

*Air  
Asia*



# **AIRASIA X**

**Second Quarter 2015 Results Briefing  
19th August 2015**

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# **2Q15 KEY TAKEAWAYS & TURNAROUND INITIATIVES**

# 2Q15 KEY TAKEAWAYS



## SUMMARY

- **As expected and mentioned during 1Q15 results briefing, First Half of 2015 remains challenging due to: (i) Marketing halt in 1Q15 with respect to QZ incident, (ii) Brand damage in Australia caused by Bali-Melbourne disruption, (iii) Continuous price pressure from MAS. This was further amplified by unforeseen external factors such as (i) MERS in Korea, (ii) Earthquake in Kathmandu, and (iii) Worsening USD:MYR exchange rates.**
- **As a result of the factors above, 2Q15's Revenue dropped -3%YoY with Operating Loss narrowed to -RM100mil versus -RM116mil in 2Q14, helped by lower fuel expenses (-44%YoY), depreciation (-22%YoY), and controllable expenses (-56%YoY) following internal restructuring and strategic consolidation with AirAsia Group.**
- **Second Half 2015, especially 4Q15, is on track to override the setbacks of First Half 2015 as business returned with (i) improving advanced bookings and pricing following the return of marketing campaigns in April 2015, and (ii) full implementation of turnaround initiatives.**

# 2Q15 KEY TAKEAWAYS



## 1. YIELDS HAS RECOVERED & STRONG UPSIDE AHEAD

- **RASK improved +7%YoY, contributed by (i) Australia (+17%YoY)** on the back of -36%YoY capacity cut, and (ii) **Other region (+21%YoY)** which operated under scheduled-charters, while **North Asia down -16%YoY** mainly affected by Korea traffic.
- On the back of network consolidation, **Average Base Fare was +7%YoY higher** while Load Factor was mainly pulled back by absence of marketing, and unforeseen outbreak of MERS in Korea which further pressured the already low season in North Asia.
- **Strong yields upside for 2H2015** as (i) excessive capacity has been consolidated industry-wide and it allow us to compete in a much rationalized environment, (ii) Improved base fare averaging at least +15%YoY based on forward sales, and (iii) drive ancillary (WiFi onboard, empty seat option, enhance duty free products & platform, Fly-Thru and more).

# 2Q15 KEY TAKEAWAYS



## 2. HUGE UPSIDE: INDUSTRY RATIONALIZATION

- MAS' capacity cut to Australia routes and more, is a huge positive to AAX as this would propel the yields recovery as supply tightens, thereby enabling a more rational pricing environment.

## 3. TAAK REMAINS POSITIVE DESPITE TEMPORARY HICCUPS

- **TAAK recorded THB100mil Net Loss in 2Q15** mainly affected by (i) MERS outbreak in Korea, and (ii) ICAO implications. **Despite the temporary hiccups, overall forward sales remain positive for 2H2015 and TAAK continued its expansion plan to potential destinations: China, Iran, Russia, Australia.**
- The recent bombing incident in Thailand is inevitable to affect the tourism industry however we foresee it to be a short term impact as Thailand is no stranger to turmoil and has historically remained unaffected by years of domestic unrest and violence.

# 2Q15 KEY TAKEAWAYS



## 4. CURRENCY IMPACT

- **Manage currency impact resulted from weakening MYR through natural hedging, i.e. intensify sales from stronger currency market such as AUD and other currencies to offset commitments in USD.**

## 5. IMPROVING CASHFLOW

- **Cash flow position to improve as we cancelled all remaining 2016 to 2019 A330ceo to build cash.**

# 1H2015 ISSUES & INITIATIVES



## Issues

**Marketing Halt** in 1Q15  
with respect to QZ

**Brand Damage** in  
Australia from Bali-Melb  
disruption

**Continuous Price Pressure**  
from MAS

**MERS** in Korea

**Earthquake** in Kathmandu

**Sharp decline in MYR**

## Initiatives Taken

- Re-activated marketing campaigns in early April 2015 to stir traffic

- Launched “Project Ben” & “Vivid Sydney” to restore brand image in Australia

- Capacity management from AAX to recover base fare
- MAS began capacity cut in Australia = rationalize pricing

- Cancelled 40 flights in June & July 2015

- Cancelled 28 flights in 2Q15

- Push AUD sales and other strong currencies to offset USD bills

## 2H2015

- **Business seen return in July** onwards following MAS restructuring and brand restored in Australia
- **Positive forward bookings** following return of marketing activities in April onwards
- **Fares improved** at least +15%YoY in average
- **Turnaround initiatives** to begin bearing fruit by 4Q15



# 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; Hawaii (target to launch in 3Q2015)
- ✓ 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)
- WIP** WIFI Onboard
- WIP** Renegotiation of D-Factor & Airport Charges
- WIP** Enhanced Duty-Free Products and Platform
- WIP** Lower Insurance Premium (with IOSA certification)
- WIP** Turnaround Flights for Perth and more
- WIP** Paperless Cockpit
- WIP** Review New Strategy for Existing and Terminated Routes

