

AIRASIA X BERHAD

Fourth Quarter and Full Year 2014
Financial Results



Investor and Analyst Briefing

24th February 2015

AirAsia

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4Q14 KEY TAKEAWAYS

- **Topline up +20%YoY**, mainly driven by higher (i) Scheduled Sales, (ii) Charters and Wet Leases, (iii) Ancillary, and (iv) Cargo.
- **Operating Level recorded a profit of RM90mil in 4Q14** versus a loss in 4Q13.
- **4Q14 overall RASK improved, achieving +24%YoY** as ASK capacity rationalized to +8%YoY (versus peak of +24%YoY in 3Q14, +47% in 2Q14, +60% in 1Q14, and +49% in 4Q13).
- **Segmental RASK** in (i) **Australia improved +22%YoY** on the back of capacity cut, and (ii) **North Asia increased +7%YoY** despite more capacity added.
- **Loads above 80% level** despite challenging environment for airline.
- **Ancillary Revenue Per Pax up +0.3%YoY** for core ancillary and **+12%YoY surge in Pax Carried**.
- **TAAX achieved its First THB20mil Profit in Dec 2014**, and **forward sales trending positive**.
- **Management undertakes Intensive Turnaround Initiatives in 2015** to achieve **sustainable**:
 - (i) **Higher revenue** via capacity optimization, aggressive marketing and strategic partnership with industry players- lift average base fare, new ancillary, potential scheduled-charter business, and broader third party distributions;
 - (ii) **Reduce costs** through shared ground operations and engineering with AirAsia Berhad, re-negotiation of contracts, cutting unprofitable routes, and lower fuel cost.

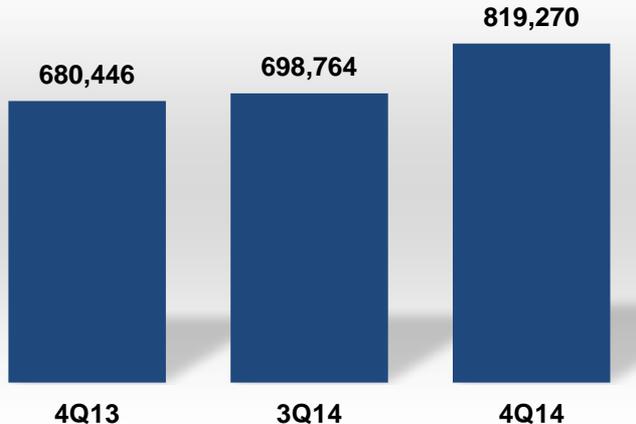


4Q14 Key Financial & Operating Highlights



4Q14 KEY FINANCIALS

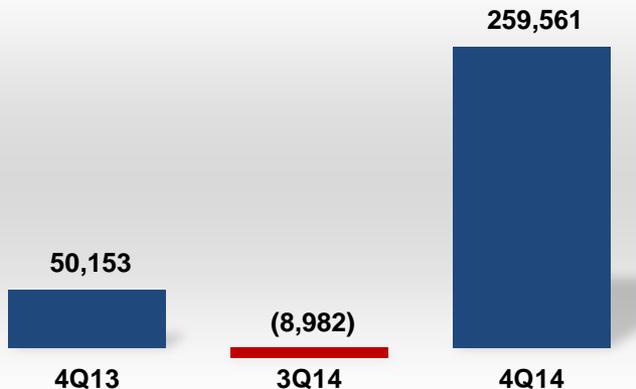
Revenue (RM'000)



Revenue up +20%YoY and +17%QoQ, mainly driven by:

- I. **Scheduled Sales up** +4%YoY and +14%QoQ
- II. **Charters & Wet Leases rose** +173%YoY and +58%QoQ on capacity management initiatives.
- III. **Ancillary improved** +12%YoY and +11%QoQ, mainly attributed by core ancillary – Excess Baggage (+29%YoY), Assigned Seats (+13%YoY), and Inflight Meals (+17%YoY).
- IV. **Cargo up** +11%YoY and +11%QoQ on demand arising from year-end holiday season.

