



**WORLD'S BEST
LOW-COST AIRLINE
7 YEARS RUNNING**

AIRASIA BERHAD

**4Q15
EARNINGS BRIEFING**

26 FEBRUARY 2016



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4Q15 KEY HIGHLIGHTS



MALAYSIA – RECORD EARNINGS

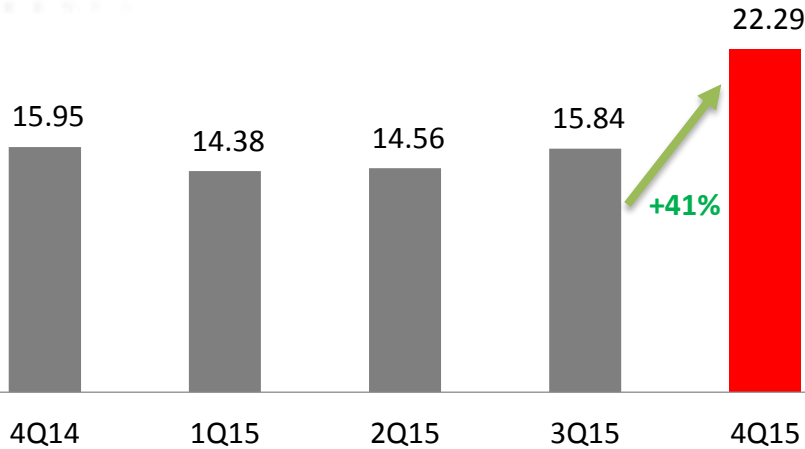
- Revenue: ➤ **RM2.17 bil (+47% YoY)** due to **10% growth** in passenger volume, **4% growth** in unit passenger revenue and **14% growth** in overall ancillary revenue
- Load factor: ➤ **85% (+7ppts YoY)**
- Average fare: ➤ **+4% YoY to RM177**
- Ancillary Income Per Pax: ➤ **+4% YoY to RM49**
- Operating profit: ➤ **RM800.69 mil (+276% YoY)**
- Net operating profit: ➤ **RM694.33 mil (+620% YoY)**
- Profit After Tax: ➤ **RM554.20 mil (+229% YoY)**
- EBIT & EBITDAR Margins: ➤ **38% (+24ppt) , 52% (+22ppt)**
- Cash: ➤ **+82% YoY to RM2.4 bil**

4Q15 KEY HIGHLIGHTS

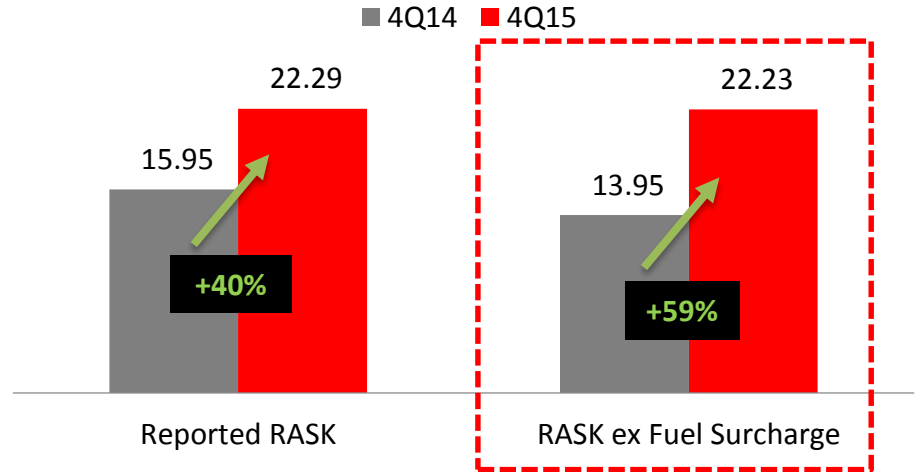
MALAYSIA – RASK & CASK



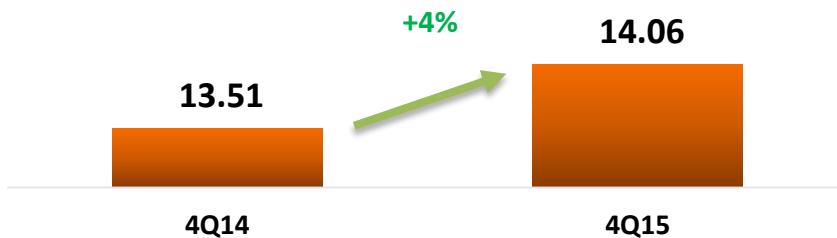
RASK: 22.29 sen (+41% QoQ, +40% YoY)



