

STOCK INTELLIGENCE & TRACKING INSIGHTS (LEVEL 1)

Company: **AirAsia Bhd**
Date of Report: **9/2/2019**
Industry: **Airlines**
Currency: **Malaysia Ringgit**

Report Sections:

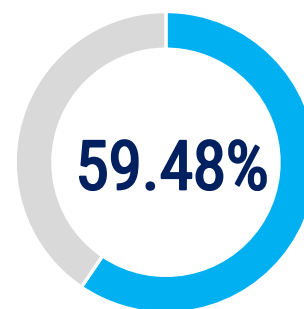
1. Summary	p2
2. Value Investing Indicators	p3
3. Statement Summary & Ratios	p4
4. Reference I - Financial Ratios Explanation	p5
5. Reference II - How to Use the Report	p6
6. Reference III - Market Ratios Explanation	p7

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	Value in Stock Price?
Currency:	MYR'Millions
Current share price*:	3.11
Fair value price:	6.80
PE Ratio*:	3.74
Peer group PE:	15.6567
Net Tangible Assets:	609
Dividend Yield*:	7.77%



Financial Strength Score



EXCELLENT	GOOD	MODERATE	LOW
High Intrinsic Value	Above Average Intrinsic Value	Average Intrinsic Value	Low Intrinsic Value
Greater than or equal to 10, less than or equal to 12	Greater than or equal to 7, less than 10	Greater than or equal to 4, less than 7	Less than 4, greater than or equal to 1

SUMMARY INSIGHTS

Business Performance

7.3

Entity has good growth prospects with more than adequate profitability

The firm recorded a strong level of sales growth, signifying good demand for its goods and services. The firm's operating costs have risen significantly. It could be facing challenges to contain the costs arising from industry-wide drivers. The cost of generating additional revenue was slightly higher compared to the previous year. Above average profits were experienced by the firm during the period. Weakened profit margins may be due to a weakening business model.

Shareholder Value

7.0

Average value to shareholders in terms of profitability, margins and liability exposure

The returns to shareholders based on the firms' profits were substantially achieved during the period. The valuation of the firm could improve as a result for the period. The shareholder equity level of the firm was relatively low compared to its total liability exposure during the period. If the firm's shareholder funds are overwhelmed by its liability levels, it could be faced with valuation risk. The firm experienced notable positive growth compared to the previous year. Above average profits were experienced by the firm during the period. Valuation for the firm based on earnings need to be improved for subsequent period if it wants to improve its valuation further.

WHAT TO LOOK OUT FOR

ISSUE: The firm's operating costs have risen significantly. It could be facing challenges to contain the costs arising from industry-wide drivers.

ACTION PLANS: List down the variable and fixed costs in the last 24 months and evaluate the trends.

Distinguish between one-off and ongoing costs.

Obtain more information on the cost of materials / labour and compare against previous levels.

ISSUE: The shareholder equity level of the firm was relatively low compared to its total liability exposure during the period. If the firm's shareholder funds are overwhelmed by its liability levels, it could be faced with valuation risk.

ACTION PLANS: Discuss with management on the potential for leveraged recapitalisation or debt restructuring in the business.

Determine whether the liability in the firm is short-term or long-term and what it is costing the firm to maintain this level of debt in the business.

Perform an analysis to determine whether the existing level of debt is threatening the on-going nature of the firm and assess to what extent its asset-liability management can be improved.

ATTRACTIVE VALUATION?

YES

Was the company worth less than its book value now?

NO

Price-to-Book 1.15

A lower value indicates the company is trading below its original value and may indicate a "cheap" buy, but not necessarily all the time.

FUNDAMENTALLY SOUND?

YES

Was the company undervalued?

YES

Fair Value 6.80

Share Price 3.11

A value of its EPS x 8.1 that is below its share price suggests that it is overvalued (assuming it is not loss making).

Was the company financially strong generally?

YES

Credit Score 59%

The credit score takes into account balance sheet and P&L of the company. A higher score indicates a stronger credit position.

Was the P/E lower than its peers?

YES

Company 3.74

Peer Avg 15.66

The P/E indicates how much premium investors are willing to pay for each profit earned. A lower P/E indicates "less premium"(assuming no losses)

Did the company have buffer for its short-term obligations?

YES

Current Ratio 4.41

A higher current ratio indicates a higher liquidity position but need to check the level of inventories and actual cash levels- in order to meet short-

Did the company pay dividends?

