

# AIRASIA

## FIRST QUARTER 2017 FINANCIAL RESULTS



*Air  
Asia*

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# 1Q17 KEY HIGHLIGHTS










# KEY TAKEAWAYS

FIRST QUARTER 2017



## Highlights

-  **Passengers carried at 1.40 million**, up +33% from prior year, exceeding ASK capacity growth of +29% mainly due to frequency increase to several destinations and commencement of new routes
-  **Load factor up +2% YoY to 84%** from improvement seen in China routes
-  **Average Base Fare stood at RM544**, down by 4%, due to the expected increase in capacity on core existing routes as per our strategy to grow market share and therefore pressuring yields
-  **RASK stood at 14.20 sen**, lower 6% YoY, on the back of lower average base fare recorded in China & Australasia markets
-  **Thai AirAsia X on upward trajectory despite competition in Thailand and rebirth of Indonesia AirAsia X A330 operations**
-  **Strengthens and focus our country dominance** in Australia, China & India markets
-  **Evaluating a single class all-economy high-density A330** to focus on medium haul routes

**Pax Carried**  
**1.40 million**  
**+33% YoY**



**ASK capacity**  
**8,324 million**  
**+29% YoY**



**Load Factor**  
**84%**  
**+2ppts YoY**

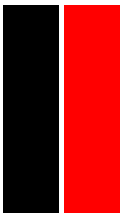


**Average Base Fare**  
**RM544**  
**-4% YoY**



# KEY TAKEAWAYS

FIRST QUARTER 2017



## Group Performance



**Revenue up 22% YoY to RM1.2 billion**, mainly driven by 33% growth in passenger volume and higher:

- Scheduled flight revenue, up 28% YoY
- Ancillary revenue, up 34% YoY
- Aircraft operating lease income, up 17% YoY



**CASK lower by 1% at 13.48 sen** due to cost efficiency and higher utilisation of aircraft. **CASK ex-fuel was even lower at 8.94 sen**, down 9% YoY

- This was despite other airlines were throwing down fares and revision in pilots and crew salary



**Ancillary revenue posted healthy growth of 34% YoY to RM208.9 million**, while Average Ancillary Revenue per Passenger steady at RM150



**EBITDAR down 3% YoY to RM330.3 million**



**Operating Profit stood at RM60.3 million**, down 43% YoY, mainly due to weakening MYR against USD, where most expenses are denominated in USD



**Profit Before Tax (PBT) was RM31.9 million**, down 85% YoY, on the back of higher forex gains recognised in 1Q16



**Outperformed despite regulatory constraints - Thai AirAsiaX recorded USD5.5 mil net profit** despite being in Category 2 while other local carriers struggled in 1Q17

