AirAsia Group Berhad

ANNUAL GENERAL MEETING

22 JULY 2021

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2020 a year of survival and transformation

Successfully pivoted the airline into a digital lifestyle company anchored on travel

Established a **leaner and more optimised airline operations** while **ensuring sufficient liquidity** through Group-wide cost containment exercises

- Active capacity management resulted in commendable load factor at 74%
- Reduced 52% fixed costs; exceeded target of 50%
- Saw strong trends in pent-up demand, translating into spontaneous travel and increase in forward bookings

Turned a deep crisis into a **digital diversification opportunity**

airasia superapp

- Launched airasia food and airasia fresh to meet the shift in demand for home delivery services
- Launched airasia health and attracted over 100,000 unique visitors within 3 months
- Sold over 200,000 Unlimited in Malaysia, Thailand, Indonesia and Philippines

BigPay

- App launched in Singapore
- Expanded remittance services to India, Nepal, Bangladesh, Australia and China

Teleport

- Launched another logistics base in Singapore
- Partnered with Alibaba’s logistics arm, Cainiao for cross-border deliveries
- Expanded delivery services to every major city AirAsia flies to, up to 77 cities across 5 countries

Leaner and more optimised airline operations

Group load factor was decent in 1Q2021 at 67% with **active capacity management** to meet demand

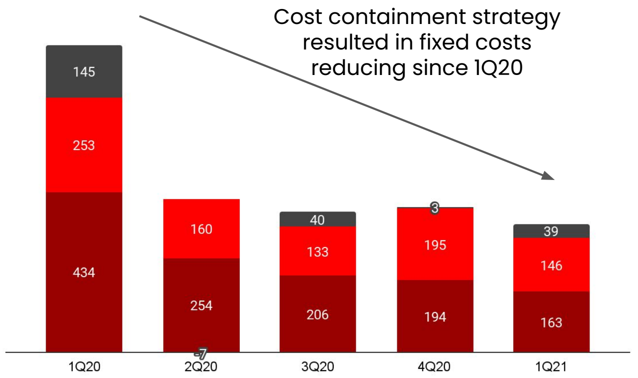
No aircraft delivery in 2021 and 2022. **14 aircraft to be returned** this year.

Airline **profitability expected to increase** compared to pre-covid levels:

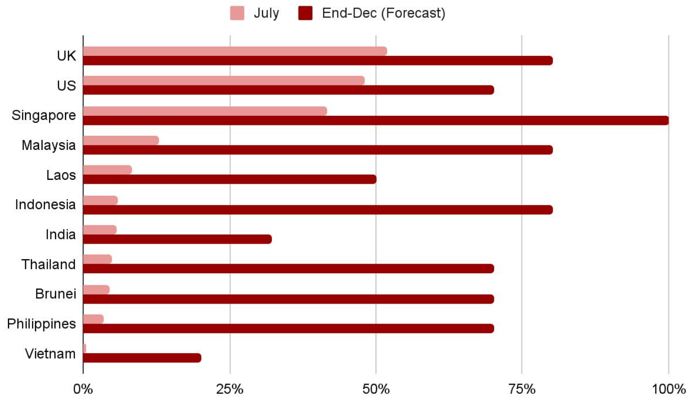
- Concentrating on profitable and popular routes, removed loss-making routes & stations
- Encouraging fare environment with rational competition
- Lower fixed costs as seen in 1Q2021. Have been on a QoQ downtrend since late 1Q2020

Remain committed to **strengthen domestic position** while awaiting developments on international air travel

Expect to see improved stability on operations with the **acceleration of vaccine rollouts**. Majority of population in key markets are expected to be fully vaccinated by the end of 2021



% of population fully vaccinated



Note: Expected progress is indicative, and is subject to revision by respective governments. Countries may not release expected progress beyond certain quarter

A holistic ecosystem leveraging differentiated data capability and analytics

airasia group

AirAsia airline group

Airlines

Engineering

ADE
ASIA DIGITAL ENGINEERING

Ground Handling

GTR
A SATS COMPANY

Restaurant & Central Kitchen

Santan

airasia digital

SuperApp

airasia Super App

BIG Rewards

airasia farm

Logistics

teleport

Financial Services

bigpay

Asean travel, lifestyle and reward super app

airasia Super App

TRAVEL
- Flights
- Hotels
- SNAP
- Unlimited
- Holidays
- DutyFree

DELIVERY
- Beauty
- Food
- Fresh
- Farm
- Ride

MONEY
- Payment
- Lending
- Insurance
- Investment
- Remittance
- BIG Xchange

HEALTH
- Health eCommerce
- Medical Tourism
- Telehealth

EDU TECH

Redbeat Academy
- On Demand Learning
- Instructor Led Training
- BetaBuild Labs - Entrepreneur Innovation Programme

