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AirAsia Group Berhad

Analyst Presentation

Second Quarter Results for the Financial Year 2020

25 August 2020

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YEARS RUNNING

2Q20 KEY HIGHLIGHTS



Successfully **pivoted** the airline into a digital lifestyle company, anchored on travel. RedBeat Ventures renamed AirAsia Digital

Stabilised the airline in 2Q20. We will be able to ride out on domestic business if travel restrictions remain in place and borders stay closed

- Fuel hedging contracts restructured
- Airline opex down 72% in 2Q20 with strict cost control, contracts renegotiation and staff taking pay cuts across the board
- Received support from lessors for deferrals, as seen in the 99% reduction in net cash used for financing activities in 2Q20
- RASK increased by 3% to 15.93 sen in 2Q2020 reflecting the adaptation of a better pricing strategy and more rational competitor pricing since 4Q2019
- Average fare improved significantly by 34% YoY from RM178 to RM239
- Load factor was commendable at 59% in comparison to peers.
- Ended the quarter with encouraging passenger statistics improving MoM as travel restrictions eased

Digital has arrived.

- airasia.com revenue up 137% YoY, faster than 1Q growth rate of 118%.
- BigPay revenue up 11% & GTV up 15% YoY in 2Q20. Remittance volume grew 469% in 1H20.
- Teleport contributed an all-time high share of group revenue of 42%, as we transported medical aid and critical supplies at a time of need
- Many exciting new businesses and products launched including Unlimited, Food by AirAsia, OURFARM, SNAP

AirAsia Group consist of two main groups: Airline and Digital





Leaner airline group: 72% reduction in airline opex in 2Q20

Sets the foundation moving into 2021

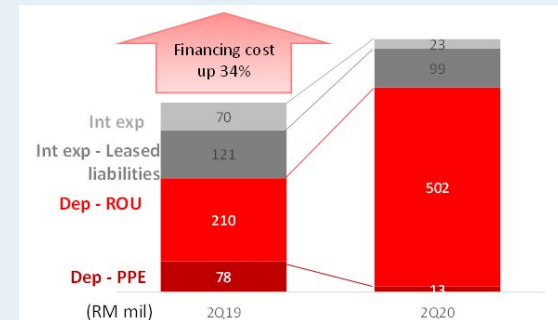
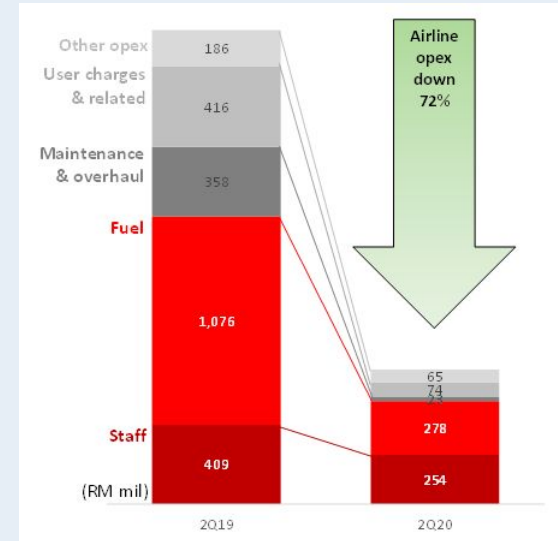
Airline opex reduced by 72% YoY in 2Q20

- Staff costs declined by 34% contributed by headcount rationalisation, pay cuts across the board, cancellation of social events.
- Maintenance cost down 93% as we optimise asset with use of newer aircraft that are further away from major checks
- User charges reduced by 82% as we introduced contactless procedures and digital check-in resulted in lower ground handling costs
- Other opex down by 65% due to lower marketing spend, renegotiation of ICT costs and strict cost control

Depreciation and finance cost up 34% YoY due to higher number of leased aircraft. While the company had successfully negotiated for deferrals with lessors, pursuant to the practical expedient available under Amendments to MFRS16: Covid 19 Related Rent Concessions, the income statement charge for depreciation and interest were not adjusted for prudence measure

Better fare market environment

- RASK increased by 3% to 15.93 sen in 2Q2020 reflecting the adaptation of a better pricing strategy and more rational competitor pricing since 4Q2019.
- Average fare improved significantly by 34% from RM178 to RM239
- Load factor was commendable at 59% in comparison to peers.



