

## Capital A (CAPITALA MK)

# Close to banishing the PN17 ghost from COVID-19

### Maintain BUY with higher TP of MYR1.30 (+19%)

CAPITALA's results beat our expectations yet again. We lift our earnings estimates by 37-53% and raise our SOTP-TP to MYR1.30 from MYR1.09 as we roll forward our valuation base year to FY26E from FY25E. We expect Dec 2025 to be busy for CAPITALA as it sells its 5 airlines to AAX in exchange for new AAX shares in an effort to lift its PN17 classification. Separately, our proprietary ESG score for CAPITALA is trimmed to 53/100 from 59/100 on more greenhouse gas emissions and waste generated.

### Results outperformed our expectations again

3Q25 core net profit (aviation and non-aviation) of MYR236.2m brought 9M25 core net profit to MYR545.3m or 107% of our FY estimate. On closer inspection, the outperformance was due to 9M25 average jet fuel price at USD99/bbl or USD11/bbl less than we expected and 9M25 average USD/MYR exchange rate averaging at MYR4.32 or 25sen lower than we expected. The latter is especially important as 60-70% of aviation operating expenses are USD denominated.

### Lift earnings estimates by 37-53%

For non-aviation, 9M25 core net profit of MYR111.1m was marginally below our expectations at 68% of our FY estimate. This was due to one-off consultant fees, legal fees and redundancy costs. For aviation, the results were impressive considering 41%-owned Thai AirAsia suffered a 3Q25 core net loss of THB1,238m (3Q24 core net profit: THB57m). Reflecting lower average jet fuel price and average USD/MYR exchange rate, we lift our FY25E/FY26E/FY27E earnings by 53%/37%/39% (Fig. 2).

### A lot to expect in Dec

On 2 Dec 2025, CAPITALA's share price will go ex- for the dividend in specie of 1.7b new AAX ordinary shares. The AAX shares will be credited into the accounts of CAPITALA shareholders in late Dec 2025, in tandem with the disposal of CAPITALA's 5 airlines to AAX. Then, CAPITALA's negative shareholders' equity will be zero-rised. If CAPITALA receives a waiver to demonstrate 2 profitable quarters post-disposal from Bursa Malaysia Exchange, it may have its PN17 classification lifted by year's end (Fig. 3).

| FYE Dec (MYR m)              | FY23A    | FY24A    | FY25E    | FY26E    | FY27E    |
|------------------------------|----------|----------|----------|----------|----------|
| Revenue                      | 1,290    | 1,710    | 3,279    | 3,829    | 3,900    |
| EBITDAR                      | (625)    | (628)    | 453      | 575      | 589      |
| Core net profit              | (620)    | (215)    | 780      | 1,062    | 1,077    |
| Core FDEPS (sen)             | (10.6)   | (2.1)    | 14.9     | 19.6     | 19.5     |
| Core FDEPS growth(%)         | nm       | nm       | nm       | 31.1     | (0.4)    |
| Net DPS (sen)                | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| Core FD P/E (x)              | nm       | nm       | 5.7      | 4.3      | 4.4      |
| P/BV (x)                     | nm       | nm       | nm       | nm       | nm       |
| Net dividend yield (%)       | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| ROAE (%)                     | 32.3     | 23.2     | (3.6)    | (8.1)    | (14.2)   |
| ROAA (%)                     | (2.5)    | (0.7)    | 2.5      | 3.3      | 3.2      |
| EV/EBITDAR (x)               | nm       | nm       | 8.5      | 6.0      | 5.3      |
| Net gearing (%) (incl perps) | net cash | net cash | net cash | net cash | net cash |
| Consensus net profit         | -        | -        | 631      | 916      | 1,096    |
| MIBG vs. Consensus (%)       | -        | -        | (78.9)   | (75.6)   | (78.2)   |

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## BUY

|                       |                 |
|-----------------------|-----------------|
| Share Price           | MYR 0.85        |
| 12m Price Target      | MYR 1.30 (+52%) |
| Previous Price Target | MYR 1.09        |

### Company Description

*AirAsia Group is Asia's foremost low cost carrier with operations in Malaysia, Thailand, Indonesia, Philippines and Cambodia.*

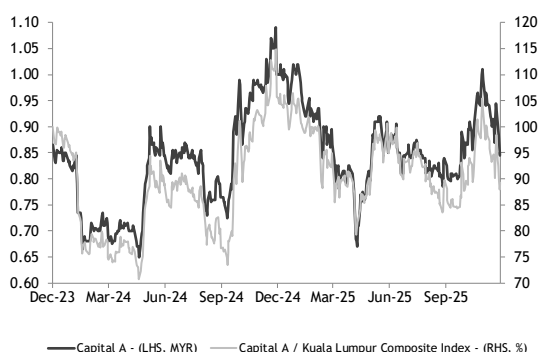
### Statistics

|                        |           |
|------------------------|-----------|
| 52w high/low (MYR)     | 1.02/0.67 |
| 3m avg turnover (USDm) | 2.9       |
| Free float (%)         | 55.8      |
| Issued shares (m)      | 4,333     |
| Market capitalisation  | MYR3.7B   |
|                        | USD891M   |

### Major shareholders:

|                     |       |
|---------------------|-------|
| Tune Air Sdn Bhd    | 11.9% |
| Tune Live Sdn. Bhd. | 11.7% |
| Positive Boom Ltd.  | 7.6%  |

### Price Performance



|                       | -1M  | -3M | -12M |
|-----------------------|------|-----|------|
| Absolute (%)          | (13) | 2   | (22) |
| Relative to index (%) | (12) | 1   | (22) |

Source: FactSet

Note: CAPITALA reclassified its aviation business as 'discontinued operations' and non-aviation business as 'continuing operations' since its 4Q24 results. Thus, we have reconstructed its income statement to focus on its non-aviation business in Fig. 1.

