

Malaysia

REDUCE (no change)

Consensus ratings*: Buy 0 Hold 1 Sell 6

Current price:	RM0.07
Target price:	RM0.00
Previous target:	RM0.004
Up/downside:	-100.0%
CGS-CIMB / Consensus:	-100.0%
Reuters:	AAX.KL
Bloomberg:	AAX MK
Market cap:	US\$68.49m
	RM290.4m
Average daily turnover:	US\$0.81m
	RM3.47m
Current shares o/s:	4,148m
Free float:	55.0%

*Source: Bloomberg

Key changes in this note

- Our core net loss forecasts for FY20-22F have been widened significantly to account for the severe impact of Covid-19 on passenger traffic, and the likely slow recovery in the years ahead.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-30	-36.4	-68.9
Relative (%)	-36.8	-50.3	-66.5

Major shareholders	% held
Tune Group Sdn Bhd	17.8
AirAsia Bhd	13.8
Kamarudin Meranun	8.9

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AirAsia X Berhad

Low probability of survival

- 1Q20 core net loss of RM380m made up 44% of our full-year forecast; we raise loss estimates as the Covid-19 impact will only hit fully from 2Q20F.
- AAX's survival depends on it securing a new RM500m bank loan, but we assess the probability as low as no shareholder support appears forthcoming.
- Maintain Reduce and cut target price to zero, as AAX already fell into a net liability position as at 31 Mar, with the worst yet to come.

1Q20 is the opening scene for the horror movie of the year

AAX's 1Q20 core net loss of RM380m was 10 times higher than 1Q19's, as passenger traffic already began declining as Covid-19 swept through China from late-Jan onwards, and as countries around the world closed their borders. Malaysia's borders were closed from 18 Mar, when the Movement Control Order came into effect. Domestic air travel is recovering within Malaysia, but as AAX is a long-haul airline, it will have to wait a lot longer for international borders to reopen. AAX grounded its fleet from 28 Mar, except for a number of passenger planes flying cargo-only flights. Our forecasts assume that AAX's available seat kilometre capacity in FY20F will only be 22% of its FY19 baseline, with FY21F at 40% of the baseline, and FY22F at 50% of the baseline. Even if borders reopen, AAX may have to be a lot more selective on the routes that it flies.

Suppliers are already getting nothing...

AAX is now in a desperate attempt to grasp at all the straws it can find. We believe AAX has not been paying its lessors, maintenance providers and suppliers since 4Q19. Lessors are unable to do anything about this effective default of the operating lease contracts, as repossessing the planes may leave them looking in vain for replacement customers. AAX burned through RM140m in cash during 1Q20 and only has RM219m left as at 31 Mar. Assuming 1Q20 salary costs of RM105m are reduced to RM70m/quarter for the rest of the year, AAX only has enough cash to pay salaries until the end of 2020F, not even considering its obligations to its suppliers. AAX is currently negotiating with suppliers to reduce aircraft lease rates and to pay on a per-use basis, to early-return leased aircraft that is in excess of future requirements, to reduce airport charges, to revisit terms with business partners, and to restructure its fuel hedges with the remaining 30% of counterparties that have yet to agree to defer payments.

...and shareholders will soon be left grounded too

Even with the substantial support of its suppliers, AAX is unlikely to survive unless it gets a cash injection. It is negotiating with banks for a new RM500m loan; once this is agreed upon, it will approach Danajamin to guarantee 80% of that loan. Our view is that it will be unlikely for any bank to agree to provide liquidity unless there is shareholder support. But we have no evidence of either the individual shareholders of AAX, or AirAsia, willing to top up equity, and the Malaysian government has so far not offered state backing (apart from the offer of a Danajamin loan guarantee). In short, we believe that AAX is unlikely to secure the debt or equity funding it needs to see it through the Covid-19 pandemic.

Financial Summary

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue (RMm)	4,552	4,393	1,238	2,008	2,337
Operating EBITDA (RMm)	95	863	(1,311)	160	489
Net Profit (RMm)	(313)	(489)	(2,526)	(1,054)	(725)
Core EPS (RM)	(0.03)	(0.12)	(0.77)	(0.36)	(0.22)
Core EPS Growth	(202%)	287%	536%	(53%)	(39%)
FD Core P/E (x)	NA	NA	NA	NA	NA
DPS (RM)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	7.14	7.24	NA	42.50	14.06
P/FCFE (x)	NA	0.81	0.64	4.54	1.41
Net Gearing	67%	2660%	(275%)	(194%)	(161%)
P/BV (x)	0.50	1.30	NA	NA	NA
ROE	(17%)	(125%)	307%	53%	25%
% Change In Core EPS Estimates			(543%)	(3039%)	(9655%)
CGS-CIMB/Consensus EPS (x)			7.25	12.70	(15.89)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Results comparison table ►