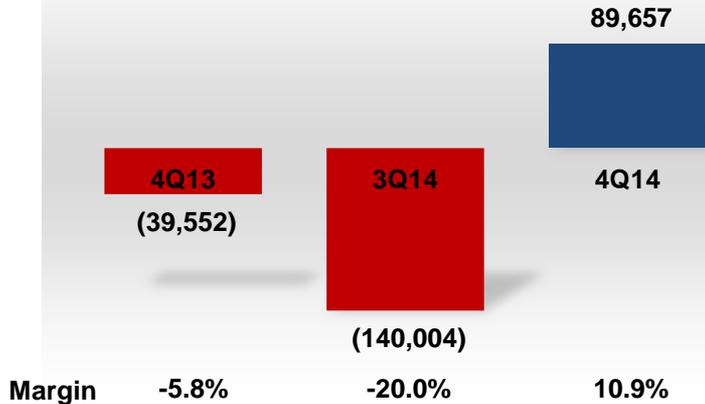
EBITDAR (RM'000)



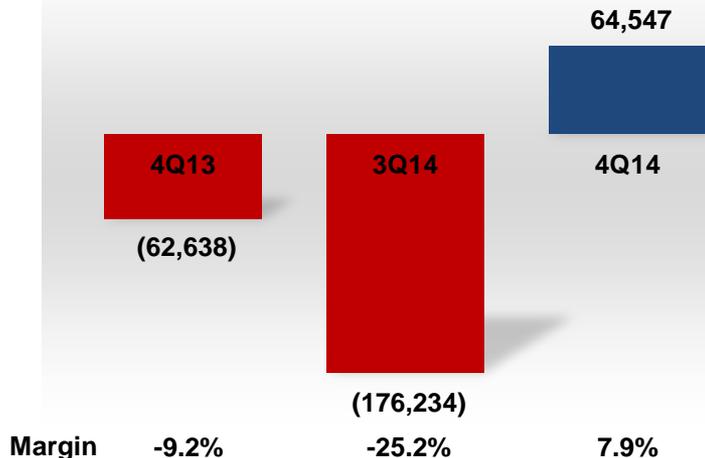
EBITDAR up QoQ, and strengthened 5.2x YoY to RM260mil, especially on Australian segment, which QoQ improved from – RM36mil loss in 3Q14 to positive RM80mil in 4Q14, and up +748%YoY

4Q14 KEY FINANCIALS (CONT.)

Operating Profit/ (Loss) (RM'000)



Core Net Profit/ (Loss) (RM'000)



- Operating Level achieved profit of +RM90mil in 4Q14.
- Operating Expenses increased +23%YoY and +5%QoQ, mainly due to:
 - Higher aircraft rental cost, up +86%YoY and +53%QoQ due to additional operating leases aircraft added in 2014.
 - Realised forex loss of +RM34mil versus +RM1mil forex gain in 4Q13 and small loss in 3Q14.
 - One-off fixed assets written off of -RM12mil.

Core Numbers before Unrealised Losses and Taxation, reversed from –RM63mil in 4Q13 and -RM176mil in 3Q14 to a profit of +RM64mil in 4Q14, thanks to higher operating profit in 4Q14.

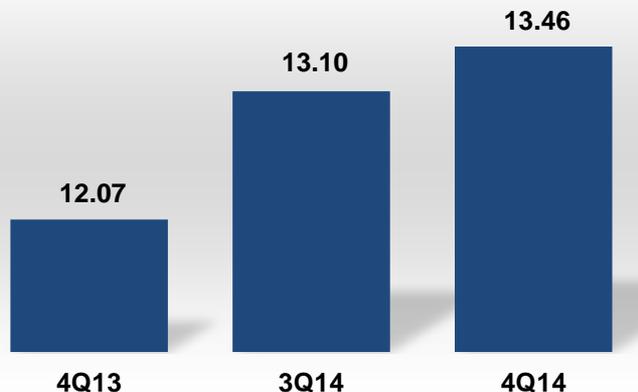
4Q14 KEY OPERATING STATISTICS

RASK (RM sen)



- RASK yield advanced **+24%YoY** and **+28%QoQ** on planned capacity management.
- Improvement in Segmental RASK, especially the **Australian segment**:
 - I. **Australia: Up** +22%YoY and +34%QoQ with -6%YoY cut in capacity.
 - II. **North Asia: Uptrend continues** at +7%YoY and +19%QoQ despite +28%YoY capacity added.

