

AIRASIA X

ANALYST DECK
SECOND QUARTER 2018 RESULTS





LEGAL

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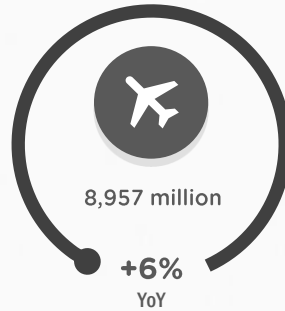
Q2 PERFORMANCE

Overview : Key Operating Statistics



ROUTES

- Moving away from single-route country, redeploy capacity to core countries
- Lower investments required, as the airline already has existing operations in this countries



ASK CAPACITY (millions)

New routes: Jeju, Bali, Jaipur, Kaohsiung, Male

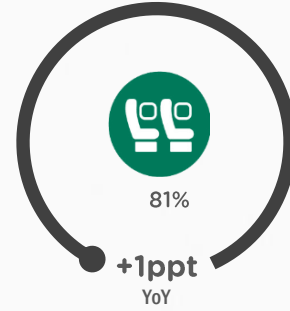
Frequency increased: Honolulu, Seoul, Taipei

Route closed: Tehran



PASSENGERS CARRIED

Up 13% YoY driven by commencement of new routes



LOAD FACTOR

Stable load factor despite 6% increase in ASK capacity YoY



Q2 PERFORMANCE

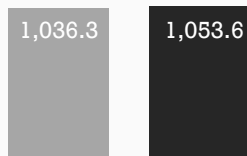
Overview : Key Financial Highlights

(RM mil)

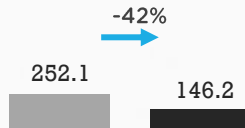
+2%

2Q17

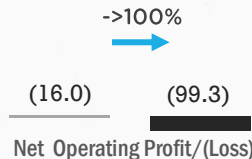
2Q18



Revenue



EBITDAR



Net Operating Profit/(Loss)

- **Q2 performance impacted by rising fuel costs, underlying operational performance still resilient**
- **Revenue up 2% YoY to RM1.05 billion**, mainly contributed by 13% growth in passenger volume and higher:
 - Scheduled flight revenue, up +4% YoY
 - Ancillary revenue, up +3% YoY
 - Freight services, up +12% YoY
- **EBITDAR lower YoY at RM146.2 million** on the back of higher total operating cost as a result of higher fuel price environment
- **Net operating loss of RM99.3 million** recorded in 2Q18, on the back of
 - naturally weak travelling season in second quarter,
 - higher fuel price,
 - Malaysia's 14th General Election which resulted with even lower revenue in May,
 - short-term losses from additional frequencies & new routes, but gain in the long-term
- **AirAsia X Thailand posted record second quarter profit of USD7.8 million**, with load factor resilient at 91%
 - A proven strategy in Thailand - replicating the same strategy to AirAsia X Malaysia

- Re-evaluating on temporary winding down **AirAsia X Indonesia**

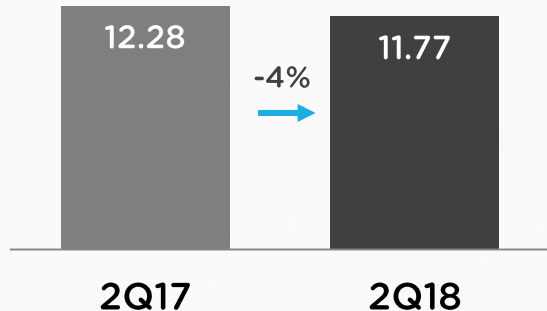


Q2 PERFORMANCE

RASK & CASK

REVENUE PER ASK (RASK)

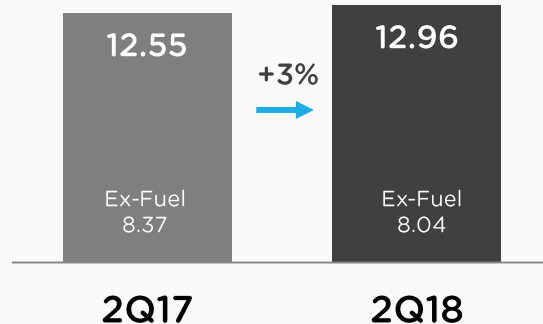
(RM sen)