Airline seeing encouraging pick-up MoM



Malaysia:



- AirAsia Malaysia (MAA) doubled capacity in June compared to May, following the reopening of Interstate travel since 10 June
- At the end of 2Q, MAA has reopened 24 routes
- Recently resumed KL-Singapore route for essential travel following formation of Reciprocal Green Lane (RGL) scheme
- In Aug, MAA will operate 45% of its pre-Covid domestic capacity. By 4Q, we expect to recover 70-75% of its pre-Covid domestic capacity

Thailand



- AirAsia Thailand (TAA) reinstated domestic flights in phases since 1 May
- Operated 18% of pre-Covid-19 capacity in June, doubled up from May capacity
- At the end of 2Q, TAA has resumed service to 18 of its domestic destinations
- In Aug, TAA will operate 75% of pre-Covid domestic levels. By 4Q, we expect to be back to pre-Covid domestic capacity

Indonesia



- AirAsia Indonesia (IAA) operated several charter flights in 2Q, which contributed to a 3% increase in average stage length
- Resumed operations on 19 June with five routes
- Target a domestic recovery up to 35% of pre-Covid capacity in 4Q

Philippines



- AirAsia Philippines (PAA) ended the quarter with six routes reinstated
- Target a domestic recovery up to 60% of pre-Covid capacity in 4Q

India



- AirAsia India (AAI) domestic operations restarted at the end of May, and quickly ramped up to 30% of pre-covid levels in June with 36 operational routes
- Targets domestic capacity resumption of 45% of pre-Covid capacity for 3Q and 75% for 4Q

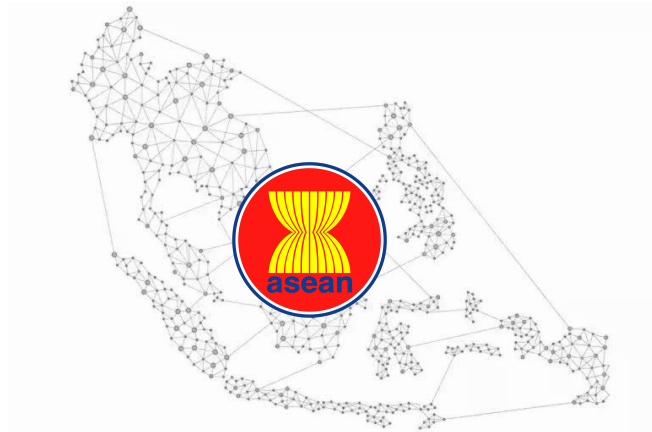


The Pivot - Launch of AirAsia Digital

AirAsia has built an All-in-One Digital Travel and Lifestyle Ecosystem for Asean

Travel has changed, and so have we

- We are more than an airline
- We are a digital travel & lifestyle company
- We have built a broad and deep ecosystem in several segments across Asean



