

AirAsia X Bhd (AAX MK)

Coming out of turbulence to calmer skies

Maintain BUY call and MYR1.81 TP

We attended AAX's outlook briefing. AAX is normalising fares and capacity as jet fuel falls from USD233/bbl to USD112/bbl after the United States-Iran ceasefire. Positively, AAX will hedge jet fuel prices going forward. Curiously, AAX believes FY26E will still be a profitable year notwithstanding a difficult 2Q26. We maintain our more conservative earnings estimates and MYR1.81 TP based on 7x FY27E P/E (global low-cost carrier average CY27E PER).

Normalising fares and capacity on easing fuel prices

Due to the war in the Middle East that erupted in late Feb, jet fuel prices surged to a record of USD233/bbl on 30 Mar. This caused AAX to hike fares by 40-50% and cut 2Q26 capacity by c.10% YoY. Thanks to the ceasefire between the United States and Iran, jet fuel prices have plunged to USD112/bbl (Fig. 1). AAX has cut fares by 5% and aims to cut fares by another 25-30% over the next 2 months. It also aims to narrow the YoY capacity cuts to pre-war levels from 3Q26 onwards.

To hedge jet fuel prices going forward

Lower fares have driven demand to grow by 3-5% sequentially. YTD load factor stands at 82% and AAX hopes lower fares will improve it further. Perhaps the most positive news to us is that AAX is working to reactivate its hedging lines with banks. The plan is to hedge according to its 3-month booking curve, covering 100% of seats sold and rolling the hedge forward as new bookings come in. Given the recent volatility in jet fuel prices, it goes without saying that we favour this development.

AAX expects FY26E to be still profitable

AAX acknowledged that 2Q26 results will be weak (MIBG forecast: MYR150m-MYR200m core net loss) due to high jet fuel prices but said the worst may be over if jet fuel prices stabilise. It sounded more constructive on 3Q26-4Q26, with hopes that 3Q26 could be profitable due to lower jet fuel prices and capacity recovery. Curiously, AAX still aims for a profitable FY26E. We are more conservative in forecasting a FY26E core net loss of MYR188m for AAX.

FYE Dec (MYR m)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	3,262	3,325	26,771	25,454	25,739
EBITDAR	478	411	3,248	4,491	4,541
Core net profit	141	104	(188)	926	949
Core FDEPS (sen)	31.4	23.3	(4.7)	23.2	23.8
Core FDEPS growth(%)	nm	(25.8)	nm	nm	2.5
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Core FD P/E (x)	6.4	7.5	nm	5.6	5.4
P/BV (x)	2.7	1.5	10.9	3.3	1.9
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	93.1	45.2	(38.7)	108.2	52.9
ROAA (%)	4.3	3.1	(1.0)	2.7	2.9
EV/EBITDAR (x)	6.9	7.0	10.4	6.3	5.0
Net gearing (%) (incl perps)	376.8	204.7	net cash	nm	695.2
Consensus net profit	-	-	264	964	1,015
MIBG vs. Consensus (%)	-	-	(167.0)	(2.8)	(5.4)

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BUY

Share Price	MYR 1.29
12m Price Target	MYR 1.81 (+40%)
Previous Price Target	MYR 1.81

Company Description

AirAsia X is a low-cost airline operating primarily in the Asia-Pacific region out of 5 ASEAN countries

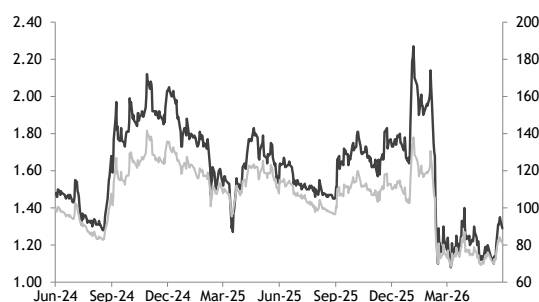
Statistics

52w high/low (MYR)	2.27/1.08
3m avg turnover (USDm)	11.7
Free float (%)	67.2
Issued shares (m)	3,361
Market capitalisation	MYR4.3B
	USD1.0B