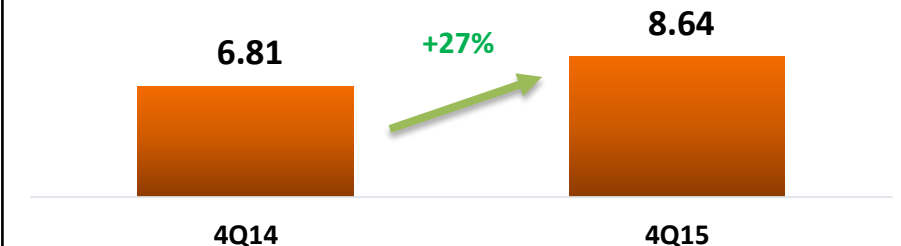
RASK ex-fuel surcharge (+59% YoY)



CASK (sen)



CASK – ex Fuel (sen)



- **CASK** of 14.06 sen (+4% YoY) and **CASK-ex Fuel** of 8.64 sen (+27% YoY)
 - +148% in aircraft op lease expenses due to SLB exercise (additional 16 SLBs YoY)
 - +45% in user charges (increased routes, increase in USD related costs)
 - However average fuel price is lower at USD75 per barrel as compared to USD95 in 4Q14 (-21 YoY) which resulted in 15% reduction in aircraft fuel expenses. This is despite +7% in fuel consumption due to 1% increase in the number of flights and 4% increase in average stage length

4Q15 KEY HIGHLIGHTS



ASSOCIATES

- **Thailand** – **Revenue down 3%** on the back of lower average fare due to drop in international passengers impacted by the explosion at the Ratchaprasong intersection and bad haze situation in Southern Thailand. Operating profit down 32%, profit after tax down 32% to THB542.96mil (USD 15.12mil) due to higher maintenance cost from larger fleet size and Baht depreciation. User charges also increased due to lower incentives as per the initial contract and increase in flights. RASK decreased 12% while CASK decreased 8%.
- **Indonesia** – **Revenue down 37%** due to 33% drop in pax carried on the back of the planned 34% capacity reduction as part of the turnaround strategy. Net operating loss narrowed by 48%. Loss After Tax of IDR(1,086) bil or USD(78.9mil) mainly on forex loss due to depreciation of USDIDR. RASK is down 21% and CASK is down 20%.
- **Philippines** – **Revenue up 51%** due to 47% higher passenger volume which led to a 9ppt increase in load factor. Average fare was up by 8% YoY allowing the associate to record 21% increase in RASK. Operating Loss narrowed substantially by 90% to PHP(111)mil or USD(2.4)mil while Loss After Tax reduced by 91% to PHP(119)mil or USD(2.5)mil. CASK reduced by 25%.
- **India** – **Revenue up 232%** on the back of 134% increase in pax volume which is in line with the 133% capacity increase. Average fare up by 12% while ancillary income per pax was up by 133%. Operating loss narrowed by 23% bringing loss after tax to INR(327.28)mil or USD(4.95)mil. RASK and CASK was down by 5% and 31% respectively.
- **Japan** – **AOC granted on 6 October 2015.** One aircraft was delivered in 4Q15 and target to commence operation in 1H16

4Q15 KEY HIGHLIGHTS

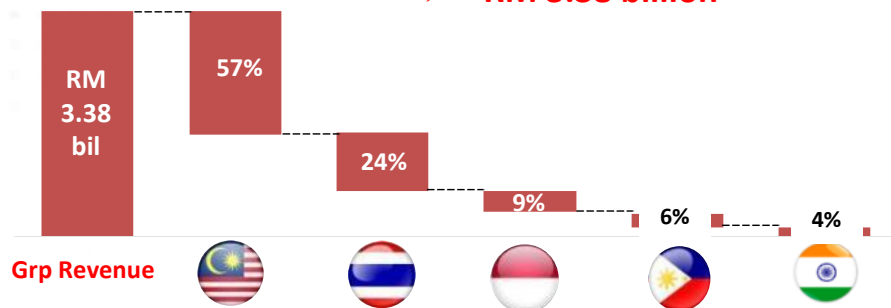


AIRASIA GROUP – CONSOLIDATED RESULTS OF AAB AND AOCs

- Included in the Company's Bursa Announcement (Note 9)

