

An AirAsia aircraft is shown in flight, banking to the right against a backdrop of a vast, blue mountain range under a clear sky with scattered white clouds. The aircraft is red and white, with the AirAsia logo visible on the fuselage and wings.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) 1Q2024

ASIA AVIATION
Public Company Limited



จุดหมายที่ยิ่งใหญ่เริ่มต้นที่
ใส่ใจเรื่อง
ตรงเวลา

แอร์เอเชียใส่ใจมากกว่าที่เห็น



Executive Summary

Arrivals to Thailand rebound to 87 percent of pre-pandemic levels while domestic tourism remains robust. In 1Q2024, Thailand welcomed 9.4 million tourists, a significant rise from 6.5 million in 1Q2023, and approaching the pre-pandemic level of 10.8 million in 1Q2019. The top five nationalities, making up 49 percent of total arrivals, included tourists from China (1.8 million), Malaysia (1.2 million), Russia (0.6 million), South Korea (0.6 million), and India (0.5 million). The number of Chinese tourists continued to accelerate and has now recovered to 56 percent of 1Q2019 levels. Indian tourists have trended upward, displacing the rank previously held by Japanese tourists, likely affected by the weakest yen in several decades. Meanwhile, domestic tourism saw a robust 14 percent year-on-year (“YoY”) growth, reaching 89.2 million domestic visits.

Thai AirAsia achieves a record load factor of 93 percent with a domestic market share at 40 percent

Thai AirAsia (“TAA”) recorded significant growth in the quarter, with a 17 percent YoY increase in capacity to 5.8 million seats, alongside a 19 percent YoY rise in passenger numbers, reaching 5.5 million. This resulted in a record overall load factor of 93 percent, with average aircraft utilisation reaching 13 hours per day. TAA’s domestic passenger market share also saw a record 40 percent due to a larger fleet size than local peers. On the other hand, flights to international markets experienced healthy demand, especially for destinations like China, Vietnam, Taiwan, and Cambodia, all of which had load factors higher than 90 percent. With the recent visa-free policy between China and Thailand since March, more Thai nationals also travelled to China, representing 22 percent of the total

passengers on flights to/from China in March 2024, compared to 8 percent in March 2019.

Asia Aviation Plc. outperforms in 1Q2024 driven by improved yield and cost control

Asia Aviation Plc. (“AAV”) reported a substantial 52 percent YoY increase in revenue from sales and services, amounting to Baht 13,793.7 million, driven by an average fare growth to Baht 2,109, up 33 percent YoY and capacity expansion with only a 42 percent YoY increase in cost of sales and services. EBITDA saw a significant 78 percent YoY growth to Baht 3,094.2 million. As a result, RASK and CASK in 1Q2024 stood at Baht 2.20 (+18 percent YoY) and Baht 1.96 (+7 percent YoY), respectively. Despite these positive developments, a weakened Baht caused AAV to result in a net loss of Baht (409.1) million for the quarter, primarily due to the foreign exchange losses amounting to Baht (2,049.4) million, 90 percent of which unrealised. Excluding these losses, AAV achieved a core profit¹ of Baht 1,640.3 million, marking a considerable improvement from a core loss of Baht (203.2) million in the same period last year.

Targeting fleet expansion to 60 by year-end while Capital A's restructuring poses no impact to AAV/TAA

AAV is maintaining its full-year 2024 guidance with projected revenue growth of 20-23 percent YoY and plans to increase its fleet to 60 aircraft, up from the current 56. Following a robust start to the year, some moderation in travel demand is anticipated in the latter half of the second quarter, typically a lean season. Additionally, the recent restructuring announcement at Capital A, there will be no change in AAV’s shareholder structure and the operations of AAV and TAA remain unaffected.

¹ Net profit/(loss) adjusted with FX gain/(loss)



Financial Performance Summary

Asia Aviation Public Company Limited (“the Company”) is the 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 2023 and 2024 have been summarised below:

Statement of Comprehensive Income

Asia Aviation Public Company Limited	Consolidated		Change
Unit: Baht million	For the three-month period		
	ended 31 March		
	2024	2023	
Total revenues	14,017.7	9,814.8	+43%
Total expenses	13,934.0	8,827.9	+58%
Profit (loss) from operating activities	83.7	986.8	-92%.
Profit (loss) for the period	(409.1)	359.4	-214%
Total comprehensive income for the period	(409.1)	359.4	-214%
Basic earnings (loss) per share (Baht)	(0.0318)	0.0295	-208%
Diluted earnings (loss) per share (Baht)	(0.0318)	0.0280	-214%
EBITDA Reconciliation			
Profit (loss) from operating activities	83.7	986.8	-92%
Gain (loss) on exchange rate	(2,049.4)	538.0	-464%
Gain (loss) on derivatives	3.2	(9.5)	-133%
Gain (loss) from disposal assets	-	-	N.A.
Depreciation and amortisation	964.3	1,307.1	-26%
EBITDA	3,094.2	1,765.4	+78%