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Figure 1: Summary Results Table

| FY Dec (MYR m)                               | 3Q25         | 3Q24           | % YoY          | 2Q25           | % QoQ          | 9M25           | 9M24           | % YoY          |
|--|--------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>                               | <b>816.9</b> | <b>771.0</b>   | <b>6.0</b>     | <b>740.8</b>   | <b>10.3</b>    | <b>2,336.1</b> | <b>2,117.5</b> | <b>10.3</b>    |
| Operating expenses                           | (704.1)      | (680.9)        | 3.4            | (624.0)        | 12.8           | (2,004.4)      | (1,879.8)      | 6.6            |
| <b>EBITDA</b>                                | <b>112.9</b> | <b>90.1</b>    | <b>25.3</b>    | <b>116.8</b>   | <b>(3.4)</b>   | <b>331.7</b>   | <b>237.7</b>   | <b>39.5</b>    |
| Depreciation & amortisation                  | (26.4)       | (26.9)         | (1.9)          | (24.4)         | 8.1            | (75.9)         | (61.1)         | 24.3           |
| <b>EBIT</b>                                  | <b>86.5</b>  | <b>63.2</b>    | <b>36.9</b>    | <b>92.4</b>    | <b>(6.4)</b>   | <b>255.7</b>   | <b>176.6</b>   | <b>44.8</b>    |
| Interest expense                             | (44.6)       | (2.3)          | N/M            | (48.2)         | (7.4)          | (129.1)        | (73.9)         | 74.8           |
| Associates & JVs                             | -            | 0.5            | (100.0)        | -              | N/M            | -              | 0.5            | (100.0)        |
| Exceptional items                            | (13.4)       | (105.6)        | (87.3)         | (1.6)          | N/M            | 5.6            | (90.4)         | (106.1)        |
| <b>Pre-tax profit</b>                        | <b>28.5</b>  | <b>(44.2)</b>  | <b>(164.5)</b> | <b>42.6</b>    | <b>(33.0)</b>  | <b>132.2</b>   | <b>12.8</b>    | <b>N/M</b>     |
| Tax  | (6.2)        | (5.9)          | 5.0            | (3.3)          | 85.0           | (11.5)         | 26.2           | (143.8)        |
| Minority interest                            | (1.0)        | (1.0)          | 2.5            | (2.1)          | (51.6)         | (4.1)          | 1.5            | (370.4)        |
| <b>Net profit from continuing operations</b> | <b>21.3</b>  | <b>(51.1)</b>  | <b>(141.7)</b> | <b>37.1</b>    | <b>(42.5)</b>  | <b>116.7</b>   | <b>40.5</b>    | <b>188.0</b>   |
| Net profit from discontinued operations      | 674.1        | 1,691.6        | (60.2)         | 1,414.1        | (52.3)         | 2,719.5        | 1,054.3        | 158.0          |
| <b>Net profit/(loss)</b>                     | <b>695.4</b> | <b>1,640.5</b> | <b>(57.6)</b>  | <b>1,451.2</b> | <b>(52.1)</b>  | <b>2,836.2</b> | <b>1,094.8</b> | <b>159.1</b>   |
| <b>Core net profit/(loss)</b>                | <b>236.2</b> | <b>(59.3)</b>  | <b>(498.1)</b> | <b>192.2</b>   | <b>22.9</b>    | <b>545.3</b>   | <b>(65.7)</b>  | <b>N/M</b>     |
|  | <b>3Q25</b>  | <b>3Q24</b>    | <b>+/- ppt</b> | <b>2Q25</b>    | <b>+/- ppt</b> | <b>9M25</b>    | <b>9M24</b>    | <b>+/- ppt</b> |
| <i>EBITDA margin (%)</i>                     | 13.8         | 11.7           | 2.1            | 15.8           | (1.9)          | 14.2           | 11.2           | 3.0            |
| <i>Tax rate (%)</i>                          | 21.6         | (13.3)         | 34.8           | 7.8            | 13.8           | 8.7            | (204.1)        | 212.7          |
| <b>Continuing operations segmental</b>       |              |                |                |                |                |                |                |                |
| <b>FY Dec (MYR m)</b>                        | <b>3Q25</b>  | <b>3Q24</b>    | <b>% YoY</b>   | <b>2Q25</b>    | <b>% QoQ</b>   | <b>9M25</b>    | <b>9M24</b>    | <b>% YoY</b>   |
| <b>Revenue</b>                               | <b>816.9</b> | <b>771.0</b>   | <b>6.0</b>     | <b>740.8</b>   | <b>10.3</b>    | <b>2,336.1</b> | <b>2,117.5</b> | <b>10.3</b>    |
| - Asia Digital Engineering (MRO)             | 221.5        | 184.2          | 20.3           | 219.5          | 0.9            | 648.0          | 525.8          | 23.2           |
| - Teleport (logistics)                       | 312.2        | 286.7          | 8.9            | 254.8          | 22.5           | 825.2          | 736.4          | 12.1           |
| - Move (superapp)                            | 111.8        | 128.6          | (13.0)         | 107.1          | 4.4            | 346.2          | 386.0          | (10.3)         |
| - Santan (F&B)                               | 58.9         | 50.5           | 16.6           | 52.0           | 13.2           | 163.3          | 136.5          | 19.6           |
| - BigPay (fintech)                           | 8.1          | 8.7            | (6.4)          | 8.1            | (0.1)          | 25.2           | 29.5           | (14.7)         |
| - Abc (licensing)                            | 49.5         | 48.4           | 2.3            | 47.7           | 3.8            | 158.0          | 151.7          | 4.2            |
| - Others                                     | 55.0         | 64.0           | (14.1)         | 51.5           | 6.6            | 170.3          | 151.7          | 12.2           |
| <b>EBITDA</b>                                | <b>112.9</b> | <b>90.1</b>    | <b>25.3</b>    | <b>116.8</b>   | <b>(3.4)</b>   | <b>331.7</b>   | <b>237.7</b>   | <b>39.5</b>    |
| - Asia Digital Engineering (MRO)             | 53.5         | 29.6           | 80.9           | 56.4           | (5.1)          | 150.0          | 109.2          | 37.4           |
| - Teleport (logistics)                       | 31.9         | 21.9           | 45.6           | 24.6           | 29.3           | 79.2           | 29.7           | 167.0          |
| - Move (superapp)                            | 12.4         | 19.4           | (36.2)         | 11.6           | 7.1            | 40.0           | 48.8           | (18.0)         |
| - Santan (F&B)                               | 10.4         | 4.8            | 114.4          | 12.5           | (17.2)         | 29.3           | 12.2           | 140.2          |
| - BigPay (fintech)                           | (11.6)       | (21.8)         | (46.6)         | (4.9)          | 139.8          | (30.8)         | (58.6)         | (47.4)         |
| - Abc (licensing)                            | 38.6         | 23.3           | 65.8           | 38.0           | 1.6            | 125.9          | 117.9          | 6.8            |
| - Others                                     | (22.2)       | 12.9           | (272.6)        | (21.5)         | 3.4            | (62.0)         | (21.4)         | 190.1          |
| <b>Discontinued operations statistics</b>    |              |                |                |                |                |                |                |                |
| Passengers carried (m)                       | 15.7         | 15.9           | (0.8)          | 15.5           | 1.2            | 47.4           | 46.9           | 1.1            |
| Capacity (m)                                 | 19.0         | 17.8           | 6.5            | 18.9           | 0.8            | 56.7           | 52.3           | 8.5            |
| Load factor                                  | 83%          | 89%            | (6.9)          | 82%            | 0.5            | 84%            | 90%            | (6.8)          |
| RPK (m)                                      | 18,457       | 18,894         | (2.3)          | 17,842         | 3.4            | 55,427         | 55,296         | 0.2            |
| ASK (m)                                      | 22,489       | 21,491         | 4.6            | 21,993         | 2.3            | 67,324         | 62,276         | 8.1            |
| Average fare (MYR)                           | 227          | 231            | (1.7)          | 229            | (0.9)          | 233            | 245            | (4.9)          |
| Ancillary revenue (MYR)                      | 52           | 52             | -              | 55             | (5.5)          | 55             | 54             | 1.9            |
| Unit passenger revenue (MYR)                 | 279          | 283            | (1.4)          | 284            | (1.8)          | 288            | 299            | (3.7)          |
| RASK (sen)                                   | 19.51        | 20.89          | (6.6)          | 20.05          | (2.7)          | 20.30          | 22.49          | (9.7)          |
| CASK (sen)                                   | 18.74        | 21.70          | (13.6)         | 19.22          | (2.5)          | 19.30          | 22.74          | (15.1)         |
| CASK-ex fuel (sen)                           | 12.00        | 13.76          | (12.8)         | 12.40          | (3.2)          | 12.32          | 14.08          | (12.5)         |
| Fuel consumed (m bbl)                        | 3.7          | 3.6            | 2.0            | 3.6            | 2.0            | 11.0           | 10.3           | 6.9            |
| Average fuel price (USD/bbl)                 | 98           | 109            | (10.1)         | 98             | -              | 99             | 114            | (13.2)         |