Powered by airasia digital

airasia media group | Chat | **Advertising Assets** Proprietary media assets leveraged to yield the best return for the AirAsia Digital Platform

airasia Rewards | **Rewards and Points Platform** BIG Rewards has evolved from a loyalty program for AirAsia customers into one of the largest lifestyle reward platforms in ASEAN

Super App driven by data for personalized recommendations and offerings

teleport enabling door-to-door logistics across Asean

Cargo

Key is speed and leveraging on high flight frequencies and point-to-point network

To expand **partnership with airlines**. Current partnerships include with SIA for KL-Singapore lane

Will receive our **first 737 freighter** to capture the big cargo demand & converting selected passenger aircraft to cargo-only freighter planes soon in 3Q

Delivery

eCommerce fulfillment capabilities for SMEs and marketplace at unbeatable rates, offers door-to-door on-demand delivery within city as fast as 1 hour and standard delivery as fast as 24 hours

Key logistics partner for airasia superapp

Higher deliveries contribute to growth in cargo. To focus on **optimising deliveries** and **operational enhancements**

bigpay

democratising access to digital bank services

Current Offerings

Payments: Mobile P2P payments, Bill payments, DuitNow QR payment, Mastercard

Remittance: to 10 countries from Malaysia and Singapore

Insurance: Rolled out an all-in-one Lifestyle Insurance in 2Q21.

Updates

Submitted **digital bank license** application in Malaysia with a consortium of strategic partners

Product developments: **Wealth management** products underway, to launch transactional microlending for airasia superapp, overdraft lending

Market expansion: Exploring payments and remittance in **Thailand** and the **Philippines**

Ensuring sufficient liquidity in the next two years

Fundraising

Private Placement - Raised RM336.5m via two tranches in 1Q21.

Danajamin scheme - Banks submitted first application to Danajamin in early June. First drawdown expected within the next two months

Rights issue - Proposed a renounceable rights issue of up to RM1.0bn in nominal value of 7-year Redeemable Convertible Unsecured Islamic Debt Securities (RCUIDS) with a nominal value of RM0.75 each on the basis of 2 RCUIDS with 1 free detachable warrant for every 6 ordinary shares in AAGB. Subject to SC & Bursa's approval, as well as shareholders' approval at an EGM

Positive **ongoing discussions for raising new capital** in Indonesia and Philippines

Monetisation and Other Corporate Exercises

Completed **acquisition of Gojek businesses in Thailand**, for a share swap consideration, which valued airasia superapp at USD1bn

Carlyle Aviation is acquiring **Fly Leasing shares**, with expected cash proceeds of USD57m in 3Q21

Completed **SLB of 1 engine & sale of 1 engine in 1Q21**, after SLBs of 7 engines in 3Q20

Lease restructuring - in discussion with lessors to negotiate the restructuring of leases and are making good progress

Proposed Acquisition of 20% stake in BigLife - Shareholders' approval obtained on 21 June 2021 at EGM

LTIS - Shareholders' approval obtained on 21 June 2021 at EGM

THANK YOU

Responses to Questions from Minority Shareholders Watch Group (MSWG)

Question 1

Each one of AirAsia's other digital businesses has also grown tremendously. Teleport is no longer just a cargo operator; leveraging demand for ecommerce logistics, it now offers home delivery in 77 Asean cities. With BigPay, users in both Malaysia and Singapore can now send money to bank accounts in 10 countries - with India, Nepal, Bangladesh, Australia and China being the latest additions. (Page 62 of Annual Report 2020 (AR))

How are the growth rates in the top line for Teleport and BigPay? Have both been registering significant profits?

Response to Question 1

Teleport's revenue in 2020 declined 42% YoY as its cargo & freighter business was impacted by the reduction in flights operated by AirAsia's airlines. Nonetheless, in 2020, Teleport leveraged increased demand to improve its delivery business which saw a significant improvement of 122% YoY in revenue, softening the overall revenue decline for Teleport. Teleport reported an EBITDA margin of 32% in 2020.

