

WHEN WILL AVIATION RECOVER ?

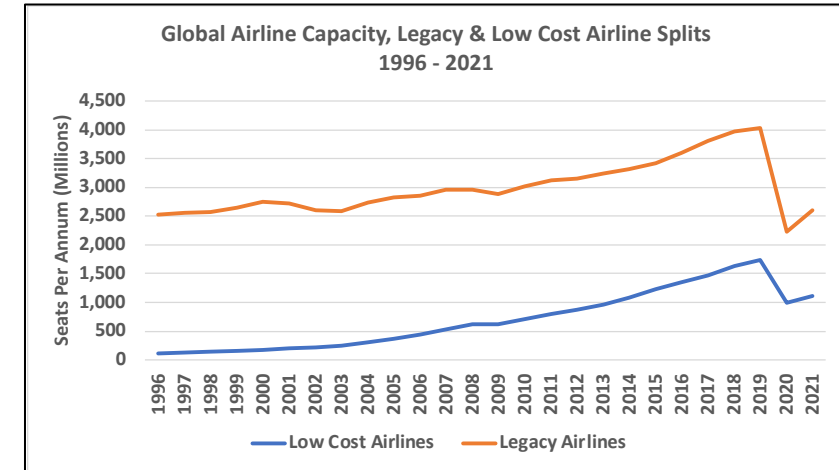
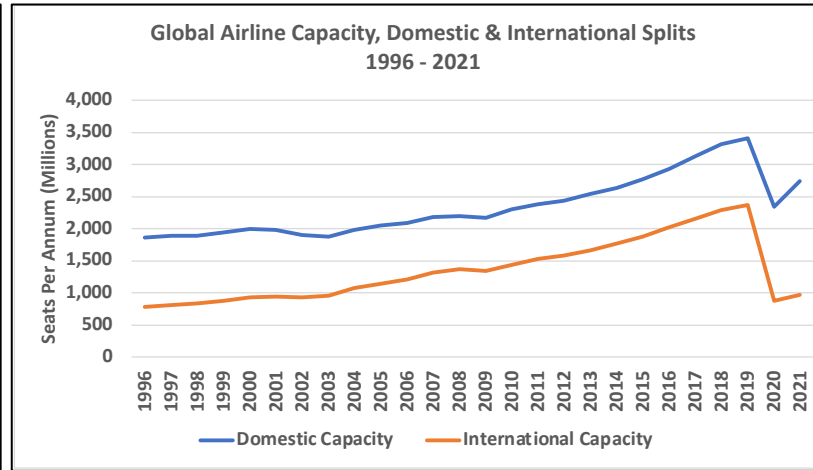
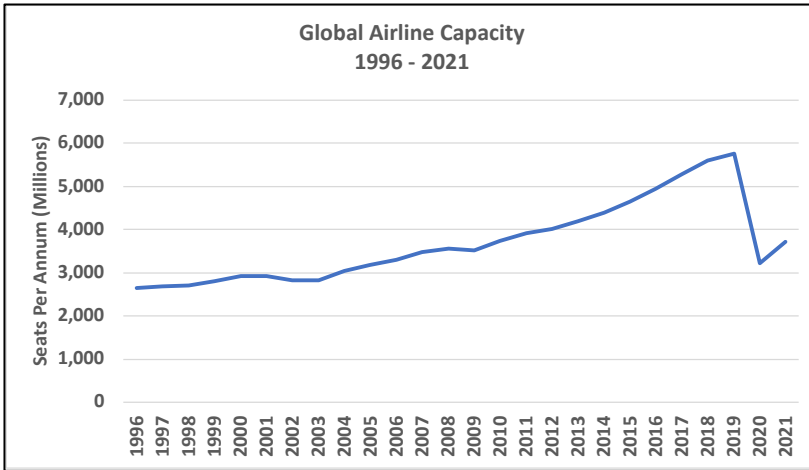
Key Recovery Insights From OAG