YES

Dividend Yield 7.77%

A company that has been paying dividends suggests that the company is doing well and continues to be optimistic about the future.

Were the profit levels growing?

YES

Pre-Tax Profit 22.46%

A company that is showing consistent earnings growth indicates a positive outlook. A company that shows negative growth may indicate tougher

Did the company have free cashflow?

YES

Qterly Per Share 0.10

FCF must be sufficiently positive because it signals a company's ability to pay debt, pay dividends, buy back stock and facilitate the growth of business.

STATEMENT SUMMARY & RATIOS



KEY RATIOS

Business Performance	Percentage
Rate of Sales Growth	41.8%
Rate of Cost Growth	48.3%
Cost/Sales Growth	3.4%
Profit Margin (after tax)	16.8%
Profit Margin Growth	-6.9%

Shareholder Value	Percentage
Return on Equity (pre tax)	31.1%
Total Liabilities-to-Equity Ratio	250.6%
Profit Before Tax Growth	22.5%
Profit Margin (after tax)	16.8%

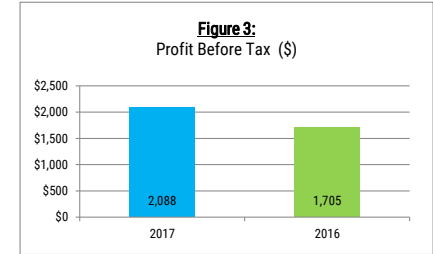
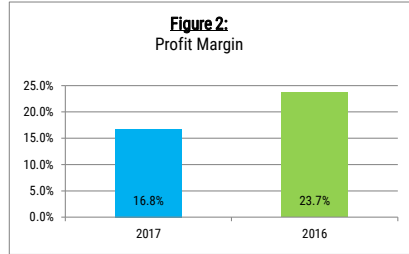
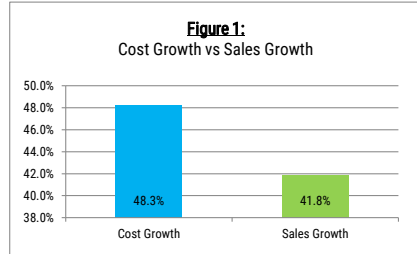
Risk & Liabilities	Percentage
Current Liability Ratio	22.7%
Total Liabilities-to-Equity Ratio	250.6%
Total Liab. Growth vs Sales Growth	-43.1%
Rate of Sales Growth	41.8%

Productivity	Percentage
Return On Assets Growth	0.1%
Return on Assets (after tax)	6.9%
Profit Before Tax Growth	22.5%
Asset Growth	-0.5%

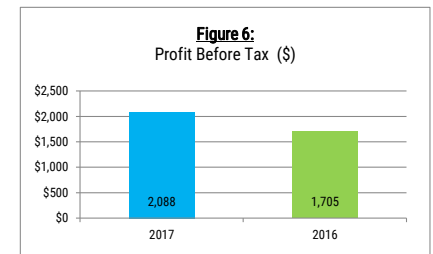
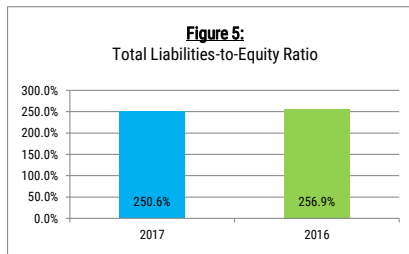
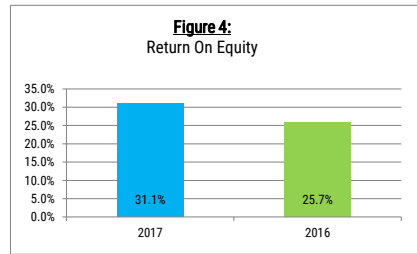
KEY RATIOS

MYRMillions	2017	2016	%Chg
Sales	9,710.00	6,846.00	41.8%
Profit Before Tax	2,088.00	1,705.00	22.5%
Profit After Tax	1,629.00	1,622.00	0.4%
Total Asset	23,528.00	23,653.00	-0.5%
Total Liabilities	16,818.00	17,026.00	-1.2%
Current Liabilities	5,334.00	4,919.00	8.4%
Shareholder Fund	6,710.00	6,628.00	1.2%