Figure 1: Results comparison – core net profit includes 49% share of TAAX's earnings, and 100% share of IAAX's earnings, regardless of whether those associates were equity accounted on the face of the P&L

FYE Dec (RM m)	1QFY20	1QFY19	yoy % chg	4QFY19	qoq % chg	Prev. FY20F	Comments
Revenue	924.1	1,168.8	(20.9)	1,195.6	(22.7)	3,674.5	1Q20 rev fell yoy due to lower seat capacity as travel
Operating costs	(829.8)	(901.3)	(7.9)	(968.7)	(14.3)	(3,221.1)	restrictions and border controls led to drop in demand.
EBITDA	94.3	267.5	nm	226.9	(58.5)	453.4	EBITDA fell on lower passenger revenue despite reduction
EBITDA margin (%)	10.2	22.9		19.0		12.3	in staff costs, fuel expenses and user charges on the
Depn & amort.	(194.4)	(214.9)	(9.5)	(241.3)	(19.4)	(903.2)	back of reduced flight frequency.
EBIT	(100.2)	52.6	(290.3)	(14.4)	597.4	(449.8)	
Interest expense	(77.9)	(75.2)	3.6	(75.4)	3.3	(277.2)	
Interest & invt inc	18.5	2.7	590.4	5.5	237.4	11.1	
Associates' contrib	-	-	nm	-	nm	-	
Exceptionals	(389.7)	79.4	(590.7)	127.1	(406.6)	(11.5)	Exceptionals include unrealised forex loss due to the
Pretax profit	(549.4)	59.5	nm	42.8	nm	(727.4)	depreciation of the ringgit against the US dollar.
Tax	(0.3)	(16.2)	(98.0)	(138.6)	(99.8)	(37.8)	
Tax rate (%)	(0.1)	27.2		323.7		(5.2)	
Minority interests	-	-	nm	-	nm	-	Core net loss was higher yoy in 1Q20 due to lower flight
Net profit	(549.7)	43.3	nm	(95.8)	473.8	(765.2)	capacity at MAAX, higher proportion of leased fleet that
Core net profit	(379.7)	(32.0)	nm	(156.1)	143.2	(869.7)	is expensive vs. owned aircraft, higher maintenance
EPS (sen)	(13.3)	1.0	nm	(2.3)	473.8	(7.4)	costs, losses at TAAX vs. profits the year before,
Core EPS (sen)	(9.2)	(0.8)	nm	(3.8)	143.2	(8.4)	partially offset by cheaper fuel.

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Earnings revision

RM m	2019A	2020F			2021F			2022F		
		Old	New	chg	Old	New	chg	Old	New	chg
Revenue	4,393	3,674	1,238	-66%	4,310	2,008	-53%	4,463	2,337	-48%
EBITDA	863	453	(1,311)	-389%	1,043	160	-85%	1,115	489	-56%
Reported PBT	(324)	(727)	(2,488)	-242%	(111)	(1,016)	-814%	5	(688)	-14188%
Core pretax profit	(336)	(832)	(3,149)	-279%	(117)	(1,449)	-1137%	6	(877)	-15184%
Reported net profit	(489)	(765)	(2,526)	-230%	(148)	(1,054)	-610%	(32)	(725)	-2195%
Reported EPS	(0.12)	(0.11)	(0.61)	-479%	(0.01)	(0.25)	-2215%	(0.00)	(0.17)	-9112%
Core net profit	(501)	(870)	(3,188)	-267%	(154)	(1,487)	-863%	(38)	(914)	-2331%
Core EPS	(0.12)	(0.12)	(0.77)	-543%	(0.01)	(0.36)	-3039%	(0.00)	(0.22)	-9655%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Our earnings forecasts are premised on AAX successfully securing the RM500m loan, and continuing to defer a significant portion of payments to suppliers in the next 12-24 months, which may be unrealistic assumptions, but necessary for the purposes of producing forecasts on a going concern basis.

On the contrary, our Reduce call is premised on the more probable outcome of AAX failing to secure the new RM500m financing, and/or failing to secure new equity capital, which may make it the first airline casualty in Malaysia from the Covid-19 fallout.

Upside risks include AAX potentially securing new equity funding from the Malaysian government, existing shareholders, or new investors, and new debt funding from banks, although we think these outcomes are very unlikely.

Abbreviation key

- AAX: AirAsia X Berhad, the listed holding company of the AAX group.
- MAAX: Malaysia AirAsia X, the Malaysian airline division of AAX.
- TAAX: Thai AirAsia X, 49%-owned by AAX.
- IAAX: Indonesia AirAsia X, 49%-owned by AAX.
- ASK: Available Seat Kilometres, a measure of capacity.
- RPK: Revenue Passenger Kilometres, a measure of demand.
- PLF: Passenger Load Factor, or RPK divided by ASK.

