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Africa's Vision for the Future

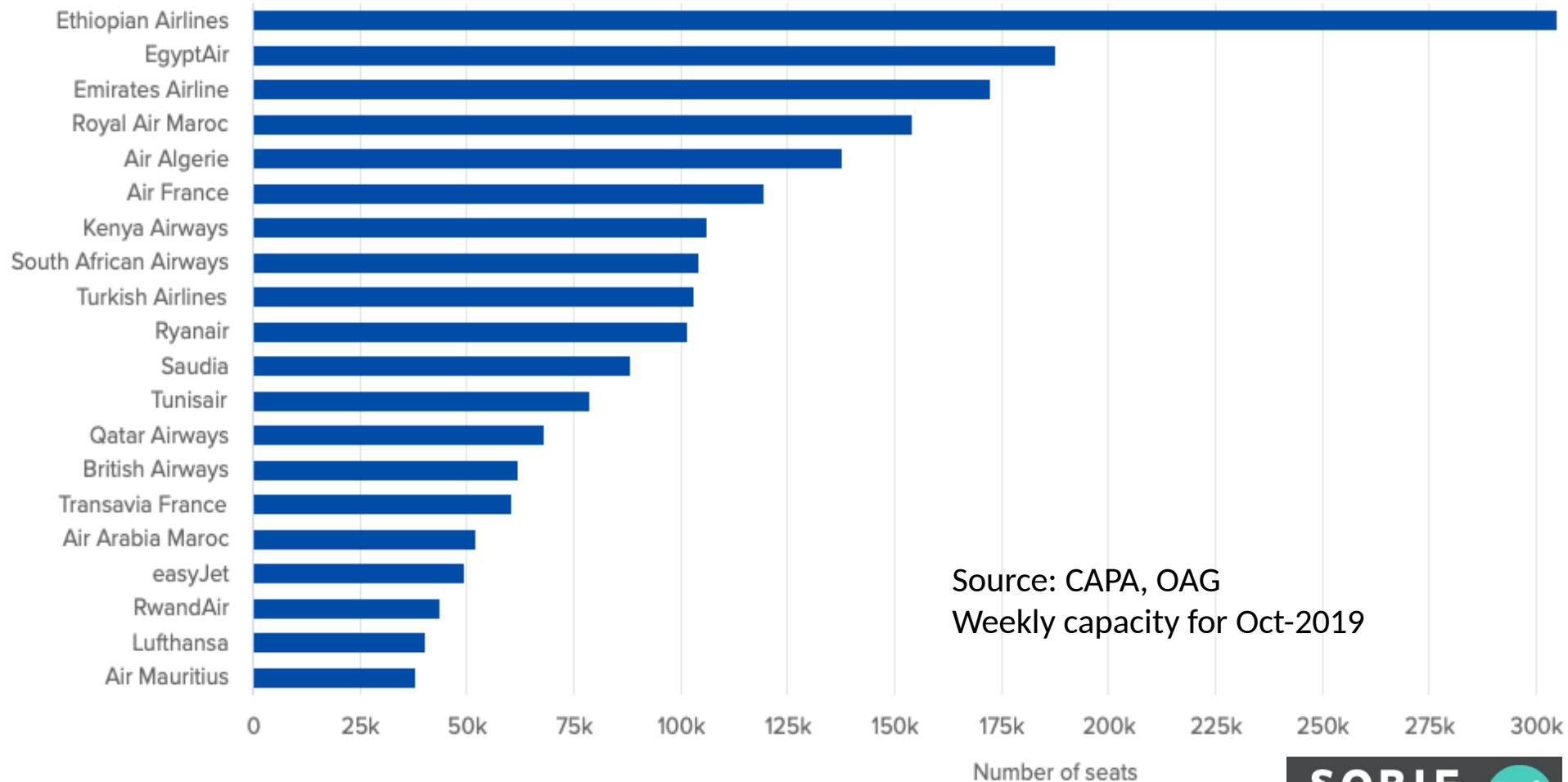
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Current market conditions and challenges

