▶ AIRASIA				
	2009	2010F	2011F	2012F
REVENUE (RM mil)	3,132.9	3,629.3	4,013.9	4,568.0
NET PROFIT (RM mil)	506.3	368.1	467.2	529.9
ADJ EPS (sen)	18.9	17.8	22.7	25.7
P/E (x)	6.5	6.8	5.4	4.7

AirAsia continues to show y-o-y operational improvement

▶ **Recommendation:**
Buy
Target Price: RM1.67
By ECMLibra Investment Research (June 1)

Within Expectations

AIRASIA reported 1QFY10 net profit of RM224.1 million.

Excluding net forex gain of RM166 million, derivative loss of RM21.2 million and deferred tax charge of RM27.7 million, adjusted net profit would have been RM107 million which achieved 19% and 20% of house and consensus full-year estimates respectively.

We deem 1QFY10 results to be within expectations as 1Q coincides with the low travel season while succeeding quarters are expected to see higher capacity growth and passenger (pax) traffic.

Operational Improvement But Lower Margin

AirAsia continued to show year-on-year (y-o-y) operational improvement. Capacity (ASK) expanded by 13.7% y-o-y to 5,929 million km while passenger traffic increased 17.1% to 3.7 million pax.

Seat load factor improved 3.7ppt to 73.5%. Average fare declined 12.8% y-o-y and 2% quarter-on-quarter (q-o-q) to RM172.6 per pax, indicating competition is still intense. Having said that, ancillary income made up some of the loss as it expanded 31.4% y-o-y and 54.3% q-o-q to RM38.1 per pax.

EBITAR margin was however lower at 26.1% as compared to 39.5% in 1QFY09 due to rising fuel cost. Management guided that increasing ancillary income will cushion rising fuel cost and see no need to impose fuel surcharge unless fuel cost breaches the US$100 (RM330) level.

We do not believe fundamental demand will drive fuel cost past that level and continue to maintain our assumption of a US$90 jet fuel cost over next three years.

Another positive is strong operational cash flow which seen AirAsia accumulating almost RM1 billion cash as of 1QFY10.