

AirAsia X Berhad

(5238 | AAX MK) Main | Consumer Products & Services

Any extensions of travel bans will negate resumption of fleet operation

KEY INVESTMENT HIGHLIGHTS

- **Decline in RPK outpaced the drop in ASK in 1QFY20 amidst ongoing capacity management**
- **As such load factor in 1QFY20 declined below 80% to 74%**
- **AAX Thailand saw load factor drop to 77.0%**
- **Possible extension of travel bans to negate impact of resumption of AAX's flights**
- **Earnings estimates unchanged**
- **Maintain Trading SELL with an unchanged TP of RM0.03 per share**

1QFY20 preliminary ASK and RPK down due to capacity management. For 1QFY20, AirAsia X Malaysia (MAAX) recorded a drop in preliminary ASK's by -21.0%yoy to 6,874 million compared to the -5.0%yoy decline in 1QFY19. The wider decline in ASK was partly attributable to the massive capacity cuts beginning in February 2020 amidst the Covid-19 pandemic. Flight frequencies to China were first to take a hit in February 2020 before carrying out capacity realignment in almost 90% of MAAX's network (Australia, Japan, South Korea and India) later in March 2020.

Load factors dropped below 80.0%. The contraction in RPK by -28.0%yoy in 1QFY20 outpaced the -21.0%yoy ASK drop. As such, MAAX's passenger load factor during the quarter inched below 80% to reach 74%, a level not seen since FY15. The decline in load factor was inevitable due to the massive capacity and frequency cuts mentioned before the temporary hibernation of MAAX's fleet from 28 March to 31 May 2020.

AirAsia X Thailand faces blip in load factor. Similarly, AAX Thailand's (TAAX) passenger load factor in 1QFY20 went below 80% to reach 77%. TAAX was also not left out from suspending all flights from 16 March 2020 for a period of three months except for DMK-ICN which is suspended until 19 April 2020.

Earnings estimates. No changes to earnings estimates.

Target Price. We are maintaining our target price at **RM0.03 per share**. Our TP is derived via pegging our FY21F book value per share to a target PBV of 1.2x or -1SD of the five-year historical average PBV to reflect the challenging operating environment.

Maintain Trading SELL. Many countries have implemented travel bans and lockdowns to curb the spread of the Covid-19 virus. For example, Japan declared a state of emergency initially for Tokyo and six other prefectures on 8 April 2020 but has now been implemented it nationwide until 6 May 2020. Meanwhile, the Civil Aviation Authority of Thailand extended the ban for all incoming flights to May 31 from the initial date of the lifting of the ban on April 30. All of these restrictions on travelling are scheduled to end before the suspension of AAX's fleet is lifted. That being said, the risk of further extensions of these travel bans or lockdown will negate the resumption of AAX's flight operations. Therefore, this could derail the positive sentiment coming out from North Asia as countries like China have gradually added domestic flights. Taking macro-economic conditions and company specific risk of AAX having substantial exposure to North Asia (more than 30% of ASK), we are reiterating our **Trading SELL** call on AAX.

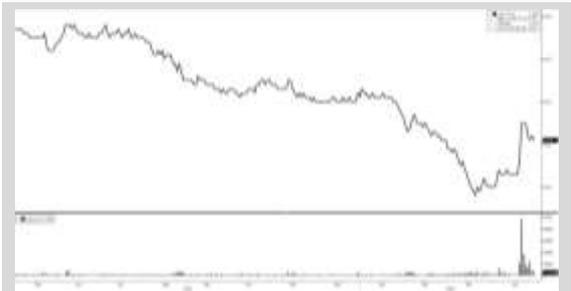
Maintain Trading SELL

Unchanged Target Price: RM0.03

RETURN STATISTICS

Price @ 28 th Apr 2020 (RM)	0.11
Expected share price return (%)	-71.43
Expected dividend yield (%)	+0.00
Expected total return (%)	-71.43

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	110.0	105.5
3 months	110.0	-18.0
12 months	-55.3	-46.6

KEY STATISTICS

FBM KLCI	1,372.2
Syariah compliant	Yes
Issue shares (m)	4148.15
Estimated free float (%)	51.04
Market Capitalisation (RM'm)	435.56
52-wk price range	RM0.04 - RM0.25
Beta vs FBM KLCI (x)	1.47
Monthly velocity (%)	4.85
Monthly volatility (%)	22.58
3-mth average daily volume (m)	30.26
3-mth average daily value (RM'm)	3.12
Top Shareholders (%)	
Tune Group Sdn Bhd	17.83
AirAsia Bhd	13.76
Kamarudin Meranun	8.94

Analyst(s)

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INVESTMENT STATISTICS

Financial year ending 31st Dec (in RM'm, unless otherwise stated)	2018A	2019A	2020F	2021F	2022F
Revenue	4,571.4	4,392.6	3,572.2	3,965.1	4,401.3
EBITDA	(76.7)	831.7	714.4	832.7	924.3
EBIT	(203.9)	(90.5)	(75.0)	(74.9)	83.2
Reported Net Profit	(301.5)	(489.5)	(242.9)	(99.1)	19.8
Core Net Profit	(235.7)	(283.0)	(242.9)	(99.1)	19.8
Core EPS (sen)	(5.7)	(6.82)	(5.86)	(2.39)	0.48
Core EPS growth (%)	(416.8)	(20.1)	14.2	59.2	120.0
PER (x)	(1.8)	(1.5)	(1.8)	(4.4)	22.0
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

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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.