



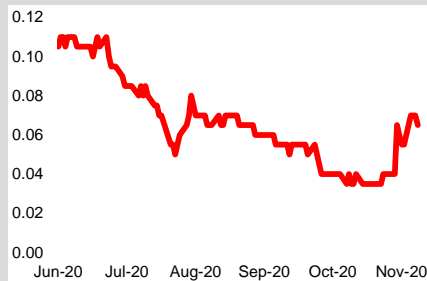
DESCRIPTION

A leading low-cost, long haul airline operating primarily in the Asia Pacific region. It currently flies to 31 destinations in Asia, Australia, the Middle East and the United States of America.

12-Month Target Price RM0.01
Current Price RM0.065
Expected Return -86%

Market Main
Sector Airlines
Bursa Code 5238
Bloomberg Ticker AAX MK
Shariah-Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) 0.04 - 0.17
 3-Month Average Vol ('000) 26,859.9

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	75.0	0.0	-36.4
Relative Returns	77.2	-1.0	-44.6

KEY STOCK DATA

Market Capitalisation (RMm) 269.6
 No. of Shares (m) 4,148.1

MAJOR SHAREHOLDERS

	%
Tune Group	17.8
AirAsia Berhad	13.8
Datuk Kamarudin bin Meranun	8.9

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Continues In Hibernation

AirAsia X (AAX) reported a net loss of RM308m in 3QFY20 with minimal non-scheduled operations and charter flights. Excluding one-off items, core net loss widened to RM498.5m, bringing its 9MFY20 core net loss to RM1bn. This exceeds our and consensus' expectations of a full-year net loss at 105% and 86% respectively. We widen our core net loss estimates further by RM340-606m for FY20-22F, to account for higher-than-expected expenses. We retain our **Underperform** call on AAX with target price of 1sen (1x FY20 BVPS), after assuming higher equity injection undertaking.

§ **Revenue dropped 94% due to hibernation of scheduled operations.** In 3Q20, revenue fell to RM60m due to hibernation of scheduled operations. Malaysia AAX (MAAX) maintained minimal non-scheduled operations and charter flights.

§ **Widened core net loss from shortfall in revenue and fixed costs.** During the quarter, core net loss widened to RM498.5m, compared to RM52.7m. LBITDA stood at RM237.3m, compared to an EBITDA of RM219.8m as a consequence of the hibernation of scheduled operations and reduced flying hours.

§ **Outlook.** Moving forward, AAX aims to restructure its operations through debt restructuring to provide new opportunities for management to transform and reset its business and to emerge in a stronger financial position for the long-term viability of the Group. AAX expects to begin operating with 2 aircraft in selected markets in the 1Q of 2021 and to gradually resume flights to all destinations by end-2021.

KEY FORECAST TABLE

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F	CAGR
Revenue	4571.4	4233.3	1130.5	2500.3	2799.9	-11.5%
Operating Profit	-203.9	-121.5	-1290.8	-569.1	-491.4	24.6%
Pre-tax Profit	-226.7	-306.0	-1773.5	-750.0	-711.9	nm
Reported Net Profit**	-301.5	-650.3	-1791.2	-757.5	-719.0	nm
Core Net Profit	-58.0	-348.4	-1591.2	-757.5	-719.0	nm
EPS (Sen)	-1.4	-8.4	-38.4	-18.3	-17.3	
P/E (x)	-4.6	-0.8	-0.2	-0.4	-0.4	
Dividend Yield (%)	-	-	-	-	-	

Source: Company, PublicInvest Research estimates, **including deferred taxation and forex gain/loss