- **RASK lower by 4% YoY at 11.77 sen** in-line with the Company's strategy to ramp up capacity in core markets to strengthen market share, and reap benefits once these routes mature in the long-term
- Reduced capacity in Australia also one of the factors for lower RASK recorded, as **capacity was replaced by shorter routes**
- **Pressure on fares leading up to Malaysia's 14th General Election** – *less demand for international air travel*

COST PER ASK (CASK)

(RM sen)



- **CASK up 3% YoY to 12.96 sen**, on the back of higher fuel price (USD89 in 2Q18 vs USD65 in 2Q17) **and ASK growth of 6% YoY**
- This was slightly offset with the strengthening MYR (3.94 in 2Q18 vs 4.33 in 2Q17)
- **CASK ex-fuel down 4% YoY to 8.04 sen** attributed to further operational efficiencies





ANCILLARY

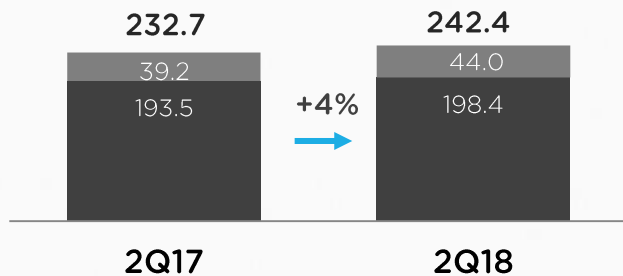
23% Contribution of Total Revenue in 2Q18

Ancillary Revenue (RM mil)

(including Freight services)

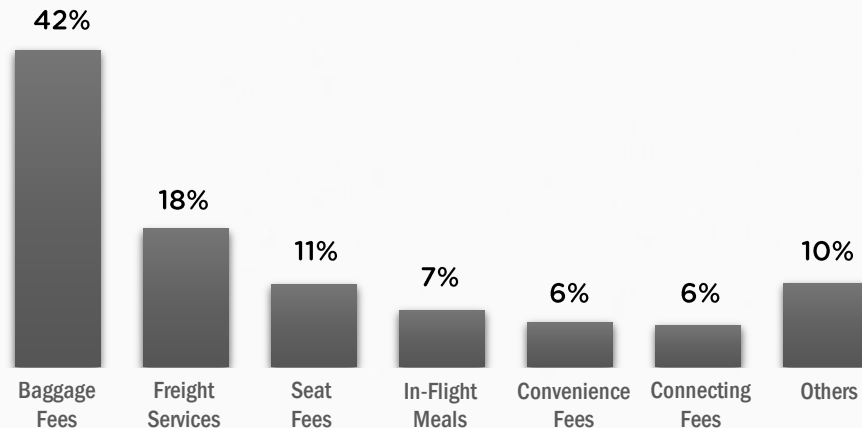
Ancillary

Cargo



- Lower ancillaries per pax with less long-haul flights due to lower baggage and onboard meals sold per passenger as a result of capacity reduction in Australia
- However, total ancillary revenue increased 4% YoY to **RM243.4 million**, as ASK increased 6% YoY due to new routes and incremental frequency in current routes
- Contributed **23% of total revenue** in 2Q18

Ancillary Revenue per pax (RM) contribution



- **Highest growth:**
 - In-Flight Duty Free (+>100%)
- **Biggest contributors:**
 - Baggage (42% of total ancillary revenue)
 - Freight services (18% of total ancillary revenue)



01

Q2 PERFORMANCE

| | 2Q18 | 2Q17 | % |
|-------------------------|---------|---------|--------|
| Passengers Carried | 483,595 | 387,959 | 25 |
| Load factor (%) | 91 | 92 | (1ppt) |
| Average Base Fare (USD) | 145 | 128 | 13 |
| Net Profit (USD'000) | 7,775 | 61 | >100 |

