

29 October 2018 | Operating Statistics

AirAsia Group Berhad

Operating numbers remain resilient

Maintain BUY

Unchanged Target Price(TP): RM3.62

INVESTMENT HIGHLIGHTS


- **3QFY18 ASK grew steadily +10.0%yoy**
- **Load factor remained healthy at 82.0%**
- **TAA also stood resilient with a load factor of 81.0%**
- **Maintain BUY with unchanged TP of RM3.62 per share**

3QFY18 ASK grew +10.0%yoy. In 3QFY18, AirAsia consolidated AOCs' (Malaysia+Indonesia+Philippines) ASK increased by +10%yoy to 16,450m, In line with the capacity expansion, the AOC's continued its good run with RPK growth of +5.0%yoy to 13,574m.

Net addition of aircrafts led to growth. Fleet size saw an addition of seventeen new aircrafts from 3QFY17 to 127 aircrafts. In comparison to the last quarter, Air Asia's AOC expanded its fleet by three aircrafts in 3QFY18. Meanwhile, there were three new routes introduced under AOCs; two in Malaysia and one in the Philippines.

AOC's load factor remained healthy at 82.0%. Despite the backdrop of faster ASK expansion compared to expansion in RPK, load factor in 2QFY18 remained healthy at 82.0%. Moving forward, we believe that the seasonal strength in 4QFY18 could further support the growth in ASK.

TAA stayed resilient, with a load factor of 81.0% in 3QFY18. TAA's ASK increased +8.0%yoy as it operated six more aircrafts, enlarging its fleet size to 60 aircrafts. This was in comparison to the same period last year. During the quarter, total passengers carried by TAA increased by +4.0%yoy to 5.1m passengers, on the back of +9.0%yoy increase in capacity.

Maintain BUY. The group's operational numbers in 3QFY18 remained rather resilient in the wake of the volatility in fuel price. Its load factor continues to be healthy supported by the continuous rise in RPK. Given these stable indicators, our positive outlook on the group stays intact on: 1) its compelling growth story, 2) stable operations with added capacity and 3) continuous improvement to derive higher values per km flown. In addition, we believe its integrated efforts to monetize its assets, via digitalization is strategic, as it takes advantage of its passengers' database to enhance customer experience and improve ancillary incomes. All things considered, we are maintaining our **BUY** recommendation with an unchanged **TP** of **RM3.62**. 

RETURN STATS	
Price (26 October 2018)	RM2.38
Target Price	RM3.62
Expected Share Price Return	+52.1%
Expected Dividend Yield	+5.5%
Expected Total Return	+57.6%

STOCK INFO	
KLCI	1,683.06
Bursa / Bloomberg	5099 / AAGB MK
Board / Sector	Main/ Airlines
Syariah Compliant	No
Issued shares (mil)	3,342.0
Market cap. (RM'm)	7,953.9
Price over NA	0.82
52-wk price Range	RM2.37 – RM4.75
Beta (against KLCI)	1.00
3-mth Avg Daily Vol	9.21m
3-mth Avg Daily Value	RM28.7m
Major Shareholders	
Tune Live	16.7%
Tune Air	15.5%
EPF	5.6%

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

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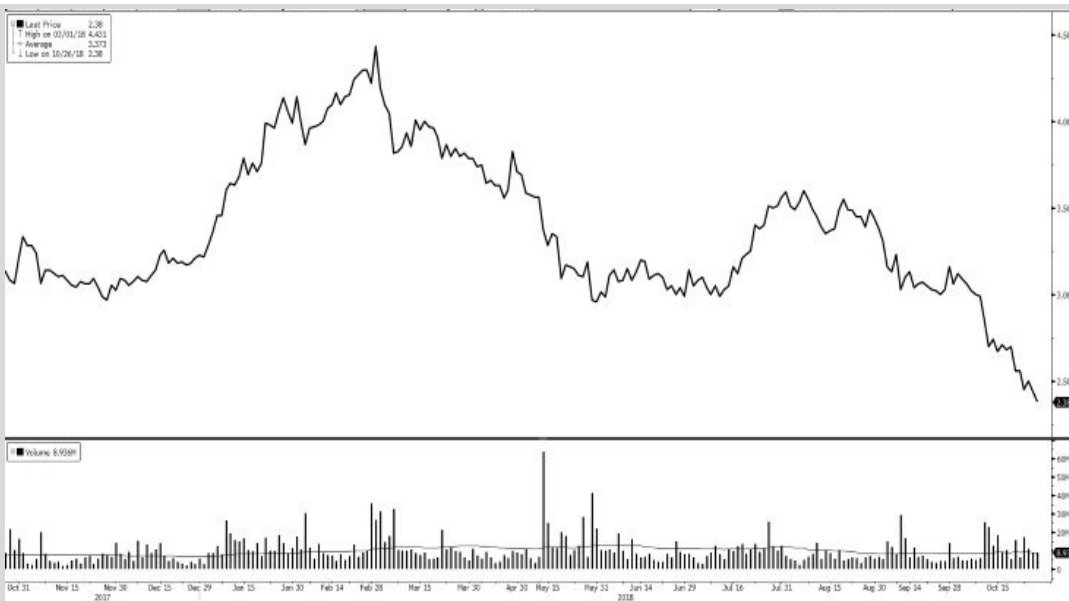
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INVESTMENT STATISTICS

FYE Dec (RM'm)	FY15	FY16	FY17	FY18F	FY19F
Revenue	6,297.7	6,946.4	9,709.7	9,783.4	11,002.0
EBITDA	2,739.9	2,800.8	3,001.2	1,744.9	1,731.5
EBIT	2,036.6	2,055.6	2,082.6	1,638.3	1,607.1
PBT	215.2	2,170.2	2,087.8	1,515.2	1,583.2
Net Profit	541.3	2,033.6	1,592.0	1,196.0	1,205.3
Core Net Profit	724.9	1,372.1	1,243.5	1,196.0	1,205.3
Core EPS (sen)	16.8	40.9	37.2	35.8	36.1
Core EPS growth (%)	197.1	143.5	(9.0)	(3.8)	0.8
PER (x)	11.4	5.8	6.4	6.6	6.6
Net Dividend (sen)	4.0	12.0	12.0	13.0	13.0
Net Dividend Yield (%)	1.7	5.0	5.0	5.5	5.5

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.