AirAsia Group Berhad

Analyst Briefing for the 3QFY20 Results

24 November 2020

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Performance Highlights

3Q20 KEY HIGHLIGHTS

Successfully rebranded and relaunched airasia.com into a leading all-in-one Asean digital travel and lifestyle super app

Positive results despite P&L loss of RM1.08 bil. Excluding fuel hedging, lease costs and one-off items which are impairment of receivables and gain on disposal of PPE, loss after tax would be RM90 mil

QoQ revenue growth of 272%. Airline revenue grew 5 times compared to 2Q20

Airline stabilised in 2Q, strong domestic recovery in 3Q, remain confident for 2021 despite softer 4Q due to CMCO
We will be able to ride out on domestic business if travel restrictions remain in place and borders stay closed

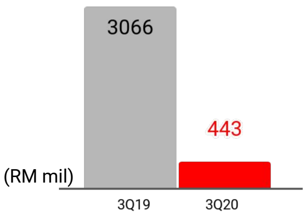
- Fixed cost down 50% in 3Q20 due to stringent cost control measures
- Continued support from lessors for deferrals, as seen in the 88% reduction in net cash used for financing activities in 3Q20
- Active capacity management to match demand
- Load factor was commendable at 66% vs 59% in 2Q20 despite adding capacity by 733% QoQ
- Significant MoM improvement in key statistics as travel restrictions eased
- Restructured our fuel hedges. Fuel swap losses in 2021 would be minimal

Digital platforms on strong momentum

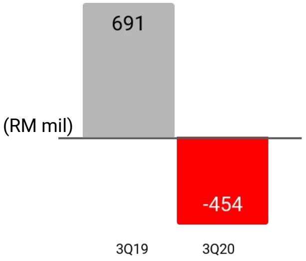
- airasia.com narrowed EBITDA loss by 72% YoY to RM2.9 mil
- BigPay revenue up 4% while EBITDA loss narrowed 19% YoY to RM17 mil
- Teleport reported positive EBITDA of RM20 mil
- BIG Rewards reported positive EBITDA of RM2 mil
- Continuous development of airasia food, airasia fresh, OURFARM, SNAP, Unlimited and others which are gaining traction

3Q20 FINANCIAL HIGHLIGHTS

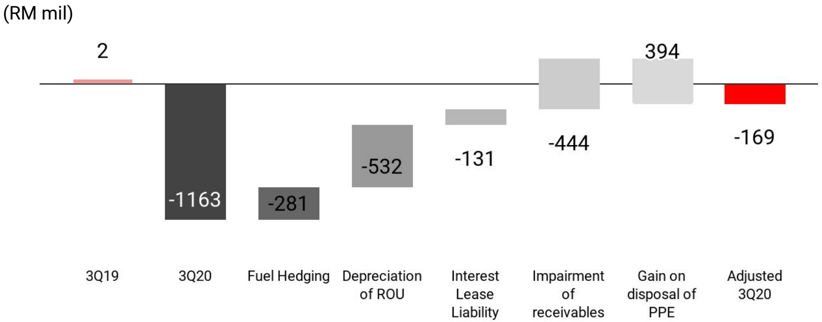
Revenue



Group EBITDA



Net Operating Profit/ Loss



Revenue grew 272% QoQ but declined 86% YoY:

- Operated 19% of pre-Covid total capacity during the quarter led by MAA with 30% in Sept
- RASK for MAA increased by 1% while RASK for PAA increased by 49% reflecting the adaptation of a better pricing strategy and more rational competitor pricing since 4Q2019

Group EBITDA went into the red:

- Shortfall in revenue due to travel restrictions and lockdowns
- Airline opex reduction of 47% was insufficient to cover 87% decline in airline revenue
- Fuel hedging loss of RM281 mil
- Recognition of one-off impairment of receivables of RM444 mil and gain on disposal of spare engines of RM394 mil
- AirAsia Digital posted EBITDA loss of RM3 mil compared to RM29 mil profit in 3Q19 due to 54% decline in cargo revenue for Teleport due to closed borders and limited cross-border network

Net operating loss due to:

- Higher depreciation on right-of-use assets due to higher number of leased aircraft, despite deferrals