- **AirAsia X Thailand posted profit of USD7.8 million in 2Q18**, a vastly improved performance as compared to 2Q17
- **Passenger carried strong at 91%** as average base fare improved 13% YoY
- ICN & KIX performed particularly well in 2Q18, reflecting AirAsia X Thailand's good branding for medium to long-haul segment
- **Took delivery of one A330ceo in April, started daily DMK – Sapporo in April 2018**

02

OUTLOOK

- **On track for a record year in 2018**
- To start DMK – Nagoya on 30 October 2018
- Expecting three deliveries of A330ceo by end 2018





01

Q2 PERFORMANCE

| | 2Q18 | 2Q17 | % |
|-------------------------|---------|---------|--------|
| Passengers Carried | 134,173 | 50,155 | >100 |
| Load factor (%) | 78 | 58 | 20ppts |
| Average Base Fare (USD) | 103 | 115 | (10) |
| Net Profit (USD'000) | (2,481) | (3,833) | 35 |

- AirAsia X Indonesia narrowed its losses to USD2.5 million in 2Q18, on the back of better contribution from both operating routes
- Load factor improved 20ppts YoY to 78%
- Major disruption from Bali volcanic activity

02

OUTLOOK

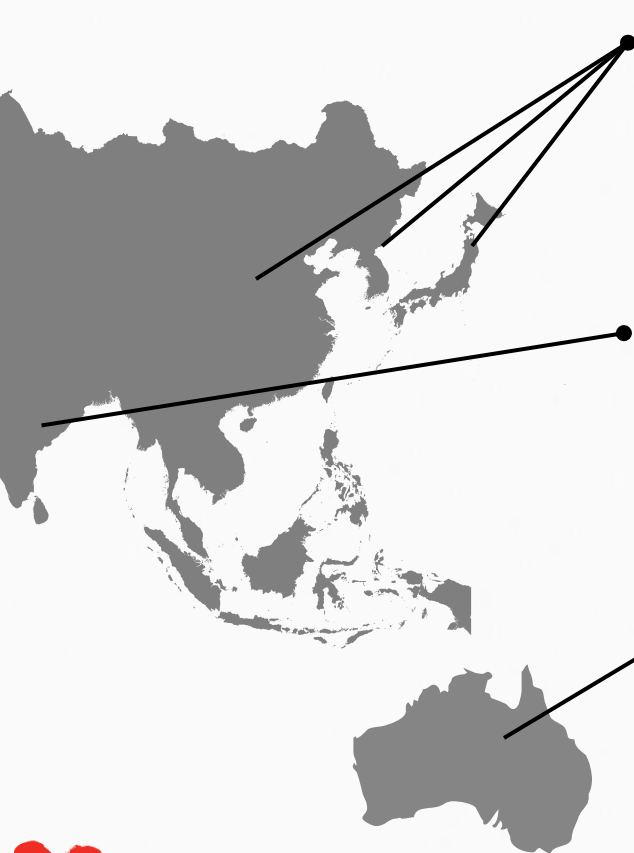
- **CGK-NRT to be suspended** in Oct 2018
- Temporarily winding down the business model





NETWORK ANALYSIS

Focus on Core Countries with Big Cities – Less Investment Required



China

- Biggest revenue contributor – **North Asia**
- **6 unique routes**
- **Consists 62% of total passengers carried in 2Q18**
- **One more new route to Japan planned by end of 2018** – replicating the airline's success in South Korea
- **Three new routes planned for China in 4Q18**

Japan

South Korea

India

- **Looking to grow further**
- Currently flying to three cities to India – **Delhi, Jaipur & Amritsar**
- **Delhi – from loss making to a major positive contributor to bottom-line**
- Launched Amritsar in August 2018

Australia

- **Route rationalisation completed in February 2018**
- **Showing good signs of recovery**

