



AirAsia Group Berhad

Analyst Briefing for the 1Q2021
Financial Results

27 May 2021

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1Q21 Key Highlights



We are seeing our hard work in 2020, of putting the right foundations as a leaner and more optimised airline operations, paying off with lower cost and cash burn QoQ. This was despite starting 2021 with international borders remaining closed and further domestic travel restrictions put into place as many countries experienced its third wave of the pandemic.

Cost containment measures continued to support liquidity

- Fixed costs reduced 54% in 1Q21 YoY. On a QoQ downtrend since Covid hit in late 1Q20
- Airline staff cost down 62% YoY and another 16% QoQ due to headcount rationalisation & attrition
- Restructured our fuel hedges with supportive counterparties. No more fuel hedging losses from 2Q21 onwards
- Continued support from lessors & banks for deferrals, as seen in the 80% YoY reduction in repayment of borrowings and lease liabilities for 1Q21

Digital gaining traction

- airasia digital contributed 39% to Group revenue in 1Q21, compared to 8% in 1Q20
- airasia super app reported strong YoY revenue growth of 45%
- BigPay EBITDA narrowed 38% YoY as costs were reduced by 33% during the quarter
- Teleport revenue tripled QoQ as there were more charter flights especially to China, India and Thailand

1H21 Digital Highlights



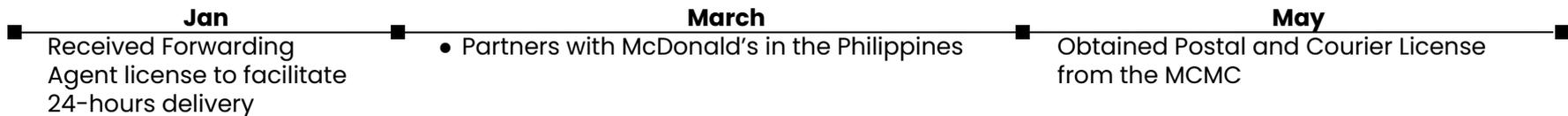
airasia super app



BigPay



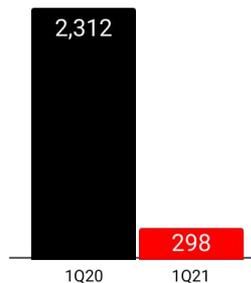
Teleport



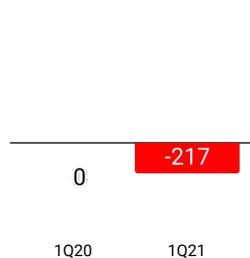
1Q21 Financial Performance



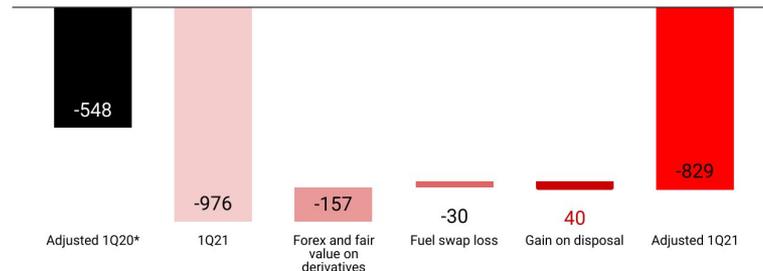
Group Revenue



Group EBITDA



Adjusted PAT



Group Revenue declined 87% YoY, up 12% QoQ:

- Softer passenger revenue QoQ offset by Teleport revenue which tripled QoQ as there were more charter flights especially to China, India and Thailand
- Airline revenue down 91% YoY and 12% QoQ due to lockdown and interstate travel restrictions in Malaysia since January 2021. Operated 19% of pre-Covid domestic capacity during the quarter. International borders remained closed
- AirAsia Philippines carried 43% more passengers QoQ, while all the 4 AOCs saw improvements in operations in March compared to February

**Adjusted 1Q20 PAT excluded forex and fair value on derivative losses of RM302mil as well as fuel swap loss of RM103mil*

Group EBITDA of negative RM217 million in 1Q21 vs breakeven in 1Q20

PAT in the red due to:

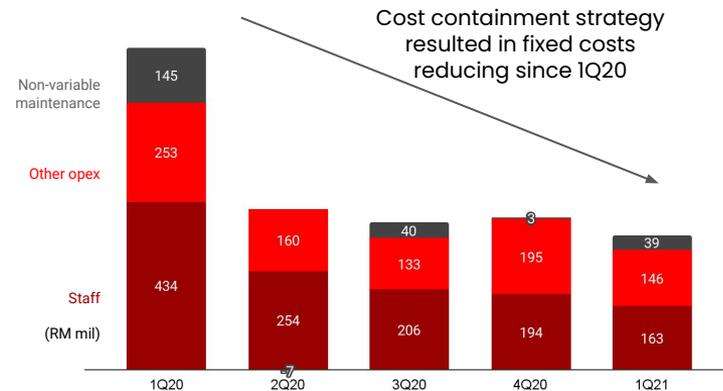
- Revenue shortfall due to travel restrictions and lockdowns
- Airline opex reduction of 83% was insufficient to cover 91% decline in airline revenue
- Loss of forex and fair value on derivatives of RM157 million and fuel swap loss of RM30 million
- IFRS16 depreciation & interest expense of RM527mn despite receiving deferrals

Fixed costs and cash burn capped by strict measures



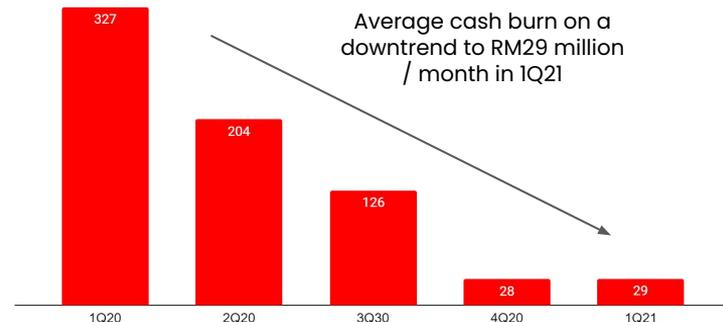
1Q21 Fixed Costs Reduced by 54% YoY, 11% QoQ

- Staff costs decreased by 62% YoY & 16% QoQ due to headcount rationalisation, voluntary salary cuts and attrition
- Non-variable maintenance successfully reduced by 73% YoY in 1Q21 due to asset optimisation
- Other opex was cut down by 43% YoY due to strict cost control measures implemented for marketing, rental and IT spend



Cash burn in 1Q21 similar to 4Q20

- Raised RM336mn from private placement
- SLB of 1 engine & sale of 1 engine
- Operating cashflow burn averaging RM88mn/month in 1Q21, close to 3Q20 levels, despite revenue in 1Q21 47% lower vs 3Q20



Encouraging March; Op stats in 2Q21 expected to be similar to 1Q21



In 1Q21, **Group load factor** was decent at 67%, as the Group actively managed capacity to match demand. PAA held its load factor firm at 74%, higher than other entities

Our AOCs experienced slower operations in the early start of the year due to rising cases in our operating markets. However, as vaccines rollout accelerated within the Asean region, **number of passengers carried in March improved month-on-month compared to February:**

- 84% increase for MAA, 57% increase for PAA, 29% increase for IAA, 169% increase for TAA

