

20th JANUARY 2021

WEBINAR

TAKING STOCK - PROSPECTS FOR THE WORLD'S AIRLINES IN 2021

SPEAKERS

GUEST SPEAKER

Eddy Pieniazek **Head of Advisory, Ishka**

Eddy has supported thousands of aircraft transactions during his 35 years' career, advising leaders of the world's top aviation finance, investment and leasing companies, airlines and manufacturers. A respected and valued influencer. Eddy was one of the original pioneers of today's aircraft valuation and appraisal industry.

SPEAKER

John Grant **Senior Analyst** **OAG**

With a wealth of experience across the global aviation industry, John provides expert commentary on market developments for OAG, making connections between what the data is telling us and the trends and events occurring in the sector.

MODERATOR

Becca Rowland **Partner, MIDAS Aviation**

Becca is a partner in an aviation consultancy providing meaningful insight and analysis to clients around the world. She works closely with OAG on their data analysis and publications.

GUEST SPEAKER

Siddharth Narkhede **Analyst, Ishka**

Siddharth has over seven years' experience in aviation research and analysis. He has a strong background in airline financial research and strategic analysis and has written many business and credit research reports on airlines and other industries alike. Siddharth is an integral part of Ishka's advisory team responsible for development of Airline Credit Profiles and bespoke aviation consultancy projects.

TAKING STOCK – PROSPECTS FOR THE WORLD'S AIRLINES IN 2021

OAG®

We aim to consider

- Update on the latest position regarding frequency and capacity
- Will vaccine roll-outs get the world moving again?
- What do airline stock prices tell us about market confidence?
- Airline performance going into 2021

Followed by your
Questions and Answers

MAKE SMARTER MOVES

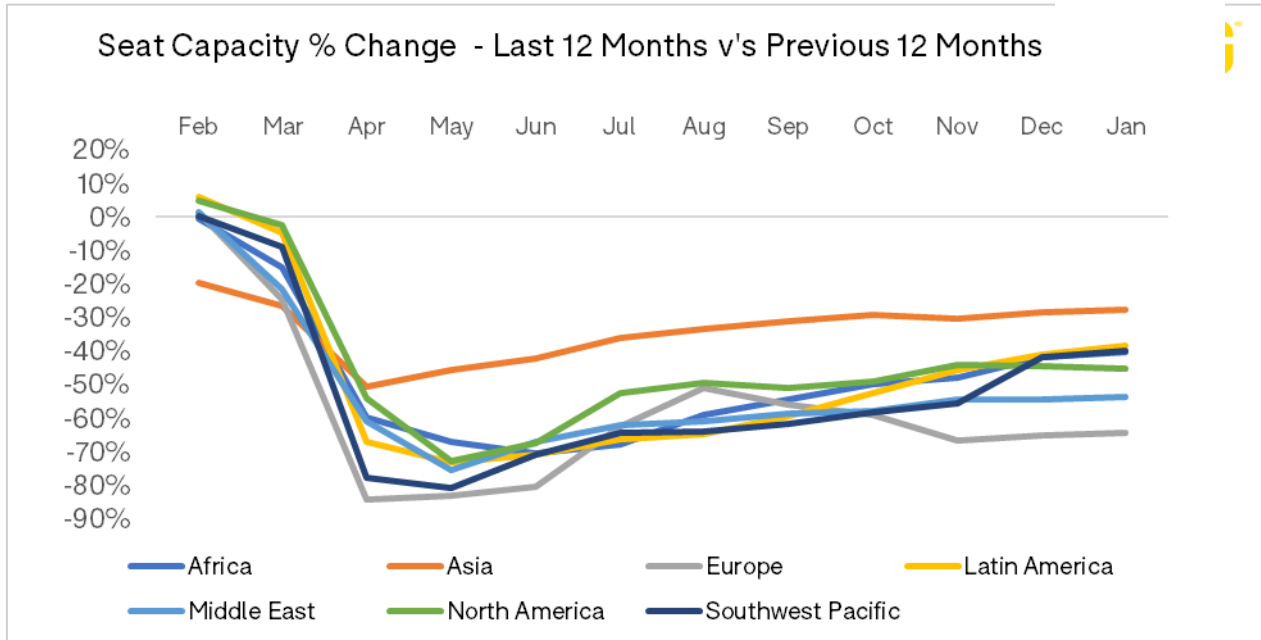
CAPACITY OVER THE PAST 12 MONTHS



Scheduled Seats by Month by Region

Month compared with equivalent month in previous year

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
GLOBAL	2%	-4%	-16%	-63%	-68%	-64%	-53%	-48%	-48%	-46%	-46%	-44%
Africa	-1%	-15%	-60%	-67%	-71%	-68%	-59%	-54%	-50%	-48%	-42%	-40%
Asia	-20%	-26%	-51%	-46%	-42%	-36%	-33%	-31%	-29%	-30%	-28%	-28%
Europe	1%	-25%	-84%	-83%	-81%	-63%	-51%	-56%	-59%	-67%	-65%	-64%
Latin America	6%	-5%	-67%	-73%	-71%	-67%	-65%	-60%	-53%	-46%	-41%	-38%
Middle East	1%	-22%	-61%	-76%	-67%	-62%	-61%	-59%	-58%	-54%	-54%	-54%
North America	5%	-2%	-54%	-73%	-67%	-53%	-50%	-51%	-49%	-44%	-45%	-45%
Southwest Pacific	0%	-9%	-78%	-81%	-71%	-65%	-64%	-62%	-58%	-56%	-42%	-40%



Scheduled Seats by Week by Region

Week compared with equivalent week in previous year

	30-Nov	07-Dec	14-Dec	21-Dec	28-Dec	04-Jan	11-Jan	18-Jan
GLOBAL	-46%	-46%	-43%	-40%	-41%	-43%	-46%	-47%
Africa	-53%	-50%	-48%	-47%	-47%	-47%	-47%	-50%
Asia	-32%	-32%	-32%	-32%	-31%	-34%	-37%	-39%
Europe	-73%	-72%	-65%	-61%	-63%	-62%	-70%	-73%
Latin America	-46%	-45%	-43%	-41%	-40%	-38%	-40%	-41%
Middle East	-57%	-57%	-59%	-57%	-58%	-56%	-56%	-56%
North America	-47%	-49%	-45%	-41%	-40%	-45%	-47%	-48%
Southwest Pacific	-60%	-55%	-52%	-47%	-55%	-54%	-54%	-61%

