

*Air  
Asia*



# AIRASIA X

THE TURNAROUND HAS ARRIVED

Third Quarter 2015 Results Briefing

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# 3Q15 KEY TAKEAWAYS



## SUMMARY

### ➤ TURNAROUND INITIATIVES HAS STARTED TO BEAR FRUIT AND ON THE WAY TO PROFITABILITY:

- Revenue up +13%YoY
- Average Base Fare up +15%YoY
- RASK (Yield) up +25%YoY to 13.78sen from 11.02sen in 3Q14 - Strong recovery in China (+32%YoY) and Australia (+17%YoY)
- Cost down 2%YoY, further cost savings were hindered by +27%YoY in USD:MYR
- EBITDAR of RM188mil versus RM2mil LBITDAR in 3Q14, the highest EBITDAR since 2013
- Operating Loss reduced drastically to RM31mil from RM133mil in 3Q14 and RM100mil in 2Q15 despite sharp depreciation of USD:MYR
- Fly-Thru & Self-Connecting grew tremendously to 56% in 3Q15 versus 37% in 2Q15
- The main drag of 3Q15's performance was primarily due to (i) spillover effect from MERS in Korea, (ii) slower earthquake recovery in Kathmandu, and (iii) worsening MYR
- If not for the sharp depreciation of MYR, AAX would have achieved profitability

# 3Q15 KEY TAKEAWAYS



## SUMMARY

### ➤ 4Q15 AND 2016 IS ON TRACK TO TURNAROUND:

- Strong forward bookings - Business has returned stronger Year-on-Year
- Forward load factor trending above 80% mark with average base fare of at least 15%YoY higher
- Impact from 2014 aviation incidents, MERS in Korea, earthquake in Nepal, and brand issue in Australia earlier have all diminished
- A more rational competition following MAS restructuring
- The entry to Delhi has big growth potential, backed by (i) strong presence of AirAsia India, (ii) broader sales distribution (MakemyTrip, Expedia, and upcoming 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
- No new aircraft deliveries for 2016 & 2017, to optimize capacity and build cash
- Reduce aircraft lease rental through aircraft buy-back

# 3Q15 KEY TAKEAWAYS



## SUMMARY

### ➤ FORWARD STRATEGY:

- **Manage weakening MYR:** (i) Drive sales from stronger currency market such as AUD and other currencies, (ii) Explore more payment channel options by swapping local currency into USD upon collections, (iii) Further reduce costs in USD (aircraft rental, maintenance, insurance, and additional reduction in fuel cost through fuel tankering). As at 30th September 2015, AAX's total revenue in USD and MYR is approx. 40% respectively
- **Recalibrating destination mix,** focusing on core routes with strong yields
- **Increase base fare** for existing mature routes
- **Fly-thru traffic to grow by 10% annually** with (i) improved flight time, (ii) new destinations, (iii) intra-hubs connectivity, (iv) increased fly-thru product awareness, and (v) collaborate with AirAsia's ASEAN pass to drive traffic

# 3Q15 KEY TAKEAWAYS



## SUMMARY

### ➤ FORWARD STRATEGY (CONTINUED):

- **Drive ancillary income:** (i) Enhance Duty Free products and sales platform, (ii) Collaborate with World renowned musician, David Foster, to further elevate AAX's premium flatbed product and create a new market, (iii) Work together with the Master Chef Asia's category winner to introduce new meal on-board, (iv) Introduce unique festive meal: Longevity Noodles on-board for Chinese New Year by Martin Yen, celebrity chef, (v) Make Inflight Entertainment available in other markets (currently only available in Australia), (vi) Installation of WIFI on-board, (vii) Dynamic pricing strategy on baggage, Value bundled pack, Premium lounge, and more

# TURNAROUND INITIATIVES – IMPLEMENTATION TIMELINE



## 1Q 2015

- ✓ Frequency cut (Sydney, Melbourne, Perth, Gold Coast, Hangzhou)
- ✓ 3 OTAs and 1 GDS Went LIVE
- ✓ Charters & Wet Leases Contracts for 2015
- ✓ Terminated Nagoya & Adelaide
- ✓ 8-Man Crew
- ✓ Merged Operations (Ground Services & Ramp) with AAB Group
- ✓ Merged Commercial with AAB Group (Joint Marketing Campaign)
- ✓ Enhanced Automation
- ✓ Turnaround Flights for Shanghai, Xi'an, Chongqing, Colombo, Kathmandu
- ✓ Renegotiation of Ground Handling Contract in Japan & Australia
- ✓ Launched AirAsia EZPay