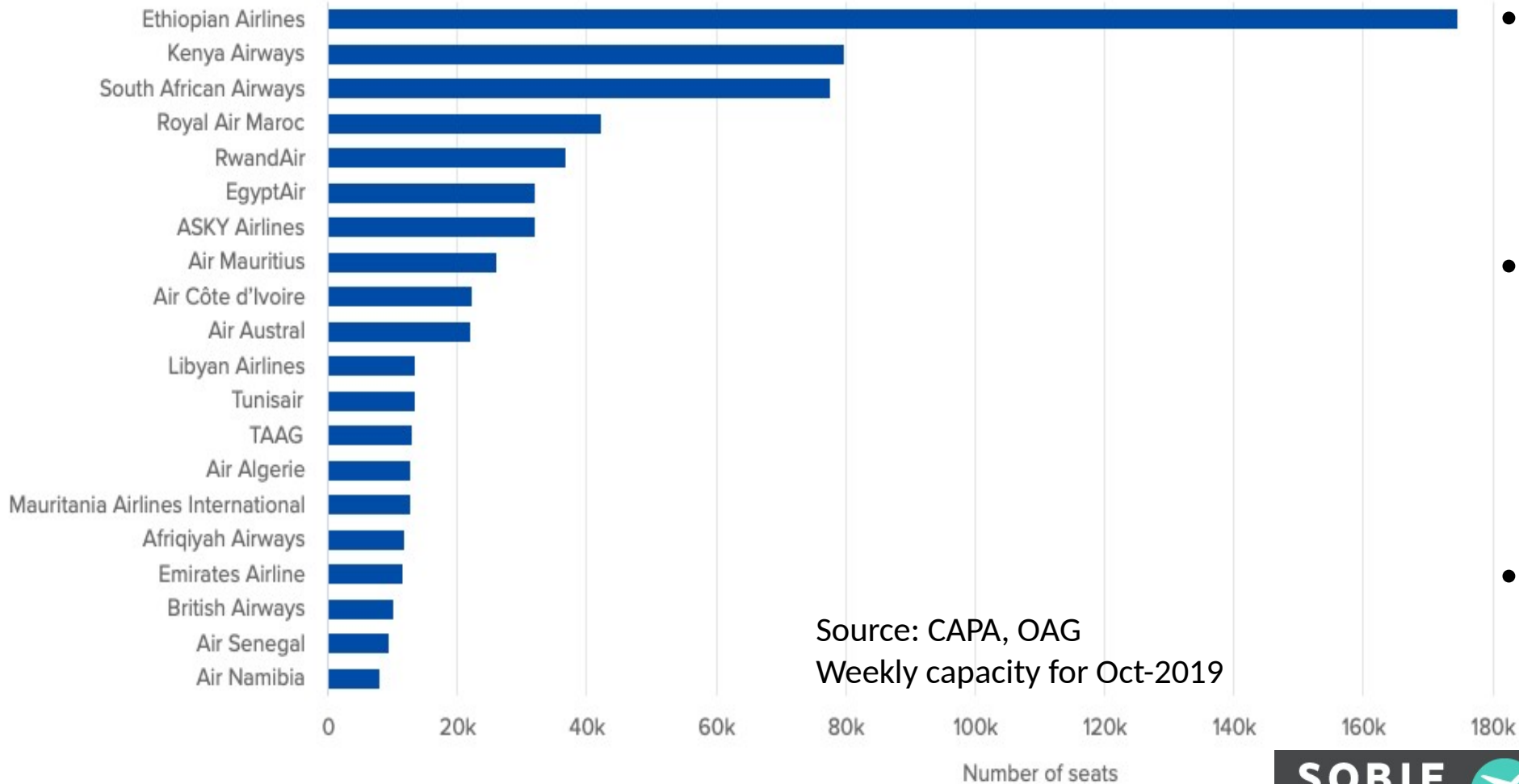
- Africa's aviation market is underserved and underperforming compared to other regions
- Connectivity within Africa continues to be a challenge despite multiple initiatives
- Taxes and airport charges are too expensive, impeding passenger growth, economic development and tourism
- Virtually all African airlines lack scale, making it difficult to compete and become profitable
- African airlines need to rethink their fleets and embrace partnerships/consolidation in order for profitability and connectivity within Africa to improve

