



# AIRASIA X

**FIRST QUARTER 2016  
FINANCIAL RESULTS**

24th May 2016

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# KEY HIGHLIGHTS

## 1Q16 RESULTS



**LOAD FACTOR**  
**+8%YoY** despite  
higher **BASE FARE**  
of **+31%YoY**



**YIELDS "RASK"**  
**+17%YoY**, not diluted  
although **ASK** grew  
**+7%YoY**



**PAX CARRIED**  
**+15%YoY**,  
surpassed new  
capacity injected



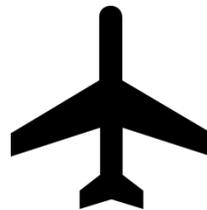
**REVENUE +25%**: Scheduled  
Flight Revenue (+51%YoY) and  
Ancillary Revenue (+23%YoY),  
backed by recovery in China  
and Australia markets



**ANCILLARY PER PAX +7%YoY**,  
boosted by new pricing and  
higher consumptions for  
Australia and China markets



**NET PROFIT** of **RM179mil** from a  
**NET LOSS** of **RM126mil** same  
quarter last year



**FLY-THRU & SELF-CONNECTING**  
**+7%YoY to 49% in 1Q16** from 42% in  
1Q15 of total passengers carried



**NET GEARING** improved  
to **1.20x** from 1.77x (as at  
31 Dec 2015)



**TAAX** posted **NET PROFIT** of **USD5mil**  
from **NET LOSS** of **USD2mil** in 4Q15 and  
**NET PROFIT** of **USD3mil** in 1Q15



# KEY HIGHLIGHTS

## CATALYST IN 2016

- **MARKET HAS RATIONALIZED AND BUSINESS HAS SEEN SIGNIFICANT RETURN ACROSS ALL ROUTES.**
- **2016 WILL FOCUS ON GROWING SCHEDULED ROUTES WHILE REDUCING WET LEASE OPERATIONS, POISED FOR STRONGER GROWTH IN TRAVEL DEMAND FOR CHINA, AUSTRALIA, AND OTHER HIGH YIELD MARKETS.**
- **TO REPLICATE AIRASIA'S PROVEN GROWTH STRATEGY, WE WILL RESUME 2016 BY BUILDING MARKET DOMINANCE IN CORE MARKETS THROUGH:**
  - **Frequency increase (mainly Australia and China)**
  - **New high yield routes (New Delhi, Auckland, Tehran, and more)**
- **BOOMING CHINA MARKET:**
  - Stronger-than-expected traffic from China to Southeast Asia and Australia, led us to increase frequency to main cities (Beijing and Shanghai) where Chinese populations and demands are the highest, and more new second tier routes in 2H2016 to stimulate the underserved markets in China.
  - **China will be the key feeder traffic to our core markets in 2016.**
  - **Expect +30%YoY increase in passengers traffic**, with upside of visa waiver implemented by Malaysian government in March 2016.
- **REBUILDING AUSTRALIA MARKET SHARE:**
  - Resuming double daily flights for Melbourne, Sydney, and Perth while 11x weekly for Gold Coast, as market has rationalized and recovered. Huge potential for Fly-Thru traffic on the rising traffic for China-Australia, India-Australia, New Zealand-Australia, and Australia-Tehran on the back of Australia's relaxed visa rules.
  - **Expect passengers growth of +40%YoY in 2016.**



# KEY HIGHLIGHTS

## CATALYST IN 2016

- **HIGH YIELD MARKET – NEW DELHI, INDIA:**

The entry to New Delhi has potential for massive growth, tapping on the (i) strong presence of AirAsia India, (ii) broader sales distribution (MakemyTrip, Expedia, and Yatra), (iii) opportunity to stimulate new market through Fly-Thru with AirAsia and AirAsia X Group wide network, and (iv) e-visa implemented by Indian government to encourage Malaysian tourist.

- **HIGH YIELD MARKET - TEHRAN, IRAN & MORE:**

- **Historical (2010-2012) Performance:** MAAX achieved average of 83% load factor with base fare of RM750 per annum.
- **Massive Opportunities for MAAX and TAAX** on this route as (i) Iran is one of the largest emerging and underserved market, (ii) we are the only low-cost carriers that operates direct flight from KUL and DMK and Southeast Asia airline's expansion to Iran is minimal, (iii) AirAsia X Group operates 6x weekly (almost daily flights) into Tehran to build scale, (iv) the increase in business ties between Iran and our core markets such as Malaysia, Thailand, Australia, Korea, Japan will contribute to a surge in travel demand.
- **Collections will be in USD** - this will provide yields enhancement and help mitigate currency risk.

- **GROWING FLY-THRU TRAFFIC:**

With the improved flight time for XIY, CTU, TPE, MEL and the activation of 36 new Fly-Thru city pairings in 1Q16, as well as the huge potential growth for China-Australia, India-Australia, and Australia-Tehran, **we expect Fly-Thru traffic to grow at least +20%YoY in 2016.**



# KEY HIGHLIGHTS

## CATALYST IN 2016

- **POSITIVE FORWARD BOOKINGS TREND:**

As at 15th May 2016, forward Average Base Fare trend is higher as compared to same period last year. We expect the Average Base Fare's momentum to continue and achieve double digit growth in 2016, on the back of (i) market rationalization, (ii) returning and rising travel demand especially for the existing mature routes, as well as (iii) the introduction of high yield routes such as New Delhi, Auckland, Tehran, and more in the pipeline.

- **FUEL HEDGING:**

We have hedged 100% of our fuel requirement for the remaining quarters (2Q to 4Q) in 2016 at an average jet fuel price of USD 54 per barrel on the planned existing routes. This will effectively allow us to mitigate fuel cost volatility and better manage cost while we explore for route and market expansion.

- **ANCILLARY REVENUE:**

With the new dynamic pricing introduced and upcoming new products such as Premium Lounge, IFE to be available on every flights, the rise in Premium Flatbed take-up, coupled with the expected rise in passengers especially high spending power Chinese, Australian, and moving forward the Middle Eastern, we target an annual growth rate of +10%YoY.