Further information on the results ►

Figure 3: Segmental breakdown

FYE Dec (RM m)	1QFY20	1QFY19	yoy %	4QFY19	qoq %	Comments
			chg		chg	
Attributable profit	(549.7)	43.3	<i>nm</i>	(95.8)	473.8	
Remove: Exceptionals	389.7	(79.4)	590.7	(127.1)	406.6	
+/- Tax effect on excep	-	-	<i>nm</i>	-	<i>nm</i>	
Remove: Associates	-	-	<i>nm</i>	-	<i>nm</i>	
Remove: Deferred tax	(0.0)	15.6	(100.3)	141.3	(100.0)	
Deduct: PSC liabilities	-	(17.4)	<i>nm</i>	-	<i>nm</i>	
Remove: Leasing profits	(10.0)	(13.7)	(27.2)	(14.1)	(29.3)	
Core Net Profit - MAAX (airline only)	(170.0)	(51.7)	229.1	(95.8)	77.4	MAAX reported a wider core net loss as a result of lower passenger traffic, higher maintenance costs, higher proportion of leased fleet that is more expensive vs. owned fleet, partially offset by cheaper fuel.
Add: Thai AAX (49%)	(26.6)	31.0	(185.9)	(0.5)	5,019.2	TAAX delivered losses on the back of the decline in load factors as travel demand was affected by Covid-19 outbreak.
Add: IAAX (100%)	(188.2)	(18.4)	924.6	(67.0)	180.9	IAAX losses widened on reduced travel demand.
Core Net Profit - Group airlines	(384.8)	(39.0)	885.6	(163.3)	135.6	The airline operations of the AAX group suffered core losses due to larger losses at MAAX, TAAX and IAAX
Add: Non-group leasing profits	5.1	7.0	(27.2)	7.2	(29.3)	
Core Net Profit - AAX group total	(379.7)	(32.0)	1,085.3	(156.1)	143.2	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 4: Revenue metrics - for MAAX only

	1QFY20	1QFY19	yoy %	4QFY19	qoq %	Comments
			chg		chg	
Revenue (RM m)	924.1	1,168.8	(20.9)	1,195.6	(22.7)	1Q20 rev fell yoy on the back of a decline in RPK demand.
- Passenger fare	610.3	775.8	(21.3)	791.1	(22.9)	Pax carried was lower 25% yoy due to the reduced frequencies and sectors flown.
- Fuel surcharge	-	-	<i>nm</i>	-	<i>nm</i>	
- Ancillary revenue	166.7	219.1	(23.9)	213.9	(22.1)	Reduced number of passengers resulted in lower ancillary revenue.
- Freight & cargo	45.1	39.7	13.6	53.8	(16.2)	
- Charter flights & others	35.3	42.6	(17.0)	42.5	<i>nm</i>	Freight revenue increased with higher demand for medical supplies.
- Lease income	66.6	91.6	(27.2)	94.3	(29.3)	
ASK (m)	6,874	8,707	(21.1)	9,211	(25.4)	1Q20 ASK capacity fell yoy as MAAX embarked on fleet hibernation at the end of March and from route termination for Tianjian, Lanzhou and Jaipur.
RPK (m)	5,177	7,205	(28.1)	7,496	(30.9)	
Load factor (%)	75.3%	82.7%	(7.4)	81.4%	(6.1)	PLF fell yoy as MAAX carried fewer passengers and scaled down capacity.
Seat capacity (000)	1,544	1,816	(15.0)	1,995	(22.6)	
Pax carried (000)	1,142	1,513	(24.5)	1,615	(29.3)	
Seat load factor (%)	73.9%	83.3%	(9.4)	81.0%	(7.0)	
Pax yield (sen/RPK)	15.01	13.81	8.7	13.41	11.9	Yields rose as a result of capacity management initiatives.
- Passenger fare	11.79	10.77	9.5	10.55	11.7	
- Ancillary income	3.22	3.04	5.9	2.85	12.8	
Pax RASK (sen/ASK)	11.30	11.43	(1.1)	10.91	3.6	RASK was down despite higher yields, due to lower PLF.
- Passenger fare	8.88	8.91	(0.4)	8.59	3.4	
- Ancillary income	2.43	2.52	(3.6)	2.32	4.4	
Avg rev / pax (RM)	681	658	3.5	622	9.3	
- Passenger fare	535	513	4.2	490	9.1	
- Ancillary income	146	145	0.8	132	10.2	
No of aircraft @ end	40	36	11.1	39	2.6	Group fleet of 409 A330s include 24 based in Malaysia, 14 in Thailand, and 2 based in Indonesia.
Avg no of operated aircraft	39.5	35.5	11.3	38.5	2.6	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Cost metrics