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CONTENTS

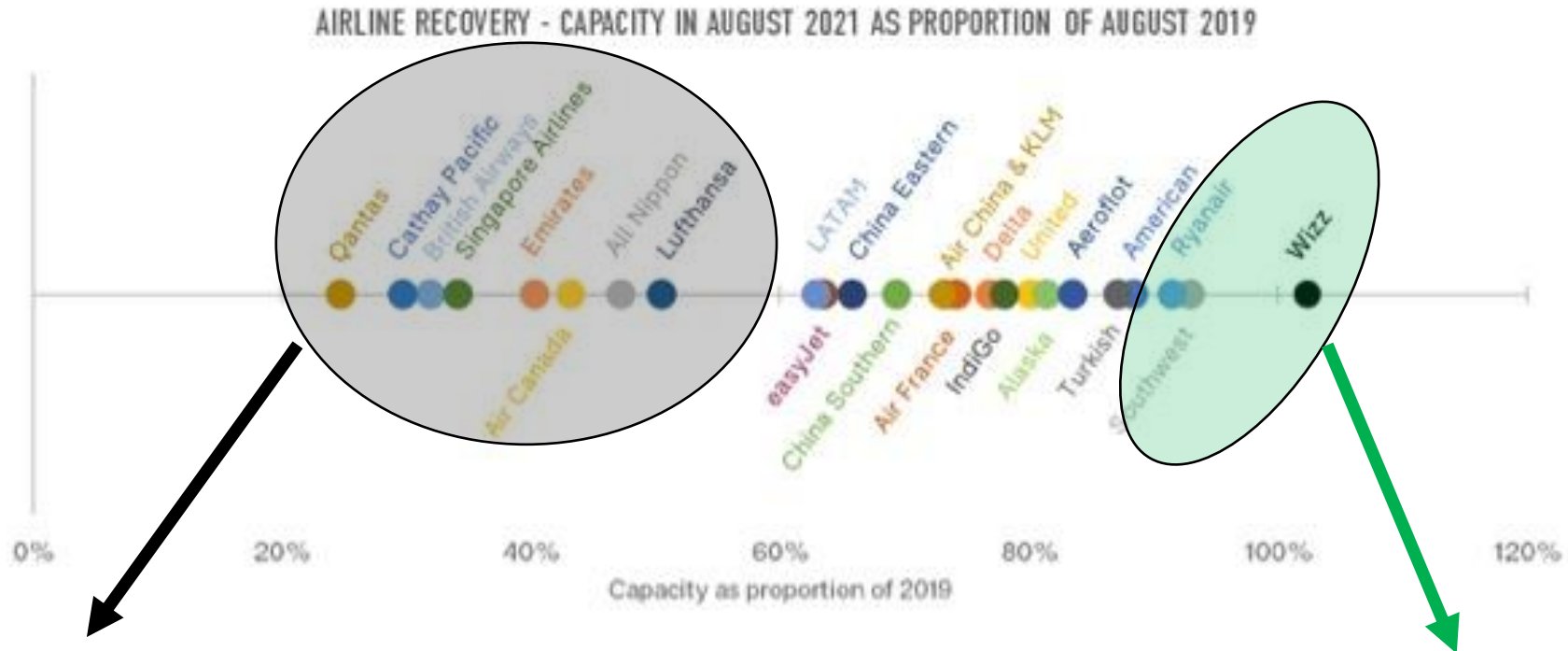
1. Where are we on the recovery?
2. How does this winter look?
3. The significance of China
4. Where are the hotspots?
5. What can we expect in 2022?

THREE CHARTS THAT SAY IT ALL



- The airline industry and travel eco-system has never experienced a pandemic such as Covid-19.
- A full recovery in capacity is unlikely before 2023 and full demand recovery probably 2024, assuming no further disruption.
- International capacity has been hardest hit - currently standing at 2004 levels
- Legacy airlines have suffered most and have been slow to recover.
- Low cost airlines have been quicker to react, more aggressive in recovery mode and less reliant on connecting traffic.

