

**AIRASIA GROUP BERHAD SECOND QUARTER 2020 FINANCIAL RESULTS****PIVOTED FROM AIRLINE;  
REDBEAT VENTURES RENAMED AIRASIA DIGITAL****AIRASIA.COM REVENUE UP 137% YoY****AIRLINE OPEX DOWN 72%  
POSITIVE SIGNS OF RECOVERY WITH STRONG UPTURN IN DEMAND  
AND YIELD**

**SEPANG, 25 August 2020** – AirAsia Group Berhad (“AirAsia” or the “Group”) today reported its results for the quarter ended 30 June 2020 (“2Q2020”).

**Unaudited Consolidated Second Quarter 2020 Results of AirAsia Group Berhad**

The Consolidated Group<sup>1</sup> posted 2Q2020 revenue of RM119 million, down 96% from RM2.9 billion in 2Q2019. Airline revenue declined 98% year-on-year (“YoY”) as capacity was significantly reduced due to the fleet hibernation at the end of March, prior to a gradual resumption of domestic operations from the end of April as travel restrictions eased. The airline revenue in the quarter was also negatively impacted by RM60 million in refunds. Less impacted in the quarter, non-airline revenue declined 55% YoY.

The Consolidated Group posted a loss in 2Q2020 EBITDA of RM683 million, in comparison to EBITDA of RM254 million in 2Q2019. Net loss for the period was RM1.2 billion, compared to RM47 million in profit in the previous corresponding quarter. The loss was attributed primarily to a shortfall in revenue amidst subdued travel demand due to lockdowns and border restrictions worldwide as well as realised hedging loss of RM199 million.

AirAsia’s digital businesses demonstrated strong performance for the quarter. Airasia.com revenue was up by 137% YoY, faster than the 1Q2020 growth rate of 118%. BigPay revenue improved by 11% in 2Q2020. Remittance has been one of BigPay’s best features thus far, recording significant growth of 469% in 1H2020. Teleport also contributed to an all time high share of group revenue of 42% in 2Q2020 as medical aid and critical supplies were transported at the time of need. During the quarter, the Group’s digital pillar launched many exciting new businesses and products including the Unlimited travel pass, Food by AirAsia, OURFARM and SNAP.

**Operating & Market Share Performance**

As flights gradually resumed from the end of April, the Group saw a pick up in a number of key operational metrics in June as compared to May, including tripling the number of passengers carried by AirAsia Malaysia, doubling the number of passengers carried by AirAsia Thailand, and increasing 10

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<sup>1</sup>Consolidated Group refers to Malaysia, Indonesia and Philippine airline units and digital subsidiaries. Wholly-owned subsidiary AirAsia Berhad, along with associates PT Indonesia AirAsia and AirAsia Inc. Group of Companies (Philippines) results were consolidated for financial reporting purposes in accordance with MFRS 10 since 1 January 2017.



percentage points in load factor while reaching six times the number of passengers carried by AirAsia India, reflecting the strong rebound demand for air travel.

Revenue per ASK ("RASK") increased by 3% to 15.93 sen in 2Q2020, attributed to the adaptation of a better pricing strategy and more rational competitor pricing since 4Q2019. Average fare improved significantly by 34% YoY from RM178 to RM239. Load factor was commendable at 59% in comparison to peers.

## **Cost Performance**

All airline operations-related costs reduced by 72% on the back of the Group's strict cost control. Fuel expenses decreased by 74% attributed to lower capacity, although this was offset by the realised hedging loss of RM199 million. Staff costs reduced by 38% contributed by headcount rationalisation and pay cuts across the Group. Maintenance and overhaul costs decreased by 93% as the Group optimised assets with the use of newer aircraft that are further away from major checks. User charge expenses decreased by 82% due to lower operational volume, in addition to savings in ground-handling costs as a result of the Group's implementation of contactless procedures and digital check-in processes. Other operational expenses were down by 65% on the back of lower marketing spend, renegotiation of ICT costs and strict cost control.