	1QFY20	1QFY19	yoy % chg	4QFY19	qoq % chg	Comments
Operating costs (RM m)	829.8	901.3	(7.9)	968.7	(14.3)	
- Fuel cost	327.2	411.6	(20.5)	455.7	(28.2)	All-in jet fuel prices for AAX declined in 1Q20 yoy.
- Staff cost	105.2	109.1	(3.6)	117.3	(10.3)	
- Maint, user & station, etc.	315.0	309.7	1.7	328.0	(4.0)	
- Others	82.4	70.9	16.3	67.7	21.8	
Aircraft costs (RM m)	272.4	290.1	(6.1)	316.7	(14.0)	
- Depreciation	194.4	214.9	(9.5)	241.3	(19.4)	
- Leasing of aircraft	-	-	nm	-	nm	
- Interest expense	77.9	75.2	3.6	75.4	3.3	
UNIT COST ANALYSIS						
Cost / ASK (sen)	16.03	13.68	17.2	13.96	14.9	Unit costs rose yoy due to the decline in the ASK base.
- Fuel cost	4.76	4.73	0.7	4.95	(3.8)	
- Non-fuel costs	7.31	5.62	30.0	5.57	31.3	
- Staff cost	1.53	1.25	22.1	1.27	20.2	
- Maint, user & station, etc.	4.58	3.56	28.8	3.56	28.7	
- Others	1.20	0.81	47.3	0.73	63.2	
- Aircraft costs	3.96	3.33	18.9	3.44	15.2	
- Depreciation	2.83	2.47	14.6	2.62	8.0	
- Leasing of aircraft	0.00	0.00	nm	0.00	nm	
- Interest expense	1.13	0.86	31.3	0.82	38.5	

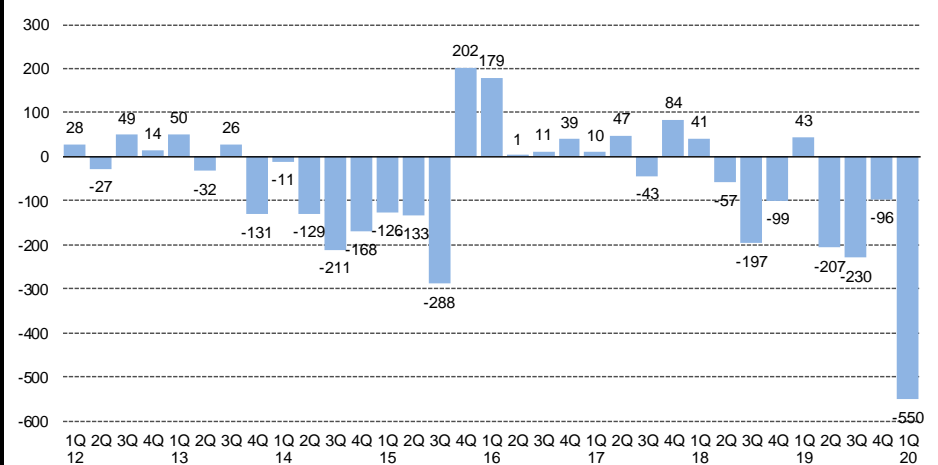
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 6: Fuel cost analysis

	1QFY20	1QFY19	yoy % chg	4QFY19	qoq % chg	Comments
Net jet fuel price (US\$/bbl)	77.66	78.57	(1.2)	77.78	(0.1)	Average jet fuel price declined yoy, on the back of the decrease in crude oil price.
Barrels consumed (m)	1.01	1.28	(21.2)	1.34	(24.8)	
ASK / barrel used	6,816	6,802	0.2	6,867	(0.7)	Barrels consumed also fell yoy due to reduction in ASK capacity.
Average RM:US\$	4.1774	4.0924	2.1	4.1637	0.3	The ringgit depreciated against the US\$ in 1Q20.
Cost of fuel (US\$ m)	78.3	100.6	(22.1)	104.3	(24.9)	
Cost of fuel (RM m)	327.2	411.6	(20.5)	434.4	(24.7)	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 7: AirAsia X's reported net profit / loss (RM m)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Sequential quarterly tables ►

Figure 8: Quarterly results – core net profit includes 49% share of TAAX's earnings, and 100% share of IAAX's earnings, regardless of whether those associates were equity accounted on the face of the P&L

