

AirAsia Group Bhd (AAGB MK)

Keep calm and carry on flying

Maintain BUY call and MYR1.31 SOP-based TP

As we had earlier flagged ([link](#)), AAGB has been classified as a PN17 listed issuer due to its negative shareholders' equity position. That said, this does not mean that AAGB is insolvent. Moreover, there are at least 6 ways that AAGB can narrow its negative shareholders' equity position substantially to hopefully lift its PN17 status. More importantly, AAGB's fundamentals have improved with its airlines actively flying again. Estimates, BUY call and MYR1.31 SOP-based TP unchanged.

Balance sheet NOT cash flow led to PN17 status

AAGB was classified as a PN17 listed issuer due to its negative shareholders' equity position (end-3Q21: -MYR3.2b) after suffering 7 quarters of heavy losses due to the COVID-19 pandemic. Compare and contrast this to its cash flow, where it raised MYR2.6b (private placement: MYR336m, Danajamin backed loan: MYR500m, RCUIDS rights issue: MYR974m, investment in BigPay: USD100m, foreign loan: USD100m) which we believe is enough to carry it through FY22E.

PN17 status salvageable, in our view

We posit 6 ways that AAGB can substantially narrow its negative shareholders' equity:- (i) waiver of deferred aircraft leases (MYR2.5b); (ii) listing of digital assets currently valued at USD1.2b or MYR5.2b; (iii) reversal of impairment of right-of-use assets (MYR552m); (iv) issuance of RCUIDS (MYR974m) and warrants (MYR650m); (v) deconsolidate Indonesia AirAsia (IAA) and Philippines AirAsia (PAA) accounts; and (vi) sale of assets (e.g. maintenance, repairs and operations division).

More importantly, fundamentals have improved

Currently, Malaysia AirAsia (MAA) is flying c.33% of its aircraft, IAA and PAA are flying c.25%-33% of their aircraft and Thai AirAsia is flying c.50% of its aircraft, which we believe is respectable given that it was as recent as 3Q21 when South East Asia was ravaged by the Delta variant of COVID-19. Recent statistics reported by **Malaysia Airports Holdings (MAHB MK, HOLD, CP: MYR6.04, TP: MYR6.10)** also point to a better 4Q21 for MAA which historically contributes c.80% of group earnings.

FYE Dec (MYR m)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	11,860	3,131	1,323	5,064	12,607
EBITDAR	2,090	(1,491)	(676)	175	2,811
Core net profit	(396)	(3,483)	(2,745)	(3,198)	258
Core FDEPS (sen)	(11.9)	(104.2)	(44.9)	(51.8)	5.7
Core FDEPS growth(%)	nm	nm	nm	nm	nm
Net DPS (sen)	90.0	0.0	0.0	0.0	0.0
Core FD P/E (x)	nm	nm	nm	nm	10.8
P/BV (x)	1.3	nm	nm	nm	nm
Net dividend yield (%)	52.9	0.0	0.0	0.0	0.0
ROAE (%)	(2.7)	(71.7)	(78.2)	(281.8)	(97.7)
ROAA (%)	(1.8)	(15.4)	(14.6)	(19.6)	1.9
EV/EBITDAR (x)	12.3	nm	nm	nm	5.4
Net gearing (%) (incl perps)	353.9	net cash	net cash	net cash	net cash
Consensus net profit	-	-	(2,488)	(581)	213
MKE vs. Consensus (%)	-	-	(8.4)	(366.8)	21.2

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BUY

Share Price	MYR 0.62
12m Price Target	MYR 1.31 (+111%)
Previous Price Target	MYR 1.31

Company Description

AirAsia Group is Asia's foremost low cost carrier with operations in Malaysia, Thailand, Indonesia, Philippines and India.

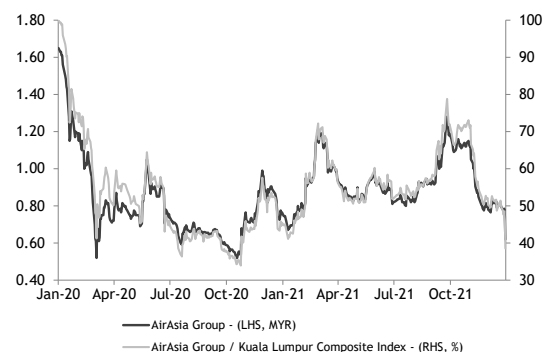
Statistics

52w high/low (MYR)	1.28/0.62
3m avg turnover (USDm)	5.3
Free float (%)	59.7
Issued shares (m)	4,070
Market capitalisation	MYR2.5B USD604M

Major shareholders:

Tune Air Sdn Bhd	13.2%
Tune Live Sdn. Bhd.	13.1%
Positive Boom Ltd.	8.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(23)	(47)	(18)
Relative to index (%)	(26)	(46)	(14)

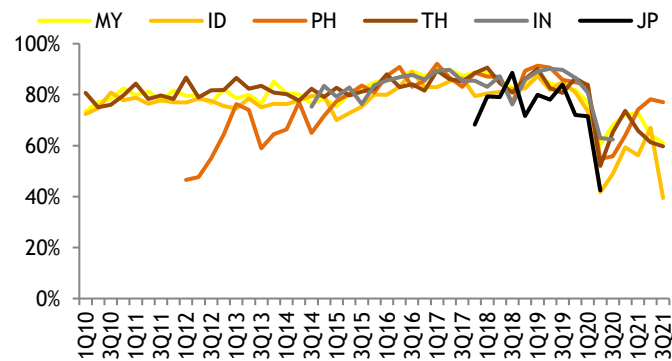
Source: FactSet

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Tear Sheet Insert

Value Proposition

- Asia's leading low cost carrier with highest market share, largest fleet size and most extensive route network.
- Operates in 5 countries after exiting Japan, which provides unrivalled route network reach.
- Lowest unit cost airline 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 12 times in a row by Skytrax.

AirAsia passengers load factor by country

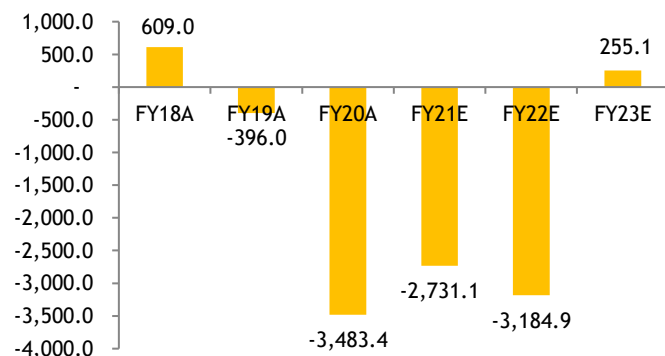


Source: Company

Financial Metrics

- Best financial indicator is core net profit ex disposal gains, forex and fair value changes and deferred taxation.
- Forecast FY21E core net loss to narrow on lower average fuel prices.
- Forecast FY22E core net loss to expand on MYR1.1b share of losses from Thai AirAsia.
- Forecast FY23E to generate net profit on number of passengers carried recovering and average fares rising.
- Sensitive to fuel price movement, a USD1 per barrel change in fuel price will move earnings by MYR10m-MYR30m.
- Balance sheet as at end-3Q21 in a net debt position of MYR853.0m if ex-finance lease liabilities.

Core net profit/(loss) (MYRm)



Source: Company, Maybank IBG Research

Price Drivers

Historical share price trend



Source: Company, Maybank IBG Research

1. Strong earnings growth and positive earnings outlook engendered market confidence in AAGB.
2. AAGB announced record dividends which provided a catalyst to its share price.
3. Market de-rated following the outcome of the 14th General Election.
4. COVID-19 pandemic struck Malaysia. AAGB grounded most of its fleet in late-Mar 2020.
5. Pfizer, Moderna and AstraZeneca announced that they have developed effective COVID-19 vaccines.

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 AAGB 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 - 60-70% of operating costs are USD denominated.

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Risk Rating & Score ¹	32.6 (High)
Score Momentum ²	-3.3
Last Updated	17 Jun 2021
Controversy Score ³ (Updated: 20 Mar 2021)	3 - Business Ethics Incidents - Bribery & Corruption

Business Model & Industry Issues

- Being an airline, AAGB may not be deemed as environmentally friendly but it operates A320 and A320neo aircraft which are already fuel efficient. It will gradually replace its entire fleet with the even more fuel efficient A321neo aircraft.
- As at end-FY20, only 35% of staff are female but this is not entirely unexpected as operational functions (e.g. engineering) tend to be filled by males. That said, we believe that AAGB's BOD could use at least 1 female director.
- An especially positive point is that AAGB supported staff that were laid off during the COVID-19 pandemic and even established an academy to retrain staff in technology and IT.
- To be sure, some senior managers have made headlines for the wrong reasons but to be fair, no misconduct has been proven to date. However, AAGB's decision to enter and exit Japan twice raised eyebrows.
- All in all, we rate AAGB's ESG credentials as moderate. AAGB was included in the FTSE4GOOD Bursa Malaysia Index in Dec 2020.