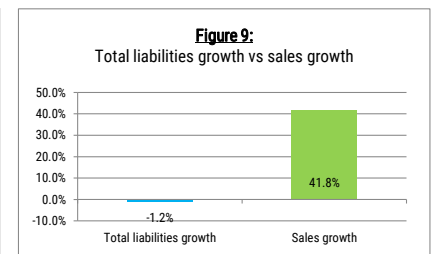
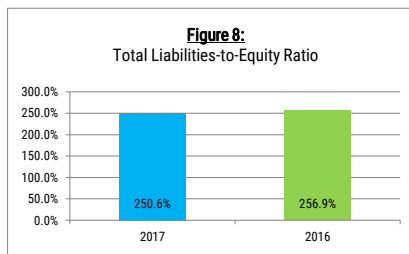
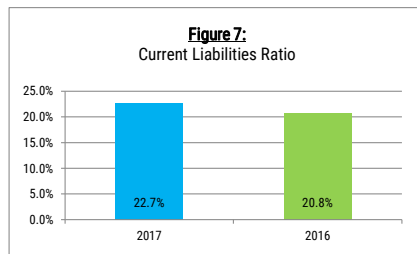
BUSINESS PERFORMANCE RATING (BPR)



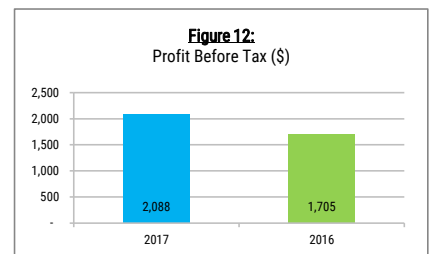
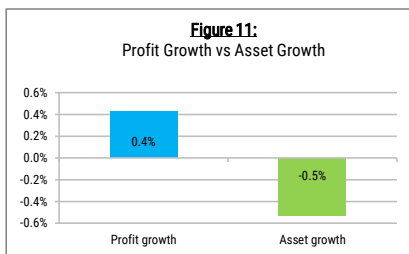
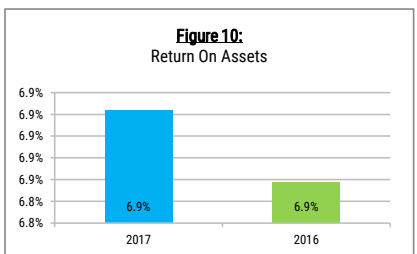
SHAREHOLDER VALUE RATING (SVR)



RISK & LIABILITIES RATING (RLR)



PRODUCTIVITY RATING (PRR)



"BEAR" RATINGS

BLACK (B)	EMERALD (E)	AMBER (A)	RED (R)
High Intrinsic Value	Above Average Intrinsic Value	Average Intrinsic Value	Low Intrinsic Value
Greater than or equal to 10, less than or equal to 12	Greater than or equal to 7, less than 10	Greater than or equal to 4, less than 7	Less than 4, greater than or equal to 1

DESCRIPTION

METHODOLOGY

The Financial Scores are the result of conducting the regression analysis of more than 100,000 companies since 1992 and have been validated/back tested against credit downgrades, defaults, corporate actions and significant shifts in the economic cycles: by countries and industry groups.

- Measures sales, expenses and profitability of the business
- Assess suitability for investment purposes
- Evaluates sustainability for generation of future inflows
- Identification of ways to improve current performance

Business Performance

- *Rate of Sales Growth:* $(\text{Sales (Current year)} - \text{Sales (previous year)}) / \text{Sales (previous year)}$
- *Rate of Cost Growth:* $(\text{Cost (Current year)} - \text{Cost (previous year)}) / \text{Cost (previous year)}$
- *Cost/Sales Growth:* $\text{Cost} / \text{Sales (Current year)} - \text{Cost} / \text{Sales (Previous year)}$
- *Profit Margin (After Tax):* $\text{Profit after Tax} / \text{Sales}$
- *Profit Margin Growth:* $(\text{Profit after tax} / \text{sales (Current year)}) - (\text{Profit after Tax} / \text{Sales (previous year)})$

- Measures Return on Equity, Debt-to-Equity, Profit before Tax Growth, Profit Margin for latest year
- Understand the efficiency and effectiveness of investments
- Indicates how much funds are used for expansion/ secure new markets

Shareholder Value

- *Return on Equity (Pre-tax):* $\text{Profit before Tax} / \text{Shareholders fund}$
- *Total Liabilities-to-Equity Ratio:* $\text{Total Liabilities} / \text{Shareholder Fund}$
- *Profit before Tax Growth:* $(\text{Profit before Tax (Current year)} - \text{PBT (previous year)}) / \text{Profit before Tax (previous year)}$
- *Profit Margin (After Tax):* $\text{Profit after Tax} / \text{Sales}$

