



AIRASIA BERHAD

1Q15 EARNINGS BRIEFING

28 MAY 2015

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- AIRASIA
- AIRASIA X
- AIRASIA & AIRASIA X



**NOW
EVERYONE
CAN FLY**

1Q15 KEY FINANCIAL HIGHLIGHTS

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MALAYSIA

- **Revenue** of RM1.30 bil flat y-o-y mainly due to lower load factor due to absence of marketing
- **Operating profit** of RM273.43 mil up 20% y-o-y
- **Net Income** of RM149.33 mil up 7% y-o-y
- **EBIT Margin** of 21% (up 4ppt) and **EBITDAR margin** of 39% (up 5ppt)
- **CASK** down 13% y-o-y to US cents 3.11 and **CASK-ex Fuel** down 9% to US cents 1.65
- **RASK** down 9% y-o-y to US cents 3.95, excluding fuel surcharge down just 5%
- **RASK-CASK spread** increased 10% y-o-y
- **Ancillary income per pax** of RM47 up 2% y-o-y

ASSOCIATES

- **Thailand** – Continued to post strong numbers. Revenue up 20%, operating profit up 245%, net income up 277%. Equity accounted RM37.1mil
- **Indonesia** – Earnings slightly impacted by QZ8501. Operating loss flat y-o-y, however average fare increased 16% and ancillary income per pax increased 19% y-o-y
- **Philippines** – Turnaround efforts starting to show. RASK increased 25% and CASK down 2%
- **India** – Load factor of 79% with 0.24mil pax carried

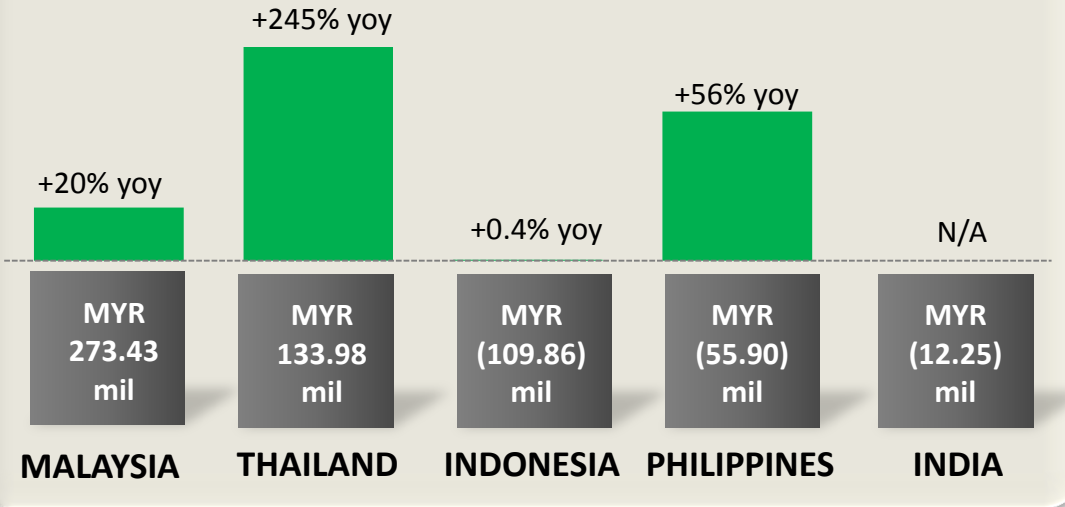
PRIVATE EQUITY INVESTMENTS

- **AAE** – Equity accounted RM3.3mil. Divested to 25%, gain on disposal of RM321mil
- **AACE** – Equity accounted RM2.8 mil
- **AAC (leasing house)** – Revenue of USD3.18mil, net income of USD0.49mil. 15 aircraft novated to-date

