



# AIRASIA

(AAGB MK EQUITY, AIRA.KL)

23 Feb 2021

*HK businessman emerges as substantial shareholder*

## SELL

(Maintained)

AmInvestment Bank

www.amequities.com.my

03-2036 2240

*Rationale for report: Company update*

Price	RM0.82
Fair Value	RM0.62
52-week High/Low	RM1.16/RM0.50

### Key Changes

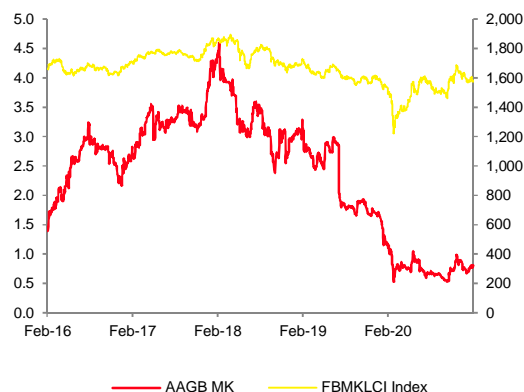
Fair value	⬇️
EPS	⬇️

YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	12,294.1	3,568.5	6,921.1	13,150.1
Core net profit (RM mil)	(209.7)	(3,107.8)	(911.9)	229.6
FD Core EPS (sen)	(9.1)	(93.0)	(24.6)	6.2
FD Core EPS growth (%)	(40)	(1122)	(74)	nm
Consensus Net Profit (RM mil)	-	(3,068.0)	(862.7)	111.0
DPS (sen)	90.0	0.0	0.0	0.0
PE (x)	nm	nm	nm	13.3
EV/EBITDA (x)	5.1	nm	73.1	2.2
Div yield (%)	121.0	0.0	0.0	0.0
ROE (%)	62.2	(223.5)	(125.2)	24.0
Net Gearing (%)	287.0	895.9	11,965.7	8,077.6

### Stock and Financial Data

Shares Outstanding (million)	3,711.8
Market Cap (RM mil)	3,043.7
Book Value (RM/share)	1.33
P/BV (x)	0.6
ROE (%)	62.2
Net Gearing (%)	287
Major Shareholders	Tune Live Sdn Bhd (13.9%) Tune Air Sdn Bhd (13.7%) Positive Boom Ltd (8.96%)
Free Float	63.4
Avg Daily Value (RM mil)	29.6

Price performance	3mth	6mth	12mth
Absolute (%)	14.0	21.6	(29.7)
Relative (%)	15.7	22.2	(31.5)



### Investment Highlights

- We now project a narrower FY21F loss per share of 24.6 sen (vs. 27.3 sen previously) and a lower FY22F EPS of 6.2 sen (vs. 6.6 sen previously), having reflected the impact from the first tranche of a private placement. Consequently, we reduce our fair value by 6% to RM0.62 (from RM0.66) for AirAsia based on 10x revised FY22F EPS. At 10x, we value AirAsia at a discount to its global peers, Ryanair and Southwest Airlines (19x–49x forward PE) to reflect AirAsia's relatively smaller size. Maintain SELL.
- AirAsia recently completed the first tranche of its proposed private placement (of up to 20% new shares) comprising 369.8mil new shares or 11% of its pre-exercise share base at an issue price of RM0.675 that raised proceeds of about RM250mil.
- Stanley Choi Chiu Fai, who took part of the private placement, has emerged a substantial of AirAsia with an accumulated stake of 332.5mil shares or 8.96%. Described in a media report as “a Hong Kong financier, M&A specialist and professional poker player”, Choi is currently the chairman of the Hong Kong-listed Head and Shoulders Financial Group and International Entertainment Corp. It is unknown at this point of time if he is just a passive investor in AirAsia or he will bring value to the table.
- To recap, AirAsia has proposed a private placement of up to 669.4mil new shares, which is equivalent to 20% of its previous share base of 3,342.0mil shares at an indicative issue price of RM0.68/share. It plans to raise RM454mil proceeds from the exercise, mainly earmarked for working capital (i.e. fuel hedging settlement, aircraft lease and maintenance payments, AirAsia Digital's expenses, etc.).
- Based on our estimates, the fresh capital shall turn AirAsia's net debt (including lease liabilities) and net gearing (including lease liabilities) of RM11.8bil and 10.0x as at September 2020 to RM11.4bil and 6.9x.
- Assuming the deal is to be completed, we estimate the new shares will further dilute its FY22F EPS by another 5%, and reduce our FV to RM0.59 based on the same valuation basis.

- We are only mildly positive on the latest development in AirAsia. We see it as a stop-gap measure to bring itself back from the brink. Depending on how soon Malaysia and the world at large are to emerge from the pandemic, AirAsia may need to raise more fresh capital, including potentially a debt-to-equity swap for creditors (that is also highly dilutive to its existing shareholders) to ensure its long-term survival.
- While the prospects for the air travel industry and airlines have improved significantly following the large-scale rollout of Covid-19 vaccines globally, we are still mindful of the urgent need for airlines, including AirAsia, to recapitalize their balance sheets. For AirAsia, the process has just begun.

EXHIBIT 1: PB BAND CHART

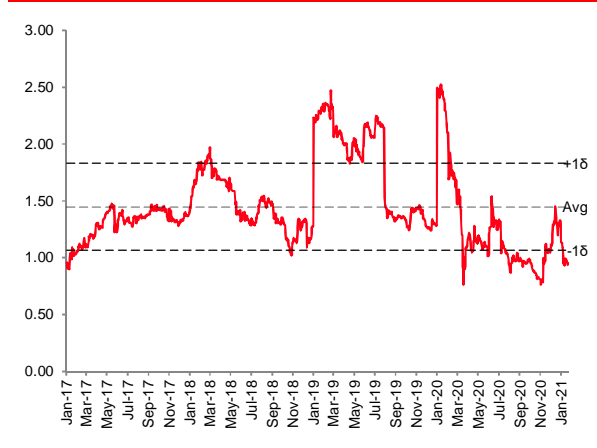
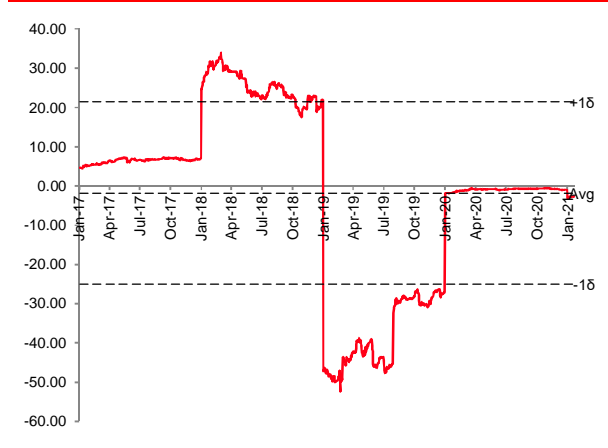


EXHIBIT 2: PE BAND CHART



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