



AIRASIA

3.0

AirAsia Group Berhad
Analyst Presentation

Third Quarter Results for the Financial Year 2019

27 Nov 2019

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**WORLD'S
BEST**
LOW-COST AIRLINE



YEARS RUNNING

3Q 2019 Key Highlights



Revenue up 18% YoY despite receiving 53% lesser operating lease income. Excluding operating lease income, revenue was up 24%.

Strong performance of **AirAsia Indonesia** and **AirAsia Philippines** with continued momentum into 4Q19

AirAsia Malaysia decided to grow domestic market share up 3 ppts to 60%

- Hence, domestic average fare is down 15%. International average fare flat. 4Q2019 average fare showing 12% improvement YoY

Strong RASK up 1% despite planned aggression on domestic market share gain and cutting out OTAs, which signifies the strong performance of ancillary revenue

CASK well under control despite heavy investment into digital

CASK +11% due to change in accounting treatment

- Maintenance cost up 118% as includes RM110mil provision
- Additional spend in digital investments of RM50mil

IAA and PAA CASK improved 18% and 13% despite adding more international routes and timing differences in airport incentives

AirAsia Thailand reports steady revenue growth of 5% despite seasonally weak quarter and headwinds of strong Baht and HK situation; Expecting a strong 4Q19

3Q 2019 Key Highlights (cont'd)



AirAsia India revenue grew 58% and gained domestic market share

- RASK up 27%. Load factor improved 14ppts to 90%. Gained 2ppts domestic market share to 7%
- CASK up 5% due to forward hiring to cater for additional aircraft and rescheduling of major maintenance schedules.

Total ancillary revenue grew 26% YoY

- **Duty-free sales** up 39%
- **Seat selection** up 25%
- **Targeted pricing and prediction** have driven 25% and 20% increase in seat selection and baggage revenue by offering the most relevant price point to drive a positive take up rate and revenue per passenger

Non-airline ancillary revenue from digital platforms grew 72% YoY

- **Teleport** revenue of RM121 mil on track to meet FY19 target of RM400m. 3Q19 tonnage up 7% YoY while global industry contracted 5%. Launched Teleport.Social in September 2019
- **BigPay** GTV up 27% QoQ. Launched international money transfer to four Asean countries.
- **AirAsia.com** GBV of RM5.1 bil, up 20% YoY. In Nov, AirAsia.com expanded offering to include bookings of other airlines.

Positive **operating cashflow** (post operating lease) of RM856mil in 9M19

Taking on the OTAs

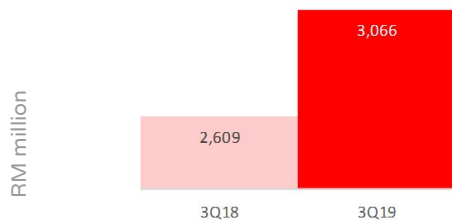
- Continuing from our success in Indonesia. Short-term pain, long-term gain.

3Q 2019 Financial Highlights



Revenue

Robust revenue growth of 18% YoY



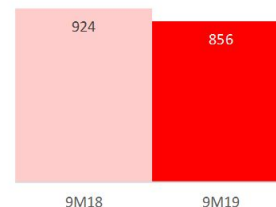
Net Operating Profit

Net Operating Profit down to RM2mil



Operating Cash Flow

Operating Cashflow (post operating lease) marginally down 7% YoY in 9M19



- **Revenue** grew 18% YoY:
 - 19% increase in ASK and strong load factor of 84%. PAA load factor increased 9ppts to 86%
 - 1% RASK growth as RASK for IAA and PAA grew 9% and 11% respectively. Irrational competition in Malaysia and weak demand to HK and Macau led to MAA seeing a 1% decline in RASK.
- **Net operating profit** down 97% YoY to RM2 million due to:
 - Accounting impact from restructured aircraft ownership (from owned to leased) even though similar cash flow where:
 - MFRS137 drove maintenance and overhaul cost up 118% YoY to RM272mil
 - MFRS16 resulting in depreciation of right of use asset & finance costs - lease liabilities
 - Additional digital investments of RM50mil & losses from BigPay, AirAsia.com & RBV Others of RM33mil
- **Loss after tax of RM67mil** was reported due to:
 - RM238mil fair value loss on derivatives
 - RM112mil foreign exchange loss
- Despite irrational competition in Malaysia, we continue to deliver **positive operating cashflow** in 9M19, annualising a 19% OCF yield.

