

Air China: Intensive bailout measures for the aviation industry

DIGITAL ENGAGEMENT TEAM

06 JUNE 2022

TRADING MATTERS SERIES: STOCK HIGHLIGHT

Features a single stock and zooms in on its performance in the market

KEY METRICS

Current Price	5.72
Latest Dividend	N/A
Dividend Ex-Date	27/5/2022
Indicated Dividend Yield	N/A
14 Day RSI	64.81
Analysts 12M Target Price	5.94

REFINITIV STOCKREPORTS+ AVERAGE SCORE

4/10

As of 31 May 2022

Refer to page 3 for indicator components

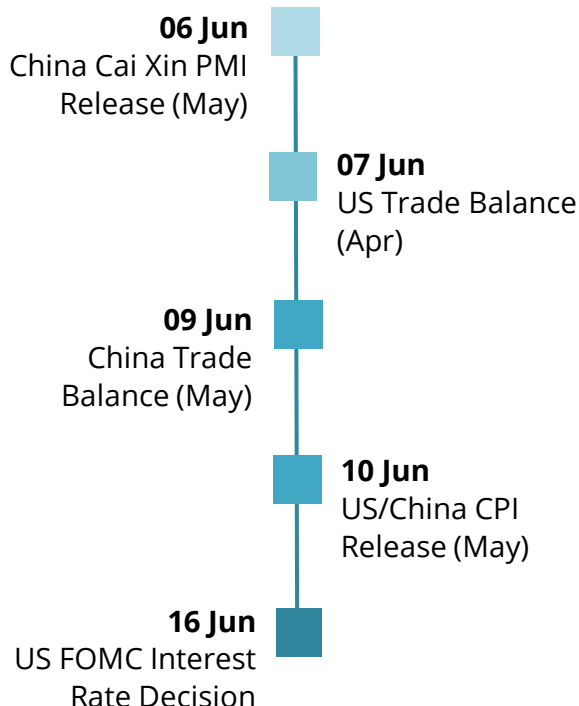
Air China (753 HK) Price Chart



Any red lines drawn on the price charts are trendlines, which are visual representations of support & resistance levels. They are drawn by connecting a series of prices together to help indicate the data's best fit or the presence of any trend over a time frame, and are for illustration purposes only.

As of 31 May 2022 closing

KEY MARKET EVENTS



Hang Seng Index Price Chart



As of 31 May 2022 closing

Headline News & Information

- Air China Limited operates as an airline company. The company offers passenger flight, cargo flight, and other airline services. Air China also provides hotel booking, car renting, catering, and other related services. Air China serves customers worldwide (Bloomberg)
- China to give cash subsidies to airlines for two months to help weather the Covid-19 induced downturn and higher oil prices (26 May 2022, Reuters)
 - Overall air passenger traffic last month plunged nearly 85% YoY and stood at barely 15% of its pre-COVID level in 2019
 - Analysts expect another year in the red for Chinese airlines in 2022, on top of heavy losses for the past two years, as Beijing sticks with its Zero-Covid policy to stop the spread of the virus
- Air China seeks control of Shandong Airlines, Shandong Airlines B shares “take off” ahead of schedule (31 May 2022, Bloomberg)
 - Air China suffered the largest loss among the eight major listed airlines, with a net loss of 8.9 billion yuan in the first quarter of 2022
 - On 23 May 2022, the executive meeting of the State Council mentioned that an emergency loan of 150 billion yuan should be increased for civil aviation, and domestic and international passenger flights in an orderly manner
 - Some financial institutions pointed out that as the negative impact of the current epidemic gradually subsides and the resumption of work and production progresses, the aviation industry has passed the lowest point since the epidemic
- China’s reopening plans spark rally (30 May 2022, Bloomberg)
 - The easing of restrictions in Beijing and Shanghai are likely to boost expectations that Chinese shares are bottoming out, with investors turning bullish as policymakers step up growth support

