



AIRASIA 3.0

AirAsia Group Berhad
Analyst Presentation
Second Quarter
Financial Year 2019

28 August 2019



LEGAL DISCLAIMER



Information contained in our presentation is intended solely for your personal reference and is strictly confidential. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning the Company. Neither we nor our advisors make any representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.

In addition, the information contains projections and forward-looking statements that reflect the Company's current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the Company's assumptions are correct. Actual results may differ materially from those projected.

This presentation is strictly not to be distributed without the explicit consent of Company's management under any circumstances.



Key Highlights



Improved performance of **AirAsia Philippines**

- Profit grew 777%
- RASK up 5% with 91% load factor
- CASK flat



Good performance by **AirAsia Malaysia** despite irrational pricing by competitors in domestic space & weak demand to HK and Macau

- RASK slightly fell by 1%. Average fare down 5%.
- Domestic market share gained 5ppts to 62%



Turnaround of **AirAsia Indonesia**

- Profit of IDR11bn
- RASK up 6%
- CASK down 16%



AirAsia India reduced losses by 74%.

- RASK up 4%. 90% load factor
- CASK down 1%
- Gained 1ppt domestic market share to 7%.



Load factor more than 82% for all AOCs, except AirAsia Japan at 78%.



Ancillary revenue grew 39% YoY.

- **Duty-free sales** up 81%.
- **Seat selection** up 33%.



Non-airline ancillary revenue from digital platforms grew 243% YoY.

- **Teleport** revenue of RM112 mil. Handled 16% YoY more tonnage in 2Q19.
- **BigPay** GTV up 49% QoQ
- **AirAsia.com** GTV of RM5.4 bil. Revenue of RM2 mil.

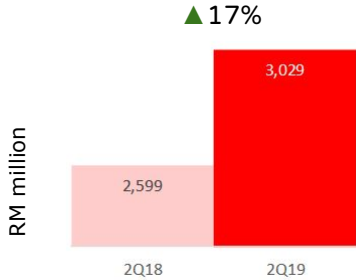


Positive **operating cashflow** (post operating lease) of RM267 mil in 1H19

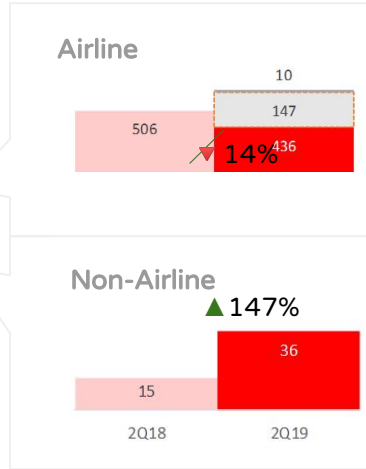
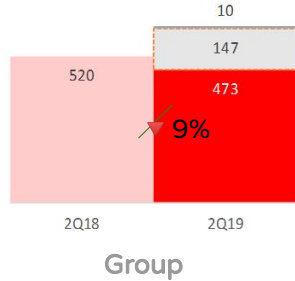
Financial Highlights



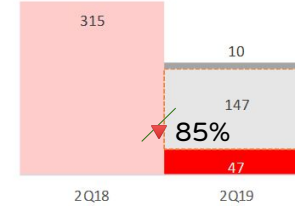
Airline Revenue



EBITDA



Profit after Tax



- **Airline revenue** grew 17% YoY on:
 - ASK growth of 17% and load factor strong at 85%
 - RASK increase of 4% YoY
- **Group EBITDA** down 9% and **PAT** down 85% due to:
 - Share of prior year losses previously not recognised for AirAsia India of RM147mil
 - Higher maintenance provision of ~RM160 mil due to higher number of aircraft leased post aircraft monetisation exercise
 - Lack of gain on disposal of PPE & charter income (RM56 mil) previously in 2Q18
 - Ringgit and Rupiah depreciated by 4.5% and 1.3% YoY respectively
 - Additional costs related to building up RedBeat Ventures entities
 - Competition watchdog fine of RM10mil

