



AIRASIA BERHAD



**SECOND
QUARTER
2016**

**EARNINGS
BRIEFING**

29 AUGUST 2016



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2Q16 GROUP HIGHLIGHTS



AIRASIA GROUP - 2Q16 CONSOLIDATED RESULTS OF AAB AND AOCs
Included in the Company's Bursa Announcement (Note 9)

- **Group Load Factor:** **85% (+6 pppt)**
- **Group Revenue:** **RM2.77 billion**
- **Group Net Operating Profit:** **RM262.82 million**
- **Group Profit Before Tax:** **RM212.42 million**
- **Group Cash Position:** **RM2.71 billion**

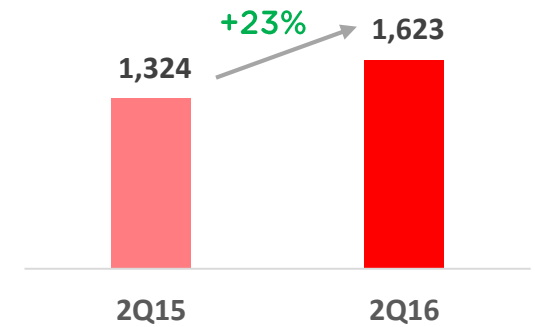
	 Malaysia RM'000	 Thailand RM'000	 Indonesia RM'000	 Philippines RM'000	 India RM'000	 Japan RM'000	Elimination Adjustments RM'000	Total RM'000
Segment results								
Revenue	1,623,550	886,517	267,190	220,070	113,252	-	(343,236)	2,767,344
Operating expenses	-	-	-	-	-	-	-	-
- Staff costs	(243,862)	(119,897)	(49,346)	(28,389)	(18,425)	(23,638)	-	(483,557)
- Depreciation of property, plant and equipment	(181,528)	(32,361)	(6,647)	(8,669)	(917)	(1,002)	-	(231,124)
- Aircraft fuel expenses	(376,171)	(228,701)	(87,919)	(68,073)	(45,888)	(60)	-	(806,812)
- Maintenance and overhaul	(76,395)	(85,389)	(44,516)	(54,612)	(14,090)	(1,517)	108,447	(168,073)
- User charges and other related expenses	(196,903)	(151,375)	(61,409)	(32,501)	(14,712)	(1,913)	-	(458,813)
- Aircraft operating lease expenses	(121,960)	(139,905)	(43,369)	(33,366)	(22,372)	(6,679)	231,618	(136,032)
- Other operating expenses	(71,196)	(54,239)	(20,170)	(10,236)	(9,088)	(5,726)	16,626	(154,028)
Other income	59,081	12,398	29,826	7,114	1,684	103	(13,455)	96,751
Operating profit/(loss)	414,616	87,048	(16,361)	(8,662)	(10,555)	(40,431)	(0)	425,655
Finance income	18,461	2,822	145	9	428	0	-	21,865
Finance costs	(156,820)	(13,234)	(9,256)	(5,289)	(88)	(13)	-	(184,700)
Net operating profit/(loss)	276,257	76,637	(25,472)	(13,942)	(10,216)	(40,444)	(0)	262,819
Foreign exchange (losses)/gains	(33,880)	3,230	6,397	(32,257)	(1,991)	1,213	-	(57,288)
Share of results of joint ventures	5,918	-	-	-	-	-	-	5,918
Share of results of associates	5,517	-	-	-	-	-	(4,546)	971
Profit/(loss) before taxation	253,812	79,867	(19,075)	(46,199)	(12,207)	(39,231)	(4,546)	212,420

2Q16 KEY HIGHLIGHTS

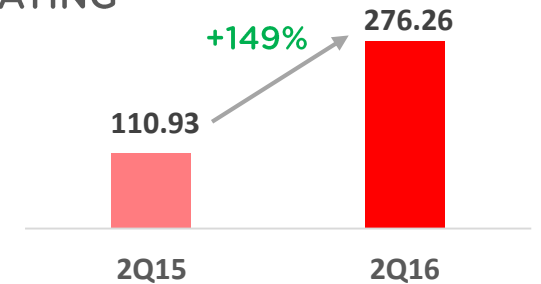
MALAYSIA - THE UPWARD TREND CONTINUES

- ✈ Revenue of RM1.62 billion, up 23% YoY, on the back of:
 - ✈ 10% rise in **Passengers Carried at 6.55 mil**, exceeding capacity growth of 1%
 - ✈ High **load factor of 87%**, up 7ppts YoY
 - ✈ **Average fare increased 8% YoY to RM153**
 - ✈ **Ancillary income per pax up 5% YoY to RM48**
- ✈ **Net operating profit of RM276.3mil**, up 149% YoY
- ✈ **Profit After Tax of RM341.9 mil**, up 41% YoY
- ✈ **44% EBITDAR margin**, 26% EBIT margin, both up 9ppts
- ✈ **Associates contributed RM5.5mil** while **Joint Controlled Entities contributed RM5.9mil**