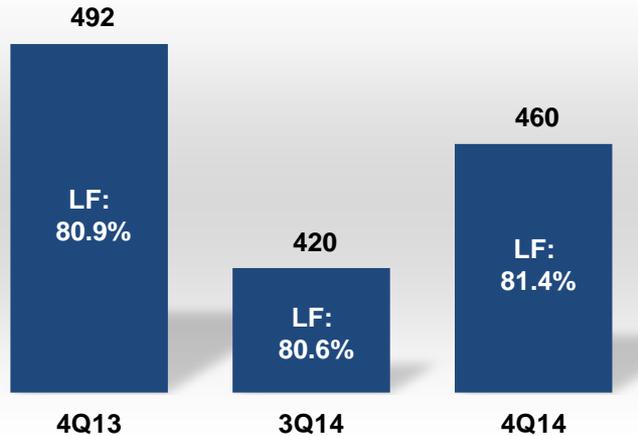
CASK (RM sen)



- CASK up **+12%YoY** and **+3%QoQ**, primarily caused by:
 - I. **Higher aircraft rental, staff, and other aircraft related costs**, mainly from **Wet Leases, and Associates**.
 - II. **Realised forex loss**, mainly from **Scheduled, and Charter segments**.

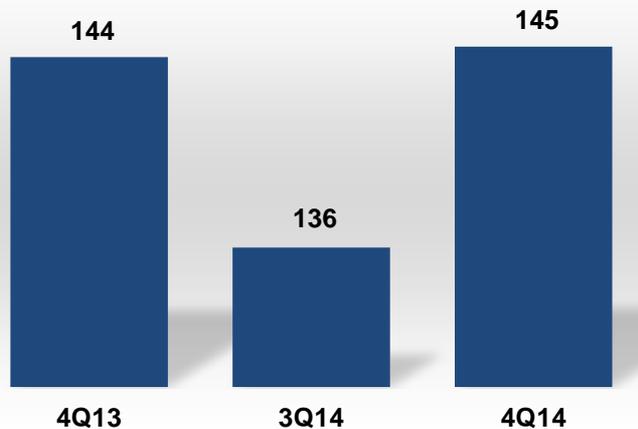
4Q14 KEY OPERATING STATS (CONT.)

Average Base Fare (RM)



- **-6% lower YoY** due to competitive fares, as a result Loads improved 0.5% points for the period.
- **+9% higher QoQ** due to demand arising from year end holiday season.

Ancillary Per Pax (RM)



Ancillary Per Pax up +0.3%YoY and +6%QoQ, on the back of increased passenger size, +12%YoY and +4%QoQ.



2015 Turnaround Initiatives



2015 TURNAROUND INITIATIVES

REVENUE MAXIMIZATION

➤ Higher Base Fare

- Capacity optimization to improve pricing – frequency reduction mainly on Australian routes.
- Aggressive marketing and strategic partnership with industry players.
- Explore new “monopoly” routes to drive new sales.
- Review potential and adopt new strategy for the existing routes.
- Forward ABF for 1Q15 is currently 7% ahead of 1Q14 in line with capacity management initiatives.