1Q15 KEY HIGHLIGHTS

- INCREASED PROFITABILITY DESPITE CHALLENGES
- LOWEST COST WINS AGAIN

OPERATING PROFIT



MALAYSIA

- Double digit growth in profitability due to disciplined cost structure, despite load impacted due to the absence of marketing
- Average fare down 9% y-o-y as demand from China wasn't as strong as 1Q14 (prior to MH 370)
- China demand recovering in 2Q15 (up 20% y-o-y)

THAILAND

- Market recovered allowing TAA to post triple digit growth in profitability on higher load, average fare and lower costs. Chinese demand recovered supported by strong sales during Chinese New Year

INDONESIA

- Double digit growth in fare and ancillary plus lower cost were not enough as demand was impacted by QZ8501 and floor price ruling on domestic flights but brand is stronger

PHILIPPINES

- Losses narrowed substantially with better yield and lower cost. Cash positive with substantial improvement in loads (up 11pts to 77%)

INDIA

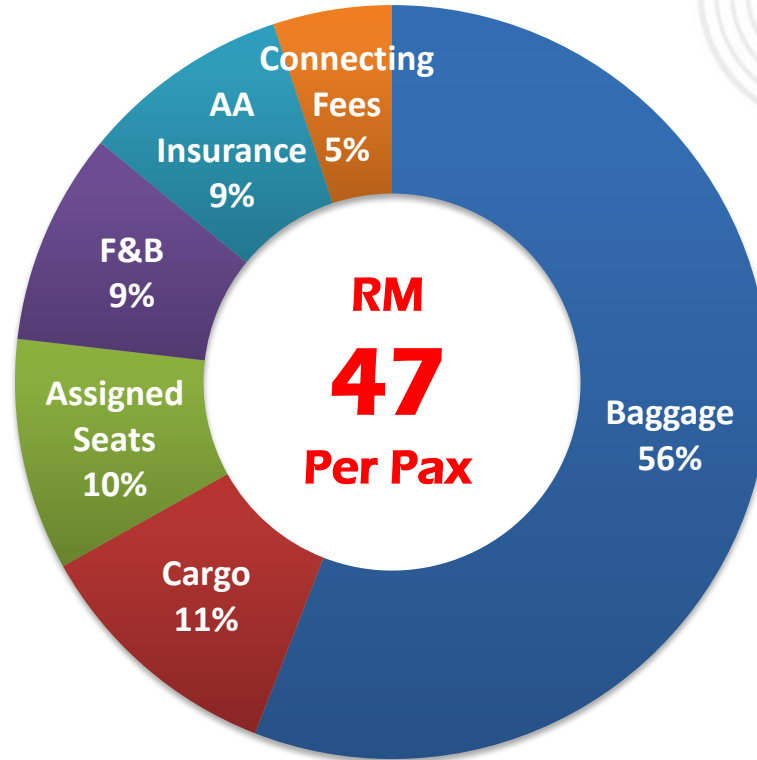
- Overall performance was better than expected with strong loads but is working on keeping costs under check

Based on the following exchange rates:

THBMYR (0.1121); IDRMYR (0.0002827); PHPMYR (0.08228), INRMYR (0.0587) 5

1Q15 KEY HIGHLIGHTS

– ANCILLARY INCOME



- Overall **ancillary revenue increased 7%** yoy, pushing **ancillary income per pax up by 2%** to RM47
- Baggage remains the highest contributor at RM113.6mil (+4%) followed by cargo at RM22.3mil and assigned seat at RM20.2mil
- Highest growth was seen in insurance (+33%) and inflight meals (+15%)