MANY GLOBAL AIRLINES REMAIN STRANDED



Classic legacy carriers reliant on large proportions of connecting traffic between multiple countries, some of which remain closed with no quick reopening

Best in class low cost airlines that stimulate demand very quickly

BLEAK WINTER EXPECTATIONS

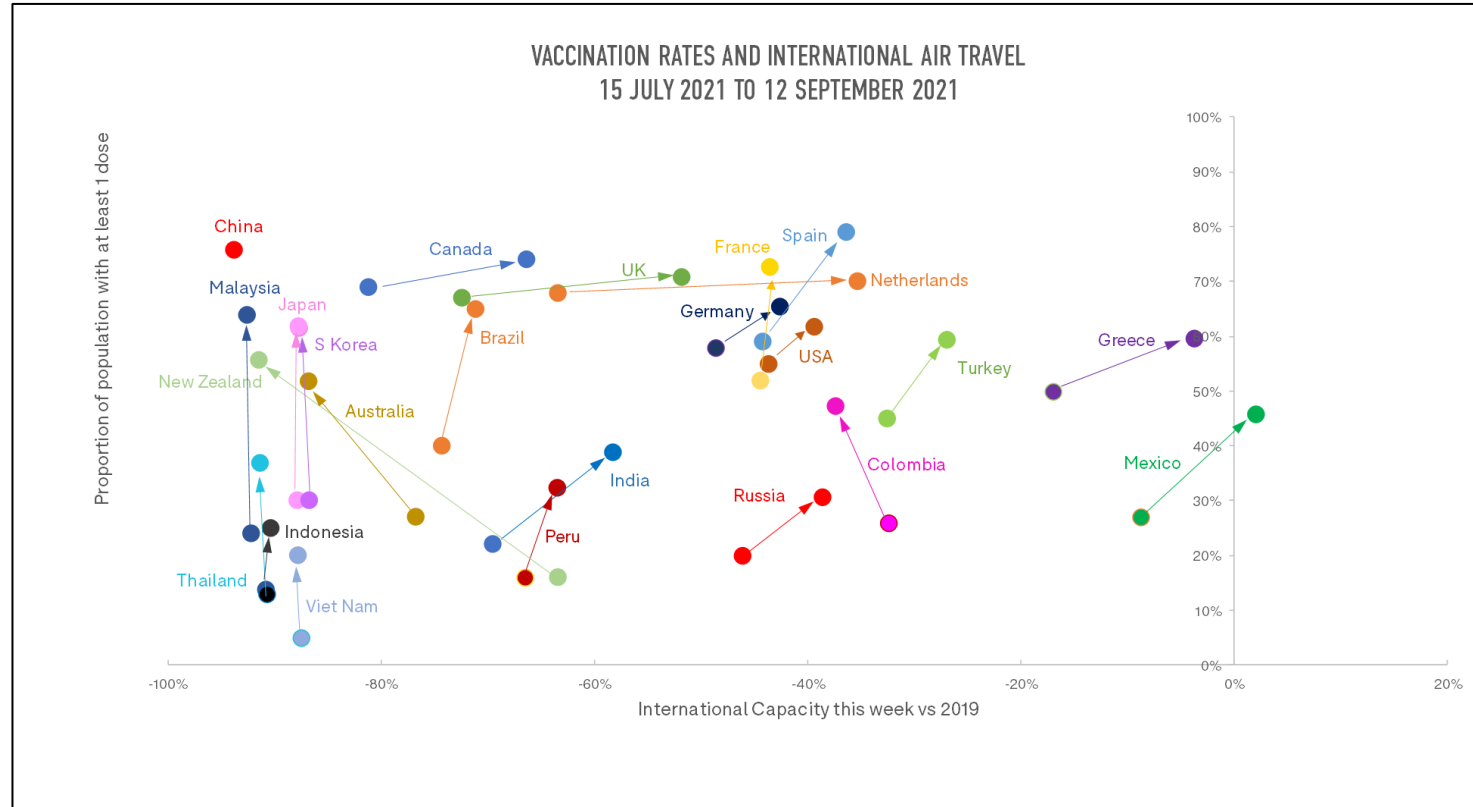
No Significant Improvement Expected Before Mid December