Africa international capacity by airline: top 20



- Of the top 20, half are foreign. Of the next 20, another 15 are foreign
- Only about 25% of international capacity is within Africa. Europe is 47%, Middle East is 22%

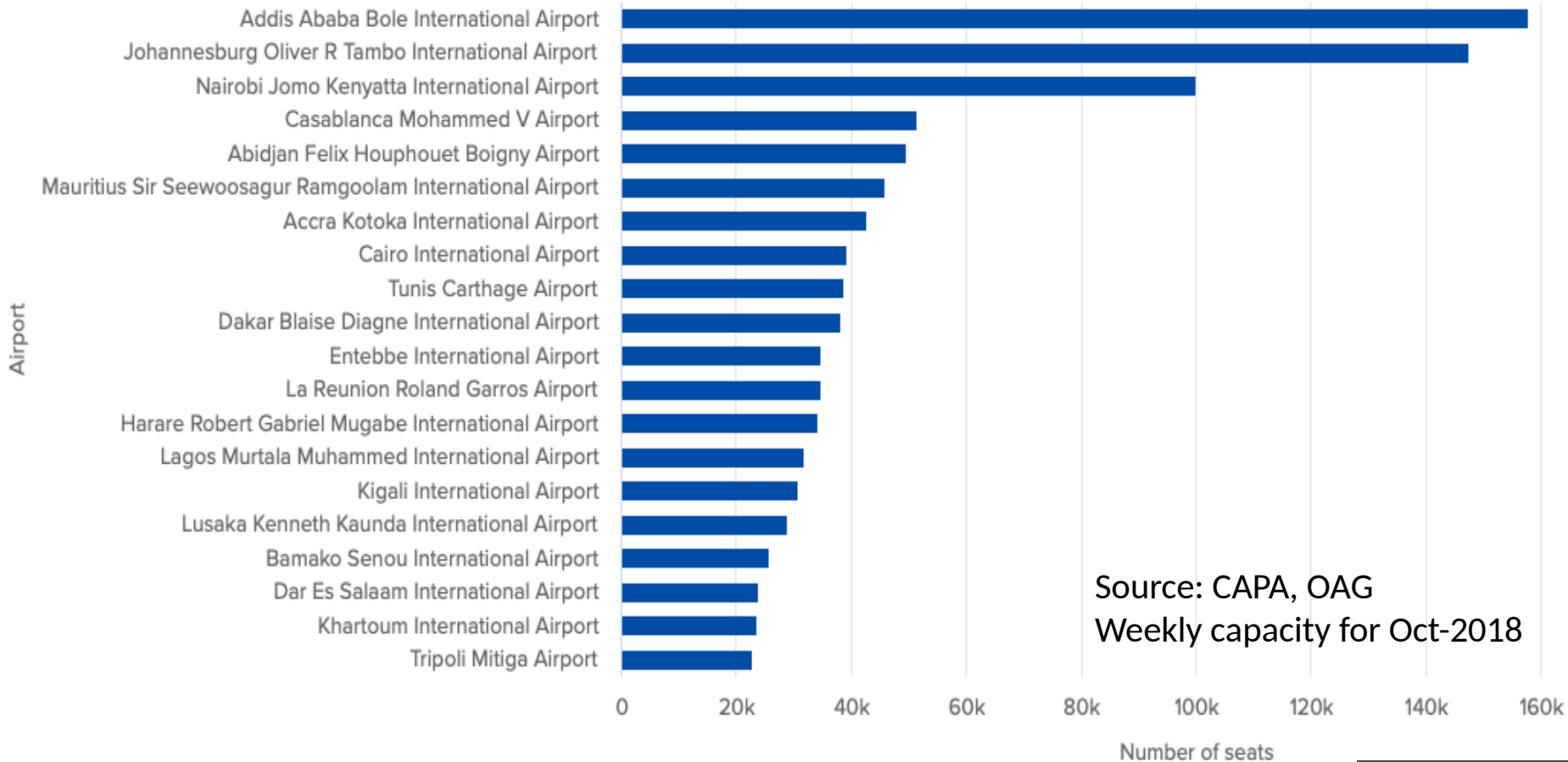
Intra Africa international capacity by airline