BUSINESS OUTLOOK

- AIRLINE PASSENGER REVENUE
- ANCILLARY INCOME
- PRIVATE EQUITY INVESTMENTS





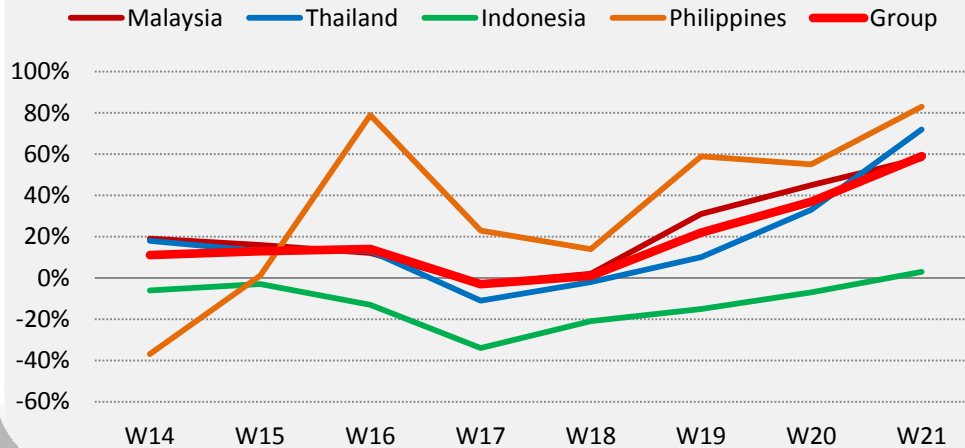
A MORE RATIONAL MARKET

- **MAS's New CEO**, Christoph Mueller on board May 1st
- Steered the turnaround of Aer Lingus which was struggling when it was competing with Ryanair
- We estimate MAS to **cut around 20%-30% of capacity**
- **Cancelled flights** to Kochi, Kunming and Krabi – Good for AA
- **Started reducing domestic capacity in August**, this could be the start of capacity reduction
- **Restructuring of MAS and a more rational market will drive AA's fares and loads up**



GROUP SALES UP 18% YoY

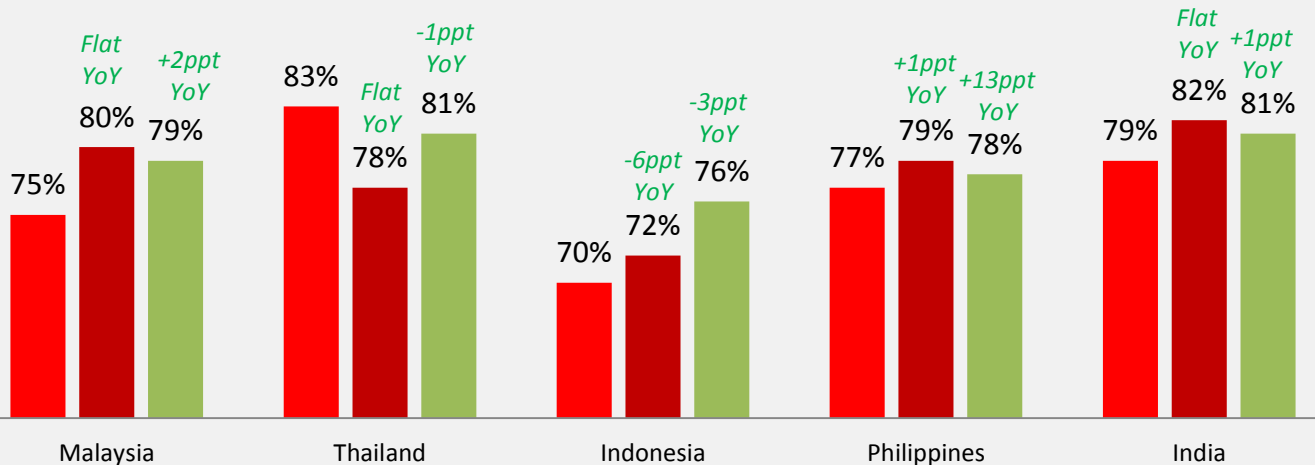
2Q15 WEEKLY SALES YOY GROWTH



- Strong sales growth in the last 8 weeks especially in May as a result of the '50% Off Regional Campaign'
- China demand is recovering
- **Group: +18% yoy**
 - **Malaysia: +21% yoy**
 - **Thailand: +15% yoy**
 - **Indonesia: -13% yoy**
 - **Philippines: +27% yoy**