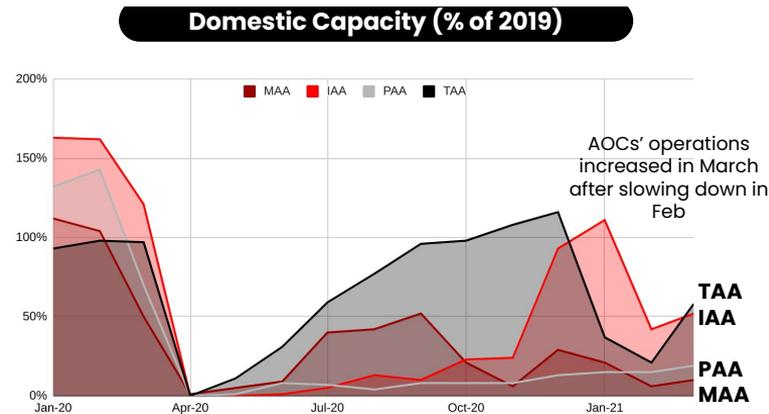
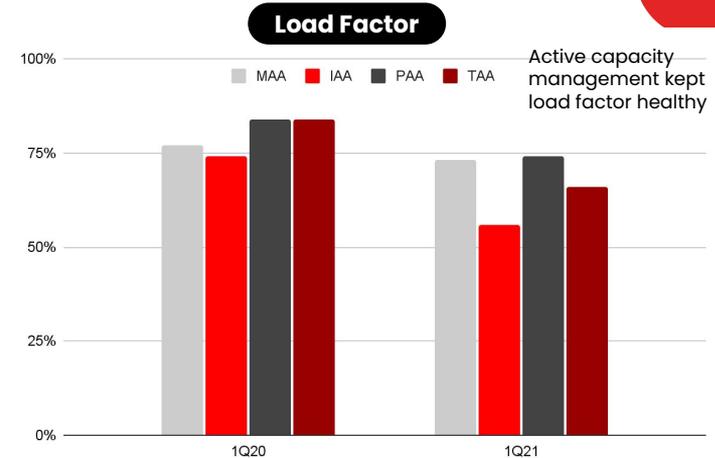
IAA operated close to 70% of pre-Covid domestic capacity in 1Q, demonstrating strong signs of recovery. Drop in Jan 2021 MoM was driven by low travel season combined with government's tighter restrictions on travel

TAA managed to resume all domestic routes by end March, however is being impacted by third Covid-19 wave that began since early Apr 2021.

MAA's recovery remain subdued due to the lockdown imposed in Malaysia since early Jan 2021.

We expect domestic operations in Malaysia and Philippines would be sub-25% of pre-covid levels until Sept 2021 while more people are vaccinated.

Nonetheless, we remain confident of our ability to recover quickly and strongly due to pent-up demand. Our observation shows that whenever there's a relaxation in domestic travel, there would be a significant **spike in spontaneous travel** resulting in an **increase in forward bookings**



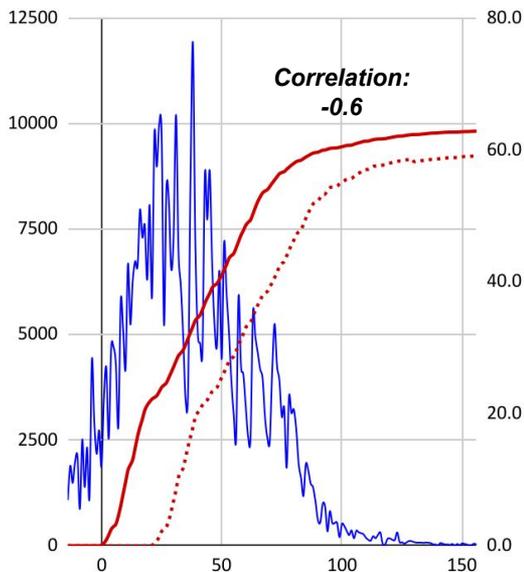
Countries with significant progress in vaccination are showing promising signs of stabilisation in daily new cases



Israel

- At least 1 dose: **63%**
- Fully vaccinated: **59%**

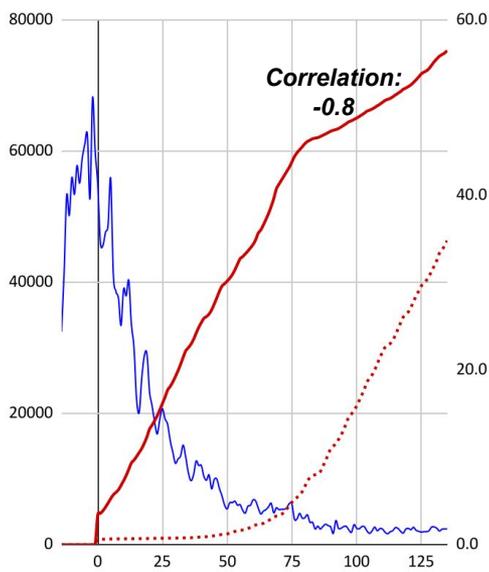
■ Daily New Cases ■ % Population with at least 1 dose
■ Fully Vaccinated



