

AirAsia, AirAsia X merger may include share swap

Tony Fernandes has expressed a preference for a potential merger exercise via a share swap: **ECM Libra**

by **ASHWIN RAMAN**

A POTENTIAL merger between low-cost carrier, AirAsia Bhd and its 16% associate, AirAsia X Sdn Bhd, may involve a share swap exercise.

Additionally, AirAsia, which has announced plans to raise RM500 million in equity via a 20% private placement, may seek a dual listing in either the United States, through an American Depository Receipt (ADR) programme, or in Hong Kong.

ECM Libra Investment Research said a merger or an initial public offer for AirAsia X is on the cards in the next one to two years following a meeting with the budget carrier's management.

"(AirAsia CEO) Datuk Seri Tony Fernandes expressed his personal preference for a merger exercise via a share swap, which will see the creation of the biggest airline in Malaysia," the research house said in a note yesterday.

ECM Libra Investment Research said AirAsia X's net profit in the first quarter came in at RM18 million while full-year earnings is expected to

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Merger must be approved by boards, shareholders

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be RM87 million.

Earlier this month, the *South China Morning Post*, citing Fernandes, said long-haul low cost carrier AirAsia X may be merged with AirAsia.

Since then, however, Fernandes as well as AirAsia X CEO Azran Osman Rani, said any decision to merge the two carriers would have to be decided by the respective boards and shareholders of both companies.

AirAsia owns a 16% stake in AirAsia X with an option to increase it to 30%. The remaining shareholders in AirAsia X are Aero Ventures Sdn Bhd (48%), the Virgin Group (16%), while Bahrain-based Manara Consortium and Japan-based Orix Corp hold the remaining 20%.

Aero Ventures is owned by Fernandes, Datuk Kamarudin Meranun, Datuk Kalimullah Hassan, Lim Kian Onn and former Air Canada chairman and CEO Robert Milton. Both Kalimullah and Lim are also directors at ECM Libra Investment Bank Bhd.

Fernandes and Meranun are controlling shareholders in AirAsia with a 30.7% stake through Tune Air Sdn Bhd.

On foreign listings, ECM Libra Investment Research said AirAsia's management alluded to the possibility of a dual listing either in the US, through an ADR programme, or in Hong Kong to boost its regional visibility.

ADRs are issued by an American depository bank and can represent either a fraction of a share, a single

share or multiple shares of a foreign company. Many non-American companies trade on American stock exchanges through the use of ADRs.

ECM Libra Investment Research added that the listing of AirAsia shares on a foreign bourse with higher valuation will exert an upward pressure on the stock price on the local bourse, which is currently trading near tough price earnings valuations of 3.7 times.

On AirAsia's plans to raise RM500 million equity via a private placement, the research house said the company had not firmed up the structure of the equity-raising exercise and is currently gathering feedback from investors.

In a statement yesterday, AirAsia said it carried 3.51 million passengers in the second quarter of this year, up 24% from a year earlier while its seat load factor was at 75%.

Meanwhile, in a separate statement, AirAsia X said yesterday that it will begin offering daily flights to Taipei beginning Oct 19, 2009, with all-in-fares starting from RM129.

Response for the Kuala Lumpur-Taipei route has been strong since its launch on April 23, Azran said.

"We are running at a more than 75% load factor. This latest route edition also broke the sales record with more than 20,000 seats sold within the first 12 hours of the sale announcement in April.

"Forward bookings were exceptionally strong allowing us to now increase our current frequency from five times weekly to daily," he added.

UPDATE

	July 21	Net Chg
KLCI	1134.70 ▼	4.55
STI	2454.33 ▼	1.82
DJIA (July 20)	8848.15 ▲	104.21
CPO'	2180.00 ▲	0.00
OIL'	64.44 ▲	0.46
GOLD'	3546.00 ▲	9.00