Logistics & eCommerce

teleport

Platform

airasia.com

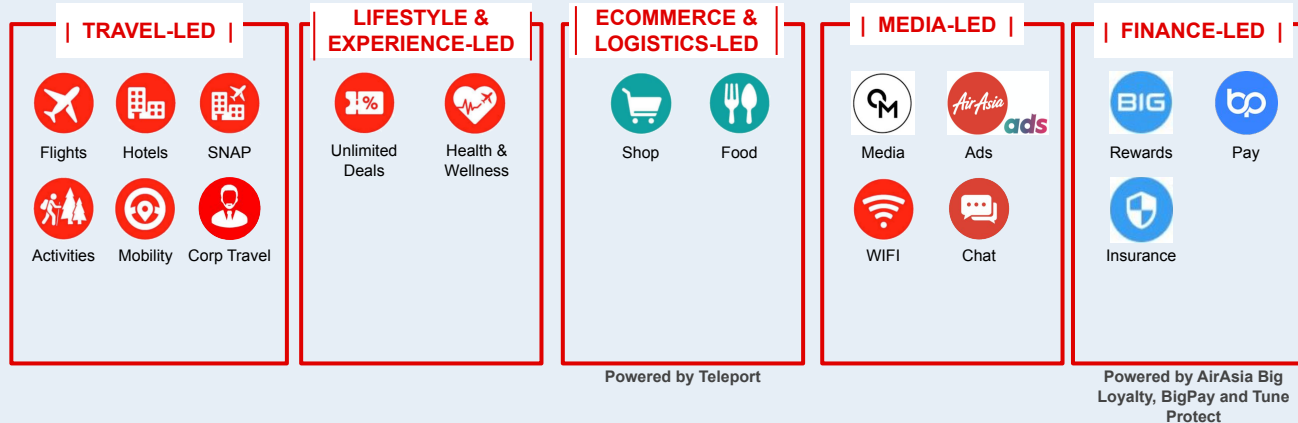
airasia
DIGITAL

Financial Services





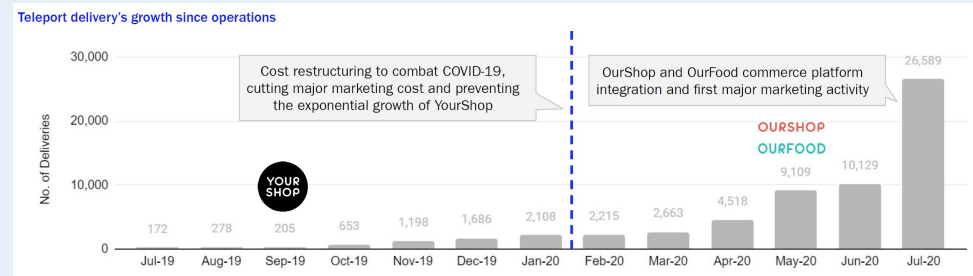
- Revenue expanded by 137% YoY in 2Q20, faster than the 118% growth rate in 1Q20 despite fleet hibernation
- New homepage launched in July, leveraging on a new in-house platform supporting quick webpage development with high flexibility
- Homepage personalisation to each customer on airasia.com in September
- Launched direct sourced hotels and SNAP (Flight+Hotel Bundle) in August to replace AirAsiaGO & Expedia sourced inventory
- Since mid August, exclusive partnership with Expedia ended.



Teleport is the most unique & efficient air to last mile model in Asean



- Despite the complete hibernation of the airline group, Teleport **pivoted from delivering cross-border e-commerce to last mile deliveries**, delivering more parcels, restaurant orders, and fresh produce during the movement control period than in the previous 12 months collectively.



- Recently launched e-commerce marketplace, adapting to the new reality post-Covid-19, where customers are inclined to order home delivery:
 - AirAsia Shop, a travel and retail platform
 - Food by AirAsia, the complete food ordering solution in May
 - Fresh by AirAsia, introducing the fresh and frozen produce category on AirAsia Shop in July
 - Available capacity (~1 billion parcels) and network reach (85 cities) is unique in Asean
 - A regional platform vehicle to drive consolidation of fragmented, local players was created (Frieghtchain)
 - First mover to invest and integrate end-to-end cross border logistics through tech
- ✓ Excluding write off of software development costs of RM6.9 million, Teleport reported a positive EBITDA in 2Q20 despite revenue decreasing 54% YoY.