Source: Company

## Results analysis

- CAPITALA swung to 3Q25 core net profit of MYR236.2m from 3Q24 core net loss of MYR59.3m largely due to:-
  - (i) average fuel price easing 10% YoY in USD terms;
  - (ii) lower maintenance expenses YoY;
  - (iii) appreciating ASEAN currencies relative to USD; moderated by
  - (iv) unit passenger revenue easing 1% YoY.
- 3Q25 core net profit was up 23% QoQ largely due to lower maintenance expenses QoQ.

Figure 2: Major assumptions and estimates on AAX by Maybank IBG Research

| FY Dec                           | FY25E | FY26E   | FY27E   |
|----------------------------------|-------|---------|---------|
| <b>Revised</b>                   |       |         |         |
| Average jet fuel price (USD/bbl) | 100   | 100     | 100     |
| Average USD/MYR exchange rate    | 4.30  | 4.30    | 4.30    |
| Core net profit (MYRm)           | 780.4 | 1,061.6 | 1,076.7 |
| <b>Previous</b>                  |       |         |         |
| Average jet fuel price (USD/bbl) | 110   | 110     | 110     |
| Average USD/MYR exchange rate    | 4.57  | 4.57    | 4.57    |
| Core net profit (MYRm)           | 511.2 | 774.8   | 774.8   |

Source: Maybank IBG Research

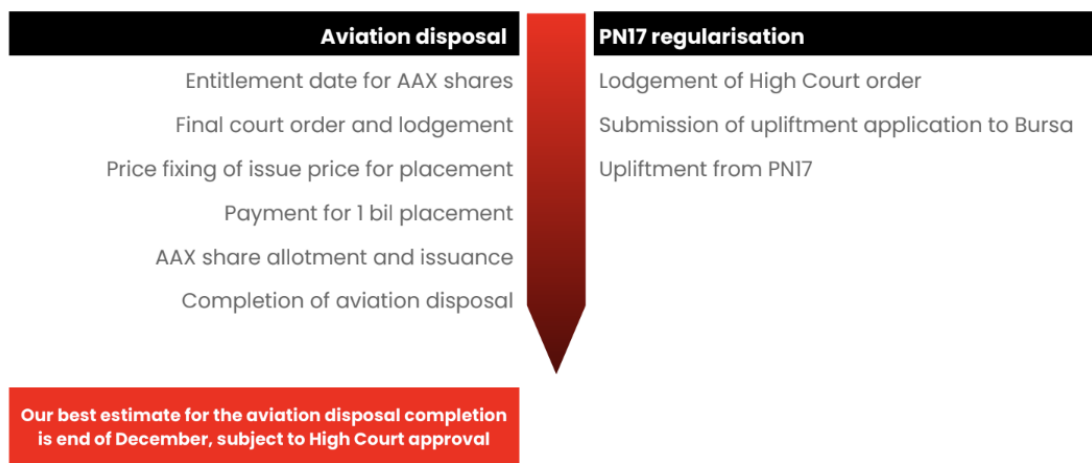
Figure 3: Proposed PN17 classification upliftment timeline

## Final milestone in sight for corporate exercises

### Finalising aviation disposal to pave the way for PN17 upliftment



#### Executing the final milestones



## Valuation and recommendation

We roll forward our valuation base year to FY26E from FY25E. We ascribe an unchanged 10x FY26E P/E to Asia Digital Engineering, Move, Teleport and Santan. Abc is valued via DCF at 12.4% WACC on 1.3x Beta and 2% terminal growth rate (our long term growth forecast for passengers carried). Loss making BigPay and other businesses are valued at end-FY26E book value. **Tune Protect (TIH MK, CP: MYR0.34, Not Rated)** is valued at its proportionate market capitalisation. We used to value AirAsia X (AAX) at its proportionate market capitalisation as well. Yet, given that AAX has underperformed our expectations but CAPITALA's aviation business has outperformed our expectations, we think it better to ascribe 6x FY26E P/E (global low-cost carrier average: 9x) to CAPITALA's aviation business. The above return a MYR1.30 SOTP-TP. With >30% upside potential, we maintain CAPITALA at BUY.