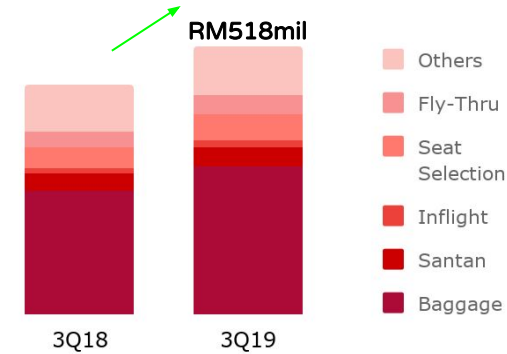
Ancillary revenue up 26%; 23% of revenue

Non-airline ancillary 72% YoY

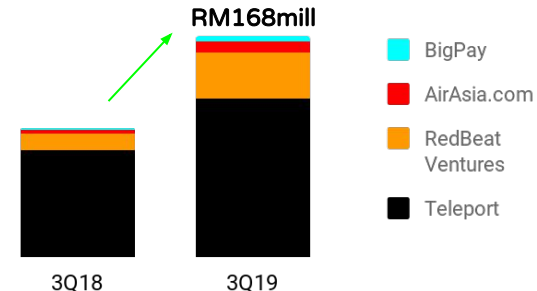
3Q19 Highlights:

- Total ancillary grew 26% to RM686mil, 23% of revenue
- **Airline** ancillary grew 16% YoY
- **Non-airline** ancillary grew 72%
- **PAA** ancillary grew 45%; **IAA** ancillary 64%
- **Seat selection** up 25% to RM51mil
- **Baggage** up 20% to RM286mil
- **Teleport** up 48% to RM121mil
- **BigPay** up 393% to RM4.2mil
- Improved efficiencies and continuous optimisation of digital marketing channels resulted in 47% YoY increase of revenue coming from digital marketing channels
- On **passenger personalisation**, we are piloting in November individual customised promotions based on customer types and purchasing behaviours

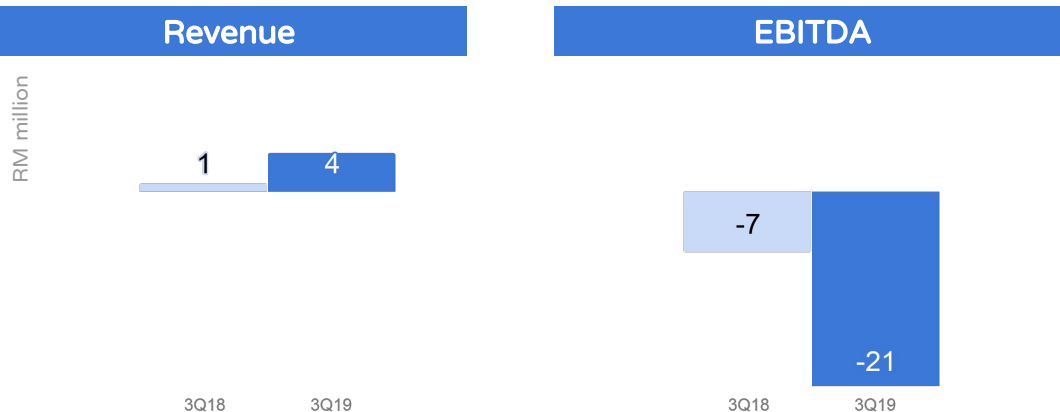
Airline ancillary grew 16% YoY



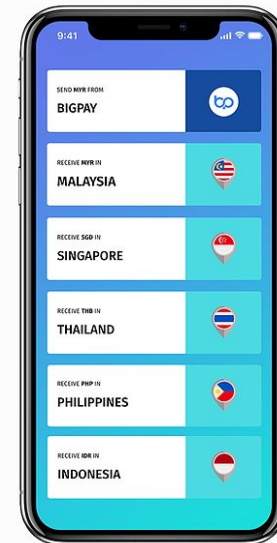
Non-airline revenue taking a larger portion of the pie, with it growing 72% YoY