Material E issues

- As at end-FY20, operated 168 Airbus A320, 38 Airbus A320neo and 4 Airbus A321neo.
- Will gradually replace entire fleet with Airbus A321neo which is 10-15% more fuel efficient than the Airbus A320.
- Carbon intensity ratio (CIR) surged 380% YoY to 315.7gCO²/RPK in FY20 due to less RPK flown.
- Fuel productivity (FP) fell 32% YoY to 20.3g/RPK in FY20 again due to less RPK flown.
- CIR and FP to normalise as RPK recovers due to the COVID-19 pandemic easing.
- From FY17 to FY19, CIR and FP averaged at 72.4gCO²/RPK and 30.3g/RPK respectively.
- Targets carbon neutral growth for international flights by 2023 and net CO² emissions cut to 50% of 2005 levels by 2050.
- May support carbon credit certification of environmental social enterprise partners to purchase their carbon credits.
- Partners TRAFFIC to raise awareness of illegal wildlife trafficking in the aviation sector.

Material S issues

- Trained 33% of staff on-line to recognise the signs of human trafficking on board and respond appropriately.
- Plans to increase this percentage to 50% by the end of FY21.
- Hosted its first international webinar, "The Role of Airline Staff as Frontliners in the Fight Against Human Trafficking" and joined ICAO's Anti-Trafficking Working Group.
- Flew 410 rescue and repatriation flights to bring >15,000 individuals home in FY20.
- MYR13.4m spent on training staff in FY20 (+7% YoY) despite the group having generated a huge net loss.
- Launched Redbeat Academy in Oct 2020 to retrain staff in technology and IT.
- As at end-FY20, only 35% of staff is female. Skewed by males in operational functions (e.g. engineering).
- Through AirAsia Foundation, supported 28 social enterprises benefitting 11,501 individuals as at end-FY20.

Key G metrics and issues

- BOD comprises Non-Independent Executive Chairman (NIEC), Non-Independent Executive Director & Chief Executive Officer (NIED & CEO), Non-Independent Non-Executive Director (NINED) and 2 Independent Non-Executive Directors (INED).
- Currently, none of the 5 BOD members are women. The last female director resigned in Aug 2020.
- That said, some senior managers are women (i.e. President - airasia digital), Group CFO, CEO - AirAsia Indonesia, CEO - airasia SuperApp and CEO - airasia farm.
- Major shareholders, Tune Air and Tune Live are represented by the NIEC and NIED & CEO.
- There are 3 BOD committees (i.e. Audit, Nomination & Remuneration and Risk Management).
- The Audit and Nomination & Remuneration Committees are chaired by INEDs.
- The Risk Management Committee, however, is chaired by the NINED.
- FY20 directors' remuneration plunged 79% YoY as the COVID-19 pandemic caused AAGB to generate losses.
- Ernst & Young PLT is the independent auditor since 2017. The predecessor was PricewaterhouseCoopers PLT.
- Fined by Malaysian Aviation Commission for charging processing fees (MYR200k in Sep 2019 and MYR2m in Jan 2020) and advertising misleading air ticket prices (MYR160k in Dec 2018).
- Fined by Malaysia Competition Commission for entering into a collaboration agreement with Malaysia Airlines (MYR10m) in FY14.
- India's Central Bureau of Investigation (CBI) filed a case against the NIED & CEO over alleged violation of norms in getting international flying licenses in FY18.
- The NIED & CEO has not responded to the CBI's case to date.
- The NIEC and NIED & CEO were implicated in a bribery case involving Airbus in FY20. Both were later cleared.
- Ventured into Japan twice. AirAsia Japan consumed >MYR400m in investments but never generated an annual profit. AirAsia Japan filed for bankruptcy in Oct 2020.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

What's next?

Going forward, AAGB will have to make the following announcements on Bursa Malaysia:-

- (i) within 3 months from the first announcement, on whether the regularisation plan will result in a significant change in the business direction or policy of AAGB;
- (ii) the status of its regularisation plan and the number of months to the end of the relevant timeframes referred to below, as may be applicable, on a monthly basis until further notice from Bursa Malaysia;
 - if AAGB undertakes a regularisation plan which will result in a significant change in its business direction or policy, it must:-
 - a) submit the plan to the Securities Commission for approval within 12 months from the date of the first announcement; and
 - b) complete the implementation of the plan within such timeframe as may be prescribed by the Securities Commission.
 - if AAGB undertakes a regularisation plan which will not result in a significant change in the business direction or policy, it must:-
 - a) submit to Bursa Malaysia the plan and obtain Bursa Malaysia's approval to implement the plan within 12 months from the date of the first announcement;
 - b) complete the implementation of the plan within 6 months from the date the plan is approved by Bursa Malaysia. For cases which involve court proceedings, AAGB has up to 12 months from the date the plan is approved by Bursa Malaysia to complete the implementation of the plan; and
 - c) record a net profit in 2 consecutive quarterly results immediately after the completion of the implementation of the plan.