➤ New Ancillary Products and Services

- **WiFi Onboard** – enhance passenger on board experience, and attract more business travellers with ease of connectivity to work email.
- **Duty-Free** – provide convenience to the passenger, especially the Chinese shoppers, and potential service to Umrah and Hajj passengers as they can now shop and pay with credit card via:
 - a) Pre-order website and collect onboard, or
 - b) Shop online and collect at the airport/ via **AirAsia Redbox** courier delivery service to their doorstep.
- **EZPay Virtual/ Passport (Forex Card)** – help frequent travellers to cut cost by eliminating bank charges, lower merchant discount rate, and attractive conversion (forex) rate.
- **Potential new Fly-thru** from the launch of exotic destinations within the AAX Group (e.g. AirAsia Malaysia passengers can now travel to Sapporo via TAAX with just one-stop).
 - **Kuala Lumpur remains the main hub** for connectivity as it connects to 60 destinations on short haul or onward travel on 18 destinations on AAX.
 - The use of **BIG points remains a focus** as passengers has the ability to collect points and redeem points in KL.

2015 TURNAROUND INITIATIVES

REVENUE MAXIMIZATION

- **Potential Scheduled-Charter / Ad hoc Wet Lease Business**
 - Scheduled-Charter / ad hoc wet leases to manage excess capacity from frequency cut to optimize revenue denominated in USD.

- **Broader Third Party Distribution via OTAs and GDS**
 - Wider access to the customers in core markets.
 - Attractive commission for the agents to push sales.

2015 TURNAROUND INITIATIVES

COST REDUCTION EXERCISE

- **Headcount Reduction to Improve Operational Efficiency and Productivity**
 - Through merging of ground operations and engineering with AirAsia Berhad
 - 8 men crew instead of 9 men crew per flight

- **Lower Operational Cost**
 - Re-negotiation of contracts/ chargers for:
 - Cargo
 - Engineering
 - Airport ground handling
 - Airport charges and self-handling savings
 - D-factor charges

- **Rationalize Network To Optimize Profitability**
 - Terminate loss making routes - Adelaide and Nagoya
 - Turnaround flights - Shanghai, Xian, Chongqing, Perth

- **Lower Fuel Cost**
 - Current low oil price environment leads to savings of ~RM140mil p.a. for every USD10/bbl drop in jet fuel price
 - Hedged up to 50% of jet fuel needs in 2015 at USD88/bbl to mitigate the risk of oil price reversal