Figure 4: CAPITALA SOTP-based valuation (New)

|                          | MYRm           | MYR/shr     | Comments                            |
|--------------------------|----------------|-------------|-------------------------------------|
| Asia Digital Engineering | 1,245.3        | 0.21        | 10x FY26E P/E                       |
| Move                     | 194.9          | 0.03        | 10x FY26E P/E                       |
| Teleport                 | 223.5          | 0.04        | 10x FY26E P/E                       |
| Santan                   | 327.2          | 0.06        | 10x FY26E P/E                       |
| Abc                      | 1,390.7        | 0.24        | DCF @ 12.4%: WACC & 2%: g           |
| BigPay                   | (673.8)        | (0.12)      | end-FY26E BV                        |
| Others                   | (203.3)        | (0.03)      | end-FY26E BV                        |
| Tune Protect Group       | 34.9           | 0.01        | proportionate market capitalisation |
| Aviation                 | 5,027.0        | 0.86        | 6x FY26E P/E                        |
| <b>Equity value</b>      | <b>7,566.5</b> | <b>1.30</b> |                                     |

Source: Maybank IBG Research

Figure 5: CAPITALA SOTP-based valuation (Old)

|                          | MYRm           | MYR/shr     | Comments                              |
|--------------------------|----------------|-------------|---------------------------------------|
| Asia Digital Engineering | 675.3          | 0.12        | 10x FY25E P/E                         |
| Move                     | 498.9          | 0.09        | 10x FY25E P/E                         |
| Teleport                 | 273.1          | 0.05        | 10x FY25E P/E                         |
| Santan                   | 213.2          | 0.04        | 10x FY25E P/E                         |
| Abc                      | 1,297.3        | 0.22        | DCF @ 12.4%: WACC & 2%: g             |
| BigPay                   | (590.2)        | (0.10)      | end-FY25E P/E                         |
| Others                   | (155.2)        | (0.03)      | end-FY25E P/E                         |
| Tune Protect Group       | 28.7           | 0.00        | 14% of market capitalisation          |
| AirAsia X                | 4,138.3        | 0.71        | 84% of enlarged market capitalisation |
| <b>Equity value</b>      | <b>6,379.5</b> | <b>1.09</b> |                                       |

Source: Maybank IBG Research

Figure 6: Global low-cost carriers peer comparison

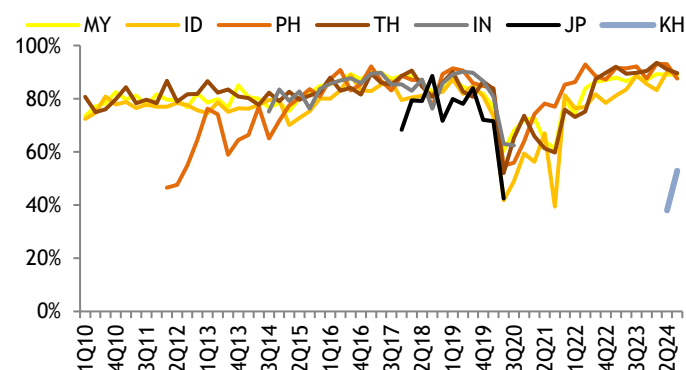
| Company                                      | Country              | Mkt cap (USDm) | CY25 P/E    | CY26 P/E    |
|--|----------------------|----------------|-------------|-------------|
| Southwest Airlines                           | United States        | 18,002         | 32.1        | 13.1        |
| Ryainair Holdings                            | Ireland              | 34,429         | 14.6        | 12.2        |
| Interglobe Aviation                          | India                | 25,533         | 31.3        | 25.4        |
| Spring Airlines                              | China                | 7,599          | 23.0        | 17.7        |
| easyJet                                      | United Kingdom       | 5,011          | 7.4         | 6.8         |
| Wizz Air Holdings                            | Hungary              | 1,600          | 24.4        | 14.1        |
| AirArabia                                    | United Arab Emirates | 5,463          | 12.7        | 11.7        |
| JET2   | United Kingdom       | 3,706          | 6.8         | 6.7         |
| Vietjet Aviation                             | Vietnam              | 4,181          | 50.8        | 25.4        |
| Norwegian Air Shuttle                        | Norway               | 1,804          | 8.6         | 8.2         |
| Cebu Pacific                                 | Philippines          | 325            | 3.9         | 3.3         |
| <b>Average</b>                               |                      |                | <b>19.6</b> | <b>13.2</b> |
| <b>Average ex-Indigo, Spring and Vietjet</b> |                      |                | <b>13.8</b> | <b>9.5</b>  |

Bloomberg

## Value Proposition

- Asia's leading low cost carrier with highest market share, largest fleet size and most extensive route network.
- Operates in 5 countries after exiting Japan and India, which provides unrivalled route network reach.
- Lowest unit cost airline in the world. Management is very ambitious, cost conscious and forward-thinking.
- Growing middle class in Asia fuelling growth in demand for air travel.
- Won the coveted 'World's Best LCC' award for a record 15 times in a row by Skytrax.

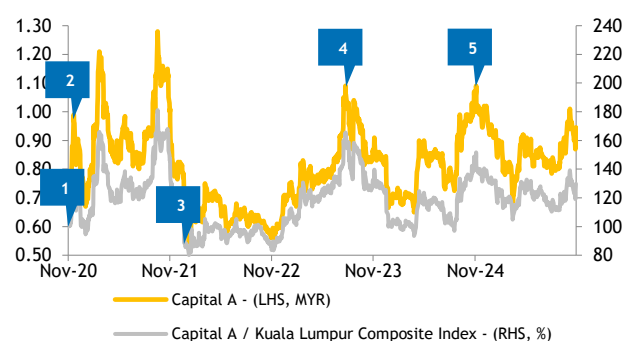
### AirAsia passengers load factor by country



Source: Company

## Price Drivers

### Historical share price trend



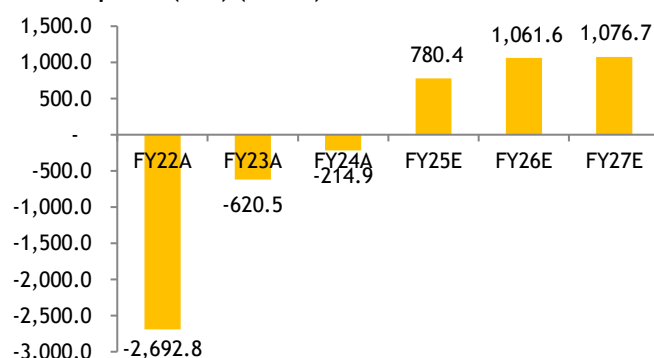
Source: Company, Maybank IBG Research

1. Delta wave of the COVID-19 pandemic struck Malaysia. Most of CAPITALA's remained grounded.
2. Pfizer, Moderna and AstraZeneca announced that they have developed effective COVID-19 vaccines.
3. CAPITALA classified as a PN17 listed issuer by Bursa Malaysia.
4. CAPITALA has been reporting narrower and narrower losses.
5. CAPITALA has been making progress in uplifting its PN17 classification.

