



Dear Capital A Berhad shareholder,

For 19 years since we listed on the Malaysian bourse, we have navigated numerous crises together – from bird flu, tsunamis and earthquakes and the recent Covid-19 pandemic. I cannot adequately express our depth of gratitude for your unwavering trust and support during these challenging years.

We began as an airline and two decades later we have grown into much more. My incredible team of Allstars have worked hard to turn Capital A's dream of being more than an airline to fruition. We're now a low-cost, high-value aviation and travel services group, made up of value-creating companies including aviation, aviation services, digital companies and logistics.

Now that evolution goes a step further. I am pleased to personally inform you that on 25 April, 2024, Capital A has signed a sale and purchase agreement for the disposal of our aviation business subject to requisite approvals. This is a deliberate and deeply considered strategic move designed to unlock shareholder value – I address this further in a separate letter which you would also have received.

More information on this development will be available in our circular, which will be released on Bursa Malaysia and we are committed to ensuring you remain informed of its progress as best as possible.

As I pen our inaugural CEO's letter to shareholders, however, our share price remains unreflective of the immense value we have created out of the original airline business. I will also address this below.

Looking back on 2023

We made significant strides in 2023. Our focus was threefold: restarting the airline, putting meat on the bone of our non-aviation diversification strategy and rebooting our high-performance culture.

Covid-19 was a once-in-a-century nightmare for aviation. We were hit hard. Borders closed, planes grounded, no flights and no revenue. But 2023 was a turning point for us.

As most of Asia reopened international borders by early 2023, we embarked on the colossal task of restarting the airline; almost like rebuilding from zero again. Our resources were limited. Unlike many airlines across East Asia, Europe and Australia, we survived the pandemic with zero state support except for one RM300 million loan (USD 63 million) from a development bank in Sabah.



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Nevertheless, we ended the year triumphantly, having reactivated 189 planes with just 23 more to go. We achieved 77% of our pre-Covid passenger volume on the back of a 74% seat recovery. We also completed restructuring our contracts with Airbus, GE and lessors which amounted to billions of dollars.

These remarkable achievements are a testament to our never-say-die spirit. I promised to bring back every single Allstar affected by Covid-19 and we have achieved that. We expect the rest of our fleet to be back in the second quarter of 2024 at the latest and we shall grow from there.

A silver lining of the pandemic was it accelerated our diversification into non-airline businesses. Being grounded spurred us to innovate and disrupt with the resources at hand. This was our second focus last year: honing our overall business strategy to extract greater value from our aviation roots and emerging with five distinct business verticals – a resilient comeback from the pandemic. (More on this shortly.)

Our third focus in 2023 was to reboot the people-centric values and high performance, cost-efficient culture of Capital A. As we expanded our portfolio of businesses, maintaining this culture across all companies is paramount – rooted in our original can-do attitude, our meritocratic identity and our ethos of pushing the envelope. We must not let complacency creep in, and my team and I are working hard to not allow this to happen.

What Capital A is today

In 2023 we not only survived Covid-19 but also laid a solid foundation for future growth. The market only sees our aviation business but we have built strong companies which will drive Capital A after aviation is divested. And so we have strategically reorganised into five distinct business verticals , with perfect clarity of what Capital A is today.

First is **AirAsia Aviation**, which everyone knows and loves. We grew our original business into Asia's biggest low-cost carrier and it is now on the cusp of a strategic divestment to unlock its true value and catalyse its next growth phase to become the world's first low-cost network carrier. I expand on this further in the other letter.

Our second vertical, **Capital A Aviation Services (CAAS)**, comprises our engineering company Asia Digital Engineering (ADE), food services company Santan, consulting business AirAsia Consulting, and our shared service centre DARTS. We are eyeing further growth and may, in time, seek to acquire AirAsia Berhad's stake in Ground Team Red (GTR) to add ground handling capabilities on top of venturing into airport ownership and development. This vertical leverages our 22 years of expertise and best practices to become Asean's leading one-stop



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aviation-support services provider, through cost-efficiency and service excellence.

ADE stands out. Less than two and a half years since we created this business, ADE has completed its 100th C-check – a remarkable milestone. With its US\$100 million funding, ADE will add 14 lines to its current 7 base maintenance capacity in 2024, and subsequently grow revenue from third-party clients. Meanwhile, Santan has bounced back in tandem with AirAsia Aviation’s recovery, selling 19 million meals and beverages in 2023 – a 114% growth year-on-year. What excites me is that last year Santan began on-ground retail collaborations in 2023 with the likes of KK Mart and Zus Coffee, and this year we are building on that through more third-party partnerships with the likes of Petronas, TGV and KPJ Healthcare. I am especially optimistic about its ambient food technology which will cut wastage and open up more revenue possibilities.

The third vertical is our logistics and courier business, **Teleport**. I recall being advised against going into cargo when we started out two decades ago as it risked compromising our 25-minute turnaround process. But I believed we could manage; we did it and now Teleport is in the final chapter of AirAsia’s logistics journey.

After many iterations from when it started with a GSA model, Teleport today operates a hybrid model comprising belly space – of AirAsia and over 30 third-party partner airlines – while also operating its own freighters, welcoming three just in 2023. Its total capacity grew by 69% in 2023 but its utilisation rate improved further by two percentage points to 14%. With expanded capacity, its total tonnage increased 88% YoY while parcel delivery surged by 275%, almost hitting 30 million parcels. It is a proud moment for me to see that Teleport has established itself as the leading air logistics provider in Asean.

The fourth vertical, **MOVE Digital**, consists of airasia MOVE (formerly airasia Superapp) and BigPay. MOVE has a special meaning – we are dedicated to moving people, moving goods and more.

Initially we experimented a lot with AirAsia MOVE, from food delivery to selling fresh fruits and seafood. But we have since refocused the business to become a value-driven online travel agency (OTA) underpinned by AirAsia’s vast network. MOVE not only provides flights and hotel stays, but also more offerings throughout the travel value chain; ground transportation including airport transfers, experiences, activities and more.

Integrating BigPay, an inclusive financial platform into AirAsia MOVE is a strategic initiative, allowing our customers to access financial services they need especially for travel. In 2023 this close collaboration directly bumped the closed loop payment business by 60% year-on-year.



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BigPay provides credit for our travellers to have the holidays they need at the cheapest currency conversion rates. Moreover, BigPay also enables our customers to remit or move money anywhere in the world cheaply and efficiently – remittance grew 86% year-on-year in 2023. The last component is airasia Rewards; one of Asean's biggest loyalty programs where our customers earn and burn points within the airasia ecosystem as effectively as cash.

There is so much more to come from MOVE Digital. We have a huge database of 51 million people with 17 million monthly active users on airasia MOVE, yet we have barely scratched the surface in monetising that database effectively and efficiently. That is the next mission: harnessing artificial intelligence (AI) and other tools to gain deeper insights into our customers' preferences and behaviours as we seek fresh value-add and revenue opportunities. Our mission here is to engage and personalise the travellers' experience as much as possible so they can save time and money.

As MOVE Digital integrates generative AI, our trip itineraries will be unique based on interests and preferences. Our next-generation AI bot will not only function through voice interaction, but also act as a virtual travel companion, recommending hidden gems, providing immersive travel guides, and location-specific suggestions. AI will also enhance our back-office operations for improved efficiency and accelerating overall growth.

While the current focus is B2C-centric, we are working hard to expand MOVE Digital's horizons towards B2B-centric as well. Currently, BigPay is expanding its offering to include an embedded wallet that integrates with an external e-commerce platform, such as 'aa MOVE' (now known as Move Pay). This offering is ready for deployment in other digital ecosystems in the market. Over time, BigPay will transition into a fully operational regional neobank. We will establish a strategic partnership with traditional banking institutions in the region to manage deposits and other licensed activities such as financing, deposits, and wealth management products. BigPay will exclusively operate through digital channels, eliminating the need for physical branches. This transformation will allow us to serve a broad spectrum of clients, encompassing both individual and non-individual consumers. Our focus will remain on leveraging technology to deliver superior financial services in the most efficient manner possible.

Finally, **Capital A International** is envisioned to be a leading global brands and IP management powerhouse, leveraging our two-decade legacy of AirAsia brand assets and brand management expertise and track record.

While the lead brand is AirAsia, our portfolio extends from brands like Santan and MOVE, all to be strategically monetised akin to what other IP-led companies (Disney comes to mind) are doing. We are exploring a business combination exercise with Aetherium Acquisition Corp, a Special Purpose Acquisition Company (SPAC) as we seek out ways to fast-track the value



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unlock and launch of this vertical.

Our vision is to infuse our ethos of value, inclusivity and efficiency into diverse industries via ventures such as airasia Academy, airasia Hotel and maybe even airasia Hospital someday. We may also set up a venture fund to engage exciting startups, monetise our brand and build some of these new offerings ourselves.

What 2024 brings

Obviously, in 2024 we are seeking to dispose of our aviation business subject to requisite approvals. This proposed exercise will bring about a massive change for all of us – and for the better, as I address in the other letter.

That aside, in 2024 I am confident that we can deliver improved returns and profitability to shareholders. While global geopolitical turbulence continues and jet fuel prices rose in the first quarter, , I remain hopeful of a downtrend of jet fuel prices by year end. I am also optimistic for a favourable shift in the US dollar against key Asean currencies, which alongside market expectations of further interest rate cuts in 2025 would be a significant boon for us, given that 70% of our costs are denominated in US dollars.

Regionally, we continue to track geopolitical risks but I do not expect these to affect our operations in 2024. Our airline's post-pandemic recovery has been robust and diverse, spread across multiple markets, a trend we plan to continue.

Naturally, the recent easing of tourist visa regulations for travellers from China and India bodes well for our dominant network in Asean. While the general economic downturn may dampen demand, our low-cost model provides us with the flexibility to adapt to the needs of increasingly price-sensitive and value-oriented travellers.

These factors signal a positive outlook for our businesses within our aviation-led ecosystem, especially CAAS, Teleport and MOVE Digital, which will benefit from spillover momentum from the aviation business. I am especially optimistic about Teleport – rising yields in the intra-Asean air cargo space is expected to outperform the global air cargo market's projected 2%-3% growth in the first half of 2024. Our cost-effective structure will be to Teleport's advantage in this environment.

With the big picture above in mind, in 2024 we will continue the journey we have started in 2023. We have focused on five strategic themes that will guide our forward strategy in 2024:



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- **Lowest cost:** Our goal is to have the lowest costs in every industry we're in. This is not just about cutting costs, but also looking at hidden costs, sweating our assets as much as possible and becoming more efficient and productive.
- **Financial sustainability:** This means three things – maximising cash generation, being smart with our costs and revenue growth and diversification. We're aiming to be financially sustainable, delivering good returns and eventually dividends to our shareholders.
- **High performance culture:** Key to achieving all our goals is our people and our mindset. We are rebooting our high performance culture where being efficient and cost-effective is intrinsic to who we are.
- **Superior products:** We are committed to making top-notch products that meet customer needs and exceed customer expectations. We want every product from our businesses to be the best in its class, known for quality and innovation.
- **Great customer service:** Exceptional customer service starts from taking care of our own. Happy customers come from empowered, happy employees who care. We will leverage AI technologies like advanced chatbots and personalisation tools to uplift both employee engagement and customer satisfaction.

We are building on a solid foundation. Our airline was voted by passengers as the Skytrax World's Best Low-Cost Airline for the 14th consecutive year in 2023, while airasia MOVE won the 'Asia's Best Travel Booking App' title at the World Travel Tech Awards 2023.

But we are not resting on our laurels; we strive to improve and excel further. Over the decades, our success has brought along the growing pains of bureaucracy, toxicity, silo culture and office politics, which is very unlike AirAsia when I first started AirAsia with Din over 22 years ago.

Therefore we have begun 2024 by rebooting ourselves and refreshing our core values, which every Allstar should embrace and practice across the verticals:

All for One, One For All	Dare To Dream	Make A Difference	Celebrate All Individuals
Keep It Simple	Be Transparent	Have Empathy & Respect	Safety is #1



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Capital A after Aviation

While the proposed disposal of the aviation business undergoes its due process, we remain committed to unlock meaningful shareholder value across our five verticals. Our immediate goals are to reactivate all remaining aircraft from Covid-19 storage to operations and to resolve our PN17 status.

Achieving these goals will pave the way for aggressive growth across all verticals, maximising value and returns for our shareholders – our top priority always. The proposed disposal of the aviation business and proposed business combination with Aetherium to create CAPI are only the first steps being explored in our pursuit of unlocking shareholder value and we are also looking ahead to more possibilities.

For the remaining three businesses, we aim to undertake corporate exercises to unlock their values subject to conducive market conditions and the requisite approvals. Move Digital, Teleport and CAAS may see possible spin-off listing or M&A exercises and the final business to remain will inherit the listing status of Capital A Berhad.

My final chapter

We are now into my 23rd year as CEO. And this is my final chapter: I have committed to another five-year contract in this role. This five-year period is crucial and I aim to steward our various business verticals towards their peak potential in my roles as CEO of Capital A; advisor to the AirAsia Aviation business; acting executive chairman at CAAS and MOVE Digital respectively; and CEO of Capital A International.

This five-year chapter began last year with the formation of a robust succession plan. We have elevated leaders to key positions, supported by a robust second line behind them. Above all, I value passion and hunger in our team members and believe we have the right people in place to drive us forward.

With Bo Lingam, who has been with me from the start, AirAsia Aviation is in firm hands. Bo is supported by two able deputies in Captain Chester Voo and Farouk Kamal. Pete Chareonwongsak, once a young investment banker when I first met him, is leading Teleport's charge to become the next DHL of Asean (cheaper and faster, of course).



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Mahesh Kumar is doing a splendid job at ADE; as is Subashini Silvadas at AirAsia Consulting. And Santan is led by Catherine Goh, who learned business leadership in her time as my executive assistant. I have faith in Nadia Omer to lead MOVE Digital and in Zubin Rada Krishnan for BigPay and more.

We are also finalising a robust talent management and development framework. Our success is built on having the right people with the right skillset and mentality, and our future will be built on the same through this framework. This principle is something we must not compromise on.

Better Corporate Governance

For Capital A, 2023 marked a significant transition from our entrepreneurial-led roots to a professionally-managed organisation. This was a fine balancing act of maintaining our entrepreneurial flair while strengthening corporate governance.

This transition began with the formation of AirAsia Aviation Group to house our aviation business, led by Tan Sri Jamaluddin Ibrahim as chairman. If you are familiar with Corporate Malaysia, this man needs no introduction.

And for the first time, neither Kamaruddin nor myself – despite my advisory role – are sitting on the board of AirAsia Aviation Group. It is my vision that we will also not be on the AirAsia Group board post-disposal and have independent directors drive AirAsia Group forward.

Eventually, this is also the vision for the rest of Capital A – to have dynamic boards in place to support the management talent that we develop and elevate.

On this topic, we were deeply saddened by the tragic loss in February of our Board member Surina Shukri, who had brought energy and fresh perspective to our discussions. We will remember her as a leader, a visionary, and a friend, whose legacy will continue to guide us as we navigate the path she helped shine.

My wishlist

Having spent nearly a quarter century leading this company to become an Asean champion, three things are clear to me as I reflect on the long-term future.

First, Asean integration is more critical than ever to our collective progress and prosperity as among the world's fastest growing economic bloc. As a region, Asean's collective GDP and expected growth already puts us amongst the top regions of the world in terms of economic prospects too.



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Economic integration, enabling free movement of capital, talent and goods across Asean will further accelerate this growth the same way the European Union (EU) uplifted the economies in that continent.

Second, regulations and policies should be firmly anchored on enabling, facilitating and helping businesses to grow and scale. Conversely, there is much danger in nationalistic and protectionist policy making towards businesses. While we have succeeded in transcending borders to become an Asean organisation, many have not due to outdated thinking and counterintuitive policymaking.

It is imperative that policymakers design regulatory frameworks to encourage innovation, investment, and entrepreneurship – not only to attract capital but also nurture a culture of excellence and competition, driving industries forward and creating value for all stakeholders.

Third, environmental, social and governance (ESG) is increasingly non-negotiable for responsible business and all stakeholders, especially the government, must play their part. Our approach to sustainability is threefold: maintaining profitability, managing tourism to preserve destinations, and targeting carbon neutrality by 2050 via carbon credits, technology, and fuel efficiency.

In 2022, our eco-friendly operations significantly lowered CO2 emissions, equivalent to the effect of around 900,000 urban trees. We're also incorporating a sustainability fee in our airfares soon, exclusively for carbon offset projects, prioritising investments in our region through initiatives like CORSIA for a globally balanced approach.

Sustainable Aviation Fuel (SAF) is another crucial area. While we support SAF, it must be economically viable and not burdensome to our passengers. The reality is that SAF is not yet a viable reality. It is very expensive and significant logistical challenges, including land use & feedstock shortage, need to be overcome if SAF production is to reach the scale needed for commercial aviation use. A more meaningful place to start is by improving air traffic management. Flying aircraft in a holding pattern while awaiting permission to land is extremely fuel-inefficient – there are significant fuel & emission savings to be gained here. Tokenism will not move the needle.



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Stay tuned

Throughout this journey to unlock the true value of Capital A, my management team and I strive to keep you better informed and updated on our progress. This letter reflects that effort, as is our coming initiative to provide profit guidance to analysts beginning this year in the spirit of transparency. We are also launching our own IRTV platform soon to bring you direct updates on key ongoings of the group. You can find out more about IRTV on our investor relations page: https://www.capitala.com/ir_home.html

As a fellow shareholder myself, I am optimistic that at the end of this journey, we will unearth great value that is currently repressed by our conglomerate discount.

Delivering this value to you would be a fitting swan song for my own journey since we began this airline 23 years ago. What a ride. I don't say this enough over the years, but I am humbled and grateful for your unwavering support and trust in myself and my team through all these years.

And meantime, Kamarudin, myself and the rest of Capital A gang look forward to seeing you at the next annual general meeting.

Kind regards,

A handwritten signature in black ink, appearing to read "Tony Fernandes", written over a horizontal dotted line.

Tony Fernandes
Chief Executive Officer
Capital A Berhad
30 April 2024



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