

World Financial Symposium (WFS) 2014

13-18 September 2014
Abu Dhabi, United Arab Emirates (UAE)



What makes the difference
between success and failure in
the airline industry?

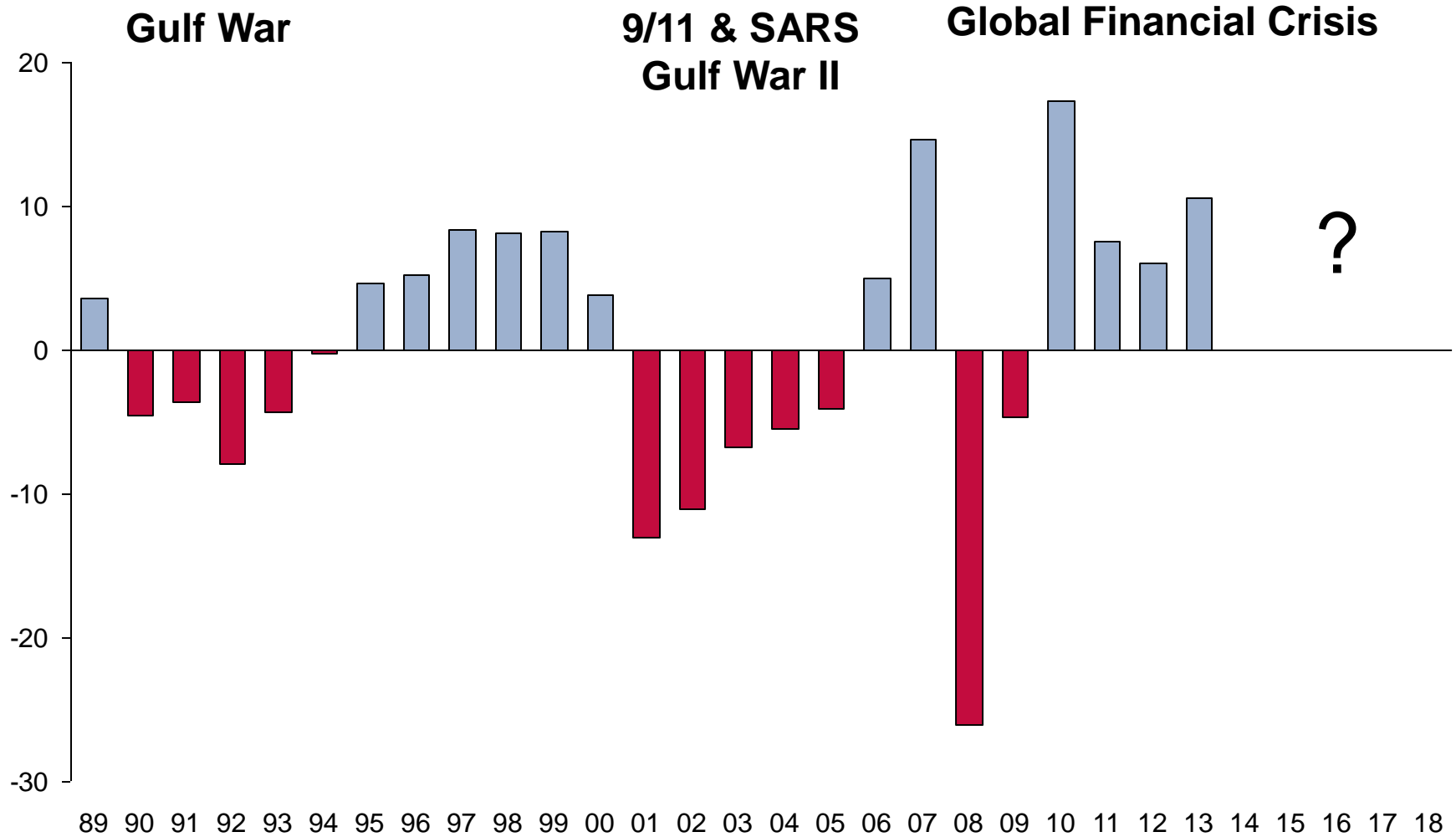
John E. Luth

Chairman & CEO, Seabury Group

How has the industry performed since I joined?