TRADING FLOWS

- Shares are up 8.7% in the past 5 days and rose 6.9% in the past 30 days

RESISTANCE LEVELS

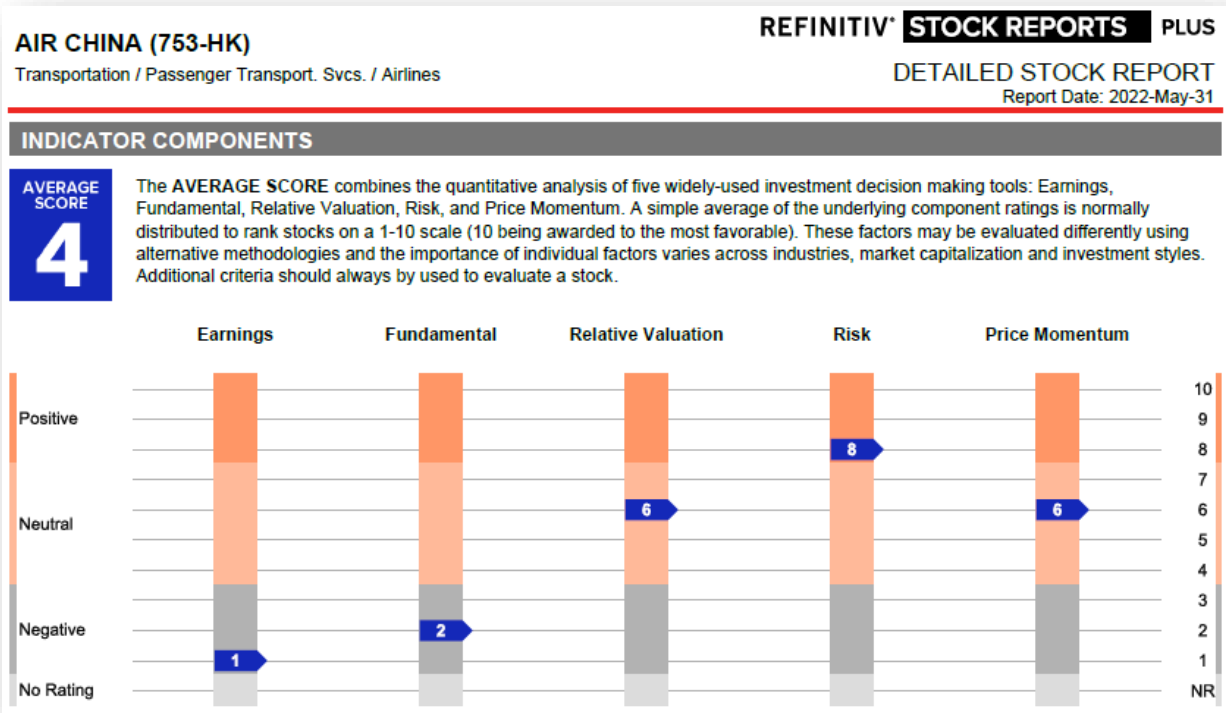
- 6.20 (Jan 2022)
- 6.70 (Feb 2022)
- 7.30 (Mar 2021)

SUPPORT LEVELS

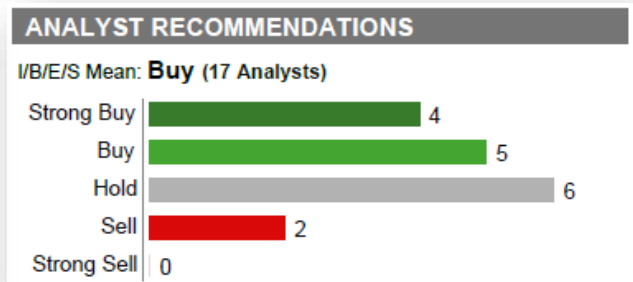
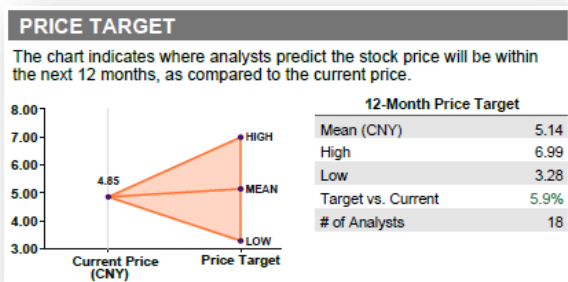
- 5.67 (100 Day MA)
- 5.42 (50 Day MA)
- 4.70 (May 2022)

Fundamental Viewpoint

An Extract from STOCKREPORTS+



Analyst Price Target and Recommendations



Source: REFINITIV STOCKREPORTS+, extracted 31 May 2022

HK Peer Analysis (STOCKREPORTS+)

PEER ANALYSIS												Currency in HKD	
Average Score	Ticker	PRICE MOMENTUM				Market Cap	VALUATION		FUNDAMENTAL		ANALYSTS		
		Price (2022-05-31)	1-Mo Return	3-Mo Return	1-Yr Return		Trailing PE	Forward PE	Dividend Yield	Net Margin	LTG Forecast	VB/E/S Mean	# of Analysts
7	66	42.35	1.2%	4.7%	-2.0%	266.3B	27.9	22.5	3.0%	20.2%	--	Buy	10
8	293	8.20	4.1%	17.8%	22.8%	53.5B	--	--	--	-12.1%	--	Buy	11
4	753	5.72	6.9%	-4.7%	-8.2%	25.1B	--	--	--	-22.3%	--	Buy	16
3	1055	4.33	-2.3%	-12.2%	-17.7%	18.3B	--	--	--	-11.9%	--	Buy	15
4	670	2.79	4.5%	-7.9%	-20.3%	14.1B	--	--	--	-12.5%	--	Buy	17
6	62	12.20	-6.2%	-2.7%	-21.4%	5.7B	23.1	--	4.1%	3.4%	--	--	--
6	525	1.45	9.8%	3.6%	-10.5%	2.0B	--	--	--	-4.8%	--	Buy	5
7	306	2.37	18.5%	38.6%	-1.7%	1.2B	--	--	--	-6.0%	--	--	--
2	254	0.13	-7.6%	-82.6%	-82.6%	425M	1.5	--	--	38.3%	--	--	--
NR	77	0.70	7.7%	2.9%	7.7%	190M	8.6	--	10.0%	6.8%	--	--	--
6	3399	0.73	-15.1%	-33.0%	-47.1%	145M	--	--	--	-3.5%	--	--	--
5.3	Average	7.36	2.0%	-6.9%	-16.4%	35.2B	15.3	22.5	5.7%	-0.4%	--	Buy	12.3