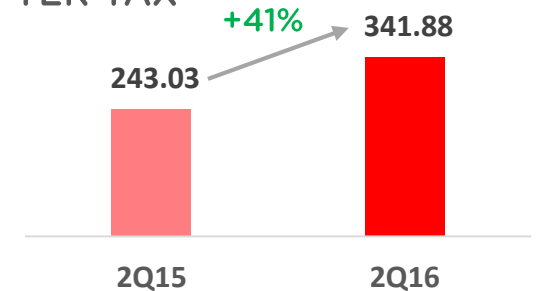
REVENUE
(RM million)



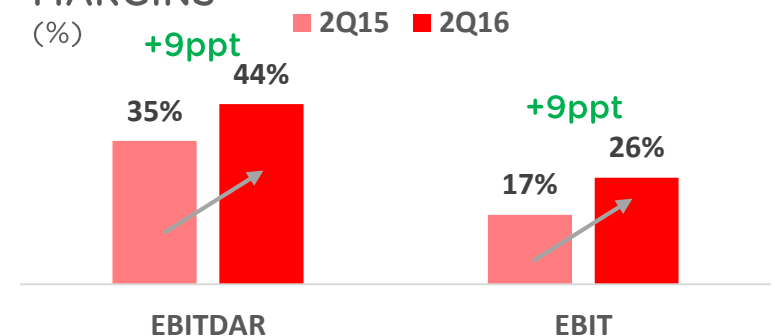
NET OPERATING PROFIT
(RM million)



PROFIT AFTER TAX
(RM million)



MARGINS
(%)

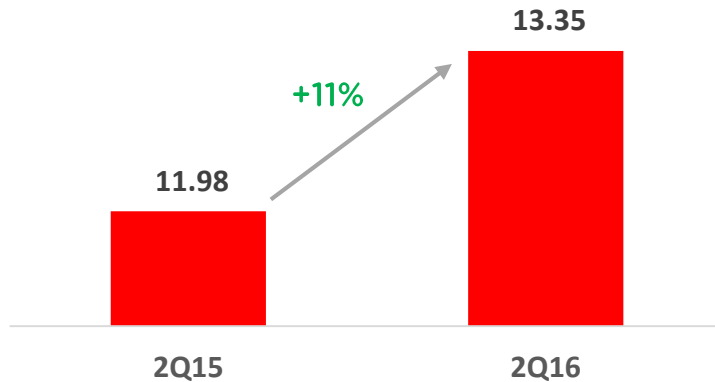


MAXIMISING REVENUE & MINIMISING COST

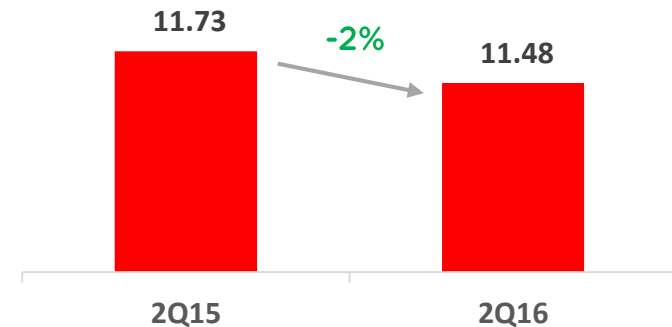


MALAYSIA - RASK & CASK

REVENUE PER ASK (RASK)
(RM sen)

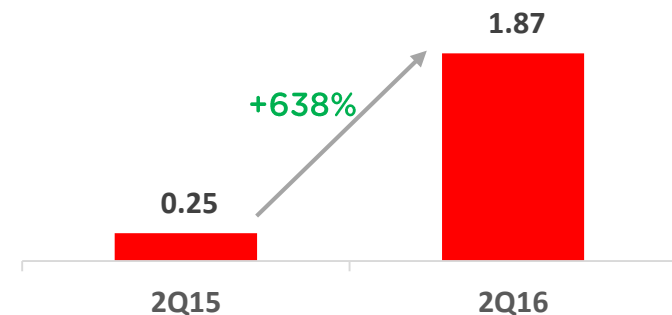


COST PER ASK (CASK)
(RM sen)



