

## WELCOME TO ASCEND'S

AVIATION

2020

WEBCAST

Uncertain times  
call for certain  
action

November 01 2007

Welcome and an introduction to Aviation 2020

## Gehan Talwate, Managing Director



Changing fortunes:

Global industry outlook and core trends to monitor

- Appraising the signs of a slowdown in airline fortunes
- What opportunities lie ahead for the brave and the bold?

## Peter Morris, Chief Economist



Uncertain science: The credit crunch and sub prime crisis

Gauging the market cycle

- Assessing the impact on aircraft values and liquidity
- In a weaker market, what aircraft types would be laid down?

## Eddy Pieniazek, Director



Question and Answer session

- 1** BALANCING ACT  
Delivering sustainability's triple bottom line
- 2** BALANCE SHEET  
Profitably negotiating the aviation cycle
- 3** UNCERTAIN SCIENCE  
Handling the unexpected
- 4** CHANGING FORTUNES  
Evolving markets, innovating business models
- 5** SIZE MATTERS  
The next generation of aircraft take flight



## CHANGING FORTUNES:

Global industry outlook and core trends to monitor

- CURRENT TRENDS
- OPENING SKIES



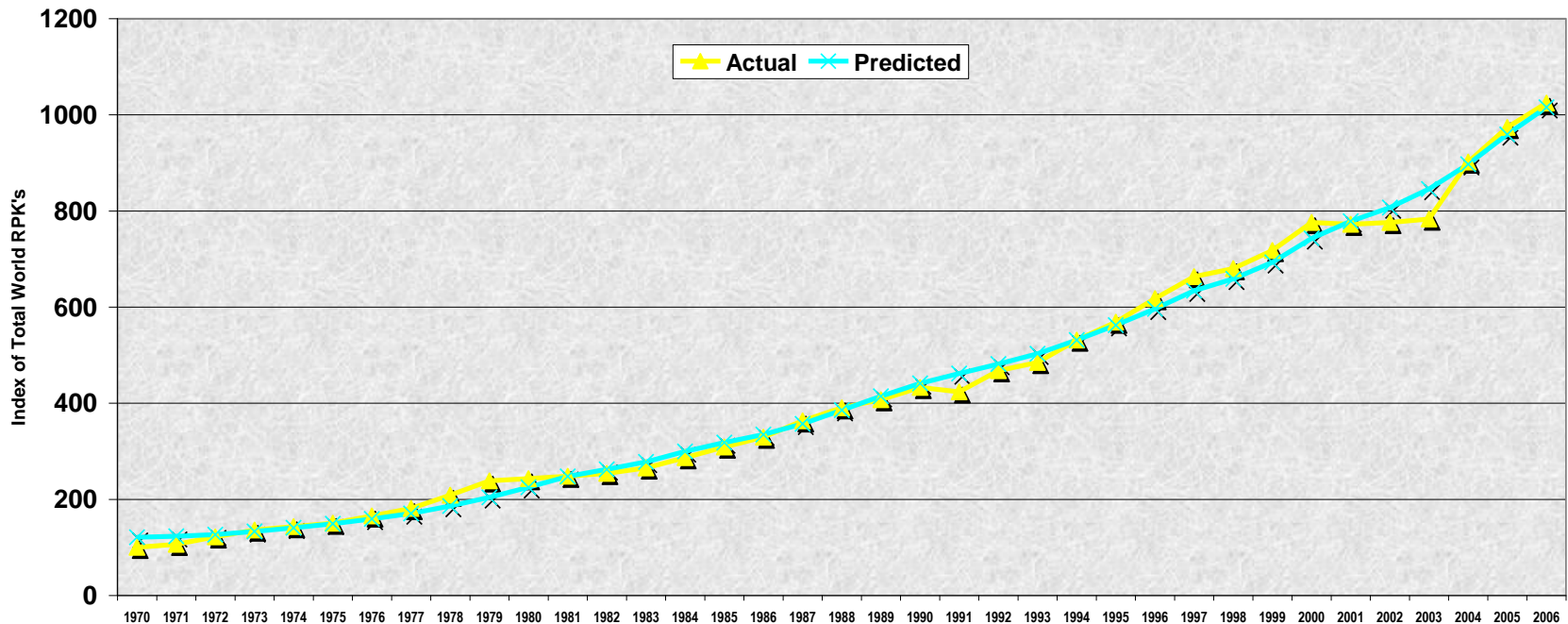
## INDUSTRY FACTORS TO MONITOR

- GDP growth
- Costs
  - Fuel
  - Tax
  - Staff
  - Infrastructure constraints (Airports, ATC)
- Regulation and deregulation
- Environment
- Security
- Changing business models (LCC, premium service, long haul low cost, etc.)
- Profitability!