- Major “locked” international markets are expected to remain closed until at least Mid December
 - The United States has no plans to allow visitors before Thanksgiving
 - China has no plans to reopen for international visitors before Q2 2022 at the earliest
 - Australia has a tentative date of the 18th December for international flights to resume
- Country interdependencies frustrate further capacity growth and demand remains sluggish
 - South East Asia is reliant on China reopening for any significant growth
 - The transatlantic market is closed but you can go to Canada!
 - The “Big Three” Middle East carriers cannot grow more capacity back until South East Asia and Australia re-open before they can balance their network structures.
- Increased vaccination rates are not resulting in travel restrictions being eased.

VACCINATIONS ARE NOT INCREASING CAPACITY

No linkage between increased vaccinations and international capacity

- Whilst vaccine levels have increased in many markets international capacity remains unchanged.
- In South East Asia great progress in vaccine levels has seen no increase in capacity.
- Authorities seem very hesitant to re-open borders in fear of further outbreaks.



AIRLINE RECOVERY

Drivers & Hindrances to Recovery

DRIVERS

- Economic growth
- Low infection rates
- High vaccinations rates
- Domestic markets not subject to same travel restrictions
- Airlines with cash will price to stimulate market
- Pent-up demand especially for VFR and leisure travel

HINDRANCES

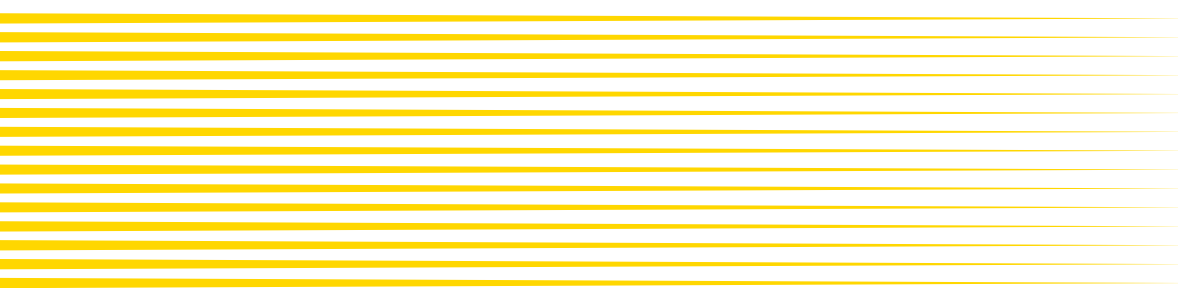
- Fragmented response from national governments and international bodies
- 'Zero case' approach seen in Asia Pacific is hard to unwind
- Unpredictable lockdowns and changes to travel rules
- Traveller confidence about travel in terms of safety, becoming stranded, financial cost
- Corporate hesitancy to put employees at risk by allowing business travel
- Digital alternatives to travel performed better than expected