**FULL IMPLEMENTATION – 4Q2015**

# HUGE UPSIDE: MAS RESTRUCTURING

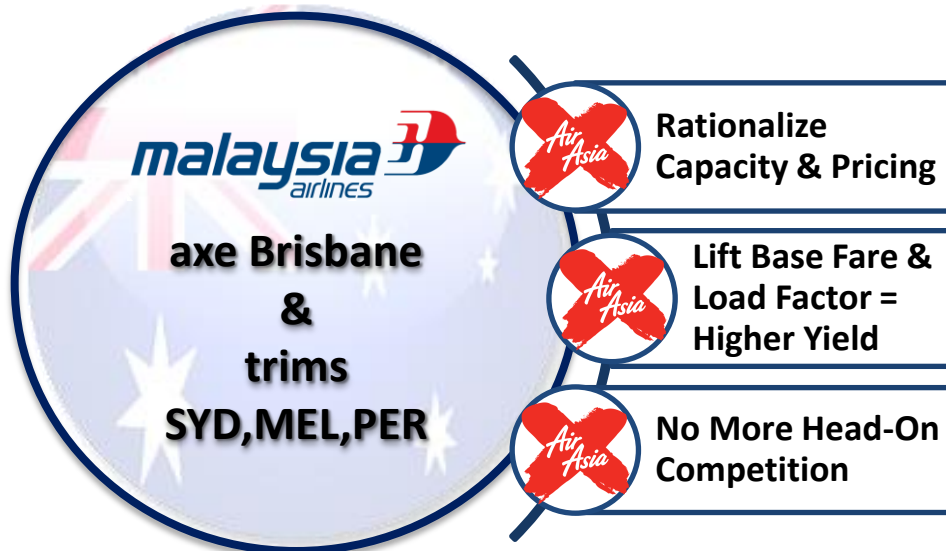


## MAS RESTRUCTURING – KEY PLANS

- **Downsizing:** MAS to cutback at least 6,000 headcounts from the existing 20,000
- **Network Rationalization & New Opportunity for AAX:** MAS to reduce aircraft size, frequency, and pull back on certain long haul routes
- **Re-entry Opportunity for AAX's London:** MAS is selling its 2 A380s which are currently serving London route
- **Price Correction:** MAS to addresses the irrationally low fares that was offered beyond breakeven level, and to introduce attractive fares

## MAS CUTTING MORE THAN 30% AUSTRALIA CAPACITY

= BIG POSITIVE TO AAX'S AUSTRALIA SEGMENT



- Termination of MAS's Brisbane effective 9 Aug 2015, will divert traffic to AAX's Gold Coast as AAX is the only airline flying direct from Kuala Lumpur.
- Trimming of SYD, MEL and PER will result rise of AAX's load factor and yield.
- The shift of the supply-demand dynamics will positively impact AAX turnaround initiatives as Australian routes contribute approx. 36% of AAX's total revenue in FY2014.
- Potentially MAS will have frequency cuts for Taipei and many to come because the vast headcount cut.

# HUGE UPSIDE: MAS RESTRUCTURING



## RATIONALIZING CAPACITY FOR KUALA LUMPUR - AUSTRALIA

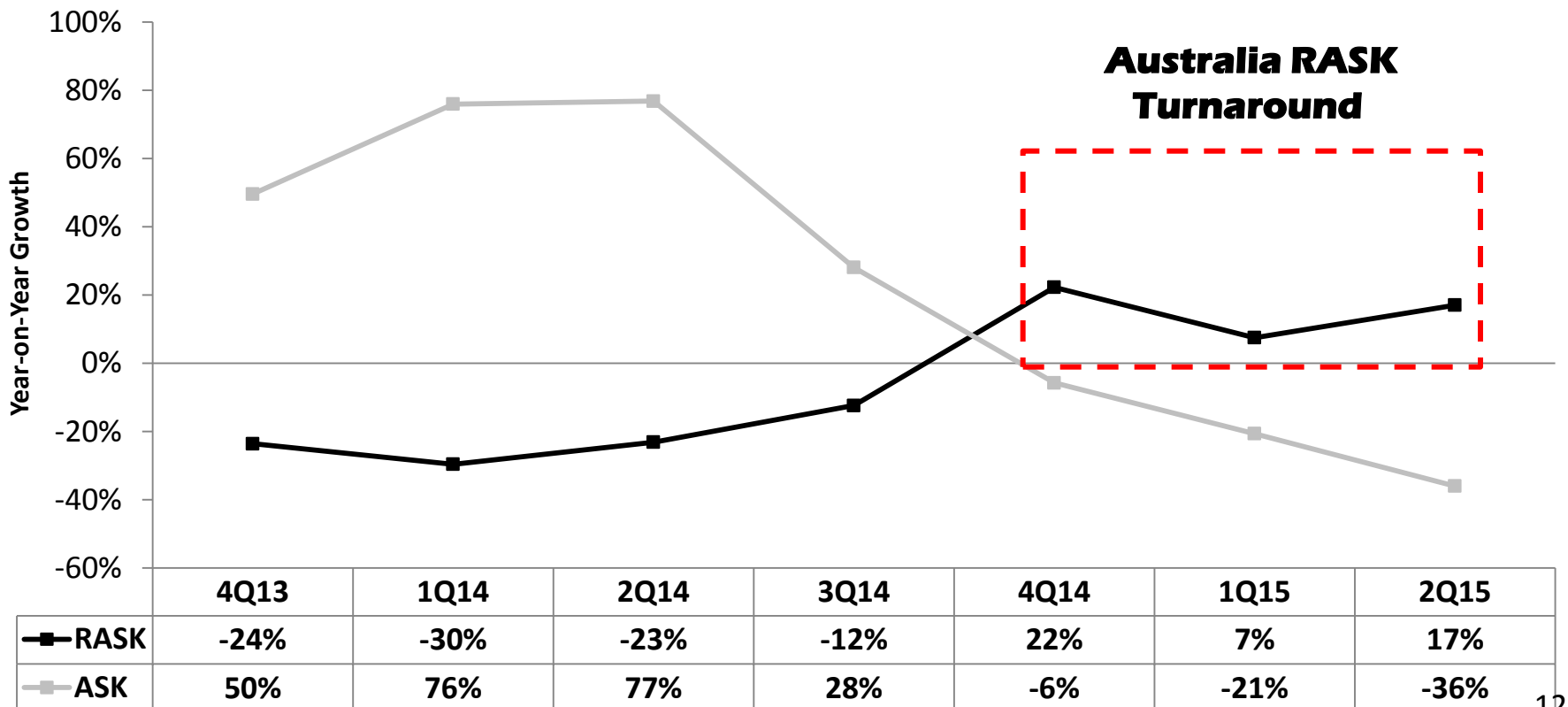
Route/ Avg. Weekly Frequency	OVER-CAPACITY		CAPACITY RATIONALIZATION	
	AAX (4Q13 - 3Q14)	MAS (4Q13-2Q15)	AAX (4Q14 – 2Q15)	MAS (3Q15 onwards)
Brisbane	-	7x	-	Terminated
Gold Coast	7x	-	5x	-
Sydney	14x	21x	7x	14x
Melbourne	14x	21x	11x	14x
Perth	14x	12x	11x	7x
Adelaide	5x	7x	Terminated	4x
<b>TOTAL</b>	<b>54x</b>	<b>68x</b>	<b>34x</b>	<b>39x</b>