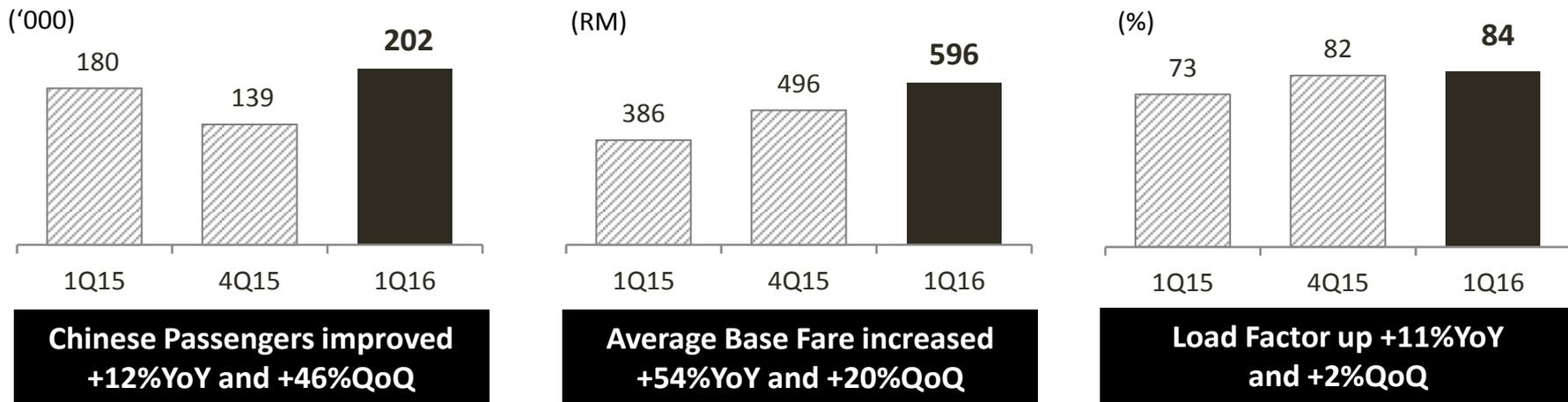
- **THAI AIRASIA X:**

TAAAX's ability to deliver promising growth despite the ICAO implications has proven that Thailand is a resilient tourist hub. We foresee TAAAX to achieve turnaround in FY2016 through greater operational synergies with the Group to achieve economies of scale while adding new routes to its growing network. Moving forward, we will focus in expanding the Malaysia and Thailand's operational growth while we re-evaluate the operation in Indonesia.



# CHINA MARKET

## RECOVERY OF CHINA MARKET:



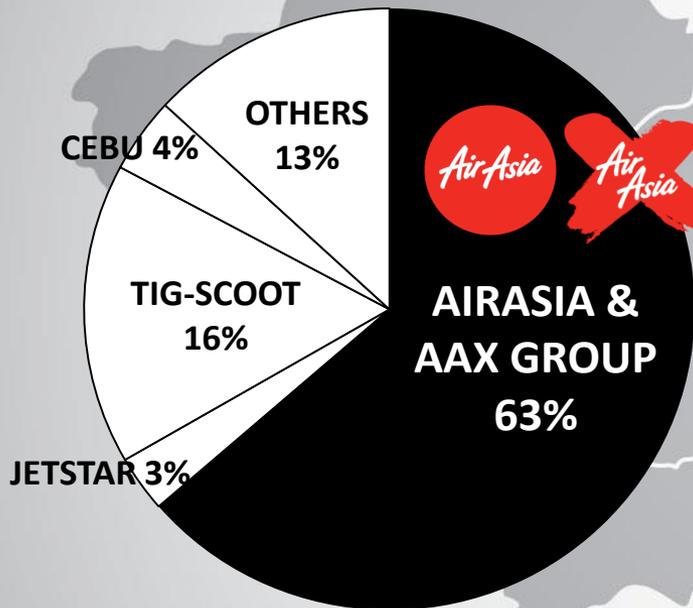
## CHINA OPPORTUNITIES:

- China market continued to record significant return of business and revenue growth in 1Q16 (+49%YoY and +21%QoQ) accounted 19% of our total revenue, signifying strong recovery from the post aviation incidents in 2014 coupled with our aggressive sales and marketing push.
- We expect China traffic to grow +30%YoY in 2016 with (i) the visa waiver imposed for Chinese tourist by Malaysian Government effective 1st March 2016, and (ii) the Chinese's growing per capita income, which are in line with Malaysia Tourism's target of over 8mil tourists from China for the next 5 years.
- In 2015, Australia recorded ground breaking arrivals from China with more than 1mil visitors, placing Australia the second largest long-haul market for Chinese visitors after US. This represent huge upside for our China-Australia Fly-Thru on the back of our 63% and 48% market share in China and Australia respectively (together with AirAsia Group).
- To take advantage of the China opportunities, we are (i) increasing frequency to main cities (Beijing and Shanghai) where Chinese populations and demands are the highest, and (ii) introduce new second tier routes in 2H2016 to further stimulate the underserved markets in China while feeding traffic to our core markets.



