

**MANAGEMENT  
DISCUSSION AND ANALYSIS  
(MD&A)  
1Q2023**



## Executive Summary

Amidst uncertainties in the global banking sector, there are expectations of continuous improvement in the Thai economy. Following a 2.6% GDP growth in the previous year, the Bank of Thailand ("BOT") anticipates that Thailand's GDP growth will rise to 3.6% this year. This growth is to be driven by a significant improvement in the tourism industry and private consumption. The recent reopening of China is also to benefit the ASEAN-5<sup>1</sup>, with a year-on-year ("YoY") GDP growth of 4.5% forecasted by the International Monetary Fund ("IMF"). However, the collapse of banks recently seen in the US is posing new risks to the global economy, and the policies implemented to address the persistent inflation rate are still ongoing. As a result, there has been a cautious development in general economic activities and sentiment.

Thailand's tourism industry in the first quarter of 2023 continued to grow from the previous quarter, driven by both domestic and international travel. Despite the festive seasonality, COVID-19 cases in the country remained controlled, and the announcement of China's reopening sustained the overall travel sentiment. Furthermore, the trend towards coordination rather than obligation in masking has continued. In 1Q2023, domestic tourism in Thailand experienced a significant uptick of 13% QoQ, reaching 78.36 million person-times, thanks to the successful government campaign "We Travel Together" Phase 5. This growth has also given a boost to domestic air travel, enabling Thai AirAsia Company Limited ("Thai AirAsia") to achieve a record domestic market share of 37%, supported by its 45 operating aircraft, after carrying 3.16 million domestic flight passengers. Additionally, Thailand experienced a continuous surge in international arrivals

in the quarter, with 6.48 million total visitors, which is a 19% QoQ increase and surpassed the Tourism Authority of Thailand's ("TAT") forecast of 6 million.

Among the international arrivals, the top five nationalities, namely Malaysian, Russian, Chinese, South Korean, and Indian, accounted for 43% of the total arrivals. Leveraging on this momentum, Thai AirAsia's international capacity has bounced back by 59% in comparison to the first quarter of 2019. The 1.42 million international passengers transported during the quarter have increased the international passenger portion to 31% of the total passengers carried.

**The influx of Chinese tourists, in particular, has recently begun to increase healthily.** In 1Q2023, the total number of Chinese arrivals in Thailand reached 517,300. During the same period, Thai AirAsia transported 75,500 passengers on flights to and from China with a load factor of 91%. Notably, 61,500 passengers boarded flights in March, marking a surge after the completion of operational and regulatory preparations. Flights from Don Mueang to Guangzhou, Chongqing, Changsha, Kunming, Wuhan, Nanjing, and Chengdu, totalled 67 flights per week by the end of 1Q2023, accounting for 16% of the total international flights. Currently, Thai AirAsia plans to increase flights to China further to reach 114 per week by the end of 2Q2023. With this rate of development, Thai AirAsia aims to capture at least 10-15% of the Chinese tourists visiting Thailand, a level achieved before the pandemic. The latest official numbers for April continue to be encouraging, indicating that 328,400 Chinese tourists arrived in Thailand, which is a 22% increase from March.

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<sup>1</sup> Indonesia, Malaysia, Philippines, Singapore, and Thailand



Asia Aviation Plc. ("The Company") recorded a net profit for the second consecutive quarter, thanks to a record load factor of 92% and a healthy average income per passenger. In 1Q2023, Thai AirAsia saw a record 92% load factor from carrying 4.58 million total passengers, an acceleration from 4.06 million in the last quarter. Although the average fare of Baht 1,590 slightly dropped by 4% QoQ due to a peak in December 2022, ancillary income per passenger continued its momentum and reached Baht 396 in this quarter. As a result, the Company posted revenues from sales and services of Baht 9,085.6 million, increasing 409% YoY

and 10% QoQ. Average jet fuel price in the quarter trended down to 110 USD/barrel, supporting a drop of 5% QoQ in fuel expense despite more flights flown. Offset by an increase in maintenance and guest service expenses, the Company reported a positive EBITDA of Baht 1,765.4 million in this quarter, a strong recovery from Baht (1,259.0) million in 1Q2022 and Baht 1,628.9 million in 4Q2022. Including an unrealised FX & derivatives net gain of Baht 528.5 million and income tax expense of Baht 140.4 million, the Company was pleased to report a net profit of Baht 359.4 million in this quarter.