**Scheduled Flight Revenue**  
**+28% YoY**



**Ancillary Revenue**  
**+34% YoY**



**Aircraft Operating Lease Income**  
**+17% YoY**

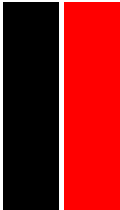


**CASK**  
**-1% YoY**  
**CASK ex-fuel**  
**-9% YoY**

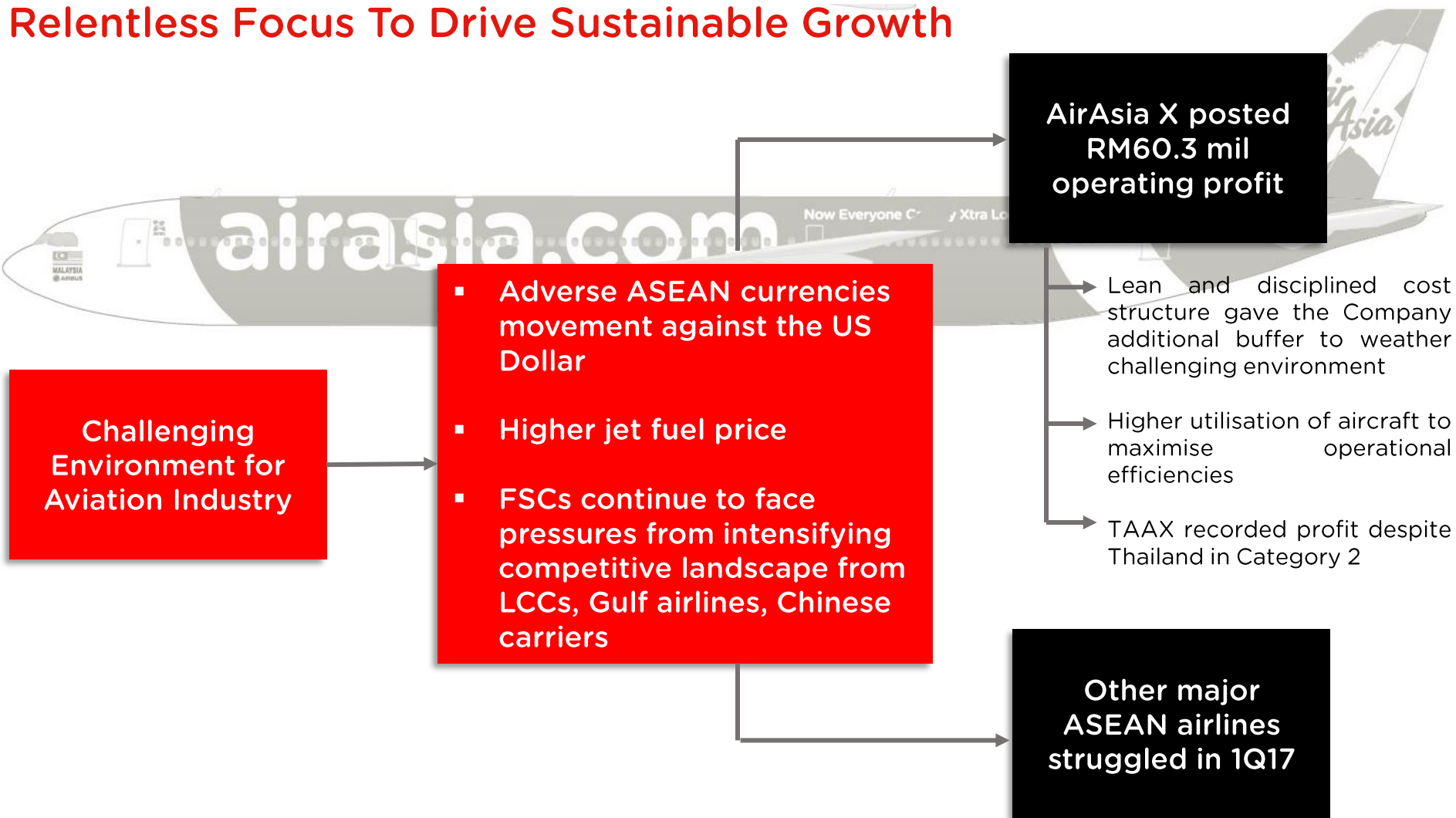


# KEY TAKEAWAYS

FIRST QUARTER 2017



## Relentless Focus To Drive Sustainable Growth



# KEY TAKEAWAYS

## HEADING TOWARDS CONSOLIDATION



### AIRASIA X GROUP – PROFORMA CONSOLIDATED RESULTS OF AAX AND AOCs

- Included in the Company's Bursa Announcement (Note 9)

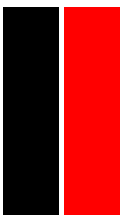
Revenue **RM1.47 billion** | Operating Profit **RM48.4 million** | Net Operating Profit **RM37.0 million**

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Elimination Adjustments RM'000	Total RM'000
<b>Quarter ended 31 March 2017</b>					
<u>Segment results</u>					
Revenue	1,180,727	301,284	112,589	(120,286)	1,474,314
Operating expenses					-
- Staff costs	(104,976)	(31,747)	(8,705)	-	(145,428)
- Depreciation of property, plant and equipment	(27,013)	(1,042)	(525)	-	(28,580)
- Aircraft fuel expenses	(377,691)	(87,461)	(36,368)	-	(501,520)
- Maintenance and overhaul	(174,580)	(39,213)	(25,380)	41,877	(197,296)
- User charges and other related expenses	(123,919)	(42,634)	(10,711)	-	(177,264)
- Aircraft operating lease expenses	(242,931)	(61,017)	(36,445)	78,784	(261,609)
- Other operating expenses	(70,818)	(22,307)	(27,631)	(375)	(121,131)
Other income	1,538	4,711	669	-	6,918
<b>Operating profit/(loss)</b>	<b>60,337</b>	<b>20,574</b>	<b>(32,507)</b>	<b>-</b>	<b>48,404</b>
Finance income	1,099	74	38	-	1,211
Finance costs	(10,691)	(1,959)	-	-	(12,650)
<b>Net operating profit/(loss)</b>	<b>50,745</b>	<b>18,689</b>	<b>(32,469)</b>	<b>-</b>	<b>36,965</b>
Foreign exchange gain/(loss)	3,414	1,757	(2,375)	-	2,796
Other loss/gain	(22,251)	(23,057)	(14,625)	-	(59,933)
<b>Profit/(Loss) before taxation</b>	<b>31,908</b>	<b>(2,611)</b>	<b>(49,469)</b>	<b>-</b>	<b>(20,172)</b>