Improved performance by PAA & IAA



AirAsia Philippines

	2Q18	2Q19	▲ %
Revenue (Php mil)	5,461	7,513	▲ 38%
EBITDA (Php mil)	274	1,575	▲ 474%
PAT (Php mil)	68	593	▲ 777%
RASK (Php)	2.49	2.61	▲ 5%
CASK (Php)	2.48	2.49	-
Pax (mil)	1.8	2.2	▲ 22%
Load factor	87%	91%	▲ 4ppts

- Strong operational and financial performance in 2Q19.
- Profit grew 777%
- Carried 22% more passengers, surpassing the 18% higher capacity. Load factor improved 4ppts to 91%.
- CASK ex-fuel lowered by 3% YoY.
- Adding 3 aircraft in 2019.

AirAsia Indonesia

	2Q18	2Q19	▲ %
Revenue (IDR mil)	982,475	1,660,768	▲ 69%
EBITDA (IDR mil)	-90,874	351,075	▲ 486%
PAT (IDR mil)	-203,306	10,959	▲ 105%
RASK (IDR)	509.54	540.95	▲ 6%
CASK (IDR)	633.33	534.36	▼ 16%
Pax (mil)	1.2	1.8	▲ 58%
Load factor	81%	82%	▲ 1ppt

- EBITDA and PAT were positive in comparison to 1Q18's losses
- Turned profitable faster than expected.
- Driven by 6% increase in RASK and efficient cost control as CASK and CASK ex-fuel reduced by 16% and 23% respectively.
- We managed to strengthen our domestic presence as our market share improves by 1ppt to 3%.
- New Lombok launched in May 2019 with new route Lombok-Perth and Lombok-Kuala Lumpur
- Adding 4 aircraft in 2019.
- Launching Jakarta-Belitung and KL-Belitung

Ancillary revenue grew 39% in 2Q19



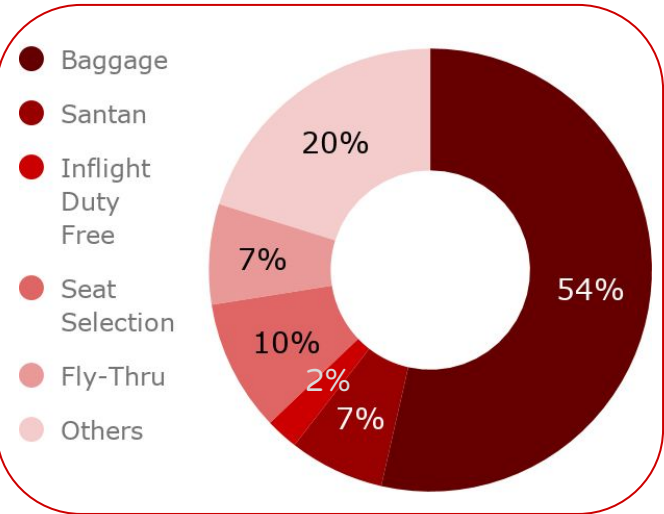
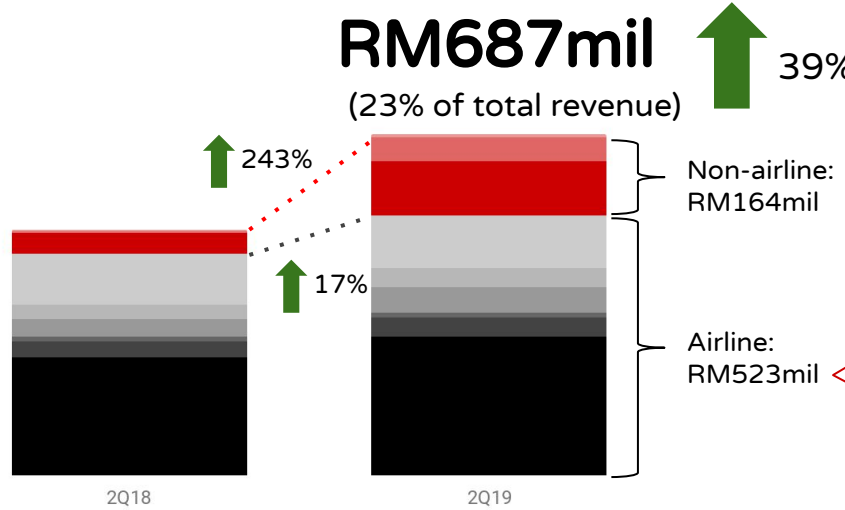
With non-airline ancillary up 243% YoY