RedBeat Ventures: BigPay



- **Revenue** grew 30% QoQ
- **User base** increased 28% QoQ to 850k users
- **GTV** grew 27% QoQ
- **Largest digital e-money issuer** in Malaysia by transactional volume
- In 3Q2019, successfully launched a fully digital **remittance** product, enabling users to send money directly from Malaysia to bank accounts in Singapore, Thailand, Indonesia and the Philippines
- Next target to launch closed beta in **Singapore**



RedBeat Ventures: Teleport

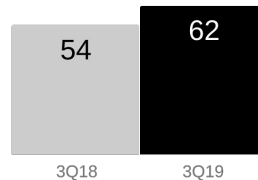
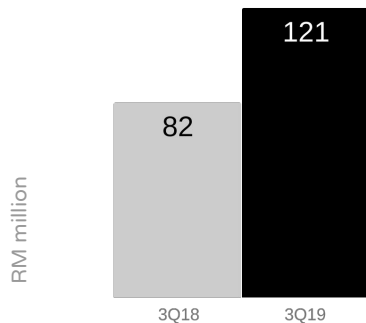
teleport



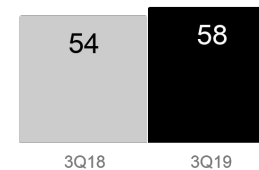
Revenue

EBITDA

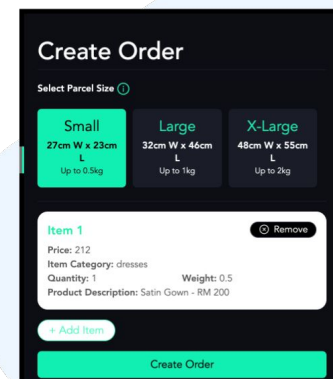
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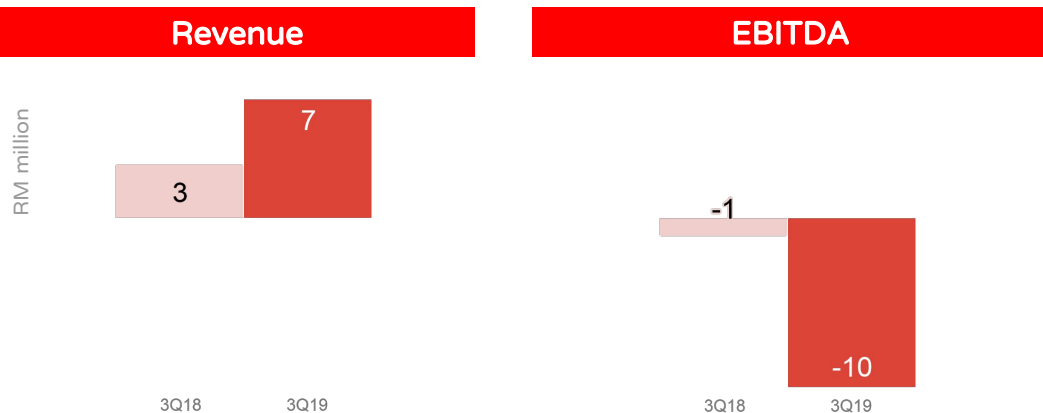
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- **Revenue** grew to RM121mil in 3Q19. 9M19 revenue of RM334mil on track to reach FY19 target of RM400mil
- 3Q19 **tonnage** up 7% YoY while global industry contracted 5%
- In 3Q2019, co-invested US\$10.6mil in **EasyParcel** for its Series B round to grow social and e-commerce across ASEAN.
- Also signed MOU with **Triple i** to integrate cargo capacity in Thailand for AirAsia Thailand and AirAsia X Thailand by 1 January 2020
- Launched **Teleport.Social** in September 2019 to help individuals and SMEs sell their own products on social media anywhere
- In Nov, signed a direct interline agreement with leading air cargo provider **Lufthansa Cargo**



teleport social



- **Revenue** grew more than twofold to RM7.4mil
- **GBV** of RM5.1bil in 3Q2019, up 20% YoY
- Enabled guests to prebook two meals, optimised ancillary recommendation using data science, added hotel widgets, activities search widgets and product badges on homepage, increased inventory for activities to 12k offerings across 100+ destinations
- Launched public and flight **chat rooms** to drive engagement, increase user experience and upselling products
- F.A.C.E.S. sign-up for members and enabled selection of passport details from the member account
- In November, AirAsia.com expanded offering to include flights of other airlines, powered by **Kiwi.com**
- Launched **AirAsia Deals** in November 2019
- Exclusive arrangement with Expedia expiring in mid 2020

Strategies and priorities for 2020



Completed

Priorities

Airline

✓ **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

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

✓ **Gaining market share** in our core passenger markets.