BigPay's revenue increased 267% YoY in 2020 as BigPay saw the volume of remittance transactions grow approximately five-fold during the year, while online spending via its card also increased significantly. As BigPay remains in gestation period, BigPay reported a negative EBITDA of RM83 million in 2020.

Question 2

Driven by strategic capacity and route planning as well as robust demand, by December 2020 AirAsia Thailand exceeded its pre-Covid domestic capacity while AirAsia Indonesia had recovered 93% of its capacity. At the Group level, AirAsia ended the year with close to 60% of the number of seats flown prior to the pandemic, and achieved a commendable load factor of 74%, which compared very favourably against its peers. (Page 64 of AR)

(a) Moving on into 2021, have the performances of AirAsia Thailand and AirAsia Indonesia continued to improve? What about AirAsia Malaysia and AirAsia Philippines?

(b) With the Covid-19 vaccination moving into full gear, providing positive outlook for the commercial airlines, when is the Group expected to turn around?

Response to Question 2 (part 1/2)

(a) After the second wave softened demand in mid-December 2020, AirAsia Thailand managed to resume all domestic routes by the end of March 2021. However, recovery was short-lived as it was impacted by the third Covid-19 wave that began in early April 2021.

AirAsia Indonesia operated close to 70% of pre-Covid domestic capacity in 1Q2021 and further demonstrated strong signs of recovery before it went into hibernation in early July as the government of Indonesia called for a state of emergency in Java & Bali as Covid-19 cases spiked. AirAsia Indonesia was doing well prior to the current lockdown.

AirAsia Malaysia's recovery has remained subdued due to the lockdown imposed in the country since January 2021.

AirAsia Philippines is gradually resuming its services, running a limited number of charter and passenger flights due to community quarantine restrictions implemented within its destinations. At present, AirAsia Philippines is operating approximately 15% of its pre-pandemic commercial operations, but despite flying only from its Manila hub, improvements in flight capacity and passenger count have grown more than 60%, from 2H 2020 to 1H 2021.

Response to Question 2 (part 2/2)

(b) The Group expects its domestic operations to turnaround within a year. International, however will likely take longer due to multiple extraneous factors such as border controls and country regulations. Nonetheless, we do expect international travel to resume gradually in late 2021/ 2022 and be more targeted, with the formation of travel bubbles between specific green zones in Asean by the end of this year before seeing further reopening of borders. We do believe short-haul will recover faster than long-haul, and leisure travel will recover faster than business travel.

Question 3

For financial reasons and to focus on Asean where its brand and foothold are the strongest, AirAsia made the strategic decision in 2020 to close down its operations in Japan while reducing its equity in India. (Page 64 of AR)

What are other compelling reasons to close down its operations in Japan and reduce its equity in India? Why was the operations in India not closed down and any plans to do so in the near future?

Response to Question 3

The primary reason for our decision to close down the AirAsia Japan operations and reduce our equity in AirAsia India is due to financial limitations for the Group during the ongoing pandemic and to refocus our efforts to grow market share in our Asean core markets.

Despite our efforts to sustain the AirAsia Japan operations, we concluded that it would be challenging to continue operating without any visibility and certainty of a post-pandemic recovery path. Prior to the pandemic, AirAsia Japan was loss-making primarily due to lack of scale with only three operating aircraft. Growth was challenging as we were bound by regulatory constraints including limited slots availability.

As for India, it remains an important market for us and we are committed to working together with the other key shareholder as our associate company.

Question 4

The Group seeks to raise between RM2.0 billion and RM2.5 billion via a combination of debt and equity funding to ensure sufficient liquidity for the Group. It has also explored opportunities in the international market; and in the first quarter of 2021, successfully completed two tranches of a private placement exercise through which it raised a total of RM336 million. Both tranches make up 470.21 million shares, representing 14.07% of its total issued shares. (Page 65 of AR)

(a) What is the targeted timeline to complete raising the funds fully under the private placement exercise? What is the estimated remaining amount to be raised?

(b) What is the Group's current liquidity position and how is the Group coping with it?

(c) What is the estimated timeline to raise between RM2.0 billion and RM2.5 billion?

