



AIRASIA

THE DIGITAL AIRLINE

THIRD QUARTER 2016



BIG DATA
FOR HUMANS



Big
Loyalty



AirAsiaExpedia





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3Q16 GROUP HIGHLIGHTS

AIRASIA GROUP – 3Q16 CONSOLIDATED RESULTS OF AAB AND AOCs
Included in the company's Bursa announcement (Note 9)



- **Group Passenger:** 14.23 million (+11%)
- **Group Load Factor:** 87% (+6 pts)
- **Group Revenue:** RM2.97 billion
- **Group Net Operating Profit:** RM403.64 million
- **Group Profit Before Tax:** RM488.66 million
- **Group CASK:** 13.82sen (US\$3.38)
- **Group Cash Position:** RM2.80 billion
- **Group Net Gearing:** 1.90x



- Revenue up 11%
- Profit after tax up 187%



- Revenue up 12% due to 21% increase in pax carried
- Net op profit up 28%, Profit after tax up 318%
- CASK decreased 7%



- Revenue down 26% due to fleet reduction as part of turnaround strategy
- Load factor +15pts to 90%
- As promised, IAA recorded a net operating profit of IDR197.5 bil and profit after tax of IDR486.6 bil
- RASK is up 10% and CASK is down 15%.



- Revenue up 24% on 8% higher passenger volume and 21% increase in average fare
- Net operating loss was at PHP(915)mil and Loss after tax is PHP(1.2)bil
- Excluding one-off loss related to disposal of acft in Aug'16 of approx. PHP(560)m and excluding PHP(285) FX loss, net operating loss is PHP(355)mil and LAT is PHP(639)mil
- RASK up 2% while CASK decreased 4%

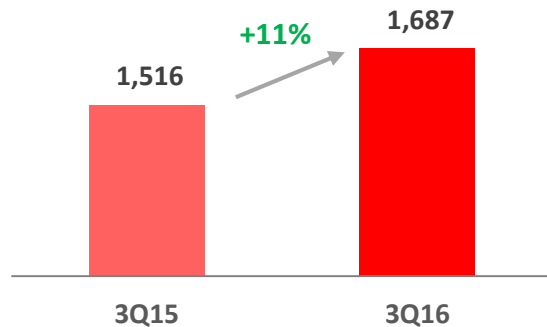


- Revenue up 60% as a result of 76% increase in passengers
- Ancillary income per pax up by 13%
- Loss after tax recorded at INR(621)mil

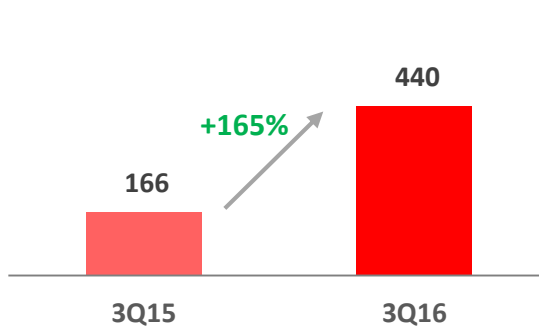
3Q16 KEY HIGHLIGHTS

MALAYSIA - THE UPWARD TREND CONTINUES

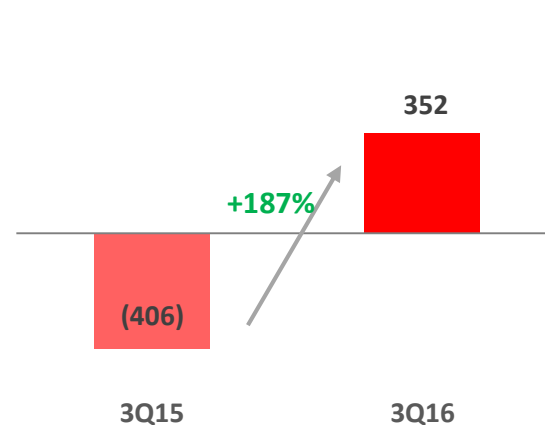
REVENUE (RM million)