Source: CAPA, OAG
Weekly capacity for Oct-2019

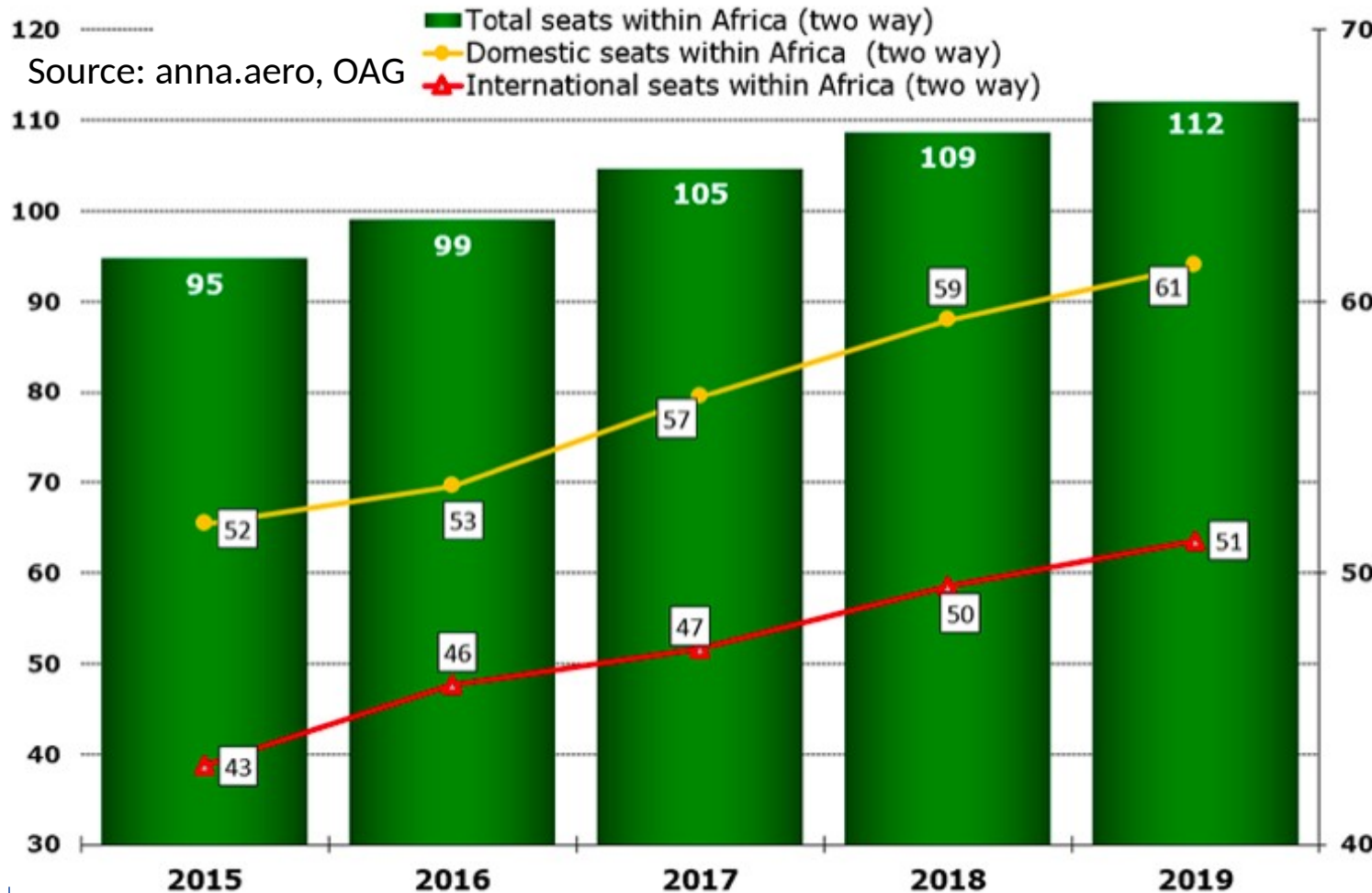
- Ethiopian dominates with a 23% share, or nearly 30% as a group
- Over 50 African airlines compete but only 20 have at least 10 daily flights
- 10 foreign airlines compete but account for less than 5%

Intra Africa international capacity by airport



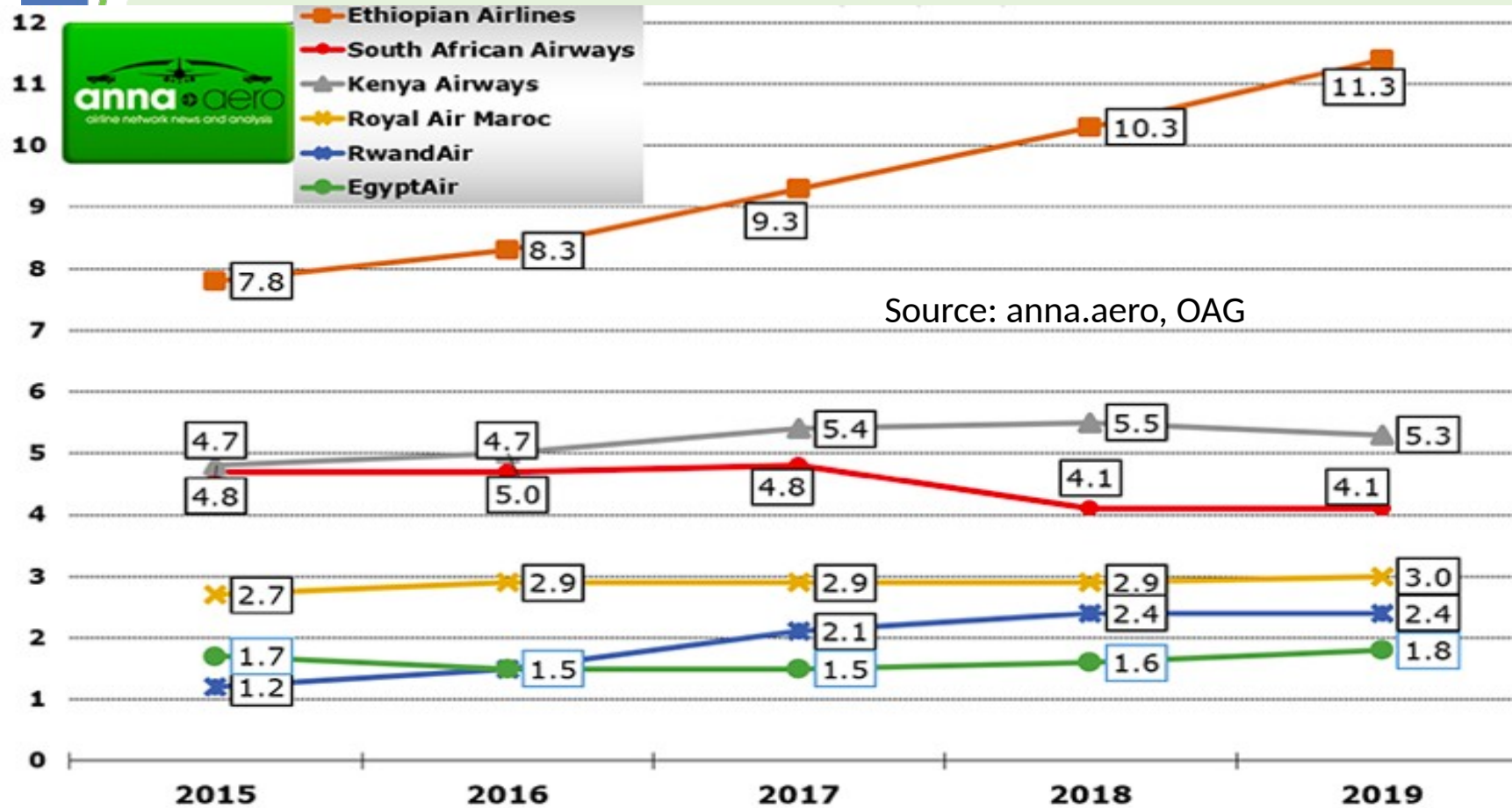
- Addis is the leading regional hub with an 11% share
- Johannesburg has 10% but is more point to point focused
- 24 African airports have at least 10 daily flights to other African points