## 2Q – 4Q 2015

- ✓ Executed Rights Issue (Completion: Mid-June 2015)
- ✓ Fuel Savings Initiative – Fuel Tankering
- ✓ Opening of “Unique” Routes – Launched Sapporo & Delhi
- ✓ Launched partnership with Flight Centre Travel Group (FLT) in Australia
- ✓ Joint Marketing with Tourism *[on-going]*
- ✓ Push BIG Loyalty *[on-going]*
- ✓ Enhanced Payment Channels (Activated IATA's Billing Settlement Plan & UnionPay)
- ✓ Terminated Unprofitable Route – Narita
- ✓ Transferred ChongQing & Colombo to A320 operations
- ✓ Enhanced Duty-Free Products & Platform *[on-going]*
- ✓ Renegotiation of D-Factor & Airport Charges *[on-going]*
- ✓ Renegotiate aircraft rental fees with lessors *[on-going]*
- ✓ Improved flight time for Shanghai and Perth to enable turnaround flights & better fly-thru connectivity
- ✓ Refinance/ Buy-back SLB operating leases aircraft *[on-going]*
- ✓ More “Unique” Routes to push fares and traffics *[on-going]*

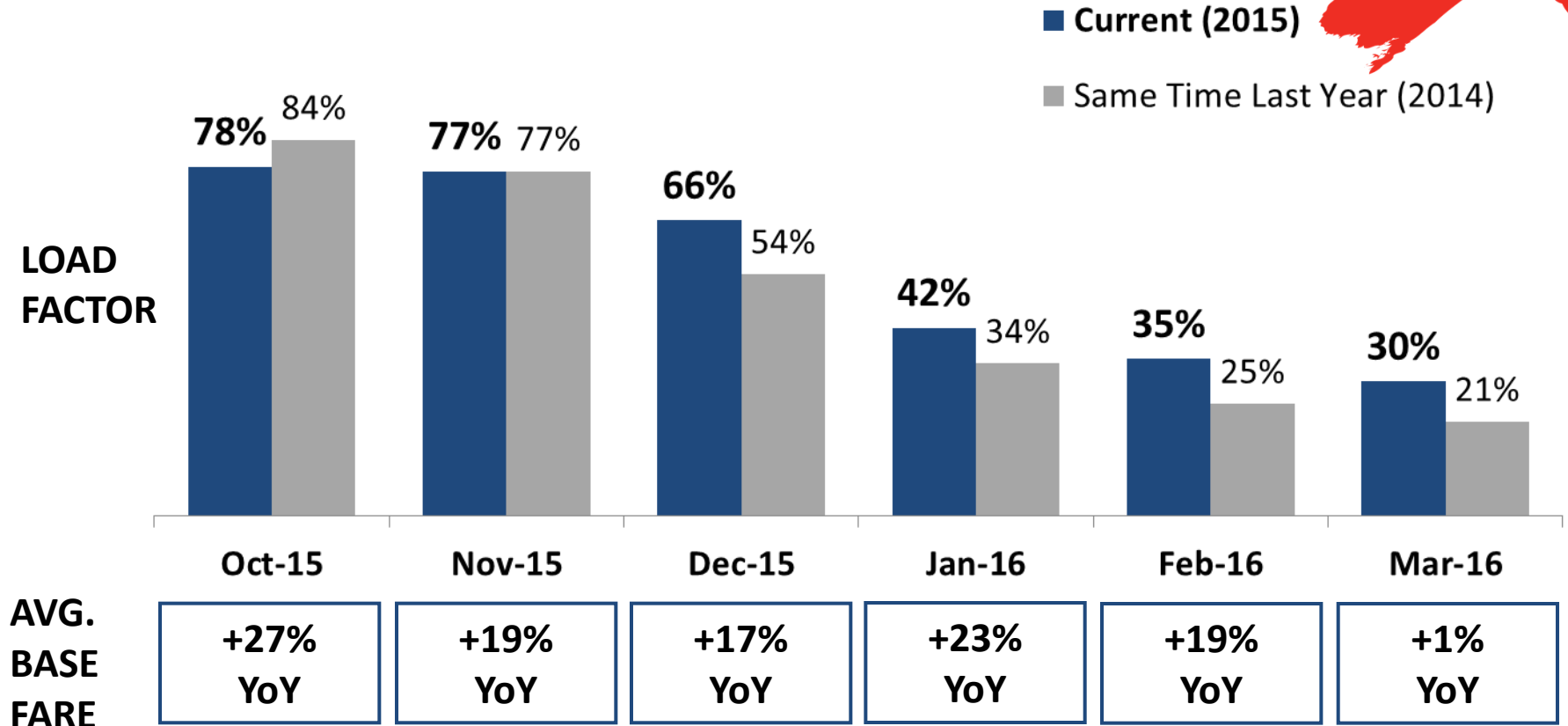
**2016** Paperless Cockpit

**2016** Lower insurance premium (with IOSA cert.)

**2016** WIFI on-board & other ancillary offerings

# FORWARD BOOKINGS

As at 11 November 2015



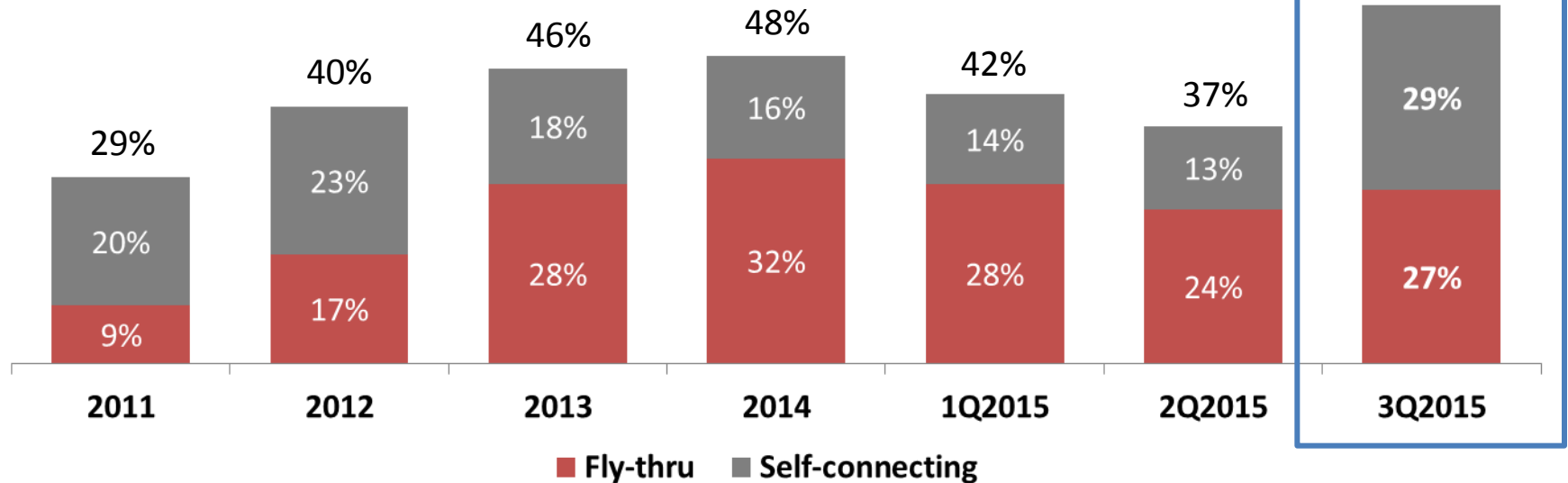
- **Strong forward sales signifying recovery:** Load Factor is trending upwards to the 80% mark despite higher average base fare of 15%YoY.
- **The positive trend is expected to improve further** as the month approaches (due to change in booking pattern) and coupled with stimulation from aggressive marketing.