In this regard, AAGB must ensure that the relevant quarterly results are subjected to a limited review by an external auditor before they are announced to Bursa Malaysia.
- (iii) its compliance or non-compliance with a particular obligation imposed on an immediate basis;
- (iv) details of the regularisation plan which includes a timeline for the complete implementation of the regularisation plan. This will be announced by AAGB's Principal Adviser; and
- (v) where AAGB fails to regularise its condition, the dates of suspension and de-listing of its listed securities, immediately upon notification of suspension and de-listing by Bursa Malaysia.

PN17 status salvageable, in our view

Due to the COVID-19 pandemic, AAGB generated a net loss of MYR5.1b in FY20A (core net loss: MYR3.5b). This drove its shareholders equity to turn negative to the tune of -MYR1.2b as at end-FY20A. We forecast this figure to grow to -MYR3.5b as at end-FY21E and -MYR6.2b as at end-FY22E (Fig. 1). Note that our FY22E net loss forecast is significantly wider than consensus estimate.

AAGB was classified as a PN17 listed issue for triggering Paragraph 2.1(a) and (e) of Practice Note 17 (PN17) of the Main Market Listing Requirements of Bursa Malaysia which stipulates that a company will be classified as a PN17 listed issuer if the following criteria are triggered:-

- (i) the shareholders' equity of the listed issuer on a consolidated basis is 25% or less of the issued and paid-up capital (excluding treasury shares) of the listed issuer and such shareholders' equity is less than MYR40m; and
- (ii) the auditors have expressed an emphasis of matter on the listed issuer's ability to continue as a going concern in the listed issuer's latest audited financial statements and the shareholders' equity of the listed issuer on a consolidated basis is 50% or less of the issued and paid-up capital (excluding treasury shares) of the listed issuer.

Figure 1: AAGB shareholders' equity (MYRm)

FY19A	FY20A	FY21E	FY22E	FY23E
4,498	-1,214	-3,472	-6,184	-5,926

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

The above notwithstanding, we posited in our 15 Nov 2021 report ([link](#)) that there are 4 ways that AAGB can substantially narrow its negative shareholders' equity position:-

- (i) **Waiver of deferred aircraft leases** - As at end-3QFY21, AAGB had deferred aircraft leases of c.MYR2.5b. These deferred aircraft leases were accumulated since AAGB hibernated its fleet back in Mar 2020 as the COVID-19 pandemic spread throughout the world. Should AAGB obtain permission from aircraft lessors to have these deferred aircraft leases waived, they will narrow its negative shareholders' equity position by a similar c.MYR2.5b. Of course, this does not mean that aircraft lessors will go unpaid. What we gather will happen is that AAGB will extend the tenure of its aircraft leases with aircraft lessors as compensation.

In its 3Q21 results announcement, AAGB stated that it restructured 17 aircraft leases. The restructuring of the leases resulted in the lease liabilities being recomputed using the new lease terms and reduced lease rates. The past due amounts waived was c.MYR187.8m. AAGB stated that more of these will be reported in the upcoming 4Q21 results which are due to be released next month.

- (ii) **Listing of digital assets** - AAGB's digital assets comprise Teleport, airasia SuperApp and BigPay. airasia SuperApp and Teleport are externally valued at USD1.0b and USD300m respectively for a collective USD1.3b (MYR5.4b). BigPay has not obtained an external valuation yet. Note that 5% of airasia SuperApp and 1% of Teleport are owned by minority shareholders. Thus, the value of the digital assets to AAGB is USD1.2b (MYR5.2b).

Assuming AAGB lists its digital assets and does not suffer valuation dilution and the end-FY20A non-airline net book value (NBV) of MYR275m relates to the digital assets, we estimate that AAGB may recognise a gain on dilution of MYR1.2b [(USD1.2b valuation X MYR4.15:USD1.00 exchange rate - MYR275m NBV) X 25%] from floating 25% shareholding of its digital assets which will narrow its negative shareholders' equity position even further. We understand that AAGB has hired a boutique investment bank to facilitate its listing on the NASDAQ.

