

AIRASIA BERHAD

4Q14 AND FY2014 EARNINGS BRIEFING



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4Q14

KEY FINANCIAL HIGHLIGHTS



KEY HIGHLIGHTS – 4Q14

MALAYSIA

- Revenue of RM1.48 billion up 16% y-o-y
- Operating profit of RM226.30 million up 12% y-o-y
- Net Operating Profit of RM109.80 million down 9% y-o-y due to staff bonus accrued in December
- EBIT Margin of 15% and EBITDAR margin of 31%
- CASK up 9% y-o-y to US cents 3.98 due to increased depreciation cost with more aircraft YoY and bonus payment
- Three consecutive quarters of RASK increase - up 7% y-o-y to US cents 4.71
- High growth in ancillary income per pax at RM47 up 31% y-o-y
- Double digit growth in average fare, up 13% y-o-y to RM171 as promised

ASSOCIATES

- Thailand – Back on track with strong numbers. Operating Profit up 93%, PAT up 88%, Pax up 16%. Equity accounted RM34.8mil
- Indonesia – Turnaround on track. Operating Profit of IDR23.4 bil from operating loss of IDR369.09 bil the year before
- Philippines – Strong increase in load factor at 72% with the move to Terminal 3. Numbers are improving significantly.
- India – Load factor of 80% . AirAsia brand is strong.

PRIVATE EQUITY INVESTMENTS

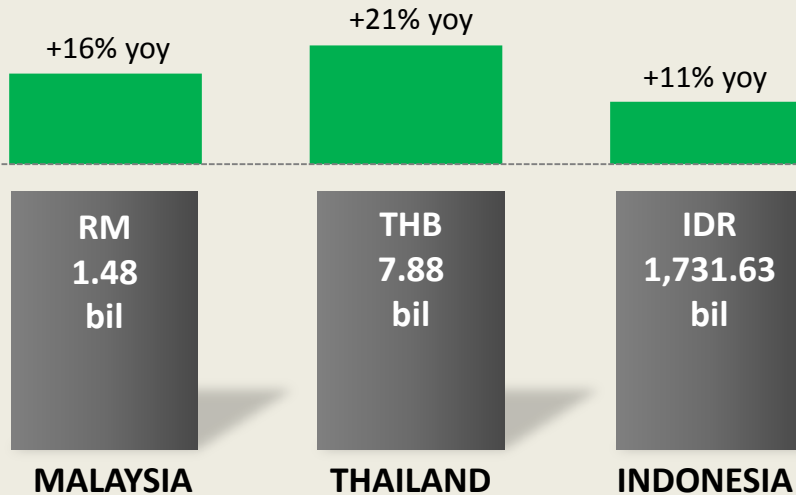
- AACE – Malaysia equity accounts RM2.5mil
- Aircraft leasing house launched – 15 aircraft to be novated by end Q1