# FLY-THRU PERFORMANCE



## FLY-THRU & SELF-CONNECTING GROWING STRONG DESPITE NETWORK CONSOLIDATION



- Fly-Thru & Self-Connecting has recorded a growth of 19%QoQ to 56% in 3Q15
- Popular country pairs remained as Australia – Thailand, Indonesia and China
- Opportunity to stimulate new market with newly launched routes, such as Sapporo, Delhi, and improve flight time to enhance route connectivity
- Increase educational content of Fly-thru to create awareness and to educate our passengers on the product
- Target to achieve 10% annual growth

# FUEL HEDGING

Updated as at 25th November 2015



AAX 2015	1Q A	2Q A	3Q A	4Q	FY
Current Hedge Ratio	56%	58%	57%	54%	56%
Avg. Hedge Cost (USD/bbl)	97.09	89.08	83.01	83.65	88.26

AAX 2016	1Q	2Q	3Q	4Q	FY
Current Hedge Ratio	30%	30%	30%	30%	30%
Avg. Hedge Cost (USD/bbl)	62.96	64.11	65.44	65.66	64.84

# THAI AIRASIA X



## THAI AIRASIA X

KEY METRICS:	3Q15
Total Pax Carried	203,699
Load Factor	71%
Average Base Fare (THB)	4,227
Net Loss (THB'mil)	-384



**Fleet Size:**  
5 A330s  
(as at Oct 2015)

- In less than a year of operations, Thai AAX performed admirably well and achieved its first net profit of THB20mil in Dec 2014 and THB90mil in 1Q2015. However, further improvement was pulled back by **the ICAO implications which has caused slowdown in sales from overseas market as well as the suspension of Sapporo. This pressure was further amplified by the unexpected MERS outbreak in Korea from 2Q15 to 3Q15.**
- Despite the setback by ICAO-driven restrictions from Japan and South Korea, Thai AAX continued to pursue expansion plans in China with first direct service from Bangkok to Shanghai on 28th September 2015 and more (Dalian, Qingdao, Russia, and re-entry to Sapporo in 2016 once the ICAO issues is resolved).
- TAAX remains positive for 4Q15 and 2016 as (i) forward bookings from 4Q15 onwards has seen return of business, (ii) historically strongest travel season in December, and (iii) aggressive marketing through AirAsia and AirAsia X Group campaigns to further boost the traffic. In addition to that, the management sees great opportunities to grow in the China market by tapping on the already established AirAsia Group brand in China as well as the fly-thru connectivity Thai AirAsia can offer.
- **Current Routes :**
  - Bangkok-Shanghai (7x weekly)
  - Bangkok-Incheon (7x weekly)
  - Bangkok-Narita (14x weekly)
  - Bangkok-Osaka (7x weekly)

# INDONESIA AIRASIA X



## INDONESIA AIRASIA X

KEY METRICS:	1Q15	2Q15	3Q15
Total Pax Carried	5,582	42,820	52,220
Load Factor	46%	49%	70%
Average Base Fare (USD)	52	84	126
Net Loss (USD'mil)	-8.5	-9.1	-6.7



**Fleet Size:**  
2 A330s  
(as at Oct 2015)

- **IAAX's 3Q15 has seen improvement in overall operating performance, following (i) frequency cut to Taipei and eventual termination of Taipei by end of 3Q15, and (ii) improved base fare and higher load factor for Melbourne.** This signals brand recovery in Australia in 3Q15, following the aggressive marketing campaigns in Australia. However, further improvement was hindered by uncertainties arises from the aviation restriction imposed by regulator in Indonesia. IAAX has seen immediate come-back after the licensing issue resolved by early October 2015.
- Despite all initial setbacks, the Company sees great potential in growing the Bali hub through expansion to Australia where there is great demand for the Bali-Australia routes and strongly believes IAAX is a strategic hub with potential to cater greater passenger capacity as it offers strong connectivity across ASEAN region from the feeder traffic by AirAsia Group and AirAsia X Group. Bali-Sydney route was launched in October 2015 with good loads of over 80% for its inaugural flight.
- **Future expansion:** Australia, New Zealand, China, India
- **Current Routes :**
  - Bali-Melbourne (5x weekly)
  - Bali-Sydney (5x weekly)