Global airline net profit (1989-2013)

USD Billions

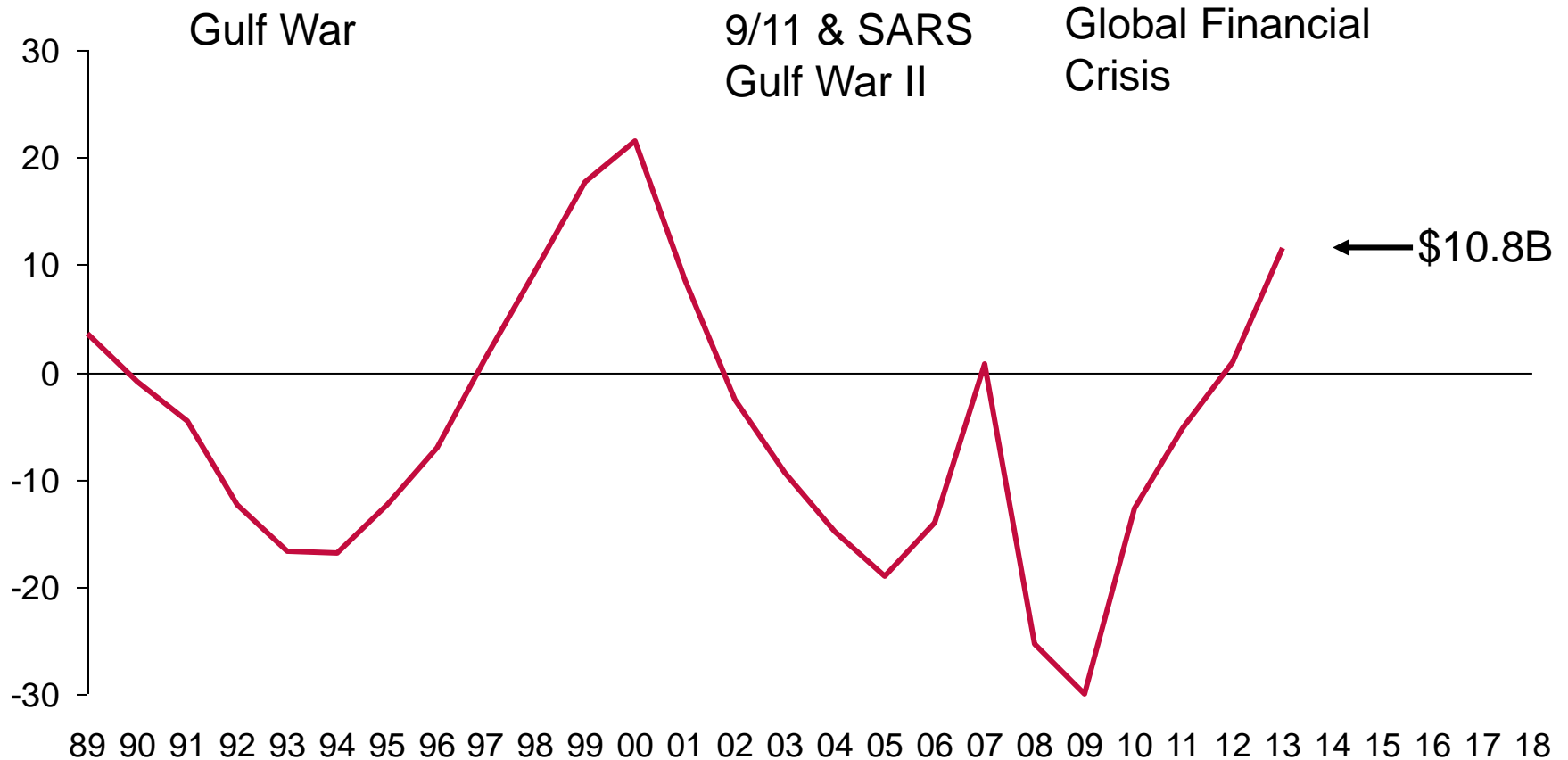


Source: IATA, Seabury analysis

How has the industry performed since I joined?

Cumulative airline profit (1989-2013)

USD Billions



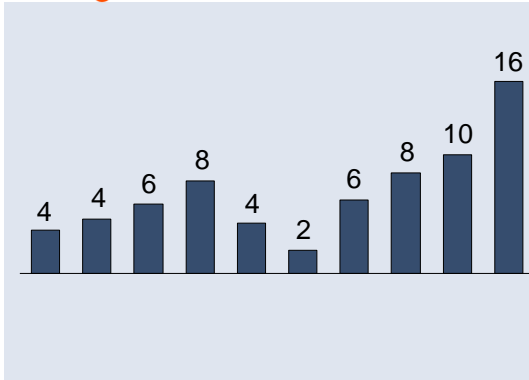
Source: IATA, Seabury analysis

Who are some of the top performers?