Revenue

In 1Q2024, the Company had **total revenues** of Baht 14,017.7 million, an increase of 43 percent YoY, primarily driven by a 52 percent growth in revenues from sales and services. Along with an Available Seat Kilometre (“ASK”) expansion of 28 percent YoY, Revenue per ASK (“RASK”) grew from Baht 1.86 in 1Q2023 to Baht 2.20 in this quarter, representing an 18 percent growth YoY. The total operating fleet serviced stood at 50 aircraft in 1Q2024, out of a total fleet of 56 aircraft.

- **Revenues from sales and services** amounted to Baht 13,793.7 million, growing 52 percent YoY, following the ongoing high travel demand in both domestic and international markets. This resulted in an average fare rising to Baht 2,109 per pax, a significant increase of 33 percent YoY. Domestically, TAA recorded a domestic average fare of Baht 1,603, in tandem with a record domestic passenger market share at 40 percent and a 96



percent load factor. With its advantageous fleet size, TAA has been best positioned to capture the recovering domestic travel demand, which has now returned to 80 percent of 1Q2019 levels. Internationally, the average load factor rose to 90 percent, with strong yields and load factors in Cambodia, Laos and Vietnam, and the resuming load factors in China and Macau. As a result, international average fares surged to Baht 2,949, an increase of 24 percent YoY.

- **Ancillary income** was Baht 2,323.8 million, a rise of 42 percent YoY. Ancillary income per pax continued to rise to Baht 426, up 7 percent YoY, due mainly to fees from checked baggage, seat selection, and in-flight meals & beverages, coupled with an increase in the proportion of international passengers to total passengers, which rose to 38 percent from 31 percent in 1Q2023. However, processing fees declined following a higher booking volume executed through OTAs. Overall, ancillary income as a percentage of revenues from sales and services stood at 17 percent, down from 20 percent in 1Q2023.
- **Other income** was Baht 224.0 million, a decrease of 69 percent YoY, attributable mainly to the Baht 562.6 million foreign exchange gain in 1Q2023, partially offset by higher revenues from the expiration of unused travel credits.

Cost and Expense

Total expenses were Baht 13,934.0 million, up 58 percent from the same period last year, mainly due to the higher number of flights flown and the unrealised FX loss incurred during the period.

- **Cost of sales and services** stood at Baht 11,242.3 million, up 42 percent from the same period last year.
 - **Fuel costs** were Baht 4,990.3 million, up 56 percent YoY, due to a 20 percent higher fuel consumption and the impact of the reimposition of domestic excise tax at Baht 5.2 per litre since 3Q2023, offset by a drop in average jet kerosene price by 7 percent YoY to USD 102.5 per barrel. The Company does not currently hold any fuel hedging positions.
 - **Staff costs** were Baht 1,228.4 million, up 28 percent from the same period last year, due to a higher number of onboarded staff for flight operations, corresponding to an increased number of operating aircraft and an increase in flight allowances rate returning to the current post-COVID level.
 - **Maintenance and overhaul costs** were Baht 1,977.4 million, up 75 percent from the same period last year, due to more aircraft check activities and higher utilisation rates following flight resumption.
 - **Other costs of sales and services** were Baht 3,046.2 million, increasing by 16 percent from the same period last year, mainly due to higher user charges and the termination of airport fee discount scheme since April 2023.
- **Selling and administration expenses (“SG&A”)** were Baht 610.1 million, decreasing by 10 percent YoY, primarily due to lower platform fee payable to AirAsia Move reflecting higher sales through different channels, i.e. OTAs. In 1Q2024, SG&A accounted for 4 percent of revenues from sales and services, down from 7 percent in 1Q2023.



- **Other expenses** were Baht 2,083.6 million, a 744 percent increase from the same period last year due mainly to unrealised FX loss.

Overall, the Cost per ASK (“CASK”) increased by 7 percent to Baht 1.96 from Baht 1.84 in 1Q2023. CASK ex-fuel was Baht 1.16, a slight drop from Baht 1.18 in 1Q2023, driven by a robust 28 percent ASK growth.

Profit and Loss

In 1Q2024, the Company recorded an EBITDA of Baht 3,094.2 million, a 78 percent increase from the same period last year, due to the recovery in operating performance. Finance costs were Baht 630.1 million, up 28 percent from additional aircraft lease liabilities interest under TFRS16 and higher interest-bearing debt with the rising cost of funds. With an income tax revenue of Baht 127.7 million, the Company reported a **net loss** of Baht (409.1) million, compared to a net profit of Baht 359.4 million in 1Q2023, due to the loss on foreign exchange of Baht (2,049.4) million. Excluding the impact of foreign exchange gains/losses, the Company would record a **core profit** of Baht 1,640.3 million, significantly improving from a core loss of Baht (203.2) million in 1Q2023.

