

30 July 2018 | Operating Statistics

AirAsia Group Berhad

ASK grew with fleet expansion

Maintain BUY

Unchanged Target Price(TP): RM4.87

INVESTMENT HIGHLIGHTS

- **2QFY18 ASK grew strongly +12.0%yoy**
- **Larger fleet size led to ASK growth**
- **Load factor eased -3.0pptsyoy to 86.0%**
- **Target price of RM4.87 unchanged pending 2QFY18 results**

2QFY18 ASK grew +12.0%yoy. In 2QFY18, AirAsia consolidated AOCs' (Malaysia+Indo+Phil) ASK increased by +12.0%yoy to 15,962m. This was higher from ASK growth of +8.0%yoy registered in 2QFY17. Following the capacity expansion, AOCs continued its good run with RPK growth of +9.0%yoy to 13,612m.

Net addition of aircrafts led to growth. Fleet size saw an addition of eighteen new aircrafts from 2QFY17 to 124 aircrafts. In comparison to the last quarter, Air Asia's AOC expanded its fleet by one aircraft in 2QFY18. There were four new routes introduced under AOCs: three in Philippines and one in Malaysia. Meanwhile, 11 routes saw an increase in frequencies: Malaysia (10), and Philippines (1). We opine ASK is expected to expand further in 2HFY18 as AirAsia received deliveries of few more aircrafts to its consolidated AOCs.

AOC's load Factor was healthy at 86.0%. Against the backdrop of strong ASK expansion, load factor in 2QFY18 remained healthy at 86.0%. Despite ASK growing exponentially in tandem with the capacity expansion, its RPK has also followed suit.

TAA stayed resilient, with load factor of 85.0% in 2QFY18. TAA's ASK increased +14.0%yoy as it operated five more aircrafts, enlarging its fleet size to 59 aircrafts. This was in comparison to the same period last year. During the quarter, TAA added frequencies on five routes.

Maintain BUY. The group's operational numbers in 2QFY18 remained resilient, reflecting a healthy trend on routes in which the group operates. Its load factor continued to be robust supported by the continuous rise in RPK. Given these stable indicators, our positive outlook on the group stays intact on: 1) strong demand growth with continuous ASK expansion and 2) positive prospect in Air Asia India and Air Asia Japan. All things considered, we are maintaining our **BUY** recommendation with an unchanged **TP** of **RM4.87**.



RETURN STATS	
Price (27 July 2018)	RM3.50
Target Price	RM4.87
Expected Share Price Return	+39.1%
Expected Dividend Yield	+3.7%
Expected Total Return	+42.8%

STOCK INFO	
KLCI	1,769.14
Bursa / Bloomberg	5099 / AAGB MK
Board / Sector	Main/ Airlines
Syariah Compliant	No
Issued shares (mil)	3,342.0
Market cap. (RM'm)	11,696.9
Price over NA	1.78
52-wk price Range	RM2.92 – RM4.75
Beta (against KLCI)	0.88
3-mth Avg Daily Vol	11.9m
3-mth Avg Daily Value	RM38.94m
Major Shareholders	
Tune Live	16.7%
Tune Air	15.5%
EPF	5.16%

Aviation abbreviation used in this report:

RPK: Revenue Passenger Kilometers

ASK: Available Seat Kilometers

RASK: Revenue per ASK

CASK: Cost Per ASK

BLF: Breakeven load factor

FSC: Full Service Carrier

LCC: Low Cost Carrier

Pax: Passenger

IAA: Indonesia Airasia

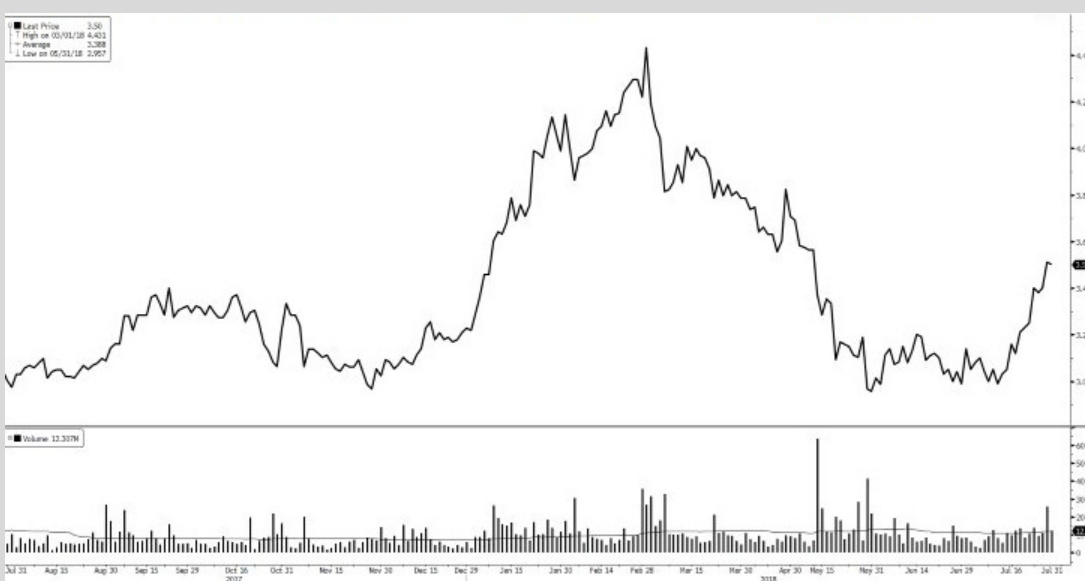
TAA: Thai Airasia

INVESTMENT STATISTICS

FYE Dec (RM'm)	FY15	FY16	FY17	FY18F	FY19F
Revenue	6,297.7	6,946.4	9,709.7	9,783.4	9,921.4
EBITDA	2,739.9	2,800.8	3,001.2	3,023.9	3,066.6
EBIT	2,036.6	2,055.6	2,082.6	2,098.4	2,128.0
PBT	215.2	2,170.2	2,087.8	2,103.6	2,133.3
Net Profit	541.3	2,033.6	1,592.0	1,604.1	1,626.7
Core Net Profit	724.9	1,372.1	1,243.5	1,604.1	1,626.7
Core EPS (sen)	16.8	40.9	37.2	48.0	48.7
Core EPS growth (%)	197.1	143.5	(9.0)	29.0	1.4
PER (x)	20.8	8.6	9.4	7.3	7.2
Net Dividend (sen)	4.0	12.0	12.0	13.0	13.0
Net Dividend Yield (%)	1.1	3.4	2.7	2.9	3.7

Source: Bloomberg, MIDFR

DAILY PRICE CHART



Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.