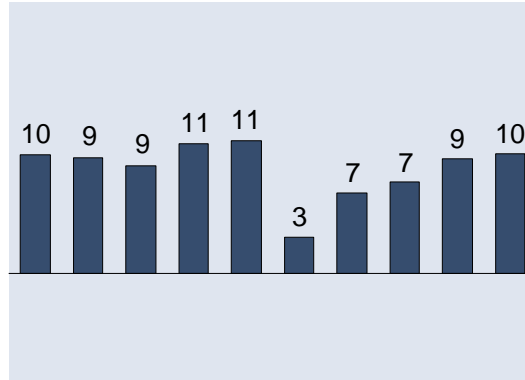
Return on Invested Capital ROIC performance (2004 – 2013)

LCCs

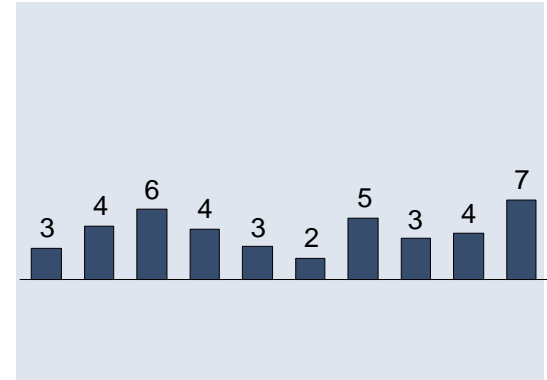
easyJet



RYANAIR

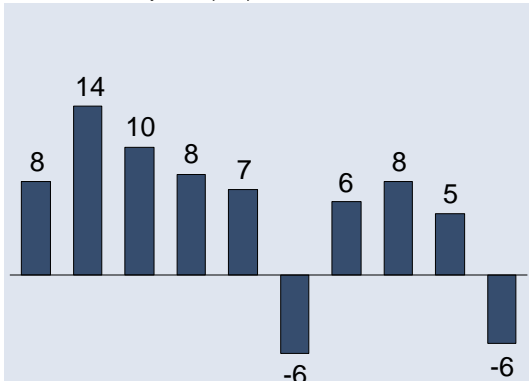


SOUTHWEST

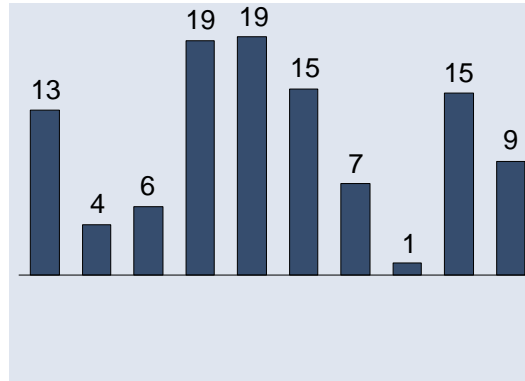