- **Airline RASK** increased 11% on the back of strong demand leading to a 7% YoY increase in unit passenger revenue at RM201.
- **CASK** reduced by 2% mainly due to 21% lower fuel expenses as average fuel price fell 24% to USD59/barrel YoY despite a 4% increase in fuel consumption. This was partially offset by the 77% increase in lease expense due to 16 additional sale and leaseback, and increase in maintenance and user charges costs due to 2 additional operational fleet YoY.

RASK - CASK SPREAD
(RM sen)



MAINTAINING COST LEADERSHIP

LOWEST AMONG PEERS, LOWEST COST ALWAYS WINS!



	MAA	MAS*	RyanAir		TAA	Nok Air
Staff Cost	0.58	0.97	1.32	Staff Cost	0.58	4.70
Depreciation of PPE	0.34	0.36	1.00	Depreciation of PPE	0.16	0.06
Aircraft fuel expenses	0.94	2.44	4.11	Aircraft fuel expenses	1.10	0.30
Maintenance & overhaul	0.18	0.48	0.33	Maintenance & overhaul	0.41	0.12
User charges & others	0.49	0.84	3.33	User charges & others	0.73	-
Aircraft op lease	0.40	0.56	0.18	Aircraft op lease	0.67	1.65
Other operating exp	0.15	0.55	0.70	Other operating exp	0.26	-
Finance costs	0.35	0.18	0.17	Finance costs	0.06	0.04
Finance income	0.05	0.05	0.01	Finance income	0.01	-
Other income	0.08	0.24	-	Other income	0.06	-
ASK (million)	9,996	59,932	40,738	ASK (million)	5,138	1,507
CASK (US cents)	2.87	6.10	3.82	CASK (US cents)	3.90	6.72

*MAS figures are based on the latest audited financial statements as at 31 December 2013

	IAA	Garuda
Staff Cost	0.60	0.35
Depreciation of PPE	0.08	0.10
Aircraft fuel expenses	1.07	1.49
Maintenance & overhaul	0.54	0.61
User charges & others	0.75	0.55
Aircraft op lease	0.53	1.57
Other operating exp	0.25	1.57
Finance costs	0.11	0.12
Finance income	-	0.01
Other income	0.36	0.62
ASK (million)	2,039	15,323
CASK (US cents)	3.57	5.72

	PAA	Cebu
Staff Cost	0.65	0.03
Depreciation of PPE	0.20	0.25
Aircraft fuel expenses	1.57	1.32
Maintenance & overhaul	1.26	0.27
User charges & others	0.75	0.07
Aircraft op lease	0.77	0.17
Other operating exp	0.24	1.31
Finance costs	0.12	0.05
Finance income	-	0.01
Other income	0.16	-
ASK (million)	1,078	13,227
CASK (US cents)	5.40	3.45

	AAI	IndiGo
Staff Cost	0.60	0.56
Depreciation of PPE	0.03	0.13
Aircraft fuel expenses	1.50	1.61
Maintenance & overhaul	0.46	-
User charges & others	0.48	0.49
Aircraft op lease	0.73	0.84
Other operating exp	0.30	0.92
Finance costs	-	0.14
Finance income	0.01	-
Other income	0.05	0.04
ASK (million)	762	12,710
CASK (US cents)	4.03	4.65

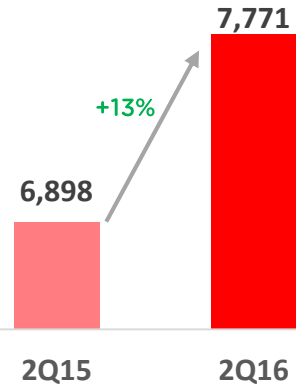
2Q16 KEY HIGHLIGHTS

ASSOCIATE

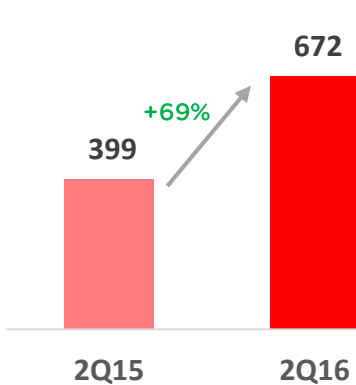


Thailand

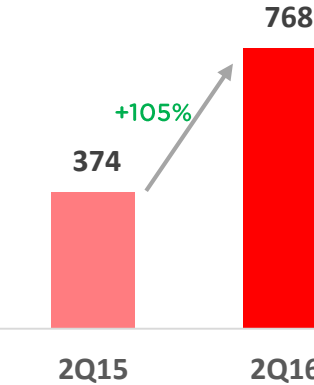
REVENUE (THB million)