RM687mil ↑ 39% YoY*
(23% of total revenue)

Non-Airline

Airline

- AirAsia.com
- RedBeat
- Teleport
- Others
- Fly-Thru
- Seat Selection
- Inflight Duty
- Santan
- Baggage



Highlights:

- Continuous effort to drive ancillary for PAA and IAA bearing fruit - reported growth of 45% and 42% YoY respectively
- Key highlights:
 - Inflight Duty Free sales up 81% to RM12mil
 - Seat selection revenue grew 33% to RM50mil
 - Baggage sales up 19% to RM280mil
 - Santan revenue up 4% to RM36mil
 - Teleport grew RM112mil, up 22% YoY*

*On a like for like basis

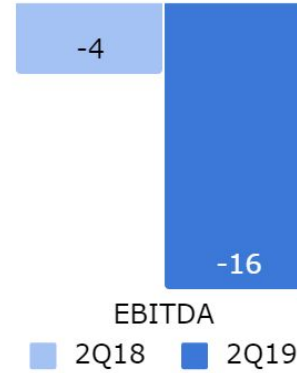
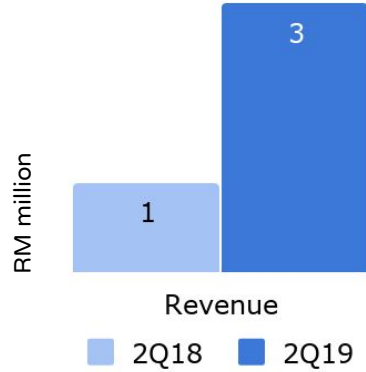
RedBeat Ventures: Teleport



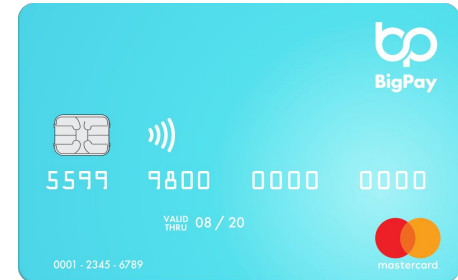
- Revenue RM112mil in 2Q19, up 22%* YoY, on track for FY19 RM400mil target
- 2Q19 tonnage up ~17%* YoY bucking the trend; global industry contracted 7%
- Now the 2nd largest cargo airline group in ASEAN
- In July 2019, co-led US\$10.6 mil Series B Round in EasyParcel to grow social and e-commerce across ASEAN - accelerating the accessibility of parcel delivery services for SMEs, and helping Teleport open access to its infrastructure for merchants and consumers across the region
- **Final piece to be one unified cargo unit** with MOU signing with Triple i to create JV to integrate capacity of Thai AirAsia and Thai AirAsia X by 1 Jan 2020
- Looking to expand partnership with other airlines
- Target to launch teleport.social, a social commerce enabler, in 2H19

