AIRASIA SHARES GAIN EIGHT PERCENT AFTER REPORT IT MAY BE TAKEN PRIVATE

News / Finance

Shares of **AirAsia** Bhd rose to their highest in nearly two weeks after Reuters reported that the founders of Asia's largest budget airline are sounding out investors **to take the company private**.

The stock rose as much as 8 percent in early trade to hit 1.35 ringgit per share, its highest since Sept 25, and outperforming the 0.05 percent rise in the benchmark index.

Reuters had exclusively reported on Tuesday that AirAsia's co-founder Tony Fernandes is talking to banks to secure financing for the transaction, which could be launched over the next few months.

An AirAsia spokeswoman declined to comment.

The airline's stock had hit seven-year lows after investors were spooked by a research report that in June questioned AirAsia's accounts. Before the Reuters report, the stock had closed at 1.25 ringgit on Tuesday, the exact price the shares were sold to institutional investors in an initial public

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offering more than a decade ago.

Some analysts, however, were skeptical that a management-led buyout would resolve indebted AirAsia's troubles. Like Southeast Asian peers, the airline is battling intense competition on routes, and has a net debt of $2.4 billion as of June this year.

Its revenues are also largely in Malaysian ringgit, which has lost 20 percent this year, while costs are mostly in U.S. dollars.

"Despite the positive traffic numbers, many carriers are struggling regionally. Malaysian carriers, specifically, are reeling from the deteriorating ringgit and intense competition," said Shukor Yusof, an analyst at Malaysian aviation consultancy Endau Analytics.

Yusof said there was talk about taking the airline private during the 2008 financial crisis, but funding was an issue.

"I suspect it's going to be harder now as AirAsia has grown into a bigger beast," he added.

Last year, Malaysia's government took state-run carrier Malaysia Airlines Bhd private after investors dumped the stock following two air disasters.

07 OCTOBER 2015

SOURCE: AEROTIME
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