

The ishka View

**AACO - Air Transport Statistics & Forecasting Webinar
September 2021**

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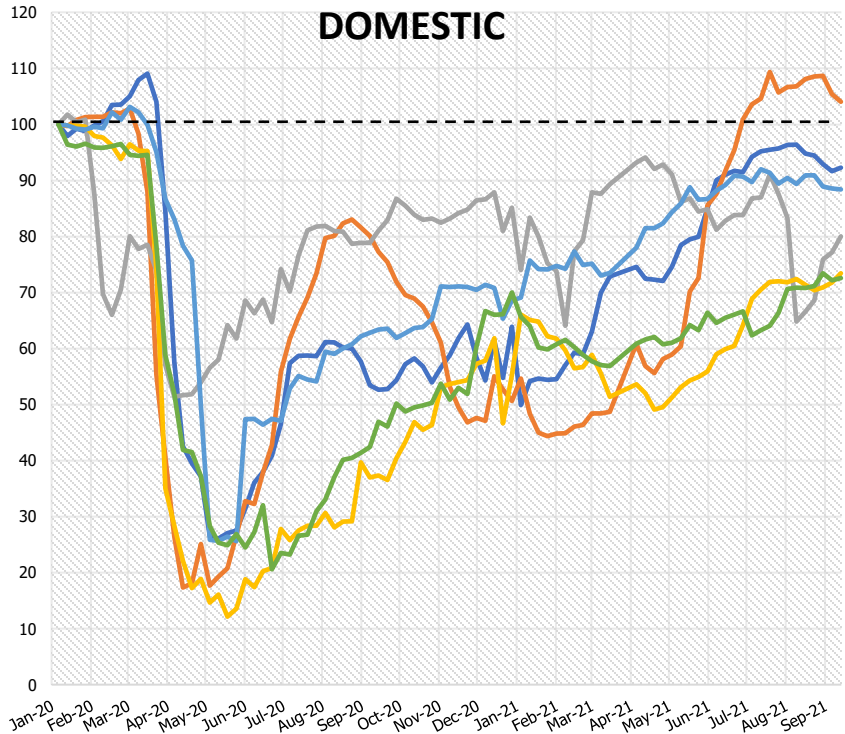
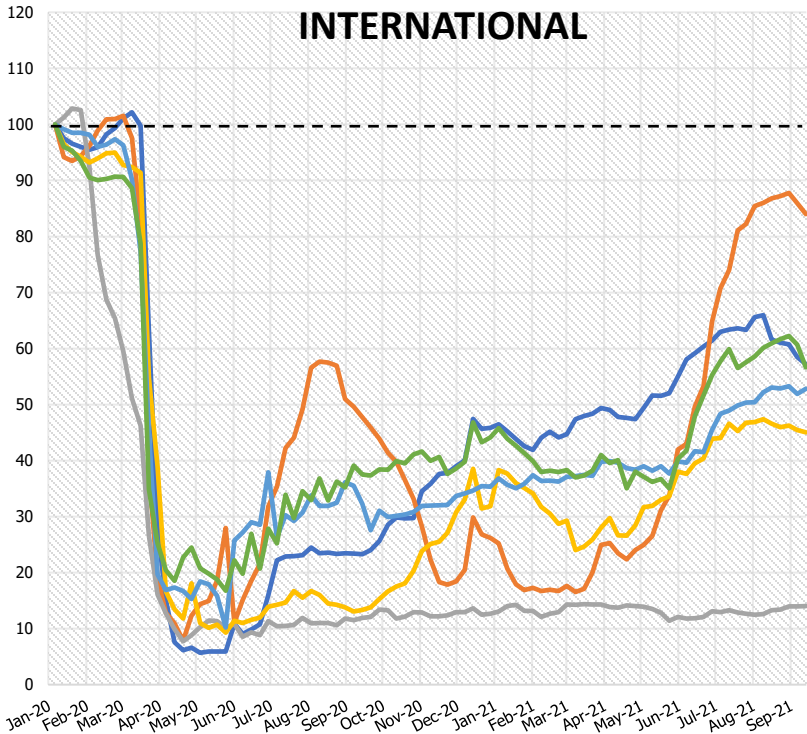
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An Uneven Recovery