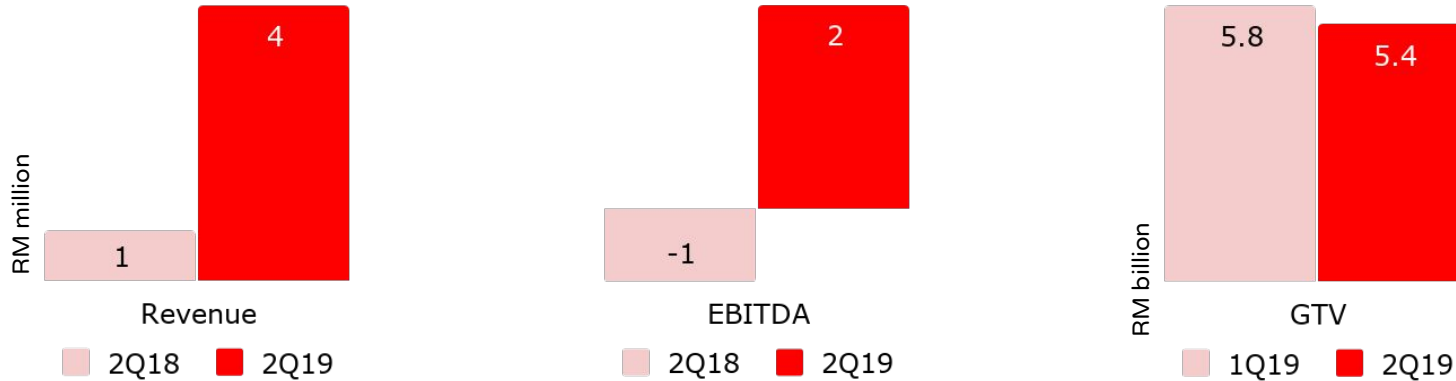
teleport social

RedBeat Ventures: BigPay



- User base of 700k, grew 38% QoQ
- GTV grew 49% QoQ
- Revenue grew 54% QoQ
- Rolling out remittance and lending businesses by stages in 2H19
- Target to launch e-wallet in Singapore in 2019