FYE Dec (RM m)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Revenue	1,265.3	1,060.7	1,077.4	1,148.1	1,168.8	1,013.5	1,014.7	1,195.6	924.1
Operating costs	(1,181.2)	(1,132.0)	(1,081.3)	(1,061.9)	(901.3)	(858.4)	(801.1)	(968.7)	(829.8)
EBITDA	84.2	(71.3)	(3.9)	86.2	267.5	155.1	213.6	226.9	94.3
<i>EBITDA margin (%)</i>	<i>6.7</i>	<i>(6.7)</i>	<i>(0.4)</i>	<i>7.5</i>	<i>22.9</i>	<i>15.3</i>	<i>21.0</i>	<i>19.0</i>	<i>10.2</i>
Depn & amort.	(27.3)	(27.2)	(48.6)	(24.1)	(214.9)	(231.5)	(234.5)	(241.3)	(194.4)
EBIT	56.8	(98.4)	(52.5)	62.1	52.6	(76.4)	(20.9)	(14.4)	(100.2)
Interest expense	(7.3)	(8.1)	(7.3)	(8.4)	(75.2)	(78.0)	(75.8)	(75.4)	(77.9)
Interest & invt inc	5.0	4.7	4.6	1.2	2.7	3.2	7.2	5.5	18.5
Associates' contrib	16.0	8.3	(10.0)	(10.1)	-	(1.1)	-	-	-
Exceptionals	(15.3)	28.7	(182.5)	(28.9)	79.4	(117.0)	(67.5)	127.1	(389.7)
Pretax profit	55.3	(64.8)	(247.8)	15.9	59.5	(269.3)	(157.1)	42.8	(549.4)
Tax	(13.8)	7.3	50.4	(115.1)	(16.2)	62.2	(72.8)	(138.6)	(0.3)
Tax rate (%)	25.0	11.3	20.3	725.8	27.2	23.1	(46.3)	323.7	(0.1)
Minority interests	-	-	-	-	-	-	-	-	-
Net profit	41.5	(57.5)	(197.5)	(99.3)	43.3	(207.1)	(229.9)	(95.8)	(549.7)
Core net profit	91.7	(88.4)	(97.4)	(35.2)	(32.0)	(200.9)	(112.0)	(156.1)	(379.7)
EPS (sen)	1.0	(1.4)	(4.8)	(2.4)	1.0	(5.0)	(5.5)	(2.3)	(13.3)
Core EPS (sen)	2.2	(2.1)	(2.3)	(0.8)	(0.8)	(4.8)	(2.7)	(3.8)	(9.2)
Reconciliation to core net profit									
	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Attributable profit	41.5	(57.5)	(197.5)	(99.3)	43.3	(207.1)	(229.9)	(95.8)	(549.7)
Remove: Exceptionals	15.3	(28.7)	182.5	28.9	(79.4)	117.0	67.5	(127.1)	389.7
+/- Tax effect on excep	-	-	-	-	-	-	-	-	-
Remove: Associates	(16.0)	(8.3)	10.0	10.1	-	1.1	-	-	-
Remove: Deferred tax	12.6	(8.4)	(50.7)	117.3	15.6	(62.7)	71.8	141.3	(0.0)
Deduct: PSC liabilities	-	-	(17.4)	(17.2)	(17.4)	(16.7)	(7.3)	-	-
Remove: Leasing profits	(16.6)	(16.7)	(16.9)	(17.7)	(13.7)	(16.0)	(12.9)	(14.1)	(10.0)
Core Net Profit - MAAX (airline only)	36.8	(119.6)	(89.9)	22.1	(51.7)	(184.5)	(110.7)	(95.8)	(170.0)
Add: Thai AAX (49%)	48.4	30.3	(5.5)	(5.9)	31.0	(10.1)	(51.0)	(0.5)	(26.6)
Add: IAAX (100%)	0.1	(5.6)	(8.6)	(60.0)	(18.4)	(14.5)	43.2	(67.0)	(188.2)
Core Net Profit - Group airlines	85.3	(94.8)	(103.9)	(43.8)	(39.0)	(209.1)	(118.5)	(163.3)	(384.8)
Add: Non-group leasing profits	6.4	6.4	6.5	8.6	7.0	8.2	6.6	7.2	5.1
Core Net Profit - AAX group total	91.7	(88.4)	(97.4)	(35.2)	(32.0)	(200.9)	(112.0)	(156.1)	(379.7)
Breakdown of exceptional items									
	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Total exceptionals	(15.3)	28.7	(182.5)	(28.9)	79.4	(117.0)	(67.5)	127.1	(389.7)
- Unrealised forex gain/(loss)	(7.6)	37.3	(36.0)	8.6	86.0	(85.3)	(81.4)	127.1	(391.9)
- Fuel swap gain/(loss)	(7.6)	(8.5)	(8.3)	(14.1)	-	41.6	-	-	-
- Asset disposal gain/(loss)	-	-	-	-	-	(72.6)	-	-	-
- Writeoff/sale of fixed assets	-	-	-	-	-	-	-	-	-
- Discounting / accretion of interest on deposits	-	-	-	0.7	(6.6)	(0.7)	13.9	0.1	2.2
- Writeoff of amount due from IAAX	-	-	(138.2)	(24.0)	-	-	-	-	-

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 9: Quarterly revenue metrics