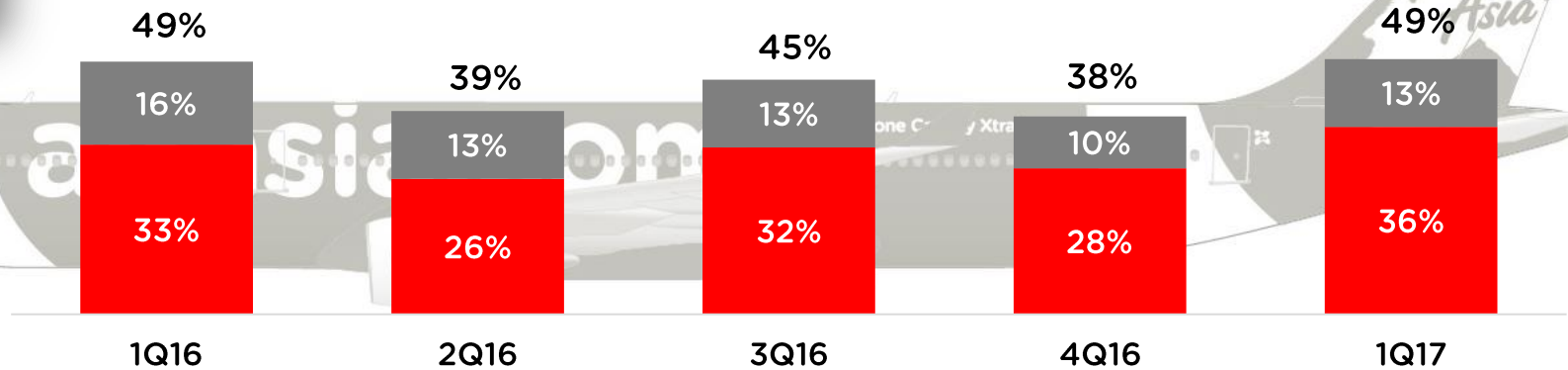


# FLY-THRU PERFORMANCE

BECOMING THE NEXT DUBAI OF THE EAST



■ Fly-thru ■ Self-connecting

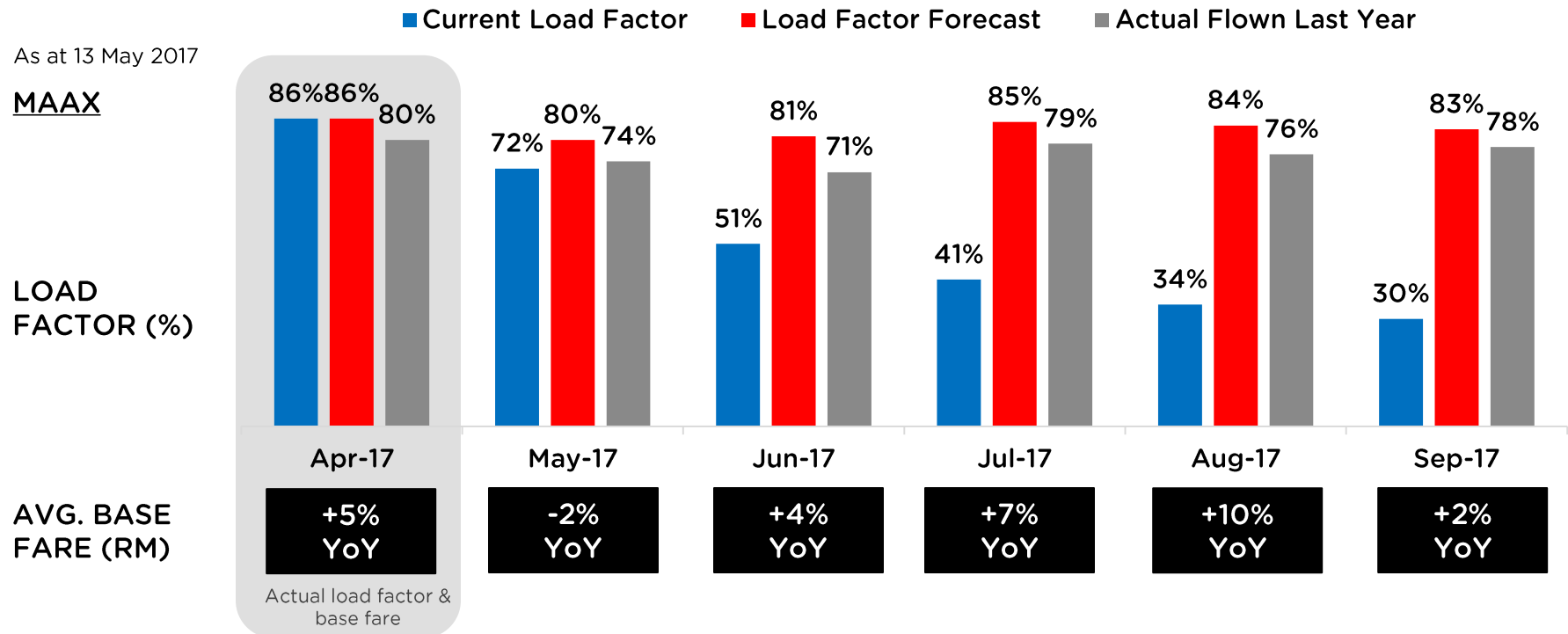


- KUL remained the largest transit hub with **84% AirAsia Group FlyThru traffic**, representing **37% YoY growth**
- **AK-D7 remains the largest AOC pair for FlyThru traffic (43%)**, with growth of 36% YoY
- **D7-D7 pairing has increased by 81% YoY**, with Australia market contributing significant growth
- Top 5 FlyThru nationality accounted 67%: China (23.5%), India (13.4%), Australia (11.7%) and Indonesia (10.7%) and Malaysia (7.6%)
- FlyThru performance strengthened in 1Q17 and shows AirAsia is still the **preferred choice of travel with seamless connection** to our wide network within the AirAsia Group