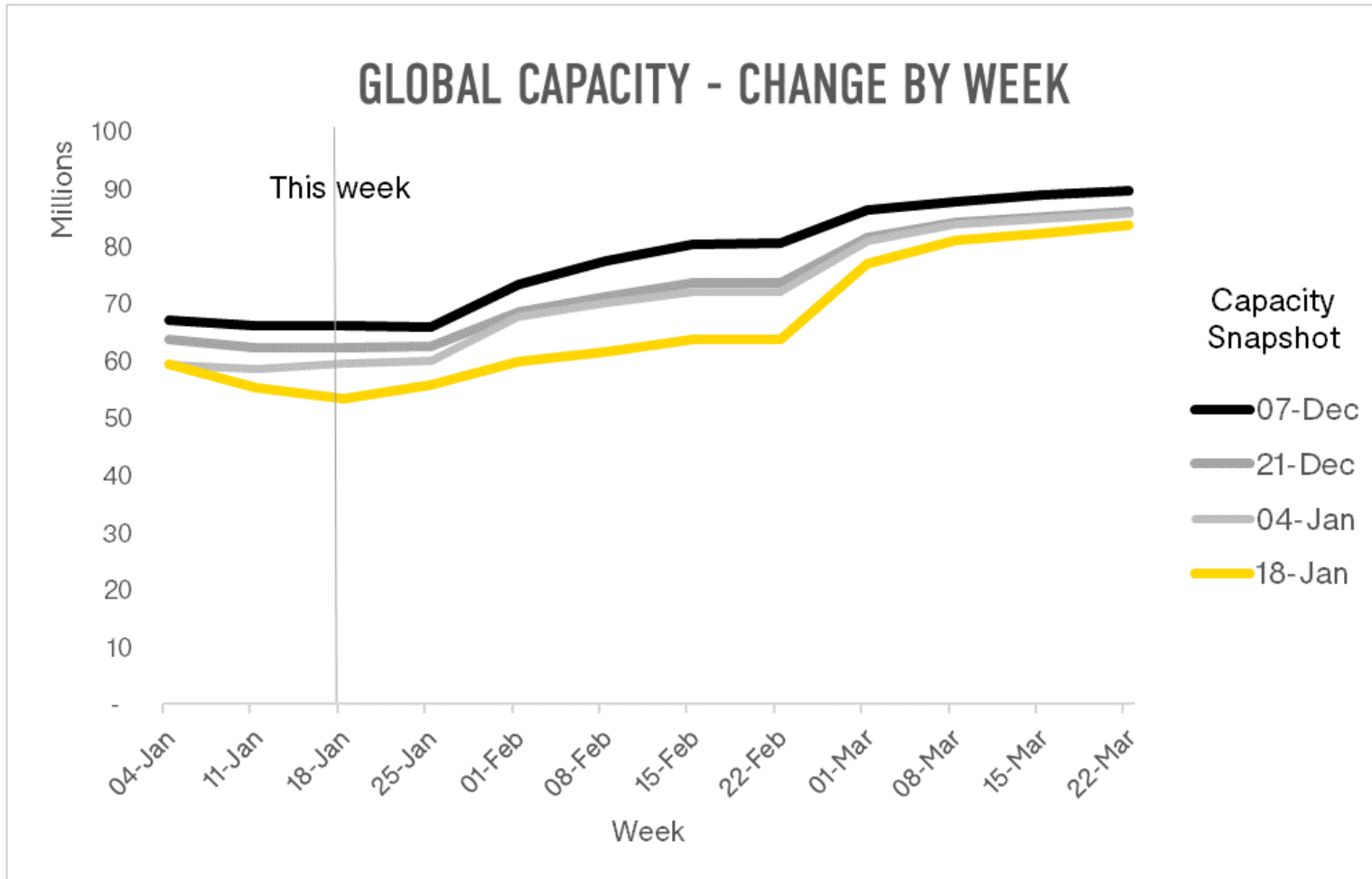
CAPACITY OVER THE PAST 8 WEEKS

Top Countries – capacity vs same week last year

	30-Nov	07-Dec	14-Dec	21-Dec	28-Dec	04-Jan	11-Jan	18-Jan
Global	-45.8%	-46.1%	-43.5%	-40.5%	-40.7%	-43.3%	-46.0%	-47.3%
Australia	-56.9%	-51.0%	-45.5%	-38.0%	-48.2%	-47.8%	-46.9%	-55.0%
Brazil	-42.6%	-40.9%	-37.6%	-34.6%	-34.4%	-31.1%	-33.7%	-34.9%
China	-2.2%	-2.2%	-3.0%	-3.8%	-2.5%	-9.4%	-13.3%	-12.3%
France	-77.7%	-77.4%	-61.5%	-49.7%	-51.4%	-59.2%	-63.3%	-65.1%
Germany	-82.8%	-82.2%	-76.6%	-72.1%	-75.4%	-76.7%	-81.0%	-84.1%
India	-39.4%	-38.3%	-36.4%	-34.2%	-33.5%	-33.2%	-32.3%	-31.5%
Japan	-33.4%	-35.2%	-36.4%	-36.5%	-37.1%	-39.4%	-41.5%	-41.5%
Mexico	-34.7%	-34.6%	-31.5%	-29.8%	-31.2%	-27.8%	-30.4%	-31.1%
Singapore	-89.8%	-89.2%	-89.0%	-89.1%	-88.5%	-88.7%	-88.6%	-88.3%
South Africa	-47.5%	-40.3%	-38.5%	-41.0%	-42.9%	-48.6%	-49.1%	-56.5%
South Korea	-43.9%	-48.3%	-50.3%	-48.4%	-49.4%	-53.0%	-52.1%	-52.2%
Spain	-69.1%	-67.9%	-61.8%	-60.8%	-59.9%	-58.7%	-68.4%	-71.9%
UAE	-60.2%	-59.7%	-60.7%	-57.2%	-58.7%	-57.7%	-57.8%	-58.1%
United Kingdom	-84.9%	-80.9%	-73.5%	-68.0%	-74.0%	-76.3%	-83.7%	-87.2%
USA	-43.3%	-45.9%	-42.2%	-37.8%	-36.4%	-42.0%	-43.6%	-44.0%

1Q GLOBAL CAPACITY

58m seats removed over past 2 weeks



Of the 58m seats

- North America 35%
- Asia 30%
- Europe 25%

VACCINE ROLL OUT

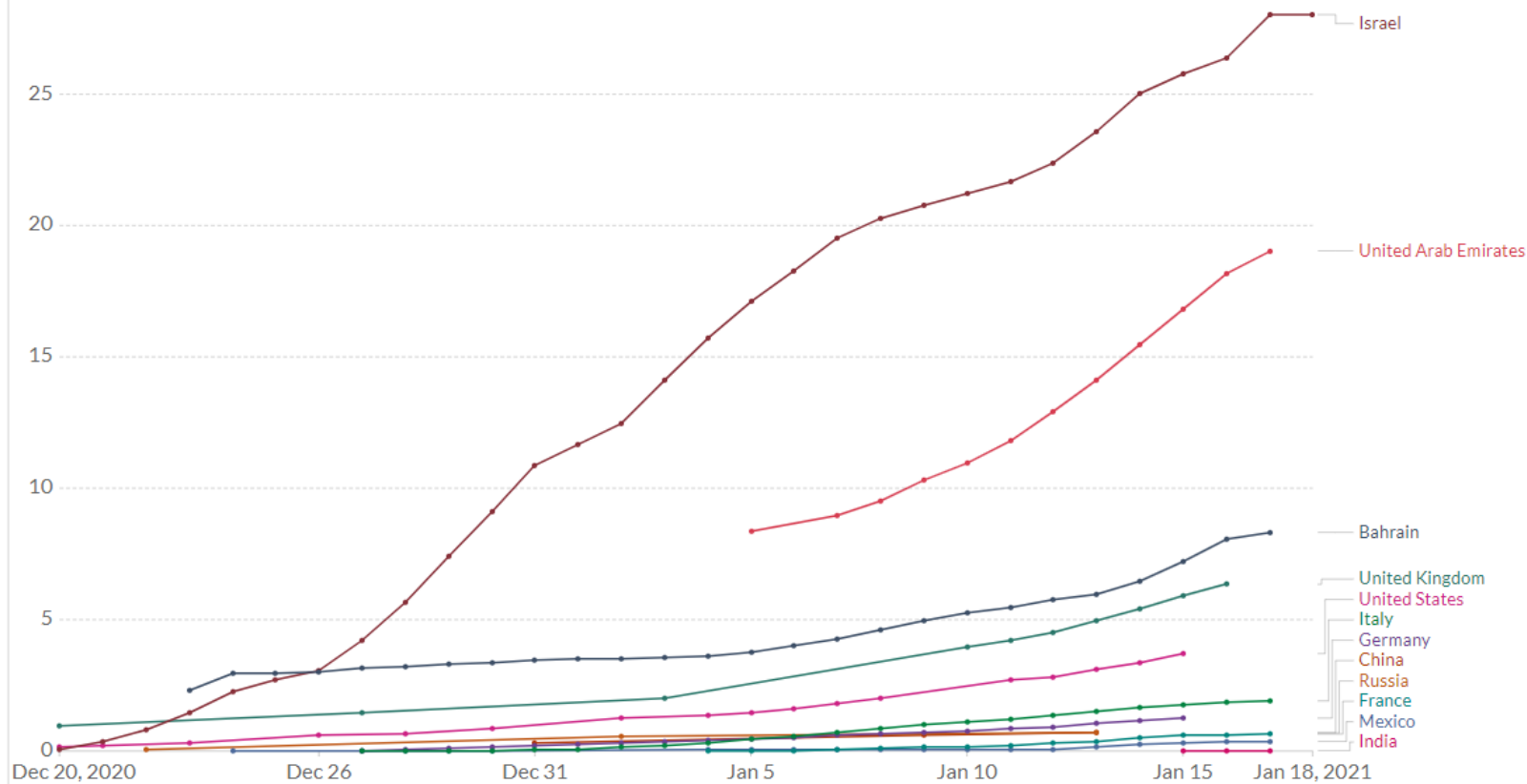
How soon will it make a difference?

