

29 January 2018 | Operating Statistics

AirAsia X Berhad

Recovery seen in Thai associates

Maintain BUY

Unchanged Target Price(TP): RM0.43

INVESTMENT HIGHLIGHTS


- **FY17 ASK grew +19.0%yoy**
- **ASK growth from increased frequency**
- **Load factor improved to 83.0%**
- **Target price of RM0.43 unchanged pending full year results**

FY17 ASK grew +19.0%yoy. In 4QFY17, AirAsiaX's ASK increased +8.0%yoy and mostly flat from 3QFY17. ASK expansion in 4QFY17 led to an overall increase of +19.0%yoy for FY17.

ASK growth from increased frequency. While fleet size remained at 22 A330s as of last year, ASK continued to grow in 4QFY17 from added frequencies to five routes in total, namely Xi'an, Sapporo, Incheon, Busan and Taipei. Comparatively in 3QFY17, the company only added frequency on one route to Taipei. We opine continuous frequency in Taipei was in line with the company's strategy to strengthen the North Asia market. As of December last year, the company also saw an addition of unique route to Jeju.

Load Factor recorded at 83.0%. In 4QFY17, the company's load factor improved by +2.0ppts yoy to 83.0%, despite a notable jump in ASK. During the same quarter, AirAsiaX's RPK increased +23.0yoy while recorded +4.3%qoq in light of seasonally stronger quarter. On annual basis, load factor improved by similar pattern, inching up by +3pptsyoy to 82.0%.

Recovery of AirAsiaX Thailand, as load factors ticked up +13ppts yoy in 4QFY17 to 91.0%. This was attributable to the recovery from short-term impact on the tourism sector due to the passing of King Bhumibol Adulyajed, ninth king of the Chakkri dynasty. During the quarter, AirAsiaX Thailand increased frequencies on two routes, with fleet size remained at 6 aircrafts.

Possible upward revision to our forecast. We expect that 4QFY17 earnings will be strong. However, due to the 9MFY17 net loss, earnings in FY17 will be lower than FY16. In addition, its share price has run-up by +15.8% since last report issued. As such, we maintain our BUY call and we are not revising our FY18 and FY19 earnings forecast, pending its FY17 earnings release next month. Hence, we maintain our TP at RM0.43 pegging its FY18 EPS to a forward PE of 8.5x. 

RETURN STATS

Price (26 Jan 2018)	RM0.44
Target Price	RM0.43
Expected Share Price Return	-2.30%
Expected Dividend Yield	0.0%
Expected Total Return	-2.30%

STOCK INFO

KLCI	1,853.92
Bursa / Bloomberg	5099 / AIRA MK
Board / Sector	Main/ Airlines
Syariah Compliant	No
Issued shares (mil)	4,148.1
Market cap. (RM'm)	1,804.4
Price over NA	1.82
52-wk price Range	RM0.33 – RM0.55
Beta (against KLCI)	1.67
3-mth Avg Daily Vol	16.99m
3-mth Avg Daily Value	RM6.49m

Major Shareholders

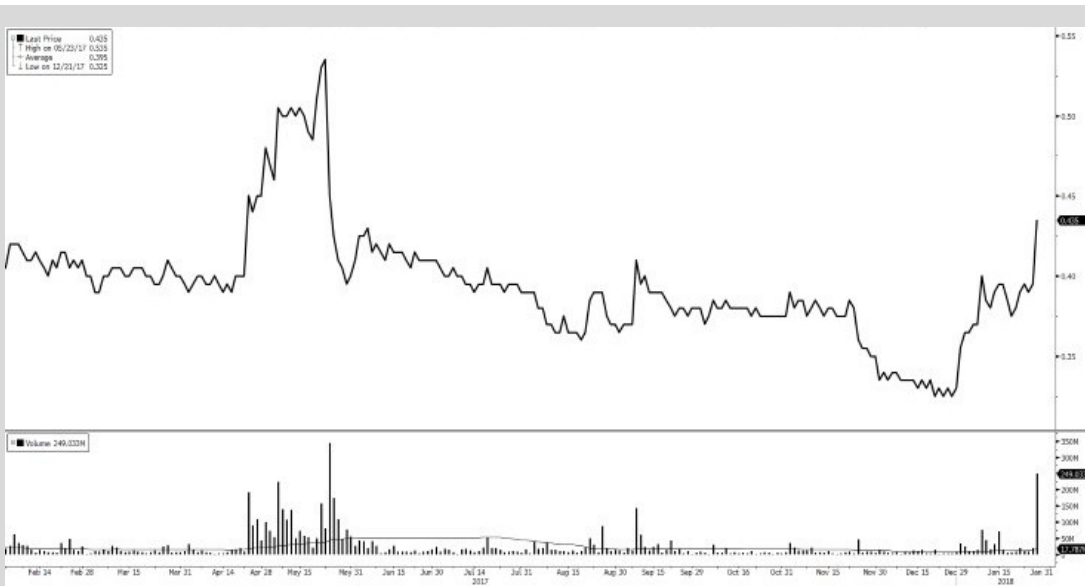
AirAsia Berhad	13.76%
Tune Group	13.62%
Kamarudin Meranun	8.14%

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	FY17F	FY18F	FY19F
Revenue	3,075.4	4,006.5	4,544.7	4,772.0	5,010.5
EBITDA	31.8	389.6	151.3	311.4	327.0
EBIT	(10.4)	276.0	123.7	229.3	240.8
Net Profit	(345.5)	230.5	142.3	208.4	222.6
Core Net Profit	(155.1)	247.5	120.5	208.4	222.6
Core EPS (sen)	(3.7)	6.0	2.9	5.0	5.4
Core EPS growth (%)	86.3	259.6	(51.3)	73.0	6.8
PER (x)	(11.8)	7.4	15.1	8.8	8.2
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

DAILY PRICE CHART



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Source: Bloomberg

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

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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.