## Financial Metrics

- Best financial indicator is core net profit ex-disposal gains, forex and fair value changes, and deferred taxation.
- Forecast FY25E to return to core net profit on more passengers as more aircraft return to service.
- Forecast higher FY26E core net profit as entire fleet returns to service.
- Sensitive to fuel price movement, a USD1 per barrel change in fuel price will move earnings by MYR40m-MYR50m.

### Core net profit/(loss) (MYRm)



Source: Company (historical), Maybank IBG Research (forecasts)

## Swing Factors

### Upside

- Policy changes - visa requirement relaxations and tourist friendly events drive passenger traffic growth.
- Less competition - COVID-19 pandemic has caused competitors to reduce capacity and raise prices.
- Financial assistance - will enable CAPITALA to fill temporary liquidity gaps and survive.

### Downside

- Exogenous events - SARS; MH370, MH17 & AK8501 tragedies; and COVID-19 negatively impacted passenger traffic growth.
- Fuel prices - they are volatile and there is no certainty that they will be hedged at low levels.
- Weak MYR - 60-70% of operating costs are USD denominated.

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|  |  |
|--|--|
| Risk Rating & Score <sup>1</sup>                         | 33.6 (High)                                    |
| Score Momentum <sup>2</sup>                              | -2.8   |
| Last Updated   | 5 Jun 2025                                     |
| Controversy Score <sup>3</sup><br>(Updated: 30 Jun 2025) | 2 - Customer Incidents<br>(Quality and Safety) |

## Business Model & Industry Issues

- Being in the airline industry, CAPITALA may not be deemed as environmentally friendly but it operates Airbus A320 family aircraft which are already fuel efficient. It will gradually replace its entire fleet with the even more fuel efficient A321neo aircraft.
- As at end-FY24A, only 34% of staff are female but this is not entirely unexpected as operational functions (e.g. engineering) tend to be filled by males.
- An especially positive point is that CAPITALA supported its staff who were laid off during the COVID-19 pandemic and even established an academy to retrain staff in technology and IT.
- To be sure, some senior managers have made headlines for the wrong reasons but to be fair, no misconduct has been proven to date. However, CAPITALA's decision to enter and exit Japan twice raised eyebrows.
- CAPITALA was included in the FTSE4GOOD Bursa Malaysia Index in Dec 2020. In all, we rate CAPITALA's ESG credentials as moderate.
- CAPITALA scores marginally above-average in our proprietary scoring methodology with an overall score of 53/100 (59/100 previously). We trim our overall score to 53/100 from 59/100 on account of more greenhouse gas emissions and waste generated.

## Material E issues

- As at end-FY24A, operated 171 Airbus A320, 40 Airbus A320neo and 13 Airbus A321neo.
- Will gradually replace entire fleet with Airbus A321neo which is 10-15% more fuel efficient than the Airbus A320.
- Carbon intensity ratio (CIR) was down 1% YoY to 63.7g CO<sub>2</sub>/ASK in FY24A.
- Fuel consumption/100RPK was up 10% YoY to 3.3 litres in FY24A due to shorter stage lengths.
- CIR and fuel efficiency to normalise as RPK and stage length recover due to the COVID-19 pandemic easing.
- Targets carbon neutral growth (relative to 2019 as the base line year) and net zero CO<sub>2</sub> emissions by 2050.
- Plans to incorporate sustainable aviation fuel and introduce carbon offsetting options.
- Partners TRAFFIC to raise awareness of illegal wildlife trafficking in the aviation sector.

## Material S issues

- Trains staff on-line to recognise the signs of human trafficking on board and respond appropriately.
- Flew 410 rescue and repatriation flights to bring >15,000 individuals home in FY20.
- MYR2.9m spent on staff training in FY24A (-22% YoY) but average training hours per employee at 8.0hours (+21% YoY).
- Launched Redbeat Academy in Oct 2020 to retrain staff in technology and IT.
- As at end-FY24A, only 34% of staff is female. There is a mean pay gap of 63% and a median pay gap of 57% between men and women.
- CAPITALA attributed this to fewer women in higher paying technical roles (pilots, engineers, IT professionals).
- Ex-pilots and cabin crew, there is a mean pay gap of -8% and a median pay gap of -23% between men and women.
- Through AirAsia Foundation, supported multiple social enterprises benefitting >10,000 individuals.

## Key G metrics and issues

- BOD (as at 30 Oct 2025) comprises 1 Non-Independent Executive Chairman (NIEC), 1 Non-Independent Executive Director & Chief Executive Officer (NIED & CEO), 1 Non-Independent Non-Executive Director (NINED) and 3 Independent Non-Executive Directors (INED).
- INEDs currently make up 50% of its BOD, meeting the Malaysian Code on Corporate Governance's recommendation.
- Only 1 of the 6 BOD members is a woman, Brigadier General (R) Dato' Fadzillah Binti Abdullah
- Major shareholders, Tune Air and Tune Live are represented on the BOD by the NIEC and NIED & CEO.
- There are 4 BOD committees (Audit, Nomination & Remuneration, Risk Management & Sustainability and Safety Review).
- The Audit, Nomination & Remuneration and Safety Review Committees are chaired by INEDs.
- The Risk Management & Sustainability Committee, however, is chaired by the NINED.
- FY24A directors' remuneration inched up 3% to MYR37.5m but accounts for only 0.2% of revenue.
- Ernst & Young PLT is the independent auditor since 2017. The predecessor was PricewaterhouseCoopers PLT.
- Fined by Malaysian Aviation Commission for charging processing fees in FY19 and FY20 (MYR2.2m total) and advertising misleading airfares in FY18 (MYR160k).
- Fined by Malaysia Competition Commission for entering into a collaboration agreement with Malaysia Airlines (MYR10m) in FY14.
- India's Central Bureau of Investigation (CBI) filed a case against the NIED & CEO over alleged violation of norms in getting international flying licenses in FY18. The NIED & CEO has not responded to the CBI's case to date.
- The NIEC and NIED & CEO were implicated in a bribery case involving Airbus in FY20. Both were later cleared.
- Ventured into Japan twice. AirAsia Japan consumed >MYR400m in investments but never generated an annual profit. AirAsia Japan filed for bankruptcy in Oct 2020.