## KEY INDUSTRY DRIVERS HAVE PERFORMED CONSISTENTLY

Historical growth of Total Global RPK's and prediction based on Direct Global GDP and Real Yield, 1970-2006



## CHANGING FORTUNES:

Ranking of Airlines by Passenger revenue km – US based

<b>RANK</b>	<b>1996</b>	<b>2006</b>
<b>1</b>	<b>United</b>	<b>American</b>
<b>2</b>	<b>American</b>	<b>United</b>
<b>3</b>	<b>Delta</b>	<b>Delta</b>
<b>4</b>	<b>Northwest</b>	<b>Continental</b>
<b>5</b>	<b>US Airways</b>	<b>Northwest</b>
<b>6</b>	<b>Continental</b>	<b>Southwest</b>
<b>7</b>	<b>TWA</b>	<b>Air Canada</b>
<b>8</b>	<b>Southwest</b>	<b>US Airways</b>
<b>9</b>	<b>Air Canada</b>	<b>America West</b>
<b>10</b>	<b>Canadian</b>	<b>JetBlue</b>



## CHANGING FORTUNES:

Ranking of Airlines by Passenger revenue km – US based

RANK	1996	2006
1	United	American
2	American	United
3	Delta	Delta
4	Northwest	Continental
5	US Airways	Northwest
6	Continental	Southwest
7	TWA	Air Canada
8	Southwest	US Airways
9	Air Canada	America West
10	Canadian	JetBlue



## CHANGING FORTUNES:

Ranking of Airlines by Passenger revenue km – European based

RANK	1996	2006
1	BA	Air France
2	Lufthansa	BA
3	Air France	Lufthansa
4	KLM	KLM
5	Alitalia	Iberia Group
6	Iberia Group	Ryanair
7	Swissair	Alitalia
8	LTU	Virgin Atlantic
9	Thomsonfly	easyJet
10	SAS	SAS



