

AIRASIA GROUP BERHAD

ANALYST PRESENTATION
THIRD QUARTER 2018
FINANCIAL RESULTS

29 November 2018



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



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3Q2018 HIGHLIGHTS

1. Financial Performance

	3Q18	3Q17	Change
Revenue (RM million)	2,609	2,448	+7%
Net Operating Profit (RM million)	125	374	-67%

Revenue up 7% YoY to RM2.61 billion, as a result of:

- Passengers carried +9% YoY to 10.8mil
- Passenger seat sales +11.5% YoY to RM1.9bil
- Profitable despite average fuel price up 50% to USD95 bbl in 3Q2018 vs USD63 bbl in 3Q2017. Fuel cost up 52% YoY
- Overall financial performance was also impacted by the weakening of ASEAN currencies against USD YoY
- Malaysia operations recorded net operating profit of RM240.4mil down 52% YoY, profit before tax down 43% to RM347.6mil, impacted by increased fuel costs
- Philippines operations recorded net operating loss of PHP1.5bil on higher fuel, closure of Boracay Island and overall costs of maintenance and lease expenses due 5.2% weakening of PHP vs USD YoY
- Indonesia reported net operating loss of IDR153.6bil, as a result of Mt. Agung’s prolonged volcanic activities followed by an earthquake in Lombok and tsunami in Palu, which disrupted the overall operations in Indonesia. IDR has also weakened by 9.8% against USD YoY

Note:
Results for AirAsia Group Berhad comprises: AirAsia Malaysia, Indonesia & Philippines only



3Q2018 HIGHLIGHTS



2. Operating Statistics

	3Q18	3Q17	Change
ASK Growth (million)	16,450	14,910	+10%
Passengers Carried	10,795,900	9,891,881	+9%
Load Factor	82%	87%	-5 pts
RASK (sen)	14.70	14.76	Unchanged
CASK (sen)	14.30	12.80	+12%
CASK ex. fuel (sen)	8.11	8.24	-2%

- Overall, it was a seasonally leaner quarter. Performance in 3Q2018 was largely impacted by the 50% increase in fuel price. Despite the vigorous capacity added in line with our strategy, average fares still managed to increase by 3% to RM177 YoY
- Load dipped 5% as a result of 10% ASK growth, with no dilution to RASK
- CASK up by 12% YoY to 14.30 sen largely due to an increase of 52% in fuel expenses as compared to 3Q2017
- CASK ex-fuel improved by 2% to 8.11 sen resulting from the overall tightening of operations under the One AirAsia initiative



3Q2018 HIGHLIGHTS

3. Monetising of assets

- AAC – BBAM transaction of USD1.185 billion announced on 1 March 2018. As at November 2018, received USD1.085 billion (79 aircraft and 14 engines transferred)

4. Competitors shrinking YoY

- Malaysia: Malindo reduced 437 weekly domestic flights from 1,103 to 666 in 3Q18 and terminated 3 domestic routes (Kota Kinabalu-Labuan, Johor Bahru-Langkawi & Kota Bahru-KL) & 15 international routes (11 China, 2 Taipei, 1 Singapore & 1 Bangladesh); MAS reduced 114 weekly flights from 3,236 to 3,122 flights and terminated 7 international routes (4 Jeddah, 1 Medina, 1 China & 1 Australia)
- Indonesia: Lion terminated 31 routes and reduced 368 weekly domestic flights; Garuda terminated 16 routes and reduced 122 weekly flights
- Philippines: Cebu terminated 8 routes and PAL terminated 23 routes

5. Aircraft utilisation across AirAsia Group increased by 2.2% to 13 hours a day in YTD18 vs 12.7 hours in YTD17

6. Group Fleet by 31 December 2018

Full Year	Malaysia	Thailand	Indonesia	Philippines	India	Japan	Group's Net Addition/Total
Jan 2018	84	56	23	17	14	2	196
Net Addition	10	6	1	4	6	-	27
Total	94	62	24	21	20	2	223

* 223 excluding 2 leased to third party

* Jan 2018 fleet for Malaysia excludes 6 aircraft grounded for reallocation to other AOCs

3Q2018 HIGHLIGHTS



7. Digital Group Wide Traction & Projects (AAGB & AAX Group)

All AOCs	YTD2018	YTD2017	Change
<u>Revenue (in mil, in USD)</u>			
Mobile App	514	356	44%
Website	1,532	1,316	16%