BigPay continues to democratise financial services to offer better value and transparency



- GTV grew 15% despite travel restrictions in 2Q
- Remittance volume grown 469% in 1H 2020
- International money transfer to 10 countries from both MY and SG
- Launching bill payments in 3Q
- **Bank-grade eKYC processes** across markets enable BigPay to move up financial services value chain (extending beyond payment and remittance into lending, wealth management and insurance)
- Only player building **in-house full stack** fully deployable across markets and faster time to market for new products and new features.
- Over 2 years of **open-loop local and international transaction** vs. closed loop domestic wallets
- Everything in **real-time 24/7**
- Key licenses secured:
 - Payment: **Malaysia, Singapore**, Philippines (soon), Thailand (soon)
 - Remittance: **Malaysia, Singapore**
 - Lending: Malaysia (soon), Philippines (soon)
- Other markets to expand to includes Indonesia and Vietnam
- Other products includes **insurance marketplace** and **wealth management**

Over **10% MoM**
User Signup growth

AirAsia Big Loyalty: Asean Rewards and Points Platform



- Launched BIG Xchange, a universal points exchange hub that allows two-way points conversion, from participating partner's loyalty points into BIG Points and vice versa
- Introduced a 'point expert' character named BIGGIE in June, with a mission to engage with BIG Members on the smarter ways to earn and use BIG Points for greater rewards and savings
- Launched BIG Deals, allowing Members to redeem lifestyle deals
- Launched in-app Points Catcher game
- Points Back to be launched in 4Q



Over **26M**
BIG Members



Over **2.6M**
App Downloads
~60k monthly downloads



Over **300**
Partners



Booking.com



TESCO
Lotus

AVIS



Trip



fave



Bangkok Bank

CompareHero.my
We compare, you save



Lazada



Rakuten
Trade

citi

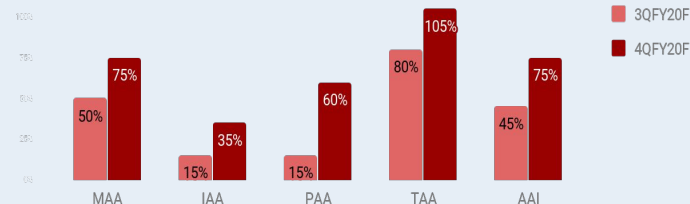
Airline Strategy



Forecasting AAGB capacity to drop 60% in 2020 vs 2019 with minimum international operations. In 2H20, we are ramping up domestic capacity:

- MAA up to 70-75% of pre-covid levels in 4Q
- TAA return to pre-covid levels in 4Q
- PAA up to 60% of pre-covid levels in 4Q
- AAI up to 75% of pre-covid levels in 4Q

Planned domestic capacity (vs 2019 capacity)



Ensuring sufficient liquidity in 2H20 & 2021

- Airline stabilised in 2Q20, with support from lessors for deferrals and fuel hedging contracts restructured.
- Working together with creditors on the repayment plan.
- As seen in 2Q20 results, we are on track to achieve 50% reduction in cash expenses in FY20. Further savings from digital improvement exercise expected from headcount, fuel, maintenance and user charges
- Domestic demand on an uptrend.
- Prepared to ride out on domestic sectors for 2021 if borders remained closed
- Securing commitments from the banks for the Danajamin PRIHATIN Guarantee Scheme in Malaysia and other bank financing in the other markets.
- Debt and rights issue in discussion

While we do not envisage capacity to return to pre-covid levels in the near term, we expect the airline business to be more profitable than pre-covid levels as:

- Cost have come down. We have removed loss-making routes. Fuel unit cost expected to be 15% lower in 2021 vs 2019.
- Fare environment have improved. Competitors are rational





THANK YOU & APPENDIX



[RedQ, Sepang, Malaysia](#)