OAG'S CURRENT EXPECTATIONS FOR YEAR END



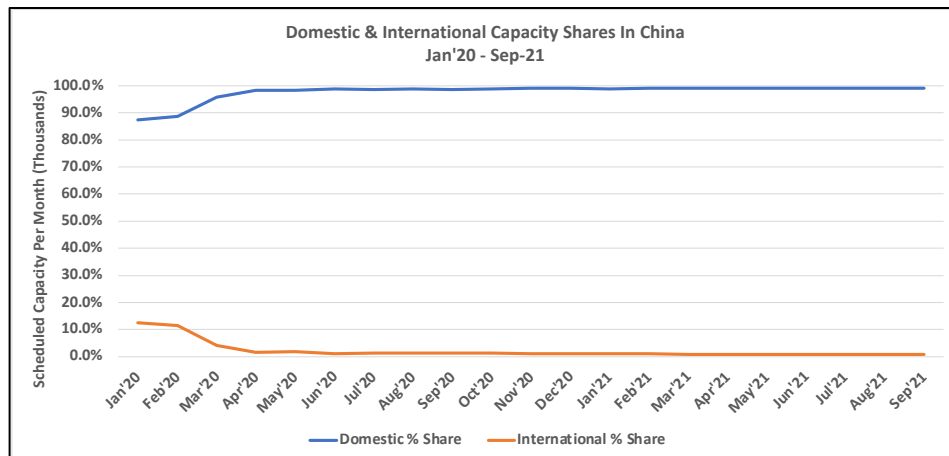
Global Capacity No Better Than 15% Above 2020 Levels

- We anticipate capacity for the year will finish close to 15% above 2020 levels
- We also anticipate that demand will remain some 15-20% behind the capacity position
- Corporate demand is unlikely to recover before Q1 2022 in North America & Europe
- Airlines are currently cutting around 15 million seats a week in their forward 3 month schedules
- Increasing activity around airline mergers and acquisitions can be expected



CHINA'S RELUCTANCE TO OPEN

No Urgency To Increase International Capacity



- Less than 1% of Chinese capacity is allocated to international flights
- China sees no urgency to increase international capacity and rebuild connectivity
- It views reopening as a high risk and is also looking to exert “soft power” through how it reopens
- We expect markets to open slowly and selectively.
 - Japan & South Korea first
 - South East Asia to follow
 - Australasia, Europe and North America will be “politically motivated” decisions

