

Cebu Air, Inc. 1st Quarter 2018 Results of Operations

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Business Updates



CEB 1st Quarter 2018 highlights



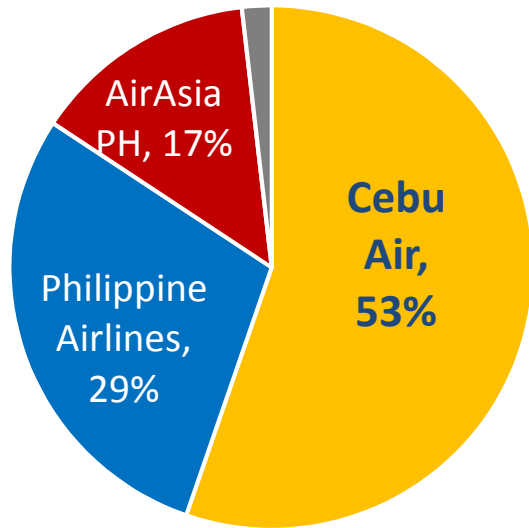
4.9Mn Pax 1.3% up	5.2B RPK 4.3% down	51.1Mn kg Cargo 26.5% up	108 Routes 63 Aircraft	PHP18.26Bn Rev 8.3% up
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82.6% SLF 1.2ppts down	6.4Bn ASK 6.9% down	13.1 hrs/day* 6.4 turns	63 Destinations 70% OTP	P2.264Bn EBIT 12.4% margin
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*Airbus fleet

1Q2018 market share



- 3.6 million passengers, 84.2% SLF
- Highest market share domestically
- 4.2 million seat capacity, up 4.8% yoy
- Market share greater than capacity share
- Most extensive network with 37 destinations, 71 routes, and c. 2000 weekly flights
- Launched Manila-Basco, Batanes daily flight starting March 25, 2018

Strategies to strengthen market leadership:

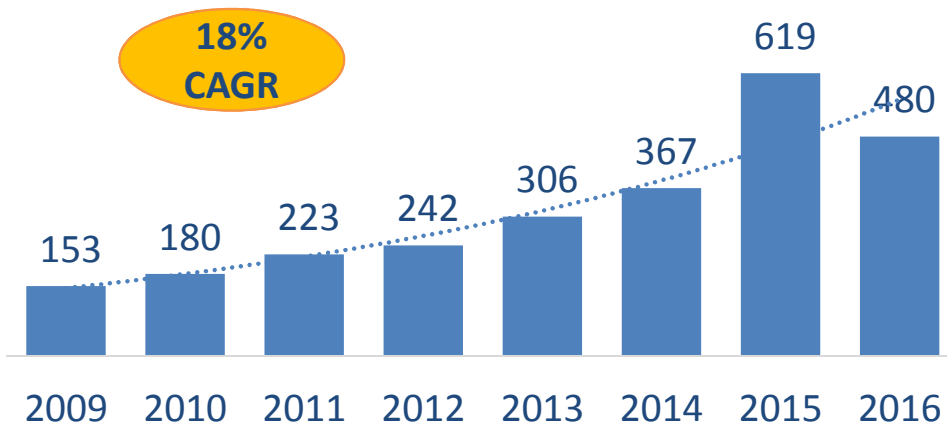
- Use of bigger aircraft to grow in Manila despite airport congestion
- Increase presence in other hubs and connect secondary cities
- With the Boracay island closure to tourists, offer alternative island destinations such as Palawan, Bohol, and Siargao