Key Operating Statistics

Thai AirAsia Company Limited	1Q2024	1Q2023	Change
Passenger carried (million)	5.46	4.58	+19%
Capacity (million seats)	5.84	4.98	+17%
Load factor (%)	93	92	+1 ppt
Revenue passenger kilometres (million seats-km)	5,787	4,417	+31%
Available seat kilometres (million seats-km)	6,278	4,895	+28%
Average fare (Baht)	2,109	1,590	+33%
Revenue per available seat kilometres (Baht)	2.20	1.86	+18%
Cost per available seat kilometres (Baht)	1.96	1.84	+7%
Cost per available seat kilometres (ex-fuel) (Baht)	1.16	1.18	-2%



Statement of Financial Position

Asia Aviation Public Company Limited Unit: Baht million	Consolidated		Change
	As of 31 March 2024	As of 31 December 2023	
Total assets	70,535.6	67,793.9	+4%
Total current assets	12,514.3	10,005.0	+25%
Total non-current assets	58,021.3	57,788.9	+0.4%
Total liabilities	62,532.4	59,381.5	+5%
Total current liabilities	27,401.3	25,023.1	+10%
Total non-current liabilities	35,131.1	34,358.5	+2%
Total shareholders' equity	8,003.2	8,412.3	-5%

Assets

As of 31 March 2024, the Company had Baht 70,535.6 million of **total assets**, increasing by 4 percent from the end of 2023 mainly from an increase in cash and cash equivalents, amounts due from related parties and prepaid expenses.

- **Current assets** were Baht 12,514.3 million, increasing by 25 percent compared to the end of 2023. The Company had cash and cash equivalents of Baht 1,623.9 million, increased by 26 percent, following profitable core operations. Amounts due from related parties rose by 22 percent to Baht 7,702.6 million, mainly from sales received by other companies under AirAsia Group on behalf of the Company. Prepaid expenses rose by 113 percent to Baht 1,287.4 million mainly from new aircraft maintenance contracts.
- **Non-current assets** were Baht 58,021.3 million, flattish from the end of 2023, as higher prepaid expenses were offset with lower right-of-use assets depreciated during the period.

Liabilities

As of 31 March 2024, the Company had Baht 62,532.4 million of **total liabilities**, increasing by 5 percent from the end of 2023 mainly from higher accrued expenses, liabilities under lease agreements, and amounts due to related parties. Excluding lease liabilities, the Company had **interest-bearing debt** of Baht 8,506.2 million, down from Baht 8,661.3 million at the end of 2023, with a current average cost of fund at 5.8 percent.

- **Current liabilities** were Baht 27,401.3 million, increasing by 10 percent. Accrued expenses rose by 26 percent to Baht 8,351.2 million due to higher expenses in aircraft maintenance and operation-related expenses. Amounts due to related parties increased by 39 percent to Baht 2,423.1 million, majorly from higher sales volume.
- **Non-current liabilities** were Baht 35,131.2 million, slightly increasing by 2 percent, mainly from a rise in liabilities under lease agreements due to Baht depreciation, offset by lower long-term debt.



Equity

As of 31 March 2024, the Company had Baht 8,003.2 million of **total shareholders' equity**, decreasing by 5 percent from the end of 2023 mainly due to the loss for the period.

Cash Flow Statement

Asia Aviation Public Company Limited	Consolidated	
Unit: Baht million	For three-month period ended 31 March	
	2024	2023
Net cash generated from (used in) operating activities	2,414.6	2,883.1
Net cash generated from (used in) investing activities	(99.9)	(253.4)
Net cash generated from (used in) financing activities	(2,003.2)	(1,688.5)
Net increase (decrease) in cash and cash equivalents	311.5	941.2
Unrealised exchange gain (loss) on cash and cash equivalents	27.9	(32.3)
Cash and cash equivalents at the beginning of the period	1,284.5	797.8
Cash and cash equivalents at the end of the period	1,623.9	1,706.7

In 1Q2024, the Company generated a **net cash inflow from operating activities** of Baht 2,414.6 million from profitable operations. **Net cash used in investing activities** amounted to Baht (99.9) million, mainly due to payment for aircraft spare parts and operational equipment. **Net cash used in financing activities** amounted to Baht (2,003.2) million, primarily due to Baht (1,664.6) cash paid for aircraft lease agreements and Baht (162.9) million repayment of long-term borrowings. In summary, the Company had a Baht 311.5 million **net increase in cash and cash equivalents** and a Baht 1,623.9 million **cash and cash equivalents balance** at the end of the period.