Cumulative COVID-19 vaccination doses administered per 100 people

This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).



LINEAR LOG

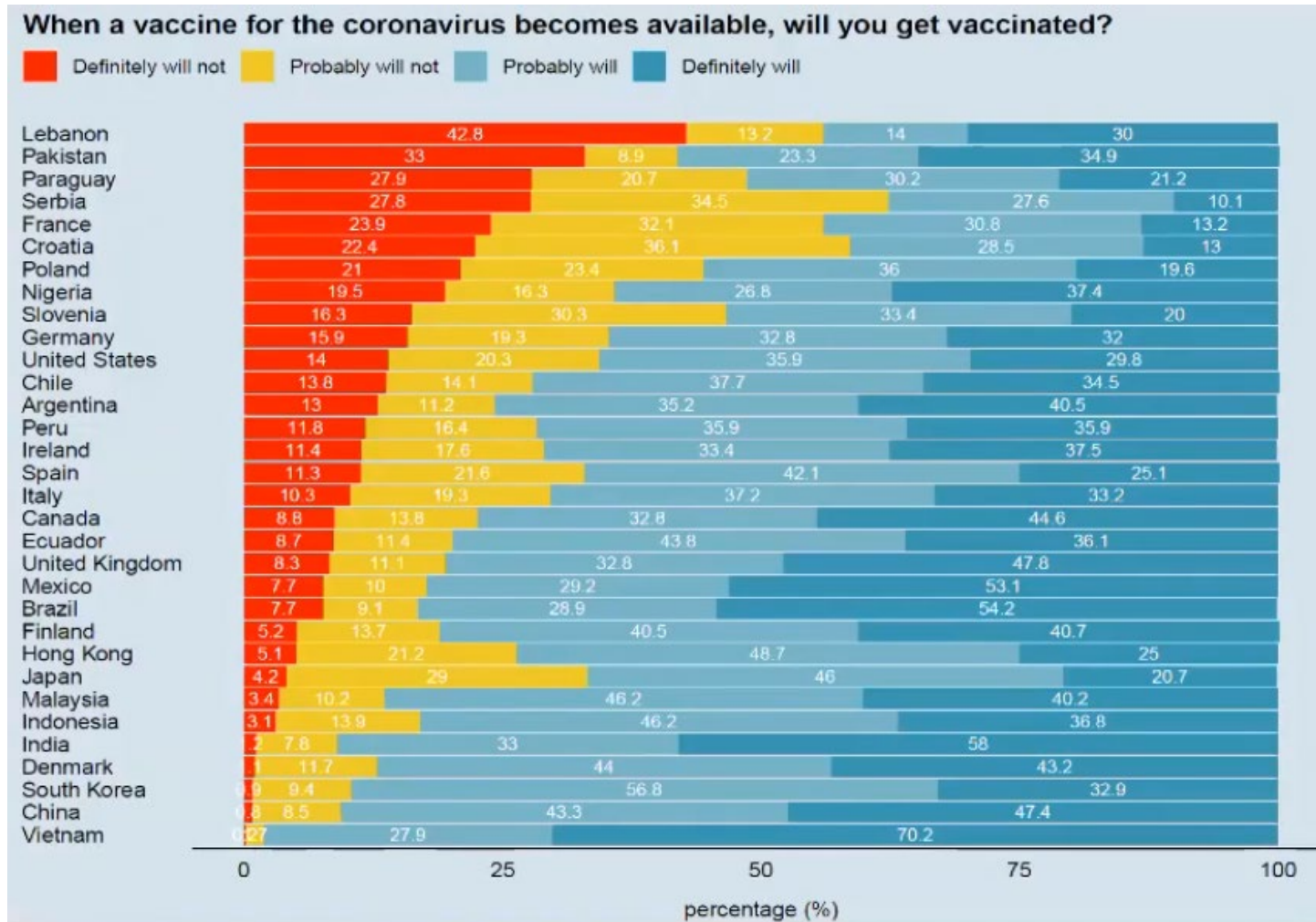


Source: Official data collated by Our World in Data - Last updated 18 January, 10:10 (London time)

CCBY

ANTI VACCINE SENTIMENT

What to do about those who are resistant?