- AAX reduced a total of 20x weekly flights since 4Q14 while MAS is reducing 29x weekly flights from August 2015 onwards, representing a total cut of 49x weekly flights from Kuala Lumpur to Australia.

# HUGE UPSIDE: MAS RESTRUCTURING



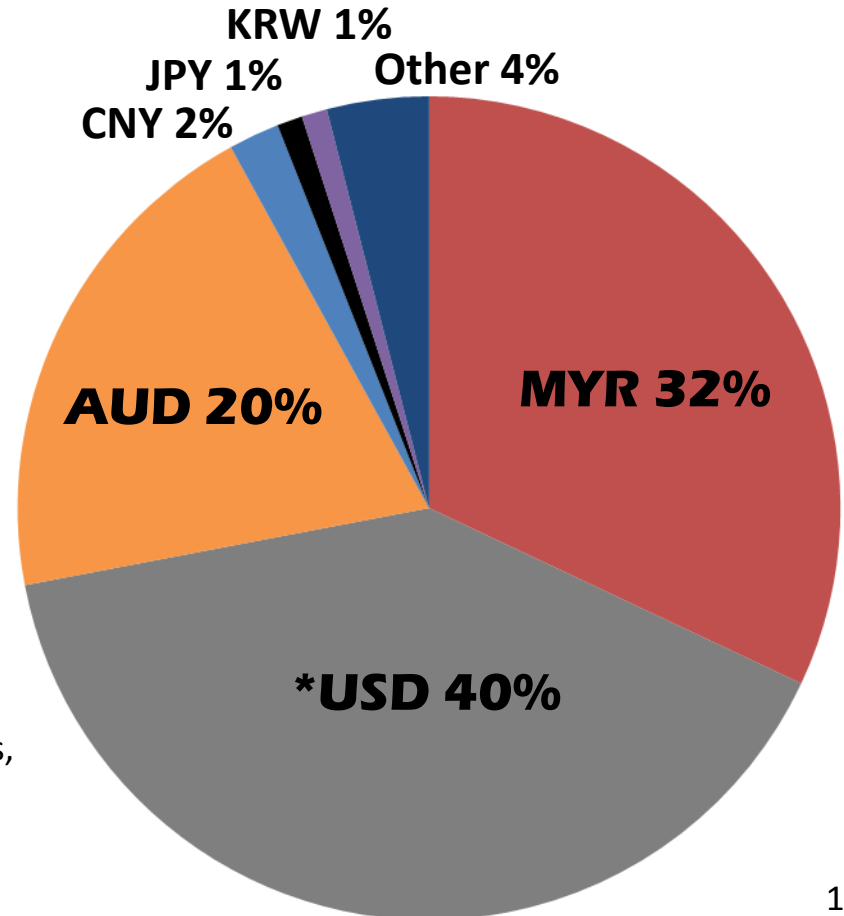
- **AAX'S AUSTRALIA YIELD HAS STARTED TO RECOVER AFTER AAX REDUCES AUSTRALIA CAPACITY FROM 4Q14 ONWARDS.**
- **MAS CAPACITY CUT FURTHERS IMPROVE AAX'S YIELD AS PRICING SHOULD RATIONALIZE FOLLOWING TIGHTER CAPACITY IN THE MARKET.**



# CURRENCY IMPACT

- **FOR EVERY RM0.10 MOVEMENT IN USD:MYR WILL RESULTS IN SAVING/EXPENSE OF APPROX. RM50MIL PER ANNUM.**
- **TO REDUCE THE IMPACT FROM WEAKENING MYR, AAX WILL INTENSIFY SALES FROM STRONGER MARKET SUCH AS AUD AND OTHER CURRENCIES.**

## REVENUE BREAKDOWN BY CURRENCY AS AT 30TH JUNE 2015



\*Includes (i) collections from CNY, TWD, NPR and LKR as the currencies are swapped to USD by payment channel options, (ii) wet leases, (iii) cargo, and (iv) aircraft operating lease income