- Measures current liability, liability-to-equity, total liabilities growth and rate of sales growth of the business
- Determines the direction in which the business is heading
- Identify types of financing plans of the business Indicates the level of risk exposure and leverage faced by the business

Risk and Liabilities

- *Current Liabilities Ratio:* $\text{Current Liabilities} / \text{Total Assets}$
- *Total Liabilities-to-Equity Ratio:* $\text{Total Liabilities} / \text{Shareholder Funds}$
- *Total Liabilities Growth vs Sales Growth:* $((\text{Liabilities (Current year)} - \text{Liabilities (Previous year)}) / \text{Liabilities (Previous year)}) - ((\text{Sales (Current year)} - \text{Sales (Previous year)}) / \text{Sales (Previous Year)})$
- *Rate of Sales Growth:* $(\text{Sales (Current year)} - \text{Sales (previous year)}) / \text{Sales (previous year)}$

- Indicates the performance of assets
- Provides an overview on how the assets are being utilized and liabilities are managed
- Portrays the interrelation between assets efficiency and the profitability of the business

Productivity

- *Return on Assets Growth:* $(\text{Profit after tax} / \text{Total Assets (current year)}) - (\text{Profit after tax} / \text{Total Assets (previous year)})$
- *Return on Assets:* $\text{Profit after tax} / \text{Total asset}$
- *Profit Before Tax Growth:* $(\text{Profit before tax (current year)} - \text{Profit before tax (previous year)}) / \text{Profit before tax (previous year)}$
- *Asset Growth:* $(\text{Total Assets (Current year)} - \text{Total Assets (previous year)}) / \text{Total Assets (previous year)}$

PRACTICAL USES

Business Performance

If you are an investor or thinking of partnering with this company, the factors listed here could assist you in the decision whether to invest in a company or consider partnering with them via joint ventures.

For creditors and debt financiers, you would want to have a good understanding of whether this company's business performance is sustainable to generate future inflows to pay existing and/or future obligations.

Shareholder Value

Existing and even potential new shareholders should use this report to find out how much the profits are being generated and how these are being achieved.

It is also to gauge the adequacy of returns to shareholders who may come into the firm at different period of time.

Users could have a closer look at how internal reserves are used for expansion, new funds being raised to secure new markets/clients and how much dividends could be paid out to manage its ROE levels.

Risk and Liabilities

Financiers such as bank and private lenders should use this report under two circumstances:

1. At the point of lending
2. Upon lending, they can get a sense of how the balance sheet risks may evolve based on ascertaining their risk appetite at the onset.

The effects of ascertaining risk appetite usually come at a later stage; and it is a powerful indicator to determine where the firm is heading and how it is going to finance its plans

Productivity

Financiers with vested interests in the firm are required to know the performance of assets that have been invested by the firm.

The asset structure of the firm is a good indicator of how resourceful or efficient management has been in order to generate profits for the period; and to what extent this has been achieved.

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- 1. Net Tangible Asset:** represents a company's total amount of assets minus its liabilities. It allows us to calculate company's assets position without including intangible assets.
- 2. Earnings per Share (EPS):** represents a company's profits that allocated to each shares. EPS helps to determine share price as it is used to calculate P/E ratio.
- 3. Return on Equity (ROE):** used to measure a company's financial performance as it shows how much profit each dollar of common stockholders' equity generates.
- 4. Price-Earnings Ratio (PER):** represents the relationship between a company's stock price and earnings per share (EPS). It tells investors if a stock is overvalued or undervalued.
- 5. Dividend yield:** represents a company's annual dividend compared to its share price. It indicates company's confidence in distributing dividends. The dividend yield must be at least two-thirds of the long-term AAA bond yield.
- 6. Price-to-Book Ratio:** measures whether a stock is over or undervalued by comparing a stock's market value to its book value and is calculated by dividing the current closing price by the latest quarter's book value per share.
- 7. Free Cash Flow:** refers to the cash produced by a company through its operations, minus the cost of expenditures. When a company's share price is low and free cash flow is on the rise, the odds are good that earnings and the value of the shares will soon be heading up.
- 8. Price Earnings Growth (PEG):** This ratio is used to determine a stock's value while considering the company's earnings growth. It's calculated by dividing a stock's P/E ratio by the growth of its earnings for a specified time period.

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