Revenue Generating Efforts:

- Global Search Engines Optimised (Google, Bing, Yahoo) launch April 2018. Incremental: revenue +153% to USD3.3 mil, seat sold +157% to 50,669; New users from Search Engines : Google +100% to 741,549

Cost Saving Initiatives:

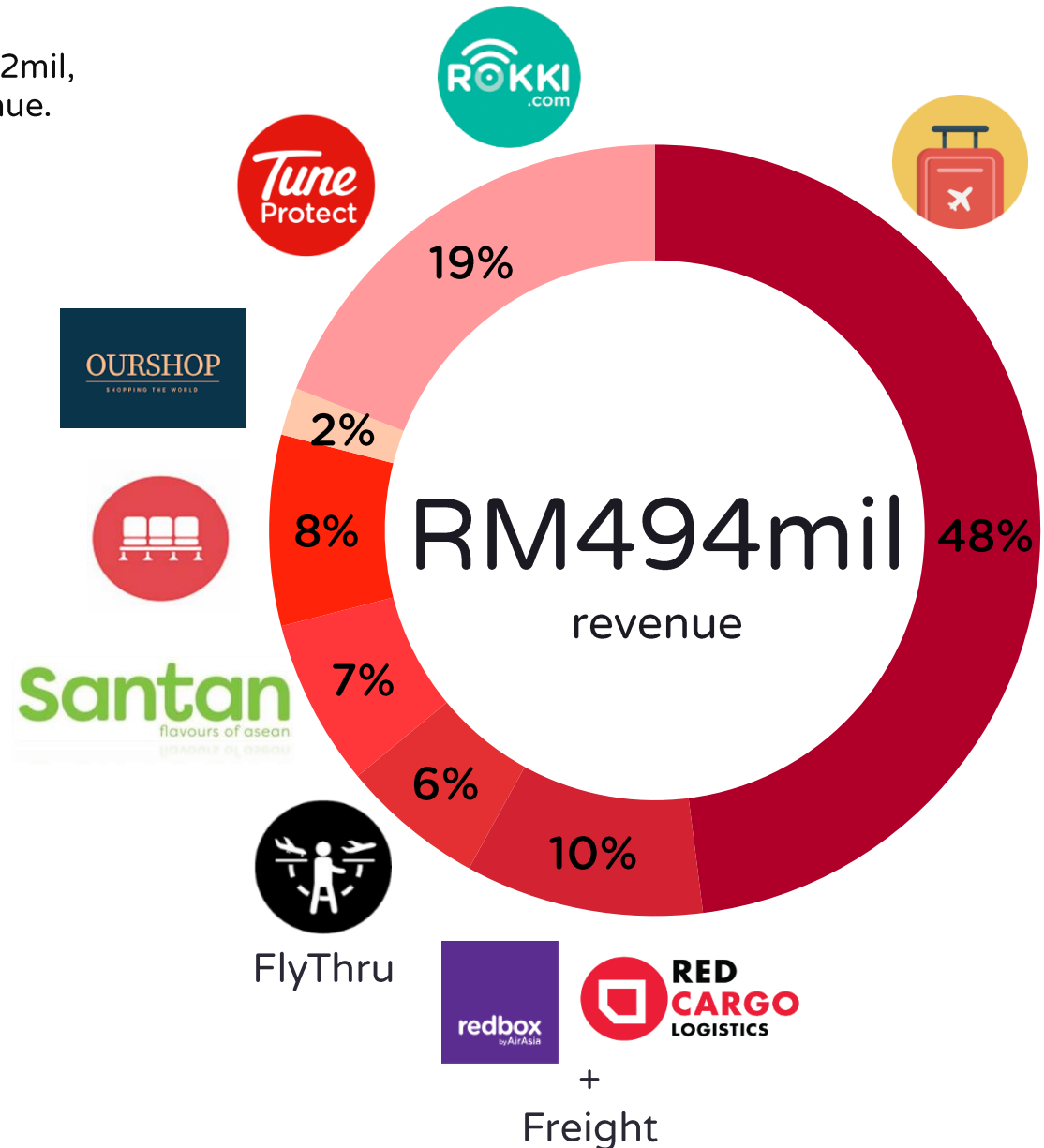
- Automated campaign: recommended destination based on last search promotion push launched August 2018, back office headcount reduced by 21%, cost reduced by RM324k pa, conversion from flight search to booking up by 23%