Siargao island: CEB as a catalyst for development

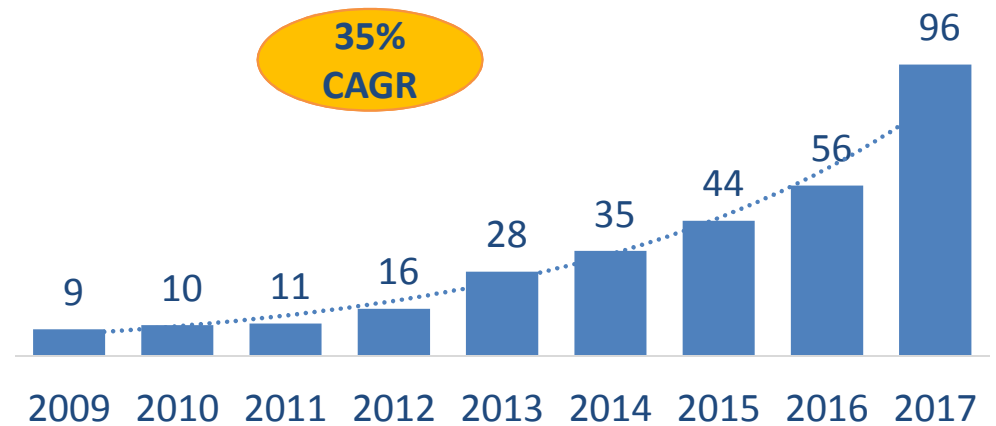


- A well known island paradise especially for surfers and beach lovers
- Catchment area of 105,430 people
- Previous option: fly to Cebu to Surigao (55 min) and take a bus for another 2 hours from Surigao to Siargao
- Now, direct flights to Siargao from Cebu (1h) or Manila (2h 20 min)

Surigao del Norte Tourist Arrivals (in '000)

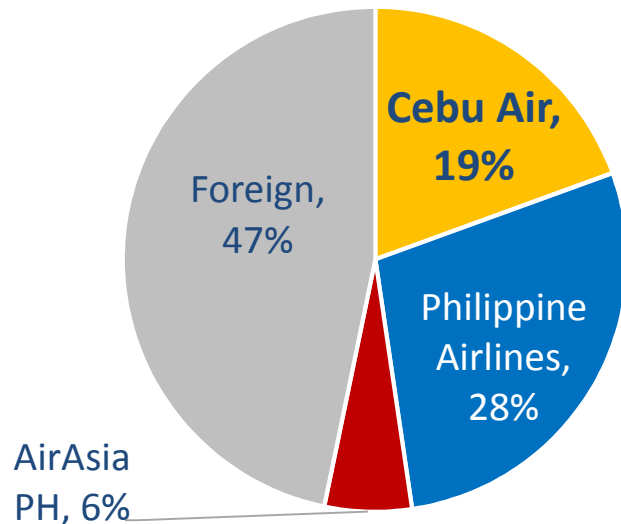


CEB's Siargao Passengers (in '000)



Source: PH Department of Tourism statistics

2017 market share



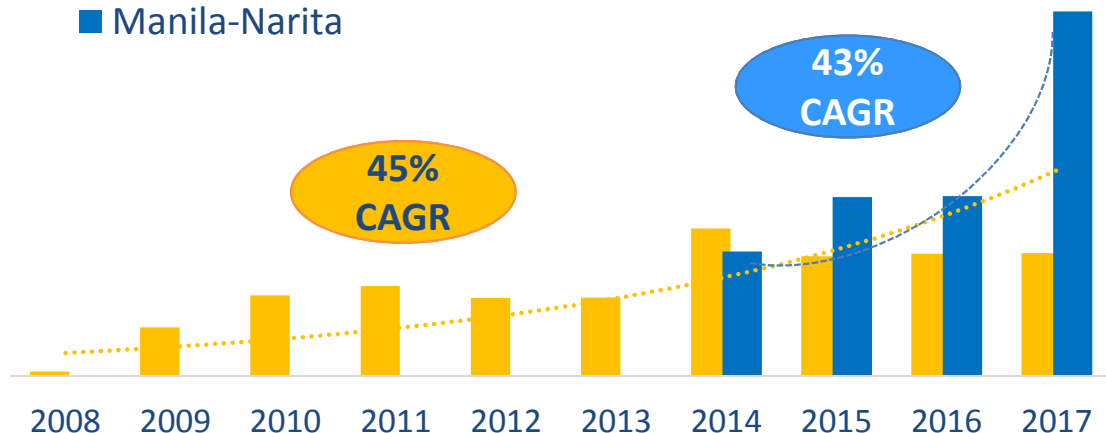
- 1.3 million passengers, up 4.1% yoy, 78.6% SLF
 - Short haul: 1.2M, up 10.2% yoy, 78.6% SLF
 - Long haul (Sydney and Dubai): 112k, up 5.2% yoy, 78.8% SLF
- 26 destinations, 37 routes, c.500 weekly flights
- High growth: Nagoya, Narita, Bali, Incheon, Xiamen and Bangkok
- May 2018 – launched sales office in Tokyo, Japan