# FORWARD BOOKING

## HEALTHY TRENDS



- Healthy forward sales and higher average fare forecasted against the same period last year
- Forward traffic remains strong despite the increase in base fare which signifies healthy travel demand for the year
- Positive trend looks to improve further as the month approaches as we rely on aggressive marketing to stimulate demand

# ANCILLARY

## STRONG SHOWING

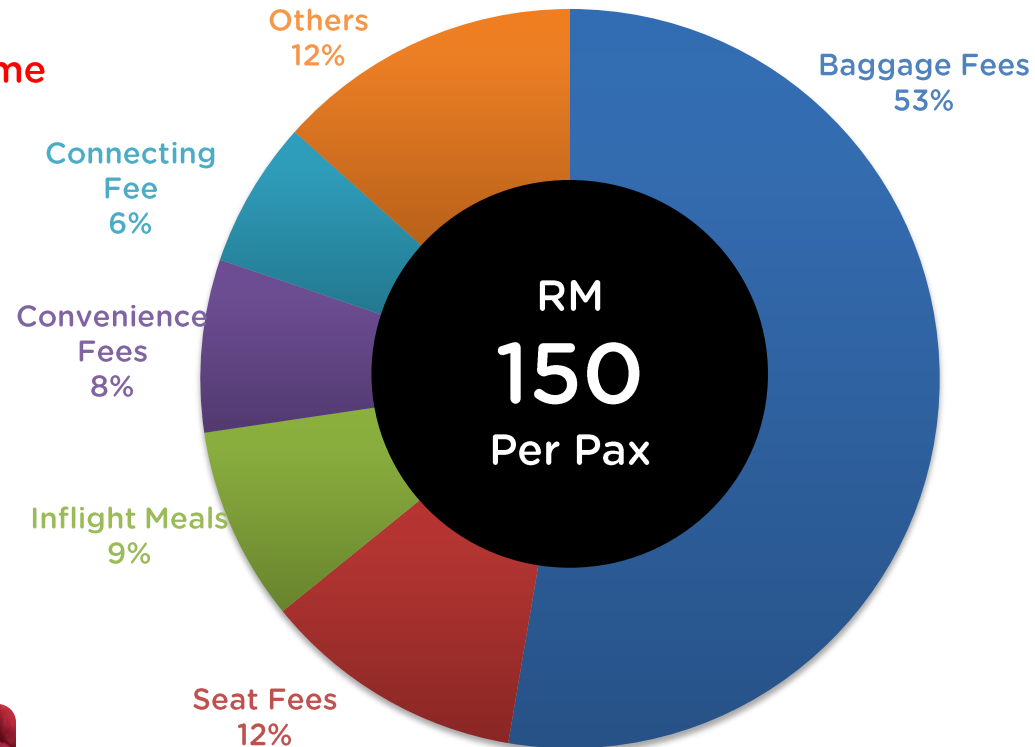


TOTAL ANCILLARY REVENUE  
RM208.9 mil

**↑ 34%**

1Q16: RM 155.9 mil

- **Total ancillary revenue increased 34%** YoY to RM208.9mil, with **ancillary income per pax** recorded at **RM150**
- **Biggest contributors:**
  - Baggage (53% of total ancillary revenue) and
  - Seat Fees (12% of total ancillary revenue)
- **Highest growth:**
  - In-Flight Entertainment (+>100%),
  - Lounge Fees (+>100%)
  - Seat Fees (+55%)
  - Connecting fees / Flythru (+47%)



# ASSOCIATES UPDATE

## THAI AIRASIA X & INDONESIA AIRASIA X



### Thai AirAsia X

	1Q17	1Q16
Passengers Carried	423,404	369,318
Load factor (%)	94	89
Average Base Fare (USD)	4,591	4,589
Net Profit / (Loss) (USD'000)	5,514	5,950

- TAAX posted net profit of USD5.5 million in 1Q17 despite Thailand being in Category 2
- Passengers carried up 15% YoY while load factor up 5 ppts to 94%
- Thai tourism industry has showed signs of recovery although the sector has short-term impact from the government's crackdown on zero-dollar tour for Chinese tourists
- The number of international tourists to Thailand rose by 2% over the same period last year to 9.2million. This was helped by visa waiver and reduction of visa-on-arrival fees from 2,000 baht to 1,000 baht for many countries including China



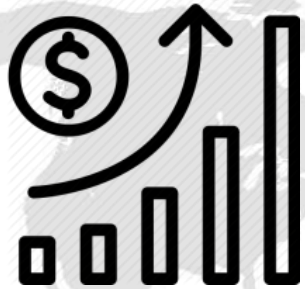
### Indonesia AirAsia X

	1Q17	1Q16
Passengers Carried	-	62,036
Load factor (%)	-	64
Average Base Fare (USD)	-	131
Net Profit / (Loss) (USD'000)	(7,835)	(4,642)

