

25 October 2018 | 3QFY18 Operating Statistics

AirAsia X Berhad

Fuel price volatility bites into operating stats

Maintain NEUTRAL

Unchanged Target Price(TP): RM0.26


INVESTMENT HIGHLIGHTS

- **ASK and RPK declined in 3QFY18**
- **Route rationalisation a strategic approach to optimise current capacity**
- **Load factor up +1ppts yoy to 80.0% yoy**
- **Maintain NEUTRAL with unchanged TP of RM0.26 per share**

ASK and RPK declined in 3QFY18. During the quarter, AirAsiaX's ASK and RPK dropped by -4.0%yoy and -3%yoy to 8,806m and 7,005m respectively. In comparison to last year's third quarter, the ASK and RPK both advanced by more than 15% on a yearly basis. We attribute the slowdown to the volatility in fuel prices which may have hampered its expansion plans. Looking ahead, we believe further expansion is likely to be challenging if external factors remain unfavourable. At this juncture, we view that the rationalisation of routes is a strategic approach to optimise its current capacity, hence the termination of certain routes such as Tehran and Maldives.

Load Factor recorded at 80.0%. Nonetheless, load factor in 3QFY18 rose higher by +1.0ppts yoy from 79.0% in the same period last year. This comes amidst the occurrence of public holidays, during the quarter especially the four-day weekend during the Yang di-Pertuan Agong's birthday and Awal Muharram that encouraged Malaysians to take extended leave and travel to further destinations. In addition, the Australian term holiday in July was a seasonal factor which moderated the impact of the typhoon season in August/September period.

AirAsiaX Thailand riding on strong demand. Likewise, AirAsiaX Thailand's load factor remained commendable at 87.0%, higher by +1ppts yoy from the same period last year. We attribute the increase to the addition of more frequencies in certain routes, with fleet size increased to eight. We believe that this was timely due to the growth in the number of passengers which grew by +36.0%yoy.

Maintain NEUTRAL with unchanged TP of RM0.26 per share. We were not surprised by the slight drop in ASK and RSK in 3QFY18 considering the volatile fuel price environment which may hamper its expansion plans. Despite the cloudy outlook for the rest of FY18, we are expecting AAX to return to profits in FY19. This will be coming from further cost cutting initiatives, better capacity utilization and stabilising fuel environment. Although we maintain our NEUTRAL stance on the stock due to short term headwinds, we remain encouraged by AAX's long-term prospect that is tied to the strategic plan of 1) further reduction in CASK; 2) stronger focus in core markets. 

RETURN STATS	
Price (24 October 2018)	RM0.24
Target Price	RM0.26
Expected Share Price Return	+8.3%
Expected Dividend Yield	0.0%
Expected Total Return	+8.3%

STOCK INFO	
KLCI	1,690.04
Bursa / Bloomberg	5238 / AAX MK
Board / Sector	Main/ Airlines
Syariah Compliant	Yes
Issued shares (mil)	4,148.2
Market cap. (RM'm)	1,016.3
Price over NA	1.06
52-wk price Range	RM0.23 – RM0.45
Beta (against KLCI)	1.30
3-mth Avg Daily Vol	11.5m
3-mth Avg Daily Value	RM3.60m
Major Shareholders	
Tune Group	17.83%
AirAsia Berhad	13.76%
Kamarudin Meranun	8.14%

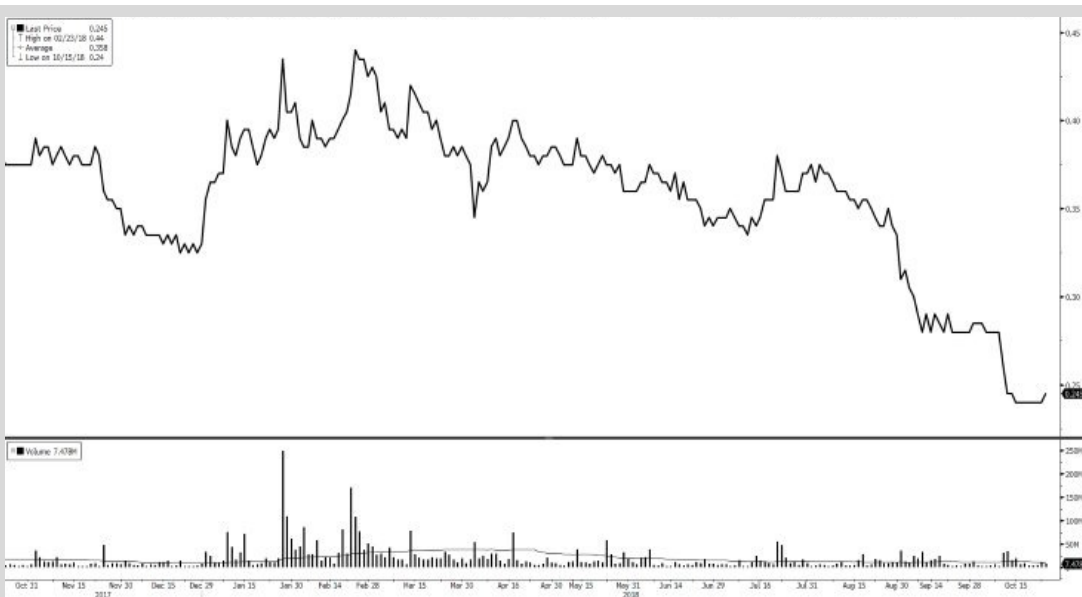
Aviation abbreviation used in this report:
 RPK: Revenue Passenger Kilometers
 ASK: Available Seat Kilometers
 RASK: Revenue per ASK
 CASK: Cost Per ASK
 BLF: Breakeven load factor
 FSC: Full Service Carrier
 LCC: Low Cost Carrier
 Pax: Passenger
 IAAX: Indonesia Airasia X
 TAAX: Thai Airasia X

INVESTMENT STATISTICS

FYE Dec (RM'm)	FY15	FY16	FY17	FY18F	FY19F
Revenue	3,075.4	4,006.5	4,562.0	4,798.0	5,212.0
EBITDA	31.8	389.6	252.3	102.3	288.4
EBIT	(10.4)	276.0	143.0	(4.7)	164.0
Reported Net Profit	(345.5)	230.5	98.9	(15.9)	125.2
Core Net Profit	(155.1)	247.5	153.4	(15.9)	125.2
Core EPS (sen)	(3.7)	6.0	3.7	(0.4)	3.0
Core EPS growth (%)	86.3	259.6	(38.0)	(110.4)	887.4
PER (x)	(6.5)	4.0	6.5	(60.0)	8.0
Net Dividend (sen)	0.0	0.0	0.0	0.0	0.0
Net Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, 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.