NET OPERATING PROFIT (THB million)



PROFIT AFTER TAX (THB million)

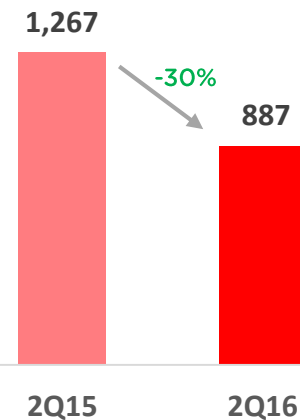


- Revenue up 13% due to higher passengers carried by 18% YoY ahead of capacity growth of 13% YoY which led to 3ppts increase in load factor to 83%
- Net operating profit up 69%, Profit after tax up 105% to THB768mil or USD 22mil on the back of stronger demand as compared with the same period last year while aircraft fuel expenses reduced significantly
- RASK down 3% while CASK decreased 6%

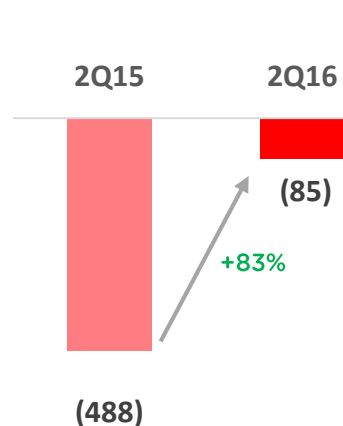


Indonesia

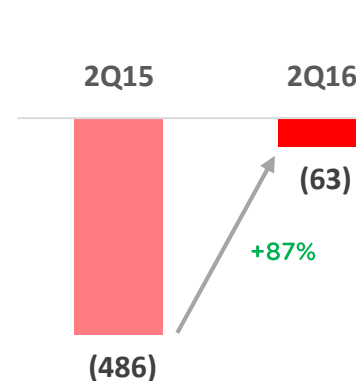
REVENUE (IDR billion)



NET OPERATING LOSS (IDR billion)



LOSS AFTER TAX (IDR billion)



- Revenue down 30% mainly attributable to the reduction in fleet size as part of the turnaround strategy as capacity reduced 37% YoY
- Seat load factor increased 10ppts to 83%
- Net operating loss narrowed substantially by 83% to IDR(85) bil or USD(6) mil
- Posted lower loss after tax at IDR(63) bil or USD(5) mil
- RASK is up 3% and CASK is down 19%.

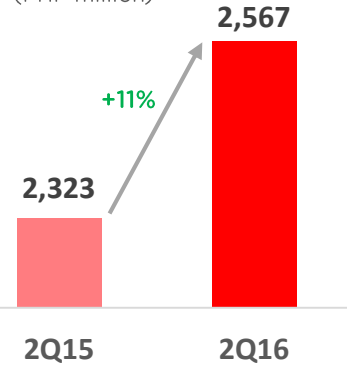
2Q16 KEY HIGHLIGHTS

ASSOCIATE

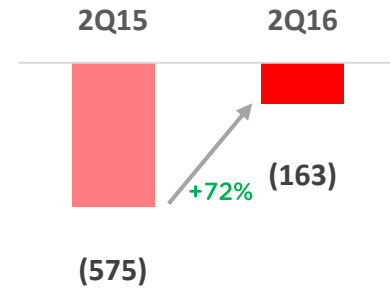


Philippines

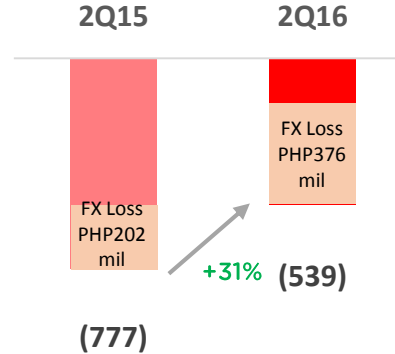
REVENUE (PHP million)