LOAD FORECAST

■ 1Q15 A ■ 2Q15 F ■ 3Q15 F



- Load factor across the Group generally forecasted to improve YoY in Q2 & Q3 on the back of improving demand and disciplined capacity management



FAVOURABLE COST ENVIRONMENT

1Q15 : CASK down 13% YoY, CASK-ex Fuel down 9% YoY

- Average fuel price is down 20% YoY which led to 9% reduction in acft fuel expenses
 - Other operating expenses reduced by 21% YoY

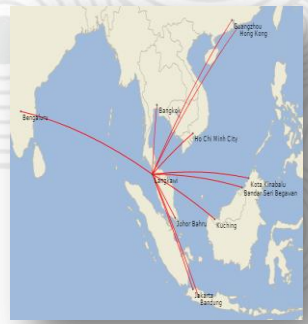
POSITIVE FUEL ENVIRONMENT

• Current hedge position:

AA Group	1Q15	2Q15	3Q15	4Q15
Current Hedge Ratio	50%	50%	50%	50%
Ave Hedge Cost (USD – jet kero)	98	88	84	84
Average Hedge Cost 2015	88			
Ave Effective Cost (USD – jet kero)	86	82	81	82
Average Effective Cost 2015	83			

LOWER AIRPORT CHARGES

- Announced **Langkawi** as latest international hub.
- **Reduction of airport charges** is a big breakthrough
- **Positive signs** for Indonesia, Philippines and Thailand.
- **Singapore**, on 24 Apr, announced cut in aeronautical charges to boost traffic



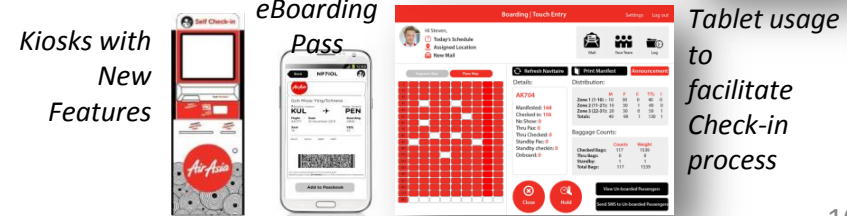
COST SYNERGIES & AUTOMATION

- **Uniform structure** & positions throughout the Group
- **Re-negotiation** of 3rd party ground-handling contracts
- **Headcount rationalisation** from merging of AAX-AA operations & automation
- **Targeting USD 6 mil operations cost reduction** throughout the Group



IMPROVED / HIGHER UTILISATION

- Increasing and optimising utilisation through introduction of new routes and frequencies from existing aircraft





GROWING CASH FURTHER

- In **good cash position** (RM1.6bil – up 20% QoQ). No plans on raising money from equity market
- **87% of the Group's aircraft are owned**, 128 aircraft are on Malaysia's balance sheet
- Growing cash via **capacity m'ment** (refinancing older aircraft eg.SLB & selling of vintage aircraft & slots)
- **Monetise investment** from adjacency businesses if valuation is right e.g. **AAE Travel (MYR320mil)**
- **Recovery of debt** from Indonesia and Philippines through upcoming IPOs
- **Growing cash from operations** – increase revenue, reduce cost further