✓ Took delivery of our first **A321neo** which is more fuel- and cost-efficient, with 50 more seats, to be deployed on populous routes and to airports with infrastructure constraints

✓ **Digitalisation projects** on fuel cost reductions and operational improvement tracking well, leveraging on technology and our strong relationships with our partners

All ASEAN AOCs be profitable for 2019 & 2020.

Extensive cost cutting exercise including reducing duplication

Protecting the future - fuel volatility
4Q19: 86% hedged @ Brent US\$60.72/bbl
FY20: 69%-82% hedged @ US\$60.22/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

AirAsia.com

✓ **Opened up AirAsia.com** to offer other airlines' flights to destinations not served by AirAsia

✓ AirAsia.com **offers 11+ products**, including Flights, Hotels, Holiday Packages, Activities, Insurance, Duty Free

Leveraging on data to drive higher funnel conversion. Increase customer stickiness.

Penetrate the ASEAN markets by increasing product offerings and creating new experiences on airasia.com

RedBeat Ventures

✓ **Digital platforms growing revenue** rapidly.

✓ **Building logistics business** using existing network and new interlines. Launched **teleport.social** to disrupt the logistics industry.

✓ BigPay launched new product: **remittance**

Clear strategy leveraging on enormous data to build new businesses.

Teleport integrating Thailand capacity in 1Q2020

Launch of BigPay in other markets & new products



THANK YOU & APPENDIX



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Financial & Operational Performance



		MAA				IAA				PAA			
Key Indicators		3Q18	3Q19		%	3Q18	3Q19		%	3Q18	3Q19		%
OPERATIONAL	Passengers Carried	7,980,797	8,845,823	▲	11%	1,236,068	2,048,968	▲	66%	1,579,035	2,107,387	▲	33%
	Capacity	9,669,210	10,636,026	▲	10%	1,502,460	2,411,640	▲	61%	2,058,120	2,453,940	▲	19%
	Load Factor (%)	83	83	●	-	82	85	▲	3ppts	77	86	▲	9ppts
	RPK (million)	10,105	10,783	▲	7%	1,705	2,780	▲	63%	1,764	2,459	▲	39%
	ASK (million)	12,122	12,884	▲	6%	2,061	3,251	▲	58%	2,268	2,890	▲	27%
	Fuel consumed (Barrels)	1,894,699	2,015,943	▲	6%	343,127	521,263	▲	52%	425,835	508,273	▲	19%
	Average Fuel Price (USD/ Barrel)	90	83	▼	-7%	87	85	▼	-2%	106	90	▼	-16%
	Domestic market share (%)	57	60	▲	3ppts	2	3	▲	1ppt	18	19	▲	1ppt
FINANCIAL	Revenue (million)	RM 1,849	RM 1,896	▲	3%	IDR 1,066,841	IDR 1,833,020	▲	72%	PHP 4,449	PHP 6,225	▲	40%
	RASK	14.68 sen	14.00 sen	▼	-5%	IDR 517.84	IDR 563.96	▲	9%	PHP 1.96	PHP 2.18	▲	11%
	CASK	13.04 sen	14.63 sen	▲	12%	IDR 636.15	IDR 519.22	▼	-18%	PHP 2.58	PHP 2.24	▼	-13%
	CASK Ex-Fuel	7.27 sen	9.26 sen	▲	27%	IDR 405.41	IDR 319.61	▼	-21%	PHP 1.43	PHP 1.42	▼	-1%

Financial & Operational Performance

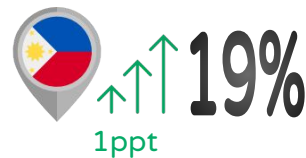
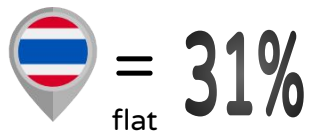