- (iii) **Reversal of impairment of right-of-use assets** - In FY20A, AAGB impaired right-of-use (ROU) assets to the tune of MYR552m. The aforesaid ROU assets largely relate to the present value of future lease payments for leased aircraft. They were impaired because the COVID-19 pandemic restricted AAGB's ability to fly. Now that AAGB's airlines are less restricted in their ability to fly as borders reopen, we gather that this impairment may be reversed. Again, this will narrow its negative shareholders' equity position.
- (iv) **Issuance of RCUIDS and warrants** - Recall that AAGB recently executed a renounceable rights issue of 7-year redeemable convertible unsecured

Islamic debt securities with a nominal value of MYR0.75 each (RCUIDS) on the basis of 2 RCUIDS with 1 free warrant (exercise price: MYR1.00) for every 6 AAGB shares. AAGB issued 1,299m RCUIDS and 650m warrants.

AAGB may raise MYR1,624m (1,299m RCUIDS X MYR0.75 each + 650m warrants X MYR1.00 each) eventually if the warrants are fully exercised. The RCUIDS are convertible into AAGB shares anytime on or after they are issued. With the above being the case and assuming that all warrant holders convert them into AAGB shares, AAGB's negative shareholders' equity position may be narrowed by MYR1,624m eventually.

Figure 2: Potential adjustments to AAGB shareholders' equity

	MYRb
Shareholders' equity as at end-FY22E	-6.2
Deferred aircraft leases waived	+2.5
Gain on dilution on listing digital assets	+1.2
Reversal of impairment of right-of-use assets	+0.6
Issuance of RCUIDS and warrants	+1.6
Adjusted shareholders' equity as at end-FY22E	-0.3

Source: AAGB, Maybank IBG Research

In summary, we believe that AAGB can narrow its negative shareholders' equity position substantially before end-FY22E (Fig. 2). After giving it more thought, we gather that there are other ways that AAGB can narrow its negative shareholders' equity even further:-

- (i) **Deconsolidate IAA and PAA accounts** - Examining AAGB's FY20A annual report, we notice that it is likely Indonesia AirAsia (IAA) and Philippines AirAsia (PAA) that have the largest negative shareholders' equity. Currently, IAA and PAA results are consolidated into AAGB's accounts.

Figure 3: Shareholders equity of IAA and PAA as at end-FY20A (MYRm)

	IAA	PAA
	-834	-2,529

Source: AAGB

We posit that AAGB could reduce its negative shareholders' equity markedly should it deconsolidate IAA and PAA from its accounts. To be sure, AAGB will need a triggering event to do so. We gather that one of the triggering events could be the sale of AAGB's 49% and 40% ownership in IAA and PAA respectively.

Earnings wise (or lack thereof), we would not be averse to this as we do not forecast IAA or PAA to generate profits in the near term. In fact, it is Malaysia AirAsia (MAA) that has been generating most, if not all, of AAGB's profits in the past.

Figure 4: IAA and PAA net loss forecasts (MYRm)

	FY21E	FY22E	FY23E
IAA	-454.7	-374.7	-40.4
PAA	-463.7	-359.5	-10.2

Source: Maybank IBG Research

- (ii) **Sale of assets** - Other than Teleport, airasia SuperApp and BigPay, AAGB also owns Asia Digital Engineering (ADE), which is its maintenance, repairs and operations division. It is licensed as an Approved Maintenance Organization by Civil Aviation Authority Malaysia, Directorate General of Civil Aviation India and Directorate General of Civil Aviation Indonesia. Other than servicing AAGB's aircraft, it has 3 external airlines as clients (i.e. Lanmei Airlines, China Airlines and Myanmar Airways International) and is seeking to add more.

If AAGB does sell 100% or less of ADE, it will not be the first time that AAGB sells a stake in one of its airlines' critical functions. In 2018, AAGB's Ground Team Red Holdings (GTRH), which carries out its ground handling functions, acquired 80% of SATS Ground Services Singapore Pte. Ltd in exchange for an 11% equity stake in GTRH. In addition, AAGB sold 39% of GTRH to SATS for SGD119m (MYR371m). AAGB now owns 50% of GTRH.

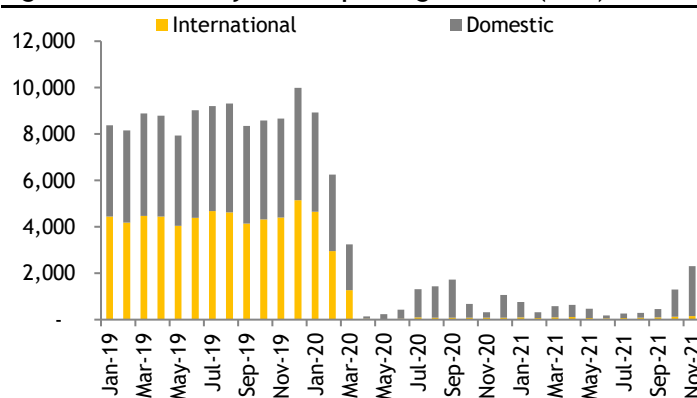
For its efforts, AAGB recognised a gain on disposal of subsidiary of MYR350m and re-measurement gain on retained interest in a former subsidiary of MYR535m. Should AAGB repeat this feat with ADE, it follows that AAGB's negative shareholders' equity can be narrowed further.