CAPACITY MANAGEMENT UPDATE

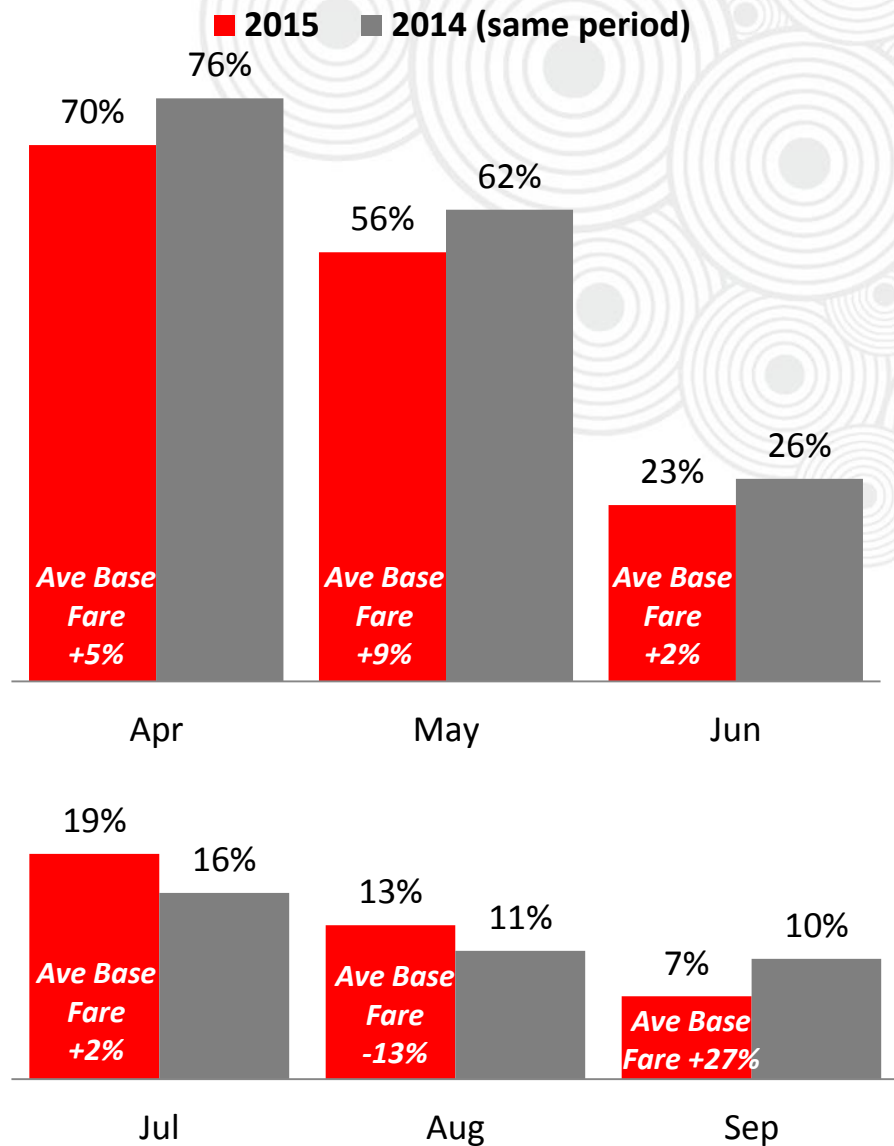
- Mandated 3 lessors for SLB of up to 16 older acft, potentially generating gross proceeds of **~USD400mil & cash upfront of USD60mil**
- This will reduce debt and bring net gearing down by approx 0.25 points to 2.26
- To date, AA closed 8 transactions of acft on SLB, and recorded **cash upfront of ~USD30mil in Q2**
- Provision on loss of disposal of ~RM38mil is recorded in Q1)

	A320ceo	A320neo	End of Lease / Lease Retirement	Sale of Vintage Acft (at 12 yrs) / Slots	Net Acft for Growth	Cumulative Fleet
2015	5		-2	-1	2	173
2016	5	4	-1		8	181
2017		9	-5	-2	2	183
2018		11	-2	-8	1	184
2019		20	-3	-14	3	187
2020		22	-3	-19	0	187
2021		24	-13	-2	9	196