United Kingdom

- At least 1 dose: **56%**
- Fully vaccinated: **35%**

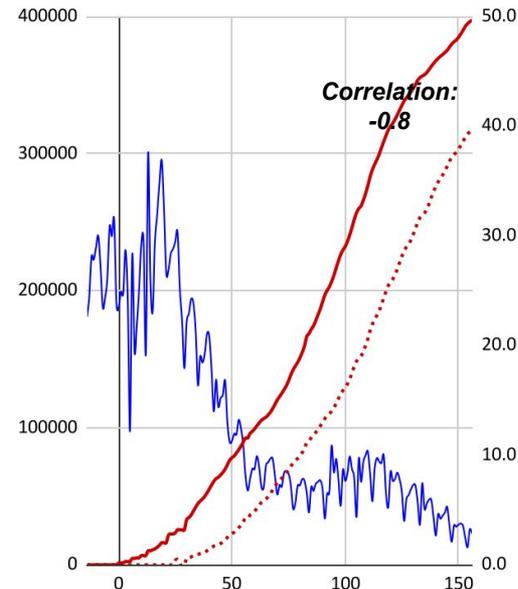
■ Daily New Cases ■ % Population with at least 1 dose
■ Fully Vaccinated



United States

- At least 1 dose: **49%**
- Fully vaccinated: **39%**

■ Daily New Cases ■ % Population with at least 1 dose
■ Fully Vaccinated



Source: Our World In Data (extracted on 27 May 2021), AirAsia Staff Analysis

Correlation refers to the statistical relationship between “Daily New Cases” and “% Population Vaccinated”. The higher the absolute number, the stronger the statistical relationship. However, correlation does not necessarily explain the causal relationship between the indicators as there could be other factors in play.

Note: X-axis refers to number of days since the start of national vaccination programme

Ensuring sufficient liquidity for the next 2 years



- **Private Placement** – Raised RM336.5 million via two tranches.
- **Danajamin scheme** – have obtained approval letters from certain banks for RM500mn. In various stages of discussion with other financial institutions to secure balance, raising in total RM1bn. Application going into Danajamin soon.
- **Lease restructuring** – in discussion with its lessors to negotiate the restructuring of leases and are making good progress.
- Carlyle Aviation is acquiring **Fly Leasing shares**, with expected cash proceeds of US\$57mn
- Positive **ongoing discussions for raising new capital** in Indonesia and Philippines
- Completed **SLB of 1 engine & sale of 1 engine** in 1Q21, after SLBs of 7 engines in 3Q20
- **Proposed Acquisition of 20% stake in BigLife** – Bursa approval obtained on 24 May 2021. Requires shareholders' approval at EGM.
- **LTIS** – Bursa approval obtained on 24 May 2021. Requires shareholders' approval at EGM.

Private Placement: Utilisation of Proceeds	Expected timeframe	Proposed Utilisation (RM m)	Actual Raised (RM m)	Actual Utilisation (RM m)
Fuel hedging settlement	6 – 12 months	146.6	108.6	89.3
aircraft lease and maintenance	3 months	95.2	70.5	70.5
AirAsia Digital Sdn Bhd business unit development cost, product and marketing expansion costs and marketing expenses	Within 12 months	77	57	39.1
General working capital expenses	Within 6 months	135.5	100.4	94.7
Estimated expenses for the Proposed Private Placement	Immediate	0.2	0.2	0.2
Total		454.5	336.5	293.9

Priorities in 2021 and Beyond



airasia super app

- Asean expansion
 - airasia food to enter Indonesia and Thailand
 - airasia health to expand into Thailand, Indonesia and the Philippines
 - SNAP to be launched in Vietnam and Singapore
- New product offerings
 - airasia money
- Big Rewards
 - To strengthen BIG Points' position as a universal currency
 - Continue to engage and onboard new partners especially for BIG Xchange
 - BIG Xchange to be built into a universal exchange hub, allowing cross points conversion
- AirAsia Farm
 - To expand product variations on current platform
 - Focus on onboarding key accounts
 - Establish Sabah as main export hub
 - Appointed as the official distributor for Harumanis
 - Exploring expansion into other Asean markets

