AIRASIA X

ANALYST DECK
SECOND QUARTER 2019 RESULTS

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KEY HIGHLIGHTS : what we have done

Second Quarter 2019

Successful network clean-up : focus now on 6 core countries

Average fares up 5% YoY, despite lower ASK capacity

Protecting the future – fuel volatility
- 3Q19: 77% hedged @ USD77/bbl
- 4Q19: 85% hedged @ USD77/bbl

Excluding one-off items and impact of MFRS16, operational performance remains commendable with only RM15 million loss after tax
- One-off items include adjustment from sale and leaseback transaction involving three aircraft amounting RM73 million and two aircraft lease expenses of Indonesian associate amounting to RM17 million per quarter
- MFRS16 impact of RM120 million
- Working on reducing cost further in the coming quarters to mitigate impact from MFRS16

Cash flow from operating activities increased significantly to RM268.8 million

AirAsia X Thailand performed well despite 32% YoY increase in ASK capacity

KEY OPERATING STATS

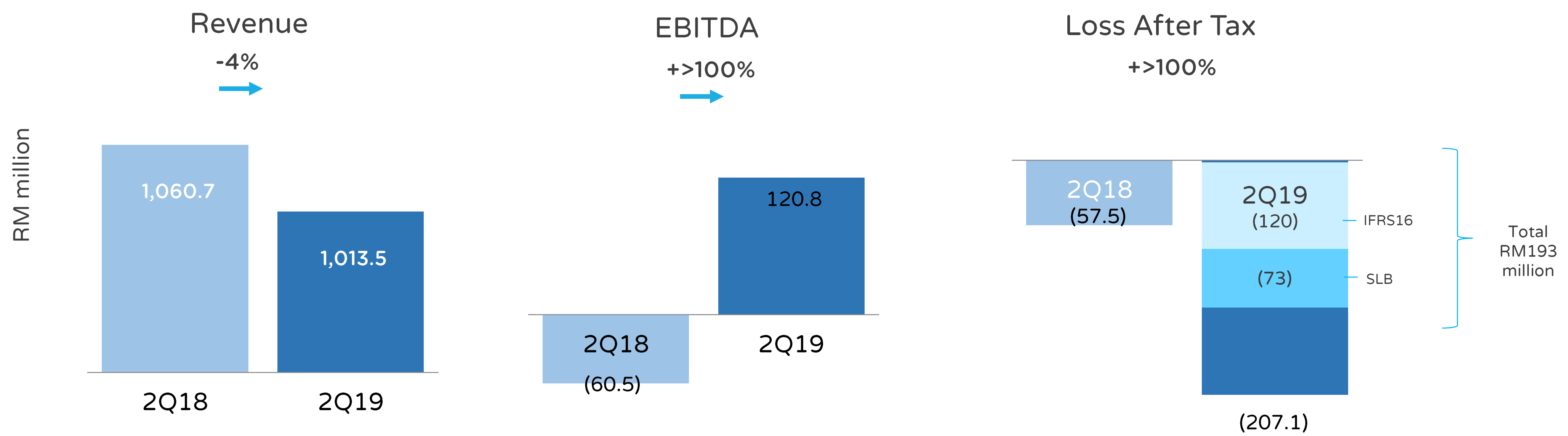
Second Quarter 2019

ASK Capacity	Passengers Carried	Load Factor	Average Base Fare	Routes
-6%	-7%	Relatively flat	+5%	
8,442 million	1,455.1 ('000)	80%	437 RM	28
Lower ASK Capacity recorded mainly due to termination of Auckland, Kathmandu & Tehran, as well as capacity management in core routes	Lower 7% YoY on the back of reduced frequency and sectors flown	Relatively flat YoY on the back of deceleration of growth in tourism sector, especially from China & South Korea markets	Up 5% YoY as a result of successful demand stimulation despite higher base fare especially to maturing routes	New route: Lanzhou Termination: Auckland ▪ Network restructuring ▪ Narrowed down to 6 core countries

Lower Capacity = Lower Passengers Carried

KEY HIGHLIGHTS

Second Quarter 2019



- Revenue recorded lower 4% YoY at RM1.01 billion due to:
  - Lower passengers carried, down 7% YoY – in-line with planned 6% YoY drop in ASK capacity in 2Q19
  - Aircraft utilisation lower at 14.3 hours/per day as a result of on-going capacity realignment
  - On the positive note, average base fare up 5% YoY to RM437 despite the introduction of shorter stage length sectors