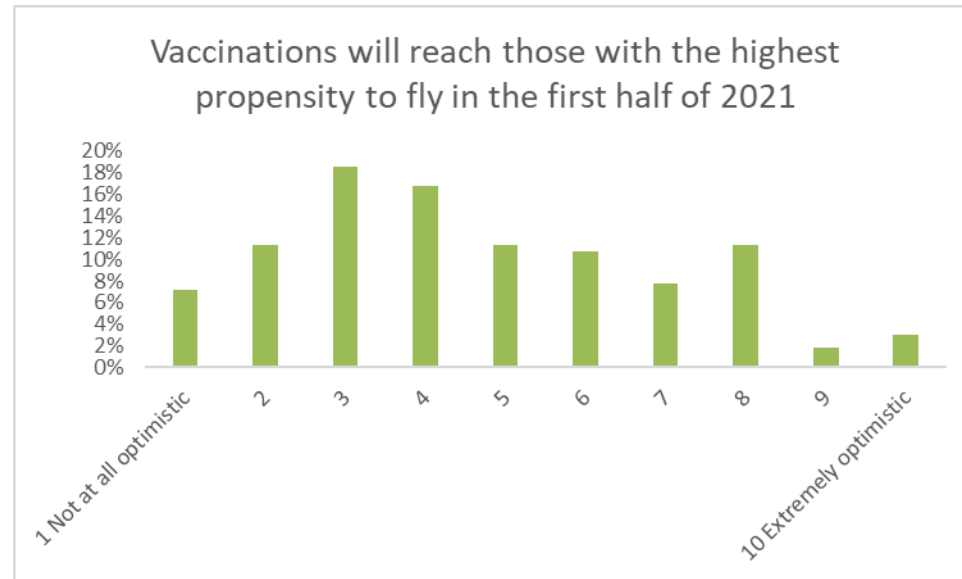
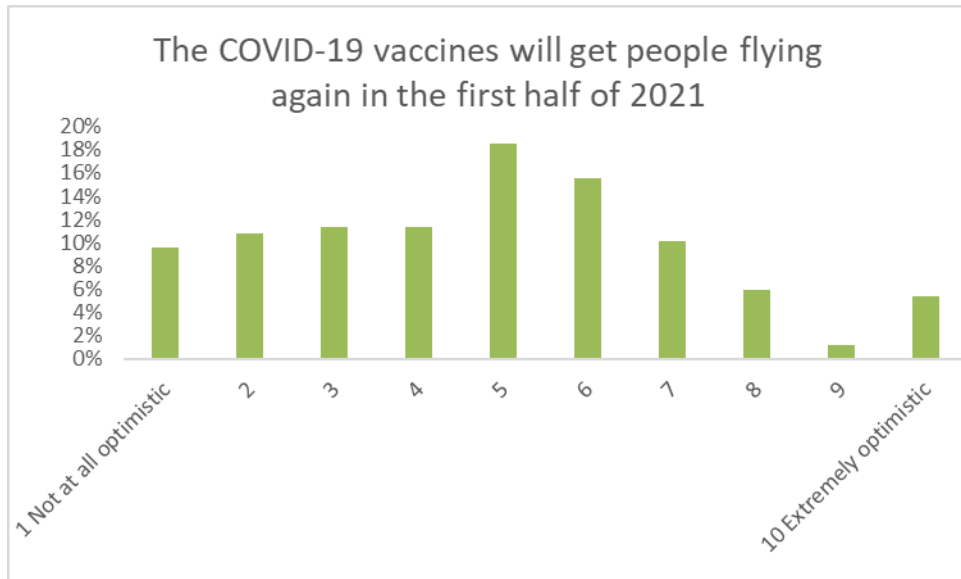


WILL THE VACCINE MAKE A DIFFERENCE TO FLYING?



What do OAG customers say?

OAG sent survey to webinar participants, customers and other contacts in December 2020 to gauge industry sentiment.



No consensus on when vaccines will get people flying again but general sense is that those most likely to fly will wait longer

WILL THE VACCINE MAKE A DIFFERENCE TO FLYING?

Vaccines as an enabler, but not a solution

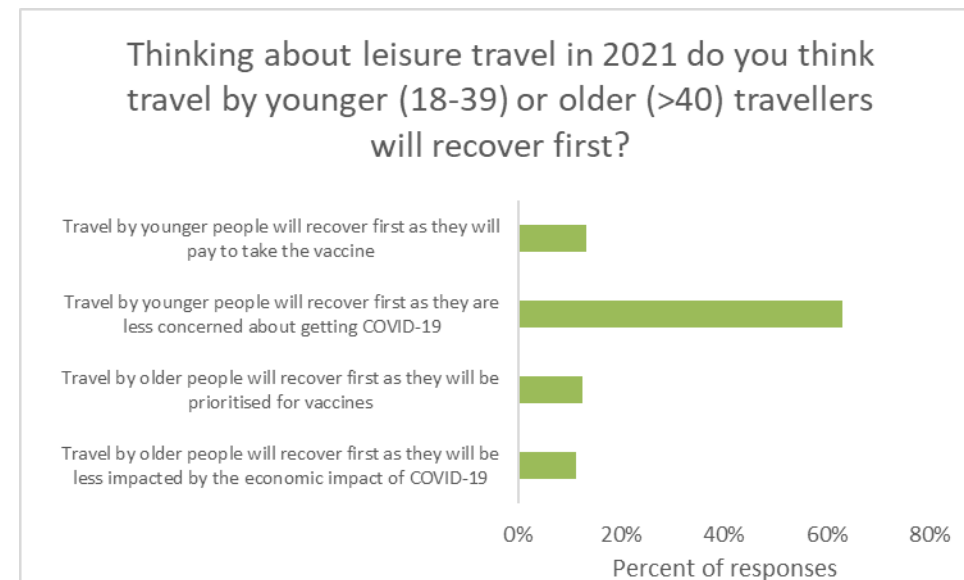
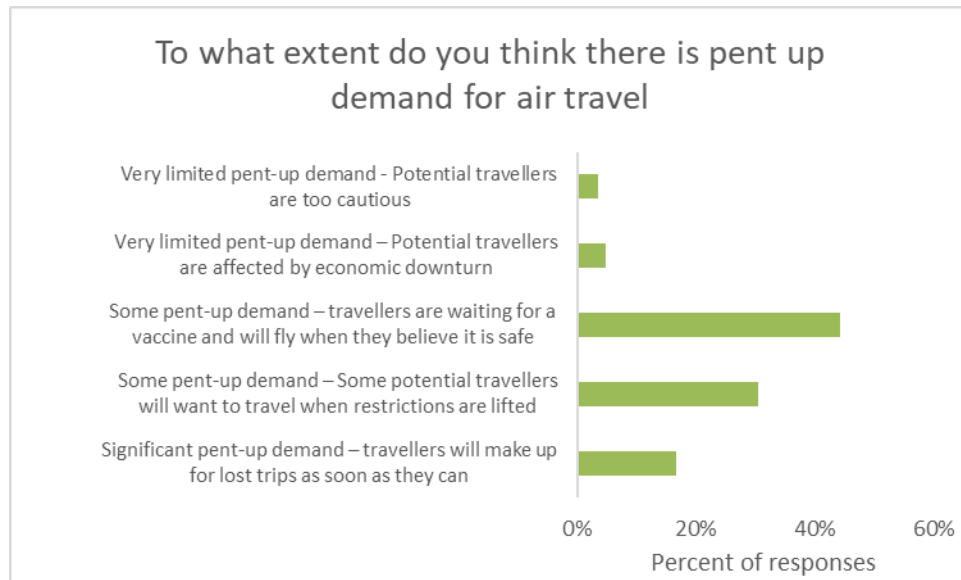
- Vaccine roll out will take time
- Will enable travel in regions with high coverage eg North America, Europe, North Asia
- Expect continuation of bubbles, corridors and lifting and imposition of restrictions for some time
- The Vaccination Credential Initiative (includes Microsoft, Oracle, The Commons Project, Mayo Clinic and others) creating digital vaccination passport



TRAVELLER SENTIMENT – WHO WILL FLY?

Permanent loss of some business travel

- Major companies announcing permanent reductions in business travel include Deloitte, PwC, Nestle, Allied Irish Bank (FT, 14 Jan 2021)