Weekly International Capacity Evolution | Base = Week of 6th Jan 2020 = 100

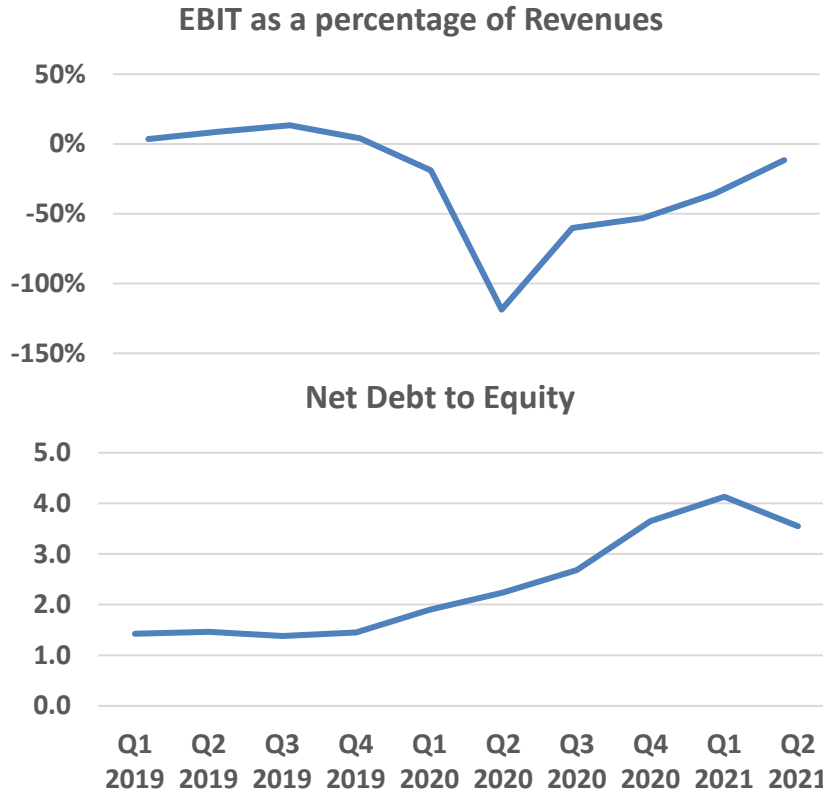
Weekly Domestic Capacity Evolution | Base = Week of 6th Jan 2020 = 100

— North America — Europe — Asia Pacific — Latin America — Middle East — Africa



Source: OAG Data & Ishka Calculations.

Losses continue but shrinking and deleveraging process has begun



Uneven recovery has had an impact on the financial positions of airlines

While airlines remain loss-making – the scale of overall losses has been shrinking

Losses are down especially in the US - helped to a great extent by the PSP grants and domestic market recovery

First half was weak for European and Latin American airlines but some recovery since late Q2

Asia Pacific – volatility in China and severe disruptions elsewhere – but cargo has helped

Has balance Sheet deterioration hit a peak?