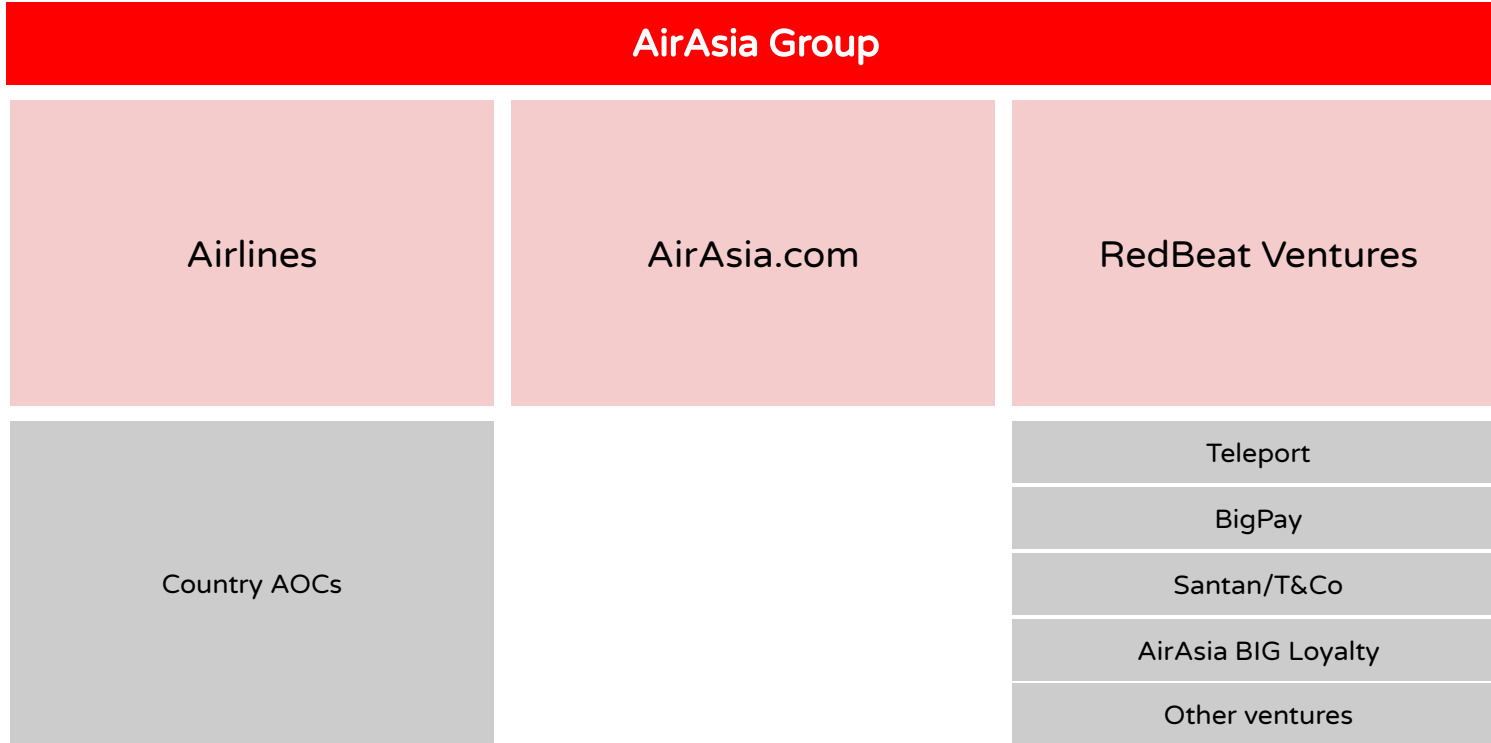


- Gross Transaction Value (GTV) of RM5.4bil in 2Q19.
- AirAsia.com generated EBITDA of RM1.85mil in 2Q19, growing 232% QoQ.
- Included Hotels widget and Product badges on website homepage. Introduced flight & public chatroom on-app to create stickiness and better serve users' need. Deployed ancillary scoring for agent and AVA upselling. Hotels upselling in add-ons page
- Deployed Korean & Traditional Chinese site.
- Guests are now allowed to pre-book two meals.



Corporate structure reorganisation





Setting the right pillars towards becoming a travel and financial platform company



Strategy & priorities for 2019










Completed

-  **Corporate structure reorganised** as we set the right pillars towards becoming a travel and financial platform company and to build airasia.com into a lifestyle brand
-  **Digital platforms growing revenue** rapidly. Clear strategy leveraging on enormous data to build new businesses.
-  **Gaining market share** in our core passenger markets. Building logistics business using existing network.
-  **Digitalisation projects** on fuel cost reductions and operational improvement tracking well, leveraging on technology and our strong relationships with our partners

Repositioning the business to adapt to new accounting treatment along with restructured aircraft ownership (from owned to leased), even though no impact to cash