• Revenue:

➤ **RM 3.38 billion**



• Group Operating Profit:

➤ **RM 805.54 million**

• Net Operating Profit:

➤ **RM 675.90 million**

• Profit Before Tax:

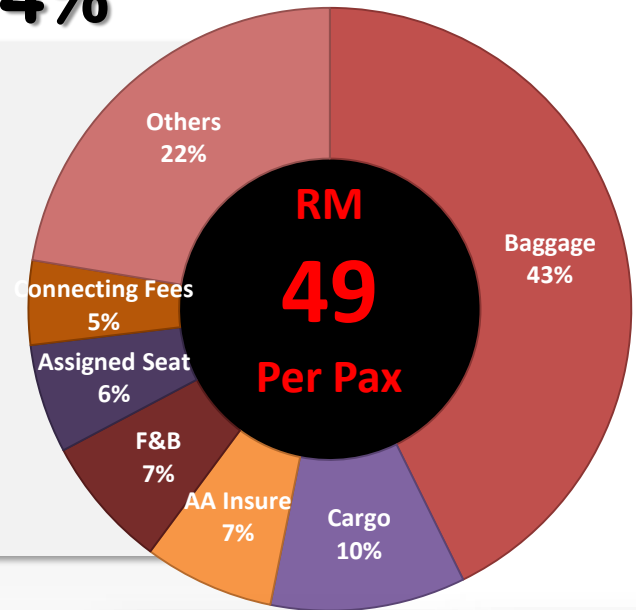
➤ **RM 332.44 million**

Income Statement for the Quarter ended 31 December 2015

	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Philippines RM'000	India RM'000	Japan RM'000	Elimination Adjustments RM'000	Total RM'000
Revenue	2,167,768	917,833	341,368	208,600	135,118	-	(392,267)	3,378,420
Operating expenses								-
- Staff costs	(215,727)	(128,367)	(48,044)	(36,448)	(22,451)	(14,100)		(465,137)
- Depreciation of property, plant and equipment	(183,847)	(34,407)	(7,380)	(9,580)	(819)	(356)		(236,389)
- Aircraft fuel expenses	(526,601)	(297,677)	(118,971)	(82,771)	(47,578)	(1,096)		(1,074,695)
- Maintenance and overhaul	(64,682)	(77,557)	(46,803)	(19,313)	(11,888)	(831)	115,856	(105,217)
- User charges and other related expenses	(206,010)	(140,071)	(56,938)	(31,952)	(19,624)	(566)		(455,161)
- Aircraft operating lease expenses	(117,713)	(136,704)	(60,309)	(50,429)	(23,312)	(4,428)	276,410	(116,485)
- Other operating expenses	(89,574)	(65,960)	(23,672)	(19,790)	(28,876)	(3,978)	9,679	(222,172)
Other income	37,080	32,858	7,726	31,586	2,801	-	(9,679)	102,372
Operating profit/(loss)	800,694	69,947	(13,024)	(10,097)	(16,630)	(25,355)	-	805,536
Finance income	34,550	4,580	128	32	405	0		39,695
Finance costs	(140,913)	(14,649)	(9,221)	(4,538)	(0)	(14)		(169,336)
Net operating profit/(loss)	694,331	59,878	(22,116)	(14,603)	(16,226)	(25,368)	-	675,895
Foreign exchange (losses)/gains	(64,708)	8,080	(323,701)	3,762	(4,899)	(115)		(381,580)
Costs related to the sale and leaseback of aircraft	30,196	-	-	-	-	-		30,196
Share of results of joint ventures	4,013	-	-	-	-	-		4,013
Share of results of associates	(229,319)	-	-	-	-	-	233,239	3,920
Profit/(loss) before taxation	434,513	67,958	(345,817)	(10,841)	(21,125)	(25,483)	233,239	332,444