Dominant FSCs

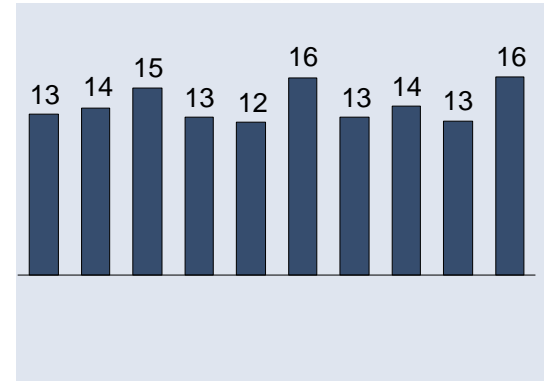
Kenya Airways
The Pride of Africa



TURKISH AIRLINES

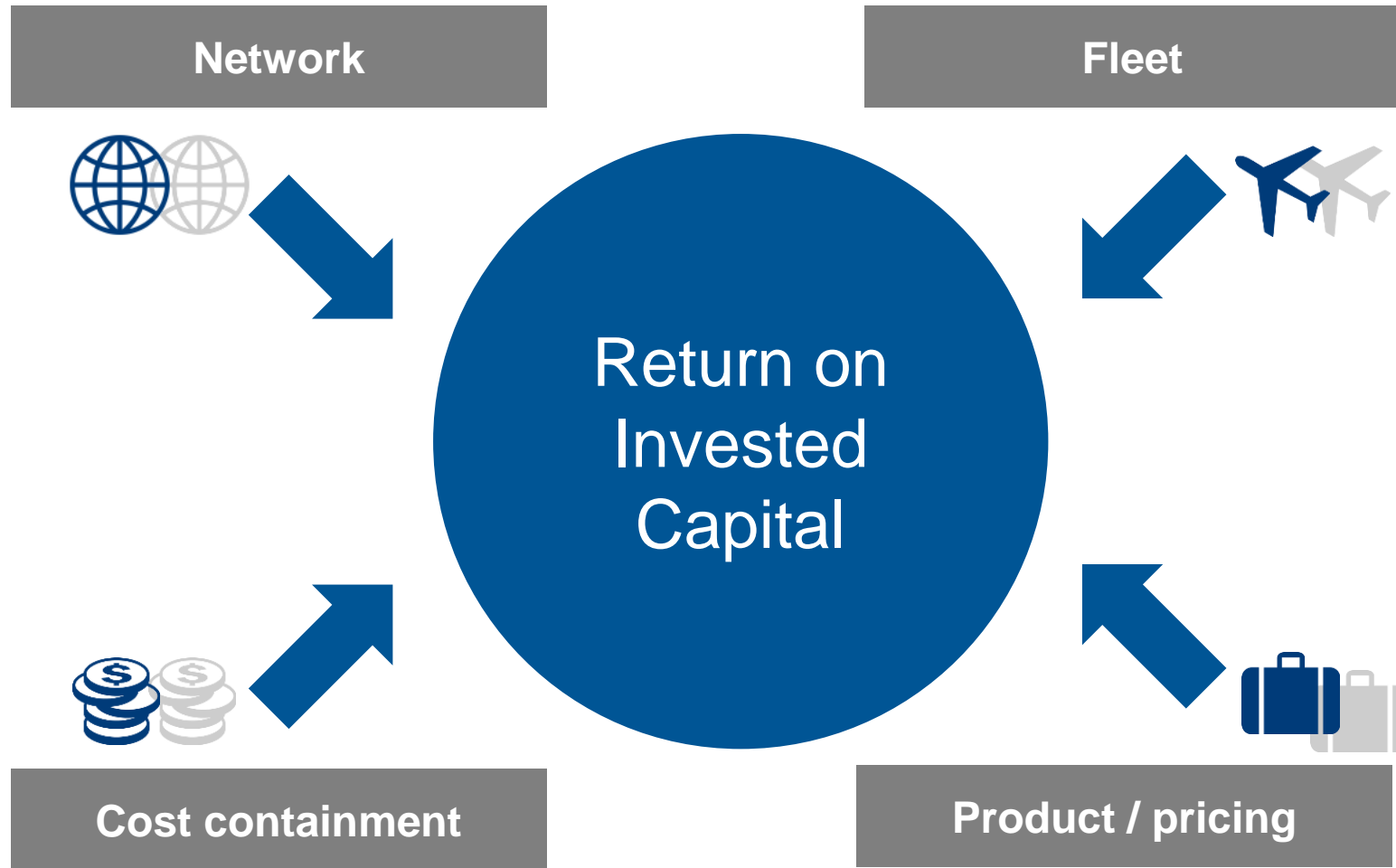


Copa Airlines



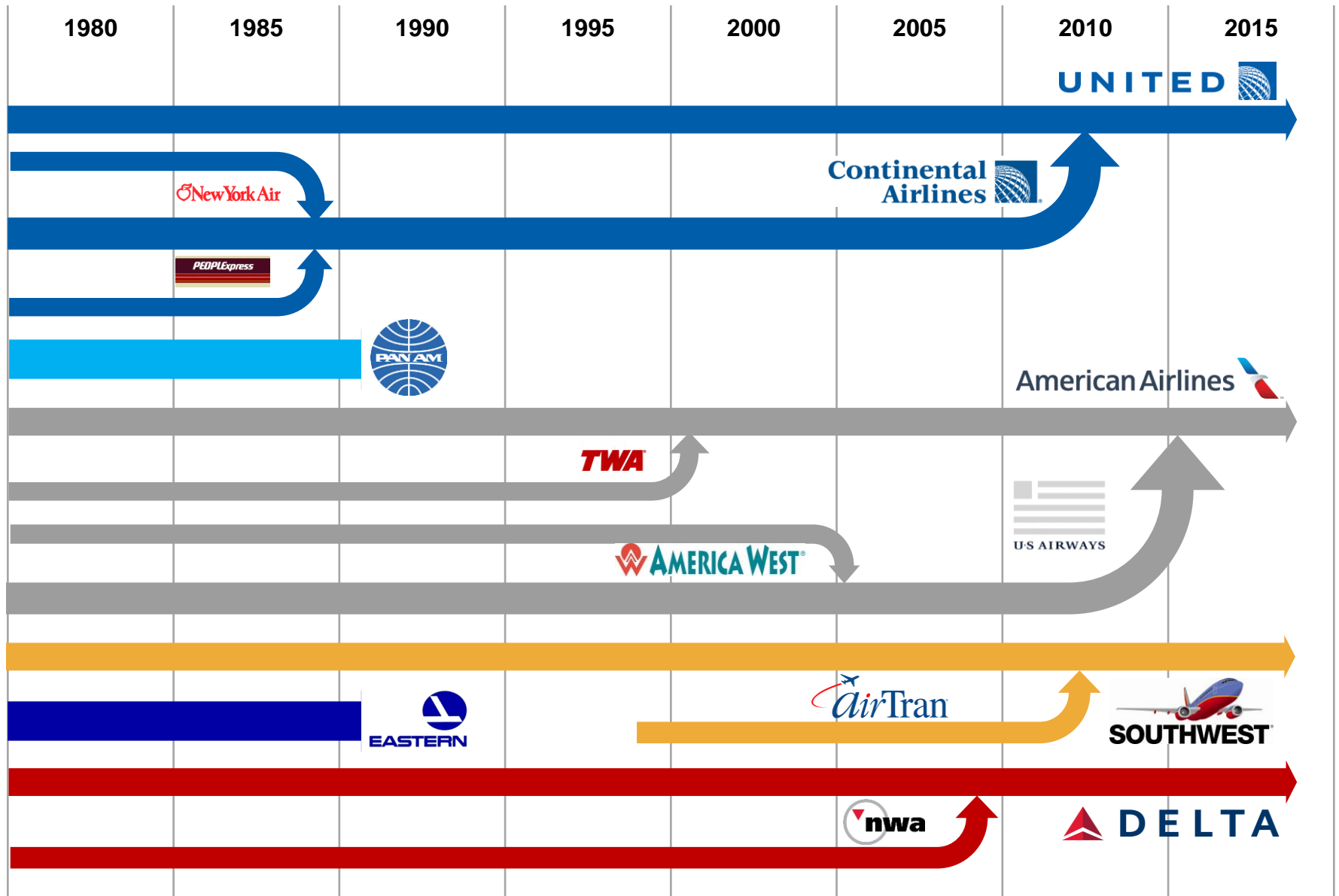
Source: CapitalIQ, Seabury analysis