Gearing improving for the first time since the crisis

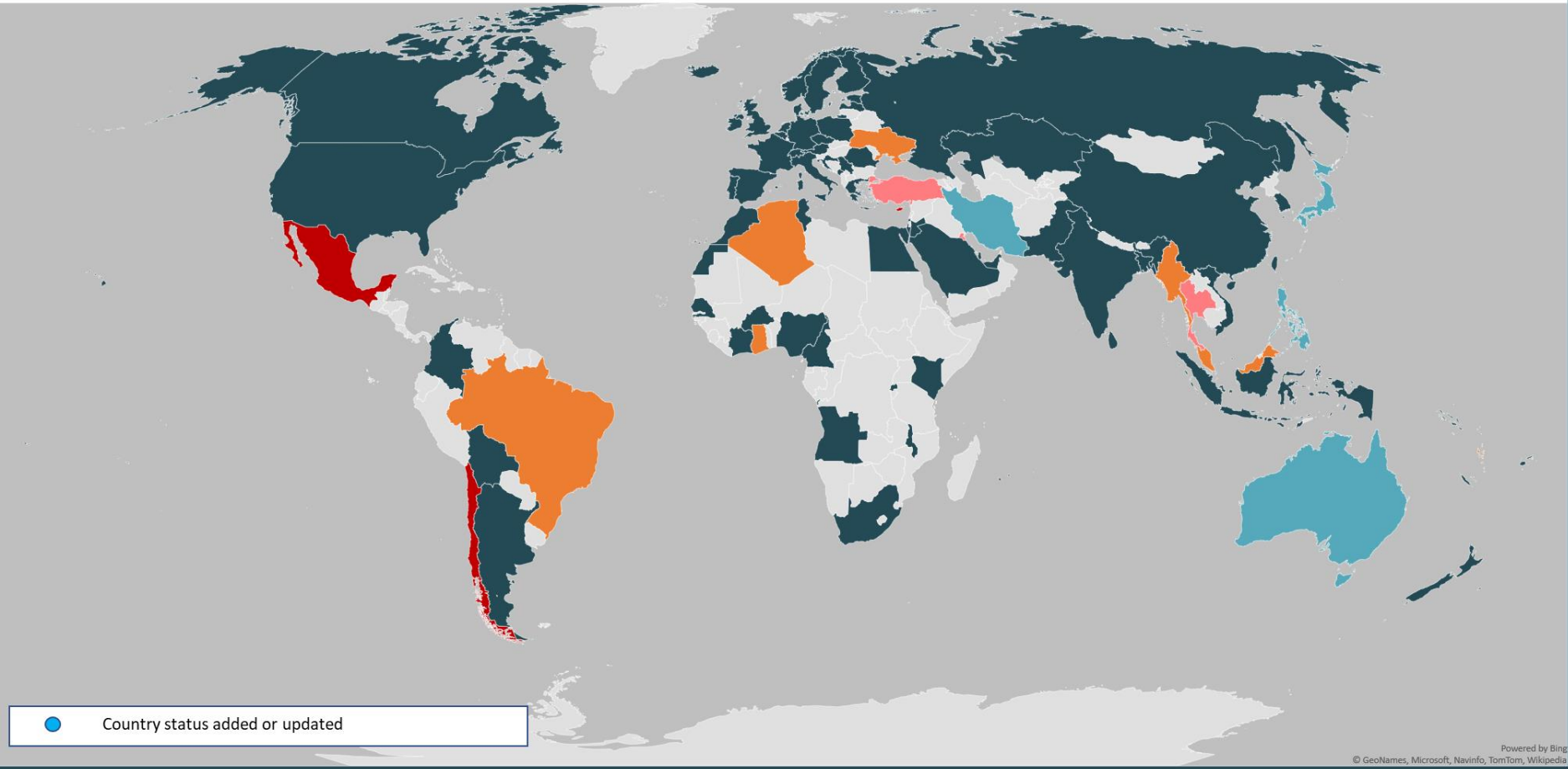
Nevertheless, organic repairing will take time

Depends on sustained profitability which is unlikely in 2021

Source: Bloomberg, Airline Credit Profiles and Ishka Calculations. Sample Size – 63 airlines (EBIT margin chart) and 60 airlines (Net Debt to Equity chart)

State Support for Airlines during Covid-19 Crisis (31st August 2021)

