

12 December 2018 | Corporate Update

AirAsia X Berhad

Slapped with a Writ of Summons by MAHB

INVESTMENT HIGHLIGHTS

- Requested to pay uncollected international PSC worth RM26.7m
- AAX opines that charges levied should commensurate with level of services provided by the airport
- Net gearing ratio to remain manageable even if AAX has to pay MAHB
- Possible equal downward revision of PSCs for klia2 and KLIA Main Terminal
- Maintain NEUTRAL with unchanged TP of RM0.22 per share

Requested to cough up uncollected PSC. AAX was served with a Writ of Summons by Malaysia Airports Holdings Berhad (MAHB) worth RM26.7m for uncollected international passenger service charges (PSC) since 1 July 2018. This relates to the RM23 difference charge per passenger for international passengers since AAX has only been collecting RM50 per passenger instead of RM73.

AAX's stance on this matter. MAHB stated that same rates should apply to both klia2 and KLIA Main Terminal. Meanwhile, AAX reiterated its stance that klia2 is a low-cost airport and the charges levied should commensurate with the level of services provided. Moreover, AAX intends to pursue cross claims against MAHB in relation to the infrastructure of airports which include major apron defect, random closure of runways, damages to aircrafts and rupture of fuel pipelines which they believe exceeds the claims MAHB is seeking.

Financial impact. In the event that AAX would have to reimburse the RM26.7m worth of uncollected PSC to MAHB, the impact would not be material to AAX's day-to-day operations as the company has generated a net operating cash flow of RM47.3m on average for the past three quarters. Moreover, AAX has a net gearing which is still manageable, remaining below 0.7x after considering such payments to MAHB.

Maintain NEUTRAL with unchanged TP of RM0.22 per share. Future adherence to the full PSC could push average fares upwards to sustain margins but we believe this will be partly mitigated by AAX's prudence in shifting some of the future capacity into other core markets namely, Japan, South Korea and India to factor in the slower growth from the China segment. A rerating catalyst for AAX would be the possible equal downward revision of PSCs for klia2 and KLIA Main Terminal without any plans to reverse out any previous charges according to MAVCOM. All things considered, we maintain our **NEUTRAL** call with an adjusted TP of RM0.22 per share pegging its EPS to PE of 8.5x. 

Maintain NEUTRAL

Unchanged Target Price(TP): RM0.22

RETURN STATS

Price (11 December 2018)	RM0.24
Target Price	RM0.22
Expected Share Price Return	-8.3%
Expected Dividend Yield	0.0%
Expected Total Return	-8.3%

STOCK INFO

KLCI	1,652.63
Bursa / Bloomberg	5238 / AAX MK
Board / Sector	Main/ Airlines
Syariah Compliant	Yes
Issued shares (mil)	4,148.2
Market cap. (RM'm)	974.81
Price over NA	1.26
52-wk price Range	RM0.20 – RM0.45
Beta (against KLCI)	1.45
3-mth Avg Daily Vol	15.1m
3-mth Avg Daily Value	RM3.74m

Major Shareholders (%)

Tune Group	17.8
AirAsia Bhd	13.8
Kamarudin Meranun	8.9

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

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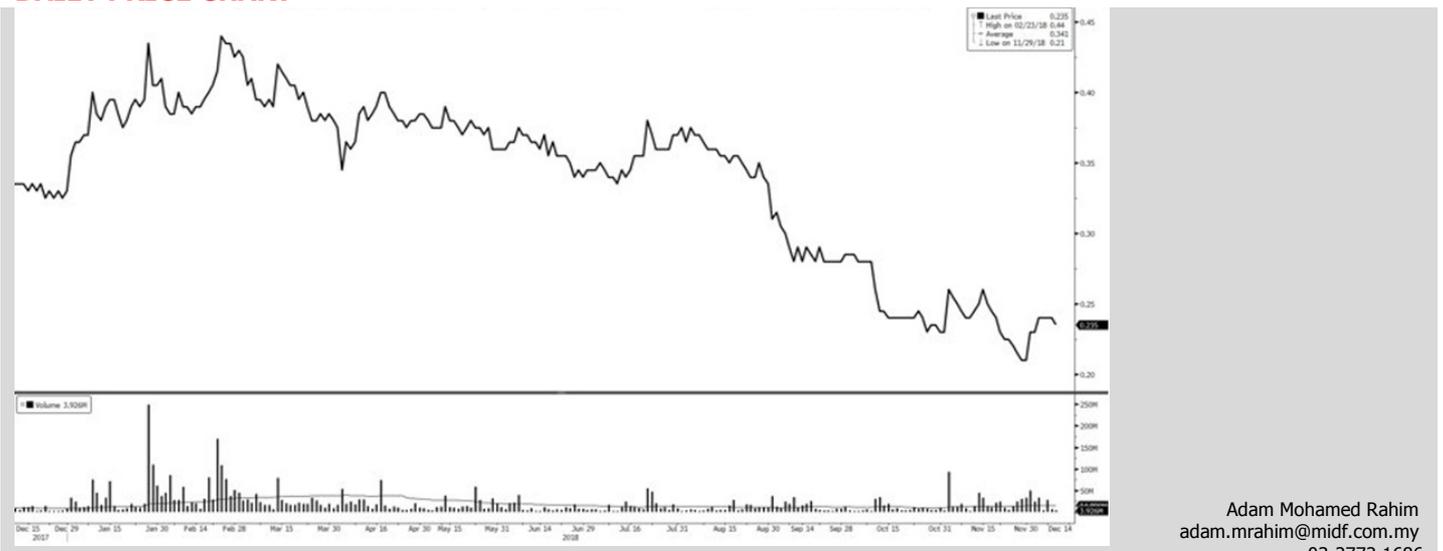
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INVESTMENT STATISTICS

FYE Dec (RM'm)	FY15	FY16	FY17	FY18F	FY19F
Revenue	3,075.4	4,006.5	4,562.0	4,740.0	5,212.0
EBITDA	31.8	389.6	252.3	52.1	223.4
EBIT	(10.4)	276.0	143.0	(8.3)	127.1
Reported Net Profit	(345.5)	230.5	98.9	(46.9)	105.4
Core Net Profit	(155.1)	247.5	153.4	(46.9)	105.4
Core EPS (sen)	(3.7)	6.0	3.7	(1.1)	2.5
Core EPS growth (%)	86.3	259.6	(38.0)	(130.6)	324.7
PER (x)	(6.4)	4.0	6.5	(21.2)	9.4
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



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.