# CHINA MARKET (cont.)

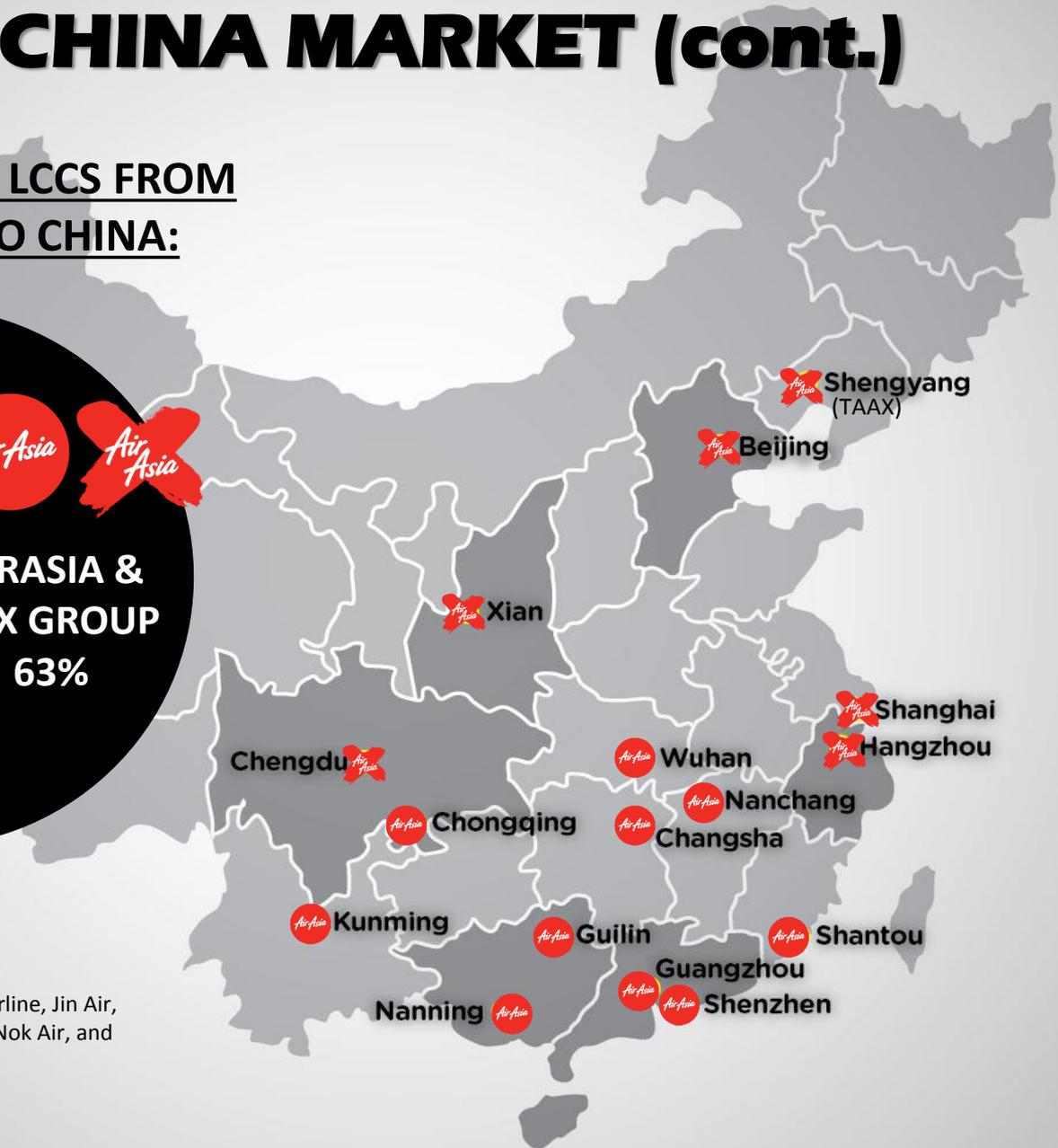
## MARKET SHARE OF LCCS FROM SOUTHEAST ASIA TO CHINA:



Notes:

- Tig-Scout: Tigerair and Scoot
- Jetstar: Jetstar and Jetstar Asia
- Others: Spring Airlines, ChongQing Airline, Jin Air, Eastar Jet, Lion Mentari Air, Jeju Air, Nok Air, and others

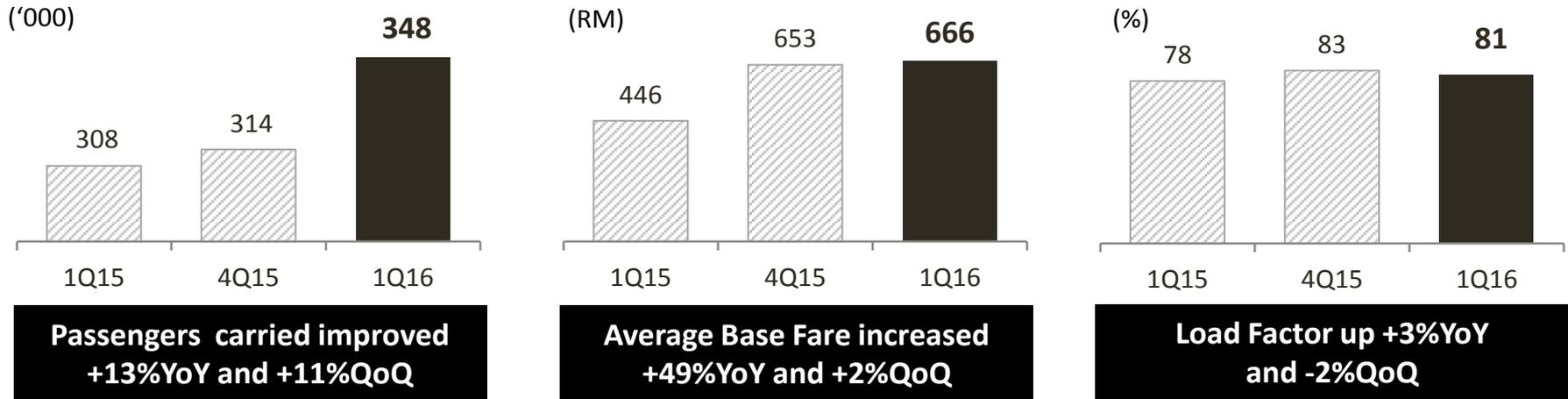
Source: IATA PaxIS Report, for 2015





# AUSTRALIA MARKET

## RECOVERY OF AUSTRALIA MARKET:



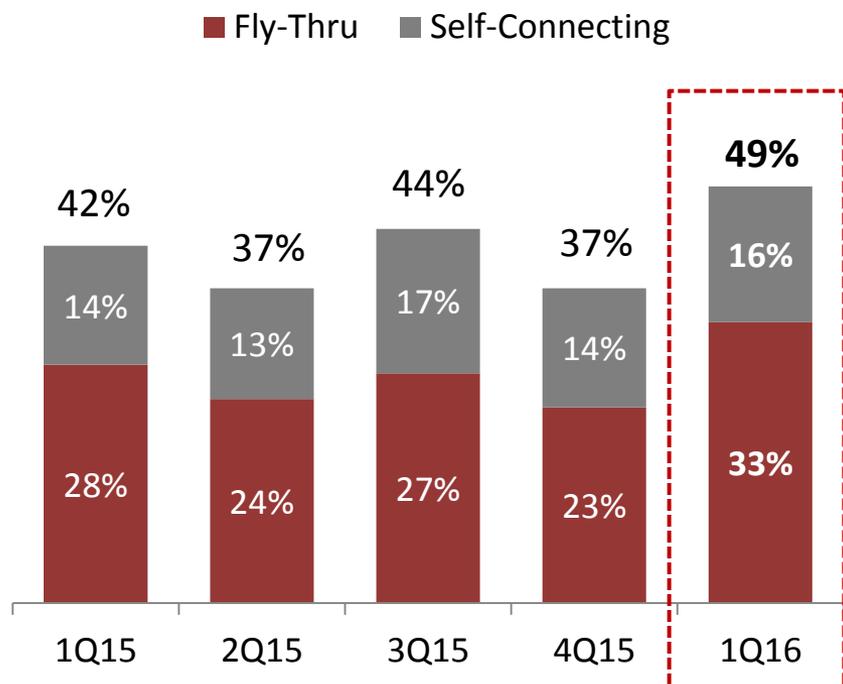
## REBUILDING MARKET SHARE IN AUSTRALIA:

- Australia market have seen a recovery in passengers carried with a growth of +13% YoY and +11%QoQ, from the 2014 – 2015 challenging environment.
- We expect Australia traffic to grow +40%YoY in 2016 as a result of:
  - Improved feeder traffic from New Zealand, China and India to Australia as these routes represented the largest international arrivals in 2015;
  - Chinese and Indian tourist recorded the highest YoY growth in 2015 at +22% and +19% respectively, we expect to see higher growth as Australia relaxed visa rules for Chinese and India tourist in 2016;
  - Australian traffic to ASEAN country, ie. Thailand and Vietnam, remained strong as indicated by our Fly-Thru performance. We are optimistic that the new connections to Tehran will contribute positive growth to Australia's Fly-Thru performance in 2016 as the two country increases bilateral ties.
- With the observed growth in Australia's international tourist arrivals, we are rebuilding our Australia's market share with the resume of double daily flights for Melbourne, Sydney, and Perth while 11x weekly for Gold Coast.



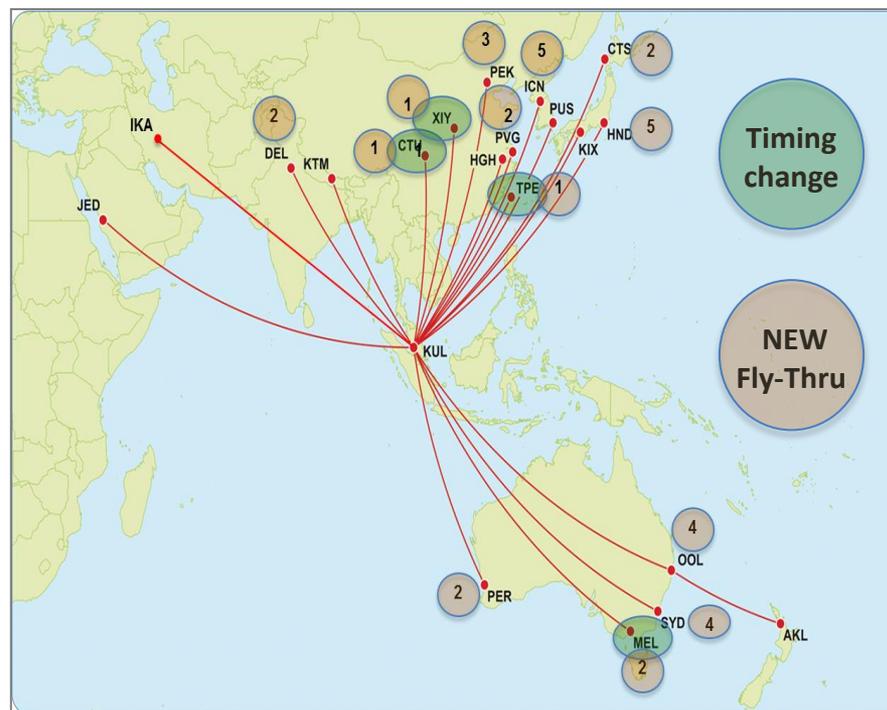


# GROWING FLY-THRU



## GROWING FLY-THRU & SELF-CONNECTING

- Fly-Thru & Self-Connecting: +7%YoY to 49% in 1Q16 from 42% in 1Q15 of total passengers carried.
- Increasing take-ups for Fly-Thru translated into +29%YoY higher in Connecting Fee (under ancillary revenue) to RM9mil in 1Q16 from RM7mil same period last year.



## OUTLOOK

- Improved flight timing for XIY, CTU, TPE, MEL and activated 36 new Fly-Thru in 1Q16.
- Huge upside for (i) China-Australia, (ii) India-Australia, and (iii) Australia-Tehran.
- Expect Fly-Thru traffic to increase +20%YoY to 46% of total passengers carried in 2016.

