

Saudi Arabia to invest in AirAsia

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Riyadh : Saudi Arabia's sovereign wealth fund is set to invest approximately \$100 million in the Malaysian airline group AirAsia, according to sources familiar with the matter, bolstering the Gulf kingdom's ties with a region crucial for tourism. Following the news, shares saw a rise.

The Public Investment Fund (PIF) is expected to play the leading role in an AirAsia fundraising effort aimed at raising about 1 billion ringgit (\$226 million), the sources said, requesting anonymity due to ongoing discussions. The Malaysian airline group is also in talks with other potential investors, including from Singapore and Japan, the sources added.

An announcement could be made within weeks, though the people cautioned that an agreement isn't certain and could still fall through.

AirAsia is seeking funds to reboot its growth ambitions after years of Covid-induced losses. The low-cost airline group is offering outside investors a stake of as much as 15% at a valuation of \$2 billion, one of the people said. The timing is key as controlling shareholder Capital A Bhd nears approval to restructure ownership of the airline and merge its aviation businesses into sister firm AirAsia X Bhd.

Representatives for the Public Investment Fund and AirAsia declined to comment. Capital A shares rose as much as 1.8pc in Kuala Lumpur on Friday, while AirAsia X climbed 6.5pc.

One of the key attractions to AirAsia is its backlog of over 350 narrowbody aircraft booked with European planemaker Airbus SE. The carrier has an all-Airbus fleet of narrowbodies that currently stands at 225 planes.

Saudi startup airline Riyadh Air, which is owned by the fund, recently took over a chunk of those delivery slots from AirAsia, the people said. The move helped AirAsia owner Tony Fernandes to drop commitments to jets, pushing out financing obligations in the near-to-medium term.

The swap gives Riyadh Air access to much-needed aircraft — it's set to launch later this year but only has one technical spare. Riyadh Air was preparing to buy 100 Boeing Co. 737 jets, but decided to opt for the AirAsia Airbus slots instead, the people said.

PIF has several aviation assets within the kingdom, including an aircraft leasing company, a helicopter unit, and space and defense firms. The fund, which manages about \$930 billion in assets, also owns a 15% stake in London's Heathrow Airport.

Crown Prince Mohammed Bin Salman, who chairs the fund, is working to turn Saudi Arabia into a travel hub and diversify beyond an oil-based economy. The center piece is Neom, a new \$1.5 trillion city being erected on the west coast. The kingdom has also channeled billions of dollars into global sports such as soccer, auto racing, golf and tennis.

AirAsia parent Capital A has been classified as financially distressed by the Malaysian bourse since the pandemic. It had to abort its attempt to list its brand unit in the US via a SPAC last year. That deal that would have raised over \$1 billion.

AirAsia is aiming to bring in new investors before targeting another aircraft order, this time for around 100 regional jets — either the Airbus A220 and the Embraer E2.

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