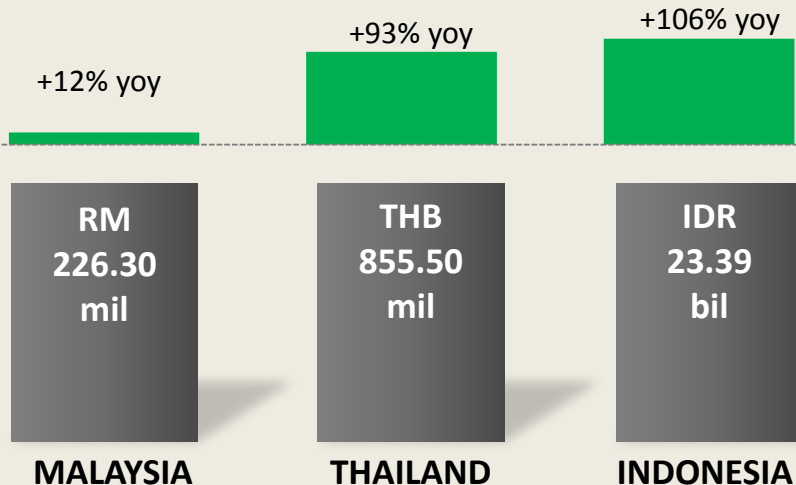
KEY HIGHLIGHTS

– 4Q14 PERFORMANCE

REVENUE



OPERATING PROFIT



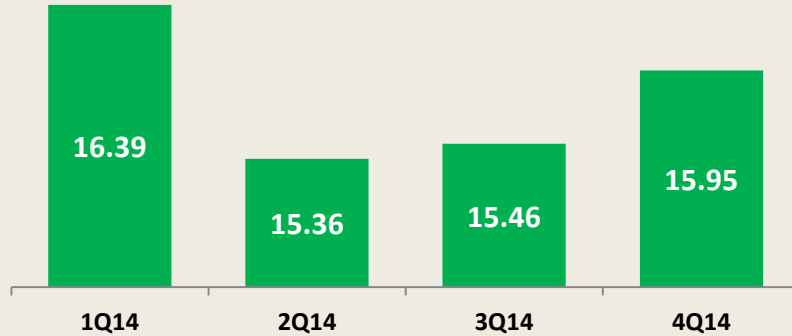
- Positive recovery in average fare in all three main markets
- **Malaysia** – Double digit increase despite unplanned bonus payment to all staff and higher landing and route charges
- **Thailand** – Back recording strong numbers due to improved demand and visa relaxing for Chinese tourists.
- **Indonesia** – Recorded positive EBIT, a big improvement from IDR369.1bil operating loss in 4Q13

KEY HIGHLIGHTS

– 4Q14 PERFORMANCE

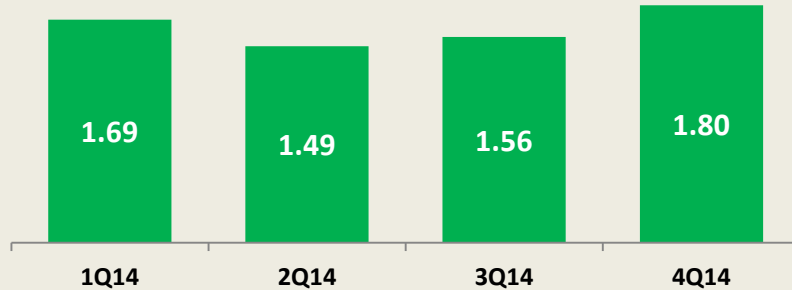
MALAYSIA

(sen)



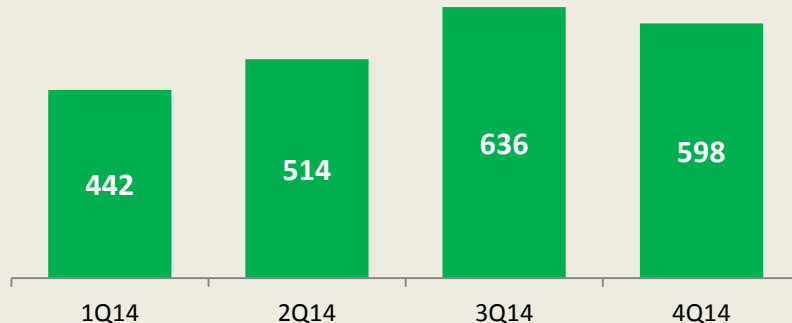
THAILAND

(THB)



INDONESIA

(IDR)



RASK – Recovery in progress across all AOCs

MALAYSIA – Rational market driving fares up

- Three consecutive RASK increase y-o-y as MAS becoming rational
- Q-o-q increase in 2H14
- Ancillary up 31% and fare up 13% y-o-y as promised

THAILAND – Traffic recovery

- Traffic into Thailand rebounded significantly in 4Q14
- Q-o-q increase in RASK driven mainly by the increase in average fare
- Outlook remains positive with strong forward booking and RASK upside