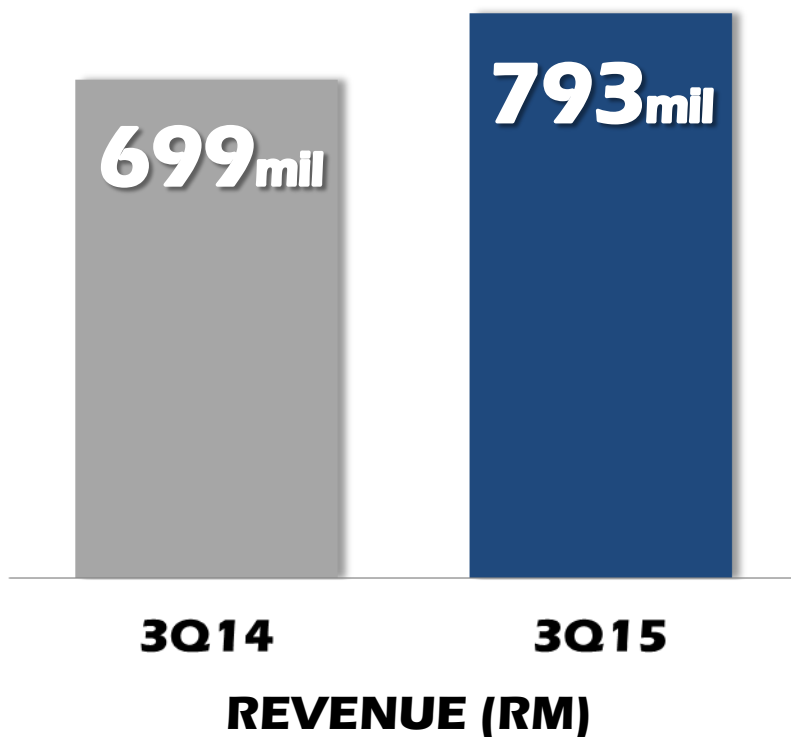
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# **3Q2015 KEY FINANCIAL & OPERATIONAL HIGHLIGHTS**

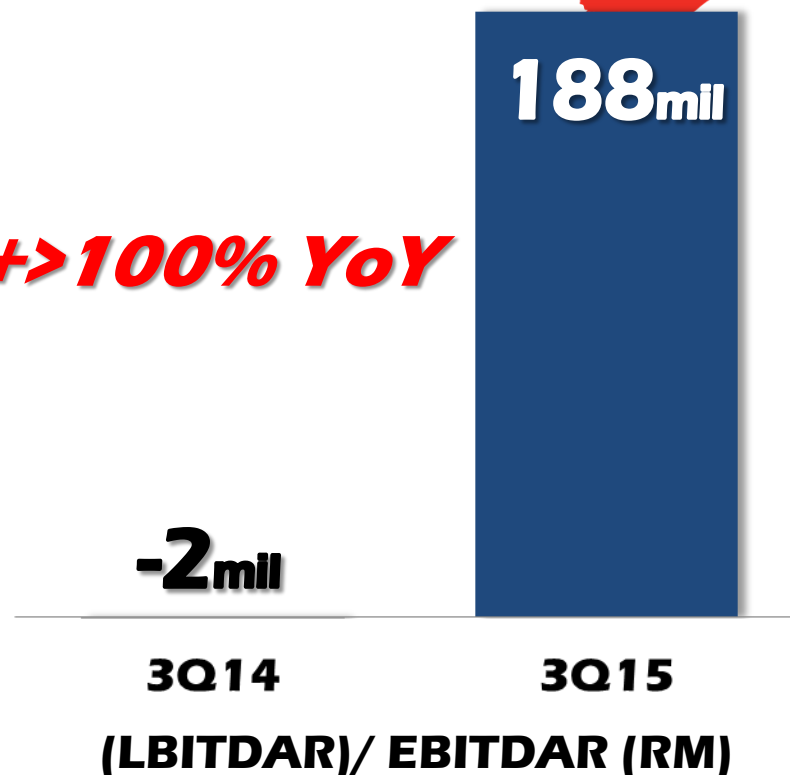
# 3Q15 KEY FINANCIALS



**+13% YoY**



**+>100% YoY**



Mainly contributed by:

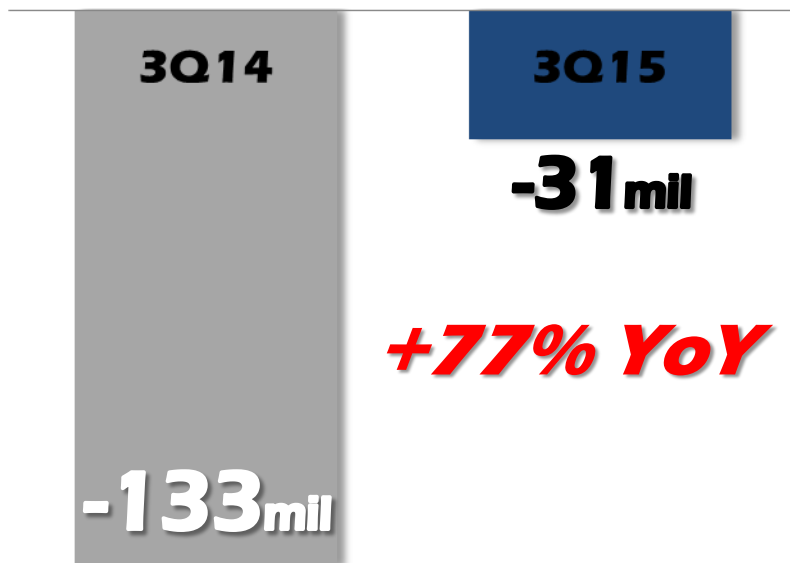
- I. **Charter & Wet Leasing Revenue:** +155%YoY due to capacity management from scheduled operations; and
- II. **Aircraft Operating Lease Income:** +179%YoY on the back of additional aircraft sub-leased to TAAX & IAAX.

Attributed by:

- I. **Australia:** Recorded EBITDAR of RM7mil in 3Q15 as compared to LBITDAR of –RM33mil in 3Q14;
- II. **North Asia:** Up +>100%YoY; and
- III. **Others\*:** Up +>100%YoY.

*\*include Colombo, Kathmandu, Jeddah, charters & wet leases*

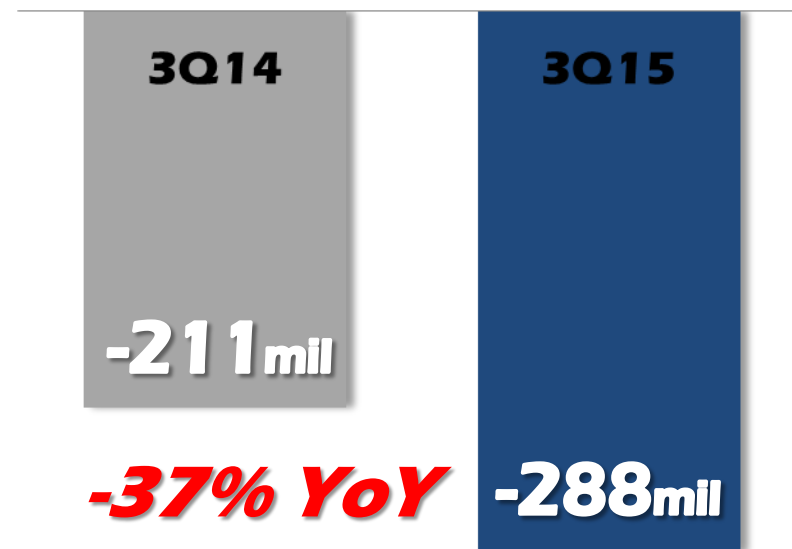
# 3Q15 KEY FINANCIALS



## OPERATING (LOSS)/ PROFIT (RM)

Mainly helped by lower total costs (-2%YoY).  
However, it was offset by higher:

- I. **Aircraft Operating Lease Expense**, which was RM99mil costlier in 3Q15 as compared to 3Q14, due to additional 4 aircraft on operating lease during the period as well as the hike in USD exchange rate by +27%YoY in 3Q15.