Major shareholders:

Capital A Berhad	19.5%
Tune Air Sdn Bhd	5.9%
Tune Live Sdn Bhd	5.9%

Price Performance



	-1M	-3M	-12M
Absolute (%)	15	5	(18)
Relative to index (%)	15	5	(28)

Source: FactSet

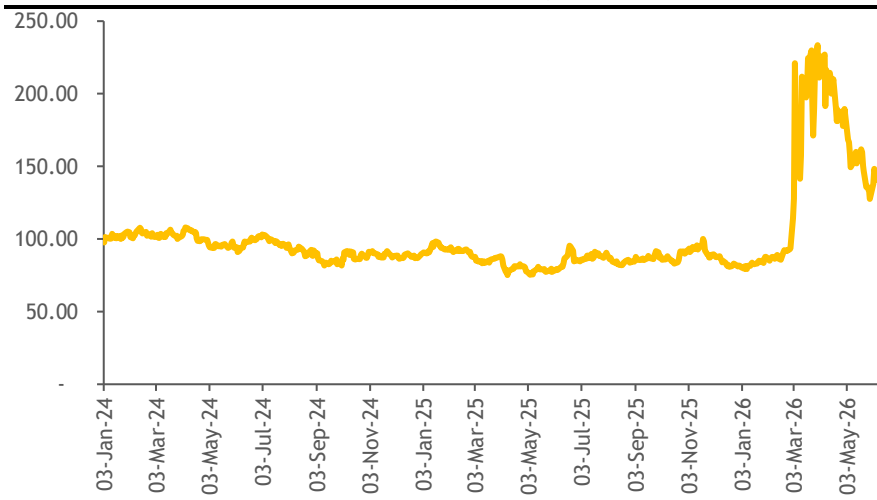
Maintain earnings estimates

Notwithstanding AAX's still sanguine FY26E earnings outlook, we maintain our earnings estimates which are based on average fares rising 15% in FY26E before normalising in FY27E and FY28E and average jet fuel prices averaging at USD135/bbl in FY26E (YTD: USD143/bbl) before normalising to USD85/bbl in FY27E and FY28E.

Other updates

- **Cost rationalisation a major focus.** AAX is renegotiating supplier contracts, MRO arrangements and service terms with Capital A-related companies such as ADE, Santan and MOVE. AAX is also urging airports and tourism stakeholders not to raise charges this year, to give the aviation industry time to stabilise.
- **No near-term risk of falling back into PN17 classification.** AAX said shareholders' equity of MYR872.5m as of 1Q26 remains sufficient to absorb expected 2Q26 losses, with no immediate balance sheet concern. That said, AAX did not rule out potential equity raising for additional financial flexibility.
- **Fleet and AI strategy.** 4 incoming A321LR aircraft (2 already delivered) will replace some A330 deployments on routes such as Incheon, Busan and China, while A330s continue serving longer routes such as Bahrain and London. It will also launch its Kuala Lumpur (KUL) - Bahrain (BAH) - London (LGW) route on 27 Aug 2026 after being delayed from 26 Jun 2026. AAX is also adopting AI for aircraft allocation, fuel-burn efficiency, revenue management, network optimisation and back-office/engineering tools.

Figure 1: Singapore jet kerosene price (USD/bbl)



Source: Bloomberg

Figure 2: Major assumptions and estimates

	FY26E	FY27E	FY28E
Passengers carried (m)	75.7	79.2	80.0
Average fare (MYR)	286	249	249
Average USD/MYR exchange rate	4.00	4.00	4.00
Average jet fuel price (USD/bbl)	135	85	85
Core net profit (MYRm)	(187.6)	926.0	949.2

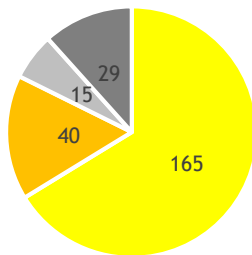
Source: Bloomberg, Maybank IBG Research

Value Proposition

- Asia’s leading low-cost carrier with high market share, large fleet size and extensive route network.
- Operates in 5 countries, which provides unrivalled route network reach.
- One of the lowest unit cost airlines in the world. Management is very ambitious, cost conscious and forward-thinking.
- Growing middle class in Asia fuelling growth in demand for air travel.
- Won the coveted ‘World’s Best LCC’ award for a record 15 times in a row by Skytrax.