4Q15 ANCILLARY REVENUE +14%

- **Total ancillary revenue increased 14%** YoY, pushing **ancillary income per pax** up by 4% to **RM49**
- Biggest contributors:
Baggage (43% of total ancillary revenue) and Cargo (10% of total ancillary revenue)
- Highest growth:
AA Insure (+43%) and Connecting fees / Flythru (+56%)



- **Core ancillary - 4Q15 achievements:**

F&B

Revenue +4% YoY. Launched new and extended product range;
- Festive meals, ASEAN meal, kids meal & toy ,combos

Insurance

Revenue +43% YoY. Offline market activation across sales channel and enhancement on online insurance premium.

Flythru

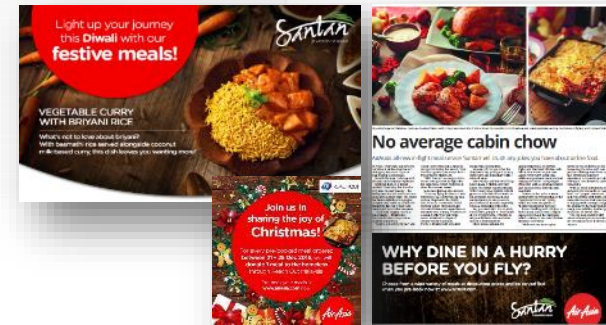
Connecting fee +56% YoY. AA Grp recorded 1.62mil FT traffic for YTD Dec'15 (+7% YoY), with 43% from MAA. KUL remains the largest hub (82%)

Premium Flex

Seat sold +200% YoY to 189k, Sales +243% YoY to RM77.2mil

Cargo

Cargo load +16% YoY. Revenue up 11% YoY



ANCILLARY REVENUE - DUTY FREE & TUNE MONEY



Duty Free

4Q15

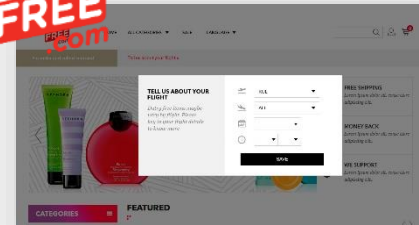
- Revenue RM2.49m (+23% QoQ)
- Total SKU of 148
- New revenue stream – duty paid products on domestic flights
- Launch of duty free in JHB hub

2016

- **Product development & expansion** to be as good as others (eg. SIA, Cebu Express, Korean Air etc)
 - Onboard: 200
 - Online: 500
- **Technology**
 - Website enhancement to drive seamless purchasing experience
 - Web rollout: Msia (May), Indonesia (Q3), Thailand (Q4)
 - ePOS rollout: F&B (Sep), Merchandise (Q3)
- **Marketing & Promotions**
 - Ramp up on marketing
 - CRM – targeting pax by flights, travel periods etc
- **Crew Engagement**
 - Ambassador program to incentivise sales



Website Enhancement



Billboards



Livery in Mar'16



Crew Engagement



Tune Money

4Q15

- Rev RM1.99m (+100% YoY), improvement due to sharing of marketing cost for the Multi FX prepaid card “AirAsia Ezpay Passport” and the 2-in-1 loyalty payment with AA
- Total Cards Issued 50k (+26% YoY)
- Transaction volume RM29mn

2016

- New product launched under “BIG Travel Currency” programme, in partnership with CIMB Bank
- Increased in business activities & prepaid card base as a result of:
 - Partnership with Tune Group
 - Repositioning of AA BIG Prepaid Card as the star product