The top performers are the outcome of good decision making



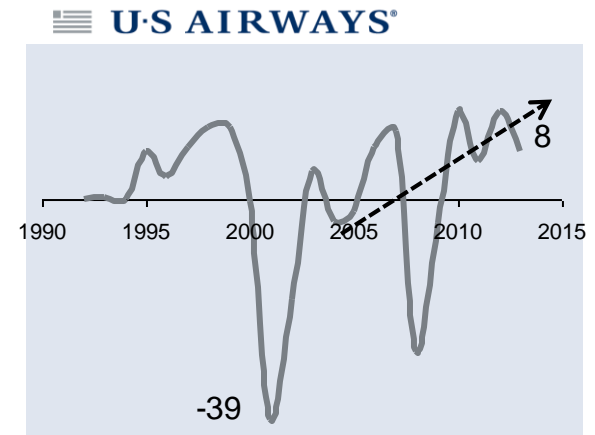
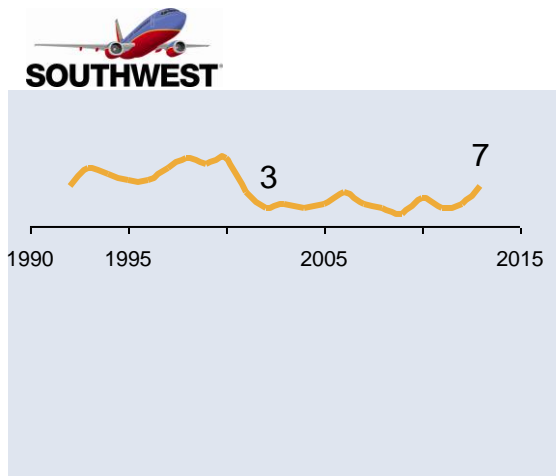
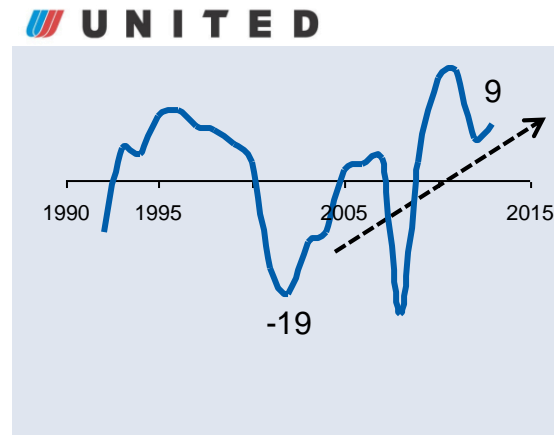
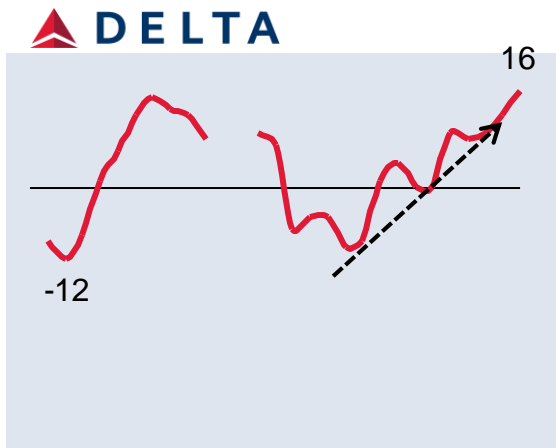
Where have we come from?