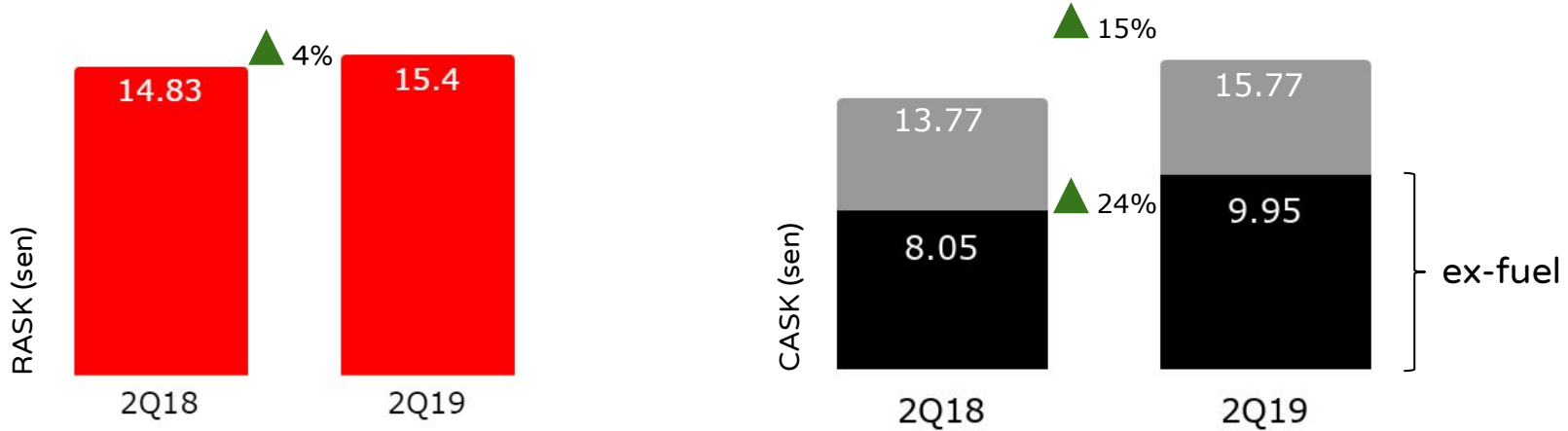
Priorities

-  All ASEAN AOCs be profitable for 2019.
-  Increase ancillary sales through personalisation
-  FY19 group load factor target of 85%
-  Forward 3Q19 load factor target: MAA 85%, IAA 85%, PAA 88%, TAA 82%, AAI 90%, AAJ 84%
-  Adding net 20 aircraft in 2019 including additional 9 for AirAsia India
Awaiting delivery of A321neo (more fuel- & cost-efficient with 50 more seats)
-  Protecting the future - fuel volatility
3Q19: 70% hedged @ US\$62/bbl
4Q19: 85% hedged @ US\$60.77/bbl
FY20: 69%-82% hedged @ US\$60/bbl
-  Recuperate AirAsia Thailand by re-creating demand with more marketing, especially developing the Indian and Asean markets, and cutting costs, fueled by increasing aircraft utilisation

THANK YOU!



AAGB: RASK & CASK



- RASK reported 15.40sen, 4% higher YoY, increasing proportionally to the ↑3% of average fare
- CASK and CASK ex. fuel increased by 15% and 24% YoY respectively from:
 - ◆ Maintenance and overhaul ↑105% from maintenance provisions of ~RM160m given higher number of leased aircraft post SLB arrangement
 - ◆ Other operating expenses ↑41% from RM10m of anti-competition penalty & digital and IT related costs that are part of the AirAsia 3.0 initiatives.
 - ◆ Ringgit and Rupiah depreciated by 4.5% and 1.3% YoY respectively.

Financial & Operational Performance



		MAA				IAA				PAA			
Key Indicators		2Q18	2Q19	%	2Q18	2Q19	%	2Q18	2Q19	%			
OPERATIONAL	ASK (millions)	11,816	12,695	▲ 7%	1,948	3,071	▲ 58%	2,198	2,879	▲ 31%			
	Fuel consumed (Barrels)	1,870,735	1,980,974	▲ 6%	311,786	491,808	▲ 58%	404,818	519,201	▲ 28%			
	Average Fuel Price (USD/ Barrel)	89	84	▼ -6%	88	88	● 0%	100	96	▼ -4%			
	RPK (millions)	10,127	10,732	▲ 6%	1,593	2,520	▲ 58%	1,891	2,514	▲ 33%			
	Passengers Carried	7,904,740	8,791,586	▲ 11%	1,155,444	1,822,251	▲ 58%	1,817,962	2,225,367	▲ 22%			
	Load Factor (%)	86%	84%	▼ -2ppt	81%	82%	▲ +1ppt	87%	91%	▲ +4ppt			
FINANCIAL	Revenue (millions)	RM1,751	RM1,836	▲ 5%	IDR982,475	IDR1,660,768	▲ 69%	PHP5,461	PHP7,513	▲ 38%			
	RASK	14.17 sen	14.05 sen	▼ -1%	IDR509.54	IDR540.95	▲ 6%	PHP2.49	PHP2.61	▲ 5%			
	CASK	12.68 sen	14.86 sen	▲ 17%	IDR633.33	IDR534.36	▼ -16%	PHP2.48	PHP2.49	● 0%			
	CASK Ex-Fuel	7.10 sen	9.43 sen	▲ 33%	IDR435.55	IDR334.48	▼ -23%	PHP1.60	PHP1.55	▼ -3%			

Indonesia 2Q19 Income Statement & Operating Statistics



Quarter Ended: 30 June IDR '000	Apr – Jun 2019	Apr – Jun 2018	Change YoY
Revenue	1,660,768,064	982,475,433	69%
Operating expenses:			
- Staff costs	(199,988,282)	(162,344,115)	-23%
- Aircraft fuel expenses	(613,832,405)	(385,284,291)	-59%
- Maintenance and overhaul	(205,320,351)	(162,019,930)	-27%
- User charges and other related expenses	(214,416,477)	(243,302,994)	12%
Aircraft operating lease expenses	-	(158,599,088)	100%
- Other operating expenses	(104,700,712)	(99,766,286)	5%
Other income	28,565,599	137,967,095	-79%
EBITDA	351,075,437	(90,874,176)	486%
Depreciation of PPE	(248,096,778)	(46,745,596)	-431%
Finance income	706,409	865,530	-18%
Finance costs	(81,260,957)	(19,537,149)	-316%
Net operating profit	22,424,111	(156,291,391)	114%
Foreign exchange gains	4,096,122	(103,517,386)	104%
Profit before taxation	26,520,232	(259,808,777)	110%
Tax expense	(1,465,933)	-	-100%
Deferred taxation	(14,095,395)	56,502,666	-125%
Profit after taxation	10,958,904	(203,306,111)	105%