# **BUSINESS UPDATE**

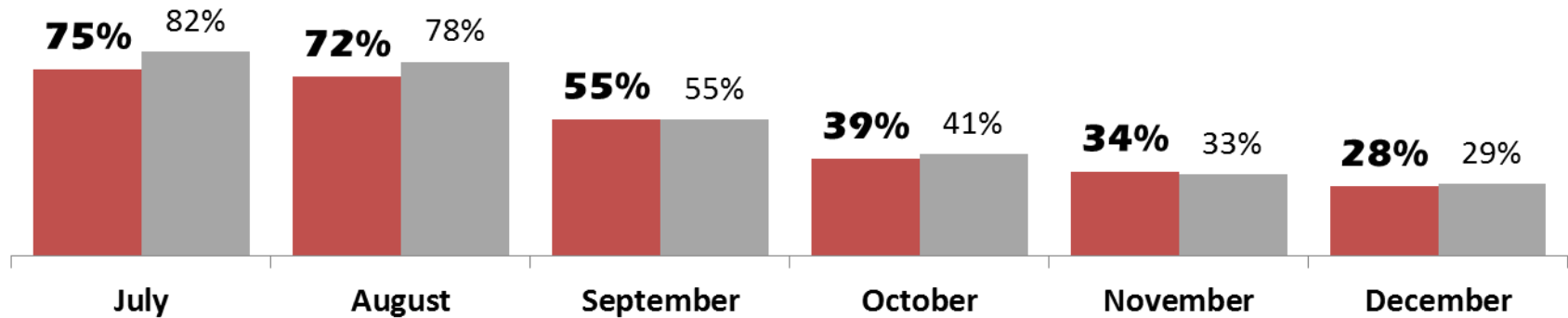
# FORWARD BOOKINGS – 2H2015

As at 17 August 2015



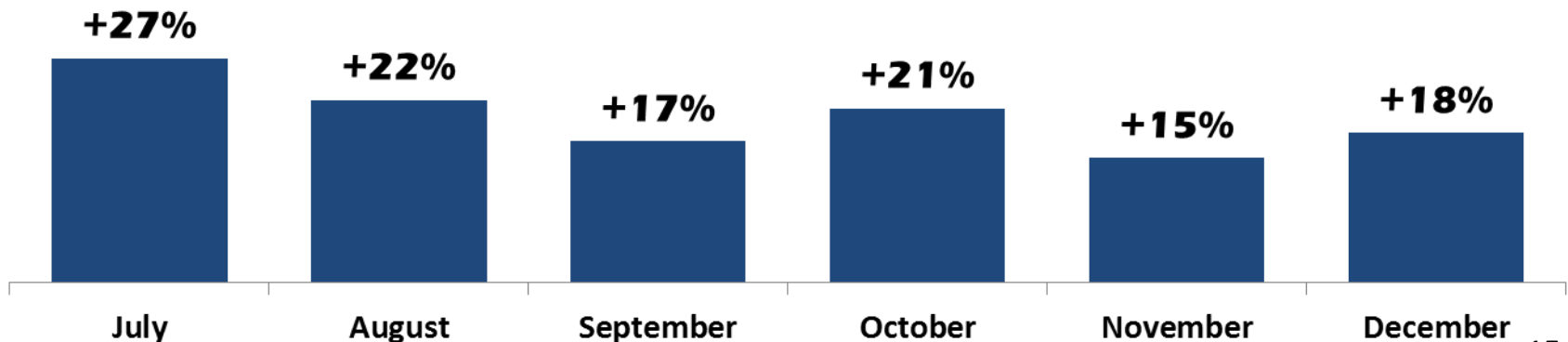
## LOAD FACTOR (%)