OPERATIONAL

FINANCIAL

Key Indicators	TAA				AAI				AAJ			
	3Q18	3Q19		%	3Q18	3Q19		%	3Q18	3Q19		%
Passengers Carried	5,117,230	5,284,489	▲	3%	1,600,684	2,352,141	▲	47%	81,144	150,277	▲	85%
Capacity	6,336,912	6,547,152	▲	3%	2,100,240	2,621,520	▲	25%	91,620	178,932	▲	95%
Load Factor (%)	81	81	●	-	76	90	▲	14ppts	89	84	▼	5ppts
RPK (million)	4,979	5,444	▲	9%	1,722	2,549	▲	48%	88	159	▲	80%
ASK (million)	6,167	6,766	▲	10%	2,252	2,814	▲	25%	100	188	▲	89%
Fuel consumed (Barrels)	1,131,683	1,237,829	▲	9%	406,911	519,413	▲	28%	15,839	32,763	▲	107%
Average Fuel Price (USD/ Barrel)	101	90	▼	-11%	122	108	▼	-11%	133	112	▼	-16%
Domestic market share (%)	31	31	●	-	5	7	▲	2ppts	n/a	n/a	-	-
Revenue (million)	THB 8,945	THB 9,419	▲	5%	INR 4,582	INR 7,242	▲	58%	JPY 734	JPY 1,366	▲	86%
RASK	THB 1.48	THB 1.42	▼	-4%	203 INR cents	257 INR cents	▲	27%	JPY 7.38	JPY 7.26	▼	-2%
CASK	THB 1.59	THB 1.47	▼	-8%	333 INR cents	350 INR cents	▲	5%	JPY 16.87	JPY 12.03	▼	-29%
CASK Ex-Fuel	THB 0.97	THB 0.98	▲	1%	177 INR cents	210 INR cents	▲	18%	JPY 14.51	JPY 9.94	▼	-31%

Strengthening Market Share



NOK AIR

=
flat



Garuda Indonesia



=
flat



Malaysia 3Q19 Income Statement & Operating Statistics

Quarter Ended: 30 Sept RM '000	3Q18	3Q19	Change YoY
Revenue	1,849,033	1,896,047	3%
Operating expenses:			
- Staff costs	(211,332)	(270,303)	-28%
- Aircraft fuel expenses	(699,758)	(684,135)	2%
- Maintenance and overhaul	(48,828)	(221,531)	-354%
- User charges and other related expenses	(260,127)	(282,471)	-9%
- Aircraft operating lease expenses	(160,055)	-	100%
- Other operating expenses	(130,005)	(93,515)	28%
Other income	58,160	50,595	-13%
EBITDA	397,088	394,686	-1%
Depreciation of PPE	(98,893)	(291,432)	-195%
Finance Income	4,434	8,383	89%
Finance costs	(62,240)	(130,288)	-109%
Net operating profit	240,389	(18,651)	-108%
Foreign exchange gains	84,250	(64,187)	-176%
Fair value losses on derivatives	22,992	(237,725)	-1134%
Gain on disposal of subsi	-	-	-
Profit before taxation	347,631	(320,563)	-192%
Tax expense	(15,001)	(12,923)	-14%
Deferred taxation	501,174	284,155	-43%
Profit after taxation	833,804	(49,331)	-106%

Quarter Ended: 30 Sept	3Q18	3Q19	Change YoY
Passengers Carried	7,980,797	8,845,823	11%
Capacity	9,669,210	10,636,026	10%
Seat Load Factor	83%	83%	Oppt
RPK (million)	10,105	10,783	7%
ASK (million)	12,121	12,884	6%
Average Fare (RM)	175	160	-9%
Unit Passenger Revenue (RM)	220	200	-9%
Revenue / ASK (sen)	14.68	14.00	-5%
Revenue / ASK (US cents)	3.51	3.35	-5%
Cost / ASK (sen)	13.04	14.63	12%
Cost / ASK (US cents)	3.12	3.50	12%
Cost / ASK ex-Fuel (sen)	7.27	9.26	27%
Cost / ASK ex-Fuel (US cents)	1.74	2.22	27%
Aircraft (end of period)	90	96	7%
Average Stage Length (km)	1,251	1,208	-3%
Number of Flights	53,352	58,372	9%
Fuel Consumed (Barrels)	1,894,699	2,015,943	6%
Average Fuel Price (US\$ / Barrel)	90	83	-7%