Key Financial Ratio

Asia Aviation Public Company Limited	1Q2024	1Q2023
Current Ratio (excluding lease liabilities)	0.6x	0.4x
EBITDA Margin	22%	19%
Net Profit Margin	-3%	4%
Return on Assets	-1%	1%
Return on Equity	-5%	3%
Net Interest-Bearing Debt-to-Equity Ratio (excluding lease liabilities)	1.1x	0.8x
Interest Coverage Ratio (excluding interest due to TFRS16)	15.9x	19.4x



Business Outlook (Maintained)

Tourism expected to sustain growth despite economic challenges

The World Bank's 2024 forecast² indicates a global economic deceleration, with GDP growth projected to decrease to 2.4 percent from the previous year's 2.6 percent, mainly due to a slowdown in the US and China which are expected to grow by 1.6 percent and 4.5 percent, respectively. In contrast, South Asia and the ASEAN-5 regions anticipate higher growth rates of 6.4 percent³ and 4.5 percent, respectively. On the other hand, the latest Thailand's expected growth rate by the NESDC⁴ is between 2.2-3.2 percent, improving from 1.9 percent last year. Despite this background of diverging economic developments, the tourism sector has been a global key driver since the reopening of borders and is expected to continue its recovery momentum into 2024.

With fleet expansion, Thai AirAsia aims for a strong domestic market presence

Correspondingly, Thai AirAsia plans to expand its fleet from 56 aircraft in 2023 to 60 by the end of 2024, while aiming to increase the number of operating aircraft to 57. Domestic air travel is expected to remain robust, further closing the gap with 2019 levels. Thai AirAsia intends to increase domestic capacity by approximately 10 percent YoY, a rate that would continue to support its leadership position and maintain the domestic passenger contribution at 60 percent of its total passenger portfolio.

Inbound tourists to hit 35 million led by Chinese visitors Internationally, the Tourism Authority of Thailand anticipates 35 million inbound tourists in 2024, up from 28 million in 2023, with Chinese tourists expected to account for nearly 70 percent of this growth, up from 3.5 million in 2023 to 8.2 million. This increase will be supported by the introduction of a bilateral visa-free policy between Thailand and China, effective from 1st March 2024, alongside other government initiatives. To seize this opportunity, Thai AirAsia anticipates the passenger contributions from the China, East Asia, and South Asia markets to rise to 20 percent of the total passenger portfolio in 2024, an increase from 15 percent in the previous year. In addition to more flight frequencies to these regions, Thai AirAsia will launch new direct routes from Don Mueang to Shanghai, Beijing, and Okinawa, as well as a potential fifth-freedom route to Osaka via Taipei within the first half of 2024. The remaining international passenger volume will continue to come from the ASEAN region, expected to account for another 20 percent of the total passenger portfolio.

Yields to be sustained amid external cost overhang

Geopolitical uncertainties have presented challenges in the fuel refinery sector. At the same time, the COVID-19 aftermath has led to increased expenses for the maintenance, repair, and overhaul (MRO) of aircraft as well as persistently high levels of airport charges and ground services in key tourist destinations. Considering the cost pressures and the demand landscape, we

² Global Economic Prospects (2024), World Bank Group

³ India

⁴ National Economic and Social Development Council



expect airfares to hold steady throughout 2024 over the world.

Thai AirAsia forecasts improved profitability outlook

In summary, Thai AirAsia aims to transport 20-21 million passengers in 2024, with a load factor of nearly 90 percent. Available Seat Kilometre (ASK) is expected to expand to 26,000 million, compared with 26,940 million achieved in 2019. With anticipated fare growth YoY, we expect a 20-23 percent YoY increase in revenue from sales and services, while our continued focus on efficiency management is expected to support a turnaround into core profitability. Given this outlook, the management anticipates a notable improvement in the Company's cash flow and financial flexibility.

Government collaboration and sustainability efforts

Thai AirAsia, in collaboration with the Airlines Association of Thailand, has submitted a proposal to the government for the reconsideration of lowering the excise tax rate on jet fuel for domestic flights. Thus far, there remains optimism for a favourable resolution to bolster domestic tourism. Additionally, Thai AirAsia is working with CAAT to facilitate the adoption of sustainable aviation fuel (SAF) and the development of standardised carbon credit mechanisms. In 2024, all sustainability initiatives, including the revival of the “Journey D” project aimed at increasing sustainability awareness among our stakeholders, are anticipated to have a minimal financial impact on Thai AirAsia.



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. Lock

hours are calculated by measuring the duration between an aircraft's departure time and 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

Core profit/loss: Net profit/loss adjusted with FX gain/loss