BigPay

- Ongoing development of lending products
- To launch insurance and wealth management products
- Expansion across Asean
- Enhancement of remittance products
- Interest in submitting for digital bank license in Malaysia

Teleport

- Expansion of partnership with airlines
- Will receive our first freighter to capture the big cargo demand & converting selected passenger aircraft to cargo-only freighter planes
- The ambition is to be able to deliver consistently within 24 hours in any city AirAsia flies to
- End-to-end modular tech stack

Asia Digital Engineering

- To become the leading aircraft maintenance, repair and overhaul company in the region, following recent approval from the CAAM to perform base maintenance as well as line maintenance in Malaysia

Unqualified opinion by auditors for FY2020 report



The audit report for the financial year 31 December 2020 is **UNQUALIFIED** with material uncertainty relating to going concern, in view of the ongoing impact of the COVID-19 pandemic on the economy, the tourism industry, the commercial aviation sector and our companies' operations.

The extract of the audit report is as below:

"The recent developments of vaccination against the COVID-19 pandemic and the implementation of national vaccination programmes in countries in which the Group operates as well as elsewhere around the world provide positive outlook for the commercial airlines industry. Nevertheless, the ability of the Group and of the Company to continue as going concern is dependent on the successful implementation and favourable outcome of various ongoing plans to respond to conditions above, including ongoing discussions with financial institutions and investors to obtain required funding, as well as negotiations with its lessors to restructure the existing lease arrangements. Further details are disclosed in Note 2.1 and Note 45 to the financial statements.

Our opinion is not modified in respect of this matter."

Note 45 of the audited financial statements details all funding and capital management efforts that is undertaken and currently being undertaken.



THANK YOU
 *everyone*



Asean



www.airasia.com/aagbir



aagb_ir@airasia.com

1Q21 Airline Performance



Key Indicators	MAA			IAA			PAA		
	1Q20	1Q21	%	1Q20	1Q21	%	1Q20	1Q21	%
Passengers Carried	6,337,574	497,742 ▼	-92%	1,718,192	310,699 ▼	-82%	1,791,244	168,527 ▼	-91%
Capacity	8,242,796	683,886 ▼	-92%	2,336,940	552,780 ▼	-76%	2,134,440	227,160 ▼	-89%
Load Factor (%)	77%	73% ▼	-4ppts	74%	56% ▼	-18ppts	84%	74% ▼	-10ppts
RPK (million)	7,235	421 ▼	-94%	2,041	357 ▼	-83%	1,879	110 ▼	-94%
ASK (million)	9,401	571 ▼	-94%	2,762	612 ▼	-78%	2,230	146 ▼	-93%
Fuel consumed (Barrels)	1,484,677	94,246 ▼	-94%	497,514	101,234 ▼	-80%	403,105	34,562 ▼	-91%
RASK (US cents)	3.46	4.20 ▲	21%	3.22	2.45 ▼	-24%	4.84	6.60 ▲	36%
CASK (US cents)	4.66	24.70 ▲	>100%	4.26	8.55 ▲	>100%	5.33	28.69 ▲	>100%
CASK Ex-Fuel (US cents)	3.35	22.60 ▲	>100%	2.75	7.04 ▲	>100%	3.52	25.98 ▲	>100%



Fleet Downsize in 2021 to Match Demand and Increase Utilisation

14 aircraft to be returned in 2021

Our network plans are continuously revised to reflect the latest recovery timeline following the ongoing pandemic impact

	MAA	TAA	IAA	PAA	AAI	AAJ	Group
December 2020	96	62	28	24	33	2	245
2021 Net Fleet Growth	8	-8	-6	-1	-5	-2	-14
December 2021	104	54	22	23**	28	0	231**

*Note: Excludes 2 third party leases, **includes 2x A320 acft grounded by end 2021 for return in Q1 2022*

Fleet plan is subject to changes

Updated fleet plan as of 24 May 2021