International growth strategy:

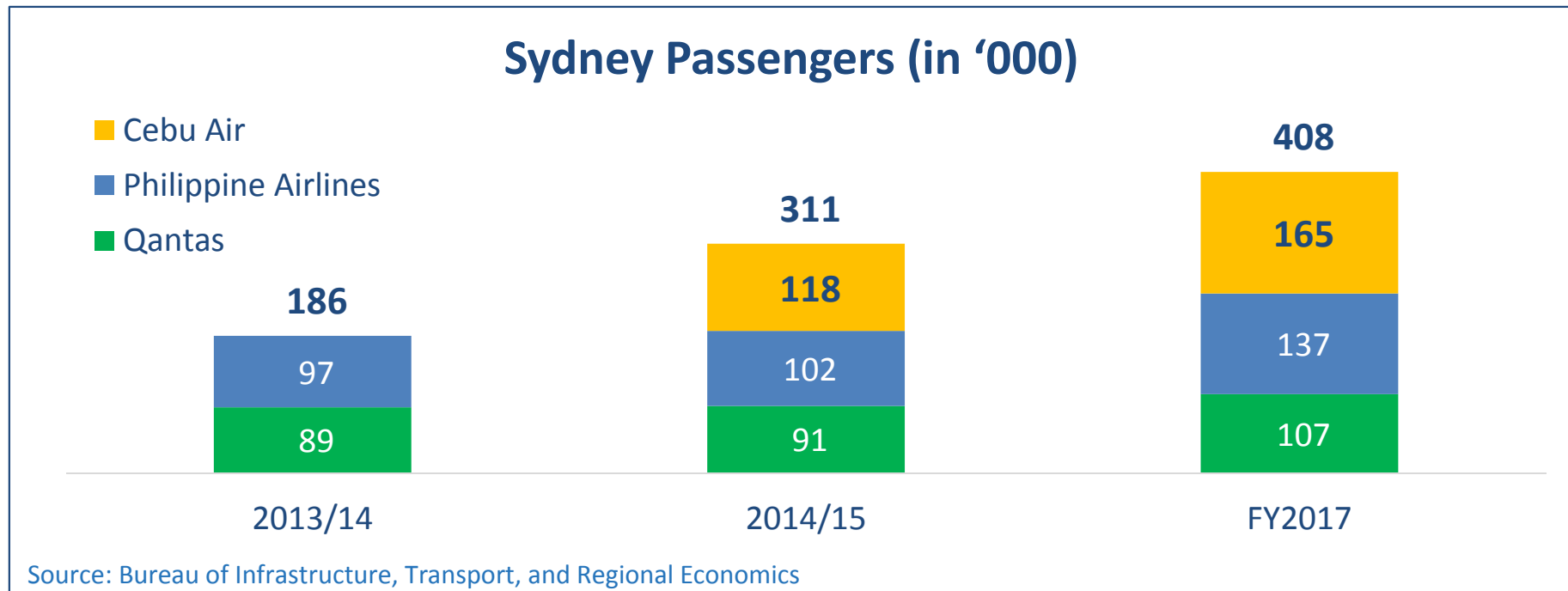
- Connecting secondary PH cities to international destinations
- Opening of organic sales offices in key markets such as Korea and Japan to increase presence and reach

CEB passenger growth for MNL-KIX and MNL-NRT

- Manila-Osaka
- Manila-Narita



Sydney: CEB grew demand



- Launched Manila-Sydney on Sep 2014
- Grew the market by 67% a year after launch
- CEB as market leader with 38% market share