More importantly, fundamentals have improved

All of our aforementioned analyses would be for nought if AAGB's outlook does not improve. Yet, we believe that it has. Currently, we understand that MAA is flying c.33% of its aircraft, IAA and PAA are flying c.25%-33% of their aircraft and Thai AirAsia is flying c.50% of its aircraft which we believe is respectable. Examining MAA, which historically contributes c.80% of group earnings, we are encouraged by the statistics reported by **Malaysia Airports Holdings (MAHB MK, HOLD, CP: MYR6.04, TP: MYR6.10)**.

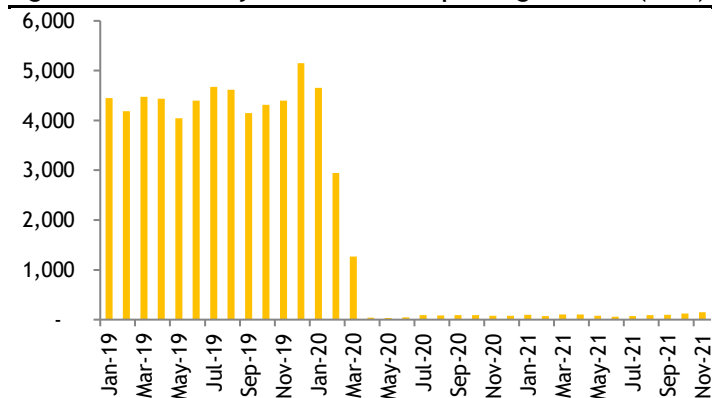
Although it seems that total passenger traffic in Malaysia has not improved very much since travel restrictions were eased on 11 Oct 2021 (Fig. 3) due to still low international traffic (Fig. 4), domestic passenger traffic has (Fig. 5). In fact, Nov 2021 domestic passenger traffic in Malaysia recovered to 50% of pre-COVID-19 levels. Pre-COVID-19, AAGB commanded 2/3 of domestic passenger traffic in Malaysia and a lower 1/3 of international passenger traffic in Malaysia. Although MAHB's Dec 2021 statistics have yet to be published, initial indications are that domestic passenger traffic may have eased MoM a tad, not so much due to the Omicron variant of COVID-19 as the recently passed floods. Thus, we maintain our view that AAGB's fundamentals have improved.

Figure 5: MAHB Malaysia total passenger traffic ('000)



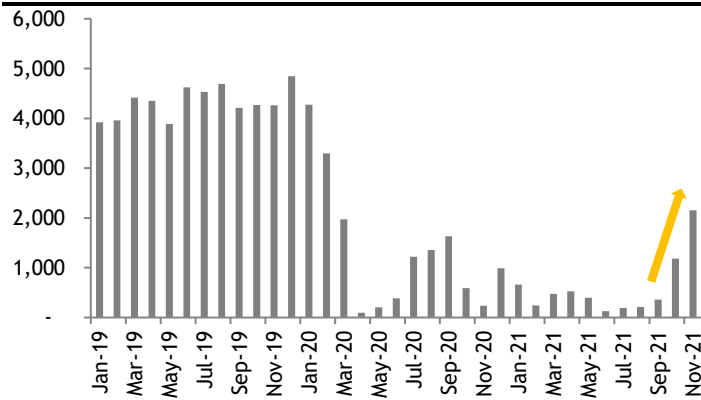
Source: MAHB

Figure 6: MAHB Malaysia international passenger traffic ('000)



Source: MAHB

Figure 7: MAHB Malaysia domestic passenger traffic ('000)



Source: MAHB

Valuation

Figure 8: AAGB SOTP valuation

	FY23E PER (x)	Value	Value/shr	Comment
Airlines	311.2	14.0	4,357.4	0.7314x FY23E net profit with RCUIDS interest expense added back
AirAsia X			-	-assume nil
Tune Protect Group			51.3	0.0114% of market capitalisation
Proceeds from warrants			649.7	0.11MYR1.00 exercise price
Proceeds from ESOS			118.4	0.02MYR0.743 exercise price
Incumbent business (A)			5,176.8	0.86
airasia SuperApp			4,041.3	0.67 96% of USD1.0b valuation
teleport			1,247.8	0.21 99% of USD300m valuation
Digital business (B)			5,289.1	0.88
Total (C=A+B)			10,465.8	1.74
(25% discount) (D=CX-25%)			-2,616.5	-0.44
SOTP (E=C+D)			7,849.4	1.31
FD number of shares			6,006.5	
SOTP/sh			1.31	