COST CONTAINMENT STRATEGIES INTACT

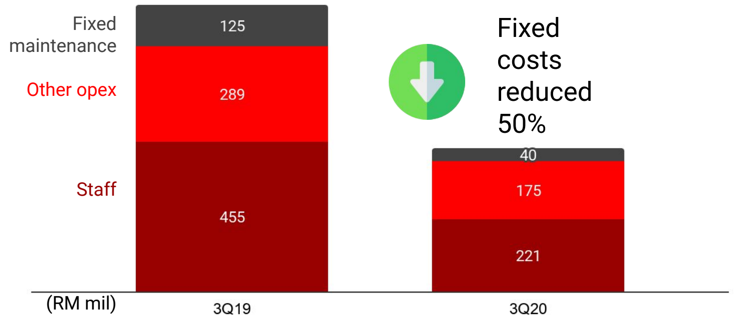
Fixed costs reduced by 50% in 3Q20

- Staff costs decreased by 51% due to headcount rationalisation, salary cuts across the board & attrition
- Fixed maintenance reduced 68% due to asset optimisation
- Other opex down 40% with strict cost control on marketing, rental & IT spend

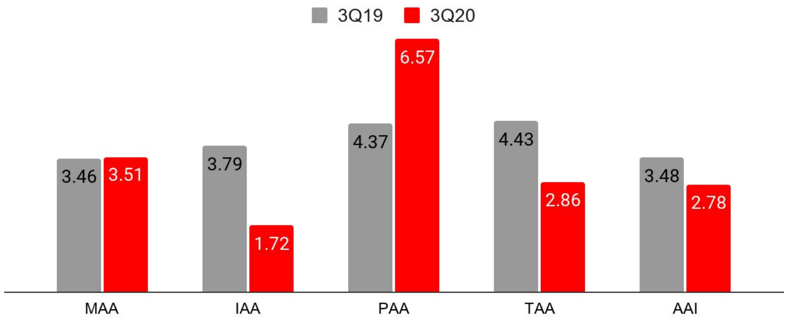
Depreciation and finance cost up 5% YoY due to higher number of leased aircraft. This was despite successful negotiations for deferrals with lessors, as due to Amendments to MFRS16: Covid 19 Related Rent Concessions, the income statement charge of depreciation and interest were not adjusted.

Better fare market environment

- RASK for MAA increased by 1% while RASK for PAA increased by 49% reflecting the adaptation of a better pricing strategy and more rational competitor pricing since 4Q2019
- Load factor was commendable at 66% compared to peers



RASK improved for MAA and PAA



5X AIRLINE REVENUE GROWTH QOQ

3Q20 load factor was solid at 68%. MAA hit 70% load factor in Sept with 30% operating capacity
RASK increased by 1%

Passengers carried increased 18 times QoQ with easing travel restrictions
IAA to focus on domestic routes expansion and exploring new domestic routes in 2021

Decent 3Q20 load factor at 56% with minimal capacity operated
RASK increased by 49%

Strong domestic rebound, operated 96% of pre-covid domestic capacity in Sept. 3Q20 load factor was commendable at 65%
Launched a new operating hub at BKK in Sept

Passengers carried in Sept increased by 79% from July
Solid load factor of 62%

ROBUST DIGITAL PLATFORMS

teleport

Positive EBITDA of RM20 mil despite a decline in revenue from cargo capacity due to closed borders

Transformed from cargo to an end-to-end delivery infrastructure (including first, last mile, and customs clearance) and launched **e-commerce marketplaces** focused on delivery with airasia food, airasia fresh and airasia shop

In November, Teleport **partnered with Alibaba**'s logistics arm Cainiao for cross-border deliveries. Also in November, Teleport has **expanded its delivery services to every major city** AirAsia flies to, in total 77 cities across 5 countries in Southeast Asia

airasia.com

Recently rebranded and launched as the **all-in-one Asean digital travel and lifestyle superapp** to provide quick and convenient user experience with >15 product and services under 3 pillars: travel, e-commerce, fintech

Narrowed EBITDA loss by 72% YoY to RM2.9 mil

Expanded airasia Unlimited to other key markets, latest are Indonesia and the Philippines

At the end of October, expanded its value-for-money **Wednesday SNAP Specials** to the Philippines. In November, launched **airasia Health**, a new digital platform to offer end-to-end medical services

BigPay

Revenue grew 4% YoY and 13% QoQ. **Narrowed EBITDA loss** by 19% YoY

RM31m remittance volume in Sept for BigPay Malaysia. 1.25m users in Malaysia

Launched BigPay Singapore late Sept, currently has 3K users

Granted a **community credit license** in Malaysia, enabling wider offering of financial services including micro-credit