## NET (LOSS)/ PROFIT (RM)

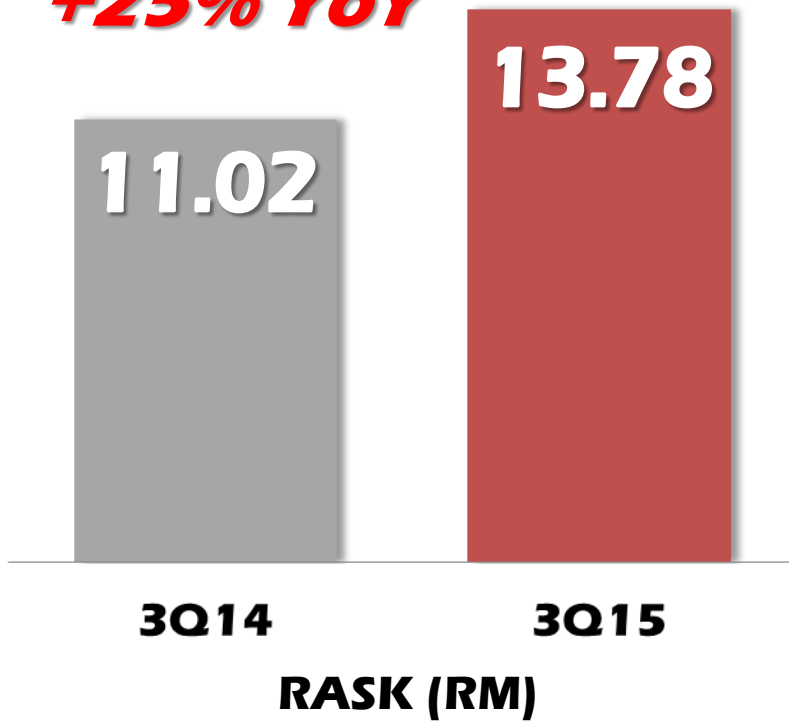
Mainly impacted by:

- I. Paper loss of -RM241mil on Forex in 3Q15 versus a -RM48mil loss in 3Q14 resulted from worsening MYR.
- II. **End period USD:MYR Exchange Rate (+36%YoY): 4.45 for 3Q15 versus 3.28 for 3Q14**

# 3Q15 KEY OPERATING STATS



**+25% YoY**

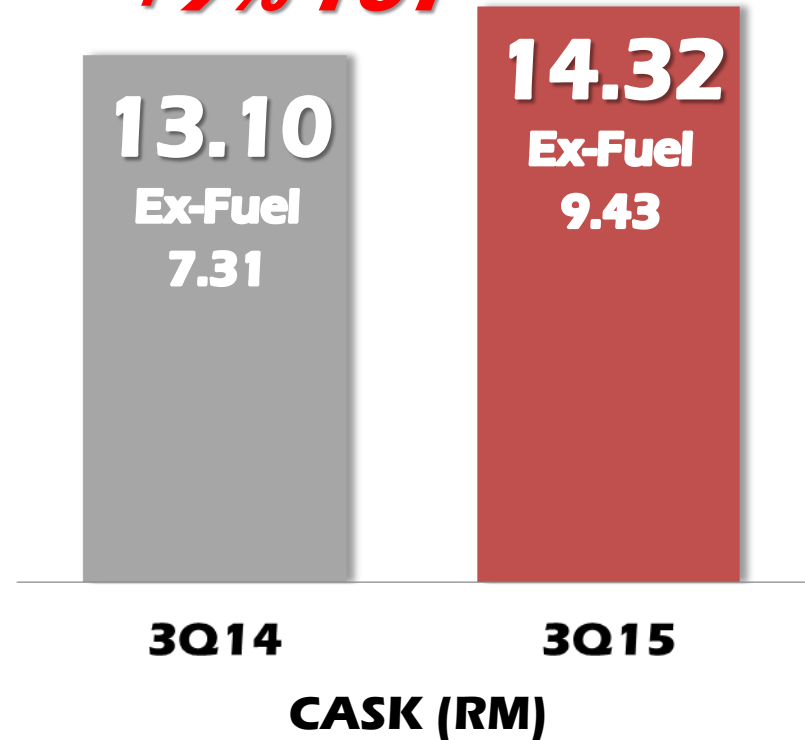


Yield advancement was mainly lifted by:

- I. Australia (+17%YoY);
- II. North Asia (+9%YoY); and
- III. Others: +39%YoY

*Others: Jeddah, Kathmandu, Colombo, Charters and Wet Leasing*

**+9% YoY**



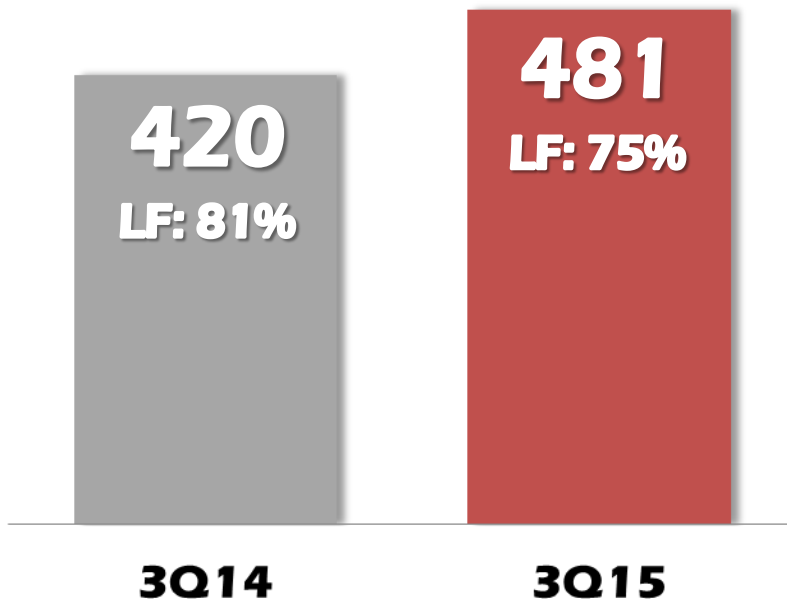
CASK up +9%YoY and Ex-fuel up +29%YoY mainly due to (i) **higher aircraft rental** on the back of increasing operating lease aircraft, (ii) **worsening MYR** which resulted in unfavourable currency translation, and (iii) **lower ASK**.



# 3Q15 KEY OPERATING STATS



**+15% YoY**



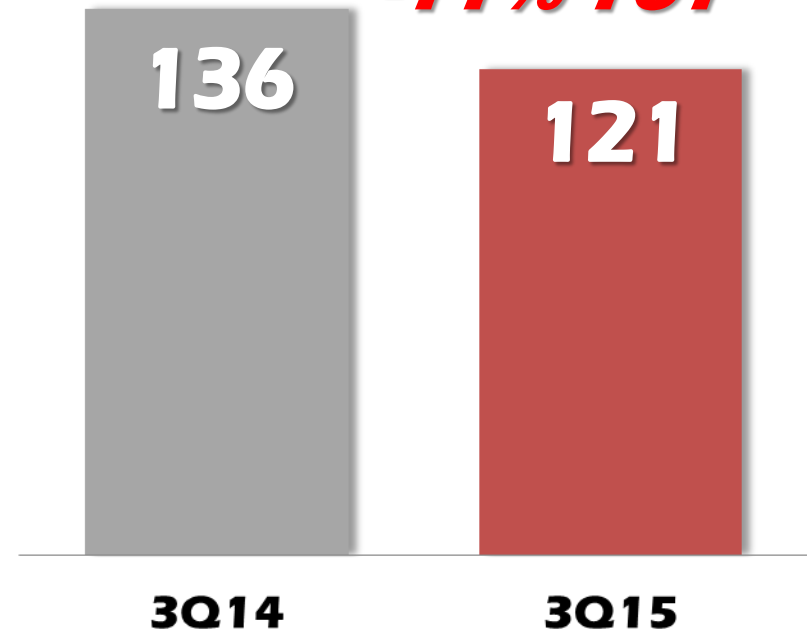
## AVERAGE BASE FARE (RM)

Higher due to improved pricing for:

- I. Australia (+14%YoY);
- II. North Asia (+14%YoY); and
- III. Other Region (+26%YoY)

*Other Region: Jeddah, Kathmandu, and Colombo*

**-11% YoY**



## ANCILLARY PER PAX (RM)

The drop was mainly due to:

- I. Reclassification of revenue from Admin Fees; and
- II. Lower take-up for IFE & upgrade on seats due to lower passengers carried & capacity in Australian segment as this market is the largest contributor for ancillary.

# THANK YOU

- End of Presentation -



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