- In 2017, CEB still the market leader with 40% market share

Financial Results



Income Statement Highlights



	1Q18	1Q17	% Change
Total Revenue (Php M)	18,261	16,864	8.3%
Passenger Revenue	13,676	12,277	11.4%
Ancillary Revenue	3,306	3,573	-7.5%
Cargo Revenue	1,279	1,015	26.0%
Average Yields	3,483	3,293	5.8%
Average fare/passenger	2,805	2,551	10.0%
Ancillary/passenger	678	742	-8.7%
Cargo yield / kg	25.0	25.1	-0.4%
Revenue/ASK (RASK)	2.86	2.46	16.3%
Cost/ASK (CASK)	2.50	2.08	20.2%
CASK ex-fuel	1.59	1.37	16.2%
Income (PHP million)			
EBITDAR	5,816	5,623	3.4%
EBIT	2,264	2,562	-11.6%
Pre-tax Core Income	2,015	2,332	-13.6%
Net Income	1,437	1,283	12.0%
Margins			
EBITDAR Margin	31.8%	33.3%	-1.5ppts
EBIT Margin	12.4%	15.2%	-2.8ppts
Pre-tax Core Margin	11.0%	13.8%	-2.8ppts
Net Margin	7.9%	7.6%	0.3ppts

- Lower ancillaries with less long haul flights, due to lower baggage and onboard meals sold.
- More A330 flights in short haul network increased cargo

	1Q18	1Q17	YoY
ASK (M)	6,389	6,864	-6.9%
Jet/bbl ¹	79.99	64.44	24.1%
P/US\$ ¹	51.49	50.00	3.0%
CASK-fuel	0.92	0.72	27.8%

- Higher Jet fuel cost, lower ASK, and peso depreciation drove fuel CASK up 27.8% yoy.
- Six A320 Sale and Leasebacks in 2017 increased AC Lease 20%, and maintenance provision for return cost 16% yoy.

Balance Sheet Highlights



In Millions of PHP	Mar. 31, 2018	Dec. 31, 2017	2018 vs 2017	
Cash	18,251	15,614	2,638	16.9%
Other current assets	6,967	6,078	890	14.6%
Property, plant & equipment	83,665	81,279	2,386	2.9%
Goodwill and others	8,166	6,106	2,059	33.7%
TOTAL ASSETS	117,049	109,077	7,973	7.3%
Current Debt	6,952	5,969	983	16.5%
Noncurrent Debt	36,731	35,013	1,718	4.9%
Other liabilities	32,144	28,309	3,835	13.5%
TOTAL LIABILITIES	75,827	69,291	6,536	9.4%
EQUITY	41,222	39,786	1,437	3.6%
Cash to Sales Ratio	26.29%	22.95%		
Current Ratio	0.75	0.74x		
Net debt ¹ to Equity	0.62	0.64x		
Adjusted Net debt ² to Equity	1.69	1.73x		

→ New PPE and Debt:

- 1 new A321CEO
- 1 new ATR 72-600

→ **Other assets include** advance payment to suppliers

→ Loans breakdown Php vs USD:

	1Q18	FY17
USDM	568	549
PHPM	14,080	13,546

NOTE:

¹Net debt is total debt less cash and cash equivalents

²Adjusted net debt is net debt plus capitalized lease and ARO liability based on the present value of future operating lease commitments.

Cash Flow Highlights



in Millions of PHP	1Q18
CASHFLOWS FROM OPERATING ACTIVITIES	
Income after noncash adjustments	4,291
Net changes in working capital	2,716
Interest and taxes paid – net	(330)
Net cash provided by operating activities	6,678
CASHFLOWS FROM INVESTING ACTIVITIES	
Acquisition of PPE	(4,110)
Dividends from JVs	42
Other non-current assets	(2,015)
Net cash used in investing activities	(6,082)
CASHFLOWS FROM FINANCING ACTIVITIES	
Proceeds from borrowings	3,280
Repayment of debt	(1,776)
Net cash used in financing activities	1,504
Net foreign exchange difference	539
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,638
CASH AND CASH EQUIVALENTS, beginning	15,614
CASH AND EQUIVALENTS, END	18,251