Fleet profile

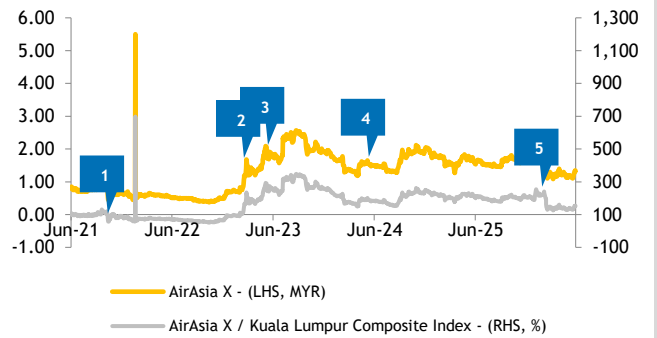
■ A320 CEO ■ A320 NEO ■ A321 ■ A330



Source: Company

Price Drivers

Historical share price trend



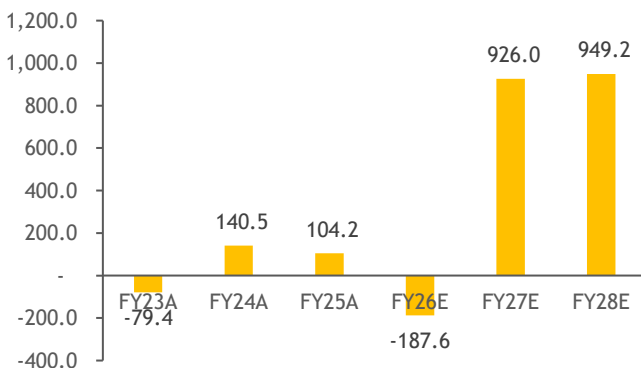
Source: Company, Maybank IBG Research

1. Classified as a PN17 listed issuer after auditors expressed a disclaimer on its financial statements
2. Positively surprised by reporting 4Q22 net profit of MYR153.5m (core net profit: MYR32.6m).
3. Positively surprised by reporting 1Q23 net profit of MYR328.0m (core net profit: MYR42.5m).
4. Reported 1Q24 net profit of MYR80.1m but record high 1Q24 core net profit: MYR118.4m.
5. Jet fuel prices surge to record highs as war erupts in the Middle East.

Financial Metrics

- Best financial indicator is core net profit ex-disposal gains, forex and fair value changes, and deferred taxation.
- Forecast FY26E to be loss generating due to high jet fuel prices caused by geopolitical tensions in the Middle East.
- Thereafter, forecast FY27E and FY28E earnings of MYR900m-MYR950m as jet fuel prices normalise.
- Sensitive to fuel price movement - a USD1 per barrel change in fuel price will move earnings by c.MYR75m.

Core net profit (MYRm)



Source: Company (historical), Maybank IBG Research (forecasts)

Swing Factors

Upside

- Policy changes - visa requirement relaxations and tourist-friendly events drive passenger traffic growth.
- Less competition - COVID-19 pandemic has caused competitors to reduce capacity and raise prices.
- Financial assistance - will enable AAX to fill temporary liquidity gaps and survive.

Downside

- Exogenous events - SARS; MH370, MH17 & AK8501 tragedies; and COVID-19 negatively impacted passenger traffic growth.
- Fuel prices - they are volatile and there is no certainty that they will be hedged at low levels.
- Weak MYR - 60-80% of operating costs are USD denominated.