NET OPERATING LOSS (PHP million)



LOSS AFTER TAX (PHP million)

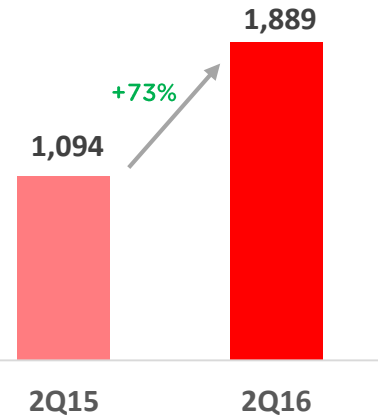


- Revenue up 11% mainly due to 3% higher passenger volume despite capacity decreased 9% YoY
- Average fare up 14% YoY allowing PAA to record 18% increase in RASK
- Load factor increased 11ppts to 91% in 2Q16
- Net operating loss narrowed by 72% to PHP(163)mil or USD(3)mil
- Loss after tax of PHP(539)mil or USD(11)mil recorded in 2Q16 on the back of higher forex loss

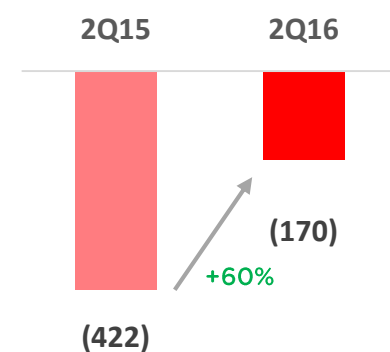


India

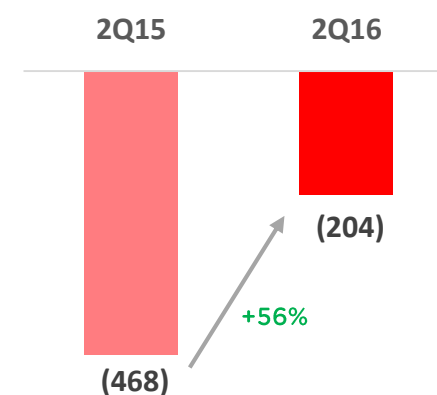
REVENUE (INR million)



NET OPERATING LOSS (INR million)



LOSS AFTER TAX (INR million)