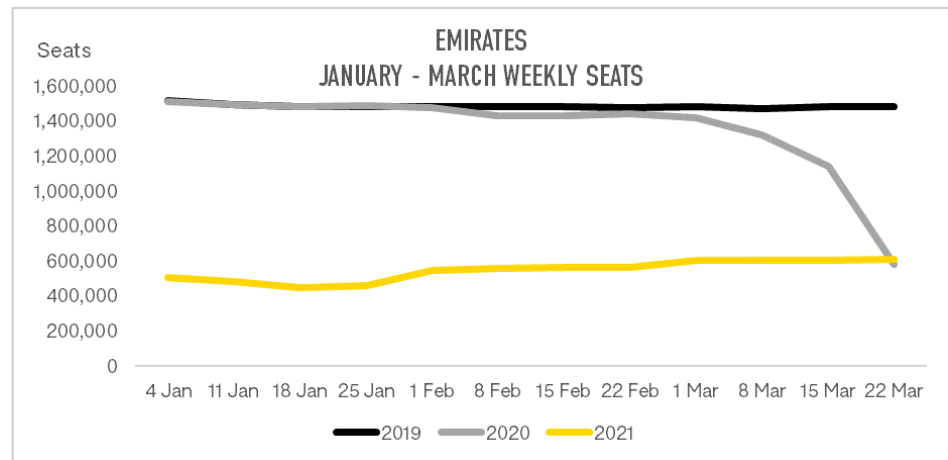
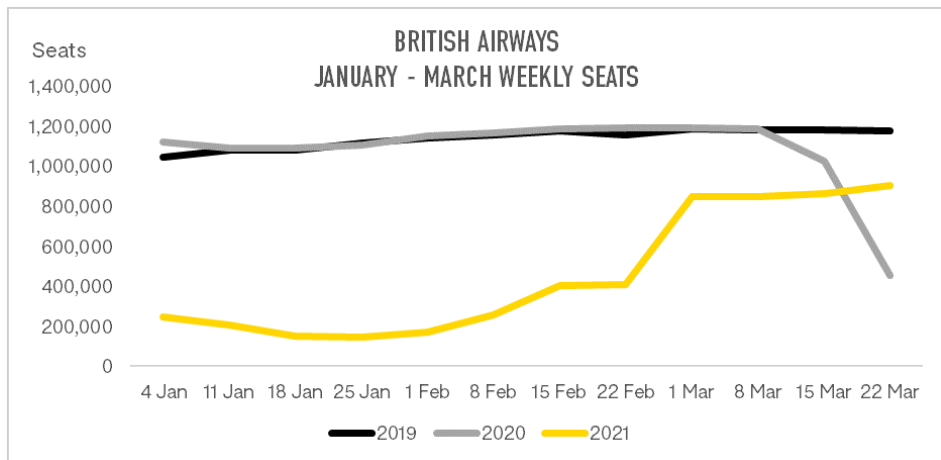
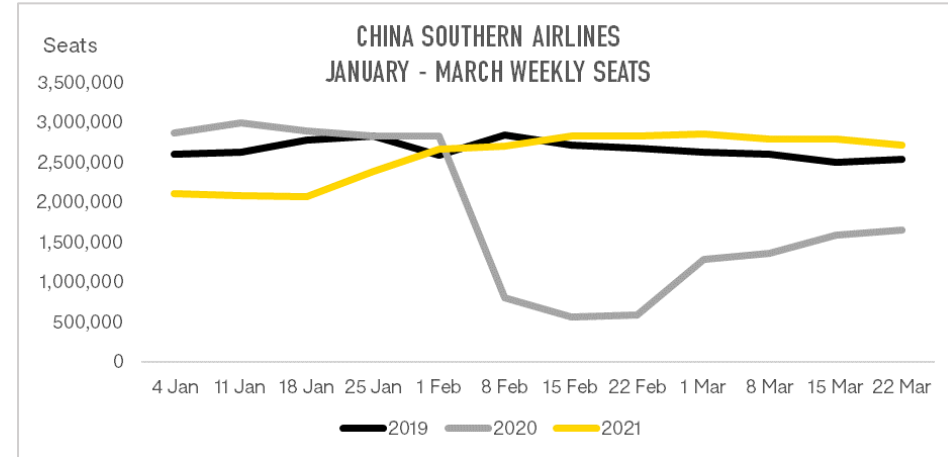
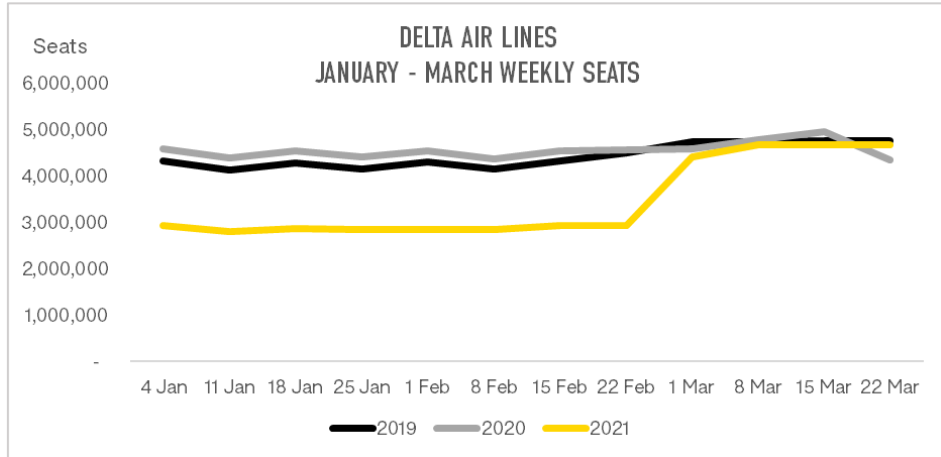
AIRLINE PERFORMANCE

A tough year ahead

- Cash burn to continue through 2021
- Debt servicing costs will exceed industry's highest profits
- IATA said industry needs another US\$70-80bn in government funding, in addition to the US\$160 injected so far
- Q4 results starting to come in – *Delta Air Lines reported Q4 loss of \$755m*
- Major Chinese market slow down – *Chinese carriers report 2020 traffic was down 35-45%*
- Continues staffing reductions - *Thai AirAsia furloughed 75% of staff this week*
- Continued reduction in air services - *Norwegian exits long haul market*
- Travel restrictions lasting longer than anyone anticipated - *Australia potential international lock-down through 2021*