PEER COMPANIES			
1055	China Southern Airlines Co	525	Guangshen Railway Co
254	National United Resources	62	Transport International
293	Cathay Pacific Airways	66	MTR Corp
306	Kwoon Chung Bus Holdings	670	China Eastern Airlines Corp
3399	Guangdong Yueyun	77	Ams Public Transport Holdings

Source: REFINITIV STOCKREPORTS+, extracted 31 May 2022

Global Peer Analysis (Bloomberg)

Ticker	Name	Mkt Cap (USD) (Millions)	Last Px	P/E	P/E 5Yr Avg	P/B	P/B 5Yr Avg	Indicated Yield (%)
Average		8,228	1753.75	7.38	0.00	3.20	1.84	0.00
753 HK	AIR CHINA LTD-H	17,825	5.72	N/A	N/A	1.15	0.96	N/A
	CHINA EASTERN							
670 HK	AIRLINES CO-H	11,757	2.79	N/A	N/A	1.02	0.93	N/A
AEROMEX MM	GRUPO AEROMEXICO SAB DE CV	1,887	270.85	N/A	N/A	N/A	N/A	N/A
	CATHAY PACIFIC							
293 HK	AIRWAYS	6,726	8.20	N/A	N/A	1.00	0.76	N/A
	CHINA SOUTHERN							
1055 HK	AIRLINES CO-H	14,713	4.33	N/A	N/A	0.99	0.97	N/A
	JUNEYAO AIRLINES							
603885 CH	CO LTD-A	3,898	13.20	N/A	N/A	2.88	3.00	N/A
	INTL CONSOLIDATED							
IAG LN	AIRLINE-DI	8,127	129.84	N/A	N/A	9.01	6.99	N/A
	HAINAN AIRLINES							
600221 CH	HOLDING CO-A	8,318	1.67	7.99	N/A	11.59	N/A	N/A
020560 KS	ASIANA AIRLINES	1,130	18,800	N/A	N/A	2.98	N/A	N/A
	TURK HAVA YOLLARI							
THYAO TI	AO	4,124	49.06	6.77	N/A	0.64	0.36	N/A
SIA SP	SINGAPORE AIRLINES	12,003	5.54	N/A	N/A	0.73	0.77	N/A

Source: Bloomberg, extracted 31 May 2022 closing

DISCLAIMER

The information provided herein is a compilation or summary of materials and data based from external sources available to OCBC Securities Private Limited ("OSPL"), and does not represent OSPL's view on the matters mentioned. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents.

Trading in capital markets products and borrowing to finance the trading transactions (including, but not limited to leveraged trading or gearing) can be very risky, and you may lose all or more than the amount invested or deposited. Where necessary, please seek advice from an independent financial adviser regarding the suitability of any trade or capital markets product taking into account your investment objectives, financial situation or particular needs before making a commitment to trade or purchase the capital markets product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the capital markets product is suitable for you. You should consider carefully and exercise caution in making any trading decision whether or not you have received advice from any financial adviser. You should also read the relevant prospectus and/or profile statement (a copy of which may be obtained from the relevant fund manager or any of its approved distributors), prior to any trading or investment decision. Please refer to the prospectus of the relevant fund for the name of the fund manager and the investment objectives of the fund. In relation to collective investment schemes, the value of the units and the income accruing therefrom, if any, may rise or fall. For funds that are listed on an approved exchange, investors cannot redeem their units of those funds with the manager, or may only redeem units with the manager under certain specified conditions. The listing of the units of those funds on any approved exchange does not guarantee a liquid market for the units.

No representation or warranty whatsoever (including without limitation any representation or warranty as to accuracy, usefulness, adequacy, timeliness or completeness) in respect of any information (including without limitation any statement, figures, opinion, view or estimate) provided herein is given by OSPL and it should not be relied upon as such. OSPL does not undertake an obligation to update the information or to correct any inaccuracy that may become apparent at a later time. OSPL shall not be responsible for any loss or damage howsoever arising, directly or indirectly, as a result of any person acting on any information provided herein.

The information provided herein is intended for general circulation/discussion purposes only and may not be published or circulated in whole or in part without our written consent. All trademarks, registered trademarks, product names and company names or logos mentioned herein are the property of their respective owners, and you agree that you will not do anything to infringe or prejudice those rights. Reference to any products, services, processes or other information, does not constitute or imply endorsement, sponsorship or recommendation thereof by OSPL.