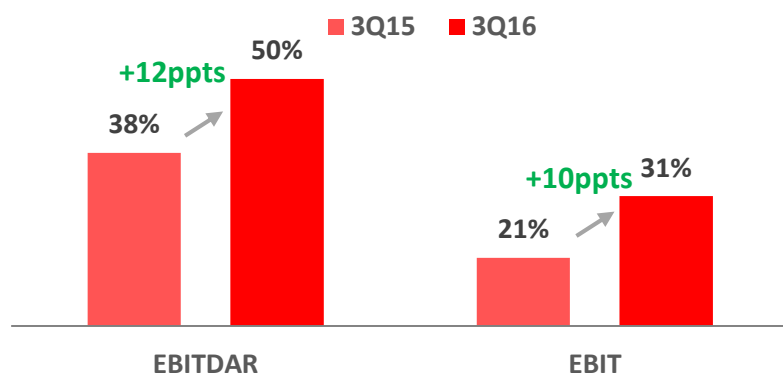
NET OPERATING PROFIT (RM million)







PROFIT AFTER TAX (RM million)



MARGINS (%)



-  5% rise in Passengers Carried at 6.63 mil, exceeding capacity growth of -3%
-  Record-high load factor of 89%, up 7ppts YoY
-  Average fare increased 4% YoY to RM164
-  Ancillary income per pax of RM46

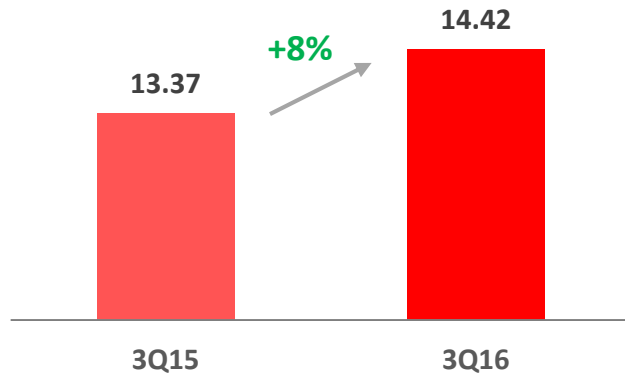
MAXIMISING REVENUE & MINIMISING COST



MALAYSIA – RASK & CASK

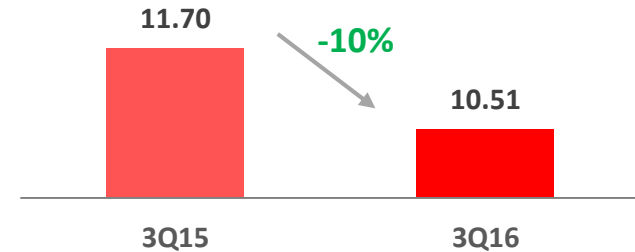
REVENUE PER ASK (RASK)

(RM sen)



COST PER ASK (CASK)

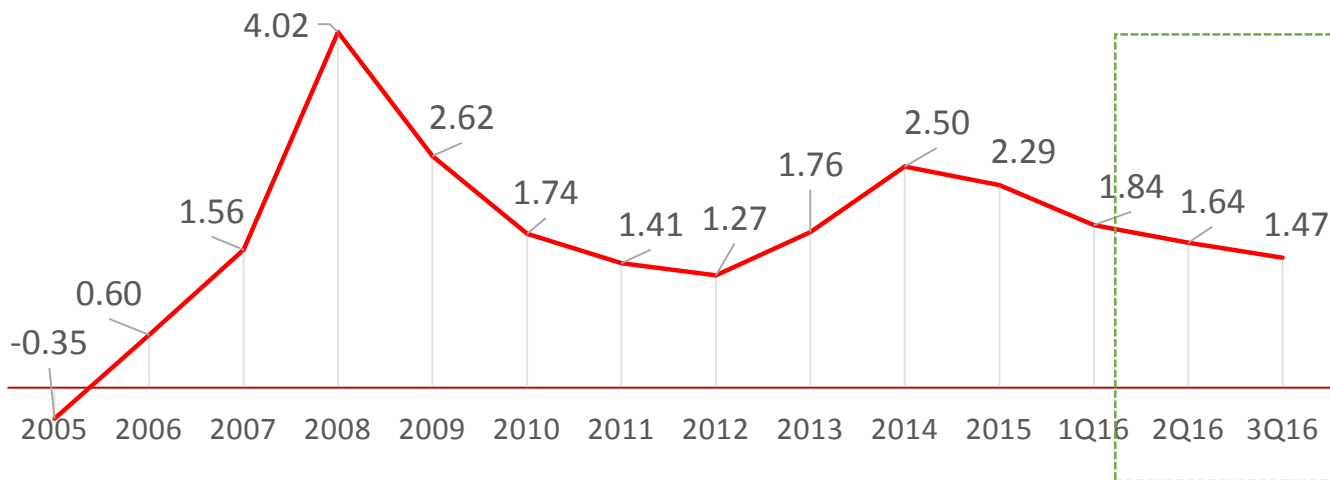
(RM sen)