Indonesia 3Q19 Income Statement & Operating Statistics

Quarter Ended: 30 Sept IDR '000	3Q18	3Q19	Change YoY
Revenue	1,066,841,441	1,833,019,878	72%
Operating expenses:			
- Staff costs	(183,681,341)	(204,305,292)	-11%
- Aircraft fuel expenses	(475,321,260)	(648,875,492)	-37%
- Maintenance and overhaul	(146,748,891)	(227,238,184)	-55%
- User charges and other related expenses	(194,289,156)	(315,481,540)	-62%
- Aircraft operating lease expenses	(153,333,880)	-	100%
- Other operating expenses	(79,191,512)	(51,557,614)	35%
Other income	82,960,213	29,787,993	-64%
EBITDA	(82,764,386)	415,349,750	-602%
Depreciation of PPE	(44,322,254)	(255,663,446)	-477%
Finance Income	428,341	1,109,377	159%
Finance costs	(26,957,058)	(77,838,139)	-189%
Net operating profit	(153,615,357)	82,957,542	-154%
Foreign exchange gains	(116,448,064)	(15,436,159)	-87%
Profit before taxation	(270,063,421)	67,521,383	-125%
Tax expense	-	-	-
Deferred taxation	56,246,166	(6,319,334)	-111%
Profit after taxation	(213,817,255)	61,202,048	-129%

Quarter Ended: 30 Sept	3Q18	3Q19	Change YoY
Passengers Carried	1,236,068	2,048,968	66%
Capacity	1,502,460	2,411,640	61%
Seat Load Factor	82%	85%	3ppts
RPK (million)	1,705	2,780	63%
ASK (million)	2,061	3,251	58%
Average Fare (IDR)	706,629	771,034	9%
Unit Passenger Revenue (IDR)	852,135	863,025	1%
Revenue / ASK (IDR)	517.84	563.96	9%
Revenue / ASK (US cents)	3.53	3.99	13%
Cost / ASK (IDR)	636.15	519.22	-18%
Cost / ASK (US cents)	4.33	3.67	-15%
Cost / ASK ex-Fuel (IDR)	405.41	319.61	-21%
Cost / ASK ex-Fuel (US cents)	2.76	2.26	-18%
Aircraft (end of period)	16	27	69%
Average Stage Length (km)	1,334	1,337	0%
Number of Flights	8,347	13,398	61%
Fuel Consumed (Barrels)	343,127	521,263	52%
Average Fuel Price (US\$ / Barrel)	87	85	-2%

Philippines 3Q19 Income Statement & Operating Statistics

Quarter Ended: 30 Sept PHP '000	3Q18	3Q19	Change YoY
Revenue	4,448,686	6,225,455	40%
Operating expenses:			
- Staff costs	(583,482)	(807,430)	-38%
- Aircraft fuel expenses	(2,611,026)	(2,352,656)	10%
- Maintenance and overhaul	(975,556)	(887,917)	9%
- User charges and other related expenses	(611,656)	(830,868)	-36%
- Aircraft operating lease expenses	(735,145)	-	100%
- Other operating expenses	(269,651)	(432,467)	-60%
Other income	15,931	80,944	408%
EBITDA	(1,321,899)	995,061	-175%
Depreciation of PPE	(107,710)	(1,001,695)	-830%
Finance Income	45	366	714%
Finance costs	(59,103)	(228,704)	-287%
Net operating profit	(1,488,667)	(234,972)	-84%
Foreign exchange gains	(198,292)	(132,028)	-33%
Profit before taxation	(1,686,959)	(367,000)	-78%
Tax expense	-	-	-
Deferred taxation	-	-	-
Profit after taxation	(1,686,959)	(367,000)	-78%