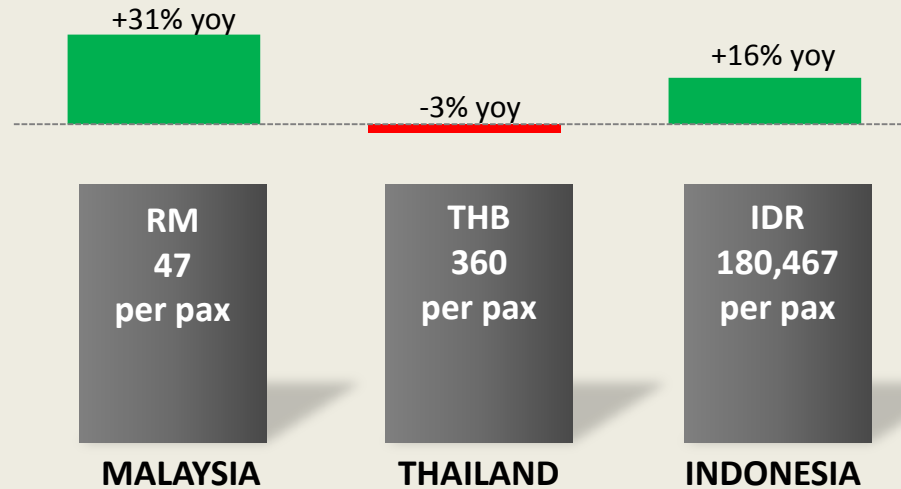
INDONESIA – Market consolidating, rationale pricing

- Brand awareness a success and RASK up 25% y-o-y despite Lionair being the only airline with aggressive fare dumping
- Route rationalisation allowed fares to increase by 26%

KEY HIGHLIGHTS

– 4Q14 PERFORMANCE

ANCILLARY INCOME PERFORMANCE ACROSS ALL COUNTRIES



CORE ANCILLARY

- Duty free and Wifi Launched
- Assigned Seating's revenue: RM22 mil up 24% and Freight's revenue up 43.1% y-o-y
- Strong improvement from pushing of sales to pre-book, mainly F&B (Revenue : RM22mil) with 10% growth
- Baggage take up remains 44% of ancillary contribution and assigned seats at 8%
- With larger capacity space at klia2, aggressive connectivity between the Group has seen connecting fees revenue contribution of RM9mil with 90% of fly-thru passengers in KUL
- Thailand's ancillary down 3% y-o-y due to lower baggage take-up
- Indonesia up 16% y-o-y driven by increase in baggage supersize



OUTLOOK & STRATEGY



THE AIRASIA BUSINESS



AIRLINE PASSENGER REVENUE

AirAsia



ANCILLARY INCOME



PRIVATE EQUITY BUSINESS



AIRLINE PASSENGER REVENUE

2015 CATALYSTS

RATIONAL MARKET

- Average fare recovered in 2H14, after five consecutive negative yoy performance, showing market becoming rational
- MAS's new management and restructuring indicates a more stabilised fare environment
- Malindo halted jet growth, focusing more on turbo prop operations out of Subang (8 jet vs 11 ATRs)

LOW FUEL PRICE

AA Group	1Q15	2Q15	3Q15	4Q15
Current Hedge Ratio	50%	50%	50%	50%
Ave Hedge Cost (USD – jet kero)	98	88	84	84
Average Hedge Cost 2015	88			
Ave Effective Cost (USD – jet kero)	86	81	80	81
Average Effective Cost 2015	80			

FOCUS ON BUILDING CASH

- In good cash position with strong balance sheet
- 88% of the Group's aircraft are owned, 130 aircraft are on Malaysia's balance sheet
- Increasing cash further, through capacity management (refinancing of older aircraft (e.g. SLB) & selling of vintage aircraft and slots.
- SLB of at least 14 older aircraft, potentially generating gross cash ~USD70mil
- Group will not be taking in large number of aircraft like before, enabling the Company to preserve cash.
- No plans on raising money from the equity market.
- Monetise investment from adjacency businesses if valuation is right e.g. AAE Travel



AIRLINE PASSENGER REVENUE

CAPACITY MANAGEMENT STRATEGY

- Defer Airbus A320 CEOs to later dates to take advantage of new NEOs (16% more fuel efficient)
- Selling of older aircraft to ensure a young and efficient fleet
- To manage growth, ensuring all country operations focus on maximising profits from current routes
- Allowing operations in Indonesia and Philippines to execute turnaround plan
- Growth to be given to new markets like Japan and India, and high-growth market like Thailand