Terminated routes – last 18 months

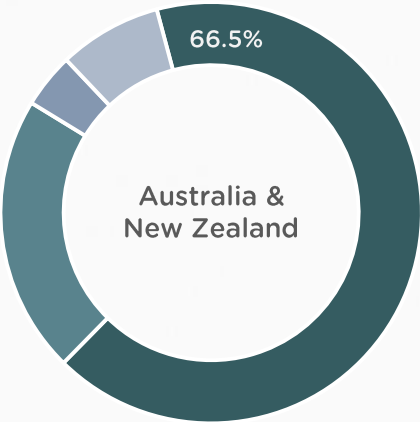
- KUL - Tehran, Mauritius
- KUL - Male, Kaohsiung (*transferred to AirAsia Malaysia*)
- DPS - Mumbai



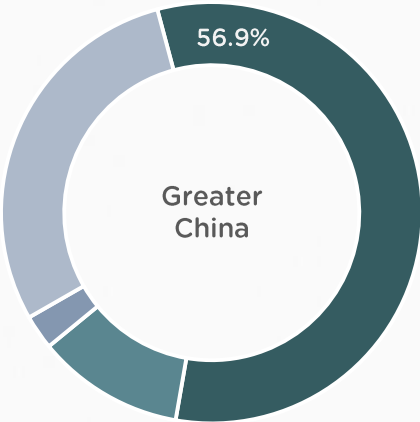
MARKET SHARE – D7

1H18 Market Share : KUL to D7 destinations

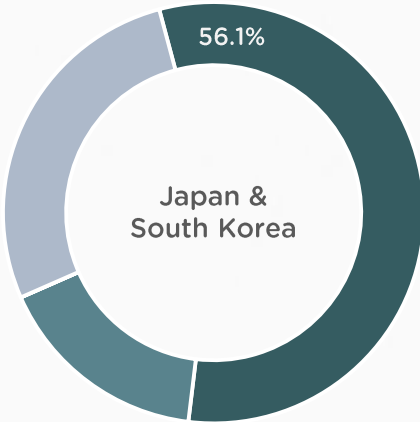
- ✓ Growing market share in core countries
 - ✓ Enabling pricing power
 - ✓ Better cost efficiencies



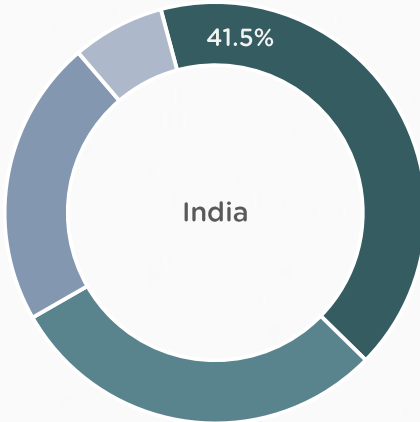
- Market share of **66.5%** in 2018
- 1 unique route: **OOL**



- Market share of **56.9%** in 2018
- 3 unique routes: **CTU, HGH, XIY**



- Market share of **56.1%** in 2018
- 3 unique routes: **CTS, PUS, CJU**



- Market share of **41.5%** in 2018
- **2 route launches** in 2018
- 1 unique route: **JAI**



CHANGES IN BUSINESS MODEL

In The Last 18 months

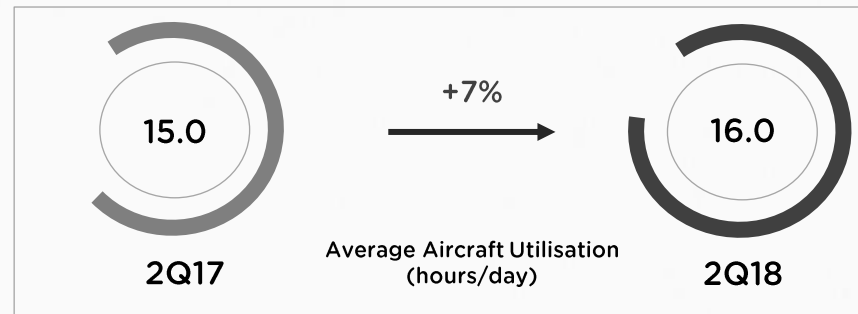
NETWORK

- **Removed charter activities** - focus on **Schedule flights**
- **Removed single-route countries** - Tehran (Iran), Mauritius
- Focus on **growing key markets**:
 - Greater China
 - South Korea
 - Japan
 - India
 - Australia

STRENGTHENS ORGANISATION

- Revamped revenue management - fare classes
- Greater accounting controls
- Appointment of key personnel into management team
 - GCEO, CFO, Head of Commercial

AIRCRAFT UTILISATION





OUTLOOK : WHAT'S NEXT?

