



AmInvestment Bank

Company report

AIRASIA

(AAGB MK EQUITY, AIRA.KL)

9 Sep 2021

Focusing on shoring up liquidity

SELL

(Maintained)

AmInvestment Bank

www.amequities.com.my

03-2036 2240

Rationale for report: Company results/update

Price	RM0.95
Fair Value	RM0.61
52-week High/Low	RM1.27/RM0.51

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	3,141.1	1,569.6	5,136.5	8,691.0
Core net profit (RM mil)	(3,709.9)	(3,457.3)	109.5	287.3
FD Core EPS (sen)	(111.0)	(88.7)	2.8	7.4
FD Core EPS growth (%)	(1,319.9)	(14.6)	nm	162.3
Consensus Net Profit (RM mil)	-	(2,081.6)	(517.3)	163.3
DPS (sen)	0.0	0.0	0.0	0.0
PE (x)	nm	nm	33.6	12.8
EV/EBITDA (x)	nm	nm	69.6	33.3
Div yield (%)	0.0	0.0	0.0	0.0
ROE (%)	nm	nm	nm	nm
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	3,898.1
Market Cap (RM mil)	3,683.7
Book Value (RM/share)	(0.6)
P/BV (x)	nm
ROE (%)	nm
Net Gearing (%)	nm

Major Shareholders	Tune Air Sdn Bhd (13.3%) Tune Live Sdn Bhd (13.1%) Positive Boom Ltd (8.5%)
Free Float	65.1
Avg Daily Value (RM mil)	10.4

Price performance	3mth	6mth	12mth
Absolute (%)	-	(1.6)	43.2
Relative (%)	(0.6)	(0.7)	36.2



— AAGB MK — FBMKLCI Index

Investment Highlights

- We maintain our forecasts and fair value (FV) of RM0.61 for AirAsia based on 8x FY23F EPS. This is at a discount to its global peers, Ryanair and Southwest Airlines (9x–11x forward PE) to reflect weaker recovery prospects for the air travel industry in this part of the world vs. the US and Europe (that have had more success in their vaccination programmes) apart from AirAsia's relatively smaller size and a damaged balance sheet. Our FV has been adjusted for a 3% premium to reflect a 4-star ESG rating for AirAsia as appraised by us (Exhibit 5). Maintain SELL.
- We consider AirAsia's 1HFY21 core net loss of RM1.43bil within our full-year net loss forecast of RM3.46bil but below the full-year consensus estimates of a RM2.01bil net loss.
- AirAsia's 1HFY21 revenues dived by 72% YoY on the back of an 85% contraction in revenue passenger kilometres (RPK) amidst travelling restrictions and low demand due to the pandemic. The passengers carried plunged 83% YoY to 1.7mil vs. 10.1mil previously. Correspondingly, its capacity contracted by 80% YoY. Prior to the pandemic, AirAsia carried 25.4mil passengers in 1HFY19.
- In terms of cost, AirAsia managed to reduce its fixed costs by 44% YoY (and flat QoQ), coming largely from staff cost (headcount reduction and voluntary pay cuts -57% YoY) and fixed maintenance costs via asset optimisation (-46% YoY). These were partly offset by an increase in critical IT operations costs in 2QFY21.
- AirAsia has also completed two batches of lease restructuring in 3QFY21, and will complete the full restructuring exercise by the end of FY21. This will result in lower leasing rates moving forward.
- We believe AirAsia is on track to raise RM2bil–RM2.5bil fresh funds from a combination of new equity and debt. To recap, thus far, AirAsia has shored up its liquidity by: (1) a private placement of 470.2mil new shares or 14% of its pre-exercise share base at an issue price of RM0.675 (for the first tranche) and RM0.865 (for the second tranche), raising proceeds of about RM336mil in total; (2) effecting the sale and leaseback and sale of two engines; (3) divestment of Fly Leasing, raising proceeds of US\$56.8mil (equivalent to RM236.0mil).

- Other funding plans that are in progress include: (1) raising RM1bil debt through the Danajamin scheme, of which AirAsia has already obtained approval letters from two banks and is in discussion with other financial institutions. It is confident of obtaining the funds by the end of the year; (2) raising up to RM1bil via a renounceable rights issue, subject to Bursa Malaysia and shareholders' approval; (3) raising new capital for its digital businesses. Already, BigPay has secured investment of up to US\$100mil (equivalent to RM415mil) in the form of convertible loan notes from SK Group, a South Korean conglomerate.
- While the prospects for the air travel industry and airlines have improved significantly following the large-scale rollout of Covid-19 vaccines globally, AirAsia's operations are once again hit by the resurgence in Covid-19 cases both locally and regionally. Depending on how soon Malaysia and the world at large could 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.

