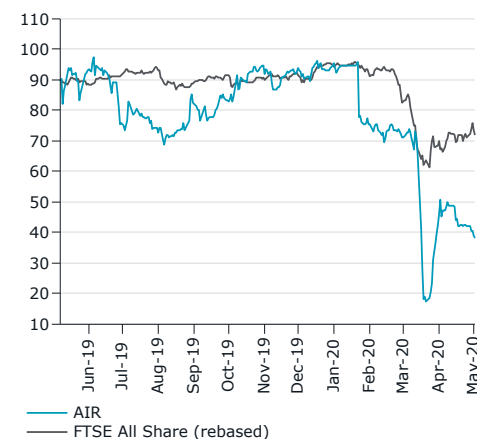
Rating
UNDER REVIEW
 unchanged

AIR-LSE
 Price
39p

Market Data

52-Week Range (p) :	15 - 103
Market Cap (£M) :	20.7
Shares Out. (M) :	53.5
Enterprise Value (£M) :	30.3

FYE Jan	2018A	2019A
Gross Profit (£M)	34.7	35.5
PBT Adj (£M)	5.8	5.8
EPS Adj&Dil (p)	8.1	9.4
DPS (p)	5.5	5.6
P/E (x)	4.8	4.1
Div. Yield (%)	14.2	14.5
EV/EBITDA (x)	3.8	2.6



Priced as of close of business 4 May 2020

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Investment Recommendation

Date and time of first dissemination: May 05, 2020, 02:08 ET

Date and time of production: May 05, 2020, 02:08 ET

Distribution of Ratings:

Global Stock Ratings (as of 05/05/20)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	505	59.91%	53.27%
Hold	200	23.72%	40.00%
Sell	18	2.14%	27.78%
Speculative Buy	120	14.23%	74.17%
	843*	100.0%	

*Total includes stocks that are Under Review

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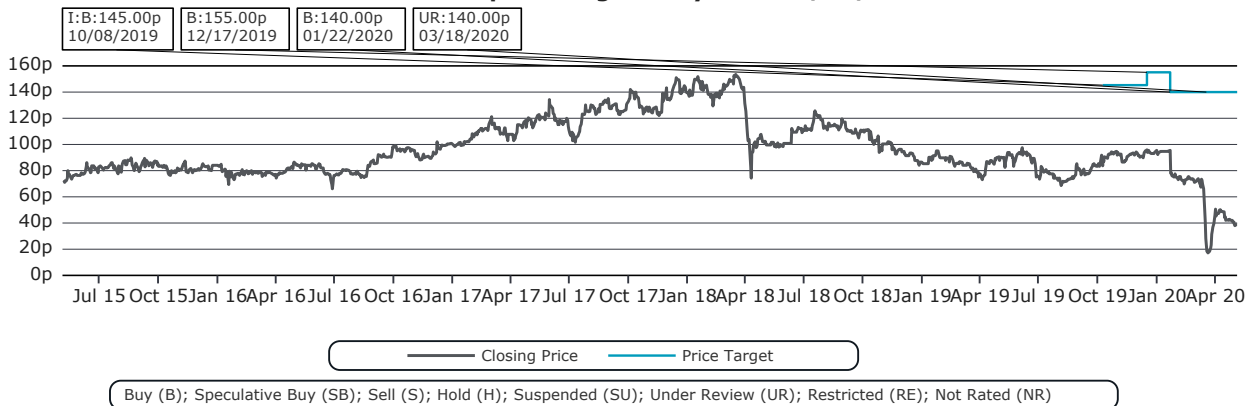
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Air Partner plc Rating History as of 05/04/2020



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