Intra Africa annual seat growth and outlook



- Growth has accelerated the last four years with international seat capacity within Africa expanding by about 7% p.a.
- Growth should accelerate further under the Single Africa Air Transport Market (SAATM)
- Growing trade within Africa, boosted by AfFCTA is also a driver

Intra Africa international growth by airline



Source: anna.aero, OAG

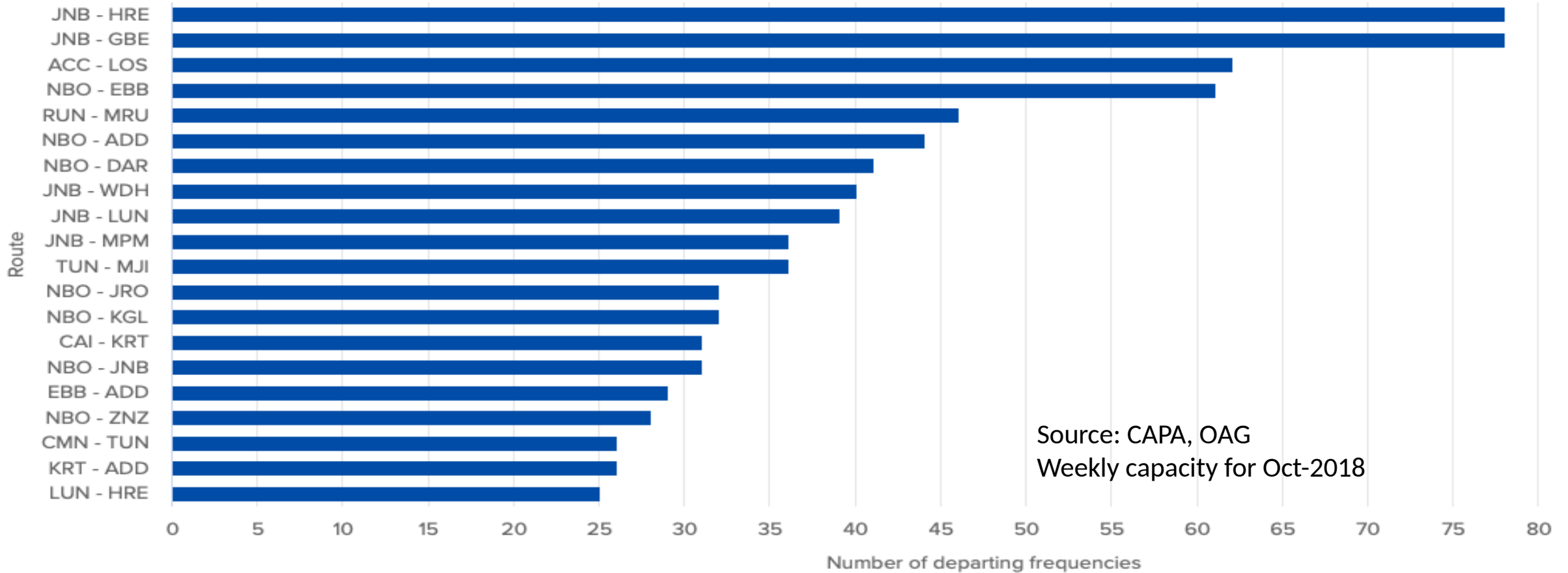
Source: OAG Schedules Analyser.