- **Airline RASK** increased 8% on the back of strong demand leading to a 3% YoY increase in unit passenger revenue to RM209.
- **CASK** reduced by 10% mainly due to 21% lower fuel expenses as average fuel price fell 22% to USD62/barrel YoY despite a 2% increase in fuel consumption. CASK ex-fuel is down 1 sen from 3Q15.

BALANCE SHEET

MALAYSIA - NET GEARING



Net gearing decreased by 10% to 1.47x due to lower total debt

- Total Borrowings reduced by 4% 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

2017 – EXCITING YEAR!



1. THE EMERGENCE OF A DIGITAL AIRLINE COMPANY



2017 – EXCITING YEAR!



2. MAXIMISING INCOME THROUGH DIGITALISATION

- 70% of sales comes directly from AA.com
- Current conversion rate is 5%.
- Just by increasing by 2ppts will translate to RM2b of sales.
- Higher conversion will also be obtained via our new product XpressPay eg. PayPal – increased conversion from 7%-10% when launched 'one touch'



Booking Engine Optimisation

- Optimise booking funnel so more flight bookings are occurring without impacting ancillary revenue.

EG. ONGROUND PAGE ON AA.COM:

- *Removing the add-on page to increase booking conversion.*
- *Page removal increased 0.7% of booking conversion = ~USD1.3m a mth*
- *Revenue loss from removal ~USD 47k a mth*
- *Therefore, page removal = revenue gain of USD1.26m a mth*
- Revenue opportunity for ancillary products:
 - *Page removal increased conversion rate = ~USD157k mthly ancillary revenue*
 - *Revenue loss from the page is ~USD47k a mth*
 - *Therefore, page removal = net ancillary revenue gain of USD110k a mth*
 - *Ancillary revenue will increase due to the increase of flight bookings, means more baggage/seat together with the flight.*

Campaign Management Automation

- Automate communication based on individual preferences
- SMS, Email, Push Notification, & Digital Ad
- Automatically push the right ancillary item based on Flight Duration and Trip Length

Enhanced Attribution Model to Spend Efficiency on Digital Acquisition

- Reduce spend on expensive channels, focus on acquiring direct customers

Personalisation Techniques

- Airline customers typically convert after several visits to the website. Using prior shoppers' info helps to increase purchase funnel and provides relevant content

Revamping the Online Experience in 2017

- Single Page application on any sized device
- Personalised Home Page
- New Booking Engine - present simple choices to users

2017 – EXCITING YEAR!