## Financial Performance Summary

Asia Aviation Public Company Limited (“the Company”) is a sole shareholder of Thai AirAsia Company Limited (“Thai AirAsia”), an airline operator of Thai AirAsia which the Company holds 100 percent.

Asia Aviation’s financial performance for the three-month ended 31 March 2022 and 2023 have been summarised below:

### Statement of Comprehensive Income

Asia Aviation Public Company Limited	Consolidated		
Unit: Baht million	For the three-month period ended 31 March		Change
	2023	2022	
Total revenues	9,814.8	2,091.0	+369%
Total expenses	8,827.9	4,815.7	+83%
Profit (loss) from operating activities	986.8	(2,724.8)	N.A.
Profit (loss) for the period	359.4	(2,555.0)	N.A.
Equity holders of the Company	359.4	(2,370.6)	N.A.
Non-controlling interests of the subsidiary	-	(184.4)	N.A.
Total comprehensive income for the period	359.4	(2,444.1)	N.A.
Equity holders of the Company	359.4	(2,312.1)	N.A.
Non-controlling interests of the subsidiary	-	(132.0)	N.A.
Basic earnings (loss) per share (Baht)	0.0295	(0.2107)	N.A.
Diluted earnings (loss) per share (Baht)	0.0280	(0.2107)	N.A.
<b>EBITDA Reconciliation</b>			
Profit (loss) from operating activities	986.8	(2,724.8)	N.A.
Gain (loss) on exchange rate	538.0	210.0	+156%
Gain (loss) on derivatives	(9.51)	(59.0)	+84%
Gain (loss) from disposal assets	-	(40.9)	N.A.
Depreciation and amortisation	1,307.1	1,575.8	-17%
EBITDA	1,765.4	(1,259.0)	N.A.

### Revenue

The aviation industry has been experiencing a sustained recovery due to the persistent demand for travel, the reopening of China, and government stimulus campaigns.

Total revenues in 1Q2023 were Baht 9,814.8 million, up 369% from the previous year, attributable to the border opening of China, one of the last countries to relax the COVID-19 preventive measures, as well as the strong momentum of domestic air travel. As a result, Thai AirAsia achieved a notable load factor of 92%, transporting 4.58 million total passengers or an increase of 216% YoY. From this upbeat, Thai AirAsia’s international and domestic capacities have



recovered by 59% and 89%, respectively, compared to the pre-pandemic levels. Despite the industry allocating more seats to international markets, Thai AirAsia has managed to effectively leverage its fleet of 45 operating aircraft to expand both within and outside of Thailand. As a result, the airline has achieved a record 37% domestic market share in the quarter. Throughout the quarter, Thai AirAsia reinstated seven routes to various destinations in China including Guangzhou, Chongqing, Changsha, Kunming, Wuhan, Nanjing, and Chengdu, departing from Don Mueang. By March 2023, 67 flights per week, or 16% of total international flights per week, were flown to China. Five flights per week to Macau, another top destination for the Chinese and Thais, were also reinstated together with a new route launch to Jakarta for one flight per week. In order to enhance intercontinental accessibility, flights from the Chiang Mai and Phuket hubs were also routed for travellers to flexibly departing to Hong Kong and Singapore. Despite the overall congested network following the high travel demand, Thai AirAsia's on-time performance ("OTP") stood strongly at 87% albeit a slight drop from the previous year.

- **Revenues from sales and services** were reported at Baht 9,085.6 million, increasing by 409% YoY and still inching up 10% QoQ. The average fare remained favourable at Baht 1,590 per passenger, a significant increase of 56% YoY but a slight drop of 4% QoQ following a peak in December last year. To further enhance revenue per unit, the airline achieved an efficient utilisation rate of 11.8 hours per aircraft per day, the highest since the pandemic, and resulted in the Revenue per Available Seat Kilometres (RASK) reaching Baht 1.86 compared to the Baht 1.49 seen in 2019.
  - **Ancillary income** was Baht 1,815.8 million, increasing by 480% YoY and 16% QoQ, driven by the fees from checked baggage and seat selection with respect to the increased passenger volume, especially from international passengers. Ancillary income accounted for 20% of revenues from sales and services in this quarter, while ancillary income per passenger hit a peak of Baht 396, up from Baht 216 in 1Q2022.
- **Other income** was Baht 729.2 million, increasing by 139% compared to the same period last year, primarily due to a net gain on the exchange rate.