Investing activities

- ➔ **Additions to PPE:** Pre-delivery payments and final payments for 1 A321 CEO and 1 ATR 72-600
- ➔ **Other non-current assets:** Advance payment to MRO provider of A330 fleet
- ➔ **Php3.3B Loan availment:** for 2 AC deliveries in 1Q18

Outlook



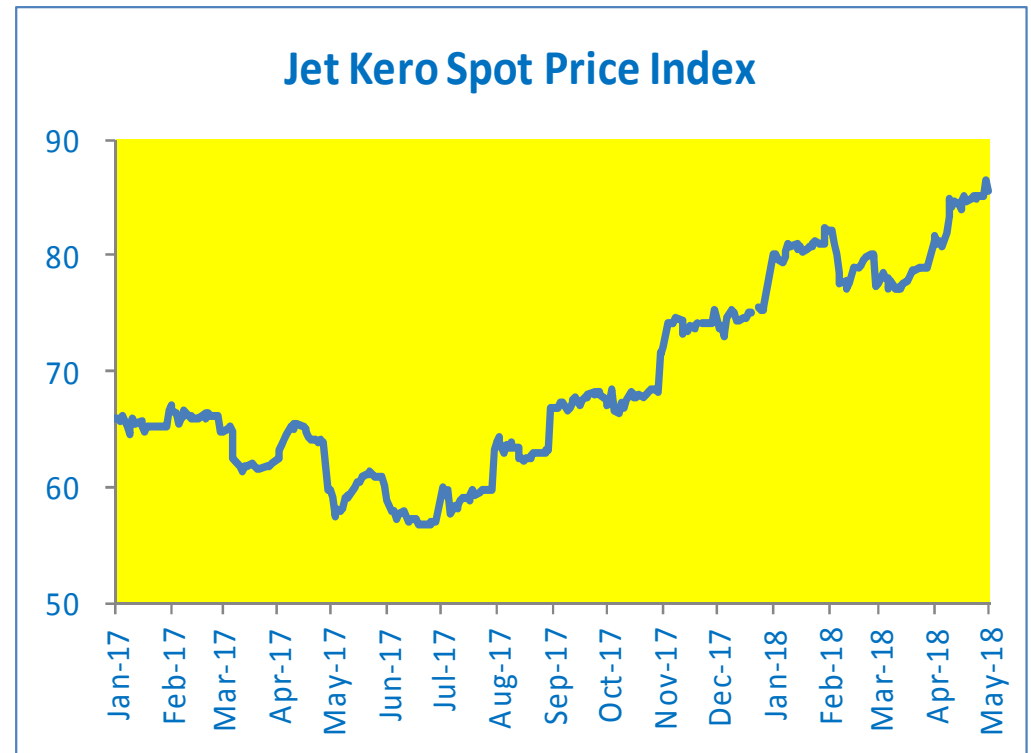
Fuel and Forward Bookings



→ As of May 9, 2018, Jet Kero closed at \$88.97/bbl

Jet Kero	Close	Average YTD
Mar 31, '18	\$79.00/bbl	\$79.99/bbl
Dec 31, '17	\$75.45/bbl	\$65.31/bbl
Mar 31, '17	\$61.92/bbl	\$64.44/bbl

- Hedge ratio:
 - 35% for 2018, 22% for 2019 and 7% for 2020
- Using collars more than swaps; layering
- Matching Forward booking levels:
 - 5-mo booking at 26.3% of seats, up 7.3%
 - 5-mo forward capacity up 11.0%