- Ethiopian has expanded by far the fastest, widening the gap
- The top 6 competitors account for 55% of capacity this year
- The seventh largest airline in this market, ASKY, is also part of the Ethiopian Group

Intra Africa: vision for the future

- There are about 400 international routes within Africa but less than half are served daily and only 68 are served with at least two daily flights
- Africa needs more high frequency routes in order to support trade and business
- International capacity within Africa and the number of routes served with at least two daily flights should triple over the next decade but this is only possible with the right policies and a more liberal environment
- Effective implementation of SAATM is critical, advancing liberalization and all the related benefits after three decades of limited to no progress following YD

Intra Africa: top 20 international routes



Source: CAPA, OAG
Weekly capacity for Oct-2018

Intra Africa: # international routes by region

	East Africa	Central/West Africa	North Africa	Southern Africa
East Africa	52	39	13	49
Central/West Africa	39	97	46	12
North Africa	13	46	22	1
Southern Africa	49	12	1	78

Source: OAG (schedules for Oct-2019)

- **Africa need more international routes but more critically more frequencies with the right size aircraft**

Intra Africa: vision for the future

- African airlines only have about 50 aircraft on order in the sub 150 seat category
- New generation small single aisle aircraft (A220, E2) could be game changers, enabling new routes that were previously not viable and more frequencies on existing routes that are currently served with larger aircraft
- Air Austral signed an order for three A220s last month and sister airline Air Madagascar also unveiled plans to lease three A220s
- Smaller African airlines teaming up to place joint orders – common ownership is not a necessary prerequisite - is sensible as it results in efficiency improvements and scale that airlines cannot achieve alone

Air Austral ordered three A220s in Oct-2019



Source: Airbus

E195-E2 world tour stops in Mauritius this week



Source: Embraer

Intra Africa: vision for the future

- New generation turboprop aircraft (such as the ATR 72-600, ATR 42-600S and Q400NG) are also needed to help renew an ageing turboprop fleet and improve domestic/short haul international connectivity
- New generation long haul narrowbody aircraft (such as the A321LR, A321XLR and 737 MAX) will also help develop the intra-Africa market as they have the range to operate even the longest African routes and can generate efficiency improvements/lower unit costs for trunk routes
- New generation long haul narrowbody aircraft could also open up new international routes including to South America and East Asia (a market now served entirely with widebodies)

