

Air Partner

Travel & leisure
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Better to travel

Air Partner (AIR) is on a journey of transformation, with a clear, long-term strategy to become a world-class global aviation services group. While AIR's market includes some inherent volatility, the group is international, broadly based and diversified – increasingly so as the younger Consulting & Training business scales up. Cash-rich, it is well-placed both to add and grow complementary businesses.

Strong H1 results

AIR reported a strong first half with underlying PBT of £4.1m, up 34% y-o-y, on gross profit up 12% to £18.1m. Net cash strengthened further, up 104% at £10.6m. Management signals that full-year expectations should be met (we suspect they may be exceeded) and the interim dividend has been raised by 6.2% to 1.7p.

Both divisions progressing

Within the Broking division, Commercial Jets has won significant sports contracts, now serving 35 football clubs, and saw strong growth from European tour operations, the extension of its German automotive contract and work for airlines. In Private Jets, US clients increased 70%, and JetCard renewals were up 24%, although key customers reduced spend and profit was flat on investment in staff. The Consulting & Training division performed solidly with encouraging potential for H2. Baines Simmons, acquired in 2015, has added significant safety and training contracts. The move to reach a more equal balance (the division is currently c 14% of gross profit) continues, with the £3.0m acquisition of SafeSkys, a leading environmental and air traffic control services provider with particular expertise on avoiding bird strikes and the potential to expand into, for example, drone safety.

A long-term growth market

AIR's global charter business is driven by a mix of factors connected with the global economy, geopolitical developments and natural events. Underlying indicators are positive, with IATA predicting passenger traffic to increase to 7.2 billion in 2035, a near doubling of the 3.8 billion passengers in 2016. AIR's market includes volatile elements, but the business is managed for the long term, with an active strategy of alignment to the needs of the global customer base

Valuation: Undemanding given the opportunity

There are no direct peers, but the FY18e P/E of 16.7x compares well with the FTSE All-Share Industrials year 1 index at 14.0x and the FTSE All-Share Leisure index at 13.0x, given its strategic opportunities combined with the c 4% yield.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	Yield (%)
01/16	49.9	4.3	5.9	4.9	22.1	3.8
01/17	42.5	5.1	6.5	5.2	20.1	4.0
01/18e	45.4	5.7	7.8	5.4	16.7	4.1
01/19e	48.2	6.2	8.5	5.6	15.4	4.3

Source: Company, Bloomberg

Price **130.5p**
Market cap **£68m**

Share price graph



Share details

Code	AIR
Listing	LSE
Shares in issue	52.2m

Business description

Air Partner is a global aviation charter specialist and expert in safety consulting and training. Aircraft charter clients include corporate customers, governments and individuals, who require skills and expertise to solve aviation requirements. Consulting & Training clients include airlines, defence organisations and aviation authorities.

Bull

- Exposed to an international market, which is in long-term growth.
- Clear and actionable strategy, which should increase spread of activities and reduce volatility.
- Cash-rich.

Bear

- Charter market lacks visibility and can be volatile in the short term.
- Significant swings in working capital.
- Potential acquisition risk.

Analysts

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