Quarter Ended: 30 Sept	3Q18	3Q19	Change YoY
Passengers Carried	1,579,035	2,107,387	33%
Capacity	2,058,120	2,453,940	19%
Seat Load Factor	77%	86%	9ppts
RPK (million)	1,764	2,459	39%
ASK (million)	2,268	2,890	27%
Average Fare (PHP)	2,297	2,348	2%
Unit Passenger Revenue (PHP)	2,881	2,955	3%
Revenue / ASK (PHP)	1.96	2.18	11%
Revenue / ASK (US cents)	3.66	4.22	15%
Cost / ASK (PHP)	2.58	2.24	-13%
Cost / ASK (US cents)	4.83	4.32	-10%
Cost / ASK ex-Fuel (PHP)	1.43	1.42	-1%
Cost / ASK ex-Fuel (US cents)	2.68	2.75	3%
Aircraft (end of period)	21	24	14%
Average Stage Length (km)	1,102	1,178	7%
Number of Flights	11,434	13,633	19%
Fuel Consumed (Barrels)	425,835	508,273	19%
Average Fuel Price (US\$ / Barrel)	106	90	-16%

Fuel Hedging



- Our Group's fuel hedging strategy is based on our forward sales booking
- Brent – 65% hedged for FY19 at USD62.77 per barrel; 73% hedged for FY20 at USD60.22 per barrel; FY21 19% at USD59.45 bbl

AirAsia Group	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Current Hedge Ratio (Brent)	53%	52%	70%	86%	82%	71%	69%	69%
Average Brent Hedge (Qtrly)	66.68	63.73	62.04	60.72	59.85	60.28	60.40	60.36
Avg Hedge Cost (Qtrly) - Total	80.57	78.23	76.14	73.67	75.04	75.81	76.10	76.05
Average Hedge Cost (2019) - Total	76.50				75.74			

Note: As at 27 November 2019

Fleet Plan



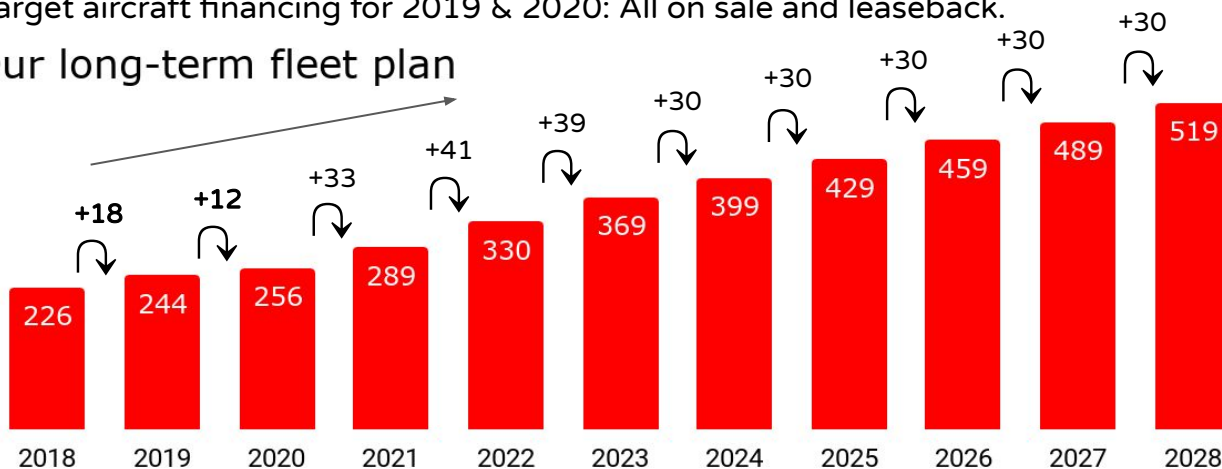
Fleet Expansion Across AOCs in 2019 & 2020

	MAA	TAA	IAA	PAA	AAI	AAJ	Total
December 2018*	95	62	24	22	19	2	224
2019 Net Addition	2	0	4	2	9	1	18
2020 Net Addition	0	-3	3	2	7	3	12

* December 2018 fleet excludes 2 third party leases

Target aircraft financing for 2019 & 2020: All on sale and leaseback.

Our long-term fleet plan



Note: Column chart includes 2 third party leases
Fleet plan is subject to changes
Updated fleet plan as at 6 November 2019



6 countries:

