CAPITAL A FINANCIAL RESULTS SECOND QUARTER 2024

Second consecutive quarter of Net Operating Profit of RM52 million, achieving RM735 million EBITDA despite over 10% of fleet yet to be reactivated

- **Aviation Group** achieves a solid 15% EBITDA margin despite adverse fuel and foreign exchange environment
  - Robust travel demand evident with a high load factor of 90%.
  - Ancillary income grew 6% YoY to RM52 per passenger.
- Excluding Aviation Group, **Capital A Companies** achieve RM1.3 billion revenue in six months, posting a strong 10% EBITDA margin. The non-aviation businesses are poised for growth with international expansion, increased capacity and various revenue initiatives.
- YTD cash generated from overall Capital A operations doubled to RM2 billion.
- Operation heading towards stability; Capital A will firmly hold Original Equipment Manufacturer ("OEM") partners accountable for any delays or negligence that hinder its progress.
- Extraordinary General Meeting ("EGM") circular for proposed disposal of Aviation Group submitted to Bursa Malaysia for review and clearance.

SEPANG, 29 August 2024 – Capital A Berhad ("Capital A" or the "Group") today reported its unaudited financial results for the quarter ended 30 June 2024 ("2Q2024").

The Group, consisting of **Aviation Group** and **Capital A Companies** - Capital A Aviation Services, Teleport, MOVE Digital and Capital A International, posted second quarter revenue of RM4.9 billion and EBITDA of RM735 million, representing Year-on-Year ("YoY") increase of 54% and 59%, respectively. The result is achieved despite ongoing fleet reactivation efforts with 22 aircraft remaining grounded. Capital A's non-aviation companies showcased promising progress, achieving over RM1.3 billion in Year-to-Date ("YTD") revenue, surpassing YTD revenue in FY2023.

Collectively, the Group achieved Net Operating Profit of RM52 million but a Net Loss of RM542.5 million, primarily due to RM403.9 million in unrealised foreign exchange losses and over RM175 million in finance and depreciation cost relating to non-operating aircraft costs. However, the Group's YTD net cash from operations doubled YoY to RM2.1 billion.

<u>Highlights of 2Q2024 of the Aviation Group:</u>

Despite the challenging fuel price and foreign exchange conditions, the airline business demonstrated resilience by posting segmental revenue of RM4.6 billion, a substantial 60% YoY increase, while EBITDA surged to RM707 million, up by 75% YoY, representing a healthy 15% EBITDA margin.

- Received one additional aircraft during the quarter bringing the total fleet to 218. Capacity grew by 20% Quarter-on-Quarter ("QoQ") to 17.4 million seats with 168 aircraft in operations.
- The Aviation Group maintained a robust load factor of 90% signalling sustained strong demand for travel, with an average fare of RM240, a slight decline of 9% QoQ due to seasonality adjustment after the first quarter festive season but a 17% spike YoY.
- Ancillary revenue per passenger exceeded the RM50 target at RM52 per passenger, marking a 6% increase YoY and posting a total ancillary revenue of over RM820 million.
- RASK experienced a healthy 13% YoY growth to USc4.76 on the back of 37% YoY increase in ASK.
- CASK ex-Fuel decreased by 11% YoY to USc2.94, attributed to lower normalised cost for depreciation, maintenance and overhaul, user charges, and finance cost lease liabilities. Removing non-flying aircraft costs, the overall operational CASK saw a 2% YoY increase to USc4.77 due to 6% higher average fuel price of USD111 per barrel while operational CASK ex-Fuel declined by 4% YoY.

CEO of Aviation Group, Bo Lingam comments on the business outlook:

"Our number one priority remains getting our planes back in the air. We have been operating under challenging conditions, with limited aircraft availability due to delayed deliveries and a tight supply of spare parts. Despite this, the first half of the year was a resounding success, surpassing pre-pandemic performance both in terms of revenue and EBITDA. This momentum continues to build as we reactivate our remaining A320 fleet which will further improve margins. Our key partners including General Electric ("GE") and their LEAP engines will be critical for their support in this reactivation.

"Additionally, we welcomed three new aircraft in July and anticipate further deliveries in 2H2024. As capacity returns, we will be in stronger footing to negotiate for airport and tourism incentives. We plan to launch 21 new routes in the third quarter, with spillover benefits extending into the fourth quarter, coinciding with peak travel periods and year-end festivities. Our immediate focus remains on optimising fares and revenue yield to capitalise on latent demand while closely monitoring global fuel prices and other macro factors amidst potential geopolitical tensions in the Middle East.

"The recent success of closing the USD443 million revenue bond is a truly transformational step towards our continued growth. In our next chapter, we will focus on fostering tight collaboration with the AirAsia X team to ensure a smooth transition given the impending corporate disposal to ensure we maximise operational and commercial synergies between the short haul and long haul groups."

Highlights of 2Q2024 of the Capital A Companies

Capital A Aviation Services ("CAPAS")

CAPAS continues to deliver strong results with revenue in the second quarter reaching RM255 million, up by 12% YoY. This brings the YTD revenue to over half a billion, demonstrating encouraging growth in just six months. The quarterly and YTD EBITDA stood at RM38.5 million and RM84.6 million.

- **ADE's** revenue reached RM173.9 million, up by 26% YoY with an EBITDA of RM38.9 million. While there was a decrease in the number of base maintenance checks, ADE's revenue remained robust due to higher-value heavy maintenance work performed during the quarter and a 22% increase in line maintenance checks. AEROTRADE, the digital marketplace for airline parts saw a 42% increase in the number of parts sold to third-party during the quarter.

- **Santan's** revenue surged 88% YoY to RM48.8 million, with EBITDA reaching RM4.1 million. This growth was primarily driven by the increase in inflight segment revenue, fueled by the commencement of contract with AirAsia Philippines and AirAsia Indonesia in the second quarter of 2024. Operationally, inflight revenue per pax saw an increase of 5% YoY to RM4.30. In the frozen food segment, Santan managed to grow its unit sales by 15% during the quarter after successfully forging a partnership with Cafe Mesra.

CEO of CAPAS, Subashini Silvadas comments on the business outlook:

"The CAPAS companies are on the right growth trajectory. After successfully expanding to Cambodia in the last quarter, ADE continued its international expansion by launching its line maintenance services in the Philippines and Indonesia recently. Meanwhile, the team in Kuala Lumpur has diligently launched on schedule the first six, out of the total 14 planned base maintenance lines. In addition to this, ADE is continuing to explore several other opportunities to further expand its hangar to 26 lines and workshop facilities in the coming years enabling them to offer its services to a wider range of airlines beyond AirAsia.

"Santan has been focusing on refining its offerings while staying true to AirAsia' DNA of delivering great value and choice to meet its diverse customers' preference. The recent introduction of entry-level meals is the first step - offering small-size meals to complement the classic combo and jumbo-sized offerings. Separately, following the success of Zus and Cafe Mesra, Santan is aggressively expanding its frozen food customer base. Among them are Secret Recipe and Tealive, where Santan collaborated to introduce a new line of sugar-reduced options called Club Zero.

Teleport

Teleport's quarterly revenue increased by 35% YoY to RM225 million (USD 47.5 million) driven by a 2.15x YoY increase in eCommerce parcel volumes delivered, bringing the YTD revenue to reach nearly RM450 million (~USD 95 million). Over 15.3 million parcels were delivered this quarter, leading to more than 30 million parcels delivered YTD surpassing the total parcels delivered in 2023. Teleport's revenue has been flat quarter-to-quarter due to a lack of growth in AirAsia's belly space since 4Q2023, and a lower mix of high-demand cargo routes operated by the airline. In terms of EBITDA, Teleport delivered RM2.5 million (~USD 529,000) in the quarter, against the backdrop of continued normalising industry yields and challenges faced in freighter maintenance and reliability, which reduced profits YTD by approximately RM14 million. Freighter maintenance and reliability issues have since been resolved in Q2, and it is not expected to recur.

CEO of Teleport, Pete Chareonwongsak comments on the business outlook:

"We set ourselves the ambitious goal to deliver 2 million parcels daily by the end of 2025. Our focus on e-commerce, and building a unique network through deep partnerships with over 40 airlines like Etihad Cargo, Turkish Cargo, and Pakistan International Airlines will be key to reaching this target and meeting the rising air cargo and e-commerce demand in the Asean region and beyond. By collaborating with other airlines, we're expanding our network — already the largest air logistics network in Southeast Asia. This allows us to maximise existing cargo utilisation and increase capacity on key routes without adding more aircraft or incremental emissions as we grow. Operationally, we have successfully resolved challenges around freighter maintenance and reliability faced in 1H2024. Freighter availability improved significantly to 98% in July, up from 67% in 1Q2024 and we do not anticipate any recurrence of the same issues. As AirAsia restores its full capacity, moving forward we look forward to improved coordination to achieve better airline-Teleport collaboration and therefore expect healthier margins contributing to our EBITDA in the coming quarters."

MOVE Digital

MOVE Digital posted RM137.8 million in revenue with AirAsia MOVE, our integrated Online Travel Agency ("OTA"), continuing as a significant contributor. This is evident from the improved conversion rates across all verticals- travel, rides, and stays. Meanwhile BigPay encountered temporary setbacks in topline growth, as it focused on refining its business model and cutting costs to improve its financial performance.

- **AirAsia MOVE** generated revenue of RM128 million, declined by 25% YoY and EBITDA of RM19 million. The revenue decline was primarily due to the cessation of commissions from offline travel agents since January this year. Additionally, AirAsia MOVE has been spending efforts in technology updates during the first half of the year, which necessitated the Group to temporarily distribute AirAsia flights on other channels. This created an intense competition environment but improvements are anticipated in the second half of 2024.

- **BigPay**'s second-quarter revenue reached RM9.8 million, with an EBITDA loss of RM18.8 million. As BigPay doubled down efforts towards achieving EBITDA profitability, further cost cutting is expected in the coming quarters. On the revenue side, BigPay is focus on building (and nudging users towards existing) features with positive unit economics. This resulted in a 16% YoY increase in the annualised Average Revenue Per User ("ARPU"). Building upon the recent launch of BigPay Lite, BigPay aims to rapidly acquire new customers and grow volumes sustainably. BigPay will also be disciplined on costs while continuing to innovate with new and expanded product offerings in the coming quarters.

CEO of AirAsia MOVE, Nadia Omer comments on the business outlook:

"Our immediate focus is to prioritise the completion of our app's front and backend enhancement, a technological overhaul designed to elevate customer experience and improve conversion rates. Capitalising its direct access to AirAsia flights inventory, AirAsia MOVE will intensify marketing efforts through campaigns such as Mega Sales and Flyday Flash sale to further boost user acquisition and conversion. AirAsia MOVE currently contributes 40% to AirAsia's overall distribution channel and aims to increase this to 60% by the end of the year. AirAsia flight (Travel) conversion rates have risen to 8.7% and we are actively promoting cross-selling activities to increase hotel bookings (Stays), leading to a 46% YoY increase in hotel bookings for 2Q2024. The completion of Rides has also improved by 2 percentage points YoY. Overall, AirAsia MOVE is making significant strides and progressing effectively towards its goals.

"In a move to strengthen its position and market share in the Online Travel Agency (OTA) landscape, AirAsia MOVE is actively pursuing preferential fare classes and exclusive airline partnerships to bolster competitive advantage. We are thrilled to announce the relaunch of our duty-free services and take over inflight duty-free operations in July. Additionally, our new fintech product, Easy Cancel is set to launch in September 2024. This add-on feature allows customers to cancel their tickets and receive a full cash refund. A major highlight to our strategy is the deepened collaboration between AirAsia MOVE and BigPay where BigPay will become the primary payment option at checkout. This integration represents a substantial advancement in our digital ecosystem, offering a seamless and efficient payment experience that will drive significant growth and operational synergies between the companies"

CEO of Capital A, Tan Sri Tony Fernandes' comments on the business outlook:

"The past five years have been a period of immense challenge and transformation for Capital A. Faced with unprecedented obstacles, we made a strategic decision to diversify our business, testing new ventures and refining our approach despite limited resources and funding.

"We are extremely thrilled to have secured the $443 million revenue bond for AirAsia - which is unmistakeably an immense vote of confidence in our prospects. Our perseverance and hard work in fundraising has finally paid off. Despite our rocky journey post pandemic, our shareholders and the investment community have remained steadfast in their confidence and commitment to the company. The fund will enable us to accelerate our fleet reactivation and growth, which not only benefit the Aviation Group, but the entire Group as a whole. Following this successful bond issuance, we will focus on various other fundraising initiatives, as the market has signalled strong interest in our future potential.

"Within the first six months of the year, we have already achieved an impressive 68% of FY2023 revenue, a truly exciting feat. The full aircraft recovery by the airline will have a ripple effect on the entire ecosystem and will strengthen our financial position. Though Capital A's non-aviation companies have shown healthy momentum, there is still a lot of work to do to maximise their potential. Following the Aviation Group disposal, we will be laser-focused on growing and optimising synergies among our companies, either through better collaboration and structure, including the potential of morphing MOVE Digital into two separate groups - the OTA business and a Fintech Group. We will also aggressively acquire more third party businesses.

"On the Aviation Group disposal, the draft circular to shareholders in relation to the proposed disposal of aviation had been submitted to Bursa Securities for review. We wish to hold the EGM by late September to get shareholders' approval, followed by the submission of our regularisation plan a month later. We are confident in the growth and value that Capital A companies will deliver in the coming quarters, and we aim to lift the PN17 status by 1H2025, subject to all regulatory approvals."

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