Response to Question 4 (part 1/4)

(a) We have completed our private placement exercise via two tranches in 1Q2021. In total, both tranches delivered 470.21 million new shares issued under the private placement exercise, representing 14.07% of AirAsia Group's total issued shares and raised a total of RM336.5 million. As for the remaining balance of 6%, this may be utilised by the Company to issue new securities up until 31 December 2021 subject to Bursa's approval for the extension of time to issue the remaining placement shares up to 31 December 2021.

Response to Question 4 (part 2/4)

(b) As of 31 March 2021, we have RM448 million in cash and cash equivalent. We expect to have sufficient liquidity in 2H2021 and 2022. We have undertaken numerous measures to improve our cash flow including, but not limited to:

(i) Reducing the Group's operating expenses through Group-wide cost containment exercises such as headcount rationalisation, salary cuts for management, staff and directors and restructuring of leases and fuel hedging. Consequently, average monthly cash burn has been on a quarter-on-quarter downtrend since Covid hit in late 1Q2020. Fixed costs have also reduced by 54% in 1Q2021.

(ii) Fundraising and monetisation, such as raising RM336.5 million in 1Q2021 via private placement, completed sale and leaseback of one engine and sale of one engine in 1Q2021 after a sale and leaseback of seven engines in 3Q2020 and disposal of the 32.67% stake in AirAsia India which raised approximately RM153 million. In regards to funding under the Danajamin scheme, we have obtained approval letters from two banks and are in various stages of discussion with other financial institutions to raise RM1.0 billion in total. We have also announced a rights issue earlier this month, which is subject to SC & Bursa's approval, as well as shareholders' approval at an Extraordinary General Meeting to be convened.

Response to Question 4 (part 3/4)

(b)

(iii) Accelerating growth of our digital businesses, including the airasia Super App, Teleport logistics venture and our fintech arm BigPay across key Asean markets.

(iv) Active capacity management to match demand. We have plans to return 14 aircraft in 2021. Our network plans are continuously revised to reflect the latest recovery timeline. We expect profitability of our airline business to increase compared to pre-covid levels, as we have established leaner operations, reduced costs and removed loss-making routes and stations to focus on the most profitable and popular routes. We also expect to see an encouraging airfare environment with more rational competition.

Response to Question 4 (part 4/4)

(c) The timeline is this year. Barring any unforeseen circumstances and subject to the relevant approvals being obtained, the proposed rights issue is expected to be completed in 4Q2021. In regards to Danajamin, we are waiting for the relevant approvals.

Question 5

One of the most exciting developments within airasia digital was the launch of the airasia super app in October 2020. Today, the Group is thrilled to offer more than 15 different types of products and services, with a single sign-on and the ability to earn and burn loyalty points, all within one platform. (Page 65 of AR)

(a) With so many products/services, would there not be lack of focus/concentration though there may be a certain degree of crossselling?

(b) What are the plans to replicate such business model in other countries?

Response to Question 5

(a) We have established five pillars within the airasia super app which is overseen by its own line-of-business head, reporting to the CEO:

(i) Travel
(ii) Delivery
(iii) Fintech
(iv) Health
(v) Edutech

Each pillar will be complementary to support each other.

Additionally, we believe the following key attributes will power an efficient customer acquisition and retention engine: (i) Vast data pool, (ii) single sign on and BigPay checkout, (iii) rewards program, (iv) Unlimited, (v) proprietary and unique acquisition channels.

(b) We would like to replicate all business pillars listed above across all our key Asean countries. For the travel pillar, we are already in all Asean countries since pre-covid.

Question 6

The Group's digital businesses accounted for 42% of the Group's revenue in the fourth quarter and achieved break-even earnings before interest, tax, depreciation and amortisation (EBITDA) for the year. The Group is encouraged by these early signs of success and expects its digital and nonairline revenues to contribute around 50% to the Group by the year 2025. (Page 67 of AR)

(a) Within the digital business segment, which sub-sectors/businesses registered or expected to register the highest growth and why?

(b) Is the digital business segment expected to turn profitable in FY2021?

Response to Question 6

(a) Super app is expected to register the highest growth due to optimistic outlook on the travel sector and continued growth in the delivery of various e-commerce, food, and fresh products. With the rise in vaccination rates across the globe, and especially in certain Southeast Asian countries such as Malaysia, the domestic and international travel industry's rebound is within reach. The delivery sector is expected to prevail in the short and long term particularly in the lifestyle sector globally as we continue to embrace the new normal.