EXHIBIT 1: RESULTS SUMMARY

FYE Dec (RM mil)	FY20 2Q	FY21 1Q	FY21 2Q	QoQ Chg	FY20 6M	FY21 6M	YoY Chg
Revenue	119.0	298.2	370.6	24%	2430.7	668.8	-72%
Operating expense	-1330.1	-1032.8	-1045.2	1%	-4228.7	-2078.0	-51%
Other income	32.5	86.5	21.9	-75%	149.9	108.4	-28%
Operating profit	-1178.6	-648.1	-652.7	1%	-1648.1	-1300.8	-21%
Finance income	9.6	9.3	3.7	-60%	39.3	13.0	-67%
Finance costs	-122.0	-155.1	-143.1	-8%	-318.1	-298.2	-6%
Net operating profit	-1291.0	-793.8	-792.2	0%	-1926.8	-1586.1	-18%
Associates	-20.5	-15.0	-10.1	-33%	-49.9	-25.1	-50%
JV	37.4	0.0	0.0	nm	-0.2	0.0	-100%
Forex (loss)/gains	37.4	-179.3	81.4	-145%	5.5	-97.8	-1866%
FV (loss)/gain	62.1	22.4	-5.9	-126%	-207.9	16.5	-108%
PBT	-1212.1	-965.8	-726.8	-25%	-2179.3	-1692.5	-22%
Taxation	-7.8	-1.7	-1.6	-5%	-14.4	-3.3	-77%
Deferred tax	60.5	-8.8	8.8	-200%	80.9	0.0	-100%
NCI (-)	166.6	208.8	139.5	-33%	316.1	348.3	10%
Net profit	-992.9	-767.4	-580.1	-24%	-1796.8	-1347.5	-25%
EI	-2.2	-39.7	-39.0	-2%	-11.6	-78.6	576%
Core net profit	-995.1	-807.1	-619.0	-23%	-1808.4	-1426.1	-21%
Margins				ppt			ppt
EBIT	-991%	-217%	-176%	41	-68%	-194%	-127
PBT	-1019%	-324%	-196%	128	-90%	-253%	-163
Core net profit	-837%	-271%	-167%	104	-74%	-213%	-139

Source: company, AmlInvestment Bank

EXHIBIT 2: OPERATING STATISTICS

FYE Dec (RM mil)	FY19 2Q	FY20 1Q	FY20 2Q	YoY Chg	FY19 6M	FY20 6M	YoY Chg
Passengers Carried (mil)	0.2	1.0	0.8	-22%	10.1	1.7	-83%
Capacity	0.3	1.5	1.1	-24%	13.1	2.6	-80%
Load Factor (%)	59	67	68	100	77%	67%	-10%
RPK (mil)	232	888	775	-13%	11,388	1,663	-85%
ASK (mil)	391	1,329	1,149	-14%	14,784	2,478	-83%
Number of flights	1,868	8,036	6,114	-24%	71,650	14,150	-80%
Average stage length (km)	1,121	906	1,026	13%	1,121	966	-14%
Aircraft - end of period	149	149	151	0	149	151	2
Average Fare (RM)	239	159	194	22%	210.5	177	-16%
Unit Passenger Rev (RM)	78	204	124	-39%	151.5	164	8%
Rev/ASK (sen)	15.93	15.03	15.93	6%	15.63	15.48	-1%
Cost/ASK (sen)	295.65	72.75	76.51	5%	157.73	74.63	-53%
Cost/ASK-ex Fuel (sen)	230.76	64.97	70.37	8%	122.26	67.67	-45%
Fuel Consumed (Barrels)	83,336	230,043	190,797	-17%	2,468,632	420,840	-83%
Average Fuel Price (US\$/Barrel)	764	78	90	15%	425	84	-80%

Source: company, AmlInvestment Bank

EXHIBIT 3: PB BAND CHART



EXHIBIT 4: PE BAND CHART

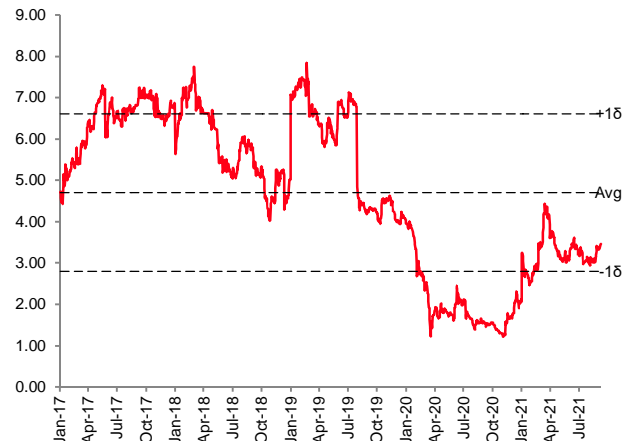


EXHIBIT 5: ESG RATING

Overall	★	★	★	★	
Zero-carbon initiatives	★	★	★	★	
Pollution control	★	★	★		
Sustainable industrialization	★	★	★	★	
Diversity and inclusion	★	★	★	★	
Employees welfare	★	★	★		
Corporate social responsibilities	★	★	★	★	
Accessibility & transparency	★	★	★	★	
Supply chain auditing	★	★	★		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

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