AIRLINE CAPACITY

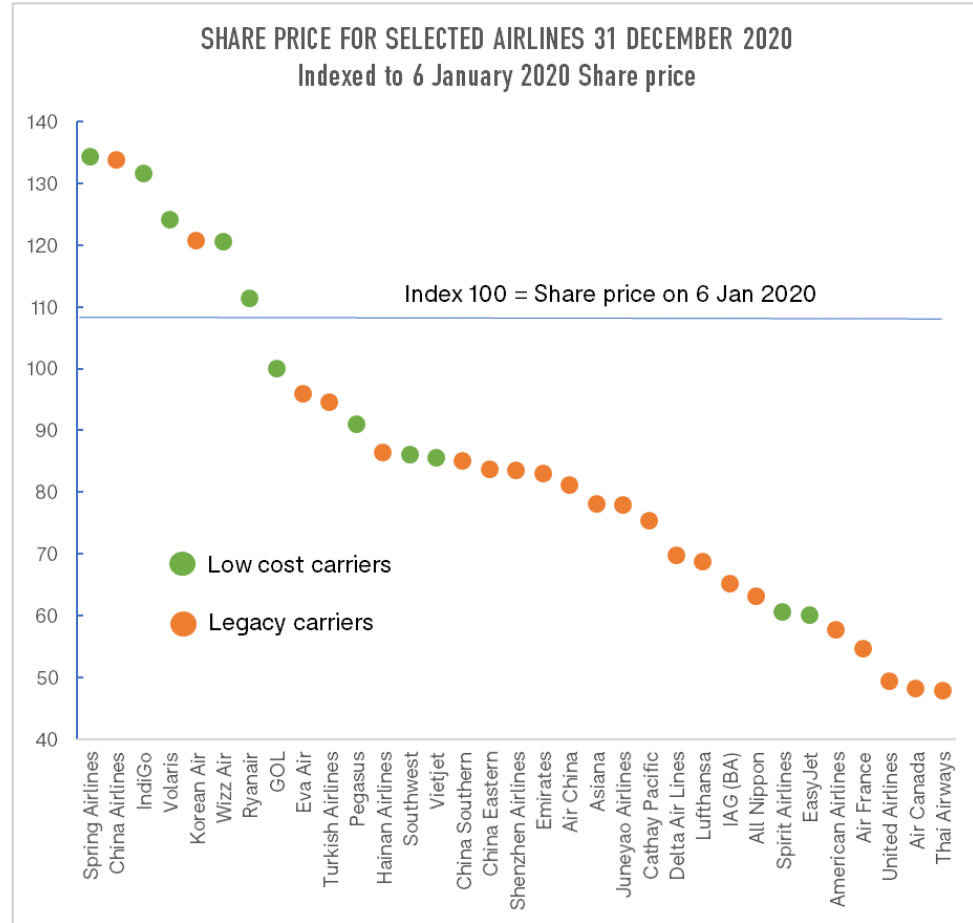
The next 3 months



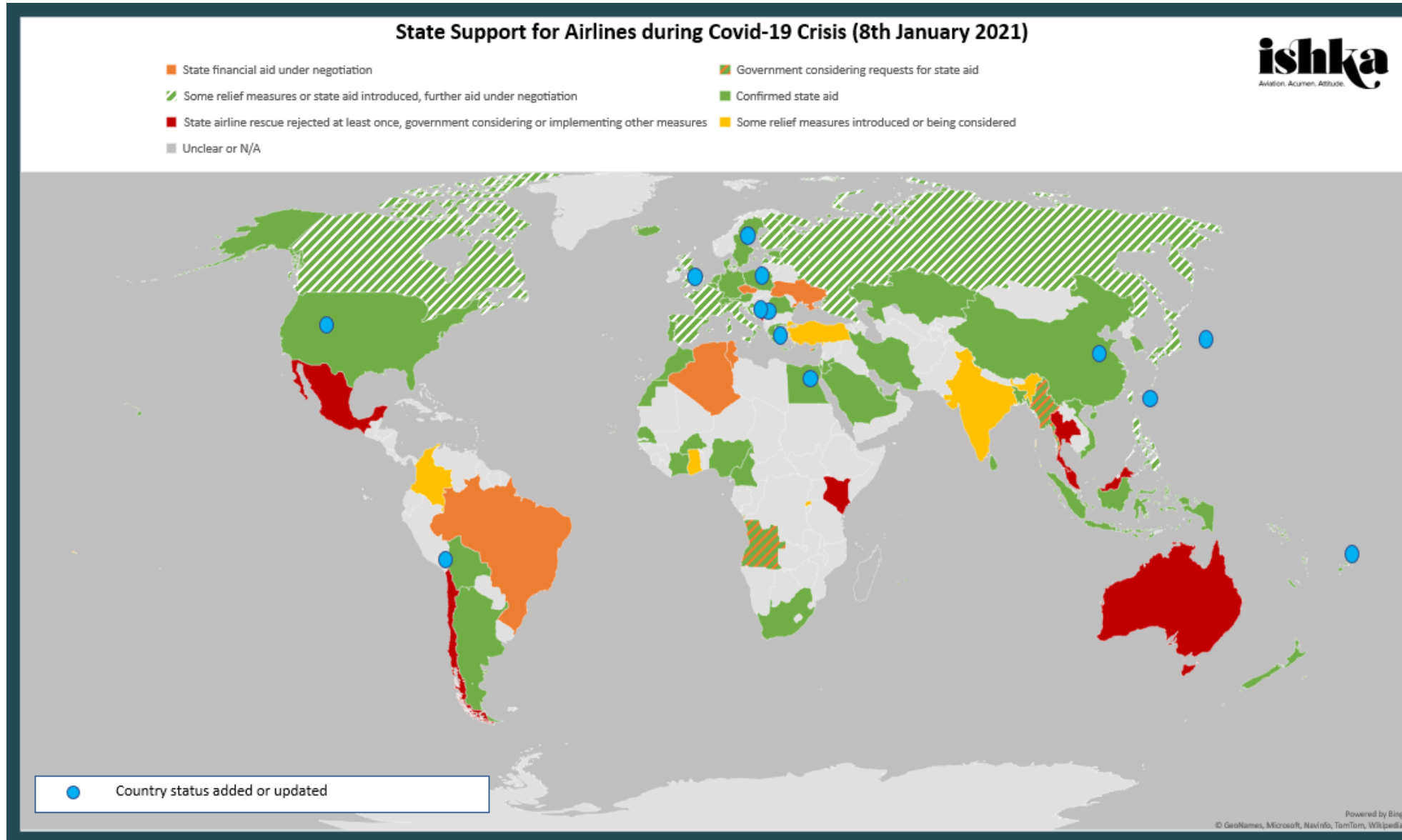
MARKET CONFIDENCE

Do share prices tell a different story?

- Capacity reductions may be an indicator of prudent business activity rather than poor performance and share prices may be markets recognising this
- 6 of the Top 10 LCCs have seen share price rise compared to a year ago
- In contrast, all the top legacy airlines (ranked by capacity in January 2020) have seen share prices fall, some by 50%, compared to a year ago



GOVERNMENT SUPPORT



Source: Ishka

AIRLINE VULNERABILITY MATRIX

Source: Ishka Airline Credit Profiles & Ishka Insights. This chart is based on the most recent information available. Airlines will move across these blocks if and when circumstances change e.g., if they secure external support or if their financial health deteriorates or improves. Information as of Week of 11th Jan 2021



Financial Risk Profile	↑	High -	Garuda TAP Rossiya Asiana TUI Korean Air	RJ RAM Gulf Air Virgin-Australia Vietnam Airlines	PIA Hainan/ Lucky/ Tianjin Air Europa Air Transat American	KQ El Al Air India Ural Airlines Sky Chile T'way GOL	Avianca Virgin-Atlantic Aeroméxico LATAM GoAir	Interjet Sriwijaya Air PAL Holdings AirAsia X/ AirAsia Lion Air Grp SpiceJet	SAA Norwegian Malaysia Airlines THAI	
		Moderate -	Etihad Air Macau airBaltic Cathay	Sichuan-Airlines Pobeda Aeroflot	Transavia Ethiopian THY	SAS Icelandair Frontier	Sun Country JetSMART Hawaiian	Azul Volaris	VietJet Grupo Viva	SmartLynx Viva Aerobus
		Moderate +	CEA AF-KLM Air China	QR CSA	Saudia	Allegiant United Jet 2	BA Aegean Air Canada	SkyWest, Inc. Spirit	WestJet Copa	Cebu Pacific Pegasus
		Low +	Lufthansa Air New Zealand Emirates Finnair	China Airlines SIA Group		ANA EVA Airways JetBlue JAL	Delta Alaska Air IAG Southwest	easyJet Qantas WizzAir Ryanair	IndiGo	
		Low -								

High – explicit support available or expected to be made available

Moderate - support available but with conditions/limited support available/limited fiscal ability of state to support