### Cost and Expense

**Total expenses** were Baht 8,827.9 million, up 83% from the same period last year, attributed primarily to 147% increase in the number of flights flown from 11,002 to 27,214.

- **Cost of sales and services** stood at Baht 7,901.5 million, up 82% over the same period previous year.
  - **Fuel costs** were Baht 3,190.3 million, up 271% compared to the same period last year, due to a 217% YoY higher fuel consumption, while the average jet kerosene price hiked 16% YoY to USD 110.7 per barrel. The Company does not currently hold any fuel hedging positions.
  - **Staff costs** were Baht 957.3 million, up 61% from the same period previous year due to a higher number of onboarded staff for flight operations, corresponding to an increased number of operating aircraft.



- **Maintenance and overhaul costs** were Baht 1,129.3 million, up 12% from the same period last year due to more aircraft check activities upon flight resumption, while redelivery cost reduced substantially with one remaining aircraft pending to be redelivered around mid-year.
- **Other costs of sales and services** were Baht 2,624.5 million, increasing by 40% from the same period last year, primarily as a result of an increase in actual flights flown, offset with 17% lower in D&A.
- **Selling and administration expenses (“SG&A”)** were Baht 679.5 million, up 85% from the same period in the previous year, primarily due to higher sales commission for sales made through AirAsia Com Travel in response to the increase in sales. In 1Q2023, SG&A accounted for 7% of revenues from sales and services, down from 21% in 1Q2022, stabilising to pre-pandemic levels.

Overall, the Cost per Available Seat Kilometres (“CASK”) decreased dramatically to Baht 1.84 from Baht 3.67 in 1Q2022. CASK ex-fuel was Baht 1.18, a considerable fall from Baht 3.05 in 1Q2022, driven by an outpacing ASK of 253% YoY hitting 4,895 million seats-km in this quarter.

### Profit and Loss

In 1Q2023, the Company recorded an EBITDA of Baht 1,765.4 million, a Baht 3,024.5 million increase from the same period last year, due to the recovery in operating performance. Finance costs were Baht 493.8 million, dropped 12% from lower interest-bearing debt and lease liabilities. In comparison, the effective interest rate stood at 4.5% in this quarter, decreasing from 4.9% in 1Q2022. Income tax expense for 1Q2023 was Baht 140.4 million, mainly from the loss carryforward utilised for the period. As a result, the Company reported a net profit for the second consecutive quarter amounting to Baht 359.4 million, compared to a loss of Baht (2,555.0) million in 1Q2022, with basic earnings per share of Baht 0.0295 and diluted earnings per share of Baht 0.0280.

### Key Operating Statistics

<u>Thai AirAsia Company Limited</u>	<u>1Q2023</u>	<u>1Q2022</u>	<u>Change</u>
Passenger carried (million)	4.58	1.45	+216%
Capacity (million seats)	4.98	1.99	+151%
Load factor (%)	92	73	+19 pts
Revenue passenger kilometres (million seats-km)	4,417	1,012	+336%
Available seat kilometres (million seats-km)	4,895	1,387	+253%
Average fare (Baht)	1,590	1,019	+56%
Revenue per available seat kilometres (Baht)	1.86	1.29	+44%
Cost per available seat kilometres (Baht)	1.84	3.67	-50%
Cost per available seat kilometres (ex-fuel) (Baht)	1.18	3.05	-61%



## Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		
	As at 31 March 2023	As at 31 December 2022	Change
<b>Total assets</b>	<b>66,001.0</b>	<b>64,685.5</b>	<b>+2%</b>
Total current assets	6,708.4	5,236.3	28%
Total non-current assets	59,292.5	59,449.2	-0.3%
<b>Total liabilities</b>	<b>57,687.2</b>	<b>56,731.1</b>	<b>+2%</b>
Total current liabilities	23,085.9	21,893.1	+5%
Total non-current liabilities	34,601.3	34,838.0	-1%
<b>Total shareholders' equity</b>	<b>8,313.8</b>	<b>7,954.4</b>	<b>+5%</b>

### Assets

As of 31 March 2023, the Company had Baht 66,001.0 million of total assets, increasing by 2% from the end of 2022 mainly from higher cash and cash equivalents and amounts due from related parties.