3Q2018 HIGHLIGHTS

8. Ancillary

- AirAsia Group Berhad's^[1] ancillary revenue reported RM494.2mil, grew 1.4% YoY. Ancillary income contributed 19% of total revenue.
- Dynamic pricing & ancillary personalisation resulting in better target marketing:
 - Baggage Fees up 1% YoY to RM238.1 mil
 - Inflight F&B up 2% YoY to RM34.8 mil
 - Seat selection up 38% to RM40.1 mil
 - Duty Free up by 54% at RM9.5 mil
- Rokki WiFi enabled aircraft: MAA 51; PAA 6, IAA 2
- RedCargo (short-haul) reported revenue of RM40.9mil



[1] AirAsia Group Berhad refers to AirAsia Malaysia, AirAsia Indonesia & AirAsia Philippines only



ASSOCIATES' PERFORMANCE

AIRASIA THAILAND

	3Q18	3Q17	Change
Passengers Carried	5,117,230	4,934,324	+4%
ASK (million)	6,167	5,707	+8%
Load factor (%)	81	85	-4 ppts
Average Fares (THB)	1,420	1,460	-3%
Revenue (THB mil)	8,945	8,754	+2%
Net Operating (Loss)/Profit (THB mil)	(827)	391	>-100%
CASK ex-fuel (THB)	0.97	1.01	-4%

- Launched 3 new international routes and increased frequency on several international flights, focusing more on international connectivity in 3Q18
- Grew fleet to 60 in 3Q18 from 54 in 3Q17
- Net operating loss of THB827 million as a result of a slowdown in Chinese tourist due to China's overall economic sentiment coupled with Phuket ferry incident, increase in fuel prices, fuel related expenses and tightening competition, resulting in fare compression.
- Total ancillary revenue grew by 9% amounting to THB1.72bil on the back of increased passengers carried
- CASK ex-fuel well controlled, reported 4% lower YoY to THB0.97



ASSOCIATES' PERFORMANCE

AIRASIA INDIA

	3Q18	3Q17	Change
Passengers Carried	1,600,684	1,174,574	+36%
ASK (million)	2,252	1,402	+61%
Load Factor (%)	76	85	-9 ppts
Average Fares (INR)	2,574	3,024	-15%
Number of Flights	11,668	7,638	+53%
Revenue (INR million)	4,582	3,950	+16%
Net Operating (Loss) (INR million)	(2,908)	(167)	>-100%

- Revenue up by 16% YoY in 3Q18 YoY
- 2 new routes originating from Bengaluru in 3Q18
- Net operating loss of INR2.9 bil due to hike in fuel price, increased expenses on rapid capacity expansion and plans to fly international
- Grew fleet to 19 aircraft in 3Q18, target to end with 20 aircraft by December 2018. International connectivity in 2019
- RASK reduced by 28% to INR203.46
- CASK ex-fuel well controlled at INR176.91 down by 5% YoY





STRATEGY

1. Seizing opportunities

Market Share	Domestic				International			
	AirAsia		3Q2018 vs 3Q2017		AirAsia			
	3Q18	3Q17			3Q18	3Q17		
Malaysia	59%	↑	51%	MAS -4%	Malindo -4%	44%	↔	44%
Thailand	32%	↑	31%	Nok Air -4%	Bangkok Airways -1%	15%	↑	14%
Indonesia	2%	↔	2%	Lion -2%	Garuda FLAT	22%	↔	22%
Philippines	17%	↑	13%	Cebu -2%	PAL FLAT	8%	↑	6%
India	5%	↑	4%	IndiGo +4%	Jet -2%	3%	↔	3%

- Airlines operating in the regions of Thailand, Indonesia and India have reported net losses eg. SpiceJet , Nok Air, Garuda, Thai Airways
- We will weather through this period by holding on to our strategy and further grow our market share

2. Turning around Philippines and Indonesia operations by 2019. Secondary listing for Indonesia target by 2019. India to start flying international & Japan to start connecting to North Asia in accordance to our plans to narrow losses

3. Partnership with Google

- Integration of machine learning and artificial intelligence as part of the business transformation process into a travel technology company
- Allstars technical team will be enrolled into the same programme Google Cloud used to train its engineers, allowing us to build an in-house machine learning expertise