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Revenue (RM m)	1,265.3	1,060.7	1,077.4	1,148.1	1,168.8	1,013.5	1,014.7	1,195.6	924.1
- Passenger fare	836.5	656.1	715.0	734.3	775.8	635.8	690.7	791.1	610.3
- Fuel surcharge	-	-	-	-	-	-	-	-	-
- Ancillary revenue	224.0	205.5	197.3	207.6	219.1	196.4	190.8	213.9	166.7
- Freight & cargo	43.1	44.0	47.7	48.2	39.7	42.7	46.7	53.8	45.1
- Charter flights & others	51.1	43.6	4.9	39.8	42.6	31.6	0.5	42.5	35.3
- Lease income	110.7	111.5	112.6	118.2	91.6	106.9	85.9	94.3	66.6
ASK (m)	9,122	8,957	8,806	9,162	8,707	8,442	8,520	9,211	6,874
RPK (m)	7,657	7,281	7,005	7,168	7,205	6,770	6,894	7,496	5,177
Load factor (%)	83.9%	81.3%	79.5%	78.2%	82.7%	80.2%	80.9%	81.4%	75.3%
Seat capacity (000)	1,897	1,922	1,892	1,912	1,816	1,814	1,835	1,995	1,544
Pax carried (000)	1,589	1,569	1,512	1,499	1,513	1,455	1,489	1,615	1,142
Seat load factor (%)	83.8%	81.6%	79.9%	78.4%	83.3%	80.2%	81.1%	81.0%	73.9%
Pax yield (sen/RPK)	13.85	11.83	13.02	13.14	13.81	12.29	12.79	13.41	15.01
- Passenger fare	10.92	9.01	10.21	10.24	10.77	9.39	10.02	10.55	11.79
- Ancillary income	2.93	2.82	2.82	2.90	3.04	2.90	2.77	2.85	3.22
Pax RASK (sen/ASK)	11.63	9.62	10.36	10.28	11.43	9.86	10.35	10.91	11.30
- Passenger fare	9.17	7.32	8.12	8.01	8.91	7.53	8.11	8.59	8.88
- Ancillary income	2.46	2.29	2.24	2.27	2.52	2.33	2.24	2.32	2.43
Avg rev / pax (RM)	668	549	603	628	658	572	592	622	681
- Passenger fare	527	418	473	490	513	437	464	490	535
- Ancillary income	141	131	131	139	145	135	128	132	146
No of aircraft @ end	30	31	32	35	36	36	38	39	40
Avg no of operated aircraft	30.00	30.50	31.50	33.50	35.50	36.00	37.00	38.50	39.50

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

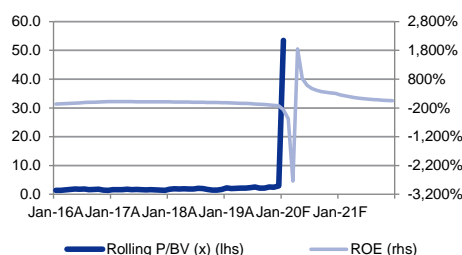
Figure 10: Quarterly cost metrics

	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Operating costs (RM m)	963.9	917.0	858.0	818.8	901.3	858.4	801.1	968.7	829.8
- Fuel cost	470.5	441.0	476.4	488.2	411.6	443.4	370.0	455.7	327.2
- Staff cost	109.6	107.9	90.7	114.7	109.1	107.3	101.3	117.3	105.2
- Maint, user & station, etc.	298.3	292.2	233.2	169.8	309.7	255.8	242.0	328.0	315.0
- Others	85.6	75.9	57.7	46.1	70.9	51.9	87.8	67.7	82.4
Aircraft costs (RM m)	251.8	250.2	279.3	275.6	290.1	309.5	310.3	316.7	272.4
- Depreciation	27.3	27.2	48.6	24.1	214.9	231.5	234.5	241.3	194.4
- Leasing of aircraft	217.2	215.0	223.4	243.1	-	-	-	-	-
- Interest expense	7.3	8.1	7.3	8.4	75.2	78.0	75.8	75.4	77.9
UNIT COST ANALYSIS									
Cost / ASK (sen)	13.33	13.03	12.92	11.94	13.68	13.83	13.04	13.96	16.03
- Fuel cost	5.16	4.92	5.41	5.33	4.73	5.25	4.34	4.95	4.76
- Non-fuel costs	5.41	5.31	4.33	3.61	5.62	4.92	5.06	5.57	7.31
- Staff cost	1.20	1.20	1.03	1.25	1.25	1.27	1.19	1.27	1.53
- Maint, user & station, etc	3.27	3.26	2.65	1.85	3.56	3.03	2.84	3.56	4.58
- Others	0.94	0.85	0.65	0.50	0.81	0.61	1.03	0.73	1.20
- Aircraft costs	2.76	2.79	3.17	3.01	3.33	3.67	3.64	3.44	3.96
- Depreciation	0.30	0.30	0.55	0.26	2.47	2.74	2.75	2.62	2.83
- Leasing of aircraft	2.38	2.40	2.54	2.65	0.00	0.00	0.00	0.00	0.00
- Interest expense	0.08	0.09	0.08	0.09	0.86	0.92	0.89	0.82	1.13
FUEL COST ANALYSIS									
	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20
Net jet fuel price (US\$/bbl)	87.50	88.35	91.26	89.09	78.57	86.12	72.88	77.78	77.66
Barrels consumed (m)	1.37	1.26	1.28	1.31	1.28	1.24	1.22	1.34	1.01
ASK / barrel used	6,656	7,087	6,905	6,974	6,802	6,801	6,988	6,867	6,816
Average RM:US\$	3.9232	3.9491	4.0936	4.1711	4.0924	4.1483	4.1635	4.1637	4.1774
Cost of fuel (US\$ m)	119.9	111.7	116.4	117.0	100.6	106.9	88.9	104.3	78.3
Cost of fuel (RM m)	470.5	441.0	476.4	488.2	411.6	443.4	370.0	434.4	327.2