There have been radical changes to the shape of the US industry over the last 30 years



My experience in the US market

ROIC for selected carriers from 1992 – Present Day



Source: CapitalIQ, Seabury analysis

Why is this business so hard?



Airline corporate structures



Consuming experts



No clear products



Pricing



Competition



External factors



Vulnerability to shocks



Double leverage



Taxes



Regulation



Ownership & Control restrictions

Our global industry faces other unique challenges

System challenges



Span of control challenges



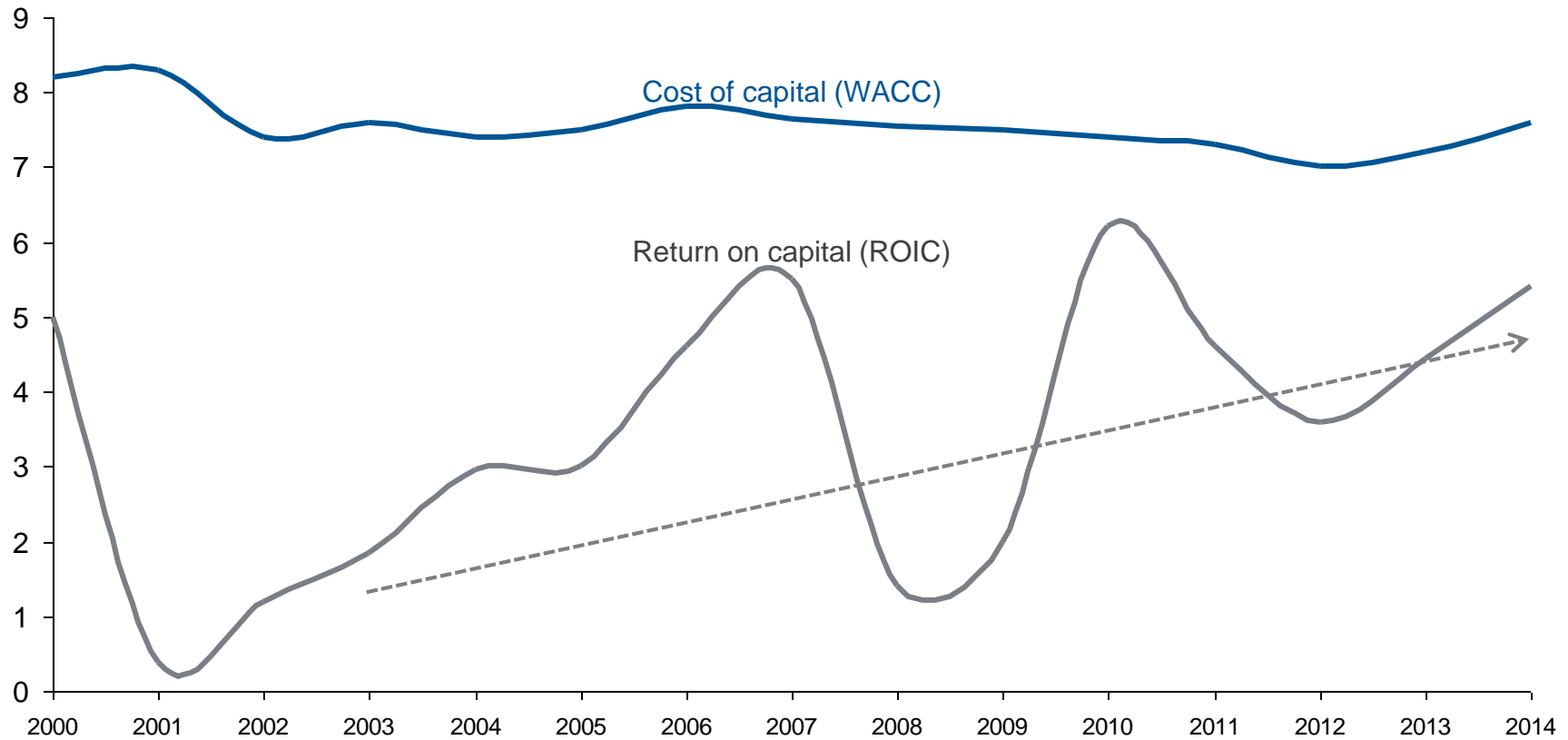
Distribution /pricing challenges



Despite the challenges, progress has been made

Return on capital invested on airlines

% of invested capital



Source: IATA

What are best practices of Chief Financial Officers?