## CHANGING FORTUNES:

### Ranking of Airlines by Passenger Traffic (RPK) - Europe

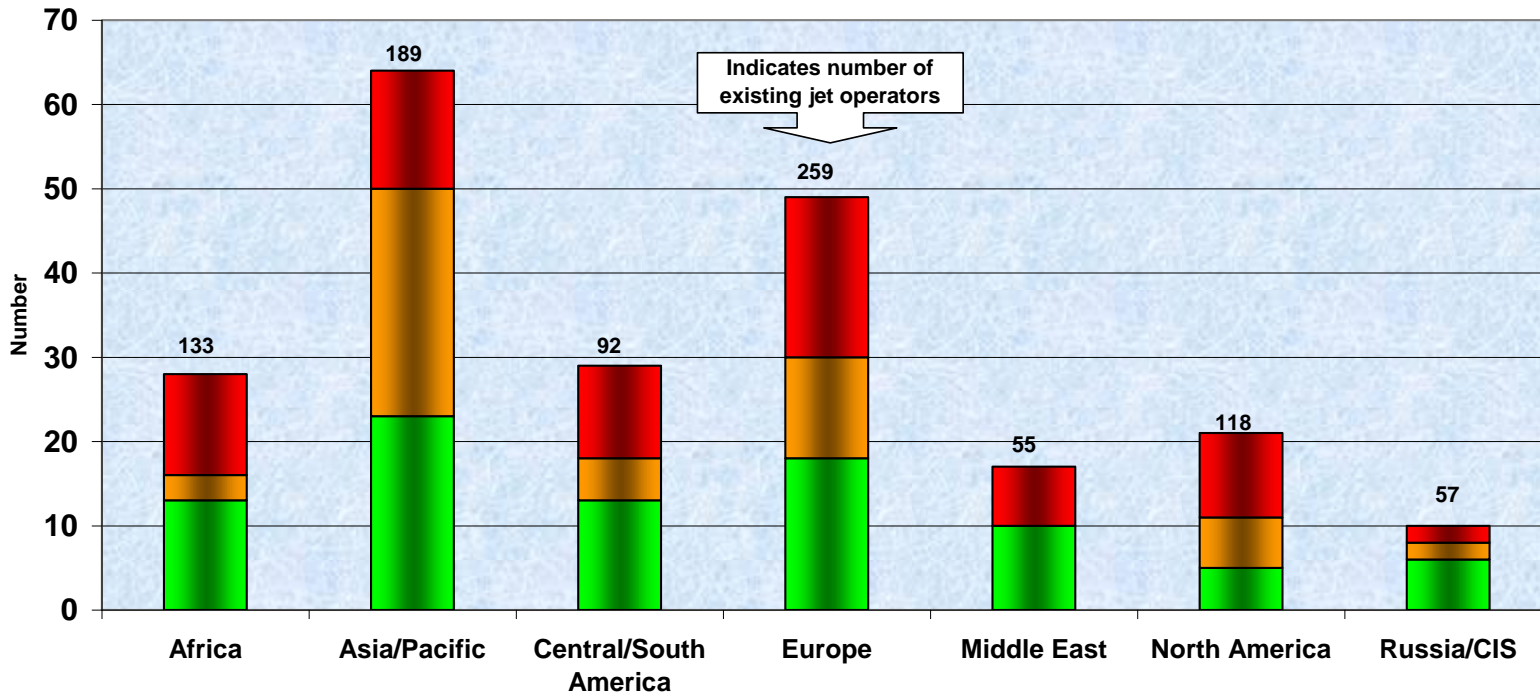
RANK	1996	2006
1	BA	Air France
2	Lufthansa	BA
3	Air France	Lufthansa
4	KLM	KLM
5	Alitalia	Iberia Group
6	Iberia Group	Ryanair
7	Swissair	Alitalia
8	LTU	Virgin Atlantic
9	Thomsonfly	easyJet
10	SAS	SAS



## A BIG QUEUE TO JOIN THE PARTY...

Prospective airline start ups 2007-2010  
(Source: Ascend Databases)

■ Definite ■ Firm ■ Tentative



## OPENING SKIES

- Deregulation has yet to show major structural change for the big players
- New opportunities have been developed particularly using new business models – targeting niche segments, generating new traffic and building genuine networks
- For international travel there is a major challenge for new entrants to attract the premium corporate markets on long haul- and competition already is fierce
- New entrants and prospective entrants are a permanent feature
- A ‘bow tie’ future industry structure seems likely