STRATEGY



4. Partnership with Airbus (Skywise) & Palantir

- Integrated Big Data platform to improve airline operations, preventive maintenance to save costs, reduce aircraft on ground (FOMAX installation started in Aug 2018)
- Forecast of predictive maintenance, efficient scheduling of parts/rotable replacements (potential savings – USD40,000 per aircraft per year)

5. Maximise revenue

- Full year load target of 85% on track
- Fare revision in accordance with fuel and competition
- Average fares for AirAsia Malaysia, Indonesia, Philippines & Japan are trending upwards for 4Q2018

6. Fuel & Brent Hedging

- December 2018 to benefit from the lower fuel prices
- 1Q19 48% at USD67.24bbl - Brent
- 2Q19 27% at USD65.40bbl - Brent

7. Ancillary revenue to grow with ASK

- RedCargo – Target : RM200mil by December 2018
- Ourshop – online retail & duty-free – tie ups with local duty-free retailers country by country in progress
- Baggage – Further enforcement of 7kg carry on for all airports
- Big Loyalty – commenced inflight points redemption rolled out in October 2018

8. Improving Customer Happiness to increase Net promoter score form 30 to 46

- Collection of guest feedback from 3rd party sales channel by 4Q2018

9. Maximising returns to shareholders

- Special dividend of 40 sen per share from the BBAM transaction to be paid on 28 December 2018



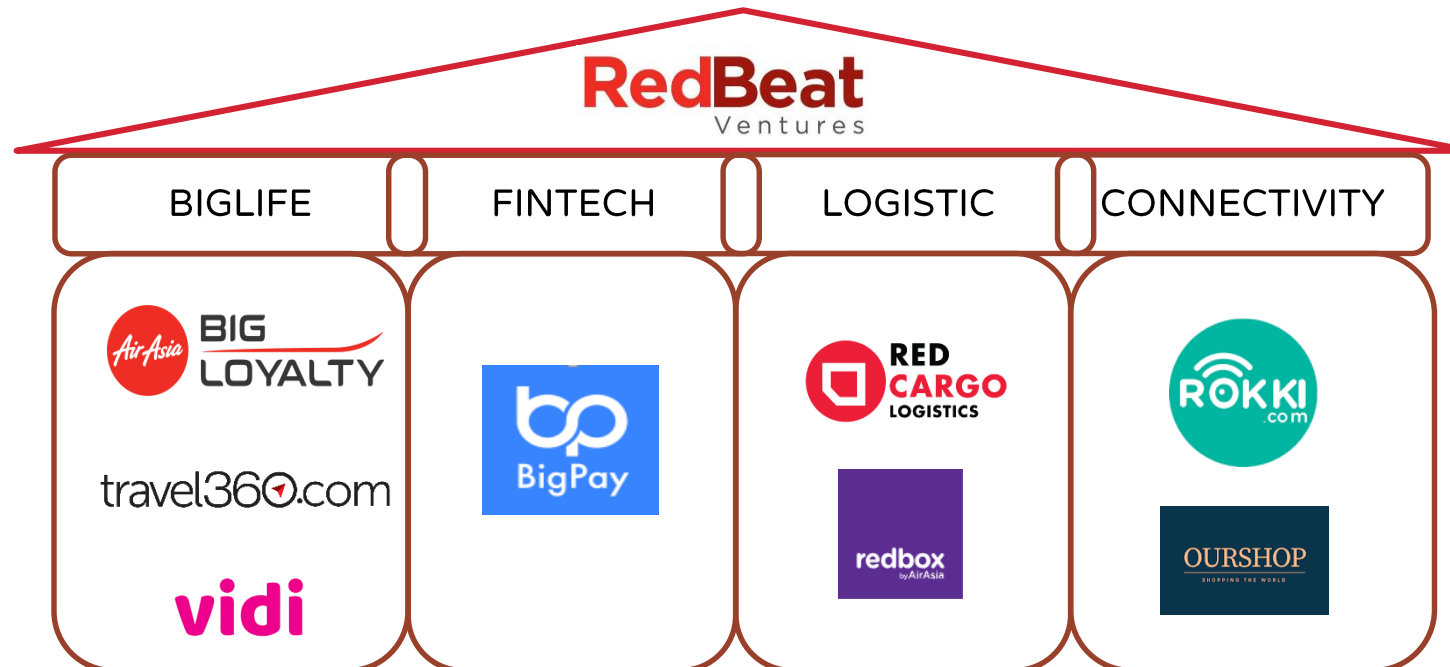
STRATEGY

10. Under the umbrella of RedBeat Ventures (RBV):

- The logistics arm recorded PAT of RM7.0mil, BIG Loyalty reported loss after tax (LAT) of RM1.5mil from increased spending on marketing programmes, BigPay reported LAT of RM7.3mil from higher costs incurred on user acquisition campaigns and onboarding costs, Rokki reported LAT RM1.0mil as the unit recorded lower revenue from free 2MB campaign (ended in July 2018)