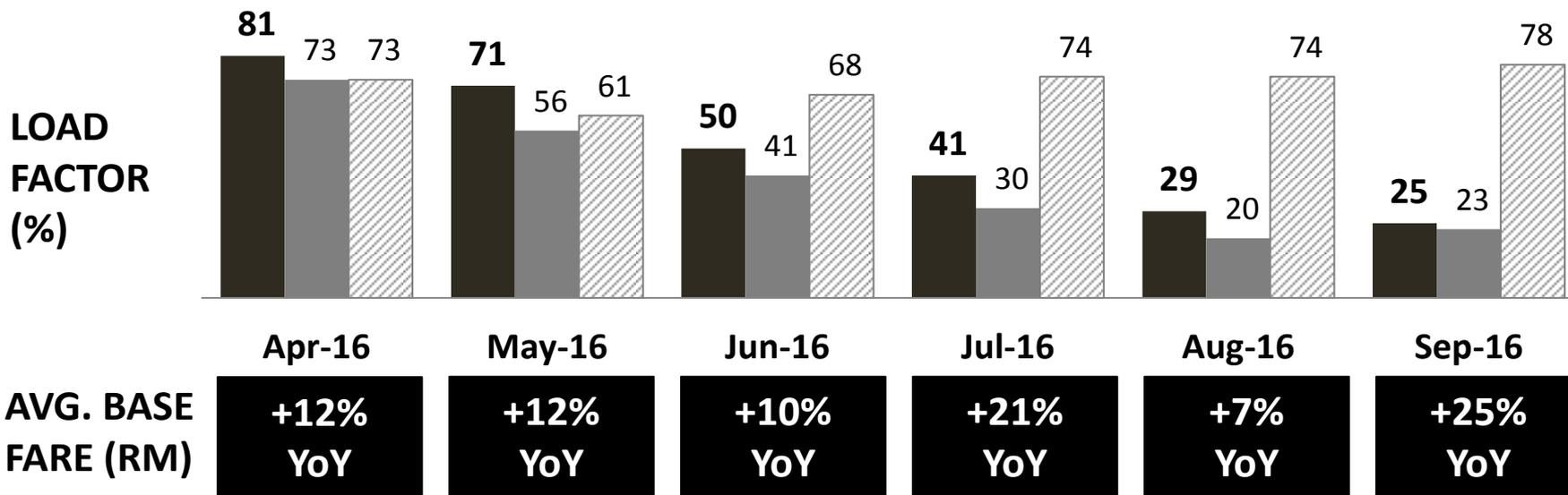


# STRONG FORWARD SALES

As at 15 May 2016

## MAAX

■ Current (2016)    ■ Same Time Last Year (2015)    ▨ Actual Flown (2015)



## YIELDS UPSIDE

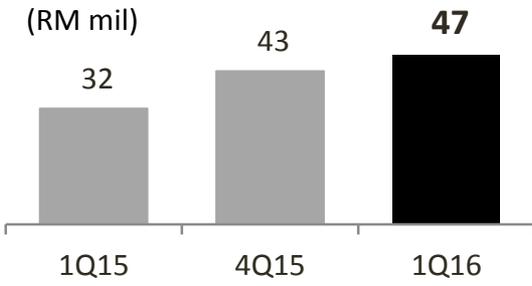
- Higher average base fare due to (i) market rationalization, and (ii) increasing fares for mature routes.
- Strong forward traffic despite the increase in base fare, signifying travel demand has returned and growing stronger.
- Based on our forward sales report as at 15th May 2016, forward fares for 2Q16 and 3Q16 are higher than last year comparing with the same period as at 15th May.
- The positive trend is expected to improve further as the month approaches (due to change in booking pattern), with more exciting routes in the network coupled with stimulation from aggressive marketing.



# ANCILLARY

## DRIVE ANCILLARY:

- Dynamic pricing for baggage
- Value Bundled Package
- Introduce new meal selections with new pricing
- Enhance duty free products & sales platform
- Make In-flight Entertainment available in all markets (currently only available on Australia flights)
- Endorsement of celebrity, David Foster, to further promote premium flatbed.



**Premium Flatbed Revenue +46%YoY and +10%QoQ**

- Premium lounge & more
- Target to achieve 10%YoY growth

**AWARD-WINNING LIE-FLAT BED IN THE SKIES.**

"When I travel, I like to do it in comfort and style. With AirAsia's Premium Flatbed, I get the best of both worlds."

Now that's hitting all the right notes.

*David Foster*

**PREMIUM FLATBED**

- Unlimited Flight Chances\*
- 40KG baggage allowance
- Dedicated lane at MIA2 immigration counter\*\*
- Complimentary Map
- Comfortable pillow and blanket\*\*
- Priority baggage collection at check-out
- Priority embarkment and boarding

**INTRODUCING VALUE PACK**

**Savings & Convenience, All In One Go!**

- 20kg Checked Baggage
- Standard Seat Selection
- Meal

Value Pack is a more convenient way of booking your baggage, meal and seats with your flights! Experience the new value-for-money flight bundle and start enjoying more with greater savings!

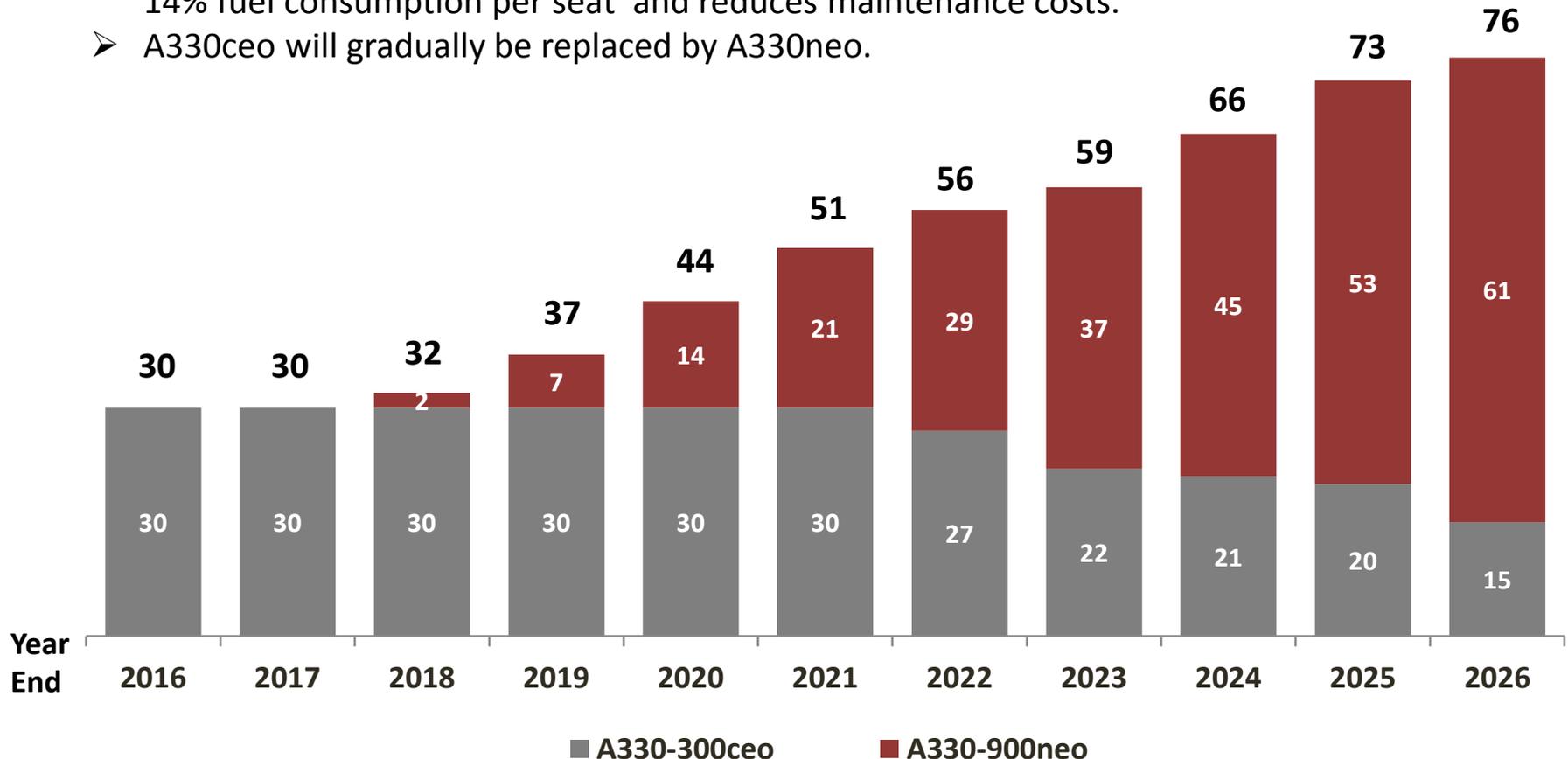
Only available during initial flight booking @ airasia.com