■ Current 2015   ■ Same Time 2014



## AVERAGE BASE FARE (RM)

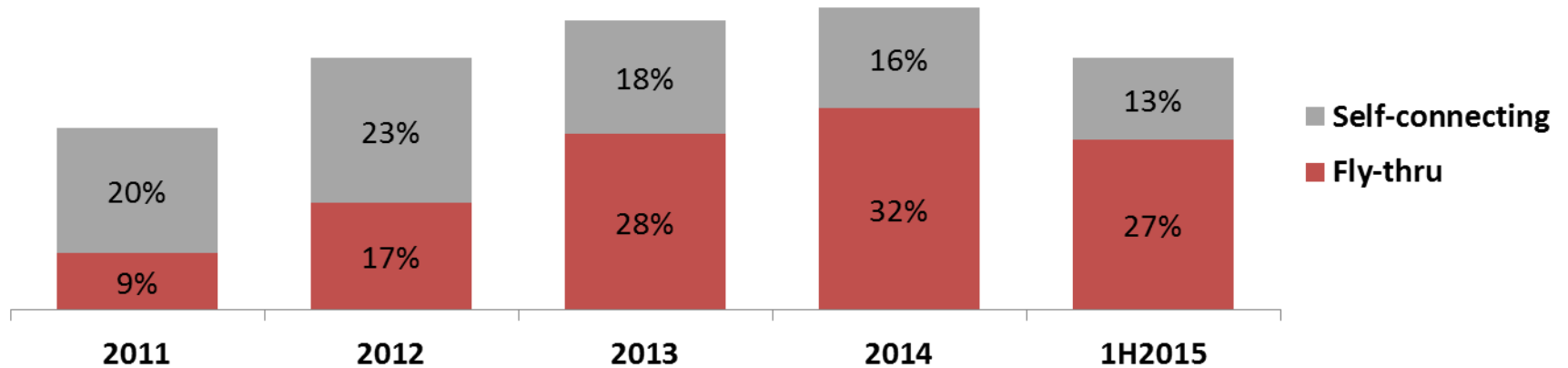
Current 2015 versus Same Time 2014



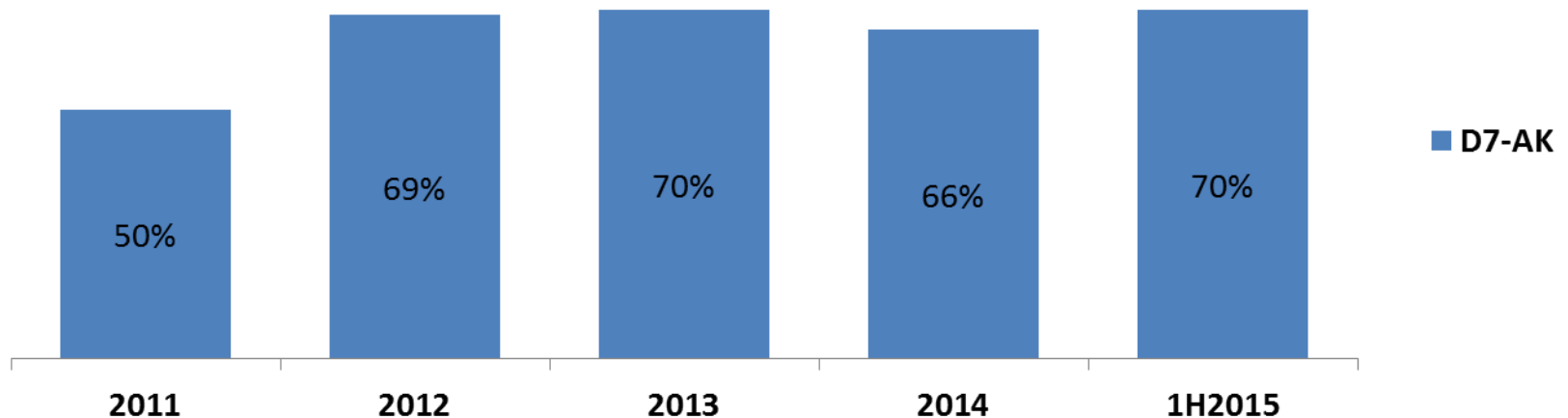


# FLY-THRU PERFORMANCE

➤ **FLY-THRU & SELF-CONNECTING REMAIN POSITIVE DESPITE NETWORK CONSOLIDATION**



➤ **70% OF AAX FLY-THRU PASSENGERS TAPPED INTO AIRASIA'S NETWORK AND IS GROWING STRONG**





# 5 YEARS AIRCRAFT DELIVERIES



Updated as at 18th August 2015; Fleet plan is subject to change

	Year Ended				
	2015	2016	2017	2018	2019
<i>Initial Aircraft Deliveries (A330ceo)</i>	8	4	5	3	0
<i>Initial Aircraft Deliveries (A330neo)</i>	0	0	0	2	5
<b>Initial Aircraft Deliveries - TOTAL</b>	<b>8</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Aircraft To Be Deferred (A330ceo)</b>	<b>-2*</b>	<b>+2*</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Aircraft To Be Cancelled/ Outright Sale (A330ceo)</b>	<b>-2</b>	<b>-4</b>	<b>-5</b>	<b>-3</b>	<b>0</b>
<b>Latest Aircraft Deliveries - TOTAL</b>	<b>4**</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>5</b>

\*July and September 2015 aircraft will be deferred until March 2016.

\*\*Out of the 4 aircraft deliveries in 2015, we have taken 3 to-date and the balance of 1 (May aircraft) has been pushed-back to September 2015.

# FUEL HEDGING

Updated as at 18th August 2015



AAX 2015	Q1 A	Q2 A	Q3	Q4	FY
Current Hedge Ratio	56%	58%	57%	54%	56%
Avg Hedge Cost (USD/bbl)	97.09	89.08	83.01	83.65	88.26

# ASSOCIATES UPDATE



## THAI AIRASIA X

### 2Q2015 KEY METRICS:

Total Pax Carried	227,927
Load Factor	72%
Average Base Fare (THB)	4,992
Net Loss (THB'mil)	-100

- 2Q14 traffic was mainly dragged by (i) MERS in Korea, and (ii) the weakest quarter of the year for North Asia.
- Current Routes: Bangkok to Incheon (7x weekly), Osaka (7x weekly), Narita (14x weekly).
- Suspended Route: Sapporo (due to unresolved safety issues with ICAO); Bangkok- Sapporo was operated under MAAX call-sign until 30 July 2015.
- Upcoming Routes: China, Iran , Russia , Australia (TBC)
- Fleet Size: 4 A330s (as at 30th June 2015)