Quarter Ended: 30 June	Apr - Jun 2019	Apr - Jun 2018	Change YoY
Passengers Carried	1,822,251	1,155,444	58%
Capacity	2,228,040	1,424,880	52%
Seat Load Factor	82%	81%	+1ppt
RPK (million)	2,520	1,593	58%
ASK (million)	3,071	1,948	58%
Average Fare (IDR)	757,294	670,371	13%
Unit Passenger Revenue (IDR)	911,694	859,055	6%
Revenue / ASK (IDR)	540.95	509.54	6%
Revenue / ASK (US cents)	3.80	3.58	6%
Cost / ASK (IDR)	534.36	633.33	-16%
Cost / ASK (US cents)	3.75	4.45	-16%
Cost / ASK-ex Fuel (IDR)	334.48	435.55	-23%
Cost / ASK-ex Fuel (US cents)	2.35	3.06	-23%
Aircraft (end of period)	25	15	67%
Average Stage Length (km)	1,371	1,331	3%
Number of Flights	12,378	7,916	56%
Fuel Consumed (Barrels)	491,808	311,786	58%
Average Fuel Price (US\$ / Barrel)	88	88	FLAT

Note:
PAT ex MFRS 16: IDR 31,541mil.

Philippines 2Q19 Income Statement & Operating Statistics



Quarter Ended: 30 June PHP'000	Apr - Jun 2019	Apr - Jun 2018	Change YoY
Revenue	7,512,587	5,461,312	38%
Operating expenses:			
- Staff costs	(687,984)	(618,344)	-11%
- Aircraft fuel expenses	(2,578,096)	(1,928,915)	-34%
- Maintenance and overhaul	(1,512,272)	(981,880)	-54%
- User charges and other related expenses	(845,787)	(717,892)	-18%
Aircraft operating lease expenses	-	(791,933)	100%
- Other operating expenses	(382,368)	(187,622)	-104%
Other income	68,445	39,615	73%
EBITDA	1,574,525	274,341	474%
Depreciation of PPE	(873,673)	(104,836)	-733%
Finance income	247	136	81%
Finance costs	(348,550)	(69,736)	-400%
Net operating profit	352,549	99,905	253%
Foreign exchange gains	240,518	(32,261)	-846%
Profit before taxation	593,067	67,645	777%
Tax expense	-	-	-
Deferred taxation	-	-	-
Profit after taxation	593,067	67,645	777%

Quarter Ended: 30 June	Apr - Jun 2019	Apr - Jun 2018	Change YoY
Passengers Carried	2,225,367	1,817,962	22%
Capacity	2,456,820	2,089,260	18%
Seat Load Factor	91%	87%	+4ppts
RPK (million)	2,514	1,891	33%
ASK (million)	2,879	2,198	31%
Average Fare (PHP)	2,803	2,489	13%
Unit Passenger Revenue (PHP)	3,394	3,006	13%
Revenue / ASK (PHP)	2.61	2.49	5%
Revenue / ASK (US cents)	5.04	4.80	5%
Cost / ASK (PHP)	2.49	2.48	0%
Cost / ASK (US cents)	4.81	4.78	0%
Cost / ASK-ex Fuel (PHP)	1.55	1.60	-3%
Cost / ASK-ex Fuel (US cents)	2.99	3.09	-3%
Aircraft (end of period)	23	21	10%
Average Stage Length (km)	1,172	1,052	11%
Number of Flights	13,649	11,607	18%
Fuel Consumed (Barrels)	519,201	404,818	28%
Average Fuel Price (US\$ / Barrel)	96	100	-4%

Note:
PAT ex MFRS 16: PHP569mil.