# FLEET PLAN

- 29 aircraft as at April 2016; 2 new aircraft to be delivered and operate starting June 2016 while 1 (MSN54) is scheduled to return by end 2Q16.
- No aircraft delivery from 2017 to 1H2018; the remaining 11 A330ceos have converted to A330neos, the most cost-efficient in its class. This model will effectively allow us to save 14% fuel consumption per seat and reduces maintenance costs.
- A330ceo will gradually be replaced by A330neo.





# THAI AIRASIA X

KEY METRICS:	1Q15	1Q16
Pax Carried	155,961	369,318
Load Factor	82%	89%
Average Base Fare (USD)	158	127
Net Profit (USD'000)	2,756	5,283



**Fleet Size:**  
6 A330s  
(as at Mar-16)

**Current Routes:**

Bangkok-Shanghai (7x weekly)  
 Bangkok-Incheon (7x weekly)  
 Bangkok-Narita (14x weekly)  
 Bangkok-Osaka (7x weekly)  
 New Bangkok-Shenyang (2x weekly)  
 New Bangkok-Tehran (3x weekly)  
 New Bangkok-Muscat (3x weekly)

- TAAX received 1 new aircraft in 1Q16, bringing total fleet to 6.
- TAAX achieved a Net Profit of USD 5mil for 1Q16, mainly helped by the improved traffic across all existing routes and lower fuel cost.
- Strongly believe in the huge potential of China and Middle East markets – To capture the growing demand in Middle East into Thailand, TAAX launched Tehran and Muscat in May 2016. TAAX also launched Shenyang in April 2016 and is exploring for more routes in China, tapping on the established AirAsia Group brand and increase connectivity with Thai AirAsia for more Fly-Thru options.



# INDONESIA AIRASIA X

KEY METRICS:	1Q15	1Q16
Total Pax Carried	5,571	62,036
Load Factor	46%	64%
Average Base Fare (USD)	69	131
Net Loss (USD'000)	9,381	4,642



**Fleet Size:**  
2 A330s  
(as at Mar-16)

**Current Routes:**

Bali-Melbourne (5x weekly)  
 Bali-Sydney (5x weekly)  
 Jakarta-Jeddah (2x weekly)

- IAAX's Net Loss for 1Q16 has narrowed half to USD 4.6mil from USD 9.4mil last year supported by overall operations improvement.
- IAAX, however, remained challenging from the aviation restriction imposed by Indonesian regulator. Hence, we are re-evaluating the future of IAAX.



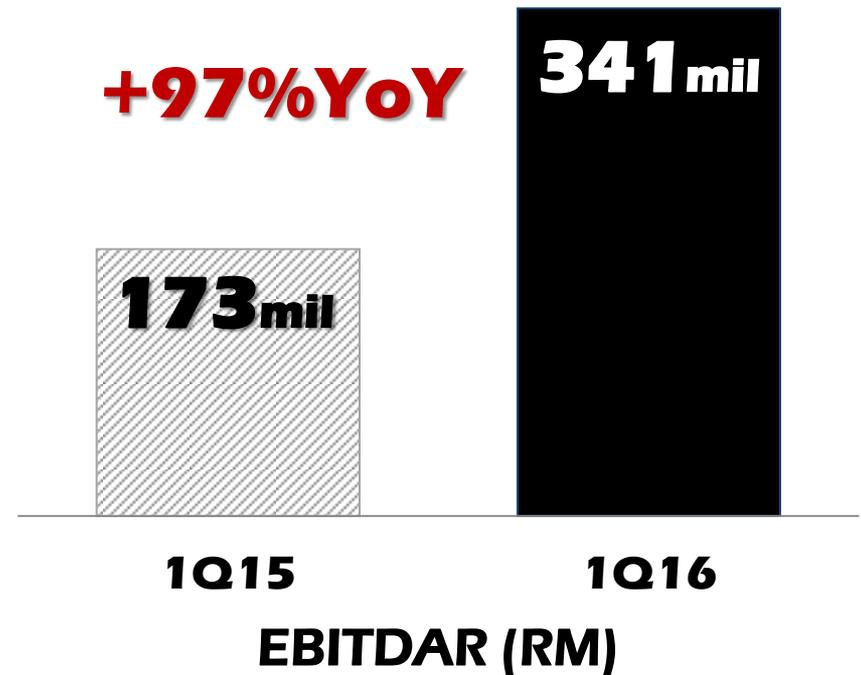
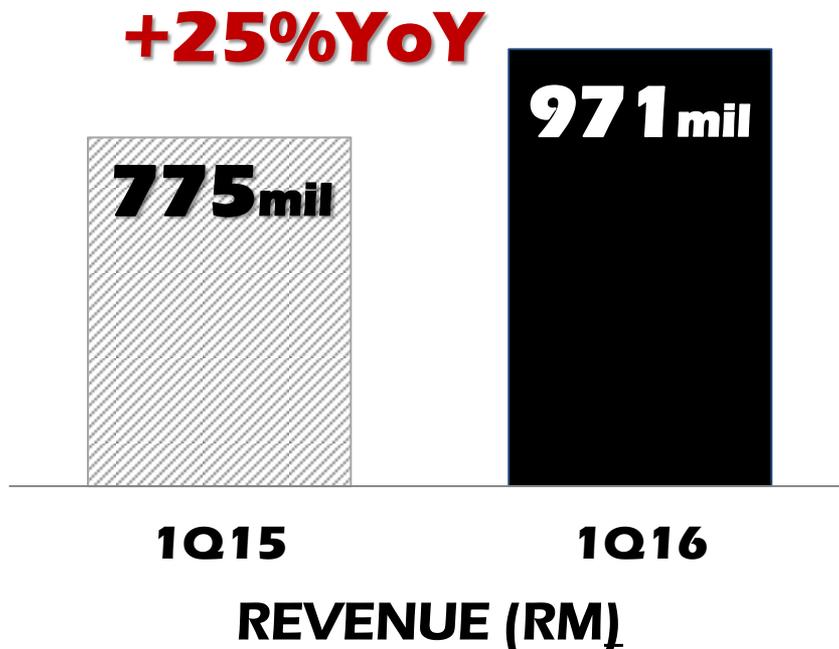
# 1Q2016

