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AirAsia Indonesia Tbk (CMPP)

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Post backdoor listing price surge overheats stock

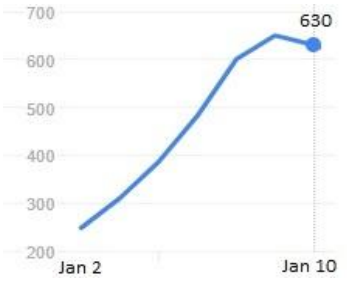
Recommendation: Sell

Opinion: CMPP at its current price of Rp 630 is overvalued for the following reasons:

- Recent rally severly overheats the stock price
- Very low stock float makes the stock price vulnerable to manipulation
- CMPP is fundamentally weak

Key figures and ratios

Market Cap (Rp):	6.41 Trillion
Shares O/S:	10.69 Billion
EPS (Annualized):	- Rp 99.91
P/E:	N/A
P/CFO: (Annualized)	20.27
P/Book:	N/A
P/Sales (Annualized)	1.75
Debt Ratio	1.04



Stock Currently Overheated

AirAsia Indonesia has just completed its backdoor listing through a right issue recently, and it officially have 57.25% of its stocks listed under stock code CMPP. The right issue by CMPP to backdoor list Airasia Indonesia left very little CMPP floating stock in the market (2.6%) and as such, the stock price is vulnerable to manipulation. Owners of this stock should therefore expect the stock to change not based on fundamentals, but based on where managers of Airasia needs the stock price to be. While there are investors who trade based on expectations that the stock price will be artificially raised by managers of the company, it has historically been a losing trade for most investors.

Unimpressive Fundamentals

Since completing its backdoor listing, the stock price has increased dramatically (The stock is up 154% since 2 January 2018). Looking at the rate at which the stock price is growing, it is very likely that the managers of CMPP and/or investors under euphoria are responsible for the recent increase in stock price. Meaning that the recent price increase is unlikely to last. The fundamentals of the stock simply does not justify its current price. Airasia Indonesia's financial performance in recent years has been poor. The company has lost an average of 689.917 billion rupiah a year since June 2015. Revenue and cash flow from operations have also significantly declined in that same period (See table 2). The airline business is by its nature, high risk due to tight competition and high capital requirements. Without a convincing strategy as to how AirAsia Indonesia will improve their perfomance going forward, the risk involved with buying their stocks (especially at current price) is not worth taking.

Table 1:

Comprehensive loss 6 months ending

June 2017	June 2016	June 2015
		(in millions rupiah)
534 067	16 609	1 519 074

Table 2:

Cash flow from operating activities 6 months ending

June 2017	June 2016	June 2015
		(in millions rupiah)
166 087	712 838	346 230

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