Depreciation and finance costs were up 34% due to the higher number of leased aircraft YoY. While the Group had successfully negotiated for deferrals with lessors, pursuant to the practical expedient provision available under Amendments to MFRS16: Covid 19 Related Rent Concessions, the income statement charges for depreciation and interest were prudently not adjusted.

## **On the airline performance results and outlook, President (Airlines) of AirAsia Group Berhad Bo Lingam said:**

"We have stabilised the airline in 2Q2020. We will be able to maintain sustainable operations on the back of our domestic services for the rest of the year if travel restrictions and border closures remain in place. Fares have been improving and we believe that competitors will continue to price rationally. We managed to reduce airline operational expenses by 72% for the quarter with strict cost control and thanks to our staff taking pay cuts across the Group. 70% of our fuel hedging costs were restructured and we have received support from lessors for deferrals, as seen in the 99% reduction in net cash used for financing activities in 2Q2020.

"We ended 2Q2020 on a stronger note, as passenger volumes and load factors improved in May and June following our April hiatus. As a month-on-month ("MoM") comparison to May, in June we saw the number of passengers carried by AirAsia Malaysia tripled, passengers carried by AirAsia Thailand doubled, while passengers carried by AirAsia India grew sixfold. We are positive that the uptrend will continue in the second half of the year as economic activities resume further and consumers adapt to travelling in the new normal.

"We grew our RASK this quarter as competitors remain rational. AirAsia Indonesia increased RASK the most by 56%. AirAsia Malaysia and AirAsia Philippines saw growth in RASK by 1% and 12% respectively. Average fare has also improved for AirAsia Malaysia and AirAsia Indonesia by 61% and 13% respectively during this quarter.

"Reviving domestic travel is high on our priority list as an opportunity to strengthen our domestic position in all of our key operating markets. Demand is expected to build up in 3Q2020 and 4Q2020, supported by both business and leisure travel. With lockdowns being lifted, consumers are keen to explore vacation spots in their own respective countries. By 4Q2020, we expect to run at 70-75% domestic capacity for AirAsia Malaysia, 60% for AirAsia Philippines and 35% for AirAsia Indonesia.



AirAsia Thailand and AirAsia India, which have been ramping up at a faster pace, are expected to recover to 105% and 75% of pre-Covid-19 domestic capacity by the end of the year.

"Internationally, last week we reinstated the popular Kuala Lumpur-Singapore route for essential travellers under the Reciprocal Green Lane scheme. This is a step in the right direction and we are optimistic about the further formation of travel bubbles and green lanes between countries with strong and proven disease containment strategies and low infection rates or active cases. Reviving the air travel industry is a collective effort, and AirAsia has been playing an active role by continuously engaging key stakeholders."

**On the digital platforms' performance and outlook, President (Digital) of AirAsia Group Berhad Aireen Omar said:**

"2Q2020 saw steady performances from our digital businesses. Airasia.com's revenue was up 137% for the quarter, faster than the 1Q2020 growth rate of 118%, as a result of our continuous focus on revamping and upgrading our products and user experience. We are taking advantage of consumers' pent-up demand by varying our product offerings while rolling out numerous campaigns and promotions. Internally, we have multiple ongoing projects to further evolve airasia.com as a leading one stop travel and lifestyle platform. We are happy to share that we have successfully developed and launched our own direct sourced flight and accommodation package platform, SNAP, to replace AirAsiaGO earlier this month. We are also piloting homepage personalisation as we recognise the unique needs and preferences of each customer visiting our website, leveraging on machine learning and data accumulated over the years. We aim to personalise our homepage down to the individual level, which will further stimulate demand and result in higher take-up rates as preferred tailored products are pushed to customers' screens, providing them more value and choice to fulfill their needs.