- IAAX had temporarily suspended its operations from 1<sup>st</sup> September 2016 onwards, hence there are no key operating statistics for 1Q17
- Revenues were generated from the two A330s wet leased to Malaysia AirAsia ("MAA") in 1Q17
- To re-launch A330 operations in May 2017 with flights :
  - Denpasar - Narita (24 May 2017)
  - Denpasar - KUL - Mumbai (19 May 2017)

# KEY PRIORITIES & FOCUS

AIM TO DELIVER RESILIENT 2017



1



## Fuel Hedging

- For 2017, 74% of AirAsia Group fuel requirement hedged for the year at an average fuel priced of USD60 per barrel

2



## Route Development & Aircraft Utilisation

- Target 16 hours aircraft utilisation by utilising free day time aircraft windows for incremental frequencies and potential new routes
- Honolulu inaugural slated on 28 June 2017

3

## Ancillary Income upside / initiatives



- WiFi on board – first phase to be carried out by end of 2017
- Build Big Duty Free – huge potential to drive Ancillary per pax higher
- Twin Seats introduced mid-March 2017 has been receiving good take-ups
- To work with business partners to develop a shopping platform with attractive deals which would boost take-up rate for In-Flight Entertainment

# KEY PRIORITIES & FOCUS

AIM TO DELIVER RESILIENT 2017



4

## Grow Point-to-Point, High Yield Routes



- Strengthens market dominance via high margins point-to-point routes

## 5 Exploring dual-configuration aircraft type model



- Evaluating high-density all-economy class with a focus on medium-haul routes
- Possible aircraft:
  - A330 NEO - 440 seats
  - A330 CEO - 436 seats

6

## Solid commitment to drive performance resilient to offset weakening MYR

### Drive Cost Down =

- Renegotiation of various contracts, Merging of Ground ops, Continuous monitoring of fuel efficiency initiatives





# APPENDIX 1Q17 KEY FINANCIALS & OPERATIONAL HIGHLIGHTS



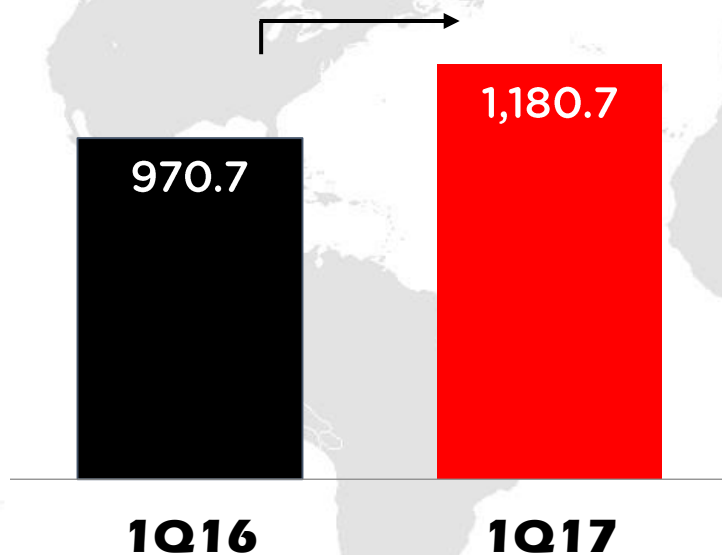
# KEY FINANCIALS

FIRST QUARTER 2017



**REVENUE** (RM million)

+22%

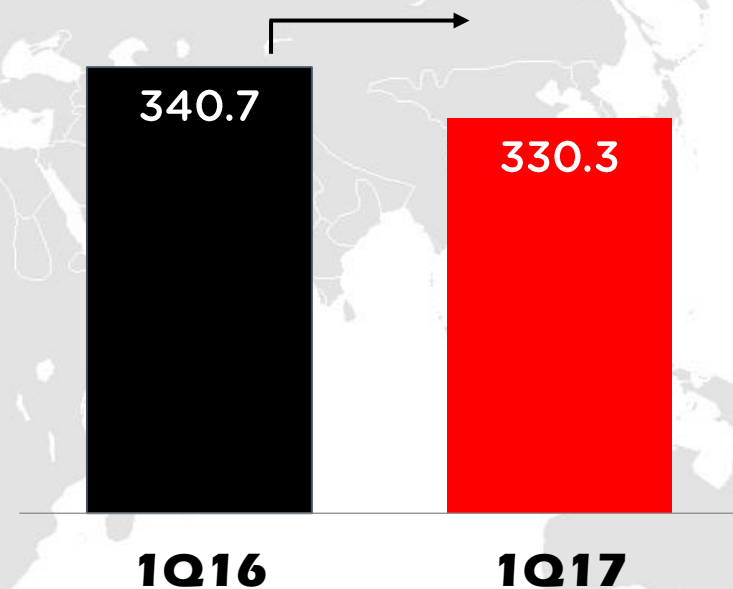


Mainly contributed by higher:

- I. Scheduled flight revenue (+28% YoY)
- II. Ancillary revenue (+34% YoY)
- III. Aircraft operating lease income (+17% YoY)