- Current assets were Baht 6,708.4 million, increasing by 28% compared to the end of 2022. Cash and cash equivalents stood at Baht 1,706.7 million, rising by 114% mainly from the improved cash flow from operations. Amounts due from related parties rose by 16% to Baht 2,941.2 million mainly from sales received by other companies under AirAsia Group on behalf of the Company.
- Non-current assets were Baht 59,292.5 million, slightly declining by 0.3% from lower deferred tax assets and aircraft maintenance reserves.

### Liabilities

As of 31 March 2023, the Company reported total liabilities of Baht 57,687.2 million, increasing by 2% from the end of 2022 mainly from higher unearned income, accrued expenses, and amounts due to related parties, offset by lower debt. Excluding lease liabilities, the Company had interest-bearing debt of Baht 7,002.9 million.

- Current liabilities were Baht 23,085.9 million, increasing by 5%. Unearned income rose by 24% to Baht 5,889.3 million mainly from the travel sentiment improvement, while accrued expenses increased by 14% to Baht 4,698.7 million due to higher accrual for fuel and aircraft maintenance reserve. Amounts due to related parties up 34% to Baht 1,911.3 million primarily due to revenue received on behalf of other companies under AirAsia Group.
- Non-current liabilities were Baht 34,601.3 million, decreasing by 1% from lower borrowings from financial institutions which dropped by 6% to Baht 2,394.9 million from repayment during the period.



## Equity

As of 31 March 2023, the Company had Baht 8,313.8 million of total shareholders' equity, increasing by 5% from the end of 2022 mainly due to the profit for the period. Overall, the Company's interest-bearing (excluding lease liabilities) debt-to-equity and net debt-to-equity ratios equalled 0.84x and 0.64x, respectively.

## Cash Flow Statement

Asia Aviation Public Company Limited	Consolidated	
Unit: Baht million	For the year ended 31 March	
	2023	2022
Net cash generated from (used in) operating activities	2,883.1	(2,518.7)
Net cash generated from (used in) investing activities	(253.4)	(316.9)
Net cash generated from (used in) financing activities	(1,688.5)	284.9
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>941.2</b>	<b>(2,550.7)</b>
Unrealised exchange gain (loss) on cash and cash equivalents	(32.3)	(1.5)
Cash and cash equivalents at the beginning of the period	797.8	5,359.6
Cash and cash equivalents at the end of the period	1,706.7	2,807.4

In 1Q2023, the Company had net cash generated from operating activities totalling Baht 2,883.1 million, turning positive for the third consecutive quarter mainly due to the continued business recovery, especially for international routes. Net cash used in investing activities was Baht 253.4 million mainly from the payments for aircraft maintenance reserves. Net cash used in financing activities totalled Baht 1,688.5 million, mainly from the Baht 1,239.1 million net payments for liabilities under lease agreements and the Baht 300.6 million net repayments for borrowings. In summary, the Company had Baht 941.2 million net increase in cash and cash equivalents and had a cash balance of Baht 1,706.7 million at the end of the period.

## Key Financial Ratio

Asia Aviation Public Company Limited	Consolidated	
	For the year ended 31 March	
	2023	2022
Current Ratio (excluding lease liabilities)	0.4x	0.5x
EBITDA Margin	19%	(70%)
Net Profit Margin	4%	(143%)
Return on Assets	1%	(4%)
Return on Equity	3%	(17%)
Net Interest-Bearing Debt-to-Equity Ratio (excluding lease liabilities)	0.8x	0.6x
Interest Coverage Ratio (excluding interest due to TFRS16)	19.7x	(8.6x)





## Business Outlook

The Company anticipates that the strong momentum of the global tourism industry will continue in 2023. According to the World Bank's forecast (January 2023), the GDP growth in the East Asia and Pacific region, which constitutes 96 percent of Thai AirAsia's capacity flown in 2019 (all except South Asia), is expected to increase by 4.3% in 2023, 260 ppts above the average of the global GDP growth forecast. This superior growth is expected to be driven by the reopening of China and the milder inflation severity, which renders the region less susceptible to recession compared to other regions.

Moreover, the Bank of Thailand ("BOT") predicts that Thailand's GDP growth will be 3.6% in 2023, primarily due to the improvements in tourism and domestic consumption, offset by expected slower exports and some deceleration in investments. The Tourism Authority of Thailand ("TAT") expects its inbound tourist target to be 30 million, up from 25 million in late January, following promising Chinese arrivals. The domestic tourism sector is also expected to remain robust.