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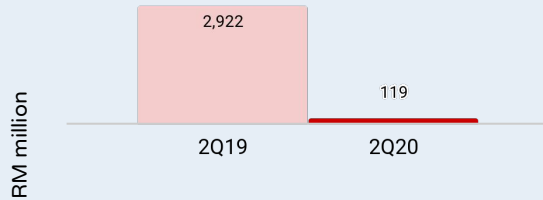
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2Q20 FINANCIAL HIGHLIGHTS



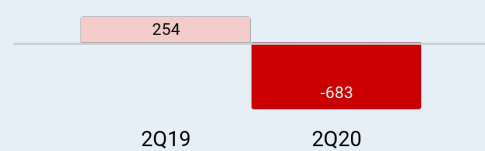
Revenue

Group revenue declined by 96% YoY



Group EBITDA

Group EBITDA declined into the red



Profit/ Loss after Tax



Revenue declined by 96% YoY:

- Capacity reduced by 98% due to temporary hibernation and capacity cuts as travel restrictions were in place
- Refunds of RM60mil negatively impacted revenue
- Total ancillary revenue declined by 91%, slower than capacity reduction, as cushioned by cargo & logistics operations that was transporting medical aid and critical supplies.

Group EBITDA swung into the red:

- Airline EBITDA reported a loss of RM637mil compared to RM218mil profit in 2Q19
- Airline opex reduced by 72% though insufficient to cover the 98% drop in airline revenue
- Included in airline cost is a realised hedging loss of RM199mil
- Non-airline EBITDA also fell to RM46mil loss from RM36mil profit YoY due to higher cost at AirAsia.com and BigPay as it ramps up

Loss after tax due to:

- Shortfall in revenue due to lockdowns and travel restrictions
- Higher depreciation on right-of-use assets due to higher number of leased aircraft. This is despite deferred payment of leases

2Q20 Airline Financial & Operational Performance



Key Indicators	MAA				IAA				PAA			
	2Q19	2Q20		%	2Q19	2Q20		%	2Q19	2Q20		%
Passengers Carried	8,791,586	170,912	▼	-98%	1,822,251	4,059	▼	-100%	2,225,367	29,111	▼	-99%
Capacity	10,408,188	283,150	▼	-97%	2,228,040	9,720	▼	-100%	2,456,820	53,100	▼	-98%
Load Factor (%)	84%	60%	▼	-24ppts	82%	42%	▼	-40ppts	91%	55%	▼	-37ppts
RPK (million)	10,732	202	▼	-98%	2,520	6	▼	-100%	2,514	25	▼	-99%
ASK (million)	12,695	328	▼	-97%	3,071	14	▼	-100%	2,879	49	▼	-98%
Fuel consumed (Barrels)	1,980,974	65,004	▼	-97%	491,808	2,009	▼	-100%	519,201	16,323	▼	-97%
Average Fuel Price (USD/ Barrel)	84	704	▲	741%	88	4,411	▲	4912%	96	553	▲	477%
Revenue (million)	RM 1,836	RM 47	▼	-97%	IDR 1,660,768	IDR 12,765	▼	-99%	PHP 7,513	-PHP 129	▼	-102%
Net operating profit (million)	RM 354	-RM 824	▼	-333%	IDR 22,424	-IDR 693,961	▼	-3195%	PHP 353	-PHP 2,313	▼	-756%
RASK	14.05 sen	14.19 sen	▲	1%	IDR 540.95	IDR 844.12	▲	56%	PHP 2.61	PHP 2.92	▲	12%
Average Fare	RM 157	RM 253	▲	61%	IDR 757,294	IDR 855,307	▲	13%	PHP 2,803	PHP 1,794	▼	-36%
CASK	14.86 sen	264.44 sen	▲	nmf	IDR 534.36	IDR 52,296.49	▲	nmf	PHP 2.49	PHP 18.33	▲	nmf
CASK Ex-Fuel	9.43 sen	204.06 sen	▲	nmf	IDR 334.48	IDR 42,770.21	▲	nmf	PHP 1.55	PHP 14.27	▲	nmf