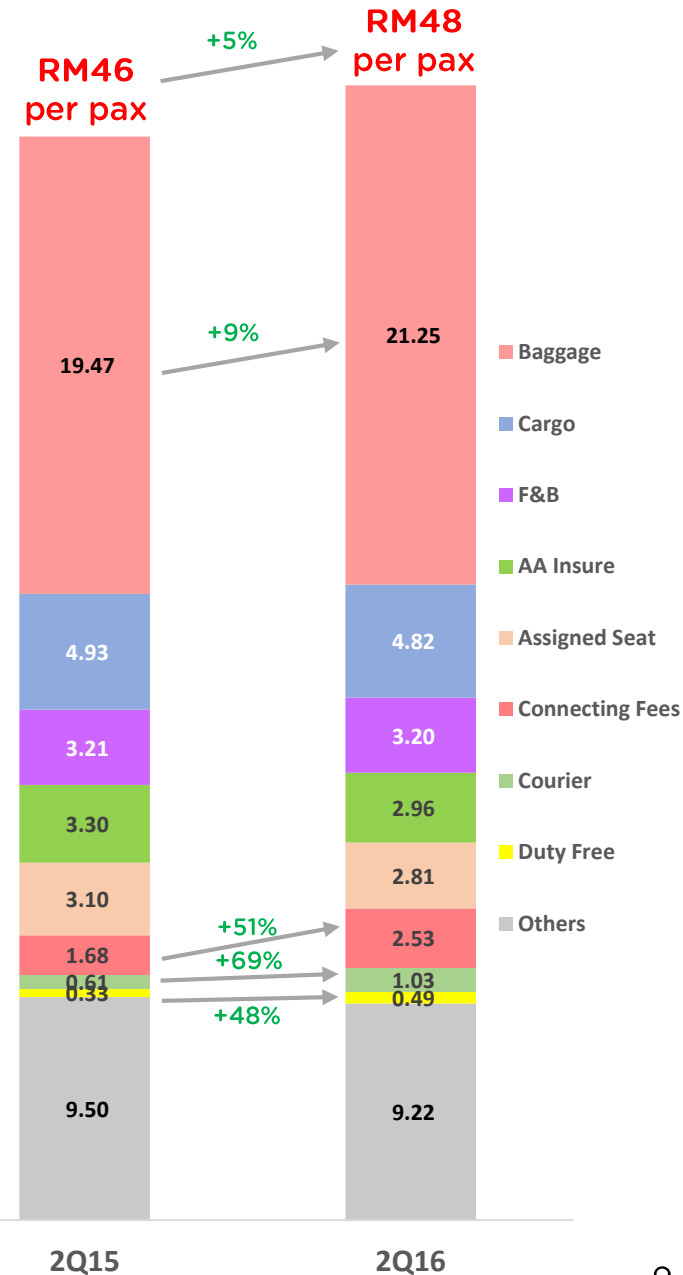


- Revenue up 73% as a result of 76% increase in passengers carried ahead of 68% capacity increase which led to an improved load factor of 87% (up 4ppts YoY)
- Ancillary income per pax was up by 13%
- Net operating loss narrowed by 60% bringing loss after tax to INR(204)mil or USD(3)mil (-56% YoY)

2Q16 ANCILLARY REVENUE +15%

RM48 per pax +5% YoY

- Total ancillary revenue increased 15% YoY, pushing ancillary income per pax up by 5% to **RM48**
- **Biggest contributors:**
 - Baggage (44% of total ancillary revenue)
 - Cargo (10% of total ancillary revenue)
 - F&B (7% of total ancillary revenue)
 - Reducing price of pre-book meals by ~25% in Nov'16 to increase take-up
- **Highest growth:**
 - Inflight Merchandise (+400%)
 - Courier (+86%)
 - Connecting fees / Flythru (+65%)
 - Inflight Duty Free (+63%)



NEXT TARGET: RM60 PER PAX

DUTY FREE

- Online Duty Free - AA is first point of contact
- Cheaper products than airports, collect loyalty points & shop longer
- Amazon-style duty-free website
- Kingpower - good partner, to provide expertise
- Gross margins of around 60-80%



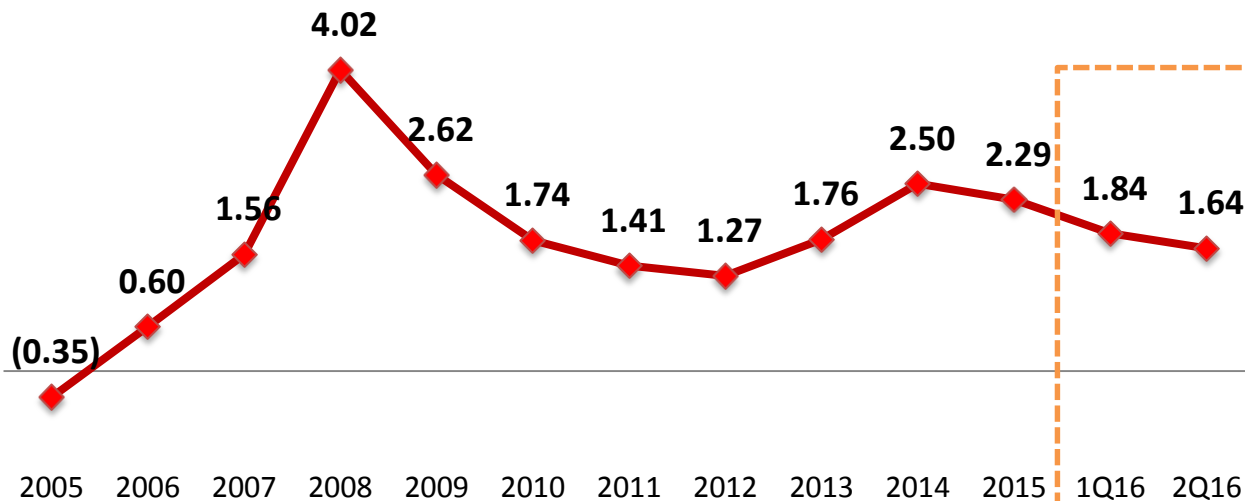
TPAAY

- FX wallet with 10 currencies - changeable via app
- Rates cheaper than banks
- Use our pool of currencies/deposits to match customers' currency requirements