Thai AirAsia aims to carry 20 million passengers in 2023, compared to its peak of 22.2 million in 2019. Thailand's domestic passengers are projected to fully recover to 2019 levels, at approximately 13 million people, while international passengers are expected to almost quadruple from 2 million in 2022 to 7 million this year, driven by the demand for travelling in ASEAN, a healthy recovery in South Asia, and the resumption of flights to and from China. Thai AirAsia intends to continue leading the domestic market with the most extensive route network and affordable fares while placing more focus on the international market. With the reopening of China, Thai AirAsia plans to resume flights to 11 cities in China by June, accounting for around 80% of weekly flights flown to China in 2019. New international routes will continue to be explored, including potential flights from Don Mueang to Jakarta (Indonesia), Manila (Philippines), and Colombo (Sri Lanka).

This is supported by the current fleet size of 53 aircraft, all of which are planned to be fully operated in 2H23. As the Company does not have an aircraft delivery order this year, available aircraft within AirAsia Group might be utilised if the travelling demand is justified later in the year.

With a positive outlook for the top-line, the Company aims to achieve profitability this year driven by lower operating costs per unit from enhanced aircraft utilisation rate at 12.5 hours/aircraft/day and a stronger load factor of 87 percent. However, several uncontrollable downside risks exist, including the prolonged conflict between Russia and Ukraine, which may exert pressure on fuel prices to remain elevated or decline at a slow pace. As a result, the Company is cautiously monitoring the opportunity of hedging the fuel price when the reward-to-risk ratio is justified, while continuing to partially hedge foreign currency exposure and attempt to naturally hedge cash inflows and outflows.

In summary, 2023 is expected to mark a return to normalcy as the COVID-19 pandemic is gradually relegated to the past. To capitalise on this trend, Thai AirAsia will maintain its commitment to high service standards reflected in our exceptional OTP and strive to enhance business sustainability through closer collaboration with regulatory bodies and improved communication with passengers. As a participant in CORSIA, Thai AirAsia must monitor and report carbon emissions required by CAAT including participating in carbon offsetting programs. According to the current flight plans, the carbon credit purchases for 2023, if any, should be immaterial. Despite that, the Company will continue to actively implement the Green Operation program, including enhancing flight efficiency and exploring the potential use of sustainable aviation fuel (SAF) in the medium term to mitigate our carbon footprint.



## Glossary

**Load factor:** Represents the number of passengers carried as a proportion to capacity, which is the number of seats available for passengers

**Available seat kilometres (ASK):** which is the total number of seats available on all flights multiplied by the number of kilometres these seats were flown

**Revenue passenger kilometres (RPK):** Revenue passenger kilometres, which is the number of paying passengers carried on all flights multiplied by the number of kilometres those seats were flown

**Average fare:** Calculated as Thai AirAsia's total passenger revenues and fuel surcharge divided by total number of passengers carried

**Revenue per ASK (RASK):** Calculated as Thai AirAsia's revenues divided by ASK

**Cost per ASK (CASK):** Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses divided by ASK

**Cost per ASK (CASK ex-fuel):** Calculated as the sum of Thai AirAsia's operating costs, selling expenses and administrative expenses less fuel costs divided by ASK

**Average stage length (kilometres):** Represents the average number of kilometres flown per flight

**Aircraft utilisation:** Represents the average block hours per day per aircraft during the relevant period. Block hours are calculated by measuring the duration between the time of departure of an aircraft and the time of arrival at its destination.

**Debt to Equity ratio (D/E):** Calculated as Thai AirAsia's total interest-bearing debt divided by total equity

**Net Gearing ratio:** Calculated as Thai AirAsia's total interest-bearing debt less (cash and cash equivalents + short-term investment + deposit) divided by total equity

**Gross profit margin:** Calculated as revenues from sales and services less cost of sales and service divided by revenues from sales and services.

**The earnings before interest and tax, depreciation, and amortisation (EBITDA) margin:** Calculated as total income (excluding dividend income, gain on sale of investments, gain on sale of assets, finance income, gain on exchange rate, and gain on derivative) less total expenses plus depreciation and amortisation expenses divided by revenues from sales and services

**Net profit margin:** Calculated as profit for the period divided by revenues from sales and services

**Return on assets:** Calculated as profit for the period divided by average of total assets

**Return on equity:** Calculated as profit for the period divided by average of shareholder's equity