## UNCERTAIN SCIENCE: THE CREDIT CRUNCH AND SUB PRIME CRISIS

Gauging the market cycle

Assessing the Impact on Values and Liquidity

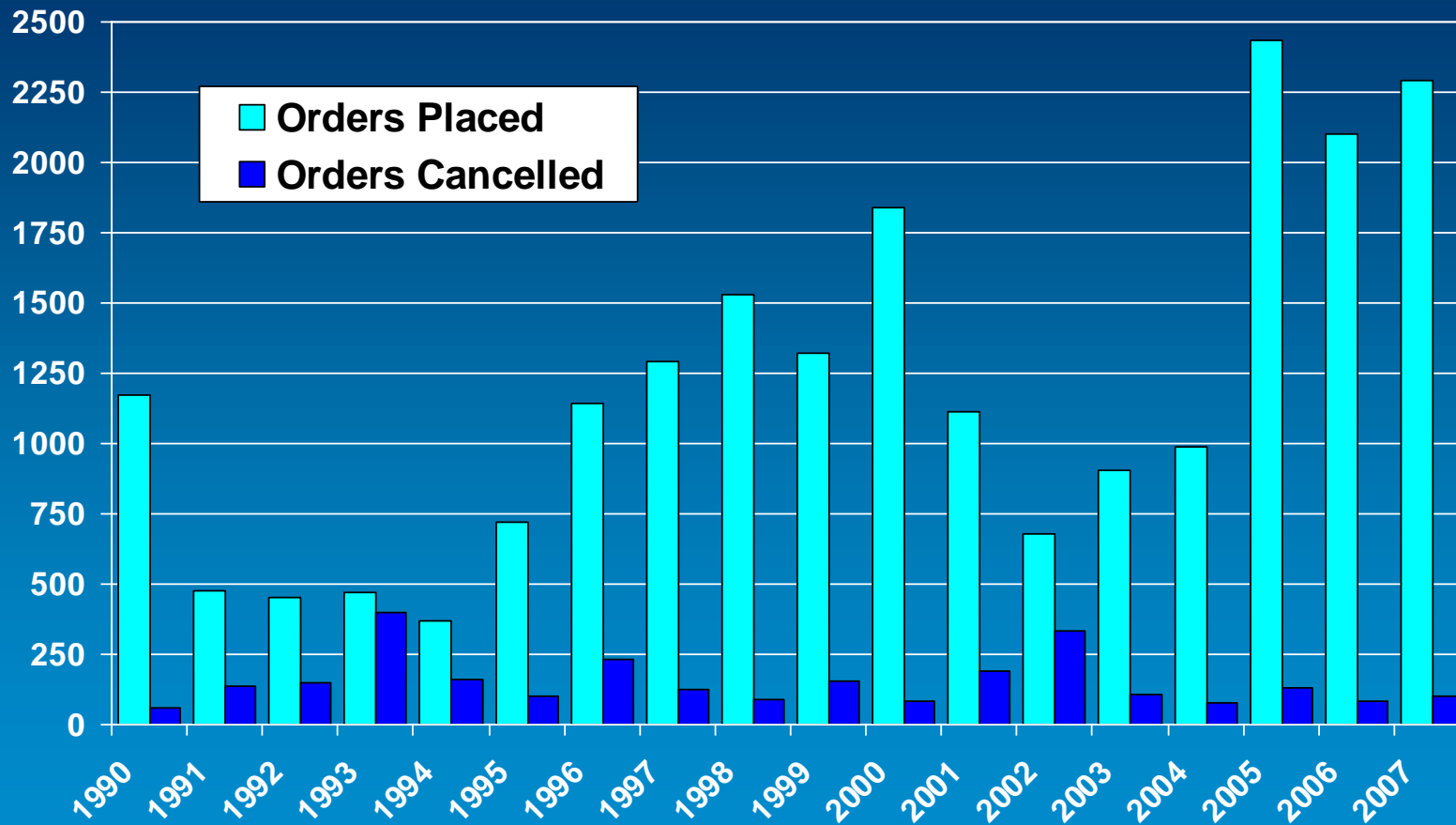
In a weaker market, what aircraft to watch?

Topical Comment – Stories from ‘The Front Page’  
(who can’t be kept out of the news and who doesn’t want to be the news)