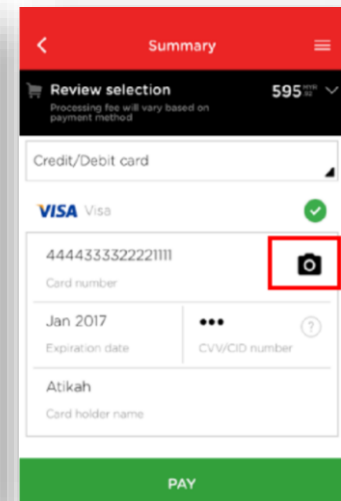
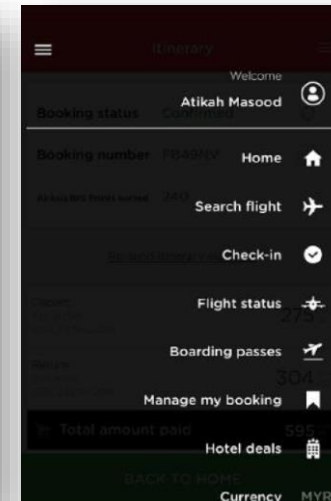
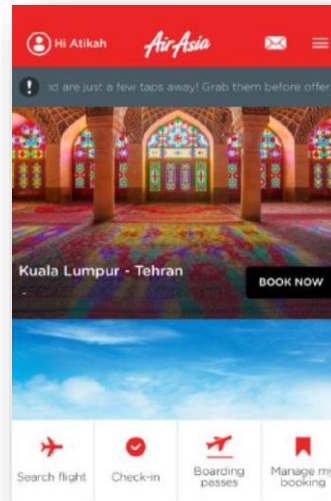
2. DIGITALISATION TO DRIVE ANCILLARY (CONT'D)

MOBILE

- Current mobile share is 10% , 2017 target is 25%
- Ryanair is 45%, easyjet is 44%

Launched UI/UX interface for mobile app

- Less clicks to purchase, provides clear/concise interface on value pack & premium flex products
- Card Scanning Ability
- Coming Soon (Save to Cart ability to shop on mobile/transact on desktop)
- Coming Soon (parity on payment options with desktop, plus additional mobile only ones)
- More features to come



ANCILLARY

From RM46 to RM60

- RM 7 – Baggage (Dynamic Pricing)
- RM 1 – Seat (Extra Seat Option)
- RM 0.50 – Insurance (DP)
- RM 2.50 – F&B (Combo, repricing, new system, better meal planning, new category)
- RM 3 – Duty Free (e-commerce site, new EPOS)
- RM 1 – Rokki (2017 – “Fully Rokkified year”)

2017 – EXCITING YEAR!



3. DISPOSAL OF NON-CORE ASSETS

- Asia Aviation Capital – bids coming in December 2016
- AirAsia Academy (AACE) – IPO
- Disposal of AirAsia Expedia (AAE Travel)

4. CREATING VALUE THROUGH JV

- Ground Team Red (GTR)
- RedBox Cargo

5. UNLOCKING VALUE THROUGH DUAL-LISTING & ASEAN SUBSIDIARY

- Asean Holding Co to be listed in Hong Kong

6. NEW LOW-COST AIRPORTS IN ASEAN

- Working together with local governments on driving more traffic via low-cost airports

7. HEDGED OIL

- AirAsia Group is 70% hedged at average of USD59 per barrel in 4Q16 and 74% at USD60 per barrel in 2017

ISSUES...



COMPETITION

- **AirAsia is the biggest in Asean**
 - In terms of capacity, 48% market share from Malaysia to Asean (MAS is 19%)
- **47 unique routes from Malaysia** (only served by AirAsia) which is 20% of total AirAsia Group

CURRENCY & COST

Weakening of USDMYR is cushioned by low fuel price

- Ringgit would need to fall to approx to USDMYR7.0 to wipe out the benefits of cheaper fuel

Year	Jet Fuel (USD/barrel)	USD MYR	Jet Fuel (MYR/barrel)
FY2013	135	3.169	428
3Q16	62	4.083	253
2017F	60 ¹	4.430 ²	266

¹ Effective 2017 jet fuel cost hedged to 74%

² Bloomberg consensus 2017 USDMYR forecast

Only 33% of USD borrowings is totally unhedged

- Loans: USD (90%), MYR (7%), SGD (2%) and EUR (1%)
- USD loans:
 - 47% - MAA acft hedged at 3.2348
 - 33% - MAA acft unhedged
 - 20% - Associates acft, natural hedged as they pay in USD
- Currency risk mitigated through increasing average fare and ancillary income.

Others

- USD non-borrowing costs are 50% hedged up to 2Q17
- Interest Rate - All USD liabilities are 100% hedged via interest rate swap, cap and cross currency swap



THANK YOU