Strategy going forward, consolidation of entities and investments under RBV

- Consolidation of investments into 4 Key Pillars (BigLife, Fintech, Logistic, Connectivity)
- Creation of synergy and operation efficiency through the consolidation
- Acceleration of initiatives rolled-out & avoidance of duplication of spends and efforts





YEARS RUNNING

WORLD'S BEST LOW-COST AIRLINE

**THANK YOU
&
APPENDIX**



MALAYSIA 3Q18 INCOME STATEMENT & OPERATING STATISTICS



Quarter Ended: 30 September RM'000	Jul – Sep 2018	Jul - Sep 2017	Change YoY
Revenue	1,849,033	1,631,551	13%
Operating expenses:			
- Staff costs	(211,332)	(245,767)	14%
- Depreciation of PPE	(98,893)	(155,753)	37%
- Aircraft fuel expenses	(699,758)	(480,425)	-46%
- Maintenance & overhaul	(48,828)	(75,107)	35%
- User charges and other related expenses	(260,127)	(202,990)	-28%
- Aircraft operating lease expenses	(160,055)	(31,195)	-413%
- Other operating expenses	(130,005)	(58,223)	-123%
Other income	58,160	194,435	-70%
Operating profit	298,195	576,526	-48%
Finance Income	4,434	20,779	-79%
Finance Costs	(62,240)	(100,157)	38%
Net operating profit	240,388	497,148	-52%
Foreign exchange gains	84,250	61,588	37%
Fair value gains on derivatives	22,992	49,146	-53%
Profit before tax	347,629	607,882	-43%
Taxation	(15,001)	(3,594)	317%
Deferred taxation	501,174	(22,599)	-2318%
Net profit	833,802	581,690	43%
EBITDAR	557,143	763,474	-27%
EBITDAR Margin	30%	47%	-17 ppts
EBIT Margin	16%	35%	-19 ppts

Quarter Ended: 30 September	Jul - Sep 2018	Jul - Sep 2017	Change YoY
Passengers Carried	7,980,797	7,436,795	7%
Capacity	9,669,210	8,505,486	14%
Seat Load Factor	83%	87%	-4 ppts
RPK (million)	10,105	9,683	4%
ASK (million)	12,121	11,146	9%
Average Fare (RM)	175	163	7%
Unit Passenger Revenue (RM)	220	212	4%
Revenue / ASK (sen)	14.68	14.25	3%
Revenue / ASK (US cents)	3.58	3.47	3%
Cost / ASK (sen)	13.04	11.33	15%
Cost / ASK (US cents)	3.18	2.76	15%
Cost / ASK-ex Fuel (sen)	7.27	7.02	4%
Cost / ASK-ex Fuel (US cents)	1.77	1.71	4%
Aircraft (end of period)	90	80	13%
Average Stage Length (km)	1,251	1,309	-4%
Number of Flights	53,352	47,206	13%
Fuel Consumed (Barrels)	1,894,699	1,875,579	1%
Average Fuel Price (US\$ / Barrel)	90	62	44%

INDONESIA 3Q18 INCOME STATEMENT & OPERATING STATISTICS



Quarter Ended: 30 September IDR '000	Jul – Sep 2018	Jul – Sep 2017	Change YoY
Revenue	1,066,841,441	1,023,760,990	4%
Operating expenses:			
- Staff costs	(183,681,341)	(186,576,141)	2%
- Depreciation of PPE	(44,322,254)	(82,748,407)	46%
- Aircraft fuel expenses	(475,321,260)	(279,504,454)	-70%
- Maintenance and overhaul	(146,748,891)	(137,628,251)	-7%
- User charges and other related expenses	(194,289,156)	(204,443,993)	5%
- Aircraft operating lease expenses	(153,333,880)	(141,780,503)	-8%
- Other operating expenses	(79,191,512)	(66,085,442)	-20%
Other income	82,960,213	211,888,443	-61%
Operating (loss)/profit	(127,086,640)	136,882,242	-193%
Finance Income	428,341	1,127,267	-62%
Finance Costs	(26,957,058)	(21,908,536)	-23%
Net operating (loss)/profit	(153,615,357)	116,100,973	-232%
Foreign exchange gains	(116,448,064)	875,682	-13398%
(Loss)/Profit before tax	(270,063,421)	116,976,655	-331%
Taxation / Deferred tax	56,246,166	85,635	-65581%
Net (loss)/profit	(213,817,255)	117,062,290	-283%
EBITDAR	70,569,494	361,411,151	-80%
EBITDAR Margin	7%	35%	-28 ppts
EBIT Margin	-12%	13%	-25 ppts

