

29 January 2018 | Operating Statistics

AirAsia Berhad

An encouraging sign

Maintain BUY

Unchanged Target Price(TP): RM4.02

INVESTMENT HIGHLIGHTS

- **FY17 ASK grew +9.0%yoy**
- **ASK growth from increased aircrafts**
- **Load factor improved to 88.0%**
- **Target price of RM4.02 unchanged pending full year results**

FY17 ASK grew +9.0%yoy. In 4QFY17, AirAsia consolidated AOCs' (Malaysia+Indo+Phil) ASK increased +14.0%yoy and +4.6%qoq. This extended an increase in ASK of +14.0%yoy registered in 3QFY17, leading to a +9.0%yoy increase in ASK in FY17. This is slightly below our expectations of 10%yoy. Recall that in the first two quarters, ASK has been growing by single digit.

ASK growth from addition of new aircrafts. Fleet size saw an addition of six new aircrafts from 3QFY17 to 116 aircrafts. There were 7 new routes introduced: 4 in Malaysia and 3 in Indonesia. Meanwhile, 17 routes saw an increase in frequencies: Malaysia (12), Indonesia (4) and Philippines (1). We expect ASK to pick up further in FY18 as AirAsia plans to add circa 30 aircrafts to its consolidated AOCs in 2018.

Load Factor remains comfortable at 88.0%. Despite ASK expansion, AirAsia managed to maintain its 4QFY17 load factor at a healthy level with improvement of +1ppts yoy. During the same quarter, AirAsia consolidated (AOC)'s RPK increased +15.0yoy while recorded +4.3%qoq increase in light of seasonally stronger quarter. On annual basis, load factor improved by similar pattern, inching up by +1pptsyoy to 88.0%.

TAA showing improvements as well, as load factors ticked up +6pptsyoy in 4QFY17. TAA's ASK increased +15.0%yoy as it took 2 new aircraft, enlarging its fleet size to 56 aircraft. During the quarter, TAA added 1 new route while 5 existing routes saw frequency additions.

Possible upward revision to our forecast. The group's strong 4QFY17 operational result came in within expectation. We continue to like Air Asia because of the company continuous efforts to reinvent itself (by introducing new digital offerings) to ensure that it stays relevant in the highly competitive industry. We remain positive on AirAsia's earnings prospect predicated on: 1) stable demand growth with conservative ASK expansion of +10.0%, and 2) new areas of growth in Air Asia India and Air Asia Japan. Hence, we are maintaining our BUY recommendation. However, we are reviewing our TP of RM4.02 as we believe that there may be a possible revision in our earnings following from the expected FY17 earnings release next month.

RETURN STATS	
Price (26 Jan 2018)	RM4.29
Target Price	RM4.02
Expected Share Price Return	-6.29%
Expected Dividend Yield	+3.0%
Expected Total Return	-3.29%*

* We maintain BUY as we are reviewing our TP.

STOCK INFO	
KLCI	1,853.92
Bursa / Bloomberg	5099 / AIRA MK
Board / Sector	Main/ Airlines
Syariah Compliant	No
Issued shares (mil)	3,341.9
Market cap. (RM'm)	14,336.6
Price over NA	1.76
52-wk price Range	RM2.48 – RM4.30
Beta (against KLCI)	1.31
3-mth Avg Daily Vol	8.90m
3-mth Avg Daily Value	RM31.2m
Major Shareholders	
Tune Live	16.73%
Tune Air	15.45%
JPMorgan Chase	5.00%

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



MIDF RESEARCH is a unit of MIDF AMANAH INVESTMENT BANK

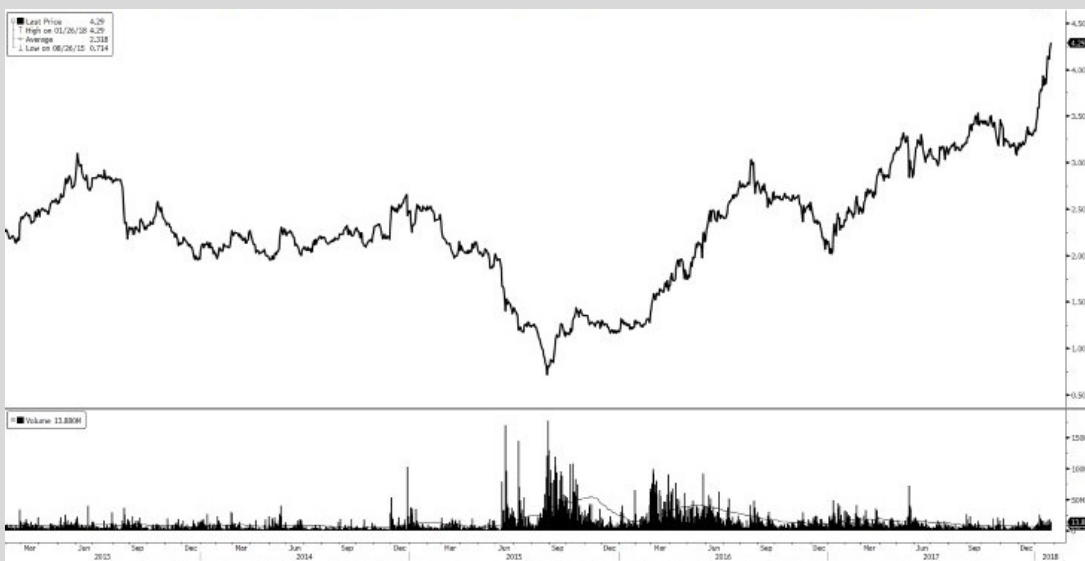
Kindly refer to the last page of this publication for important disclosures

INVESTMENT STATISTICS

FYE Dec (RM'm)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	6,297.7	6,946.4	8,691.2	8,744.1	8,872.6
EBITDA	2,739.9	2,800.8	2,415.7	2,335.1	2,364.8
EBIT	2,036.6	2,055.6	1,585.4	1,526.5	1,547.5
PBT	215.2	2,170.2	1,475.3	1,422.0	1,441.5
Net Profit	541.3	2,033.6	1,356.3	1,362.9	1,368.2
Core Net Profit	724.9	1,372.1	1,356.3	1,362.9	1,368.2
Core EPS (sen)	16.8	40.9	36.9	39.4	40.7
Core EPS growth (%)	197.1	143.5	(9.7)	6.7	3.4
PER (x)	25.5	10.5	11.6	10.9	10.5
Net Dividend (sen)	4.0	12.0	12.0	13.0	13.0
Net Dividend Yield (%)	0.9	2.8	2.8	3.0	3.0

Source: Bloomberg, MIDFR

DAILY PRICE CHART



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

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.