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).



| Quantitative Parameters (Score: 6) |   |              |                  |                  |                  |                   |
|------------------------------------|---|--------------|------------------|------------------|------------------|-------------------|
|                                    | Particulars   | Unit         | 2022             | 2023             | 2024             | LUV US (FY12/24)  |
| E                                  | Scope 1 emissions                                     | tCO2e        | 2,617,666        | 4,876,565        | 5,440,467        | 21,091,127        |
|                                    | Scope 2 emissions                                     | tCO2e        | 5,131            | 9,972            | 12,516           | 29,462            |
|                                    | <b>Total</b>  | <b>tCO2e</b> | <b>2,622,797</b> | <b>4,886,537</b> | <b>5,452,983</b> | <b>21,120,589</b> |
|                                    | Scope 3 emissions                                     | tCO2e        | 410,251          | 1,179,003        | 1,865,225        | 4,507,835         |
|                                    | <b>Total</b>  | <b>tCO2e</b> | <b>3,033,048</b> | <b>6,065,540</b> | <b>7,318,208</b> | <b>25,628,424</b> |
|                                    | Scope 1 intensity                                     | gCO2/ASK     | 66               | 64               | 64               | 74                |
|                                    | Water consumption                                     | m3           | 83,289           | 102,067          | 107,033          | 350,151           |
|                                    | Waste generated                                       | MT           | 569              | 1,003            | 2,369            | 9,533             |
| S                                  | % of women in workforce                               | %            | 34%              | 34%              | 34%              | 44%               |
|                                    | % of women in managerial roles                        | %            | 24%              | 22%              | 21%              | N/A               |
|                                    | Lost time incident rate                               | rate/1m hrs  | 6                | 7                | 6                | N/A               |
|                                    | On-time performance                                   | %            | 77%              | 77%              | 76%              | 79%               |
|                                    | Net promoter score                                    | score        | 36               | 52               | 47               | 58                |
|                                    | Customer satisfaction score                           | score        | 47%              | 67%              | 86%              | N/A               |
|                                    | Employee attrition rate                               | %            | 12%              | 17%              | 14%              | 7%                |
|                                    | Employee training per employee                        | hours        | 12               | 7                | 8                | N/A               |
| G                                  | Board salary as % of revenue                          | %            | 0.3%             | 0.2%             | 0.2%             | 0.0%              |
|                                    | Independent directors on the Board (tenure <10 years) | %            | 50%              | 50%              | 50%              | 87%               |
|                                    | Female directors on the Board                         | %            | 17%              | 17%              | 17%              | 20%               |

| Qualitative Parameters (Score: 100)   |  |
|---|--|
| a) is there an ESG policy in place and whether there is a standalone ESG Committee or is it part of Risk committee? | <i>Yes. CAPITALA has an ESG policy which detailed in its Sustainability Policy and Sustainability Redbook. Sustainability Working Groups and the Group Sustainability Department report to the Chief Sustainability Officer who, in turn, reports to the Risk Management and Sustainability Committee.</i> |
| b) is the senior management salary linked to fulfilling ESG targets?  | <i>Yes</i>   |
| c) Does the company follow TCFD framework for ESG reporting or participate in the United Nations Global Compact?    | <i>Yes.</i>  |
| d) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?                  | <i>Yes. Captures emissions from Google cloud subscription, upstream emissions of purchased jet fuel, business travel, employee commuting, use of sold products and third-party delivery service providers.</i>   |
| e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?                 | <i>Gradually migrating fleet from the A320 to more fuel efficient A321neo, flying aircraft more fuel efficiently, exploring the utilisation of Sustainable Aviation Fuels and carbon credits and migrated from printing trip files to storing them digitally.</i>  |
| f) Does carbon offset form part of the net zero/carbon neutrality target of the company?                            | <i>Yes. Exploring CORSIA-certified carbon projects in ASEAN for carbon offsetting</i>  |

| Target (Score: 100)  |        |          |
|--|--------|----------|
| Particulars  | Target | Achieved |
| Carbon net zero by 2050  | 0%     | N/A      |
| Cap emissions at 85% of 2019 levels by 2026                                | 85%    | N/A      |
| On-time performance  | 85%    | 76%      |
| Net promoter score - airlines  | 60     | 47       |
| Customer satisfaction score - airlines (LiveChat)                          | 80%    | 86%      |
| Customer satisfaction score - airlines (LiveChat)                          | 80%    | 84%      |
| Net promoter score - Santan  | 35     | 19       |
| Customer satisfaction score - Teleport                                     | 80%    | 96%      |
| Net promoter score - GTR   | 50     | 49       |
| Learner satisfaction rate - outclass                                       | 80%    | 94%      |
| electrification of forklifts at KACT1 - GTR                                | 70%    | 55%      |
| Food waste limited to 30% of total consumption onboard                     | 30%    | N/A      |
| ≥30% women in tech by 2026   | 30%    | 28%      |
| Impact   |        |          |
| NA   |        |          |
| <b>Overall Score: 53</b>   |        |          |
| As per our ESG matrix, Capital A (CAPITALA MK) has an overall score of 53. |        |          |

| ESG score    | Weights | Scores | Final Score |
|--------------|---------|--------|-------------|
| Quantitative | 50%     | 6      | 3           |
| Qualitative  | 25%     | 100    | 25          |
| Target       | 25%     | 100    | 25          |
| <b>Total</b> |         |        | <b>53</b>   |

As per our ESG assessment, AAX has an established framework, internal policies, and tangible mid/long-term targets. AAX's overall ESG score is 53, which makes its ESG rating slightly below average, in our view (average ESG rating = 50; refer to Appendix I for our ESG Assessment Scoring).

## Appendix I

Methodology of our proprietary ESG scoring methodology.