Data source: Bloomberg

Forex and Interest

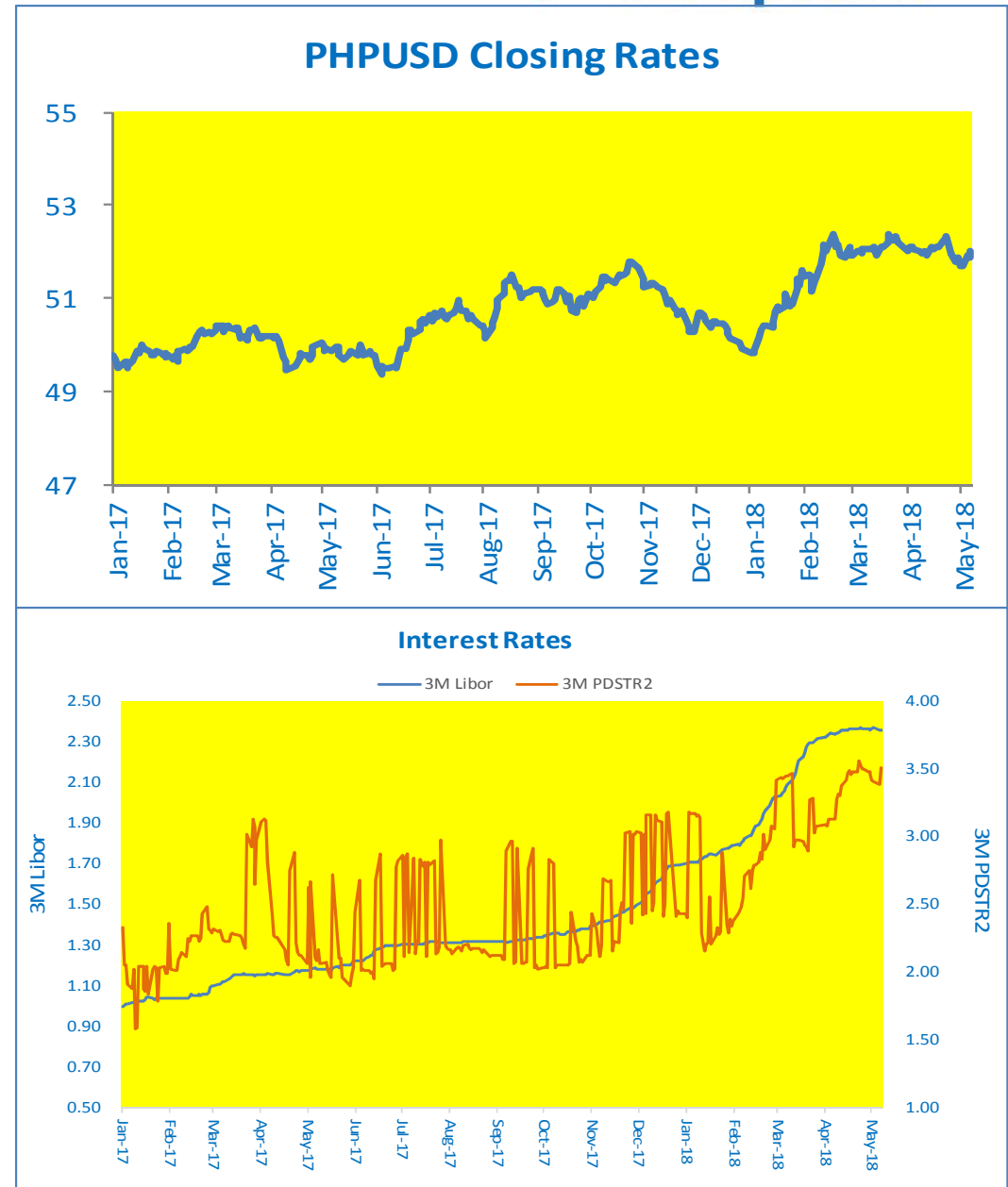


➔ As of May 9, 2018, USDPHP closed at P52.02/\$

PHPUSD	Close	Average YTD
Mar 31, '18	P52.16/\$	P51.49/\$
Dec 31, '17	P49.93/\$	P50.40/\$
Mar 31, '17	P50.16/\$	P50.00/\$

- ➔ Cash management solution
- ➔ Short-term/tactical hedging
- ➔ Shift to local aircraft financing