Table 1: Results Summary

<u>FYE Dec (RM m)</u>	<u>3Q20</u>	<u>3Q19</u>	<u>2Q20</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY20</u>	<u>YTD FY19</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	59.9	1014.7	91.4	(94.1)	(34.5)	1075.4	3197.0	(66.4)	Due to hibernation of scheduled operations
Aircraft fuel expenses	(106.0)	(370.0)	(87.0)	(71.3)	21.9	(520.2)	(1225.0)	(57.5)	
Maintenance expenses	(139.7)	(242.0)	(57.8)	(42.3)	>100	(512.6)	(807.5)	(36.5)	
Staff costs	(39.4)	(101.3)	(58.0)	(61.1)	(32.1)	(202.6)	(317.8)	(36.2)	
Other operating expenses	(202.2)	(318.9)	(212.4)	(36.6)	(4.8)	(693.8)	(941.1)	(26.3)	
Other operating income	1.1	2.7	0.8	(60.3)	44.0	4.0	19.7	(79.6)	
Share of results of an associate	0.0	0.0	0.0	na	na	0.0	(1.1)	<-100	TAAX
Operating profit	(426.4)	(14.8)	(323.0)	>100	32.0	(849.8)	(75.8)	>100	
Finance income	25.2	23.4	27.2	7.6	(7.5)	80.6	44.0	83.3	
Finance cost	(97.3)	(78.1)	(81.2)	24.6	19.8	(264.0)	(253.3)	4.2	
Other (loss)/gain	(2.2)	0.0	(59.4)	na	(96.2)	(61.7)	0.0	na	Unrealised gain/ (loss) from fuel contracts
Forex on borrowings	192.3	(87.6)	131.6	<-100	46.1	(67.8)	(81.8)	(17.0)	Mainly due to USD/MYR fluctuations
Pre-tax profit	(308.4)	(157.1)	(304.9)	96.3	1.2	(1162.7)	(366.9)	>100	
Taxation	(0.0)	(72.8)	(0.3)	(100.0)	(95.2)	(0.7)	(26.8)	(97.6)	
Minority Interest	0.0	0.0	0.0	NM	NM	0.0	0.0	NM	
Reported Net profit	(308.5)	(229.9)	(305.2)	34.2	1.1	(1163.4)	(393.7)	>100	
Core Net Profit	(498.5)	(52.7)	(377.3)	>100	32.1	(1033.9)	(196.8)	>100	
Core EPS (sen)	(12.0)	(1.3)	(9.1)			(24.9)	(4.7)		
DPS (sen)	0.0	0.0	0.0			0.0	0.0		
Operating Margin (%)	(711.7)	(1.5)	(353.3)			(79.0)	(2.4)		
Pre-tax Margin (%)	(514.9)	(15.5)	(333.5)			(108.1)	(11.5)		
Core Net Margin (%)	(832.1)	(5.2)	(412.6)			(96.1)	(6.2)		
Effective tax rate (%)	0.0	46.3	0.1			0.1	7.3		Income tax allowances driven by tax incentives

Source: Company, PublicInvest Research estimates

Table 2: Revenue breakdown

<u>FYE Dec (RM m)</u>	<u>3Q20</u>	<u>3Q19</u>	<u>2Q20</u>	<u>YoY (%)</u>	<u>QoQ (%)</u>
Scheduled flights (net of refund)	0.0	690.7	3.0	-100.0	-100.0
Charter flights	3.7	0.0	8.4	na	-55.5
Freight and cargo	4.8	46.7	17.6	-89.8	-72.8
Ancillary revenue	0.0	190.8	0.4	-100.0	-100.0
Management fee	0.0	0.5	0.0	-100.0	na
Aircraft operating lease income	51.4	85.9	62.0	-40.2	-17.2

Source: Company

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F
Revenue	4,571.4	4,233.3	1,130.5	2,500.3	2,799.9
Operating expenses	(4,655.5)	(3,649.4)	(1,650.9)	(2,323.9)	(2,546.8)
Other operating income	7.4	40.0	5.1	30.0	31.1
Operating Profit	(203.9)	(121.5)	(1,290.8)	(569.1)	(491.4)
Other Gains / (Losses)	(7.9)	42.9	(200.0)	-	-
Net Finance Costs	(14.8)	(227.4)	(282.7)	(180.9)	(220.6)
Pre-tax Profit	(226.7)	(306.0)	(1,773.5)	(750.0)	(711.9)
Income Tax	(74.8)	(344.3)	(17.7)	(7.5)	(7.1)
Minorities	-	-	-	-	-
Reported Net Profit	(301.5)	(650.3)	(1,791.2)	(757.5)	(719.0)
Core Net Profit / (Loss)	(58.0)	(348.4)	(1,591.2)	(757.5)	(719.0)
Growth					
Revenue (%)	-0.2	-7.4	-73.3	>100	12.0
Gross Profit (%)	<-100	-40.4	>100	-55.9	-13.7
Net Profit (%)	<-100	>100	>100	-52.4	-5.1

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2018A	2019A	2020F	2021F	2022F
Property, Plant & Equipment	625.0	623.4	545.5	467.5	389.6
Cash and Cash Equivalents	297.6	358.0	1,095.6	178.1	69.3
Other Assets	3,419.0	8,585.5	7,520.9	7,043.3	6,386.9
Total Assets	4,341.6	9,566.9	9,162.0	7,689.0	6,845.8
Payables	1,102.5	823.8	445.7	558.0	586.1
Borrowings	687.1	6,265.6	6,765.6	5,701.5	5,497.4
Tax payable	-	-	-	-	-
Other Liabilities	1,978.3	2,339.5	1,803.9	2,040.4	2,092.1
Total Liabilities	3,767.9	9,428.9	9,015.3	8,299.8	8,175.6
Shareholders' Equity	573.7	137.9	146.7	(610.8)	(1,329.8)
Total Equity and Liabilities	4,341.6	9,566.9	9,162.0	7,689.0	6,845.8

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2018A	2019A	2020F	2021F	2022F
Book Value Per Share	0.14	0.03	0.04	(0.15)	(0.32)
EPS (Sen)	(1.4)	(8.4)	(38.4)	(18.3)	(17.3)
DPS (Sen)	-	-	-	-	-
Payout Ratio (%)	-	-	-	-	-
ROA (%)	-6.9	-6.8	-19.6	-9.9	-10.5
ROE (%)	-52.6	<-100	<-100	>100	54.1

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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