A. Fleet Order	2015	2016	2017	2018	2019	2020
CEO Orders	17	24	9			
NEO Orders		4	22	32	34	34
Total Fleet Orders Before Deferment	17	28	31	32	34	34
CEO Deferral	-8	-19	-9			
NEO Deferral			-9	-11	-14	-12
Finalised Aircraft Delivery Post Deferment	9	9	13	21	20	22
Sale of Aircraft at 12 years / Sale of slots	-4			-11	-10	-18
End of Lease					-1	-4
Net Fleet	5	9	13	10	9	0

***Please refer to the appendix for detailed allocation and aircraft movements in 2015*



AIRLINE PASSENGER REVENUE

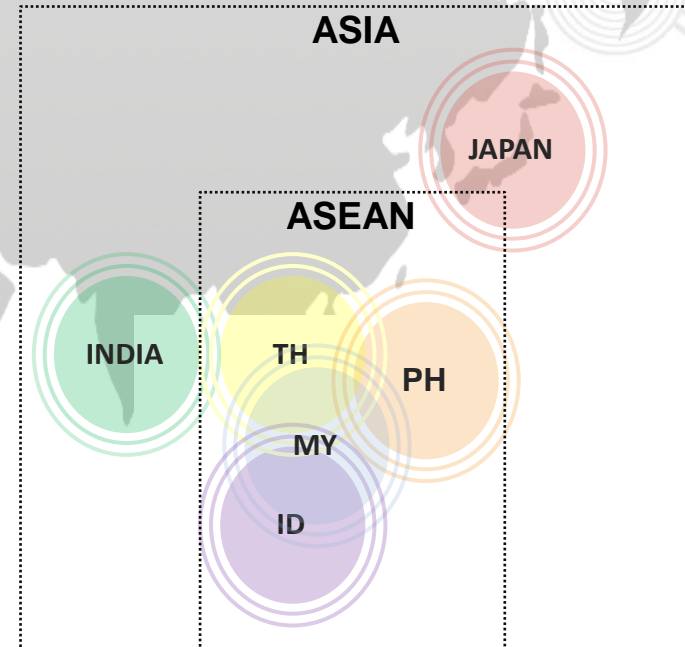
INDONESIA

- Network optimisation completed
- Registered operating profit of IDR23.4 bil in 4Q14 from operating loss of IDR369.09 bil the year before
- Average fare up 26%, RASK up 25% y-o-y
- Floor price – will focus on international routes
- Q1 revenue down due to lack of advertising
- Load forecast: 70% in Q1
- Newly launched IAAX will be huge catalyst

PHILIPPINES

- Turnaround in place
- Load factor up 8ppt in 4Q14
- Unit pax revenue & RASK up YoY in 4Q14, trend to continue
- Jan'15: LF up 12% YoY; RASK up 30% YoY
- Load forecast: 78% in Q1
- Forecast to be profitable in 2Q15 & continue to remain cash +ve
- Additional capacity to Kalibo and Cebu, focusing on leisure destinations like Puerto Princessa
- 24% reduction in CASK in 4Q14. Cost optimisation to continue.