TURNING AROUND INDONESIA

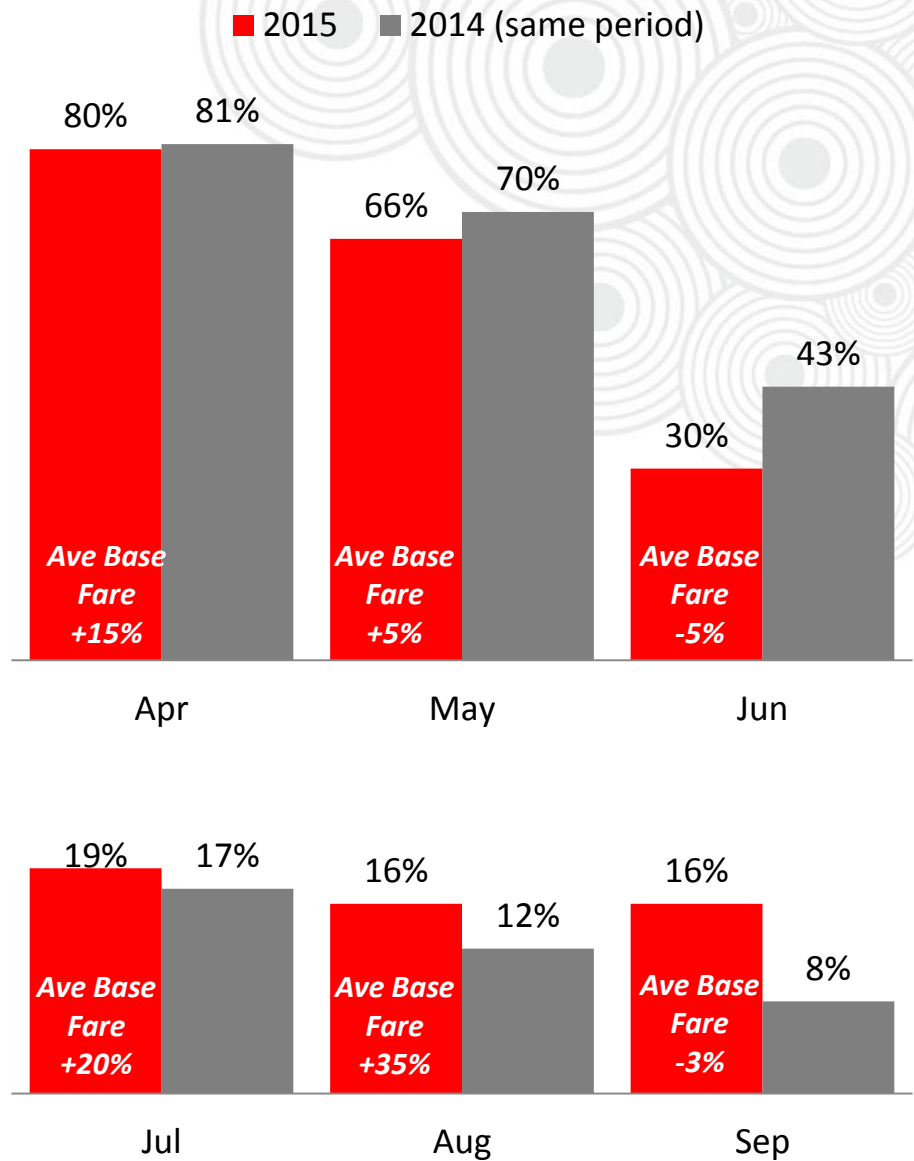
- Upward load trend QoQ
- Weekly sales **almost back to same level** as last year. Floor price is a challenge
- Should see **RASK upside in May**
- Target to be **profitable in 3Q15**
- Newly launched IAAX will be huge catalyst
- To open new hubs for acft growth eg. Palembang & Lombok in 2017
- To secure slots up front esp. at key hubs that are congested e.g. Jakarta, Bali (shifting 1 acft from Medan to Bali and in consideration 1 from Bandung to Jakarta)
- To **focus on international market** (IAA is #1 in international)
- Target **IPO in 2017**
- **Cash obtained from pre-IPO exercise will be used to pay IAA's interco loan from AAB**