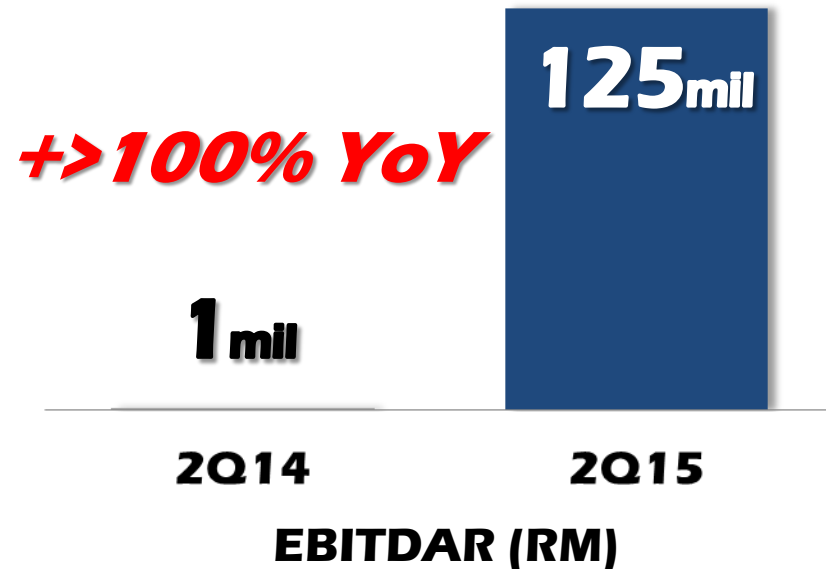
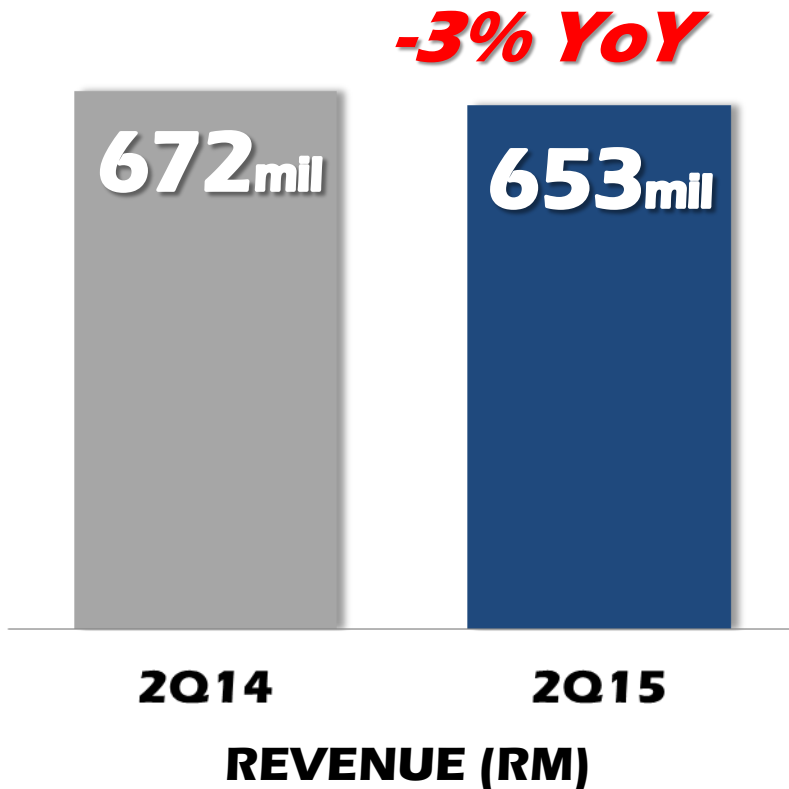
## INDONESIA AIRASIA X

- Current Routes: Bali to Taipei (4x weekly), Melbourne (5x weekly)
- Recently Launched Route: Sydney (5x weekly) – inaugural flight: 17th Oct 2015
- Upcoming Routes: Jeddah, Brisbane, Auckland, Tokyo, China (TBC)
- Fleet Size: 2 A330s (as at 30th June 2015)
- Expect to breakeven in 2016



# **2Q2015 KEY FINANCIAL & OPERATIONAL HIGHLIGHTS**

# 2Q15 KEY FINANCIALS



## Mainly dragged by lower:

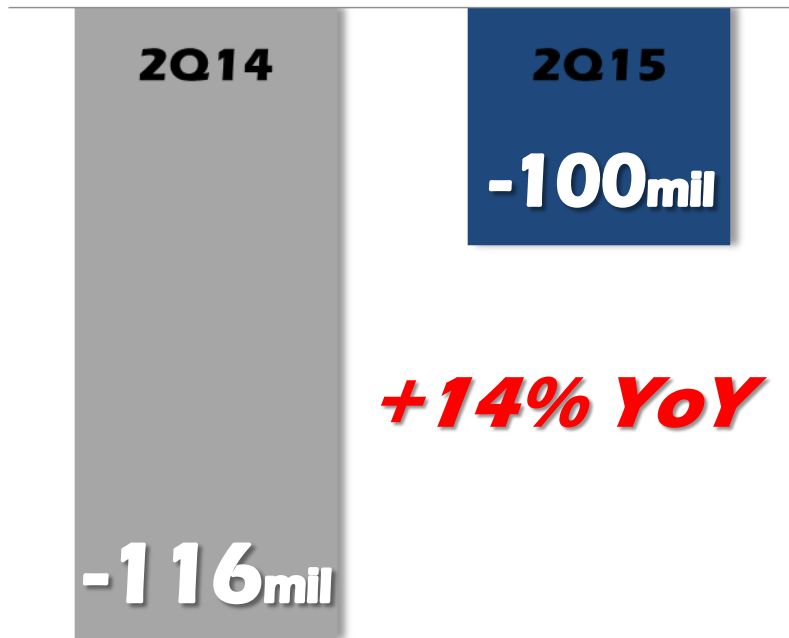
- I. **Scheduled Sales:** -16%YoY due to absence of marketing in 1Q15 and MERS in Korea; and
- II. **Ancillary Revenue:** -24%YoY on the back of lower passengers carried.

## Attributed by:

- I. **Australia:** Recorded EBITDAR of RM9mil in 2Q15 as compared to LBITDAR of -RM50mil in 2Q14;
- II. **North Asia:** Up +24%YoY; and
- III. **Others\*:** Up +150%YoY.

