

30 April 2018 | Corporate Update

AirAsia Berhad

ASK expected to grow further

INVESTMENT HIGHLIGHTS


- **1QFY18 ASK grew strongly +18.0%yoy**
- **ASK growth was primarily from expanded fleet size**
- **Load factor eased to 87.0%**
- **Target price of RM4.80 unchanged pending full year results**

1FY18 ASK grew +17.6%yoy. In 1QFY18, AirAsia consolidated AOCs' (Malaysia+Indo+Phil) ASK increased +17.6%yoy and +2.1%qoq. This was higher than the increase in ASK of +14.0%yoy registered in 1QFY17. Notably, the growth of ASK in 1QFY18 was above our expectations of +10%yoy.

ASK growth from addition of new aircrafts. Fleet size saw an addition of seventeen new aircrafts from 1QFY17 to 123 aircrafts. In comparison to the last quarter, the number of aircrafts under Air Asia's AOC increased by +7. There were 7 new routes introduced: 4 in Philippines and 3 in Indonesia. Meanwhile, 16 routes saw an increase in frequencies: Malaysia (13), and Indonesia (3). We expect ASK to pick up further in FY18 as AirAsia plans to add circa nine more aircrafts to its consolidated AOCs in 2018.

Load Factor remains comfortable at 87.5%. Despite the significant ASK expansion, AirAsia managed to maintain its 1QFY18 load factor at a healthy level. During the same quarter, AirAsia consolidated (AOC)'s RPK increased +15.4yoy while recorded +2.9%qoq. We deem the quarter-on-quarter growth as encouraging despite a seasonally stronger travel season in 4Q17 last year.

TAA showing improvements, as load factors ticked up +2ppts yoy in 1QFY18. TAA's ASK increased +17.0%yoy as it took 3 new aircraft, enlarging its fleet size to 59 aircrafts. During the quarter, TAA added seven new routes while eleven existing routes saw frequency additions.

Maintain BUY. The group's 1QFY18 operational results was robust, setting an encouraging sign throughout the year. Despite the strong ASK expansion, the group was able to maintain a healthy load factor with continuous increase in RPK. While we see the We remain positive on AirAsia's earnings prospect predicated on: 1) stable demand growth with continuous ASK expansion and 2) new areas of growth in Air Asia India and Air Asia Japan. Hence, we are maintaining our **BUY** recommendation with **TP of RM4.80.** 

Maintain BUY
Unchanged Target Price (TP): RM4.80

RETURN STATS

Price (27 April 2018)	RM3.97
Target Price	RM4.80
Expected Share Price Return	+20.1%
Expected Dividend Yield	+2.9%
Expected Total Return	+23.0%

STOCK INFO

KLCI	1,863.47
Bursa / Bloomberg	5099 / AAGB MK
Board / Sector	Main/ Airlines
Syariah Compliant	No
Issued shares (mil)	3,342.0
Market cap. (RM'm)	13,267.6
Price over NA	1.78
52-wk price Range	RM2.89 – RM4.75
Beta (against KLCI)	0.83
3-mth Avg Daily Vol	9.40m
3-mth Avg Daily Value	RM38.84m

Major Shareholders

EPF	5.07%
Vanguard Group	1.61%
Blackrock	1.25%

Aviation abbreviation used in this report:

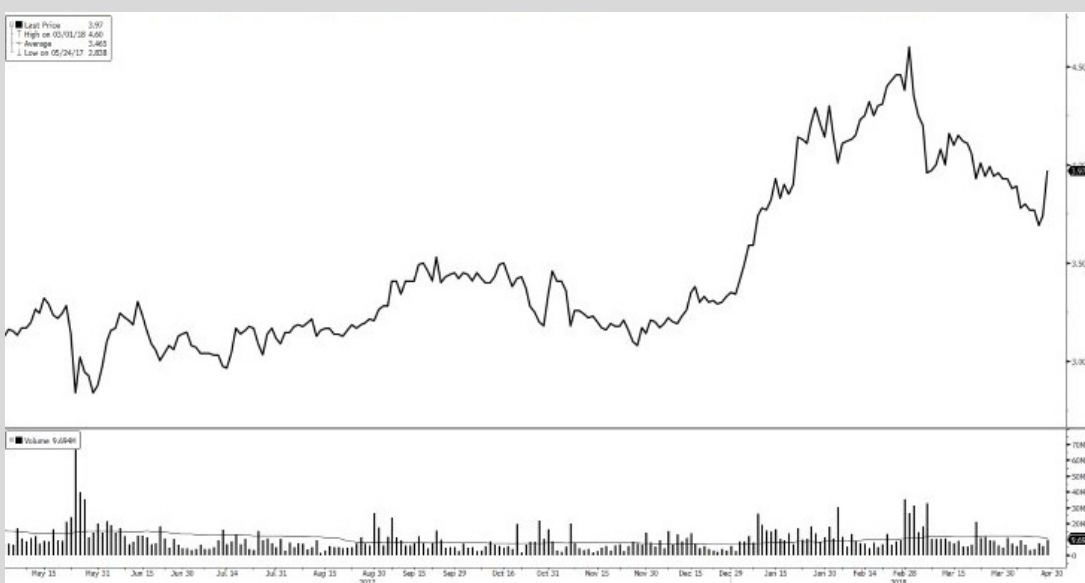
RPK: Revenue Passenger Kilometers
ASK: Available Seat Kilometers
RASK: Revenue per ASK
CASK: Cost Per ASK
BLF: Breakeven load factor
FSC: Full Service Carrier
LCC: Low Cost Carrier
Pax: Passenger
IAAX: Indonesia Airasia X
TAAX: Thai Airasia X

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)	23.6	9.7	10.7	8.3	8.2
Net Dividend (sen)	4.0	12.0	12.0	13.0	13.0
Net Dividend Yield (%)	1.0	3.0	2.7	2.9	3.3

Source: Bloomberg, MIDFR

DAILY PRICE CHART



Source: Bloomberg

Danial Razak
 muhammad.danial@midf.com.my
 03-2173 8396

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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.