

15 August 2018 | Corporate Update

AirAsia Group Berhad

Unloading stakes in AAE Travel

Maintain BUY

Unchanged Target Price(TP): RM4.87

INVESTMENT HIGHLIGHTS

- **AAGB sold remaining 25% stakes in AAE Travel to Expedia**
- **Pocketing one-off gain of RM181.6m**
- **Moving forward, focus will be on 'unicorn' products**
- **POSITIVE on the news**
- **Maintain BUY call at unchanged TP of RM4.87**

The group extended its divestments of non-core assets with the sale of remaining 25% stakes in AAE Travel to Expedia. Following the acquisition by Expedia, the group is expected to record a gain of RM181.6m (RM230.4m at company level) in 3QFY18, with a price tag of RM240m. Accordingly, the sale marked the divestment of the airlines' last non-core investment from previous joint ventures (please refer to the list below of other divestments).

AAGB Monetising of Assets:

1. AACE-Sold 50% with cash proceeds of USD100m mid-Nov 2017
2. GTRH-Sold 38.6% with cash proceeds of SGD119.3m in Jan 2018
3. AAC-Sale of USD1.2b announced on 1 March 2018
4. AAE Travel -Sold 25% to Expedia for RM240m cash

The JV was established in 2011, as part of AirAsia's venture into the online travel agency business. It was part of the group's approach to offer a complete range of flights, hotels and holiday packages. The plan was strategic, with synergies formed to provide a seamless travel access to its customers. Since inception, the JV has provided platform to build the group's mobile apps, offering attractive app-only deals and bundled package savings.

Divestment open ways for new growths. The rationale for the stake sale is part of its monetization plan of non-core assets. Apart from reducing debt, the proceeds will be utilized for the group's working capital whereby its products namely BigPay, Travel 360 and Redbox Logistics will be given priority.

RETURN STATS	
Price (14 August 2018)	RM3.35
Target Price	RM4.87
Expected Share Price Return	+45.3%
Expected Dividend Yield	+3.9%
Expected Total Return	+49.2%

STOCK INFO	
KLCI	1,783.78
Bursa / Bloomberg	5099 / AAGB MK
Board / Sector	Main/ Airlines
Syariah Compliant	No
Issued shares (mil)	3,342.0
Market cap. (RM'm)	11,195.6
Price over NA	1.28
52-wk price Range	RM2.92 – RM4.75
Beta (against KLCI)	0.85
3-mth Avg Daily Vol	11.5m
3-mth Avg Daily Value	RM37.7m
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

POSITIVE on the news. We believe its divestment in the JV provides positive catalyst for the long-term growth of the group. This was part of the group's plan to put digitalization at its core, to push up revenue and bring down opex. Moving forward, we believe its digitalization efforts to bear fruits, making way for further improvement in the group's operations. Given our optimism, we maintain our **BUY** call on the group with a TP of **RM4.87**. 

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)	19.9	8.2	9.0	7.0	6.9
Net Dividend (sen)	4.0	12.0	12.0	13.0	13.0
Net Dividend Yield (%)	1.2	3.6	2.7	2.9	3.9

Source: Bloomberg, MIDFR

DAILY PRICE CHART



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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.