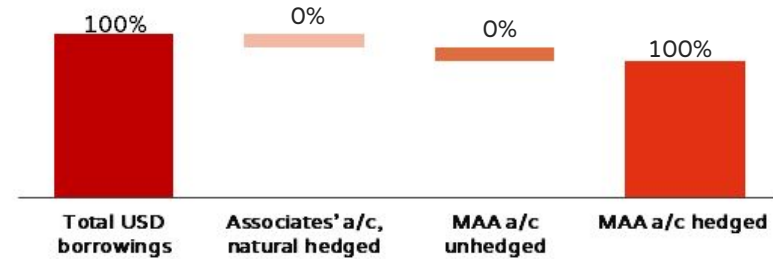


Fuel & Currency Hedging

- Our Group’s fuel hedging strategy is based on our forward sales booking
- Brent – 65% hedged for FY19 at USD63.31 per barrel; 73% hedged for FY20 at USD60.22 per barrel; FY21 19% at USD59.45 bbl
- Interest rates – All USD loans (for aircraft) are either fixed rate loans or have fixed interest rates via interest rate swaps

AirAsia Group	2019			
	Q1	Q2	Q3	Q4
Current Hedge Ratio (Brent)	53%	52%	70%	85%
Average Brent Hedge (Qtrly)	66.68	63.73	62.04	60.77
Avg Hedge Cost (Qtrly) - Total	80.57	78.23	76.29	75.91
Average Hedge Cost (2019) - Total	77.35			

100% USD borrowings are hedged:



Loans by currency: USD (85%), MYR (10%) and EUR (5%)

Note: As at 28 August 2019

Fleet Plan



Fleet Expansion Across AOCs in 2019

	MAA	TAA	IAA	PAA	AAI	AAJ	Total
December 2018*	95	62	24	22	19	2	224
2019 Net Addition	2	1	4	3	9	1	20

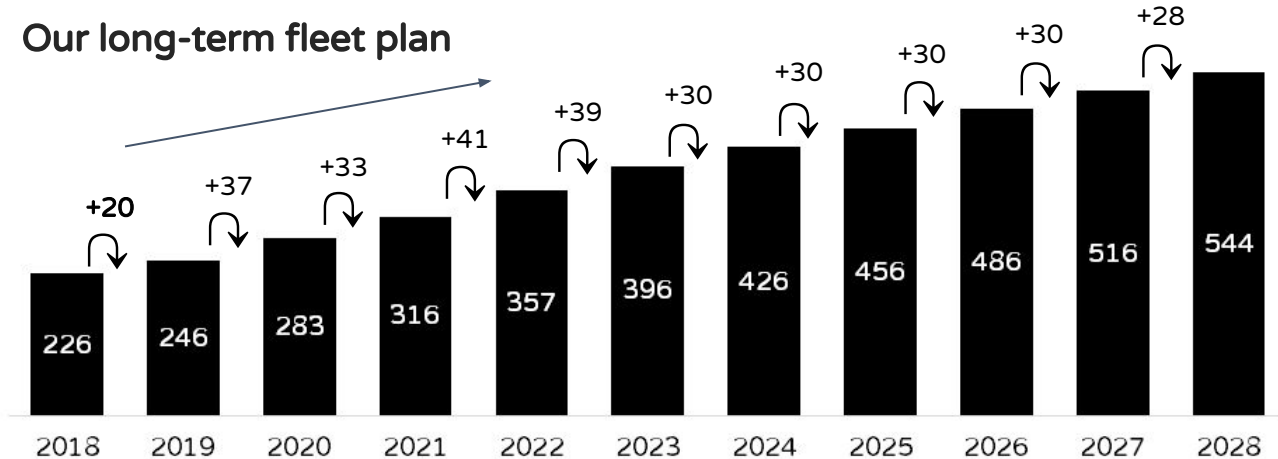
* December 2018 fleet excludes 2 third party leases

Target aircraft financing for 2019: All on sale and leaseback.



New A321neo aircraft are more fuel efficient & have lower cost per seat

Our long-term fleet plan



Note: Column chart includes 2 third party leases
 Fleet plan is subject to changes
 Updated fleet plan as at 21 August 2019

6 countries:

