

\*\*\* *Special Situation* \*\*\*

### **Amedeo Air Four Plus**

#### Elevator Pitch

Amedeo is a £140m co. selling below FCF with an 11% dividend yield and is set to redeem 20% of shares on the 28<sup>th</sup> Feb.

#### Special Situation

\*\*\* *More comprehensive write-up to follow Monday's deadline for share registry to qualify for redemption.*

Distributing £28m by way of compulsory redemption on a £160m market cap with an increased quarterly dividend of 1.75 GBX/share from Q2 on a 48.39 GBX stock.

1. Shareholders can register at close of business on 28/02 and see one share redeemed for every eight at a price of 64.50 GBP
2. 11% dividend yield [using just next three quarters] up 17% on previous quarterly dividend.
3. ∴ Purchase 8 shares @ 48.39 GBX for 387.12 GBX and receive a quarterly dividend of 14 GBX and a redemption of 1 share @ 64.50 GBX ~ 20% ROI.

#### Business

Amedeo is an acquirer, lessor, and seller of aircraft with 12/12 aircraft on long-term leases to Emirates or Thai Airways. The company currently owns 6x A380s and 2x B777-300ERs (leased to Emirates), and 4x A350-900s (leased to Thai Airways). Cash and equivalents equates to half Amedeo's current market cap, FCF exceeds market cap, and shares outstanding is down 46% since 2020 with a further 43m+ [over 12%] to be written off in redemption. TE ~ £400m [TA = £1.6bn; TL = £1.1bn] with a FCF of £166m. From a multiples perspective: (i) PE ~ 2.12; with 'E' flat to down; (ii) PB ~ 0.41; with 'B' flat to down; and (iii) PS ~ 0.79; with 'S' above 5yr average by 7% [TTM].

#### Why does this opportunity exist?

- Emirates has typically been reducing orders for the A380s
- Market participants expect these planes to be sold as single digits.
- Market participants expect these planes to be re-leased at lower rates of sold second-hand to a small group of buyers who may simply use them for parts.
- "no Rightmove for planes" is a line I came across... Airlines (air-tight containers packed with breathing lungs) have had to battle a global pandemic leading to Thai Airways falling into bankruptcy.
- Suspended dividends for most of 2020 and 2021 (as market cap crashed 85%)
- 33% of its leases were leased to Thai Airways who fell into bankruptcy and had to restructure.

#### Catalysts

- Compulsory redemption
  - Every 9<sup>th</sup> share repurchased at a 33% premium ~ 17% ROI in one month.
- Dividend Yield Acknowledgement
  - Recently increased dividend yield of 11%.
- Thai Airways Contract
  - Thai Airways exit from bankruptcy alongside its contract shifting from 'power-by-the-hour' to a more rigid and routine leasing schedule.
  - Dividends are currently funded entirely by Emirates thus Thai Airways resumption may increase future yield.
- Emirates redelivery exercising option to redeliver aircraft in half-life condition.
  - Can redeliver aircraft in half-life condition when lease ends with a subsequent payment of ~\$12m (using Doric Nimrod's case as an exemplar).
- Long-Haul flying resumption
  - Global air traffic is now at ¾ of 2019 levels with industry load factors currently at 82%
  - China reopening – substantial increase in domestic air travel but after border restrictions lifted (expected 2024).

#### Risks

Many of these types of investment vehicles lease double-decker planes (A380s) to Emirates which are set to be terminated by Airbus this year therefore will be phased out as they come to the end of their usable lives. As such, resale values are expected to drop sharply.