Source: Maybank Kim Eng

FYE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Key Metrics					
P/E (reported) (x)	nm	nm	nm	nm	9.4
Core P/E (x)	nm	nm	nm	nm	9.4
Core FD P/E (x)	nm	nm	nm	nm	10.8
P/BV (x)	1.3	nm	nm	nm	nm
P/NTA (x)	1.5	(1.6)	(0.6)	(0.4)	(0.4)
Net dividend yield (%)	52.9	0.0	0.0	0.0	0.0
FCF yield (%)	2.3	nm	nm	nm	8.3
EV/EBITDAR (x)	12.3	nm	nm	nm	5.4
EV/EBIT (x)	40.9	nm	nm	nm	17.9

INCOME STATEMENT (MYR m)

Revenue	11,860.4	3,131.2	1,323.3	5,064.1	12,607.4
EBITDAR	2,090.4	(1,491.2)	(675.9)	174.9	2,811.3
Depreciation	(1,463.3)	(2,073.0)	(1,911.6)	(1,958.8)	(1,958.8)
Amortisation	(0.5)	(0.3)	(0.3)	(0.3)	(0.3)
EBIT	626.7	(3,564.4)	(2,587.8)	(1,784.2)	852.2
Net interest income / (exp)	(615.7)	(597.7)	(587.6)	(645.2)	(631.0)
Associates & JV	(448.9)	(63.5)	(64.2)	(1,159.0)	26.0
Exceptionals	(83.7)	(1,325.6)	48.3	485.7	0.0
Pretax profit	(521.7)	(5,551.3)	(3,191.3)	(3,102.7)	247.2
Income tax	(34.8)	(17.8)	(15.6)	(15.6)	(15.6)
Minorities	(32.6)	776.3	509.7	406.4	26.7
Reported net profit	(315.8)	(5,111.7)	(2,697.2)	(2,712.0)	258.3
Core net profit	(396.0)	(3,483.4)	(2,745.5)	(3,197.6)	258.3

BALANCE SHEET (MYR m)

Cash & Short Term Investments	2,588.1	533.3	1,370.4	381.1	687.0
Accounts receivable	1,426.6	1,336.0	1,007.9	1,007.9	1,007.9
Inventory	146.1	141.4	141.4	141.4	141.4
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	1,201.6	1,085.6	1,034.7	983.8	932.9
Intangible assets	635.0	640.6	640.6	640.6	640.6
Investment in Associates & JVs	703.3	484.1	419.9	400.8	426.8
Other assets	18,894.0	15,443.1	13,386.1	11,078.0	9,165.5
Total assets	25,594.7	19,664.1	18,001.1	14,633.6	13,002.0
ST interest bearing debt	2,613.8	4,263.5	530.5	1,983.8	2,068.1
Accounts payable	2,175.2	2,307.1	2,307.1	2,307.1	2,307.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	10,274.9	9,460.7	14,404.2	12,701.2	10,753.2
Other liabilities	7,620.0	7,203.0	7,200.0	7,200.0	7,201.0
Total Liabilities	22,684.0	23,233.9	24,441.3	24,192.3	22,329.1
Shareholders Equity	4,498.3	(1,214.3)	(3,472.0)	(6,184.0)	(5,925.7)
Minority Interest	(1,587.6)	(2,355.5)	(2,968.2)	(3,374.7)	(3,401.4)
Total shareholder equity	2,910.7	(3,569.8)	(6,440.3)	(9,558.6)	(9,327.0)
Total liabilities and equity	25,594.7	19,664.1	18,001.1	14,633.6	13,002.0

CASH FLOW (MYR m)

Pretax profit	(521.7)	(5,551.3)	(3,191.3)	(3,102.7)	247.2
Depreciation & amortisation	1,463.7	2,073.3	1,911.8	1,959.1	1,959.1
Adj net interest (income)/exp	500.1	549.9	536.5	554.9	535.5
Change in working capital	5.7	(800.3)	32.9	429.4	134.4
Cash taxes paid	9.7	(25.3)	(18.8)	(15.0)	(15.0)
Other operating cash flow	1,065.2	1,585.5	16.0	673.3	(26.0)
Cash flow from operations	2,522.8	(2,168.2)	(712.9)	498.9	2,835.2
Capex	(306.0)	(100.5)	(100.0)	(100.0)	(100.0)
Free cash flow	128.7	(3,148.9)	(991.4)	(635.7)	201.2
Dividends paid	(3,408.8)	0.0	0.0	0.0	0.0
Equity raised / (purchased)	0.0	0.0	336.5	0.0	0.0
Change in Debt	(4,678.1)	(412.5)	641.0	(873.8)	(2,534.1)
Other invest/financing cash flow	5,027.8	589.8	672.6	(514.4)	104.7
Effect of exch rate changes	41.5	65.0	0.0	0.0	0.0
Net cash flow	(800.7)	(2,026.4)	837.2	(989.3)	305.8