TURNING AROUND PHILIPPINES

- Target to **be profitable in 4Q15** & continue to remain cash +ve
- Open new hubs to take advantage of new airport development. Potentially basing aircraft in Boracay and Puerto Princessa in 2016
- Fleet – target 2-3 acft p.a. in next 3 yrs
- **Grow international** – target to expand international flights by 3x in next 3 yrs, focusing on leisure destinations
- Brand awareness by association with prominent figures & corporates eg. Manny Pacquiao
- Continue to drive traffic into airasia.com while growing agent base
- Target **IPO in 2018**





ANCILLARY INCOME – RM50 IN 2015

EXISTING

DYNAMIC PRICING

- Introduce dynamic pricing
- Vary price on seasonality, route or time of day
- Discounts for BIG members/special promo



MORE BUNDLING

- Target contribution of RM13mil; **RM0.65 per pax**

INFLIGHT F&B – CREATING A BRAND

- Target spend per head of **RM6 from the current RM3**
- New offerings, menu and improved branding
- **Improve pre-book from 12% to 20%**
- Wastage reduced from 12.3% in 1Q14 to 8.6% in 1Q15
- **Target 6% wastage cost over sales in 2015**



FLYTHRU

- **1Q15 Grp FT traffic grew 10% at >400k pax**
- DMK recorded 110% YoY growth in Q1, supported by TAAX connectivity and strong growth in intra-IndoChina connectivity
- Stimulating new leisure markets in KBV, URT, LGK, URT.

NEW

AirAsia EZPay – CURRENCY WALLET



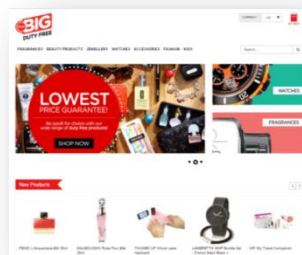
- Prepaid solution operated in closed loop payment network. Eliminates acquiring bank charges, lower MDR rate
- **Drive cashless transaction & higher conversion**

REDBOX

- **AA's own budget courier express and parcel delivery service**
- No investment cost to AA
- Currently in 8 countries, going into 13 more
- Opening a dist centre in klia2
- **2015: Zalora, Luxola & Rakuten**
- **Target RM50 mil per annum by 2018**



DUTY FREE – PUSH FACTOR TO RM60



- Launched in Aug'14
- Pre-book DF available on booking path.
- DF website launched (bigdutyfree.com)
- Currently RM2.66 per pax to ancillary
- **Near-term target RM4 per pax once credit card payment onboard launched**
- **End target is RM10 per pax contribution to ancillary**



EXTRACTING VALUES FROM ASSETS

LEASING HOUSE

- Currently 100% subsidiary of AAB, potential investors to come in
- **1Q15: US\$3.18mil of Revenue, US\$490k of PBT, EBIT Margin of 15%**
- Forecast to generate ~US\$17mil of PBT in 2015, ~US\$44mil in 2016, ~US\$46mil in 2017
- Forecast EBIT Margin of 25% in 2015, 33% in 2016, 34% in 2017
- **Valuation of approx USD400-500mil**
- Creating value and transparency to the AirAsia's leasing business, and **free up AA's balance sheet:**
 - **Forecast AA's cash to grow to RM1.9bil, net gearing to fall to 1.2 level, EV/EBITDA of 8.91**
- More efficient fleet management & dedicated financing
- Tax efficiency, company based in Labuan
- 61 aircraft to be novated, **15 aircraft novated**



MADCIENCE

- Company set up as a central depository of the Grp's data
- This will include the airlines, Tune group of companies and other future ventures
- Objective is to understand customers for growth
- **Opportunity of ~RM565mil per year if we realise the full potential of data**
 - **Grow revenue by 5% through CRM**
 - Opportunities for **data monetization** outside of group
 - Potential revenue for **3rd Party Marketing** to our Customers

AA EXPEDIA

- Net profit of RM10.9m in 1Q15, +153% YoY
- **Equity accounted RM3.3m in 1Q15**
- AA sold half of its holding in Feb'15, almost 4 yrs since JV incorporation, taking advantage of good valuation.
- **Gain of MYR320mil in 1Q15.**