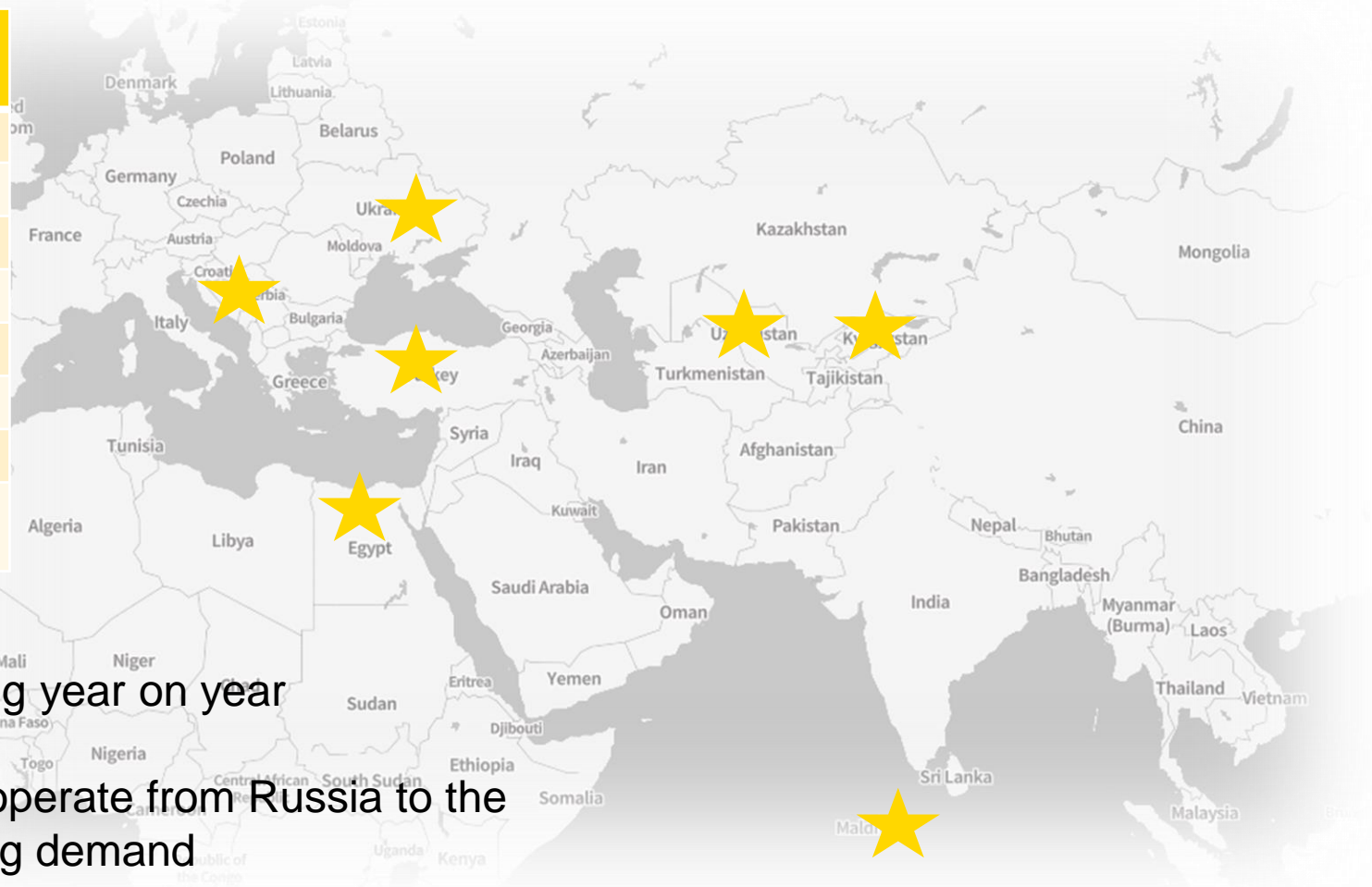
TOURISM BOARDS ARE ADJUSTING FOCUS

Short Term Changes In Focus Are Happening

- We are seeing major tourism markets adjust their budgets and marketing spend towards new source markets where travel restrictions have been eased
- Thailand is realigning its focus towards Russia and Western Europe as China, Australia and South East Asia remain closed for international travel
- The Maldives have been heavily investing in the Russian market and seen strong traffic growth from the UAE
- Caribbean tourism boards are heavily promoting destinations to the US market as Europe remains cautious about travel to the region

RUSSIA HAS BECOME A VALUABLE GROWTH MARKET

	Seats	Change vs August 2019
Turkey	723,399	+5%
Ukraine	645,631	+48%
Uzbekistan	141,737	+7%
Kyrgyzstan	118,497	+49%
Egypt	38,429	+439%
Croatia	30,128	+55%
Maldives	16,780	+158%
ALL INTERNATIONAL	2,577,010	-43%



- Russia – UAE traffic is growing year on year
- New scheduled services will operate from Russia to the Caribbean this year supporting demand

WHERE TO FOCUS THIS WINTER

Likely International “Hotspots”

- Russia outbound to Thailand, the Indian Ocean & Caribbean
- North America international outbound to Mexico and the Caribbean
- Europe to Morocco and the Canary Islands
- Europe outbound to the UAE
- Australia will see a strong Q1 2022 assuming no volume limits on travel are imposed



Our 2022 Expectations

A Bumpy Recovery

- Q1 2022 will be challenging with many major markets still restricted
 - Transatlantic services will increase as overseas nationals are permitted to enter the US
 - International capacity to China will remain unchanged
 - South East Asian recovery will be patchy
 - Further “sharp sudden” lockdowns can be expected in some markets

- Q2 2022 will see an accelerated recovery
 - South East Asia will build out
 - China will start to slowly reopen - expect North East Asia to be first
 - Intra-European capacity will recovery strongly