**2015 – FOCUS ON
TURNING AROUND
INDONESIA & PHILIPPINES**





AIRLINE PASSENGER REVENUE

MALAYSIA

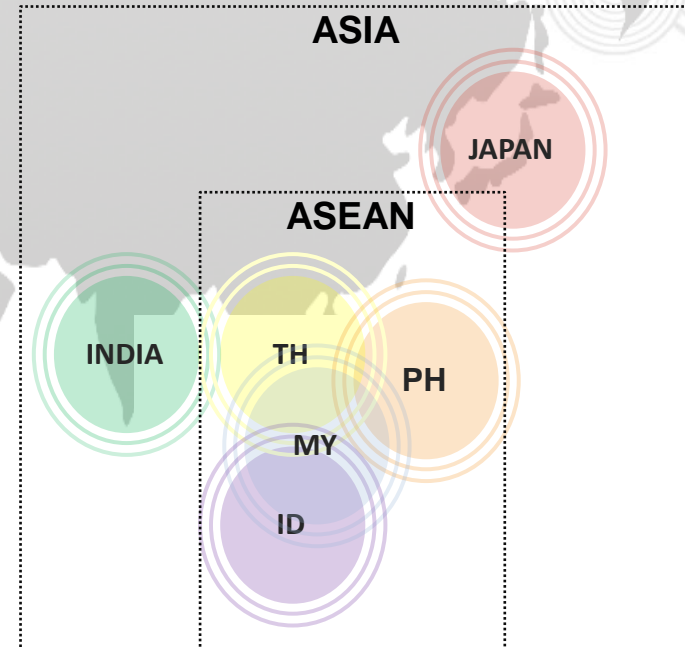
- Market turned rational – ave fare up 13% in 4Q14
- Load forecast: 74% in Q1, focusing on driving yield
- AA & competitors reducing capacity to ensure profitability is optimised
- MAS undergoing restructuring and Malindo halted growth
- Favourable outlook with low fuel price and average fare improving
- Free visa for Chinese tourists, demand from China will improve
- Target more biz travelers & corporate accounts via klia2
- Lobbying for lower charges in secondary airports – KK, Kuching, Langkawi, Malacca etc.
- Launched AA ASEAN Pass to promote ASEAN travel and Msia as ASEAN chair in 2015

THAILAND

- Traffic recovering after relaxing of visa for Chinese and Taiwanese
- Net Profit up 88% y-o-y in 4Q14
- Load forecast: 80% in Q1
- Focus on secondary hub in Chiang Mai
- New hub in Krabi
- Enhance connectivity and Fly-Thru via TAAX

INDIA

- Focus on building scale through frequencies out of Bangalore
- Load forecast: 81% in Q1
- Potential consolidation of airlines
- VAT to be reduced in some states
- Competitive advantage – traffic feed from MAA & TAA





ANCILLARY INCOME

**ACHIEVED RM47 PER PAX IN 4Q14.
NEAR TERM TARGET – RM50**

DUTY FREE

- Duty Free business launched in August
- Pre-book duty free available on booking path.
- Duty-free website will launch in Mar 2015
- Contribute RM2.66 per pax to ancillary
- Credit card payments on board (end Feb'15)
- Target RM4 per pax to ancillary once credit card payment launched
- Available on MAA, TAA and IAA flights. Rollout to PAA, AAI and AAJ in 3Q15

ON-BOARD WIFI

- Commercially launched in Oct'14
- Instant messaging - LINE, Whatsapp and WeChat
- First 2 weeks saw 400 tokens sold. Top performing route is KUL - Kunming
- Available on 4 aircraft
- To launch video streaming
- Email and content streaming in phase 2

PREMIUM FLEX

- Baggage included, free flight change, priority seating and boarding
- Special check in counters for premium flex users
- 14% growth in Premium Flex revenue.
- To introduce priority baggage drop, pick-up and exploring express security and immigration checks



FLY-THRU

- Group recorded 1.52mil FT pax in 2014, +90% yoy
- Breakdown by hub: KUL (90%), DMK (10%), CGK eff Sep'14 (0.1%), DPS eff Nov'14 (0.1%).
- Group collected MYR 94.9mil Connecting Fee in 2014.
- Connectivity to popular leisure destinations remains the top FlyThru markets: Australia – Thailand, Indonesia & IndoChina
- Opportunity to stimulate new leisure markets in KBV, URT, LGK, URT.
- FT routes from India recorded strong growth in 2014.
- To introduce Fly-Thru from China – Australia and Thailand



ANCILLARY INCOME

INFLIGHT MEALS

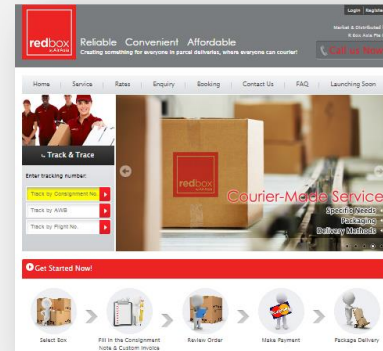
- Contributed ~RM74mil to ancillary in 2014
- Jan'15:
 - 13 revenue growth in pre-book hot meals, 37% in inflight snacks
 - Intro of combo meals contribute to increase in overall F&B revenue
 - Wastage reduced by 5.6% YoY
- Revamp of menu and include kids' meal:



- 'Barista in the Skies' launching in 1Q15
- First airline to have freshly brewed premium coffees served by trained baristas onboard
- To be done in phases



REDBOX



- AA's own budget courier express and parcel delivery product service
- No investment cost to AA as marketing and ground handling exclusively done by R Box Asia PTE LTD
- Services: (i) Personal parcel (ii) Corp Clients (iii) e-Comm (iv) Red Cube
- Currently in Msia, Spore, Indonesia, Thailand, Vietnam, Nepal, Philippines & Taiwan
- Upcoming 13 countries inc Bangladesh, Hong Kong, China, India, Australia, Japan etc.
- Opening a distribution centre in klia2 for E-commerce
- 2015: Client include Zalora (courier products from Spore to 6 countries & Msia out to 3 countries with est 5000 parcel a day). Others: Luxola & Rakuten

PRIVATE EQUITY INVESTMENT

MONETISING FROM GROWTH IN ADJACENCY BUSINESSES

BIG

- 516,324 points issued in 4Q14, +70% YoY
- 95,102 points redeemed in 4Q14, +97% YoY
- 12mil members, 300% YoY increase in members
- Launched co-brand card with CIMB Niaga, partnership with Petronas, WCT & Hilton
- Launching BiG loyalty in India
- Valuation upside, global loyalty mment Aimia invstd 20% in ThinkBIG
- **Estimated valuation of US\$120 mil**



TUNE MONEY

- AA subscribed 40% equity stake
- Focus on 3 prepaid products:
 - EZPay Virtual (~PayPal), EZPay Passport(currency wallet), BIG Prepaid
- EZPay - Eliminates acquiring bank charges & lower MDR rate.
- Obtained approval from Bank Negara Malaysia
- Drive cashless transaction & higher conversion
- **Estimated valuation of RM25mil**



AACE

- Revenue of RM21m in 4Q14, RM85m in FY2014
- Equity accounted RM36.6m in FY2014
- 8 simulators in Msia, 2 in Spore
- >25 third part airlines trained, >14,000 crews trained in 2014
- Dec'14, acquired 50% in Philippine Academy of Aviation Training, JV bet AACE and Cebu Pacific
- Obtained long-term training agreement with Jetstar Asia & Jetstar Pacific
- **Estimated valuation of RM250mil**



AIRASIA EXPEDIA

- Revenue +26% YoY in 4Q14
- Significant cost of sales improvement down 12% YoY
- Lower operating expenses due to centralising of technology by Expedia
- Biggest contribution from Japan. Biggest growth from Korea and Hong Kong/Taiwan
- Equity accounted RM8.1m in FY14
- AA sold half of its holding in Feb'15, almost 4 yrs since JV incorporation, taking advantage of good valuation. Gain will be seen in 1Q15.
- **Estimated valuation of RM1.2bil**



LEASING HOUSE

- To manage only aircraft sublease to affiliates.
- Began aircraft novation in Nov'14, 15 aircraft by end Q1
- Target 45 aircraft by end 1H15
- Aircraft operated by MAA will remain on bal sheet
- Clear transparency for leasing business
- Free up balance sheet and lower gearing
- Selling equity to prospective investor
- To later start leasing to third party airlines
- **Generate ~US\$30 mil in net income in 2015**
- **EBIT Margin of 36% in 2015**





THANK YOU











APPENDIX





AIRLINE PASSENGER REVENUE

2015 AIRCRAFT ALLOCATION & MOVEMENTS

	END OF 2014 (171 A320s)	DELIVERY FROM AIRBUS	FLEET MOVEMENTS	NET FLEET AT END OF 2015 (171 A320s)
	81	1	<ul style="list-style-type: none"> -3 (move older aircraft to TAA) -2 (sale of aircraft) -3 (move older aircraft to India) +1 (from PAA) 	75
	40	2	<ul style="list-style-type: none"> +3 (from MAA) 	45
	29	0	None	29
	18	0	<ul style="list-style-type: none"> -1 (sale of aircraft) -2 (retirement) -1 (move to MAA) 	14
	3	0	<ul style="list-style-type: none"> +3 (from MAA) 	6
	0	2	None	2