

AirAsia Group Berhad

(5099 | AAGB MK) Main | Consumer Products & Services

Maintain NEUTRAL

Revised Target Price: RM0.63
Previously RM1.03

More headwinds for international passengers carried

KEY INVESTMENT HIGHLIGHTS

- **Outbound travel for locals and inbound travel for foreigners to be restricted under the Movement Control Order**
- **Passengers carried in March 2020 to see a larger year-on-year decline**
- **Do not discount the possibility of more aircraft redeployment for domestic routes.**
- **Earnings estimates adjusted downwards**
- **Maintain NEUTRAL with a revised TP of RM0.63 per share**

Movement Control Order to be implemented. On 16 March 2020, the Government of Malaysia had decided to implement the Movement Control Order from 18-31 March 2020. The Movement Control Command covers amongst others, the restriction of entry of all Malaysians travelling abroad and also all foreign tourists and visitors travelling into the country.

Passengers carried in March 2020 to take a dip. Recall that the March 2019 passenger traffic for klia2 reached 3.0m passengers. International passengers contributed 66.2% of total passengers for that month. With the Movement Control in place, we expect to see a further decline in international passenger traffic amidst travel restrictions for outbound travel for locals and inbound travel for foreigners over a 14-day period. Based on our preliminary analysis, the drop in total passenger traffic for klia2 could reach more than -30%yoy for March 2020. As a result, we have lowered our total passengers carried forecast for FY20 by around -19.0%.

Do not discount the possibility of more aircraft redeployment for domestic routes. We understand that domestic flights are subject to airlines schedule as airports (along with essential services) will remain open during the 14-day period. Aside from that, the stimulus package announced by the Government of Malaysia which covers domestic tourism will partially support domestic travel. Therefore, we do not discount the possibility of AAGB redeploying its aircraft for domestic routes especially during festive periods such as Hari Raya Aidilfitri, provided that fears of the Covid-19 pandemic have waned by then.

Impact on earnings estimates. Taking into account of lower passengers carried by AAGB in FY20, our earnings estimates for FY20, FY21 and FY22 have been reduced to RM145.0m (previously RM244.5m), RM248.8m (previously RM381.6m) and 513.0m (previously RM570.4m) respectively.

Target price. Following the revision in our earnings estimates, we revised our target price to RM0.63 per share (from RM1.03 previously) Our revised target price is derived via pegging our FY21F EPS of 7.4sen to a target PER of 8.5x which is the lower end of the aviation cycle.

Maintain NEUTRAL. AirAsia Indonesia and AirAsia India used to be the darlings for AAGB. However, the increasing contagion of the Covid-19 pandemic outside China and wider travel bans by countries such as India will exert additional pressure on AAGB. Perhaps domestic travel in Malaysia could act as a cushion in these challenging times. All in, we maintain our NEUTRAL amidst the overall tough operating environment.

RETURN STATISTICS

Price @ 16 ^h Mar 2020 (RM)	0.70
Expected share price return (%)	-10.00
Expected dividend yield (%)	+2.90
Expected total return (%)	-7.10

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-41.18	-29.40
3 months	-58.82	-50.74
12 months	-63.33	-51.88

KEY STATISTICS

FBM KLCI	1280.63
Syariah compliant	Yes
Issue shares (m)	3341.97
Estimated free float (%)	53.79
Market Capitalisation (RM'm)	2339.38
52-wk price range	RM0.7 - RM2.15
Beta vs FBM KLCI (x)	1.71
Monthly velocity (%)	11.02
Monthly volatility (%)	24.07
3-mth average daily volume (m)	29.62
3-mth average daily value (RM'm)	35.56
Top Shareholders (%)	
TUNE LIVE SDN BHD	16.73
Tune Air Sdn Bhd	15.45
Employees Provident Fund Board	4.77

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INVESTMENT STATISTICS

Financial year ending 31 st Dec (in RM'm, unless otherwise stated)	2018A	2019E	2020F	2021F	2022F
Revenue	10,638.3	11,964.9	11,105.9	11,587.1	12,524.6
EBITDA	1,803.7	2,730.6	1,888.0	2,433.3	2,755.4
EBIT	1,218.9	742.9	566.4	778.6	1,074.6
PBT	1,335.2	(549.8)	362.5	599.6	827.5
Reported Net Profit	1,695.4	(412.3)	145.0	248.8	513.0
Core Net Profit	767.1	(345.7)	145.0	248.8	513.0
Core EPS (sen)	23.0	(10.3)	4.3	7.4	15.4
Core EPS growth (%)	-41.3%	-145.1%	-141.9%	71.6%	106.2%
PER (x)	3.0	-6.8	16.1	9.4	4.6
Net Dividend (sen)	64.0	102.0	0.0	2.0	2.0
Net Dividend Yield (%)	91.4%	145.7%	0.0%	2.9%	2.9%

Source: Company, MIDFR

Note: *Special dividend of RM0.40 and two interim dividend of RM0.12 per share in FY18

** Includes special dividend of RM0.90 to be paid on 29 August 2019

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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.