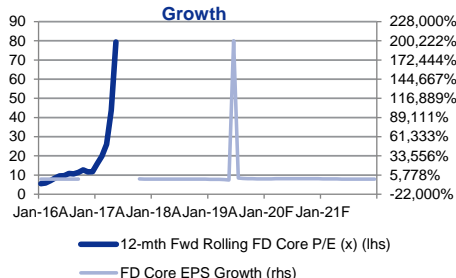
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues	4,552	4,393	1,238	2,008	2,337
Gross Profit	95	863	(1,311)	160	489
Operating EBITDA	95	863	(1,311)	160	489
Depreciation And Amortisation	(127)	(922)	(888)	(885)	(883)
Operating EBIT	(32)	(59)	(2,200)	(725)	(394)
Financial Income/(Expense)	(16)	(286)	(272)	(281)	(284)
Pretax Income/(Loss) from Assoc.	4	(1)	0	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	(43)	(346)	(2,472)	(1,006)	(678)
Exceptional Items	(198)	22	(15)	(10)	(10)
Pre-tax Profit	(241)	(324)	(2,488)	(1,016)	(688)
Taxation	(71)	(165)	(38)	(38)	(37)
Exceptional Income - post-tax					
Profit After Tax	(313)	(489)	(2,526)	(1,054)	(725)
Minority Interests	0	0	0	0	0
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax	0	0	0	0	0
Other Adjustments - post-tax	0	0	0	0	0
Net Profit	(313)	(489)	(2,526)	(1,054)	(725)
Recurring Net Profit	(129)	(501)	(3,188)	(1,487)	(914)
Fully Diluted Recurring Net Profit	(129)	(501)	(3,188)	(1,487)	(914)

Cash Flow

(RMm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	95.2	863.1	(1,311.4)	160.3	488.8
Cash Flow from Inv. & Assoc.	0.0	0.0	0.0	0.0	0.0
Change In Working Capital	(27.7)	(267.0)	1,241.3	(69.1)	(252.1)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	0.0	0.0	0.0	0.0	0.0
Other Operating Cashflow	47.9	349.1	285.6	293.0	291.9
Net Interest (Paid)/Received	(15.5)	(285.9)	(272.4)	(280.6)	(284.3)
Tax Paid	(2.0)	(0.7)	(3.3)	(3.1)	(1.9)
Cashflow From Operations	97.9	658.5	(60.2)	100.5	242.5
Capex	(9.2)	(46.3)	(10.0)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	0.0	908.6	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	(1.1)	0.0	0.0	0.0
Cash Flow From Investing	(9.2)	861.2	(10.0)	(10.0)	(10.0)
Debt Raised/(repaid)	(187.3)	(1,159.7)	523.4	(26.5)	(26.8)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Other Financing Cashflow	(32.1)	(304.5)	(285.6)	(293.0)	(291.9)
Cash Flow From Financing	(219.4)	(1,464.2)	237.8	(319.5)	(318.7)
Total Cash Generated	(130.7)	55.4	167.6	(229.0)	(86.2)
Free Cashflow To Equity	(98.6)	359.9	453.2	64.0	205.7
Free Cashflow To Firm	119.7	1,824.1	215.4	383.4	524.4

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	298	358	526	297	210
Total Debtors	190	670	189	306	357
Inventories	13	13	4	6	7
Total Other Current Assets	1,049	284	284	284	284
Total Current Assets	1,549	1,326	1,002	893	858
Fixed Assets	625	8,136	7,257	6,382	5,509
Total Investments	0	0	0	0	0
Intangible Assets	389	189	154	119	84
Total Other Non-Current Assets	1,781	50	80	110	140
Total Non-current Assets	2,796	8,375	7,491	6,611	5,733
Short-term Debt	192	867	910	910	910
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	1,200	880	2,126	2,056	1,803
Other Current Liabilities	684	812	316	437	488
Total Current Liabilities	2,076	2,558	3,352	3,403	3,202
Total Long-term Debt	495	247	733	706	679
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	1,197	6,671	6,711	6,751	6,791
Total Non-current Liabilities	1,692	6,918	7,443	7,457	7,470
Total Provisions	0	0	0	0	0
Total Liabilities	3,768	9,476	10,796	10,860	10,672
Shareholders' Equity	577	224	(2,302)	(3,356)	(4,081)
Minority Interests	0	0	0	0	0
Total Equity	577	224	(2,302)	(3,356)	(4,081)