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

# 2Q15 KEY FINANCIALS



**OPERATING (LOSS)/ PROFIT  
(RM)**

Mainly attributed by:

- I. Lower Fuel Cost: -44%YoY
- II. Depreciation: -22%YoY
- III. Other Operating Expenses\*: -56%YoY

*\*office expenses, fees, inflight meals & merchandise, sales & marketing costs, insurance and etc.*

The savings, however, were offset by higher:

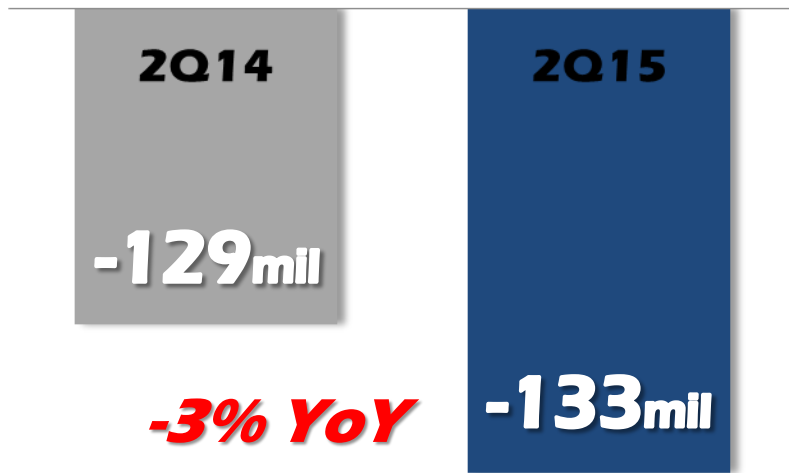
- I. Aircraft Operating Lease Expenses, which were RM118mil costlier or +172%YoY higher in 2Q15 compared to 2Q14, due to additional 8 aircraft on operating lease during the period; and
- II. Maintenance, Overhaul & User Charges, which was +32%YoY, due to higher maintenance and service costs for the additional aircraft taken after 2Q14.

Operating Margin:

2Q15: -15%

2Q14: -17%

# 2Q15 KEY FINANCIALS

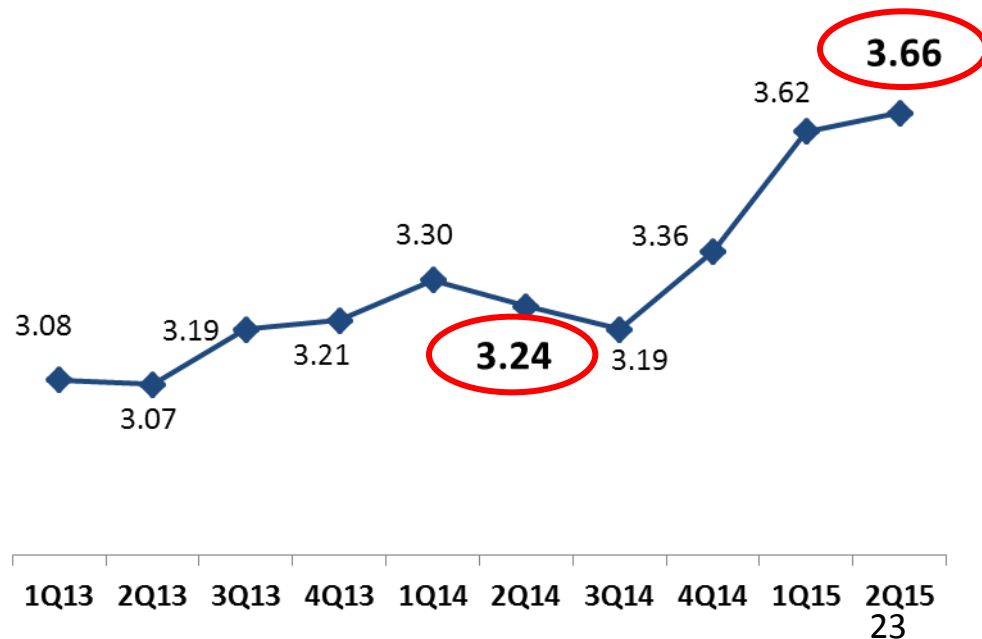


**NET (LOSS)/ PROFIT  
(RM)**

Mainly impacted by:

- I. Paper loss of -RM28mil on Forex in 2Q15 versus a RM20mil gain in 2Q14 as MYR depreciated 13%YoY against USD, and
- II. Investment Loss in JV, IAAX of -RM16mil in 2Q15 versus -RM13mil of investment loss for TAAX in 2Q14.