## OPTIMISING OPPORTUNITIES

Fleet Orders Placed and Cancelled Since 1990

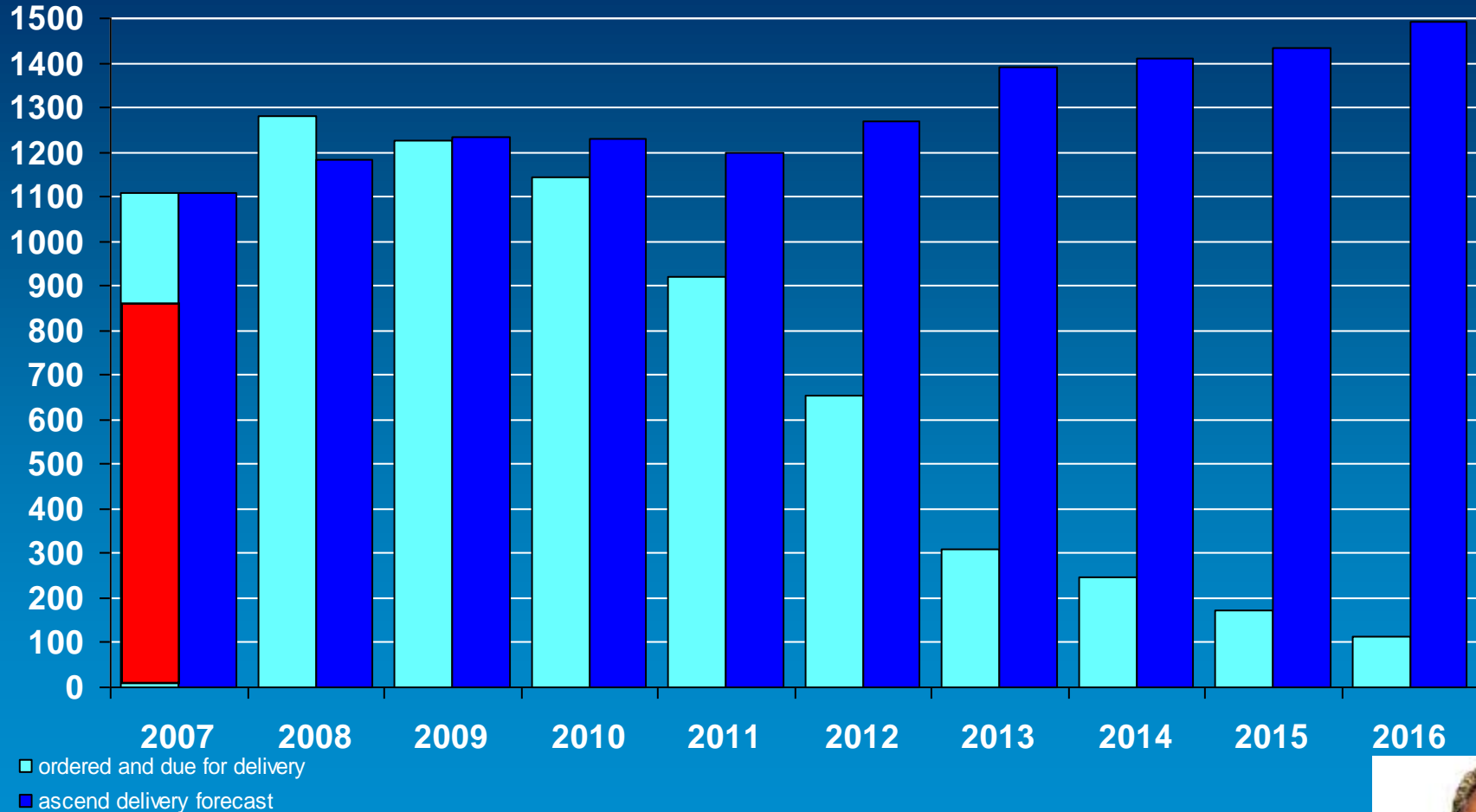


Three bumper years, after a very lean 2001-4



## ORDER BACKLOG – DELIVERIES DUE

Firm order backlog for commercial operators – next ten years