ROBUST DIGITAL PLATFORMS

Santan
From ASEAN with Love

Revenue grew 64% QoQ and 86% YoY

Growth **driven by business recovery** post-MCO, also supported by the new outlet in Sunway Pyramid which opened in July, orders through satellite kitchen and collection of franchise fees

Launched Santan Food, a specially curated space at its flagship outlet in Mid Valley Megamall, in late September to showcase ASEAN Groceries range

BIG REWARDS

Positive EBITDA of RM2 mil in 3Q20 on higher revenue lifted by higher redeemed points

Seen higher activities on BIG Rewards platform through member engagement, resulting in close to 88% of BIG Points redeemed via BIG Rewards platform

In terms of total issued points, 38% of points are issued from BIG Loyalty while 62% are issued via our partners

Implies BIG Rewards' ability to drive traffic and demand back to its platform with minimum costs as high number of points are issued by its partners but redeemed via BIG Rewards

OURFARM

Commenced operations in July 2020. Built Farmer and Buyer management processes

Signed up >700 farmers in West Malaysia and >20 SMEs

One key business account on trial period which ends November. Positive feedbacks so far - average rating 9/10 and reject rate <0.01%

Outlook

ENSURING SUFFICIENT LIQUIDITY

Announced ceasing of AAJ operations in early Oct to reduce cash burn for the Group due to the highly challenging operating environment

Disposal of spare engines in 3Q20 to raise liquidity. Exploring other potential monetisation opportunities

Cost containment on track: right sizing, salary cuts across the board, received support from lessors, suppliers and partners for deferrals, restructured fuel hedging positions and working with creditors on repayment plans

On track to achieve 50% reduction in cash expenses in FY20

Different stages in multiple digital improvement initiatives across operations, resulting in further savings in headcount, fuel, maintenance and user charges

Secured RM300 mil development loan from Sabah Development Bank

Securing commitments from the banks for the Danajamin PRIHATIN Guarantee Scheme in Malaysia and other bank financing in other markets

Debt and rights issue in discussion

FAITH IN FLYING RESTORED

Seeing strong signs of recovery in key domestic markets due to pent-up demand, especially in Thailand (currently close to 100% pre-covid domestic capacity). Slight setback in Malaysia but expect to bounce strongly in December.

Expecting a rebound in forward bookings for future travel upon further easing of lockdowns and travel restrictions

Despite expecting capacity drop of 60% in 2020 due to minimum international operations, we are prepared to rely on domestic sector into 2021.

In 4Q20, we are ramping up domestic capacity with aim to gain market share especially in Indonesia & Philippines:

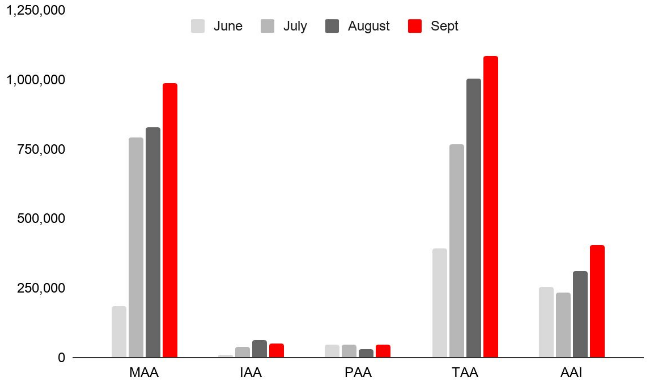
- MAA up to 67% of pre-covid levels in Dec, after cut in Oct & Nov (7-21% of pre-covid levels) due to lockdown
- TAA to exceed pre-covid levels
- IAA up to 47% of pre-covid levels
- AAI up to 67% of pre-covid levels

Profitability of airline business to increase compared to pre-covid:

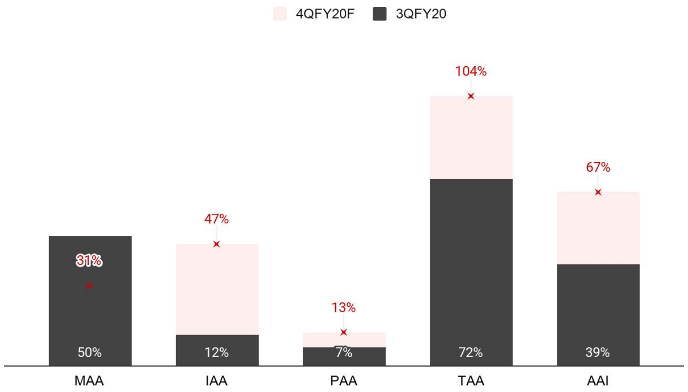
- Reduction in costs as we establish leaner operations, remove loss-making routes while focusing on profitable and popular routes, expectation of lower fuel unit cost by 15% in 2021 vs 2019
- Encouraging fare environment with rational competition