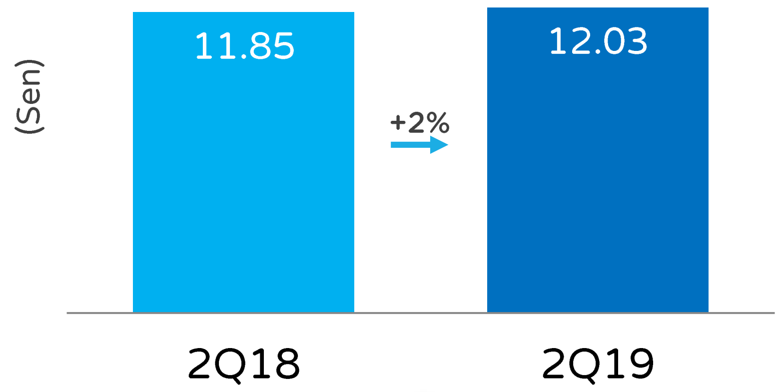
- EBITDA up by more than 100% YoY to RM120.8 million

- Loss after Tax recorded at RM207.1 million, on the back of:
  - IFRS16 impact of RM120 million, which also includes the absorption of Indonesian associate aircraft lease expenses of RM17 million
  - One-off adjustment from Sale and Leaseback transaction involving three aircraft of RM73 million
  - Normalising the abovementioned items, loss after tax would only be RM32.0 million

RASK & CASK

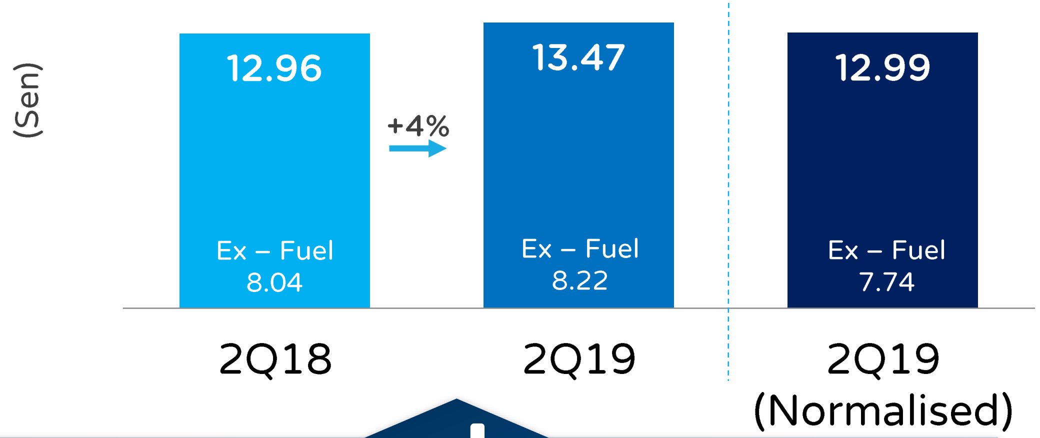
Second Quarter 2019

RASK
Revenue per ASK



- **RASK up 2% YoY to 12.03 sen,** mainly attributed to:
  - Improvements in average fares seen across key markets
  - Average fares up by 5% YoY to RM437

CASK
Cost per ASK

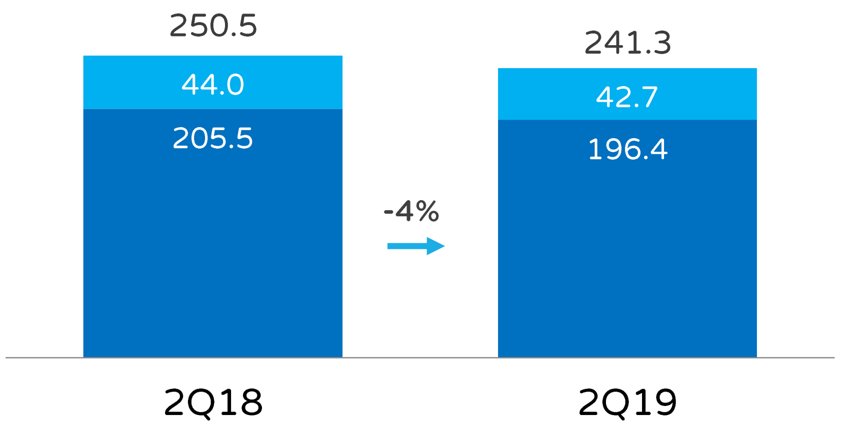


- **CASK higher 4% YoY to 13.47 sen, while CASK ex-fuel also higher by 2% YoY** mainly due to one-off items
- Excluding the one-offs, **Normalised CASK would have been 12.99 sen, relatively unchanged YoY**
- **Normalised CASK ex-fuel would have been 7.74 sen, improved 4% YoY**