**EBITDAR** (RM million)

-3%



**Lower EBITDAR** due to:

- I. Higher staff cost - revision of pilots and cabin crews' salary and allowance
- II. Higher aircraft fuel expenses recorded as a result of higher consumption of fuel, in line with overall ASK increase of 29%, and increase in average fuel price from USD57/bbl to USD66/bbl

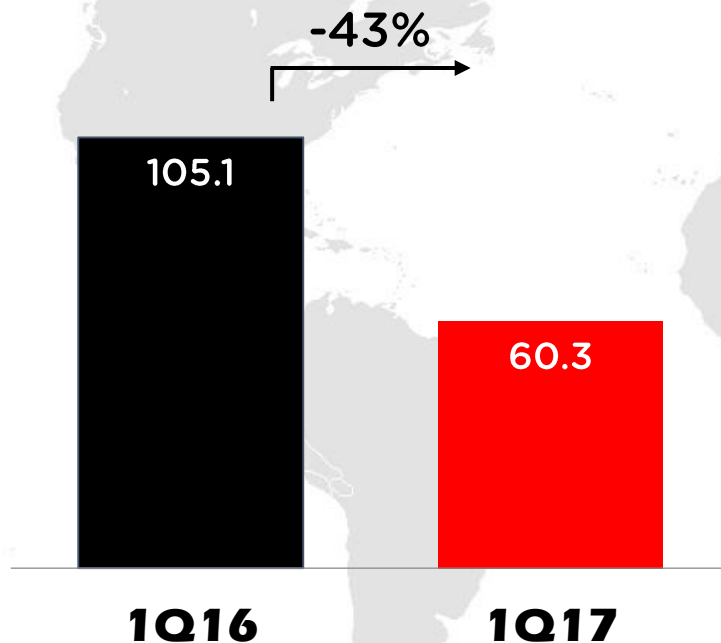


# KEY FINANCIALS

FIRST QUARTER 2017



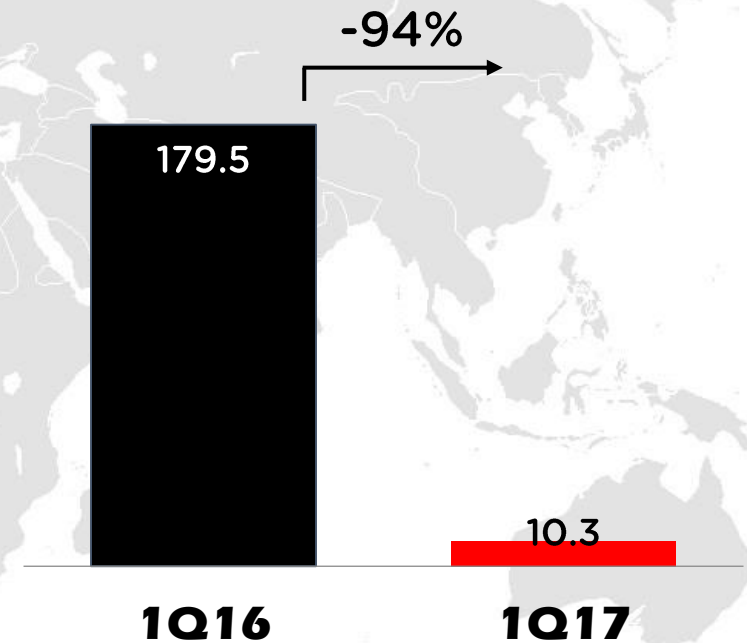
## OPERATING (LOSS) / PROFIT (RM million)



Lower Operating Profit of RM60.3 million recorded on the back of:

- I. Higher staff cost, up 40% YoY
- II. Higher aircraft fuel expenses, up +55% YoY
- III. Higher aircraft operating lease, up +18% YoY

## NET (LOSS) / PROFIT AFTER TAX (RM million)



The Group recorded lower Profit After Tax of RM10.3 million in 1Q17 despite 22% increase in Revenue due to:

- I. Higher operating expenses, up 28% YoY
- II. Lower foreign exchange gain of RM3.4million as compared to RM122.2million booked in 1Q16

# KEY FINANCIALS

FIRST QUARTER 2017



RASK (sen)

-6%

15.11

14.20

1Q16

1Q17

Lower RASK seen in Australia, China & Others segments due to increase capacity in 1Q17 resulting in lower yields:

- I. Australia , down 3% YoY
- II. China , down 11% YoY
- III. Others, down 41% YoY

CASK & CASK Ex-Fuel (sen)

-1% (CASK)

-9% (CASK Ex-Fuel)