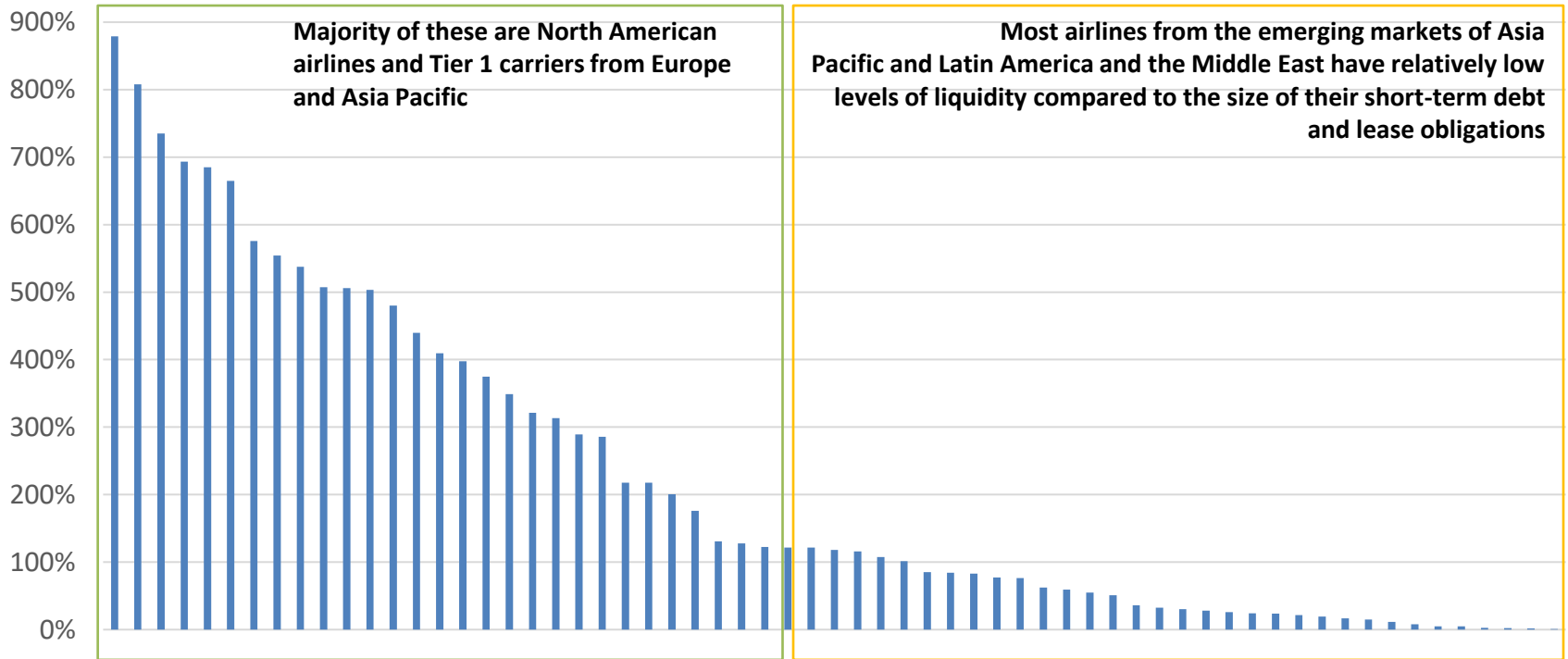
- State support being considered or under negotiation
- State support including direct financial aid for airlines
- State support for the airline sector
- No state support for airlines
- Unclear or N/A
- Some relief measures introduced



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Will more government support be needed?