Quarter Ended: 30 September	Jul - Sep 2018	Jul - Sep 2017	Change YoY
Passengers Carried	1,236,068	1,175,427	5%
Capacity	1,502,460	1,357,460	11%
Seat Load Factor	82%	87%	-5 ppts
RPK (million)	1,705	1,726	-1%
ASK (million)	2,060	1,973	4%
Average Fare (IDR)	686,482	680,714	1%
Unit Passenger Revenue (IDR)	852,135	865,274	-2%
Revenue / ASK (IDR)	516.55	511.78	1%
Revenue / ASK (US cents)	3.52	3.49	1%
Cost / ASK (IDR)	584.33	469.06	25%
Cost / ASK (US cents)	3.98	3.19	25%
Cost / ASK-ex Fuel (IDR)	353.59	327.40	8%
Cost / ASK-ex Fuel (US cents)	2.41	2.23	8%
Aircraft (end of period)	16	14	12%
Average Stage Length (km)	1,334	1,328	-
Number of Flights	8,347	7,542	11%
Fuel Consumed (Barrels)	343,127	334,416	3%
Average Fuel Price (US\$ / Barrel)	87	60	45%

PHILIPPINES 3Q18 INCOME STATEMENT & OPERATING STATISTICS



Quarter Ended: 30 September PHP'000	Jul - Sep 2018	Jul - Sep 2017	Change YoY
Revenue	4,448,686	3,463,283	28%
Operating expenses:			
- Staff costs	(583,482)	(512,764)	-14%
- Depreciation of PPE	(107,710)	(27,420)	-293%
- Aircraft fuel expenses	(2,611,026)	(1,289,443)	-102%
- Maintenance & overhaul	(975,556)	(926,991)	-5%
- User charges and other related expenses	(611,656)	(469,354)	-30%
- Aircraft operating lease expenses	(735,145)	(546,075)	-35%
- Other operating expenses	(269,651)	(224,309)	-20%
Other income	15,931	52,368	-70%
Operating profit	(1,429,608)	(480,703)	-197%
Finance Income	45	121	-63%
Finance Costs	(59,103)	(102,002)	42%
Net operating profit	(1,488,666)	(582,584)	-156%
Foreign exchange losses	(198,292)	(154,235)	-29%
Loss before tax	(1,686,958)	(736,819)	-129%
Taxation	-	-	-
Net Loss	(1,686,958)	(736,819)	-129%
EBITDAR	(586,753)	92,791	-732%
EBITDAR Margin	-13%	3%	-16 ppts
EBIT Margin	-32%	-14%	-18 ppts

Quarter Ended: 30 September	Jul - Sep 2018	Jul - Sep 2017	Change YoY
Passengers Carried	1,579,035	1,279,659	23%
Capacity	2,058,120	1,539,900	34%
Seat Load Factor	77%	83%	-6 ppts
RPK (million)	1,764	1,466	20%
ASK (million)	2,268	1,791	27%
Average Fare (PHP)	2,297	2,178	5%
Unit Passenger Revenue (PHP)	2,881	2,707	6%
Revenue / ASK (PHP)	1.96	1.96	-
Revenue / ASK (US cents)	3.66	3.67	-
Cost / ASK (PHP)	2.58	2.23	16%
Cost / ASK (US cents)	4.82	4.17	16%
Cost / ASK-ex Fuel (PHP)	1.43	1.51	-5%
Cost / ASK-ex Fuel (US cents)	2.67	2.83	-5%
Aircraft (end of period)	21	16	31%
Average Stage Length (km)	1,102	1,163	-5%
Number of Flights	11,434	8,555	34%
Fuel Consumed (Barrels)	425,835	328,449	30%
Average Fuel Price (US\$ / Barrel)	87	60	45%