## WHAT'S MOVING DUE TO TODAY'S FINANCIAL ISSUES?

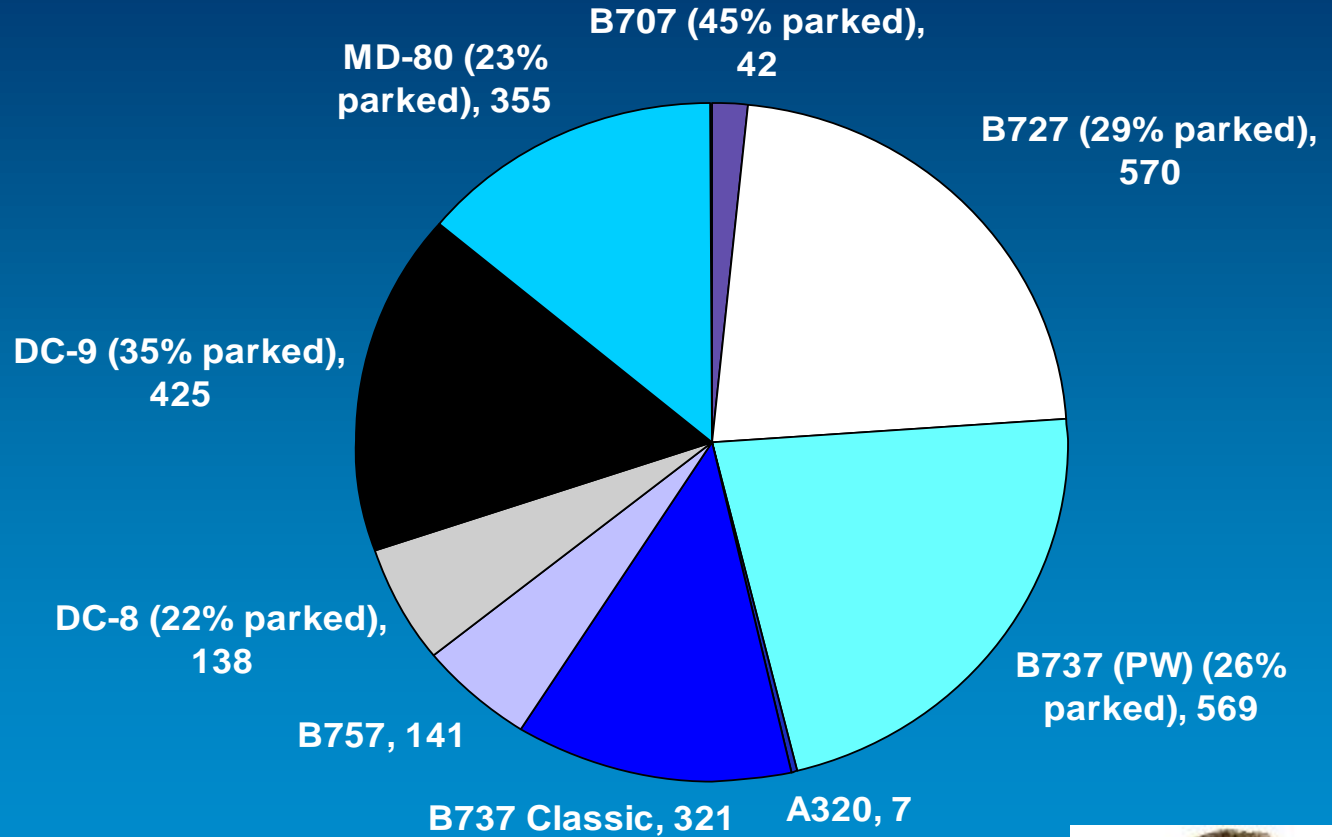
Market Values	No	On Watch
Distress Values	Yes	Discount has widened
Base Values	No	Asset Fundamentals have not changed
Lease Rates	No...	not yet, but can be lead indicator. Possible shift from fixed to float, but the market rarely follows theory.



