

27 July 2018 | Operating Statistics

AirAsia X Berhad

Healthy operational numbers in 2Q

INVESTMENT HIGHLIGHTS

- **2QFY18 ASK grew +6.0%yoy**
- **ASK growth from net frequency addition**
- **Load factor up +1pptsyoy to 81.0%**
- **Target price of RM0.47 unchanged**

2QFY18 ASK grew +6.0%yoy. During the quarter, AirAsiaX added capacity (ASK) of +6.0%yoy to 8,957m. Accordingly, RPK followed suit at a slightly higher rate of +7.0%yoy to 7,281mm.

ASK grew, supported by net addition of frequencies. ASK continued to grow in 2QFY18 from added frequencies in two routes namely Taipei and Busan, with the same fleet capacity at 22 A330s as of June 2018. While some destinations saw frequency additions, we believe that ASK growth was moderated by frequency reduction to Beijing and withdrawal from Tehran.

Load Factor recorded at 81.0%. In 2QFY18, the company's load factor inched higher by +1.0ppts yoy from 80.0% in the same period last year. We believe this could be due to better demand in core markets such as Taipei, hence the higher frequency. In terms of overall passenger growth in the quarter, it handled +13.0%yoy higher volumes. In total, +13.2% more passengers in 1HFY18 were carried by the company.

AirAsiaX Thailand riding on strong demand. Meanwhile, AirAsiaX Thailand's load factor remained healthy at 91.0%, despite being marginally lower by -1ppts yoy from the same period last year. Growth in passengers maintained at a strong pace of +25.0%yoy, coming from the increase in frequencies for certain routes, with fleet size increased to seven. We believe the addition of another aircraft is necessary, given the strong travel demand. Recall that passengers carried in 1HFY18 grew at an average of +22.0%yoy.

Maintain our BUY call. We observed that the 2QFY18 operational fronts have been strong which could signal another strong quarter for AAX. However, we are cognizant that there may be a few headwinds including oil prices which have averaged +25.7% higher since the beginning of the year. Recall that fuel cost accounted for about 35.0% of total opex. Nonetheless, we remain optimistic anchored on its long-term strategic plan of 1) further reduction in CASK following expansion plan; 2) stronger focus in core markets. As such, we maintain our **BUY** call with an unchanged **TP** of **RM0.47** pegging its EPS to **PE** of **8.5x**. 

Maintain BUY

Unchanged Target Price(TP): RM0.47

RETURN STATS	
Price (26 July 2018)	RM0.36
Target Price	RM0.47
Expected Share Price Return	+30.1%
Expected Dividend Yield	0.0%
Expected Total Return	+30.1%

STOCK INFO	
KLCI	1,766.23
Bursa / Bloomberg	5099 / AIRA MK
Board / Sector	Main/ Airlines
Syariah Compliant	Yes
Issued shares (mil)	4,148.1
Market cap. (RM'm)	1,493.3
Price over NA	1.59
52-wk price Range	RM0.33 – RM0.45
Beta (against KLCI)	1.20x
3-mth Avg Daily Vol	13.59m
3-mth Avg Daily Value	RM4.99m
Major Shareholders	
AirAsia Berhad	13.76%
Tune Group	13.62%
Kamarudin Meranun	8.14%

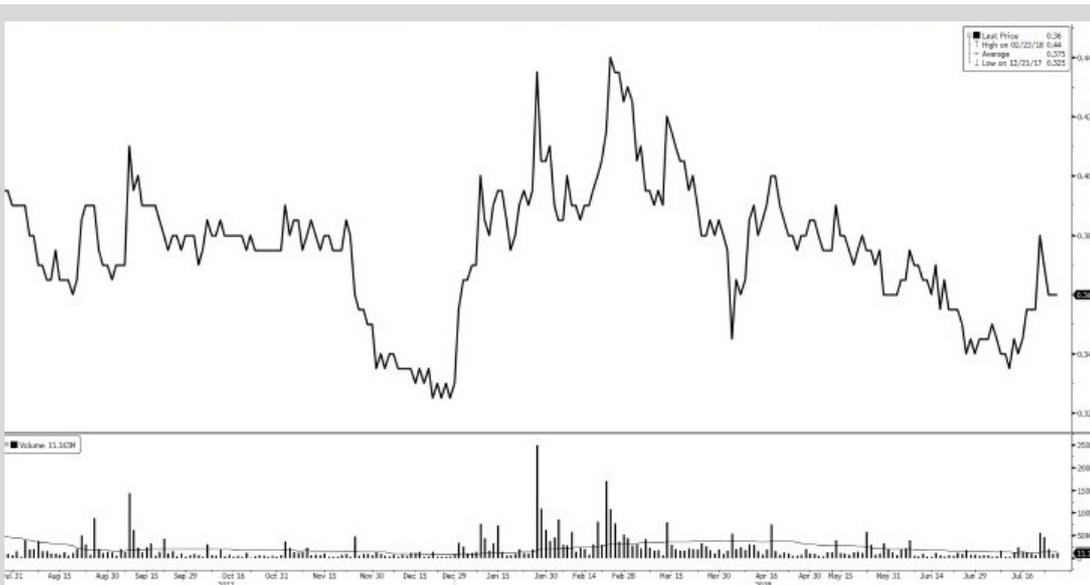
Aviation abbreviation used in this report:
 RPK: Revenue Passenger Kilometers
 ASK: Available Seat Kilometers
 RASK: Revenue per ASK
 CASK: Cost Per ASK
 BLF: Breakeven load factor
 FSC: Full Service Carrier
 LCC: Low Cost Carrier
 Pax: Passenger
 IAAX: Indonesia Airasia X
 TAAX: Thai Airasia X

INVESTMENT STATISTICS

FYE Dec (RM'm)	FY15	FY16	FY17	FY18F	FY19F
Revenue	3,075.4	4,006.5	4,562.0	4,908.2	5,124.2
EBITDA	31.8	389.6	252.3	415.2	432.5
EBIT	(10.4)	276.0	143.0	331.4	352.8
Reported Net Profit	(345.5)	230.5	98.9	223.5	230.1
Core Net Profit	(155.1)	247.5	153.4	223.5	230.2
Core EPS (sen)	(3.7)	6.0	3.7	5.4	5.5
Core EPS growth (%)	86.3	259.6	(38.0)	45.7	3.0
PER (x)	(9.6)	6.0	9.7	6.7	6.5
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

Figure 1: Second Quarter Route Launches

AirAsia X Group	New Routes Launched	Weekly Frequencies
AirAsia X Malaysia	Kuala Lumpur-Kaohsiung	4x
AirAsia X Thailand	Bangkok-Sapporo	7x
AirAsia X Indonesia	Jakarta-Tokyo (Narita)	7x

Source: Company

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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.