BALANCE SHEET

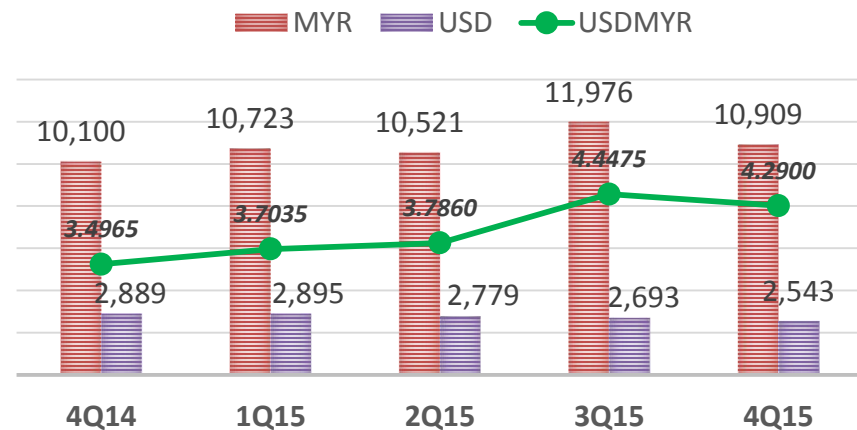
- NET GEARING



- **Net gearing decreased by 23%** to **2.29x** due to (i) lower total debt (ii) increase in cash

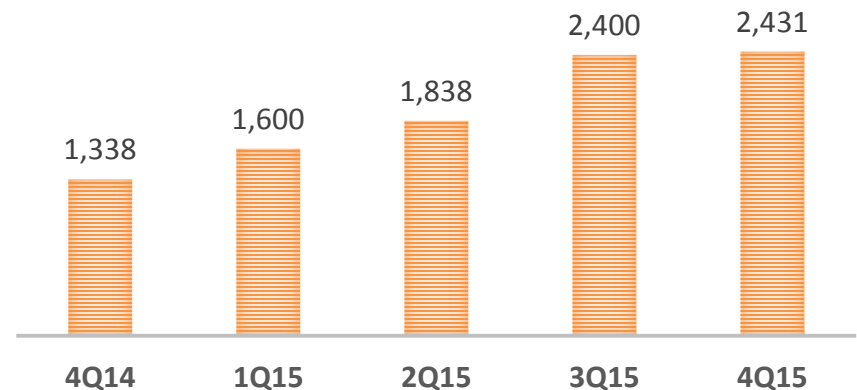
USD BORROWINGS REDUCED

- In absolute USD terms, USD borrowings reduced by USD150mil or 6% QoQ due to one additional SLB executed in Q4 (16 SLB YTD Dec)



GROWING CASH

- Higher by RM31mil or 1% QoQ on the back of an additional SLB and better cash generated from operations



INDONESIA AIRASIA

- TURNAROUND UPDATE



REVENUE (Q4 2015 versus Q4 2014):

- **Operating profit below target** at negative IDR42 billion despite **35% lower cost** due to revenue missing targets on 20% fewer ASKs flown, average fare down by 3% and ancillary income per passenger down by 4%.
- Entering high season in Q4 2015, IAA posted **80% load factor**, 3ppt short of target but 5ppt higher than in Q3 2015.

COST (Q4 2015 versus Q4 2014):

- **Costs decreased 34% YoY** mainly on lower fuel cost, aircraft lease, maintenance and staff cost, despite increase in user charges
- In percentage terms as well as on an ASK basis, **largest reductions came from fuel (57%)**, aircraft lease (36%), maintenance (26%), and staff cost (8%)
- Compared to Q3 2015, total cost decreased 23% on lower aircraft lease, fuel prices, staff cost, other operating cost

