

27 April 2018 | Operating Statistics

AirAsia X Berhad

Healthy load factor at 84%

Maintain BUY

Unchanged Target Price(TP): RM0.46

INVESTMENT HIGHLIGHTS

- **1QFY18 ASK grew +10.0%yoy**
- **ASK growth from increased frequency**
- **Load factor maintained at 84.0%**
- **Target price of RM0.46 unchanged**

1QFY18 ASK grew +10.0%yoy. During the quarter, AirAsiaX added capacity (ASK) of +10.0%yoy. Accordingly, RPK followed the same trend, but at a slightly slower rate of +9.5%.

Increased frequency led to ASK growth. ASK continued to grow in 1QFY18 from added frequencies to two routes namely Hangzhou and Taipei, while fleet size remained at 22 A330s as of March 2018. According to the management, continuous frequency addition in Taipei and other Asia routes was in line with the company's strategy to strengthen its North Asian market. Starting February this year, the company began flying to Maldives and Jaipur.

Load Factor recorded at 84.0%. In 1QFY18, the company maintained its healthy load factor at 84%, attributable to continued passenger growth of +13%yoy. Notably, the passenger growth was seen moving faster than the company's RPK in 1QFY18, with growth of +9.5%. We opine this was partly due to the rotation of some capacity from Australia to emerging market in North Asia. Given that some routes were relatively new, discounted fares may have been placed, putting downward pressure to the average ticket price. However, we believe the move was strategic in attempt to reap larger market share in the new routes.

AirAsiaX Thailand continued to improve. While load factors stayed at 94.0% in 1QFY18, total passengers carried grew strongly by +19.0%. We attribute the increase to the addition of more frequencies in certain routes, with fleet size remained at six. Moving forward, AAX Thailand may potentially expand its fleet to ten aircrafts which will drive its ASK higher. Accordingly, this is expected to stimulate faster passenger growth, supported by the high demand market in Japan and Korea.

Maintain our BUY call. We expect that 1QFY18 earnings will be strong based on the healthy operating numbers. As such, we maintain our **BUY** call with an unchanged **TP** of **RM0.46** pegging its FY18 EPS to a forward **PER** of **8.5x**.



RETURN STATS	
Price (26 Apr 2018)	RM0.38
Target Price	RM0.46
Expected Share Price Return	+21.1%
Expected Dividend Yield	0.0%
Expected Total Return	+21.1%

STOCK INFO	
KLCI	1,851.93
Bursa / Bloomberg	5099 / AIRA MK
Board / Sector	Main/ Airlines
Syariah Compliant	Yes
Issued shares (mil)	4,148.1
Market cap. (RM'm)	1,576.3
Price over NA	1.59
52-wk price Range	RM0.33 – RM0.55
Beta (against KLCI)	1.40x
3-mth Avg Daily Vol	37.04m
3-mth Avg Daily Value	RM15.00m
Major Shareholders	
AirAsia Berhad	13.76%
Tune Group	13.62%
Kamarudin Meranun	8.14%

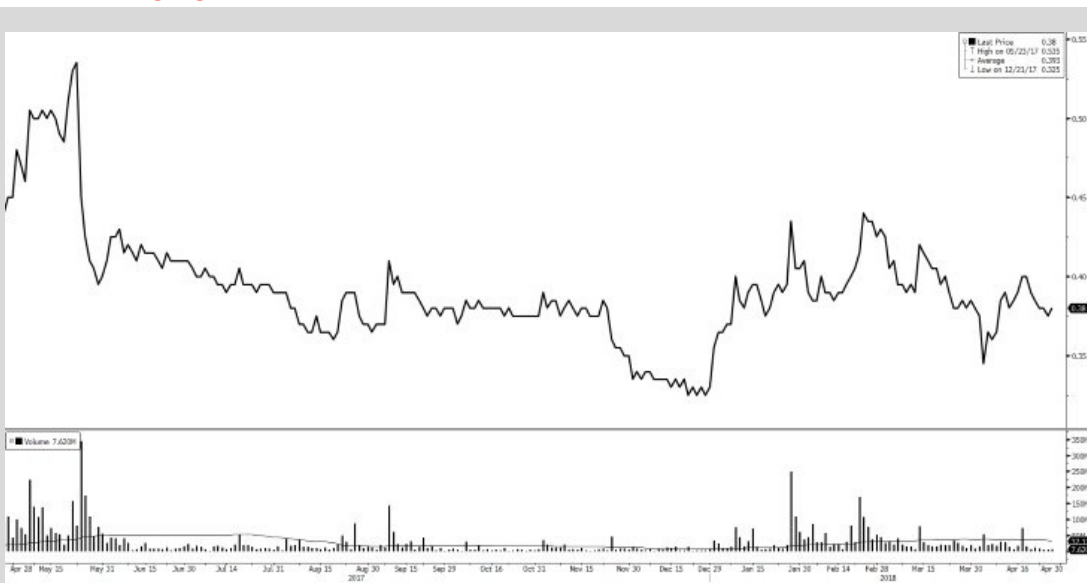
Aviation abbreviation used in this report:
 RPK: Revenue Passenger Kilometers
 ASK: Available Seat Kilometers
 RASK: Revenue per ASK
 CASK: Cost Per ASK
 BLF: Breakeven load factor
 FSC: Full Service Carrier
 LCC: Low Cost Carrier
 Pax: Passenger
 IAAX: Indonesia Airasia X
 TAAX: Thai Airasia X

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
Net Profit	(345.5)	230.5	98.9	223.5	230.1
Core Net Profit	(155.1)	247.5	153.4	223.5	230.1
Core EPS (sen)	(3.7)	6.0	3.7	5.4	5.5
Core EPS growth (%)	86.3	259.6	(38.0)	46.0	1.9
PER (x)	(10.2)	6.4	10.3	7.0	6.9
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: New Routes and Change in Frequencies (February 2018 onwards)

New Routes	
Air Asia X Malaysia	Kuala Lumpur-Maldives
	Kuala Lumpur-Jaipur

Air Asia X Malaysia		
Destinations	Prior Weekly Frequencies	Current Weekly Frequencies
Gold Coast	11x	7x
Sydney	14x	11x
Perth	14x	7x
Sapporo	5x	4x
Hangzhou	4x	6x
Taipei	18x	19x

Source: Company, MIDFR

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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.