1

Provided clarity to decision makers

Provided clarity to decision makers



Source: Skill requirements in ~2,000 FP&A job postings on LinkedIn

What have the good CFOs done?

1

Provided clarity to decision makers

2

Secured new sources of capital to
keep the machine going

Secured new sources of capital to keep the machine going

Raised capital

\$500 million +

Acted as financial advisor to



€500m long term liability restructuring and €26m recapitalization

\$450 million

Acted as financial advisor to



U.S AIRWAYS

Series of liquidity initiatives

\$1,250 million



Op leases for 30+ A320 aircraft with 8 lessors

Evaluated over 135 new and used a/c under sourcing program

\$750 million



SLB of new A330 aircraft
A350 lease financings
A321 aircraft sourcing

\$109 million

Acted as financial advisor to



In its Chapter 11 exit financing

\$545 million +

Acted as financial advisor to



Secured bank facility

\$750 million



SLB financing for 3 x A330-200

Debt financing for 6 x A330-200 with four bank groups

\$300 million



Restructured 30+ A319 aircraft leases
Restructured debt and leases for 50+ EMB 145s

\$750 million

Acted as financial advisor to



Exit financing rights offering

\$179 million

Acted as financial advisor to



U.S AIRWAYS

In its equity offering

\$300 million



Restructured EETC and leveraged leases (11 x MD-11F and A300F)

n/a



Solicited proposals for the SLB of 10 x E190
12 proposals received from 60+ lessors solicited

You financed nearly a trillion US dollars of in new aircraft deliveries over the last 20 years!

What have the good CFOs done?