CAPACITY MANAGEMENT

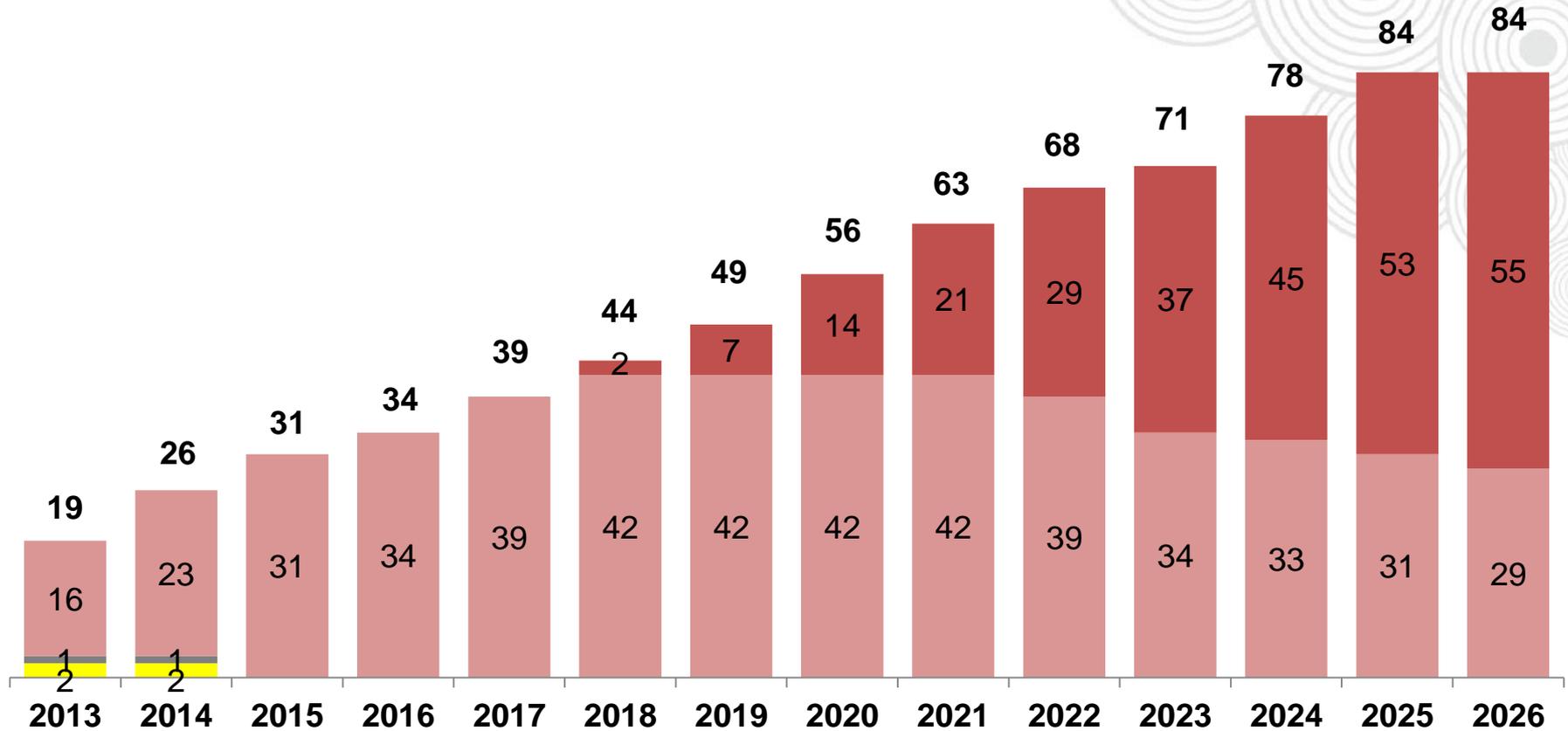
- Minimal new capacity for MAAX in 2015 and 2016 to maximize profit.
- Most aircraft deliveries will be deployed to associates and wet leases.

End 2014	MAAX	TAAX	IAAX
A330	19	2	2
A340	2	-	-
A332	1	-	-
Total - 26	22	2	2

End 2015	MAAX	TAAX	IAAX
A330	19	2	2
A330 – new deliveries	2	5	1
A340 & A332 - to be returned	-3	-	-
Total - 31	21	7	3

End 2016	MAAX	TAAX	IAAX
A330	21	7	3
A330 – new deliveries	1	2	1
A330 – to be retired/ returned	-1	-	-
Total - 34	21	9	4

AIRCRAFT DELIVERIES



■ A340-300
 ■ A330-200
 ■ A330-300
 ■ A330-900neo



to be retired in 2015

ASSOCIATE UPDATE - TAAX

New Routes in 2015:

- Sapporo (7x weekly) inaugural flight on 1st May 2015
- 2nd tier China, and more exotic destinations in planning

Frequencies Increase in 2015:

- Incheon (from 7x weekly to 14x weekly)
- Osaka (from 7x weekly to 14x weekly)
- Narita (from 7x weekly to 14x weekly)

4Q14 Key Metrics:

	4Q14
Total Pax Carried	159,034
Load Factor (%)	84.4%
Total Fleet Size	2
Net Profit (THB'mil) – Dec14	20



Earlier-than-expected turnaround

+ 4 to 5 aircraft



ASSOCIATE UPDATE - IAAX

New Routes in 2015:

- Melbourne
- Jeddah
- Australia and Japan

+ 1 to 2 aircraft

Frequency Increase in 2015:

- Taipei (from 1x weekly to 5x weekly)

Current Status on DPS – MEL:

- Delay in route approval due to further audit to be done by Australian regulators. Expect audit outcome early March 2015.
- All affected passengers were offered refunds, credit shells or re-routing to AirAsia X flights.





**THANK YOU
&
HAPPY CHINESE NEW YEAR
2015**