Q1 2016 Outlook

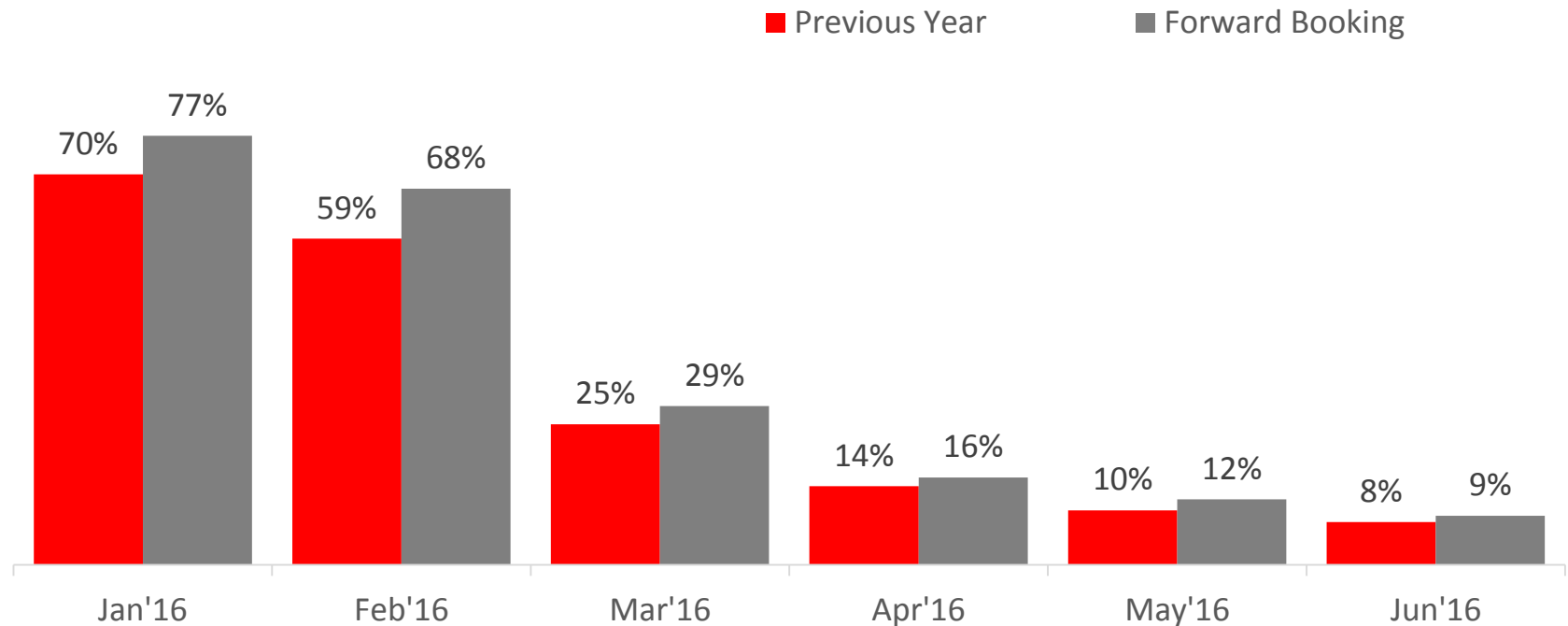
- Load factor on target for January and has surpassed expectations in February but more work is needed to beat last year's numbers in March
- **IAA removed 3 aircraft** from its fleet and transferred them to other AOCs and will continue to right-size its fleet and network to minimise operational losses and stabilise the business, including the closure of underperforming hubs

INDONESIA AIRASIA - TURNAROUND UPDATE



FORWARD TREND

- On track to reach 77% load factor in 1Q16
- Aggressive pricing to drive international routes load factors
- 2Q16 target to achieve 8ppt increase in load to 81% with increase in average fare forecasted, leading to an increase in core passenger RASK



PHILIPPINES' AIRASIA

- TURNAROUND UPDATE



REVENUE (Q4 2015 versus Q4 2014):

- Total revenue **increased 51%** owing to a **47% increase ticket revenue** due to:
 - Significant increase in load factor **by 9ppt to 81%**, as PAA's turnaround has come in to effect and is demonstrating results in capturing demand
 - **30% increase** in number of flights by from Kalibo to China which is part of PAA's key strategy to grow Kalibo hub and drive inbound leisure travel
- Total ancillary revenue also experienced a 1% growth while cargo increased by 13%

COST (Q4 2015 versus Q4 2014):

- **Operating cost came in lower YoY** due to lower aircraft related costs for MRF and lease which helped to offset higher staff costs resulting from one off redundancy pay, depreciation of PHP, and increased maintenance costs due to redelivery of older aircraft as part of PAA's refueling plan
- As a result operating losses came in 90% lower than the previous year and PAA experienced profitability in November and December while still posting a loss in Q4.
- Operational improvement has significantly lowered total losses which came in at -PHP118.8 million or 91% lower than losses in Q4 2014.