We evaluate the ESG ratings based on quantitative, qualitative and ESG targets. We assign a score for each of these three parameters. The overall rating is based on the weighted average of the scores: quantitative (50%), qualitative (25%) and ESG target (25%).

For the quantitative, qualitative and ESG target, the sub-parameters are assigned a score - '0' for data not available, '+1' for improving trajectory, positive change, 'Yes', better than peers or a positive number if historical is not available and '-1' for declining trajectory, negative change, 'No', lower than peers or a negative number. The total of the scores of all the sub-parameters is divided by the total number of sub-parameters, to derive the score of each of the three parameters.

The sub-parameters may be different for different industries depending on the key areas to monitor for each industry. A company should achieve a minimum score of 50 for an average ESG rating.



| FYE 31 Dec             | FY23A | FY24A | FY25E | FY26E | FY27E |
|------------------------|-------|-------|-------|-------|-------|
| <b>Key Metrics</b>     |       |       |       |       |       |
| P/E (reported) (x)     | 11.5  | nm    | 4.7   | 3.5   | 3.4   |
| Core P/E (x)           | nm    | nm    | 4.7   | 3.5   | 3.4   |
| Core FD P/E (x)        | nm    | nm    | 5.7   | 4.3   | 4.4   |
| P/BV (x)               | nm    | nm    | nm    | nm    | nm    |
| P/NTA (x)              | (0.3) | (0.5) | (0.4) | (0.5) | (0.6) |
| Net dividend yield (%) | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| FCF yield (%)          | nm    | 83.8  | 3.2   | 8.3   | 8.4   |
| EV/EBITDAR (x)         | nm    | nm    | 8.5   | 6.0   | 5.3   |
| EV/EBIT (x)            | nm    | nm    | 11.1  | 7.4   | 6.5   |

**INCOME STATEMENT (MYR m)**

|                            |         |         |         |         |         |
|----------------------------|---------|---------|---------|---------|---------|
| Revenue                    | 1,290.1 | 1,709.7 | 3,278.9 | 3,828.9 | 3,899.9 |
| EBITDAR                    | (625.1) | (628.2) | 452.5   | 575.0   | 589.2   |
| Depreciation               | (50.9)  | (61.5)  | (106.9) | (106.9) | (106.9) |
| EBIT                       | (676.0) | (689.7) | 345.6   | 468.1   | 482.3   |
| Net interest income /(exp) | (147.0) | (163.8) | (161.5) | (158.1) | (151.4) |
| Associates & JV            | 0.5     | 0.0     | 0.0     | 0.0     | 0.0     |
| Exceptionals               | 6.2     | (37.6)  | 0.0     | 0.0     | 0.0     |
| Pretax profit              | (816.4) | (891.1) | 184.1   | 310.0   | 330.9   |
| Income tax                 | (21.9)  | (1.6)   | (44.2)  | (74.4)  | (79.4)  |
| Minorities                 | (6.1)   | (14.3)  | (6.6)   | (11.9)  | (12.6)  |
| Discontinued operations    | 1,148.3 | 394.8   | 647.1   | 837.8   | 837.8   |
| Reported net profit        | (847.0) | (896.0) | 133.3   | 223.7   | 238.9   |
| Core net profit            | (620.5) | (214.9) | 780.4   | 1,061.6 | 1,076.7 |

**BALANCE SHEET (MYR m)**

|                                     |                   |                   |                  |                  |                  |
|-------------------------------------|-------------------|-------------------|------------------|------------------|------------------|
| Cash & Short Term Investments       | 702.8             | 431.2             | 550.2            | 854.2            | 1,164.5          |
| Accounts receivable                 | 1,266.7           | 391.3             | 539.0            | 629.4            | 641.1            |
| Inventory                           | 294.6             | 147.5             | 116.2            | 133.7            | 136.1            |
| Reinsurance assets                  | 0.0               | 0.0               | 0.0              | 0.0              | 0.0              |
| Property, Plant & Equip (net)       | 1,580.4           | 228.2             | 332.1            | 335.9            | 339.8            |
| Intangible assets                   | 4,301.5           | 245.0             | 245.0            | 245.0            | 245.0            |
| Investment in Associates & JVs      | 435.8             | 0.0               | 0.0              | 0.0              | 0.0              |
| Other assets                        | 20,371.9          | 29,293.0          | 29,879.3         | 30,656.4         | 31,433.5         |
| <b>Total assets</b>                 | <b>28,953.6</b>   | <b>30,736.1</b>   | <b>31,661.8</b>  | <b>32,854.7</b>  | <b>33,960.0</b>  |
| ST interest bearing debt            | 6,428.8           | 637.5             | 637.5            | 637.5            | 637.5            |
| Accounts payable                    | 4,206.3           | 653.6             | 790.1            | 909.6            | 925.5            |
| Insurance contract liabilities      | 0.0               | 0.0               | 0.0              | 0.0              | 0.0              |
| LT interest bearing debt            | 17,469.7          | 951.9             | 951.9            | 951.9            | 951.9            |
| Other liabilities                   | 10,941.0          | 38,508.0          | 38,508.0         | 38,508.0         | 38,508.0         |
| <b>Total Liabilities</b>            | <b>39,046.0</b>   | <b>40,751.1</b>   | <b>40,887.7</b>  | <b>41,007.2</b>  | <b>41,023.1</b>  |
| Shareholders Equity                 | (8,797.6)         | (8,774.2)         | (7,991.7)        | (6,930.1)        | (5,853.4)        |
| Minority Interest                   | (1,294.8)         | (1,240.8)         | (1,234.2)        | (1,222.3)        | (1,209.7)        |
| <b>Total shareholder equity</b>     | <b>(10,092.4)</b> | <b>(10,015.0)</b> | <b>(9,225.9)</b> | <b>(8,152.5)</b> | <b>(7,063.1)</b> |
| <b>Total liabilities and equity</b> | <b>28,953.6</b>   | <b>30,736.1</b>   | <b>31,661.8</b>  | <b>32,854.7</b>  | <b>33,960.0</b>  |