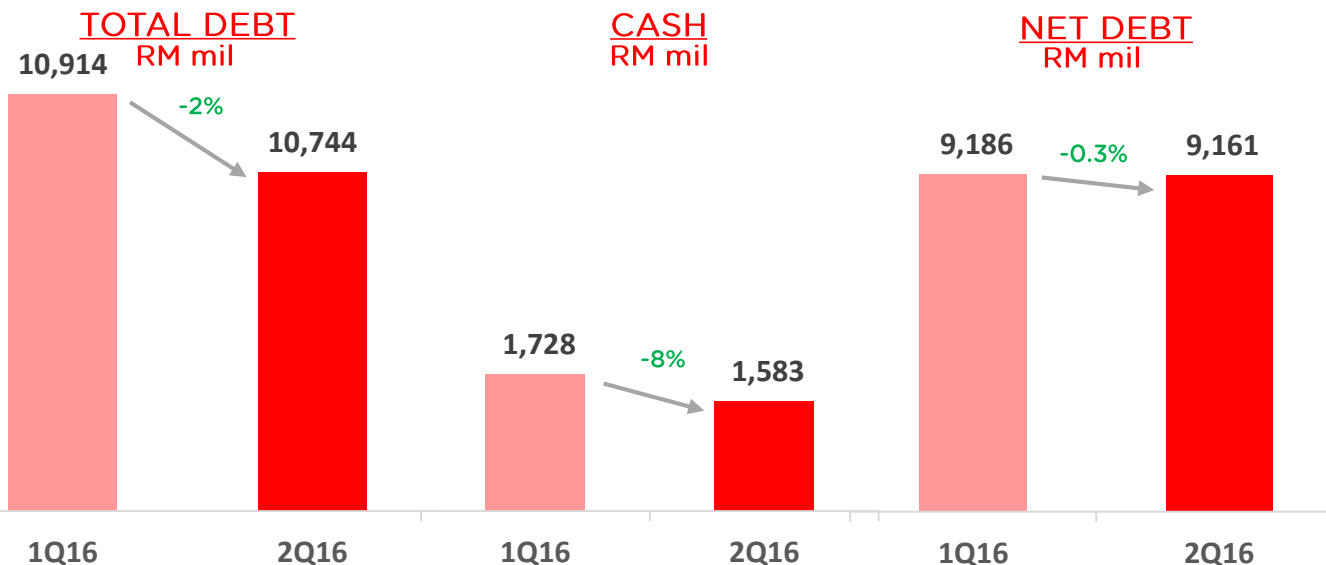


BALANCE SHEET

- NET GEARING



Net gearing decreased by 11% to 1.64x due to lower total debt



- Total Borrowings reduced by 2% QoQ
- As a result of having a healthy cash balance, the Company was able to repay working capital borrowings
- Cash of RM1bil to come in from co-founders
- Balance non-aircraft borrowings after placement: Approx RM450mil

3Q16 OUTLOOK



- Load factor forecast of 90%
- Continue to observe strong demand across most sectors in 2H16
- Favourable fuel price and forex on major Asian currencies against USD



- Load factor forecast of 83% with estimated capacity growth of approximately 3%
- Encouraging forward bookings in 2H16 stemming from demand from summer holiday
- To continue focus marketing activities on domestic, China and India routes



- Load factor forecast of 92% due to high season demand
- July load factor reached 92%, breaching the 90% mark for the first time
- Strong demand to sustain in Q3 and series of big events lined up to continue to boost load and revenue To focus on promoting international routes in 2H16
- Target to be operationally profitable in 2H16 and full year 2016



- Load factor forecast of 85%
- On track turnaround to rationalise fleet composition to further reduce its cost structure in 2H16
- To outperform YoY, revenue expected to be higher due to approx 29% increase in fares and better loads
- Target to be profitable in 2H16



- Load factor forecast of 88%
- Focus on building footprint in domestic with introduction of new routes and frequency increases in 2H16

ANCILLARY

- DATA MINING** • Increase take-up rate via targeted marketing – current take-up rate only 20-30%
 - Increase flight conversion by 2% which lead to increase in ancillary
- BIG PAAY** • Payment feature for BIG Members to pre-store details in their accounts to enable **one-click payment**
 - Convenient and secure - Visa, Mastercard, AMEX, JCB credit/debit cards
- LOUNGE** • Bundle lounge for **Premium Flex** guests
- MARKETING** • Digital campaign with Google (personalization)
 - AA BIG points and loyalty campaign, Travel Fair participation





THANK YOU