2014 PASSENGERS CARRIED

45.6 million

LOAD FACTOR

78%

262 MILLION
passengers flown

SOCIAL MEDIA

f 7.6 MILLION FANS

LINE 18.3 MILLION FANS

2.8 MILLION FOLLOWERS

163,000 FOLLOWERS

1.4 MILLION FANS

TOTAL FLEET
172 A320
YOUNG FLEET WITH
AVERAGE AGE OF 3 YEARS

13,600
ALLSTARS

56 NATIONALITIES

NETWORK
199 ROUTES

• 17 HUBS • 69 UNIQUE ROUTES
• 33 NEW ROUTES INTRODUCED IN 2014

98 DESTINATIONS
17 COUNTRIES

3,488 ONE-WAY FLIGHTS PER WEEK

AIRASIA.COM

172 MIL
AVERAGE VIEWS
PER MONTH

11 MIL
AVERAGE UNIQUE
VISITORS PER MONTH

VISITORS
FROM
241
COUNTRIES

ANNUAL
CONVERSION
RATE OF
4.4%

AIRASIA MARKET SHARE

MALAYSIA
DOMESTIC 47%
INTERNATIONAL 46%
TOTAL 46%

THAILAND
DOMESTIC 14%
INTERNATIONAL 30%
TOTAL 19%

INDONESIA
DOMESTIC 5%
INTERNATIONAL 26%
TOTAL 11%

PHILIPPINES
DOMESTIC 10%
INTERNATIONAL 6%
TOTAL 8%

INDIA
DOMESTIC 1%
INTERNATIONAL 2%
TOTAL 1%

KEY MILESTONES

- VOTED THE WORLD'S BEST LOW-COST AIRLINE FOR THE SIXTH CONSECUTIVE YEAR SKYTRAX WORLD AIRLINE AWARDS
- LARGEST LCC IN ASIA - IN TERMS OF FLEET AND NUMBER OF PASSENGERS CARRIED*
- 4TH LARGEST AIRLINE IN ASIA - IN TERMS OF NUMBER OF PASSENGERS CARRIED*
- A TRUE ASEAN AIRLINE, CONNECTING ALL 10 ASEAN COUNTRIES

AIRASIA BERHAD

1 DEPOSIT, CASH AND BANK BALANCES 2 REVENUE VIA INTERNET

RM1.34 BILLION

84%

3 OPERATING PROFIT MARGIN

16%

4 LOWEST COST Cost per Available Seat Kilometre

CASK: 13.19 SEN (US 4.02 CENTS)

CASK EX-FUEL: 6.67 SEN (US 2.03 CENTS)

1. ALL FIGURES REFER TO AIRASIA GROUP UNLESS STATED OTHERWISE
2. AIRASIA GROUP INCLUDES MALAYSIA AIRASIA (MAM), THAI AIRASIA (TAA), INDONESIA AIRASIA (IAA), PHILIPPINES AIRASIA (PAA) AND AIRASIA INDIA (AAI)
3. FINANCIALS EXTRACTED FROM AIRASIA BERHAD'S CONSOLIDATED FINANCIAL STATEMENTS
4. *LARGEST LCC IN ASIA AND *4TH LARGEST AIRLINE IN ASIA* REFER TO AIRASIA GROUP AND AIRASIA GROUP
5. AS AT 31 DECEMBER 2014: PASSENGERS CARRIED, LOAD FACTOR, FINANCIAL FIGURES, AIRASIA.COM STATISTICS, LARGEST LCC IN ASIA, 9TH LARGEST AIRLINE IN ASIA
6. AS AT APRIL 2015: FLEET, NETWORK, ALLSTARS, SOCIAL MEDIA STATISTICS
7. SOURCE OF MARKET SHARE: BAVIS, BASED ON NUMBER OF PASSENGERS, FEBRUARY 2014 TO JANUARY 2015

THANK YOU