Q1 2016 Outlook

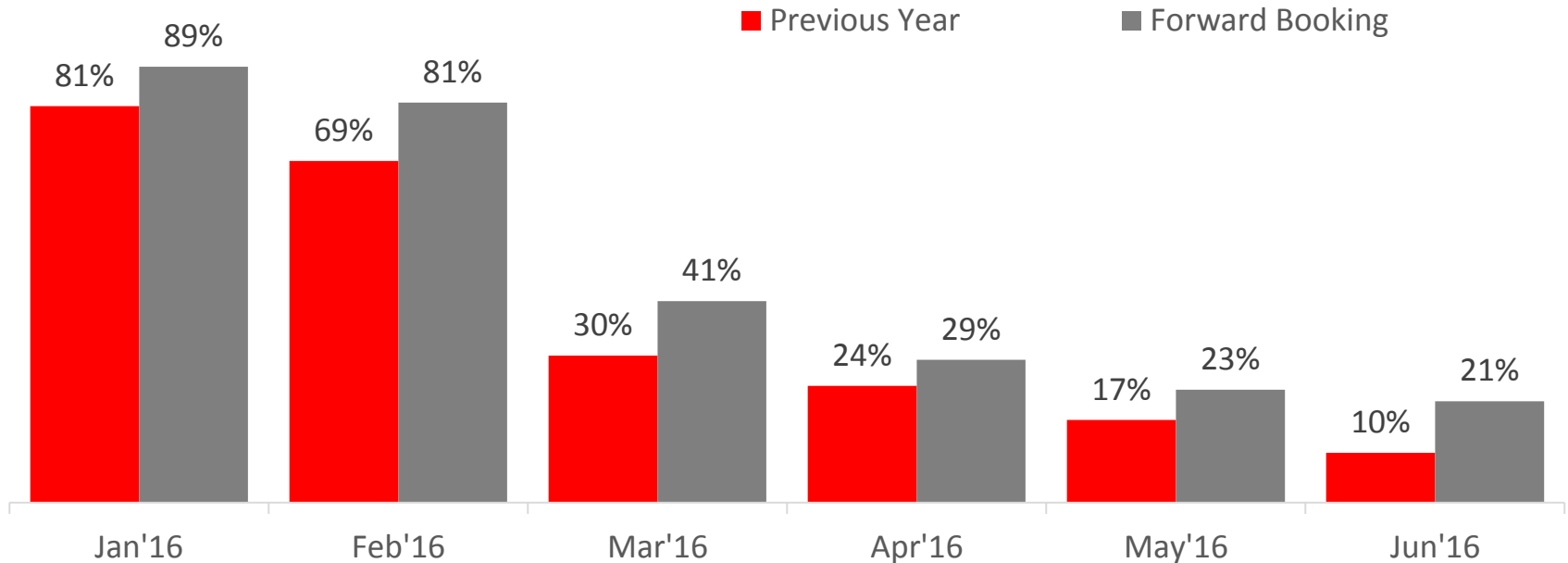
- Similar performance trend is expected for Q1 2016 with an increase in revenue of 25-30% versus Q1 2015.
- PAA is expecting to achieve a high load factor of above 85% for Q1 which, coupled with lower fuel costs is expected to post a profit or break even position for Q1.

PHILIPPINES' AIRASIA - TURNAROUND UPDATE



FORWARD TREND

- Demand in 1Q16 is strong driven by domestic peak period
- Forecast 89% load in 1Q16(+12ppt YoY)
- Expected to post a profit or break even position for Q1
- Forecast 86% load (+6ppt) in 2Q16