Cash as a percentage of Short-Term Debt and Lease Obligations as of end of June 2021



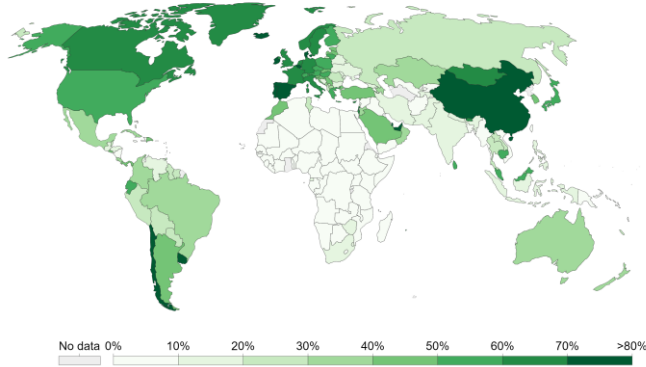
Source: Bloomberg, Airline Credit Profiles and Ishka Calculations. Each bar represents an airline. Sample Size – 62 airlines. As of end of June 2021 – except four airlines' data that is as of end of March 2021.

Recovery Drivers

Share of the population fully vaccinated against COVID-19

Total number of people who received all doses prescribed by the vaccination protocol, divided by the total population of the country.

Our World in Data

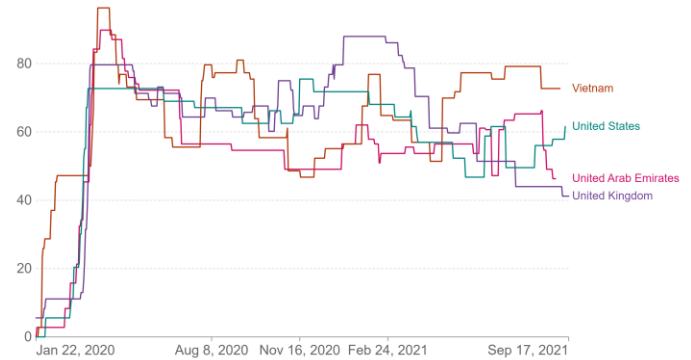


Source: Official data collated by Our World in Data – Last updated 19 September 2021, 09:00 (London time)
 Note: Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.
 OurWorldinData.org/coronavirus • CC BY

COVID-19: Stringency Index

This is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.

Our World in Data

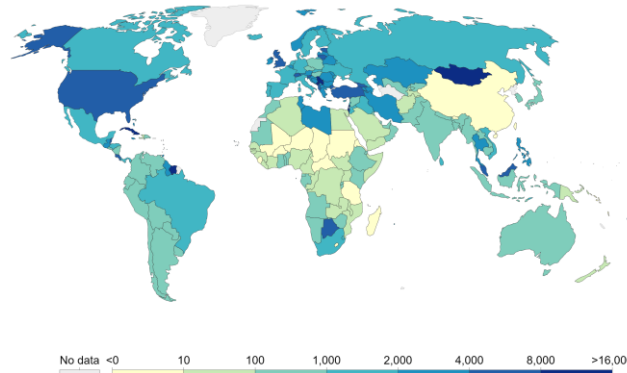


Source: Oxford COVID-19 Government Response Tracker, Blavatnik School of Government, University of Oxford – Last updated 19 September 2021, 02:50 (London time)

Biweekly confirmed COVID-19 cases per million people

Biweekly confirmed cases refers to the cumulative number of cases over the previous two weeks.

