KSI Research

Company Update

KIWOOM SEKURITAS INDONESIA

✈️ GIAA – PRIVATE PLACEMENT: Prove It with Numbers & Timeline, Not Promises

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💰 Plan and Fund Allocation:

- **Value around US$1.85 billion (approximately Rp30.5 trillion) through the issuance of about 407.9 billion shares at Rp75 per share;** Composition: Around US$1.44 billion in cash and shareholder loan (SHL) conversion of around US$405 million. The EGM is scheduled for 12 November 2025.
- **Use of proceeds:** 29% for working capital and operations; 37% for capital injection into Citilink for working capital and operational recovery of the fleet; 22% for fleet expansion of Garuda and Citilink (plan to add more than 100 aircraft by 2029); 12% for capital injection into Citilink for the repayment of jet fuel purchase debts to Pertamina.

📝 Financial Impact:

- **Equity turns positive:** From around negative US$1.5 billion as of 30 June 2025 to around positive US$350 million after the transaction. This opens the opportunity to meet the requirements to exit the Special Monitoring Board (FCA), provided the company meets the exchange criteria.
- **Liquidity and solvency improve:** Cash and cash equivalents increase by around US$1.44 billion; Current ratio rises from 0.44x to 1.53x; Debt-to-Asset ratio decreases from 123% to 96%. The company targets a positive working capital position.
- **Interest expenses and debt decline:** SHL conversion of around US$405 million directly reduces interest-bearing liabilities; the SHL was previously disbursed gradually from June to September 2025 (around Rp6.65 trillion).
- **Operational flexibility improves:** Large allocation to Citilink and fleet maintenance enhances utilization and service reliability, supporting improvements in load factor and yield; profitability remains influenced by cost efficiency, jet fuel prices, exchange rate, and demand.

⚖️ Will debt decrease significantly and expansion become smoother?

Yes, from a financial structure standpoint: The improvement in the Debt-to-Equity ratio through the Debt-to-Equity swap of SHL and repayment space from new cash funds strengthens solvency and opens gradual expansion room (fleet and route growth). However, profit recovery still depends on operational execution and market conditions.

Valuation and Stock View:

Structurally positive but with execution risk and significant dilution due to new share issuance. A wiser approach for retail investors is to wait for certainty on EGM results and realization of cash/loan conversion, the official post-transaction pro forma report, as well as evidence of improvements in operational indicators (load factor, punctuality, yield) and fleet/route plans.

KIWOOM RESEARCH OPINION

The private placement of around US$1.85 billion has the potential to turn GIAA's equity positive at around US$350 million, lift the Current ratio to around 1.5x, and cut liabilities through the conversion of around US$405 million in loans. **Value for shareholders, however, only materializes if after the 12 November EGM management executes cost discipline, improves fleet utilization, and strengthens governance. Danantara's role must be more than just capital:** *It must enforce hard KPIs and transparency—tying them to management incentives and a 6–12 Month deadline.*

Key KPIs to Monitor:

- **CASK ex-fuel (Cost per Available Seat Kilometer, excluding jet fuel):** Downtrend YoY and vs internal guidance.
- **Load factor:** Consistently >80%.
- **OTP (On-time performance):** >85% sustainably.
- **Yield per RASK (Revenue per Available Seat Kilometer):** Uptrend, not merely driven by fuel surcharge.
- **Operating cash flow:** Positive quarterly; Capex under control.
- **Leverage:** Gradual reduction (e.g., net debt/EBITDA decreases quarter-on-quarter).
- **Key contracts:** Extension/renegotiation of leasing, maintenance, and jet fuel agreements that clearly result in cost savings.

: *Global airlines can be profitable through capacity discipline and efficiency; Garuda can too—as long as governance and execution are truly tightened, not just talked about.*

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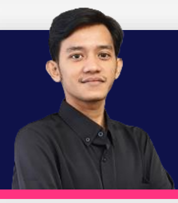

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