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FYE 31 Dec	FY24A	FY25A	FY26E	FY27E	FY28E
Key Metrics					
P/E (reported) (x)	3.5	3.8	nm	4.6	4.5
Core P/E (x)	6.4	7.5	nm	4.7	4.6
Core FD P/E (x)	6.4	7.5	nm	5.6	5.4
P/BV (x)	2.7	1.5	10.9	3.3	1.9
P/NTA (x)	2.7	1.5	(0.5)	(0.5)	(0.6)
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	42.1	29.8	69.8	98.1	98.7
EV/EBITDAR (x)	6.9	7.0	10.4	6.3	5.0
EV/EBIT (x)	13.6	14.7	28.5	11.7	9.2

INCOME STATEMENT (MYR m)

Revenue	3,261.5	3,325.2	26,770.6	25,453.6	25,739.5
EBITDAR	477.8	410.9	3,247.7	4,490.9	4,541.2
Depreciation	(206.1)	(215.1)	(2,058.0)	(2,084.1)	(2,084.1)
EBIT	243.6	195.8	1,189.8	2,406.8	2,457.2
Net interest income / (exp)	(103.2)	(91.0)	(1,296.1)	(1,276.8)	(1,276.8)
Associates & JV	0.0	0.0	3.9	3.9	3.9
Exceptionals	94.1	102.5	10.4	10.4	10.4
Pretax profit	234.5	207.3	(92.1)	1,144.4	1,194.7
Income tax	(27.4)	(15.6)	(28.2)	(29.7)	(29.7)
Minorities	0.0	0.0	(56.9)	(178.3)	(205.3)
Reported net profit	207.1	191.7	(177.2)	936.3	959.6
Core net profit	140.5	104.2	(187.6)	926.0	949.2

BALANCE SHEET (MYR m)

Cash & Short Term Investments	174.8	87.3	795.1	1,731.5	2,691.1
Accounts receivable	185.8	198.7	5,457.3	4,747.7	4,065.2
Inventory	8.7	12.9	230.6	230.6	230.6
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	45.3	76.2	1,414.8	1,514.8	1,614.8
Intangible assets	0.0	0.0	9,352.5	9,352.5	9,352.5
Investment in Associates & JVs	0.0	0.0	556.0	559.9	563.8
Other assets	2,944.1	2,984.2	17,636.1	15,552.0	13,467.9
Total assets	3,358.7	3,359.2	35,442.4	33,689.0	31,985.9
ST interest bearing debt	191.2	184.0	2,868.0	2,868.0	2,868.0
Accounts payable	333.4	373.6	4,810.1	4,810.1	4,810.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,222.7	965.9	15,171.0	12,303.0	9,435.0
Other liabilities	1,282.0	1,317.0	13,490.0	13,490.0	13,490.0
Total Liabilities	3,029.9	2,840.1	36,339.3	33,471.3	30,603.3
Shareholders Equity	328.8	519.1	397.4	1,333.7	2,293.3
Minority Interest	0.0	0.0	(1,294.3)	(1,116.1)	(910.7)
Total shareholder equity	328.8	519.1	(896.9)	217.7	1,382.6
Total liabilities and equity	3,358.7	3,359.2	35,442.4	33,689.0	31,985.9

CASH FLOW (MYR m)

Pretax profit	234.5	207.3	(92.1)	1,144.4	1,194.7
Depreciation & amortisation	206.1	215.1	2,058.0	2,084.1	2,084.1
Adj net interest (income)/exp	101.4	91.3	1,296.1	1,276.8	1,276.8
Change in working capital	(116.2)	(173.4)	(103.5)	(116.8)	(143.8)
Cash taxes paid	(0.6)	0.3	(28.2)	(29.7)	(29.7)
Other operating cash flow	(30.2)	(78.1)	(3.9)	(3.9)	(3.9)
Cash flow from operations	395.0	262.6	3,126.3	4,354.8	4,378.0
Capex	(18.6)	(30.9)	(100.0)	(100.0)	(100.0)
Free cash flow	376.4	231.7	3,026.3	4,254.8	4,278.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	1,000.0	0.0	0.0
Change in Debt	(261.8)	(313.0)	(2,868.0)	(2,868.0)	(2,868.0)
Other invest/financing cash flow	(12.2)	0.0	(450.4)	(450.4)	(450.4)
Effect of exch rate changes	2.5	(6.2)	0.0	0.0	0.0
Net cash flow	104.9	(87.5)	707.9	936.3	959.6