ANCILLARY PERFORMANCE

24% of Total Revenue

Ancillary Revenue (RM mil)
(including Freight services)



Breakdown by line contributions

% contribution to total ancillary revenue	
41%	**BAGGAGE FEES** • Ongoing optimisation of dynamic pricing for baggage
18%	**FREIGHT SERVICES** • Dynamic loading of cargo: flights with lower baggage carried more cargo
12%	**SEAT SELECTION** • Over the counter option to upgrade • Enhancements on counter upsell
7%	**IN-FLIGHT MEALS** • Introduction of Celebrity Chef series menu • Revamped packaging for Ramadhan: takeaway convenience • Pricing optimisation based on purchase history
22%	**OTHERS** • Inflight Duty Free via OURSHOP: additions of more airport pickup points

- Total ancillary revenue lower 4% YoY to RM241.3 million, in-line with:
  - 7% YoY drop in passengers carried, leading to lower revenue collected from inflight meals
- Highest Growth:
  - Seat Upgrade (+68%)
    - Over the counter option to upgrade
  - In-Flight Duty Free (+32%)
    - Launch of airport pickup points on top of delivery to passengers during flights

ASSOCIATE: THAILAND – EXCELLENT PERFORMANCE

2Q19 Performance

	2Q19	2Q18	%
Passengers Carried	541,509	483,595	12
Load Factor (%)	76	91	(15 ppts)
Average Base Fare (USD)	132	145	(9)
Net Profit/(Loss) (USD '000)	(8,754)	7,802	(>100)

- Positive overall performance on the back of significant capacity added in 2Q19
- Revenue grew 6% YoY as ASK capacity grew 32% YoY and passengers carried up 12% YoY
- The number of international tourists to Thailand grew marginally by 1% YoY to 9.0 million inbound visitors from April to June 2019
- Taking delivery of the **2 A330neo by end of August 2019**
- Added DMK-Brisbane and DMK-Shenyang in June 2019; and DMK-Fukuoka in July 2019
- Expect all four new routes added so far to **mature in the span of 6 months**
- To **increase flight frequency to Sapporo** during the fourth quarter, tapping into peak travel season

OUTLOOK : CLEAR BUSINESS MODEL

Revenue Generating Initiatives

Drive Aircraft Utilisation

- The addition of high density short-haul routes to increase aircraft utilisation –
    - KUL-SIN 14x weekly
    - TPE-OKA 4x weekly
    - Leads to incremental revenue of ~RM40 million
- Build aircraft utilisation closer to 16 hours
- Unlocking more fly-thru

Ancillary Drive

- 1-hour pre-book cut-off time
- Duty Free airport pick-up & home delivery
- 3% YoY upside in 3Q19, 6% YoY upside in 4Q19

3.0

Capitalising on AirAsia 3.0

- Super app All-in-one travel and lifestyle marketplace
- Financial supermarket
- Consolidation of AirAsia Group belly space

airasia.com Now Everyone Can Fly BigPay teleport

Cost Reduction Initiatives

Contracts Renegotiation

- Aircraft leases
- Renegotiating legacy double payment of engines maintenance reserves to certain lessors
- Engineering & tech support, Ground handling at foreign stations
- Hotels for Tech & Cabin crew
- Flight operations
    - Opti Climb
    - One engine taxi

Fleet Plan

- Two types of configuration:
    - Premium – deployment to high yield routes
    - High Density – potential deployment to routes less than 6 hours
- Aggressive aircraft substitution plan
    - Swapping of existing A330ceo to the more fuel efficient A330neo
    - 11% lower fuel burn than A330ceo, powered by Rolls-Royce Trent 7000 engines
    - Longer range: 251t variant
    - Aerodynamics: 64m wingspan (+3.7m), resulting 4% fuel burn reduction