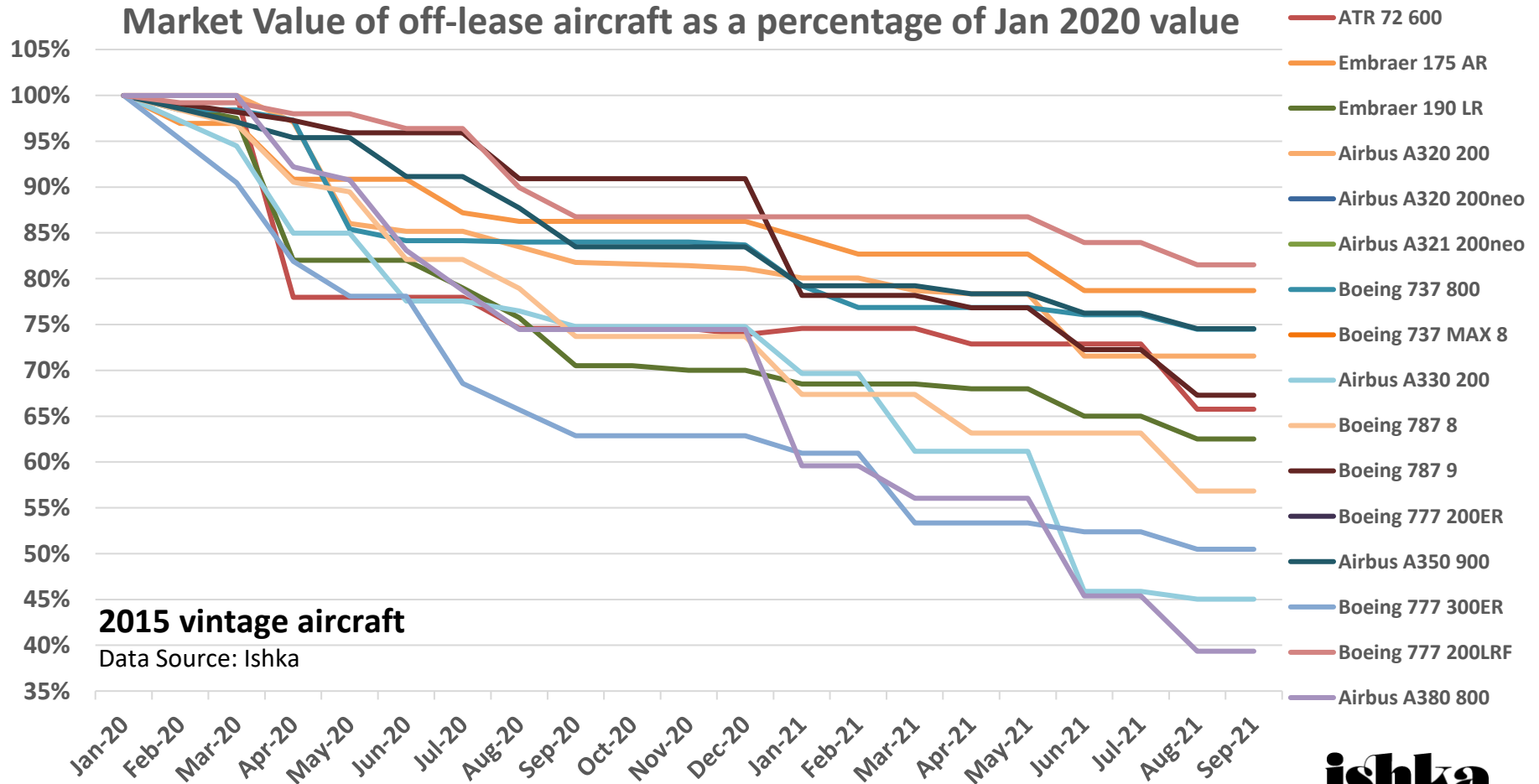
Our World in Data



Source: Johns Hopkins University CSSE COVID-19 Data – Last updated 20 September, 09:03 (London time)