FYE 31 Dec	FY24A	FY25A	FY26E	FY27E	FY28E
Key Ratios					
Growth ratios (%)					
Revenue growth	29.1	2.0	705.1	(4.9)	1.1
EBITDAR growth	65.3	(14.0)	690.4	38.3	1.1
EBIT growth	650.4	(19.6)	507.7	102.3	2.1
Pretax growth	(31.8)	(11.6)	nm	nm	4.4
Reported net profit growth	(37.5)	(7.4)	nm	nm	2.5
Core net profit growth	nm	(25.8)	nm	nm	2.5
Profitability ratios (%)					
EBITDAR margin	14.6	12.4	12.1	17.6	17.6
EBIT margin	7.5	5.9	4.4	9.5	9.5
Pretax profit margin	7.2	6.2	nm	4.5	4.6
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	6.4	5.8	nm	3.7	3.7
Revenue/Assets (x)	1.0	1.0	0.8	0.8	0.8
Assets/Equity (x)	10.2	6.5	89.2	25.3	13.9
ROAE (%)	93.1	45.2	(38.7)	108.2	52.9
ROAA (%)	4.3	3.1	(1.0)	2.7	2.9
Liquidity & Efficiency					
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	0.6	0.6	0.6	0.7	0.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.1	1.2	1.0	1.0	1.0
Net gearing (%) (incl perps)	376.8	204.7	net cash	nm	695.2
Net gearing (%) (excl. perps)	376.8	204.7	net cash	nm	695.2
Net interest cover (x)	2.4	2.2	0.9	1.9	1.9
Debt/EBITDAR (x)	3.0	2.8	5.6	3.4	2.7
Capex/revenue (%)	0.6	0.9	0.4	0.4	0.4
Net debt/ (net cash)	1,239.2	1,062.7	17,243.9	13,439.5	9,611.9

Source: Company; Maybank IBG Research

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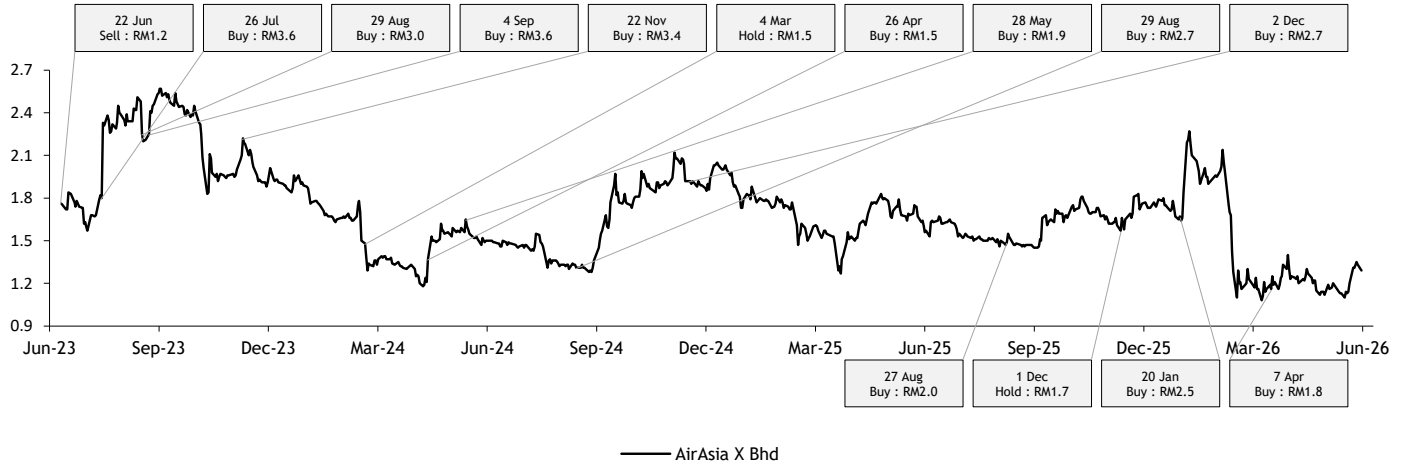
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