Air travel is remarkably resilient

Source: Boeing
Utilization and Load Factors at all-time highs

Passenger Airline Utilization, Indexed with 2004=100

World Passenger Load Factors

Source: Boeing.
### 2016: Industry outlook per region

<table>
<thead>
<tr>
<th></th>
<th>Net Profit</th>
<th>Net Margin</th>
<th>Profit per Passenger</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>$36.3b</td>
<td>5.1%</td>
<td>$9.59</td>
</tr>
<tr>
<td>North America</td>
<td>$19.2b</td>
<td>9.5%</td>
<td>$21.44</td>
</tr>
<tr>
<td>Europe</td>
<td>$8.5b</td>
<td>4.3%</td>
<td>$8.80</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>$6.6b</td>
<td>3.2%</td>
<td>$5.13</td>
</tr>
<tr>
<td>Middle East</td>
<td>$1.7b</td>
<td>2.6%</td>
<td>$7.97</td>
</tr>
<tr>
<td>Latin America</td>
<td>$0.4b</td>
<td>1.1%</td>
<td>$1.26</td>
</tr>
<tr>
<td>Africa</td>
<td>$0.1b</td>
<td>-0.5%</td>
<td>-$0.93</td>
</tr>
</tbody>
</table>

Source: International Air Transport Association estimates.
Aircraft market outlook 2015-2034

**SUPPLY**
- Deliveries: ~6-7% of fleet
- Other factors: ~1%

**DEMAND**
- Industry Growth: ~5%
- Replacement: ~2-3%

Source: Boeing.
Supply: Replace older, less efficient planes

Source: Boeing
Demand: Asia-Pacific leading growth

Emerging/Developing
- China
- India
- Middle East
- Asia
- Africa
- CIS
- Latin America
- Eastern Europe

6.3 billion people 2014
Yearly RPK growth 2015-2034
+5.8%

Advanced
- Western Europe
- North America
- Japan

1 billion people 2014
+3.8%

Source: Boeing.
Top 3 megatrend growth drivers

- **Shift in global economic power**
  - Airline CEOs: 82%
  - All CEOs: 59%

- **Technological advances**
  - Airline CEOs: 81%
  - All CEOs: 77%

- **Demographic shifts**
  - Airline CEOs: 60%
  - All CEOs: 41%

Source: PricewaterhouseCoopers.
“We fly anything, anywhere, anytime”
“Disruptive Innovation” – Now a popular term

Source: Google Trends
Incumbent

What on earth is going on?!
New entrant

Source: HBR article «What is disruptive innovation?»
WE INNOVATE
OTHERS IMITATE
LCC business model has gone global

Source: Boeing
LCCs now provide a large share of capacity

<table>
<thead>
<tr>
<th>Region</th>
<th>2013 LCC market share (%) measured in annual seats by airline domicile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southeast Asia</td>
<td>52%</td>
</tr>
<tr>
<td>South Asia</td>
<td>35%</td>
</tr>
<tr>
<td>Europe</td>
<td>34%</td>
</tr>
<tr>
<td>Latin America</td>
<td>32%</td>
</tr>
<tr>
<td>North America</td>
<td>24%</td>
</tr>
<tr>
<td>World</td>
<td>22%</td>
</tr>
<tr>
<td>Oceania</td>
<td>19%</td>
</tr>
<tr>
<td>Northeast Asia</td>
<td>17%</td>
</tr>
<tr>
<td>Middle East</td>
<td>10%</td>
</tr>
<tr>
<td>Africa</td>
<td>8%</td>
</tr>
<tr>
<td>China</td>
<td>3%</td>
</tr>
<tr>
<td>CIS</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Diio/Innovata 2013, jet only
Middle Class set to Double in EM by 2034

Source: Oxford Economics, Airbus GMF 2015
10x Telenor Arena enter middle class each day
Stock price performance 2010-2015
Big variations among company valuations

P/E 2016e

- RyanAir
- EasyJet
- Southwest
- Norwegian Air
- SAS
- Air France - KLM
- Lufthansa
- AirAsia

EV/EBITDA 2016e

- Norwegian Air
- RyanAir
- AirAsia
- EasyJet
- Southwest
- Air France - KLM
- Lufthansa
- SAS

Source: Bloomberg.
Top 3 risks – according to airline CEOs

- Protectionist tendencies by Gov
- Increasing Tax Burden
- Over-regulation

Source: PricewaterhouseCoopers.
All about the CASK

2014 (full-year reports) in NOK

Air Asia 0.25
RyanAir 0.25
Wizz 0.3
Norwegian Air 0.42
EasyJet 0.49
Vueling 0.49
Finnair 0.59
Air Berlin 0.62
SAS 0.74

Source: Swedbank research.
"One thing is certain in business: you will make mistakes. When you are pushing the boundaries, mistakes are inevitable - how you react is important."
And the winners are…

- Strong Management
- Cost Advantage
- Scale
- Financing