2016 GROUP PRIORITIES

1

DIGITAL COMPANY

Leverage database & reinforce web/mobile channels

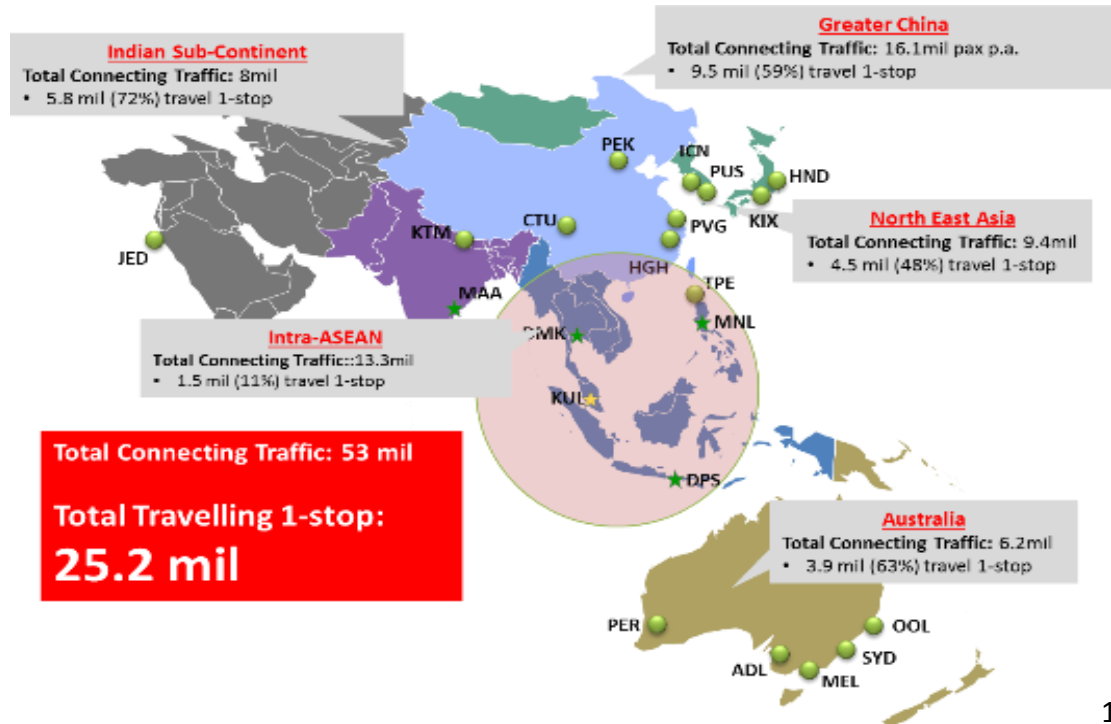
- Build foundation for a digital company
- Drive conversion & mobile adoption



2

ONE STOP TO ASIA

Target to be No. 1 carrier for travel within Asia-Pacific



2016 GROUP PRIORITIES

3 BOOST ANCILLARY PER PAX

Fully roll out existing products & develop new ones

- Target of RM50 per pax

New products in development

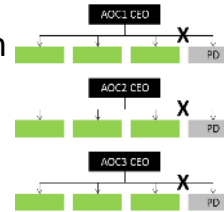
- | Extra Seat Option | Dynamic baggage pricing | Value Pack | 15kg baggage tier (PAA) |
|---|---|---|--|
| <ul style="list-style-type: none"> • Purchase adjacent empty seats during check-in process | <ul style="list-style-type: none"> • 14-16% higher tariff on baggage purchased via MMB v in-path | <ul style="list-style-type: none"> • Meal, Assigned Seat and 20kg baggage bundle for Promo class | <ul style="list-style-type: none"> • Introduce 15kg baggage tier to compete with rival carriers |

4 ONE ORGANISATION

Centralise functions and standardise procedures

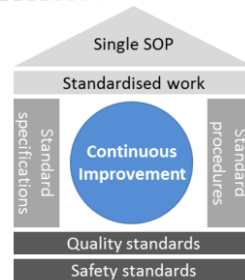
CENTRALISE

- Reduce duplication at AOC level & ensure alignment between Grp & AOC



STANDARDISE

- Single SOP across all AOCs
- Best practice in industry & within Grp



5 ONE CUSTOMER CHARTER

Single customer service standard for Asean

- | | |
|------------------------------------|------------------------------------|
| 1. Notify guests of flight changes | 5. Provide mitigating services |
| 2. Quick response to complaints | 6. Accommodate disabled guests |
| 3. Provide refunds promptly | 7. No penalty on cancellations |
| 4. On-time baggage delivery | 8. Ensure full disclosure of terms |

**For Further Internal Discussion*

**Source: US Dept of Transportation Requirements (14 CFR Section 259.5), SIA T&C*

6 INNOVATION

Build innovation culture and crowdsource for solutions



OBJECTIVES:

- Increase inflight sales and customer satisfaction
- Speed up customer check-in on ground and reduce errors
- Improve post-flight experience and hype via inflight F&B and merchandise to increase return customers
- Drive merchandise sales by analysing customer buying behaviour



**THANK
YOU**