Exploring opportunities for local airline presence in Indo China

MoM capacity



Planned domestic capacity (vs 2019 capacity)

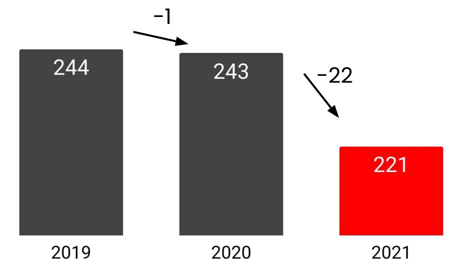


FLEET DOWNSIZE TO MATCH DEMAND AND INCREASE AIRCRAFT UTILISATION

Our network plan is continuously revised to reflect the latest recovery timeline following the ongoing Covid-19 impact.

We have planned for reduction in our fleet count to match our expected recovery post-covid.

Planned fleet reduction for 2020 & 2021



	MAA	TAA	IAA	PAA	AAI	AAJ	Group
December 2019	97	63	28	24	29	3	244
2020 Net Fleet Growth	0	-4	0	1	4	-2	-1
2021 Net Fleet Growth	-8	-5	-6	-3	1	-1	-22
December 2021	89	54	22	22**	34	0	221**

Note: Excludes 2 third party leases, **includes 3x A320 acft grounded by end 2021 for return in Q1 2022
Fleet plan is subject to changes
Updated fleet plan as at 24 November 2020

DIGITAL TURNING PLANS INTO ACTIONS

airasia.com will be expanding availability of products and service, such as SNAP, Hotels, Activities and Unlimited to Asean countries and China

BigPay is working on rolling out upcoming products, including lending (Malaysia, Philippines), payment (Thailand) and remittance (Philippines). Also exploring insurance and wealth management products

teleport is creating a cargo-only network that re-connects our core international markets - to position Teleport as the leading regional network operator in Southeast Asia. This will reduce the dependency on pace of recovery of the passenger network. Capacity will be a combination of belly space, passenger freighters or dedicated, external freighter supply.

Santan (From ASEAN with Love), following its first franchise in Sogo, KL, will open up to 20 franchise outlets around Klang Valley, before expanding beyond Malaysia

BIG REWARDS is exploring new partners, enhancing Points Back for repurchasing stickiness, and increasing member engagement through vouchers and games

OURFARM is focused on educating farmers on platform and sales strategies, and acquiring relevant licenses to export from Sabah

THANK YOU
everyone

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Appendix

3Q20 AIRLINE PERFORMANCE

	Key Indicators	MAA 3Q19	MAA 3Q20	MAA %	IAA 3Q19	IAA 3Q20	IAA %	PAA 3Q19	PAA 3Q20	PAA %
OPERATIONAL	Passengers Carried	8,845,823	1,774,963	-80%	2,048,968	73,701	-96%	2,107,387	67,760	-97%
	Capacity	10,636,026	2,610,686	-75%	2,411,640	150,660	-94%	2,453,940	121,320	-95%
	Load Factor (%)	83%	68%	-15ppts	85%	49%	-36ppts	86%	56%	-30ppts
	RPK (million)	10,783	1,678	-84%	2,780	90	-97%	2,459	62	-97%
	ASK (million)	12,884	2,422	-81%	3,251	180	-94%	2,890	114	-96%
	Fuel consumed (Barrels)	2,015,943	387,094	-81%	521,263	26,207	-95%	508,273	28,994	-94%
FINANCIAL	Revenue (million)	RM 1,891	RM 356	-81%	IDR 1,811,212	IDR 45,423	-97%	PHP 6,226	PHP 370	-94%
	Net operating profit (million)	-RM 15	-RM 590	3819%	IDR 67,512	-IDR 750,554	-101%	-PHP 235	-PHP 2,322	888%
	RASK	14.49 sen	14.70 sen	1%	IDR 556.93	IDR 252.77	-55%	PHP 2.18	PHP 3.24	49%
	CASK	14.67 sen	24.32 sen	66%	IDR 536.17	IDR 4,433.17	727%	PHP 2.24	PHP 23.57	954%
	CASK Ex-Fuel	9.34 sen	14.54 sen	56%	IDR 336.70	IDR 3,198.98	850%	PHP 1.42	PHP 7.58	434%