## KEY FINANCIAL & OPERATIONAL HIGHLIGHTS





# 1Q16 KEY FINANCIALS



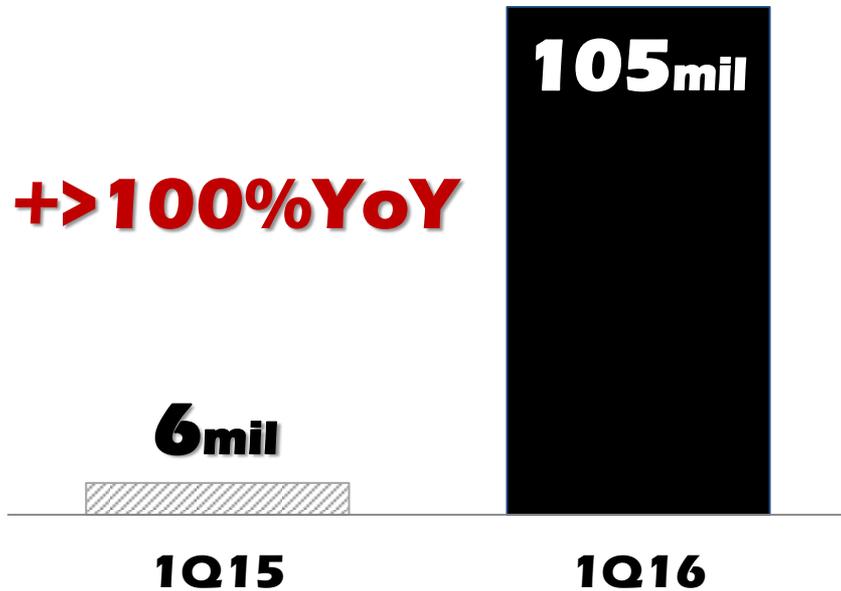
Mainly contributed by higher:

- I. Scheduled flight revenue (+51%YoY)
- II. Ancillary revenue (+23%YoY)
- III. Cargo revenue (+13%YoY)
- IV. Aircraft operating lease income (+119%YoY)

Improvement seen across all routes, especially China market followed by Australia.

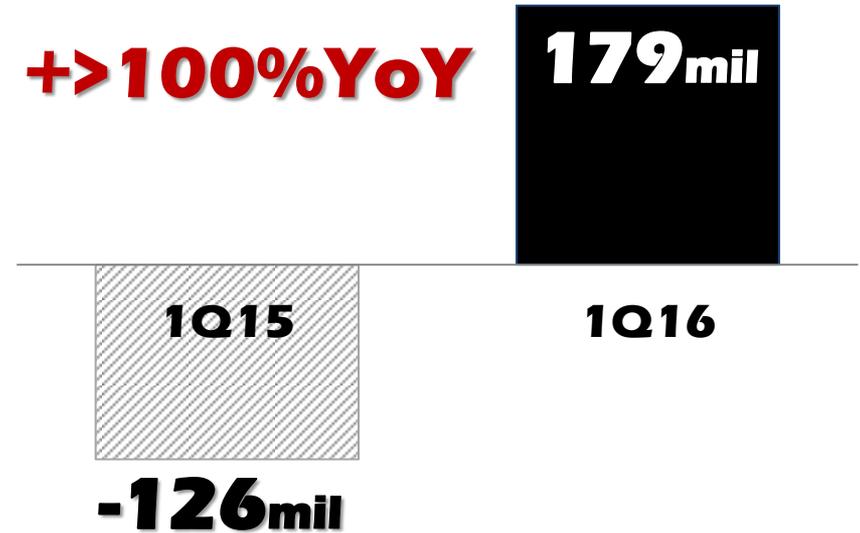


# 1Q16 KEY FINANCIALS



**OPERATING PROFIT (RM)**

Mainly due to improvement in overall operating performance and the -11%YoY savings in aircraft fuel expenses. However, the savings was limited by the hedging of 57% at USD53/bbl for 1Q16.



**NET (LOSS)/ PROFIT (RM)**

This was favored by FOREX Gain of RM122mil in 1Q16 as compared to a FOREX Loss of RM87mil in 1Q15.



# 1Q16 KEY STATISTICS

**+17%YoY**



**1Q15**

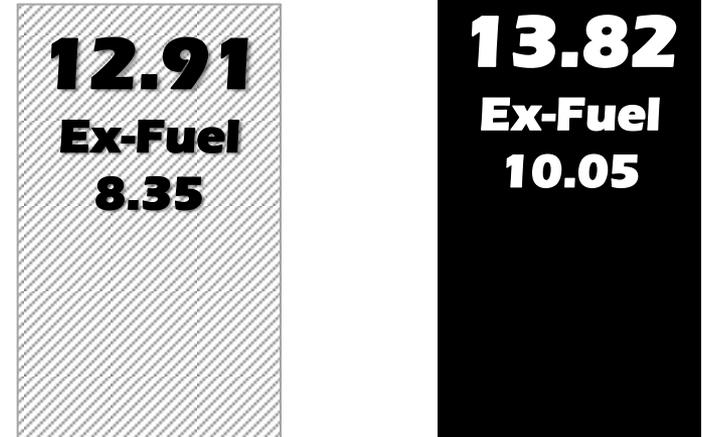
**1Q16**

**RASK (SEN)**

Increase In RASK across all regions:

- I. China up +35%YoY
- II. Australia up +26%YoY
- III. North Asia (ex China) up +25%YoY

**+7%YoY**



**1Q15**

**1Q16**

**CASK & CASK EX-FUEL (SEN)**

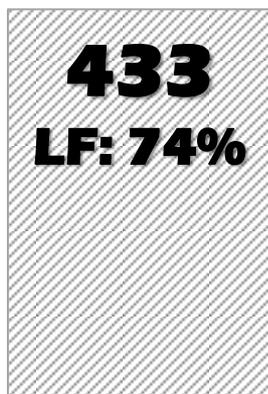
CASK up +7%YoY and Ex-Fuel up +20%YoY, mainly due to higher :

- I. Aircraft Operating Lease Expenses (+59%YoY) as we have 4 additional operating lease A330s with higher rental rate as compared to A340s in 1Q15.
- II. Fleet expansion and MYR depreciation against USD (+16%YoY) translated into higher User Charges (+29%YoY) and Maintenance and Overhaul expenses (+42%YoY)



# 1Q16 KEY STATISTICS

**+31%YoY**



**1Q15**

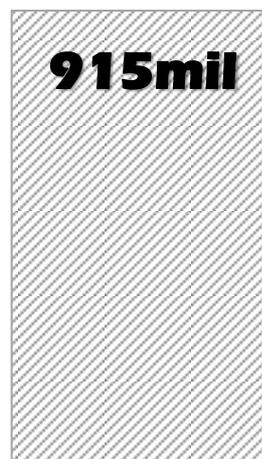


**1Q16**

## AVERAGE BASE FARE (RM) & LOAD FACTOR (%)

Substantial improvement in Average Base Fare was mainly contributed by China (+54%YoY) followed by Australia (+49%YoY) despite +10%YoY ASK capacity injected into China and Australia respectively.

**+15%YoY**



**1Q15**



**1Q16**

## PASSENGERS CARRIED

Mainly boosted by:

- I. China routes, especially Shanghai +34%YoY and Xian +31%YoY
- II. Australia routes, primarily Sydney +31%YoY and Gold Coast +31%YoY

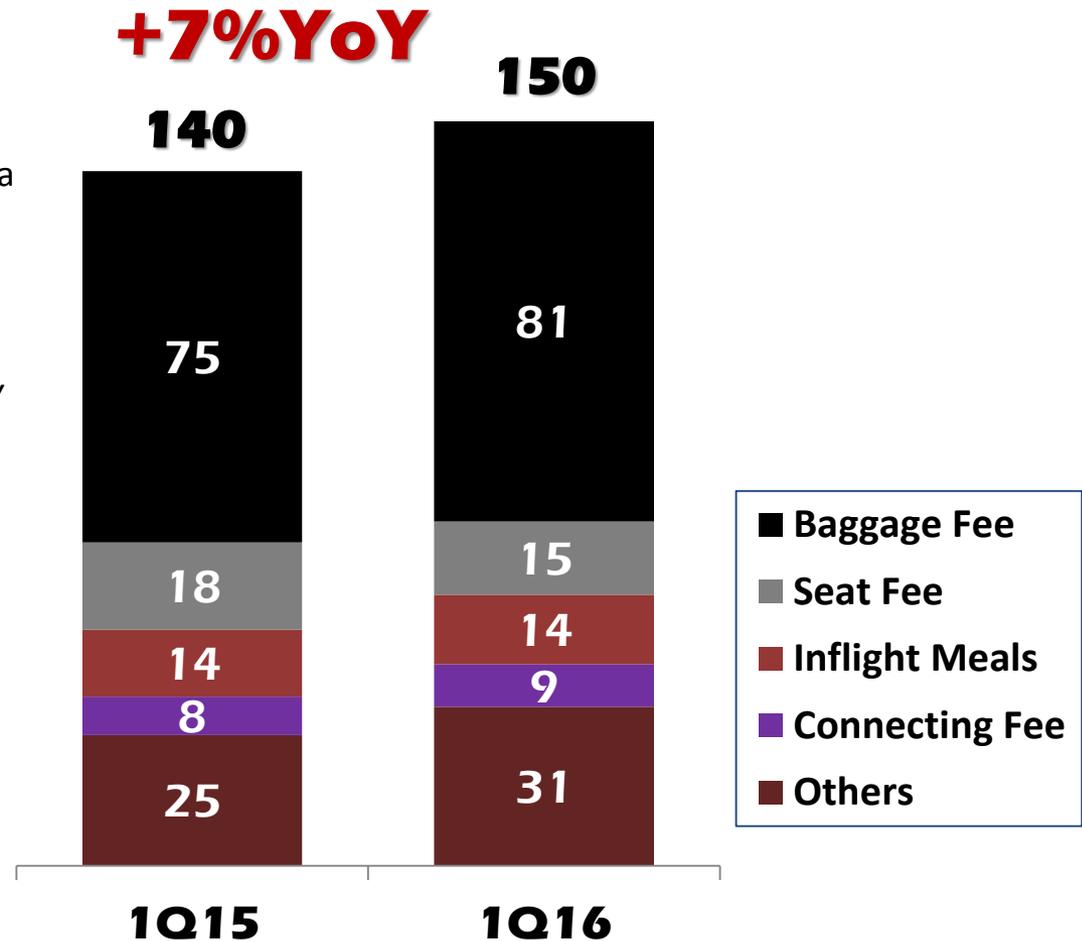


# 1Q16 KEY STATISTICS

## ANCILLARY REVENUE PER PAX

Mainly contributed by Australia and China sectors:

- I. Baggage fee, +8%YoY
- II. Connecting fee from Fly-Thru, +12%YoY
- III. Inflight Entertainment (IFE), +>100%YoY
- IV. Inflight Merchandise, +>100%YoY
- V. Inflight Duty Free, +>100%YoY
- VI. Insurance, +16%YoY
- VII. Inflight Meals, +4%YoY



Others includes IFE, Inflight merchandise, Duty Free, and others

**THANK YOU**