Charting the beyond 2018 : Patience Required

Network Restructuring -

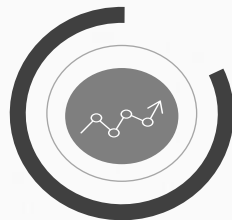
moving away from single-route countries and charter activities



- Focus on routes within 7 hours range
- KUL - Amritsar inaugural in August 2018
- DMK - Nagoya inaugural in October 2018
- Few more new routes announcement in the coming weeks from KUL & DMK hubs
- **Shifting to Avalon Airport, Melbourne** - big incentives

Ancillary Income Drive -

initiatives



- **Increase baggage pricing** across the board on all weight levels as part of an extension of dynamic pricing
- **Meals** - Santan Express has been introduced to permit meal purchase closer to departure time
- **Flatbed upgrades** - Introduced online bidding system to drive incremental flatbed upgrade revenue
- **Increased fly-thru fee** - Leveraging on robust demand on the back of strong network with the short-haul AOC

Other Costs Reduction -

initiatives



- **Renegotiation:**
 - **Ground handling contracts** at foreign stations
 - **Self-handling major stations** - ICN
 - Crew hotel negotiation - Australia, China & South Korea
 - **Lower aircraft lease expenses**



OUTLOOK : WHAT'S NEXT?

Charting the beyond 2018 : Patience Required

Potential A321neo – *developing routes*



- **Evaluating to deploy A321NEO/LR for developing routes** and incremental frequencies
- Further cost savings:
 - Variable cost - up to **16%**
 - Fixed cost – up to **5%**

A321neo Positioning in AirAsia X Group *Mix fleet*

A321neo/LR

+

A330ceo/neo

- | | |
|--|--|
| ▪ 64% of AirAsia X Malaysia current network | ▪ 36% of AirAsia X Malaysia current network |
| ▪ 192-236 seat capacity | ▪ 377 seat capacity |
| ▪ 6.0 - 7.9 hour flying range capability | ▪ 12 hours flying range capability |

Flexibility in Capacity Management

Dual fleet enables AirAsia X to grow markets with a smaller aircraft and defend markets with a bigger aircraft



OUTLOOK : WHAT'S NEXT?

Charting the beyond 2018 : Patience Required

Digitalisation - *digital airline*



- Executing the digitalisation of AirAsia X
- Google, Navitaire, Salesforce, Skywise & Palantir and Workday
- Cost reduction
 - **Greater use of data & technology** resulting in headcount rationalisation
 - Higher aircraft utilisation per day