(b) No. The Travel/OTA segment is the key contributor to the airasia Super App's revenue and resumption of flights is the key success factor for Teleport's Cargo business. For 1Q2021, Travel/Cargo contributes approximately 88% of total revenue of the Digital group.

Question 7

Asia Digital Engineering (ADE) is a wholly-owned subsidiary setup to provide Maintenance, Repair and Overhaul (MRO) services for airlines in the region. While the objective, initially, was to provide centralised technical support for AirAsia's fleet of aircraft, in the space of three months, ADE made very encouraging progress and even secured contracts from three external airlines. (Page 80 of AR)

(a) What is the total value of the secured contracts and average tenure of the contracts?

(b) To which other regions has ADE ventured into to expand its customer base and what is the progress?

Response to Question 7

(a) The value of the secured contracts is estimated at RM2 million and the average tenure is 3 years.

(b) ADE currently has approval from Directorate General of Civil Aviation (DGCA) Indonesia and is looking forward to obtaining the relevant approvals from Civil Aviation Authority of Thailand & Civil Aviation Authority of the Philippines.

Question 8

There were substantial increases in impairment charges for the Group in the following items for FY2020: (Page 213 of AR)

	2020	2019
	RM'000	RM'000
Impairment of:		
- Amount due from associates (Note 23)	264,071	-
- Amount due from related parties (Note 24)	615,578	-
- Trade receivables (Note 18)	53,539	5,415
- Other receivables (Note 18)	344,420	-
- Property, plant and equipment (Note 11)	43,670	-
- Right-of-use assets (Note 29)	552,290	-
- Finance lease receivables (Note 29)	90,035	-
- Investment in associates (Note 14)	59,272	-

(a) What are the main reasons for the substantial impairment charges for each item?

(b) For each item, what is the likelihood of further impairment or reversal or recoverability, where applicable, in FY2021?

Response to Question 8

(a) The impairment of amount due from associates, amount due from related parties, trade receivables and other receivables are predominantly arising from the announcements of the cessation of business operations of AirAsia Japan, creditors restructuring announced by AirAsia X and the outlook of future business prospects in the respective countries.

For the impairment of rights-of-use assets, finance lease receivables and property, plant and equipment, these are relating to aircraft. Due to the ongoing pandemic, aircraft are grounded, thus reducing cash flow generation. The requirement of the accounting standard is to take an impairment on the reduced generation of profits.

For the investment in associates, this is in relation to the ground-handling business which was equally impacted due to the current economic impact of the Covid 19 pandemic.

(b) All of the impairment items mentioned above need to be reviewed periodically. If conditions and outlook improve, the impairment items will be adjusted accordingly.

Question 9

The Board of AirAsia Group Berhad had on 7 July 2021 announced the proposed acquisitions of 100.0% of the equity interest in Velox Technology (Thailand) Co. Ltd. (VT) and 100.0% of the equity interest in Velox Fintech Co. Ltd. (VF). The Purchase Considerations were arrived at on a willing-buyer and willing-seller basis, after taking into consideration, inter alia, the initial investment amount put in by the Sellers. The Purchase Considerations may give rise to impairment risk in relation to the recognition of goodwill and/or intangible assets, being the difference between the Purchase Considerations and the fair value of the identifiable assets and liabilities of VT and VF.

(a) What is the basis of using, among others, the investment amount put in by the Sellers instead of using other quantifiable amounts or valuation parameters?

(b) What is the estimated amount of goodwill and/or intangible assets that may be impaired?

Response to Question 9

(a) The valuation parameter of the acquired asset is in line with comparable peer and precedent transaction multiples. On top of this, we also considered the future prospects of the acquired asset to arrive at the purchase consideration. There are many business benefits that appeal to the acquirer, such as go-to-market speed, licenses, market expansion, talent onboarding, and cost effectiveness for customer, merchant, and driver acquisition.

(b) On purchase of a new entity, the acquirer will have to perform a purchase price allocation to determine the amount of goodwill or intangible or any other assets acquired from the business. The current exchange of assets is based on the current market valuation of Velox Technology and Velox Fintech and it is not expected to have an immediate impairment. Goodwill and intangibles are tested periodically by reviewing the cash flow and parameters of operational forecast and we are confident that based on our overall business plans, we do not foresee any impairment on either the goodwill or intangible assets.

THANK YOU