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OPERATIONAL HIGHLIGHTS

	Key Indicators	2Q19	2Q18	▲ %	1H19	1H18	▲ %
Operational	ASK (millions)	8,442	8,957	(6)	17,399	18,079	(4)
	Aircraft	36[1]	36[1]	0	36[1]	31	16
	Sectors flown	4,824	5,099	(5)	9,653	10,130	(5)
	Fuel consumed (Barrels)	1,241,209	1,263,828	(2)	2,521,216	2,634,372	(4)
	Average Fuel Price (USD/Barrel)	86	89	(3)	83	88	(6)
Passenger	RPK (millions)	6,770	7,281	(7)	14,051	14,938	(6)
	Seat Capacity	1,814,098	1,922,323	(6)	3,629,821	3,819,010	(5)
	Passengers Carried	1,455,052	1,568,578	(7)	2,967,598	3,157,222	(6)
	Load Factor (%)	80	81	(1ppt)	82	83	(1ppt)
Financial	RASK (US Cents)	2.91	2.99	(3)	3.10	3.26	(5)
	CASK (US Cents)	3.26	3.29	(1)	3.28	3.33	(2)
	CASK Ex-Fuel (US Cents)	1.99	2.04	(3)	2.06	2.05	0

(1) Fleet distribution for AirAsia X Group includes 24 aircraft for AirAsia X Malaysia, 6 aircraft for AirAsia X Thailand (excluding 4 aircraft which are on direct third-party lease to AirAsia X Thailand) and 2 aircraft for AirAsia X Indonesia

FINANCIAL HIGHLIGHTS

RM mn	2Q19	2Q18	▲	%	1H19	1H18	▲	%
Revenue	1,013.5	1060.7	▼	(4)	2,182.3	2,332.7	▼	(6)
EBITDA	120.8	(60.5)	▲	(>100)	385.3	43.4	▲	>100
Net Operating Profit/(Loss)	(185.1)	(99.3)	▼	86	(214.6)	(40.9)	▼	>100
Profit/(Loss) Before Tax	(269.3)	(64.8)	▼	>100	(209.8)	(9.4)	▼	>100
Taxation	62.2	7.3	▲	>100	46.0	(6.5)	▲	>100
Profit/(Loss) After Tax	(207.1)	(57.5)	▼	>100	(163.8)	(16.0)	▼	>100
Basic EPS (sen)	(5.0)	(1.4)	▼	>100	(3.9)	(0.4)	▼	>100
EBITDA Margin (%)	11.9	(5.7)	▲	18ppts	17.6	1.9	▲	16ppts
EBIT Margin (%)	(10.8)	(9.0)	▼	(2ppts)	(2.7)	(1.5)	▼	(1ppt)

FINANCIAL & OPERATIONAL HIGHLIGHTS

(NORMALISED – EXCLUDING IFS16 IMPACT AND SLB)

RM mn	2Q19	2Q18	▲ %	1H19	1H18	▲ %
Revenue	1,013.5	1060.7	▼ (4)	2,182.3	2,332.7	▼ (6)
EBITDA	(57.1)	(60.5)	▼ (6)	(36.3)	43.4	▼ (>100)
Net Operating Profit/(Loss)	(74.3)	(99.3)	▼ (25)	(79.2)	(40.9)	▼ 94
Profit/(Loss) Before Tax	(77.0)	(64.8)	▼ 19	(64.9)	(9.4)	▼ >100
Taxation	45.0	7.3	▲ >100	28.8	(6.5)	▲ (>100)
Profit/(Loss) After Tax	(32.0)	(57.5)	▲ (44)	(36.0)	(16.0)	▼ >100
Basic EPS (sen)	(0.8)	(1.4)	▲ >43	(0.9)	(0.4)	▼ 100
EBITDA Margin (%)	(5.6)	(5.7)	● 0ppt	(1.7)	1.9	▼ (4ppts)
EBIT Margin (%)	(6.8)	(9.0)	▲ 2ppts	(2.8)	(1.5)	▼ (1ppt)
CASK (US Cents)	3.14	3.29	▼ (5)	3.21	3.33	▼ (4)
CASK Ex-Fuel (US Cents)	1.87	2.04	▼ (8)	2.0	2.05	▼ (2)

FINANCIAL HIGHLIGHTS

Balance Sheet

YTD (RM'000)	30 Jun 2019	31 Dec 2018	▲ %
Cash & Cash Equivalents	313,690	297,609	▲ 5
Total Assets	9,727,875	4,341,571	▲ >100
Total Borrowings	6,065,954	687,052	▲ >100
Shareholders' Equity	541,809	573,662	▼ (6)
Net Debt	5,752,264	389,443	▲ >100
Net Gearing (x)	10.6	0.68	▲ >100

FUEL HEDGING

PROTECTING THE FUTURE

AirAsia X	2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Current Hedge Ratio	53%	52%	70%	85%	82%	71%	69%	69%
Average Hedge Cost (USD)	81	78	77	77	75	76	76	76