Key Ratios

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	(0.2%)	(3.5%)	(71.8%)	62.2%	16.4%
Operating EBITDA Growth	(68%)	807%	(252%)	N/A	205%
Operating EBITDA Margin	2%	20%	(106%)	8%	21%
Net Cash Per Share (RM)	(0.09)	(1.44)	(1.52)	(1.57)	(1.59)
BVPS (RM)	0.14	0.05	(0.55)	(0.81)	(0.98)
Gross Interest Cover	(1.03)	(0.19)	(7.70)	(2.48)	(1.35)
Effective Tax Rate	0%	0%	0%	0%	0%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	16.9	35.7	127.0	45.0	51.8
Inventory Days	0.89	1.36	1.21	0.96	1.28
Accounts Payables Days	90.9	100.9	211.4	407.0	374.9
ROIC (%)	(1.1%)	(2.0%)	(21.6%)	(9.8%)	(6.3%)
ROCE (%)	(1.1%)	(1.0%)	(39.4%)	(17.8%)	(12.5%)
Return On Average Assets	(0.7%)	(1.9%)	(25.0%)	(10.0%)	(6.6%)

Key Drivers

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Av. Seat Km (ASK, Yoy Chg %)	2.8%	-3.2%	-78.5%	80.0%	30.0%
Rev. Psg Km (RPK, Yoy Chg %)	1.9%	-2.6%	-80.6%	96.4%	30.0%
Passenger Load Factor (%)	80.8%	81.3%	73.3%	80.0%	80.0%
Pax yld per RPK (RM)	13.0	13.1	15.1	14.5	13.4
Pax rev. per ASK (RM)	10.5	10.6	11.1	11.6	10.7
Total Cost Per ATK (RM)	130.0	138.3	504.6	228.1	175.3
Fuel Cost Per ATK (RM)	52.6	48.7	211.3	54.6	39.7
Non-fuel Cost Per ATK (RM)	77.4	89.6	293.3	173.5	135.6
Jet Fuel Price (US\$/barrel)	89.0	78.8	332.1	87.6	65.0
Fleet Size (no. Of Planes)	24	24	24	24	21

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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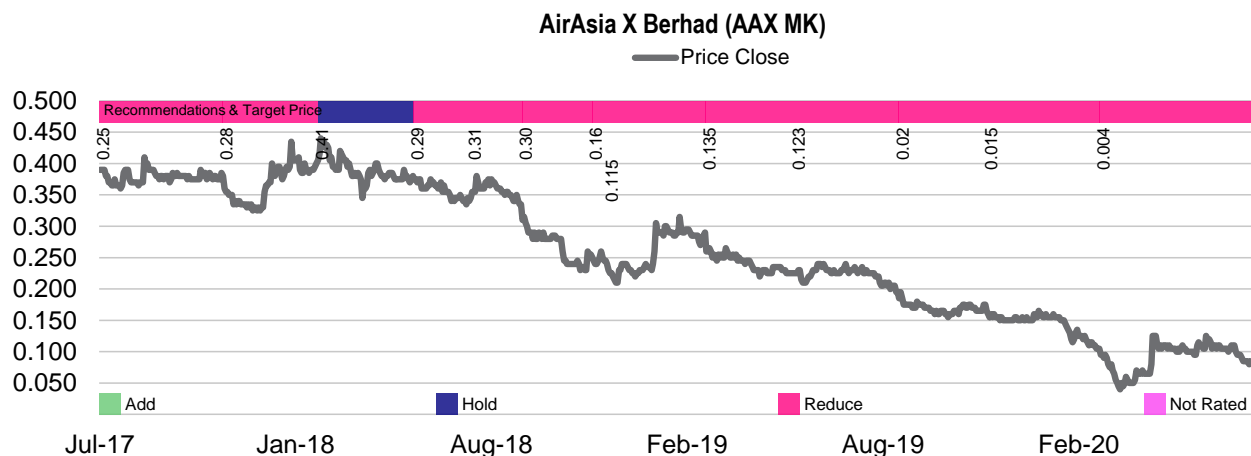
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	Rating Distribution (%)	Investment Banking clients (%)
Add	60.1%	0.4%
Hold	25.9%	0.1%
Reduce	14.0%	0.3%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2019, Anti-Corruption 2019

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1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

companies that have declared their intention to join CAC, and companies certified by CAC.

4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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- Add** The stock's total return is expected to exceed 10% over the next 12 months.
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