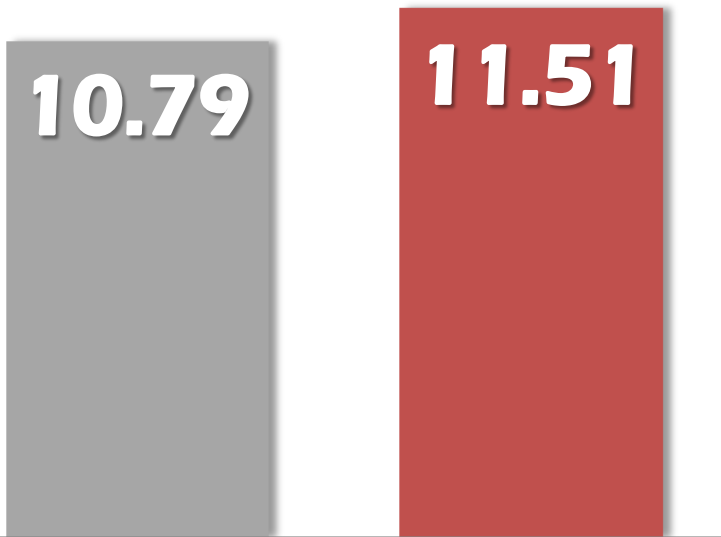
**USD:MYR +13%YoY**



# 2Q15 KEY OPERATING STATS



**+7% YoY**

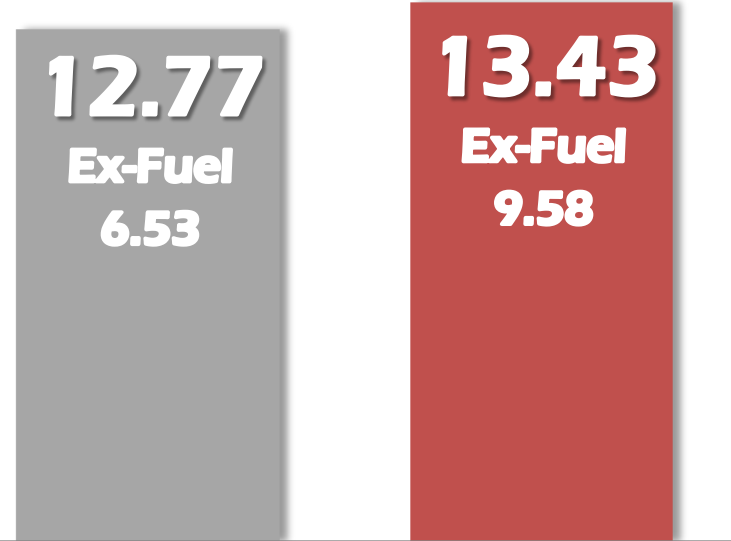


**2Q14**

**2Q15**

**RASK (RM)**

**+5% YoY**



**2Q14**

**2Q15**

**CASK (RM)**

Yield advancement was mainly lifted by:

- (i) **Australia (+17%YoY)** on the back of **-36%YoY capacity cut**; and
- (ii) **Others\* (+21%YoY)**.

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

**CASK up +5%YoY and Ex-fuel up +47%YoY** mainly due to higher (i) aircraft rental and (ii) maintenance & overhaul costs which surged **+199%YoY** and **+76%YoY** respectively in CASK, on the back of increasing operating lease aircraft.

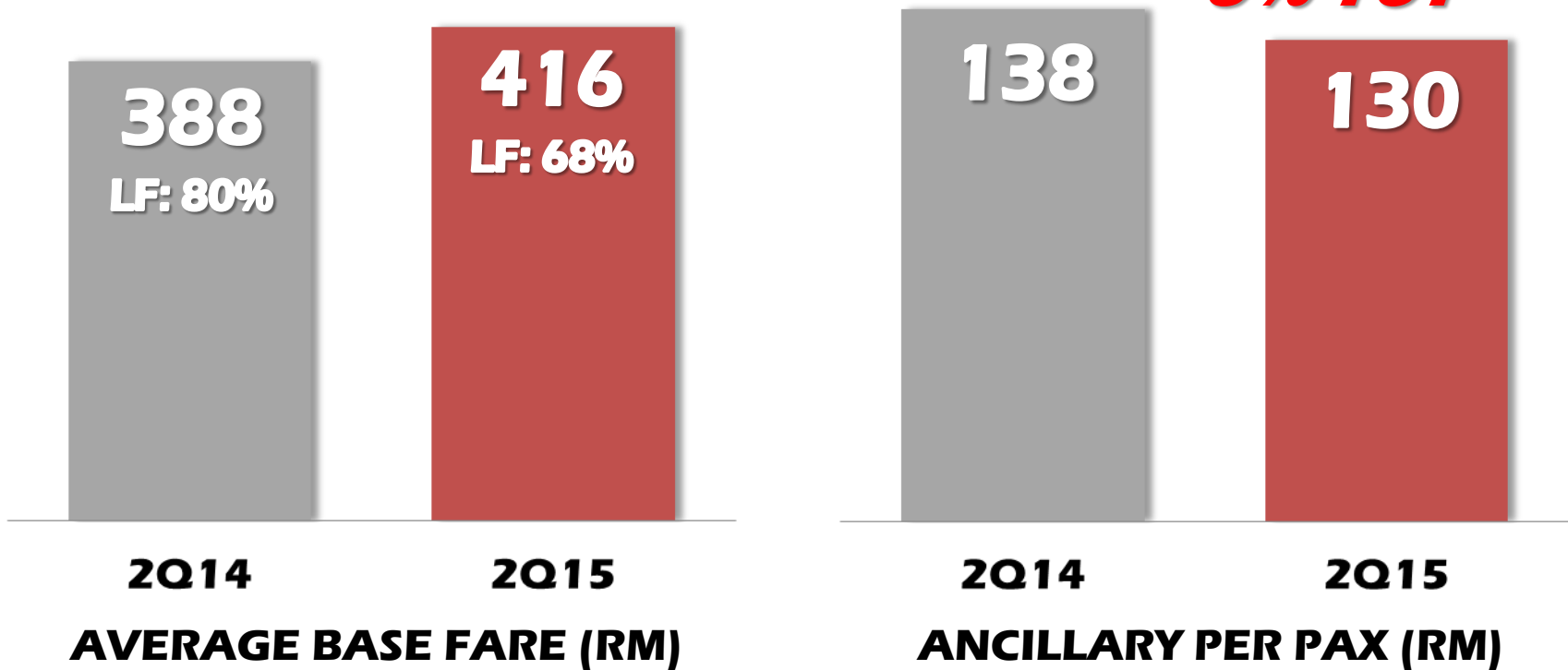


# 2Q15 KEY OPERATING STATS



**+7% YoY**

**-6% YoY**



The Air Asia logo is positioned in the top right corner, featuring the brand name in a white, cursive font set against a red, brush-stroke-like background.

*Air  
Asia*

The background of the slide features three Air Asia flight attendants dressed in their signature red uniforms. They are smiling and posing: the woman on the left has her hand near her face, the woman in the center is blowing a kiss, and the woman on the right is touching her hair. A semi-transparent white banner is overlaid at the bottom of the image.

**THANK YOU**

- End of Presentation -