2Q20 Airline Financial & Operational Performance (cont'd)



Key Indicators	TAA			AAI			AAJ		
	2Q19	2Q20	%	2Q19	2Q20	%	2Q19	2Q20	%
Passengers Carried	5,578,878	283,601 ▼	-95%	2,286,992	190,395 ▼	-92%	102,815	2,482 ▼	-98%
Capacity	6,751,500	544,746 ▼	-92%	2,536,380	302,040 ▼	-88%	131,712	5,844 ▼	-96%
Load Factor (%)	83%	52% ▼	-31ppts	90%	63% ▼	-27ppts	78%	42% ▼	-36ppts
RPK (million)	5,643	172 ▼	-97%	2,495	224 ▼	-91%	125	2 ▼	-99%
ASK (million)	6,903	329 ▼	-95%	2,756	355 ▼	-87%	160	4 ▼	-97%
Fuel consumed (Barrels)	1,268,541	60,718 ▼	-95%	495,821	62,217 ▼	-87%	26,209	755 ▼	-97%
Average Fuel Price (USD/ Barrel)	93	363 ▲	291%	114	45 ▼	-60%	109	659 ▲	506%
Revenue (million)	THB 9,609	THB 267 ▼	-97%	INR 9,047	INR 901 ▼	-90%	JPY 802	JPY 12 ▼	-98%
Net operating profit (million)	-THB 1,183	-THB 3,826 ▲	224%	-INR 221	-INR 3,397 ▲	1436%	-JPY 1,416	-JPY 1,002 ▼	-29%
RASK	THB 1.39	THB 1.19 ▼	-15%	328 INR cents	254 INR cents ▼	-23%	JPY 5.02	JPY 2.53 ▼	-49%
Average Fare	THB 1,390	THB 1,031 ▼	-26%	INR 3,657	INR 4,353 ▲	19%	JPY 6,510	JPY 3,477 ▼	-47%
CASK	THB 1.57	THB 11.62 ▲	nmf	336 INR cents	1,212 INR cents ▲	nmf	JPY 13.47	JPY 229.51 ▲	nmf
CASK Ex-Fuel	THB 1.02	THB 9.02 ▲	nmf	194 INR cents	1,152 INR cents ▲	nmf	JPY 11.52	JPY 217.08 ▲	nmf

Extensive cost reduction exercise in 2020 and 2021



	% of 2019	Cost savings measures	Expected savings in 2020
Staff	15%	<ul style="list-style-type: none"> 15-100% pay cut across the board including directors Controlled hiring + review fixed term contracts Headcount rationalisation. Deferment of promotions, increments & bonus Suspension of external trainings unless required by law Cancellation of social events 	30%
Fuel	36%	<ul style="list-style-type: none"> Reduction driven by volume Restructured hedging contracts to minimise loss on settlements 	50%
Maintenance	11%	<ul style="list-style-type: none"> Asset optimisation with use of newer planes, incurring lower usage costs 	20%
User charges	15%	<ul style="list-style-type: none"> Discounts and rebates received Closure of weak hubs Consolidate operations where possible Lower ground-handling costs due to increase use of digital self check-in 	50%
Operating lease	19%	<ul style="list-style-type: none"> Deferment of new aircraft deliveries Retirement of two 3rd party leases Deferral of lease expenses 	60%
Other opex	4%	<ul style="list-style-type: none"> Contract re-negotiation 	
			Total: ~50%

Cash CASK expected to reduce in 2021 from 2019 levels despite lower capacity due to:

- Benefit from lower oil price
- Savings from digital improvements seen through headcount, fuel, maintenance & user charges

Year	Cash CASK (cents)
2019	3.80
2021F	3.60-3.70

Note: For AAGB consolidated airline entities ie MAA, PAA & IAA