"Teleport pivoted from providing cross-border e-commerce logistics support to last mile deliveries, transporting more parcels, restaurant orders and fresh produce during the movement control order than in the previous 12 months collectively, despite the complete hibernation of the airline group's fleet. This is in addition to being very proactive in moving medical supplies across countries, recognising the important role of air transport during these tough times. Teleport has since been restructured into two main businesses - cargo and delivery. Adapting to the post-Covid-19 reality, there has been a significant shift in consumer trends demanding home delivery services from big-ticket items to fresh produce, and a strong e-commerce marketplace is essential to meet these needs. Food by AirAsia, a complete food ordering solution and Fresh by AirAsia, the fresh and frozen category on AirAsia Shop, were launched in May and July respectively. Teleport is proud to be the first fully digital business to invest in, and integrate end-to-end cross border logistics services in Asean, with a strong foundation to chart further growth in the long run. Having an existingly strong presence in Malaysia, Teleport successfully launched another logistics base in Singapore in July.

"We have virtually built a bank through BigPay, where Gross Transaction Value improved by 15% in 2Q2020 despite the travel restrictions. BigPay's remittance service has gathered momentum as volume increased by 469% in 1H2020. While BigPay has secured key licenses for payment and remittance for Malaysia and Singapore, it is actively looking at expanding into other markets soon. International money transfer is now available in Malaysia and Singapore enabling customers to remit to 10 other countries. BigPay continues to expand its user base and user engagement levels as its user signup rate increased by over 10% MoM. BigPay is actively developing new key products, including a bill payments service which is underway and will be rolled out in 3Q2020.

**On the group's outlook, AirAsia Group Berhad CEO, Tan Sri Tony Fernandes said:**

"Over recent times, we have successfully pivoted from an airline to an all-in-one digital lifestyle company anchored on travel. There is a silver lining in every crisis and we have used the downtime to review every aspect of our operation and to expand and transform our three core digital businesses -



the travel and lifestyle platform airasia.com, our logistics division Teleport, and fintech through BigPay and AirAsia BIG Loyalty. We exited the exclusive arrangement with Expedia in mid August and are now fully utilising our recently launched and direct sourced hotel booking platform under airasia.com, which we expect to see improved margins from, as a result of this new development. We are also pleased that SNAP, our direct sourced hotel+flight bundle deal is gaining momentum while we continuously push for more activities to add to our platform. Eventually, the airasia.com platform will include BigPay and AirAsia Big Loyalty which will further increase the velocity of transactions.

“During the lockdown, we took the opportunity to restructure the Group and lay the foundations for a sustainable and viable business for the future. Although we do not foresee capacity returning to pre-Covid-19 levels in the short term, we expect demand to gradually continue to grow throughout the second half of 2020 and for the airline to be profitable in the years to come as costs have reduced significantly amidst our network optimisation and improved pricing strategies. For the airline, fuel hedging has been restructured, operating costs have reduced and we have received support from lessors for deferrals. We are seeing pleasing forward demand for travel already, as witnessed recently for the launch of our AirAsia Unlimited Pass for AirAsia X, domestic Malaysia and domestic Thailand which were well-received and sold out quickly.

“We believe we have set the right foundations for the airline in the second quarter of 2020 as we move into the second half of the year, with the continued understanding of our customers and support from our lessors, hedge counterparties and business partners. Furthermore, we are working together with our creditors on repayment plans.

“We expect to have sufficient liquidity in 2H2020 and 2021 as revenue should improve in tandem with rising domestic demand. Our cash flow is managed tightly and we are well prepared to rely on operating domestic sectors in the short term if international travel restrictions continue. Aside from the major cost-cutting exercise we have embarked on across the Group, we are also securing commitments from the banks for the Danajamin PRIHATIN Guarantee Scheme in Malaysia and other bank financing in other markets. We are also actively exploring capital raising opportunities in each of our key operating markets which should aid in sustaining our cash flow levels. Just like every crisis we have faced before, I remain optimistic that we will come out stronger.

“Finally, we continue to review partnerships and opportunities that support our digital transformation. Value, choice and innovation are three cornerstones of our brand and we have many more digital products in the pipeline which we will announce in coming months. Airasia.com is a platform that will soon rival the best super apps in Asia. Teleport is fast emerging from a profitable air cargo business to become a unique end-to-end, air to last mile, logistics platform, serving businesses and consumers. We are confident that BigPay will become Asean’s first digital bank and AirAsia Big Loyalty will become Asean’s largest rewards and loyalty product.”

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# PRESS RELEASE



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