## 20 YEAR OLD+ NARROWBODY JET AIRLINE FLEET

**Older Aircraft  
with Airlines  
(incl. freighters)**

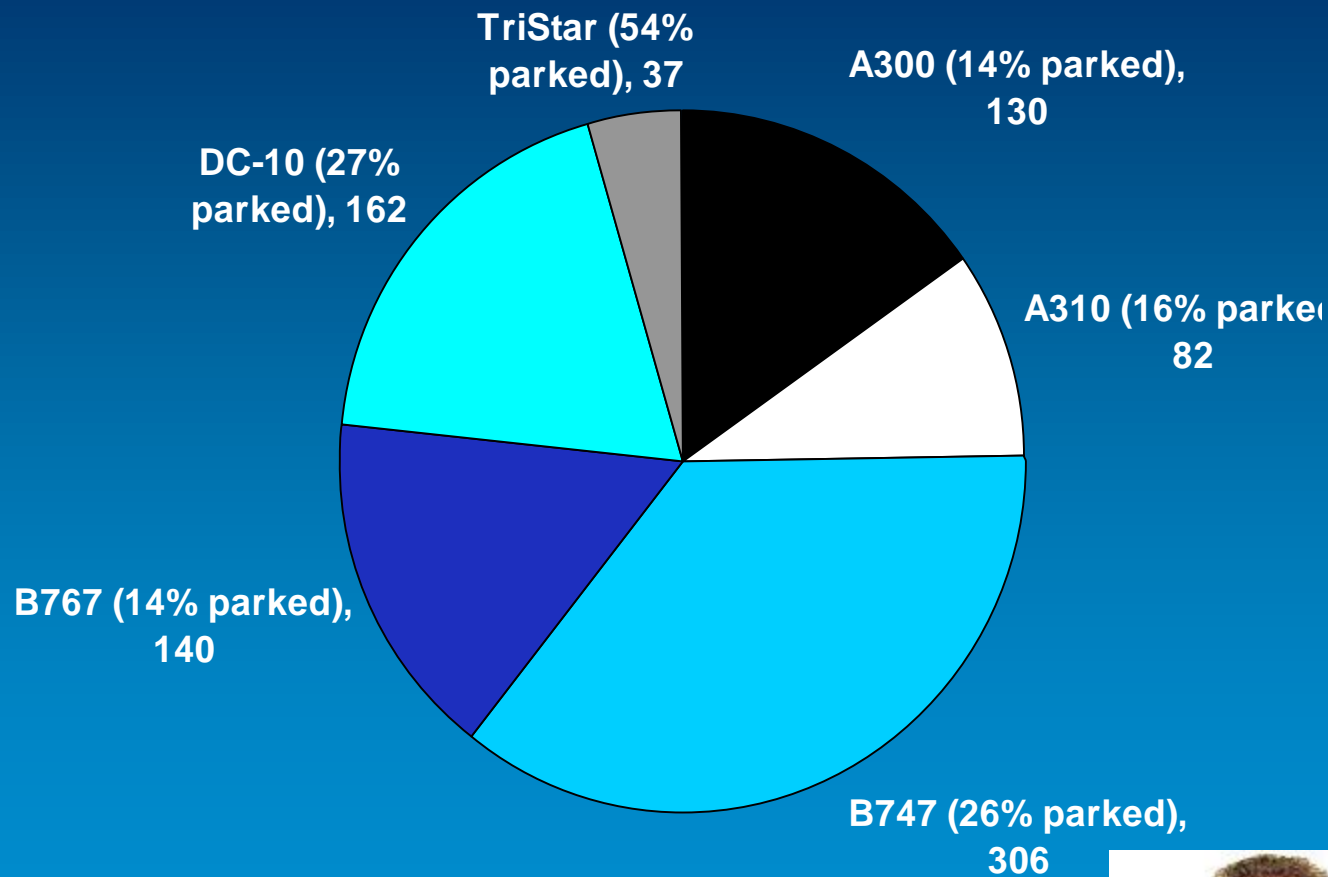
**1,958 in service  
610 parked  
2,568 total**



## 20 YEAR OLD+ WIDEBODY JET AIRLINE FLEET

**Older Aircraft  
with Airlines  
(incl. freighters)**

**664 in service  
193 parked  
857 total**



## SIZE MATTERS - What's on the Front Page



**Airbus 380**

**Boeing 787**

**Bombardier Q400**



# Poll Results



Gehan Managi  
Managing Director

[gehan@ascendworldwide.com](mailto:gehan@ascendworldwide.com)



VALUATIONS & APPRAISALS

# ASCEND



AVIATION FLEET INFORMATION

The world's largest provider of specialist consultancy solutions to the global air transport industry



Eddy Pieniazek  
Managing Director

[eddy.pieniazek@ascendworldwide.com](mailto:eddy.pieniazek@ascendworldwide.com)

The world's largest provider of specialist consultancy solutions to the global air transport industry

TECH & COMMERCIAL SOLUTIONS

The world's largest provider of specialist consultancy solutions to the global air transport industry



MARKET ANALYSIS



Peter Morris  
Managing Director

[peter.morris@ascendworldwide.com](mailto:peter.morris@ascendworldwide.com)

AIRPORT ECONOMICS



SPACE ANALYTICS

# Summary

## SEE ASCEND AT...

**Asia Pacific School of International Aviation Finance**  
5th November, Hong Kong

**MRO Europe,**  
7-8 November, Milan

**Financing Aviation in the Middle East (FAME)**  
7-8 November, Dubai

**Air Finance Conference,**  
8-9 November, Hong Kong

View forthcoming events for Ascend at:  
[http://www.ascendworldwide.com/forthcoming\\_events.aspx](http://www.ascendworldwide.com/forthcoming_events.aspx)

# Thank You

A recording of this webcast and a copy of the presentation can be found at:  
[www.ascendworldwide.com/presentations.aspx](http://www.ascendworldwide.com/presentations.aspx) from 02 November 2007