Improving Customer Experience - *Net Promoter Score (NPS)*



- On-going Group wide initiatives and efforts to improve customer experience

THANK YOU

INVESTOR RELATIONS | AIRASIA X BERHAD | aax_ir@airasia.com

OPERATIONAL HIGHLIGHTS

KEY METRICS

| | Key Indicators | 2Q18 | 2Q17 | ▲ % | 1Q18 | ▲ % | YTD June '18 | YTD June '17 | ▲ % |
|-------------|---------------------------------|-----------|-----------|--------|-----------|-----------|--------------|--------------|--------|
| Operational | ASK (millions) | 8,957 | 8,449 | ▲ 6 | 9,122 | ▼ (2) | 18,079 | 16,773 | ▲ 8 |
| | Aircraft | 31 | 30 | ▲ 3 | 30 | ▲ 3 | 31 | 30 | ▲ 3 |
| | Sectors flown | 5,099 | 4,569 | ▲ 12 | 5,031 | ▲ 1 | 10,130 | 8,985 | ▲ 13 |
| | Fuel consumed (Barrels) | 1,263,828 | 1,250,640 | ▲ 1 | 1,370,544 | ▼ (8) | 2,634,372 | 2,542,871 | ▲ 4 |
| | Average Fuel Price (USD/Barrel) | 89 | 65 | ▲ 36 | 88 | ▲ 1 | 88 | 66 | ▲ 35 |
| Passenger | RPK (millions) | 7,281 | 6,791 | ▲ 7 | 7,657 | ▼ (5) | 14,938 | 13,785 | ▲ 8 |
| | Seat Capacity | 1,922,323 | 1,722,513 | ▲ 12 | 1,896,687 | ▲ 1 | 3,819,010 | 3,387,345 | ▲ 13 |
| | Passengers Carried | 1,568,578 | 1,387,257 | ▲ 13 | 1,588,644 | ▼ (1) | 3,157,222 | 2,789,469 | ▲ 13 |
| | Load Factor (%) | 81 | 80 | ▲ 1ppt | 84 | ▼ (3ppts) | 83 | 82 | ▲ 1ppt |
| Financial | RASK (US Cents) | 2.99 | 2.83 | ▲ 6 | 3.54 | ▼ (16) | 3.26 | 3.01 | ▲ 8 |
| | CASK (US Cents) | 3.29 | 2.84 | ▲ 16 | 3.38 | ▼ (3) | 3.33 | 2.94 | ▲ 13 |
| | CASK Ex-Fuel (US Cents) | 2.04 | 1.88 | ▲ 9 | 2.07 | ▼ (1) | 2.05 | 1.95 | ▲ 5 |








FINANCIAL HIGHLIGHTS

INCOME STATEMENT

| RM mn | 2Q18 | 2Q17 | ▲ % | 1Q18 | ▲ % | YTD June '18 | YTD June '17 | ▲ % |
|-----------------------------|---------|---------|----------|---------|----------|--------------|--------------|----------|
| Revenue | 1,053.6 | 1,036.3 | ▲ 2 | 1,265.3 | ▼ (17) | 2,318.9 | 2,217.1 | ▲ 5 |
| EBITDAR | 146.2 | 252.1 | ▼ (42) | 305.1 | ▼ (52) | 451.3 | 572.6 | ▼ (21) |
| Operating Profit/(Loss) | (95.9) | (12.8) | ▼ (>100) | 60.5 | ▼ (>100) | (35.4) | 37.8 | ▼ (>100) |
| Net Operating Profit/(Loss) | (99.3) | (16.0) | ▼ (>100) | 58.3 | ▼ (>100) | (40.9) | 24.9 | ▼ (>100) |
| Profit/(Loss) Before Tax | (64.8) | 27.9 | ▼ (>100) | 55.3 | ▼ (>100) | (3.0) | 59.9 | ▼ (>100) |
| Taxation | 7.3 | 19.5 | ▼ (63) | (13.8) | ▲ >100 | (1.8) | (2.1) | ▲ (14) |
| Profit/(Loss) After Tax | (57.5) | 47.4 | ▼ (>100) | 41.5 | ▼ (>100) | (4.8) | 57.8 | ▼ (>100) |
| Basic EPS (sen) | (1.4) | 1.1 | ▼ (>100) | 1.0 | ▼ (>100) | (0.1) | 1.4 | ▼ (>100) |
| EBITDAR Margin (%) | 13.9 | 24.3 | ▼ (43) | 24.1 | ▼ (42) | 21 | 25.8 | ▼ (19) |
| EBIT Margin (%) | (9.1) | (1.2) | ▼ (>100) | 5 | ▼ (>100) | 1.5 | 1.7 | ▼ (12) |

FINANCIAL HIGHLIGHTS

BALANCE SHEET

| YTD (RM'000) | 30 June 2018 | 31 Dec 2017 |  % |
|-------------------------------|--------------|-------------|--|
| Deposit, Cash & Bank Balances | 337,741 | 432,675 |  (21.9) |
| Total Assets | 4,619,625 | 4,767,487 |  (3.2) |
| Total Borrowings | 763,996 | 861,970 |  (11.4) |
| Shareholders' Equity | 958,417 | 973,667 |  (1.6) |
| Net Debt | 426,255 | 429,295 |  (0.7) |
| Net Gearing (x) | 0.44 | 0.44 |  0 |