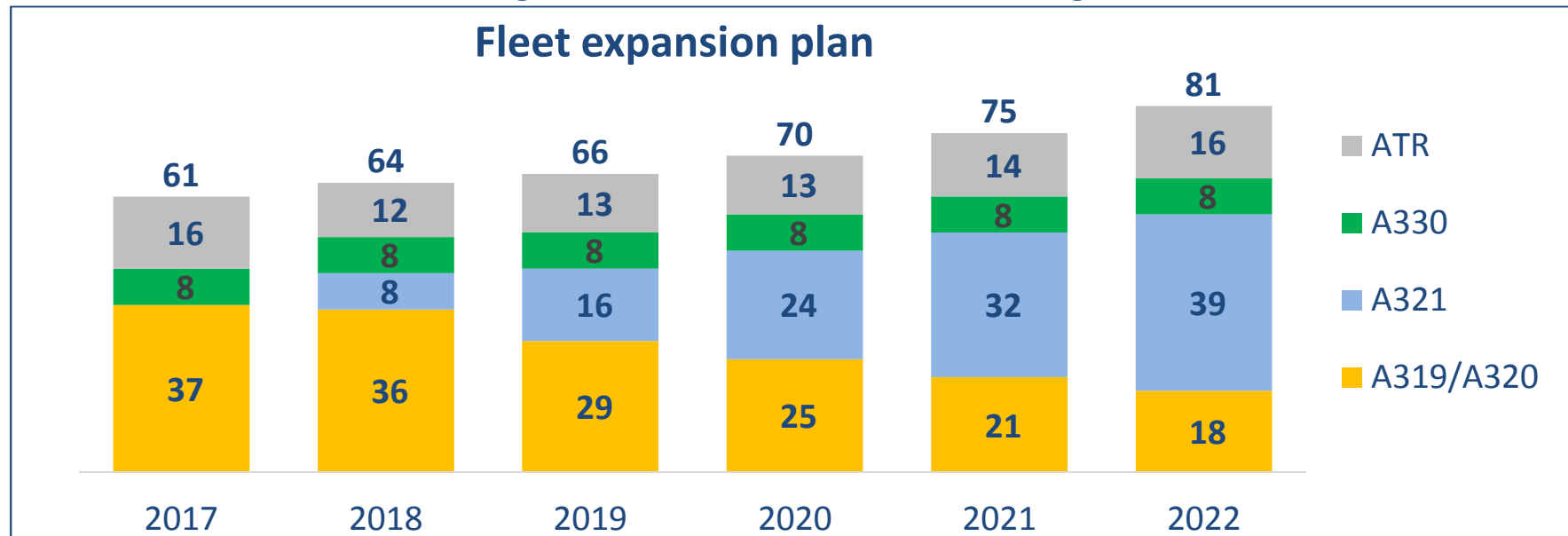
Rates	1Q18	1Q17	YOY
3M-Libor	1.925	1.071	79.8%
3M-PDSTR2	2.812	2.208	27.3%
Diff	0.887	1.374	-22.0%
Interest exp. (Php)	363.1M	308.1M	17.9%
Loans, end (Php)	43,683	42,709	2.3%



CEB growth strategy: Going Bigger, Farther, Smarter



- **Go Bigger** – upsize strategy with A330s & A321s for a conservative but flexible fleet expansion plan
 - Current fleet of 65: 4 A321CEO, 36 A320, 8 A330, 8 ATR 72-500, and 9 ATR 72-600
 - 2018: 3 more A321CEOs, 1 A321 NEO, and 3 more ATR 72-600 deliveries; 8 ATR 72-500 exits
 - By 2022: 7 A321CEO, 32 A321 NEO, 18 A320, 8 A330, 16 ATR 72-600
- **Go Farther** – both international and domestic
 - Organic sales office in key international markets
 - More domestic island destinations using ATRs ex Manila
- **Get Smarter** – effective network management, fleet planning and financing
 - Better forecasting and yield management
 - Sale and leaseback, refinancing on mid-life A320; new financing for A321NEOS



Thank you