13.65

Ex-Fuel  
9.88

1Q16

13.48

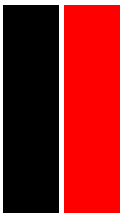
Ex-Fuel  
8.94

1Q17

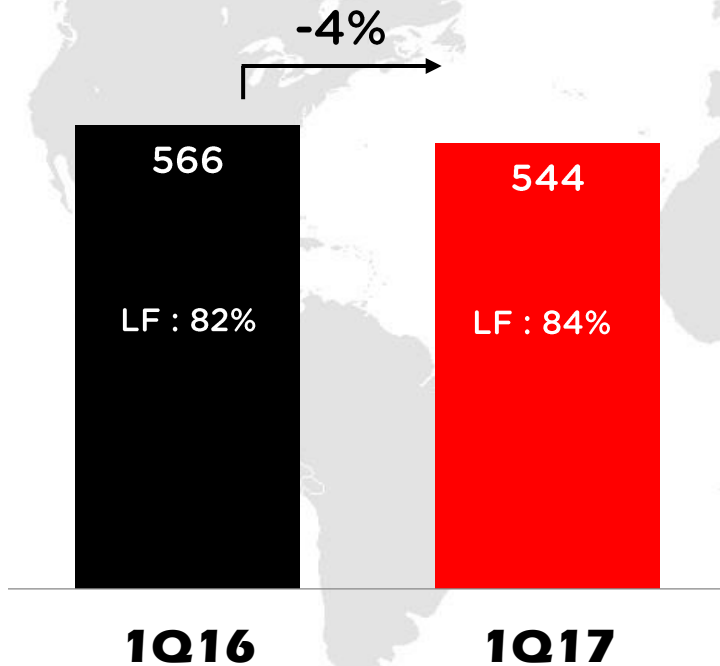
Lower CASK on the back of:  
I. Better cost efficiencies  
II. Higher aircraft utilisation

# KEY FINANCIALS

FIRST QUARTER 2017

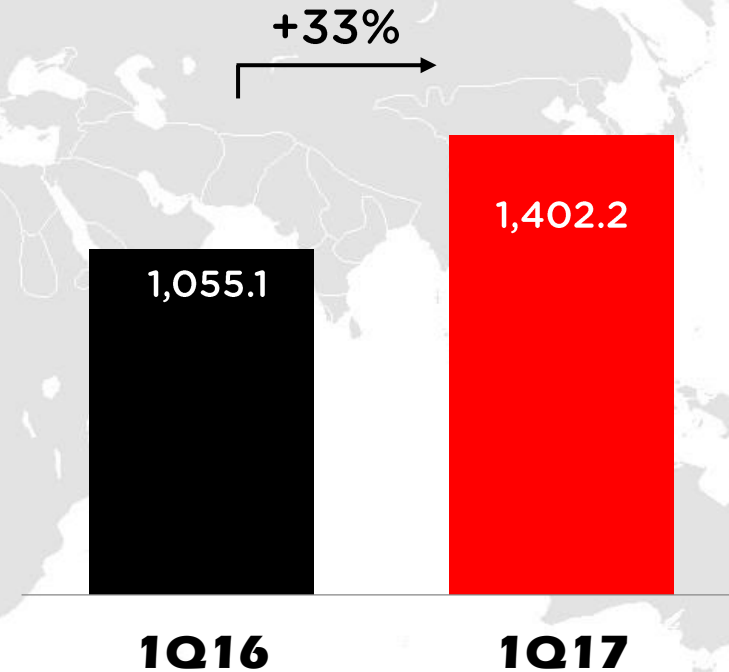


AVERAGE BASE FARE (RM)  
& LOAD FACTOR (%)



- Average Base Fare lower by 4ppts YoY due to increased frequencies to Australia and China
- Higher load factor recorded by 2ppts YoY due to better contribution from China routes

PASSENGERS CARRIED ('000)



- Mainly boosted by:
- Australia routes**, primarily from Gold Coast and Perth
  - China routes**, primarily Beijing as a result of increase capacity
  - Japan routes**, better contribution from Osaka

# KEY FINANCIALS

FIRST QUARTER 2017

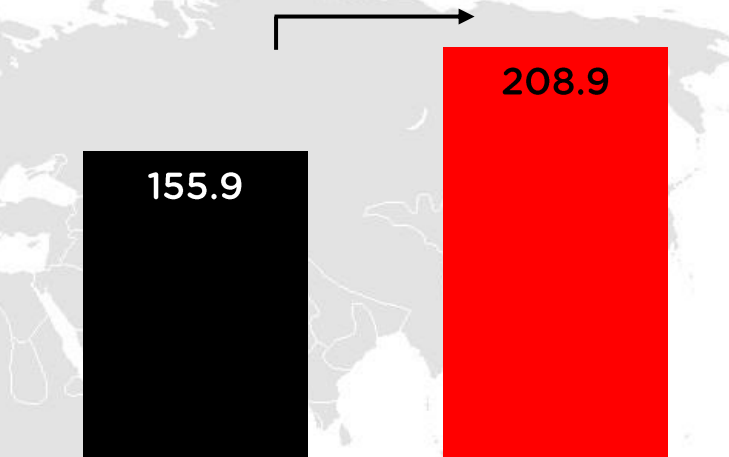


## ANCILLARY REVENUE

- Ancillary revenue up 34% YoY from RM155.9 million in 1Q16 to RM208.9 million in 1Q17