**CASH FLOW (MYR m)**

|                                  |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Pretax profit                    | (816.4)      | (891.1)      | 184.1        | 310.0        | 330.9        |
| Depreciation & amortisation      | 50.9         | 61.5         | 106.9        | 106.9        | 106.9        |
| Adj net interest (income)/exp    | 60.6         | 100.0        | 97.3         | 87.3         | 67.5         |
| Change in working capital        | 66.8         | (178.0)      | (75.1)       | (75.7)       | (65.6)       |
| Cash taxes paid                  | (17.0)       | (10.9)       | (44.2)       | (74.4)       | (79.4)       |
| Other operating cash flow        | 2,068.5      | 4,742.1      | 0.0          | 0.0          | 0.0          |
| Cash flow from operations        | 1,413.4      | 3,823.6      | 269.0        | 354.0        | 360.3        |
| Capex                            | (237.3)      | (233.5)      | (150.0)      | (50.0)       | (50.0)       |
| Free cash flow                   | (683.0)      | 3,590.1      | 119.0        | 304.0        | 310.3        |
| Dividends paid                   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Equity raised / (purchased)      | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Change in Debt                   | 219.8        | 99.0         | 0.0          | 0.0          | 0.0          |
| Other invest/financing cash flow | (1,253.8)    | (3,485.2)    | 0.0          | 0.0          | 0.0          |
| Effect of exch rate changes      | 43.2         | 76.4         | 0.0          | 0.0          | 0.0          |
| <b>Net cash flow</b>             | <b>185.3</b> | <b>280.2</b> | <b>119.0</b> | <b>304.0</b> | <b>310.3</b> |

| FYE 31 Dec                             | FY23A    | FY24A    | FY25E    | FY26E    | FY27E    |
|--|----------|----------|----------|----------|----------|
| <b>Key Ratios</b>                      |          |          |          |          |          |
| <b>Growth ratios (%)</b>               |          |          |          |          |          |
| Revenue growth                         | (80.0)   | 32.5     | 91.8     | 16.8     | 1.9      |
| EBITDAR growth                         | nm       | nm       | nm       | 27.1     | 2.5      |
| EBIT growth                            | nm       | nm       | nm       | 35.4     | 3.0      |
| Pretax growth                          | nm       | nm       | nm       | 68.4     | 6.7      |
| Reported net profit growth             | nm       | nm       | nm       | 67.8     | 6.8      |
| Core net profit growth                 | nm       | nm       | nm       | 36.0     | 1.4      |
| <b>Profitability ratios (%)</b>        |          |          |          |          |          |
| EBITDAR margin                         | nm       | nm       | 13.8     | 15.0     | 15.1     |
| EBIT margin                            | nm       | nm       | 10.5     | 12.2     | 12.4     |
| Pretax profit margin                   | nm       | nm       | 5.6      | 8.1      | 8.5      |
| Payout ratio                           | 0.0      | 0.0      | 0.0      | 0.0      | 0.0      |
| <b>DuPont analysis</b>                 |          |          |          |          |          |
| Net profit margin (%)                  | nm       | nm       | 4.1      | 5.8      | 6.1      |
| Revenue/Assets (x)                     | 0.0      | 0.1      | 0.1      | 0.1      | 0.1      |
| Assets/Equity (x)                      | nm       | nm       | nm       | nm       | nm       |
| ROAE (%)                               | 32.3     | 23.2     | (3.6)    | (8.1)    | (14.2)   |
| ROAA (%)                               | (2.5)    | (0.7)    | 2.5      | 3.3      | 3.2      |
| <b>Liquidity &amp; Efficiency</b>      |          |          |          |          |          |
| Dividend cover (x)                     | nm       | nm       | nm       | nm       | nm       |
| Current ratio (x)                      | 0.2      | 0.7      | 0.8      | 0.8      | 0.8      |
| <b>Leverage &amp; Expense Analysis</b> |          |          |          |          |          |
| Asset/Liability (x)                    | 0.7      | 0.8      | 0.8      | 0.8      | 0.8      |
| Net gearing (%) (incl perps)           | net cash | net cash | net cash | net cash | net cash |
| Net gearing (%) (excl. perps)          | net cash | net cash | net cash | net cash | net cash |
| Net interest cover (x)                 | na       | na       | 2.1      | 3.0      | 3.2      |
| Debt/EBITDAR (x)                       | nm       | nm       | 3.5      | 2.8      | 2.7      |
| Capex/revenue (%)                      | 18.4     | 13.7     | 4.6      | 1.3      | 1.3      |
| Net debt/ (net cash)                   | 23,195.7 | 1,158.3  | 1,039.3  | 735.2    | 425.0    |

Source: Company; Maybank IBG Research

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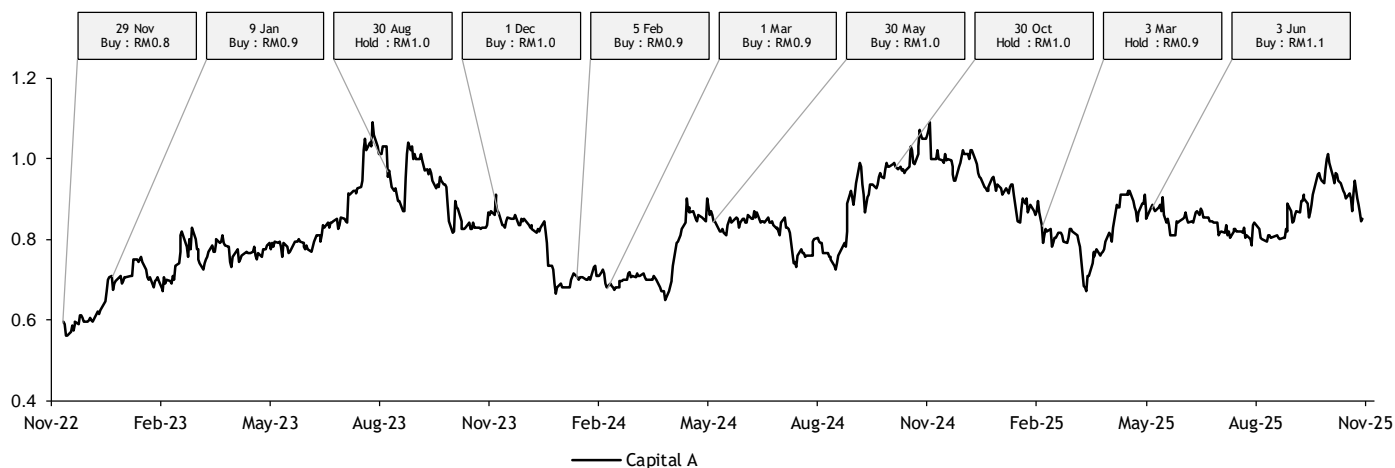
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