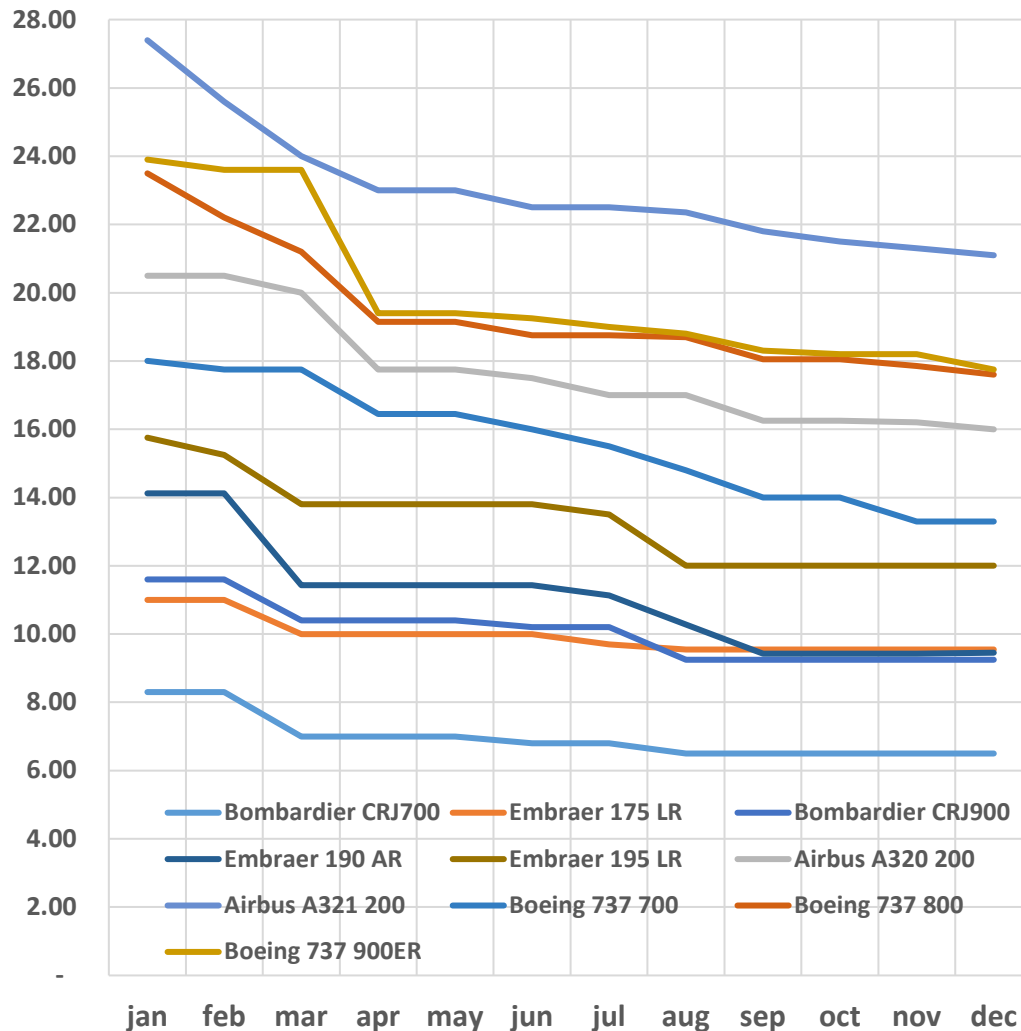
Low – no known explicit support available or package in the works

Government/Shareholder Support

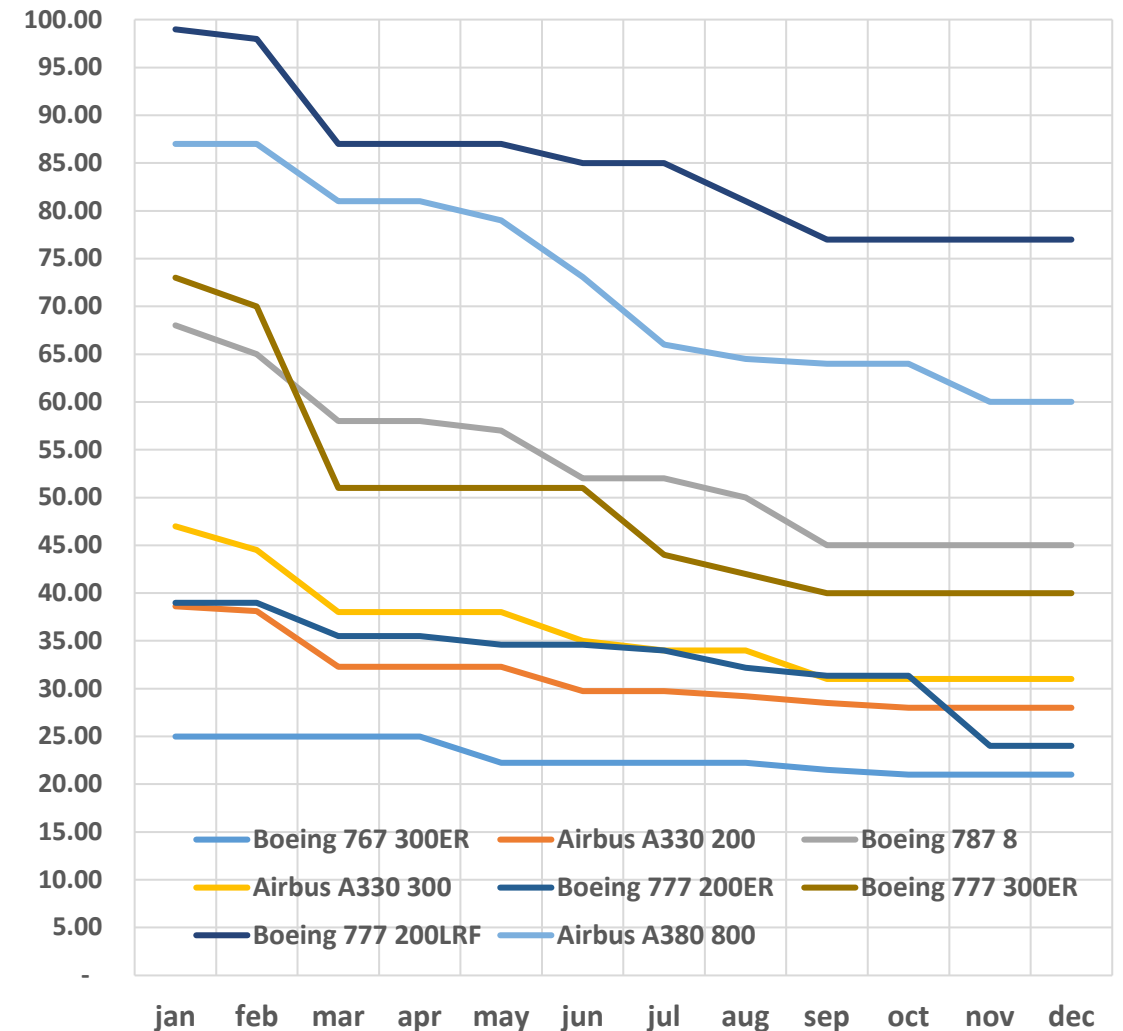
THE ISHKA VIEW ON AIRCRAFT VALUES IN 2020 (10 YEAR OLD AIRCRAFT)



NB/RJ Aircraft CMV Progression 2020 (in \$m)



WB Aircraft CMV Progression 2020 (in \$m)