RM mil

+34%



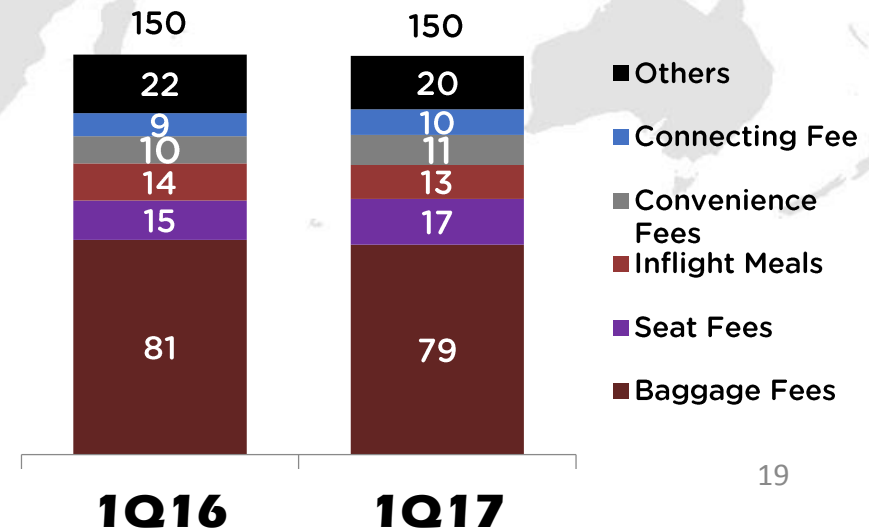
## ANCILLARY REVENUE PER PAX (RM)

Stable Ancillary Revenue Per Pax at RM150, on the back of:

- Baggage fees contributing 53% of Ancillary revenue
- Seat Fees contributing 12% of Ancillary revenue

Higher growth from:

- In-Flight Entertainment (+>100%),
- Lounge Fees (+>100%)



# OPERATIONAL HIGHLIGHTS

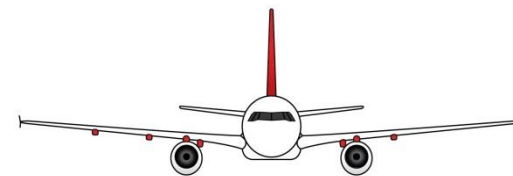
## YOY COMPARISON



	Key Indicators	1Q17	1Q16	▲ %	4Q16	▲ %
Operational	ASK (millions)	8,324	6,438	▲ 29	8,474	▲ (2)
	Aircraft	30	29	▲ 3	30	↔ -
	Sectors flown	4,416	3,440	▲ 28	4,525	▲ (2)
	Fuel consumed (Barrels)	1,292,231	1,012,357	▲ 28	1,288,036	↔ -
	Average Fuel Price (USD/Barrel)	66	57	▲ 15	64	▲ 3
Passenger	RPK (millions)	6,994	5,263	▲ 33	6,858	▲ 2
	Seat Capacity	1,664,832	1,296,880	▲ 28	1,705,925	▲ (2)
	Passengers Carried	1,402,212	1,055,123	▲ 33	1,383,761	▲ 1
	Load Factor (%)	84	82	▲ 2ppts	81	▲ 3ppts
Financial	RASK (US Cents)	3.19	3.59	▲ (11)	3.20	↔ -
	CASK (US Cents)	3.03	3.24	▲ (7)	2.98	▲ 2
	CASK Ex-Fuel (US Cents)	2.01	2.35	▲ (14)	2.01	↔ -

# FINANCIAL HIGHLIGHTS

## INCOME STATEMENT



RM mn	1Q17	1Q16		%	4Q16	▲ %
Revenue	1,180.7	970.7	▲	22	1,170.3	▲ 1
EBITDAR	330.3	340.7	▼	(3)	341.6	▼ (3)
Operating Profit/(Loss)	60.3	105.1	▼	(43)	109.0	▼ (45)
Net Operating Profit/(Loss)	50.7	95.6	▼	(47)	109.6	▼ (54)
Profit/(Loss) Before Tax	31.9	218.5	▼	(85)	38.8	▼ (18)
Taxation	(21.6)	(39.0)	▲	(45)	(20.0)	▼ 8
Profit/(Loss) After Tax	10.3	179.5	▼	(94)	18.8	▼ (45)
Basic EPS (sen)	0.2	5.3	▼	(96)	0.4	▼ (50)'
EBITDAR Margin	28%	35%	▼ (7ppts)		29%	▼ (1ppt)
EBIT Margin	5%	11%	▼ (6ppts)		9%	▼ (4ppts)

# FINANCIAL HIGHLIGHTS

## BALANCE SHEET



YTD (RM'000)	30 March 2017	31 Dec 2016	▲ %
Deposit, Cash & Bank Balances	370,693	422,021	▼ (12)
Total Assets	4,313,423	4,490,290	▼ (4)
Total Borrowings	1,093,416	1,160,326	▼ (6)
Shareholders' Equity	987,377	1,056,885	▼ (7)
Net Debt	722,723	738,305	▼ (2)
Net Gearing (x)	0.73	0.70	▲ 4





# THANK YOU



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