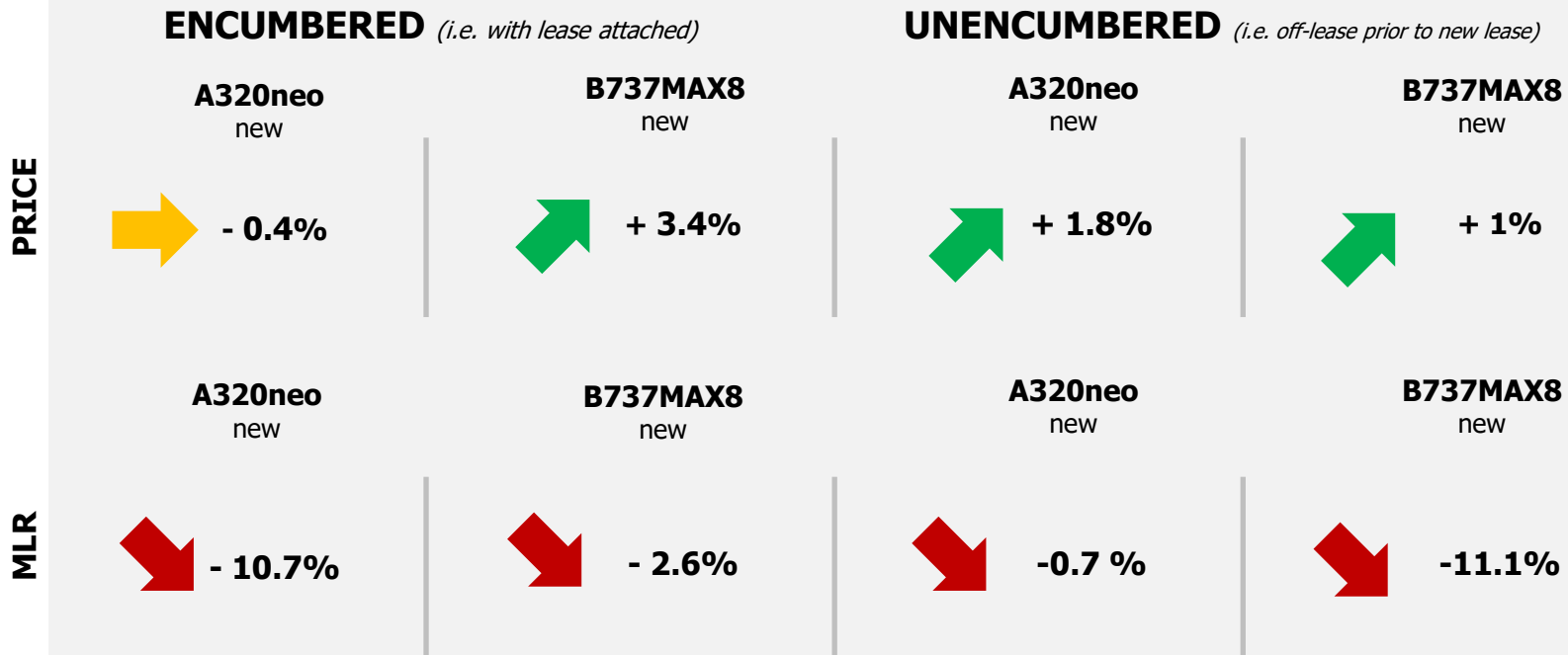
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Impact of Excess Capacity and Fleet Streamlining



Opportunities exist to raise liquidity from assets

Quarter-on-quarter average price and average lease rate change (Q2 2021 v. Q1 2021)



New A320neo prices are holding up, with MAX prices improving. Sale and Leaseback prices are increasing while lease rates are softening – a reflection of the competition between lessors and the availability of capital looking to be deployed – airlines are the beneficiaries

Near term outlook

Airlines

- **Summer 2021 was largely positive for airlines in North America and Europe**
- **Vaccination programmes are positively reducing localised restrictions**
- **Spread of Delta variant in the US towards the end of Summer – negative impact on bookings**
- **Outbreaks in Asia a concern**
- **Fundamental desire to travel = pent-up demand, particularly in Asia Pacific / Europe**
- **Leisure airlines and large domestic markets more favourably positioned**
- **Increased competition as FSC/network carriers adjust their business towards VFR/leisure segment**
- **Volatility in earnings likely to continue**
- **As such question marks on ability to generate sustained free cash flow in the near term**
- **There are sizeable debt and lease obligations to service**

Aircraft and Financing

- **The market correction in response to excess capacity and streamlining is done - for most. The potential for recovery - for some, is on the horizon, offering start-up and re-fleeting opportunities**
- **Financial appetite for popular assets is robust – the competition gives airlines more options**
- **Thousands of aircraft remain ‘in limbo’ – return to service or permanent retirement?**

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