FYE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Key Ratios					
Growth ratios (%)					
Revenue growth	11.5	(73.6)	(57.7)	282.7	149.0
EBITDAR growth	(21.2)	nm	nm	nm	1,507.4
EBIT growth	(31.2)	nm	nm	nm	nm
Pretax growth	nm	nm	nm	nm	nm
Reported net profit growth	nm	nm	nm	nm	nm
Core net profit growth	nm	nm	nm	nm	nm
Profitability ratios (%)					
EBITDAR margin	17.6	nm	nm	3.5	22.3
EBIT margin	5.3	nm	nm	nm	6.8
Pretax profit margin	nm	nm	nm	nm	2.0
Payout ratio	nm	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	nm	nm	nm	nm	2.0
Revenue/Assets (x)	0.5	0.2	0.1	0.3	1.0
Assets/Equity (x)	5.7	nm	nm	nm	nm
ROAE (%)	(2.7)	(71.7)	(78.2)	(281.8)	(97.7)
ROAA (%)	(1.8)	(15.4)	(14.6)	(19.6)	1.9
Liquidity & Efficiency					
Dividend cover (x)	(0.1)	nm	nm	nm	nm
Current ratio (x)	0.7	0.3	0.6	0.3	0.3
Leverage & Expense Analysis					
Asset/Liability (x)	1.1	0.8	0.7	0.6	0.6
Net gearing (%) (incl perps)	353.9	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	353.9	net cash	net cash	net cash	net cash
Net interest cover (x)	1.0	na	na	na	1.4
Debt/EBITDAR (x)	6.2	nm	nm	nm	4.6
Capex/revenue (%)	2.6	3.2	7.6	2.0	0.8
Net debt/ (net cash)	10,300.6	13,190.8	13,564.3	14,303.9	12,134.2

Source: Company; Maybank

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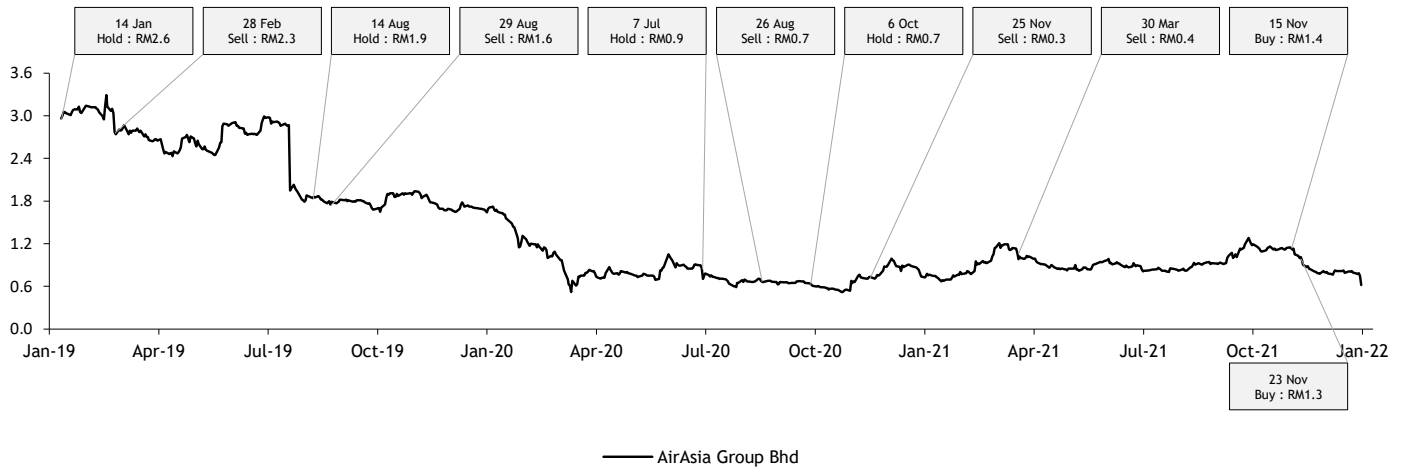
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