1

Provided clarity to decision makers

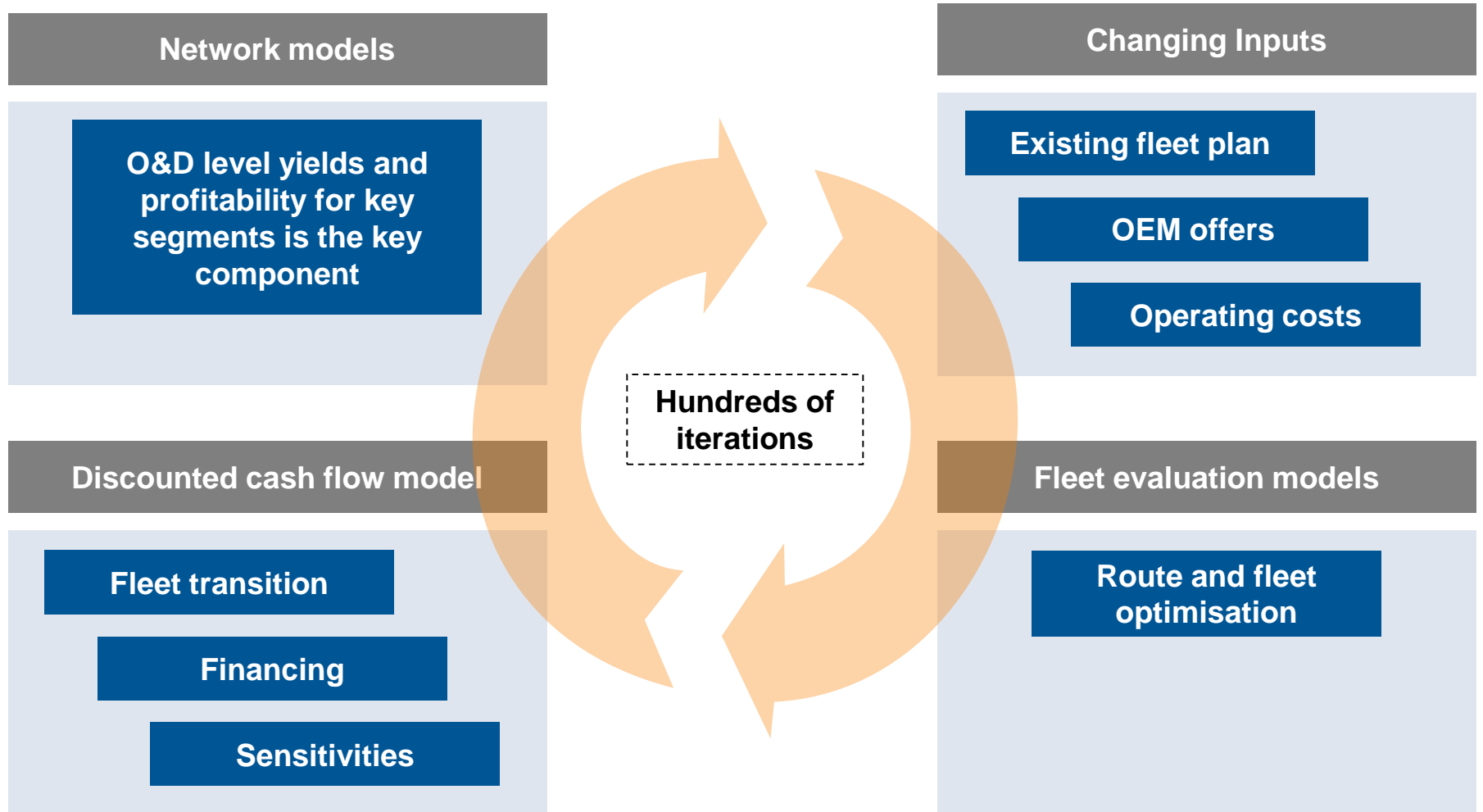
2

Secured new sources of capital to keep the machine going

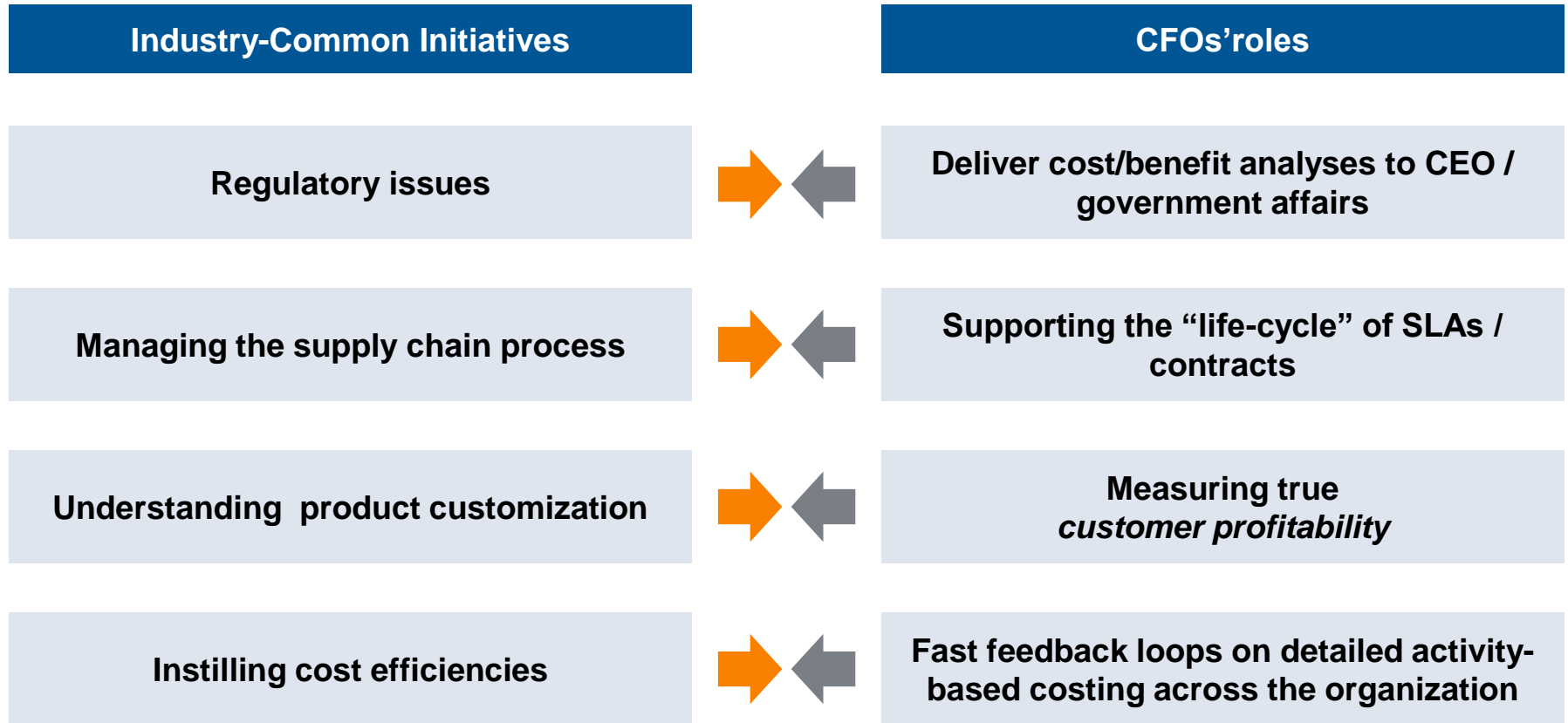
3

Enforced capital discipline

Example: Today's fleet evaluation



What can we do as an industry to deliver sustainable ROIC?



We have made significant progress...

*“The average return on invested capital today is **5.4%** - up from 1.4% in 2008. But we are still far from earning the 7-8% cost of capital that investors would expect”*

Tony Tyler, Doha 2014