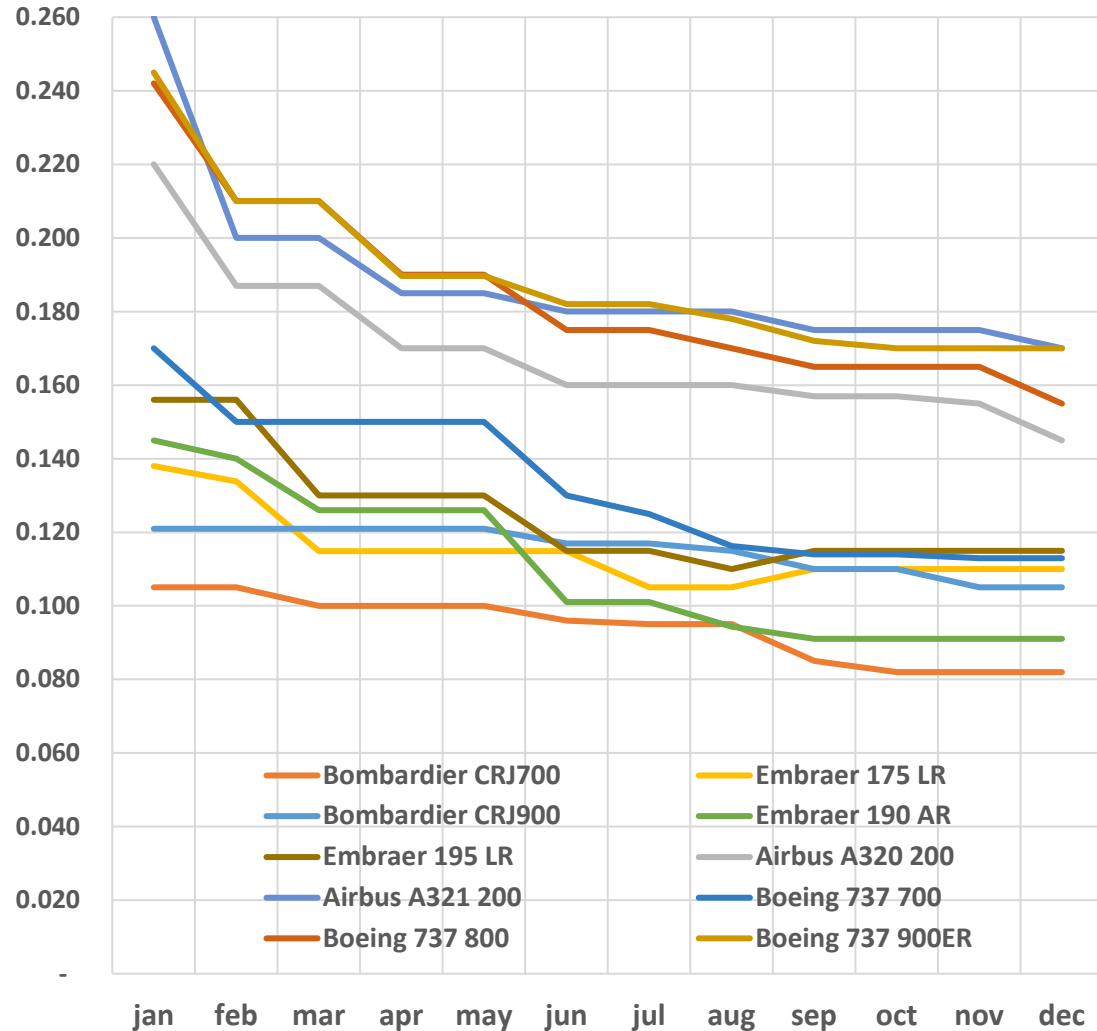


Source: Ishka

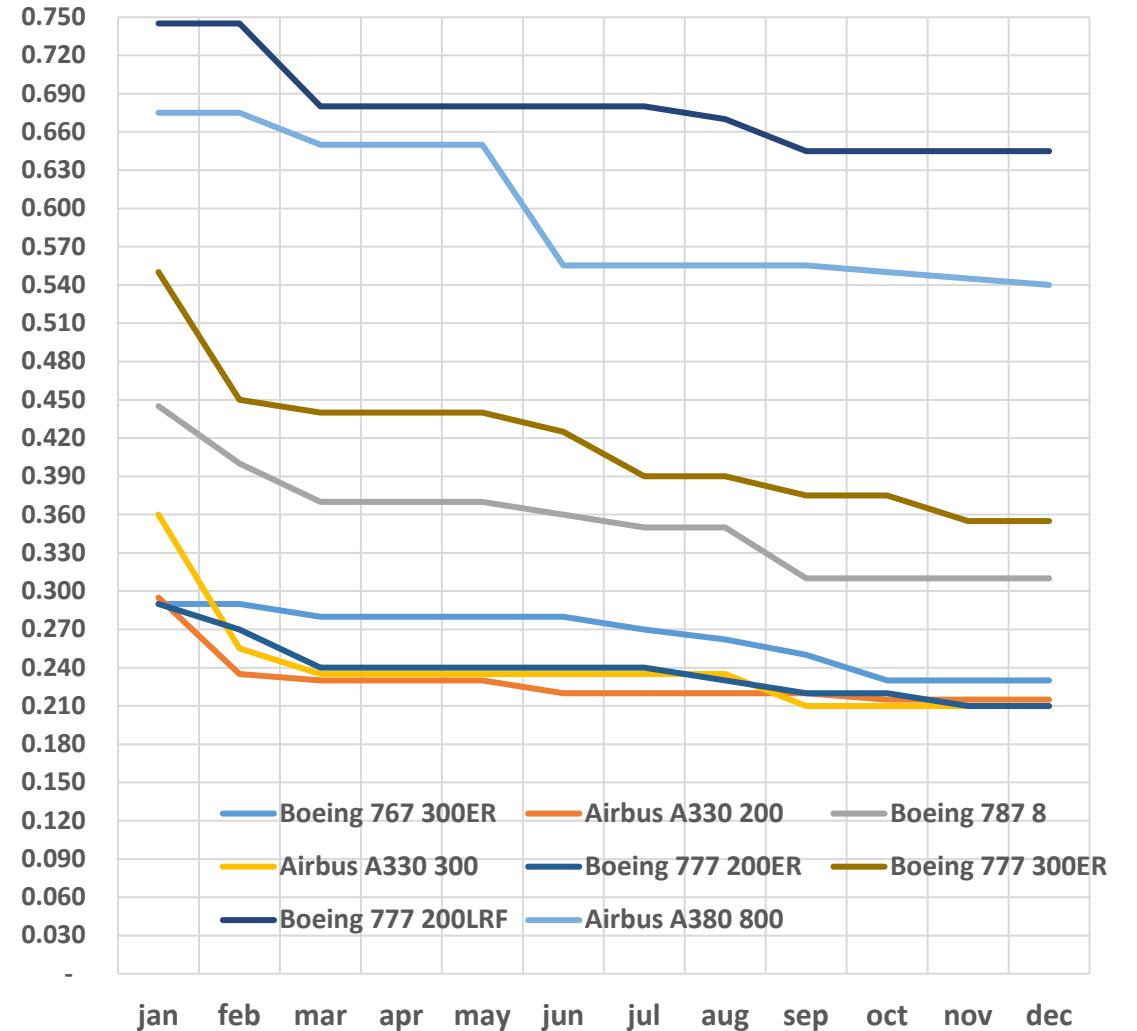
THE ISHKA VIEW ON MARKET LEASE RATES IN 2020 (10 YEAR OLD AIRCRAFT)



NB/RJ Aircraft MLR Progression 2020 (in \$m)



WB Aircraft MLR Progression 2020 (in \$m)



Source: Ishka

MANAGE THE
IMPACT

OAG RECOMMENDS



OAG®

- ➔ INCREASE YOUR DATA FREQUENCY
- ➔ MONITOR CAPACITY CHANGES
- ➔ GAIN BUSINESS INSIGHT NOW
- ➔ ANALYSE – BE READY FOR GREEN SHOOTS

MAKE SMARTER MOVES

**MANAGE THE
IMPACT**

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