Africa: vision for the future



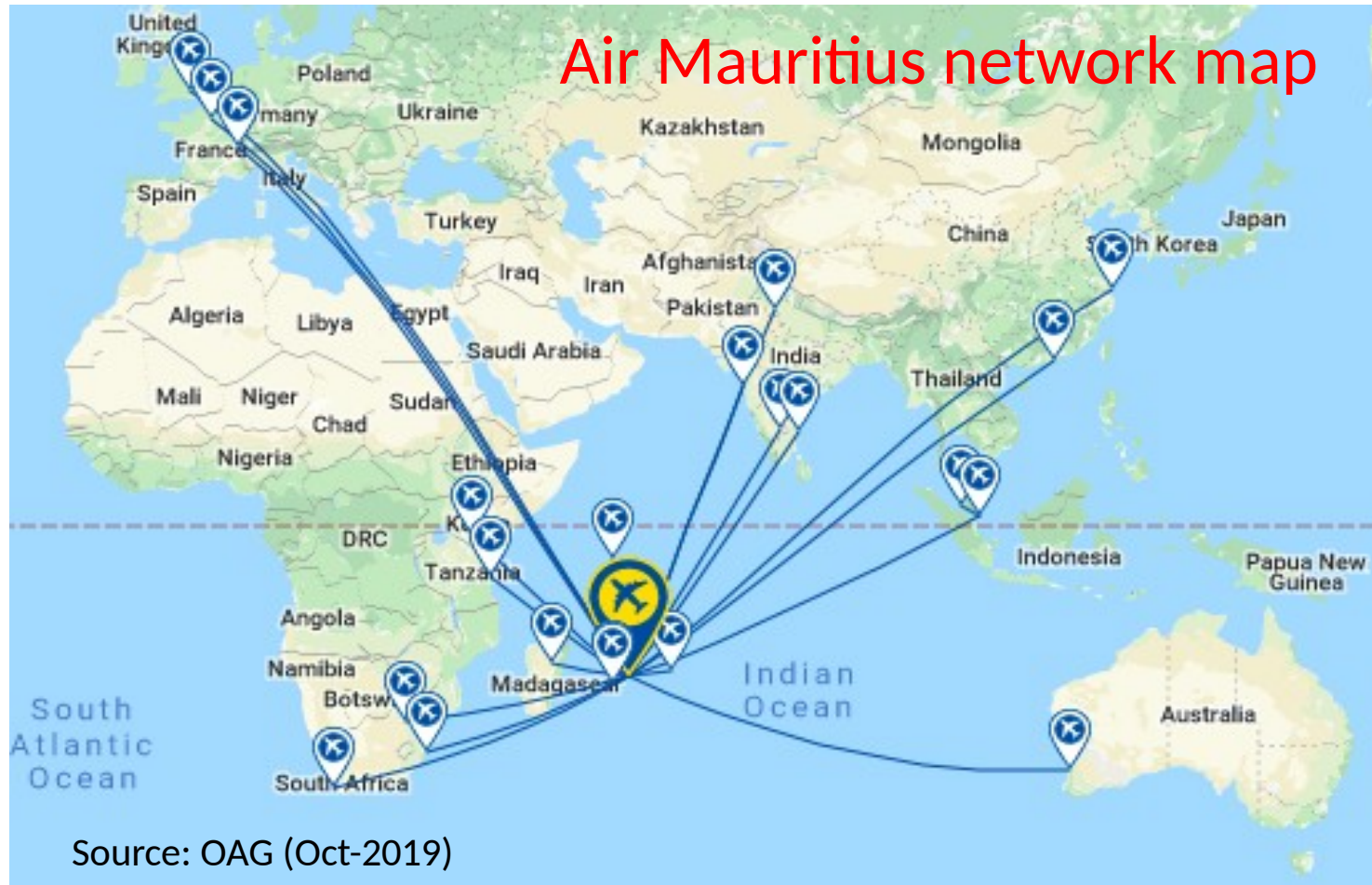
- TAP Portugal two weeks ago began operating the A321LR from Lisbon to Belem, marking the first time a narrowbody has been used from mainland Europe to South America
- With a flight time of about 7.5 hours, this route is similar to Mauritius-Singapore, Johannesburg-Cairo and Lome-Rio de Janeiro

Africa: vision for the future

- The A321XLR will be capable of even longer routes such as Maputo-Casablanca, Cairo-Bangkok, Joburg-Perth, Mauritius-Hong Kong, Luanda-Sao Paulo, Cape Town-Buenos Aires
- The Americas and Asia Pacific are underserved from Africa, each accounting for less than 3% of total international seat capacity from Africa
- The future for Africa aviation should focus on improving connectivity within Africa as well as to Asia, driving economic growth and efficiency as passengers rely less on backtracking via hubs in the Gulf or Europe
- The future for Africa aviation should focus on building scale through mergers, acquisitions, joint ventures and joint aircraft orders

Africa: vision for the future

Air Mauritius network map



Source: OAG (Oct-2019)

- Air Mauritius has pursued a network strategy of building a bridge between Africa and Asia
- Its widebody fleet consists of eight aircraft including new generation A330neos and A350s but it has only two narrowbody aircraft (A319ceos) and has no orders for new generation narrowbody or regional aircraft

Africa fleet: fragmented and lacks scale

Airline	number of widebodies	Number of narrowbodies (regionals excluded)
Ethiopian	58	22
South African	24	19
EgyptAir	20	33
Royal Air Maroc	12	37
Kenya Airways	9	12
Air Mauritius	8	2
Air Algerie	8	32
TAAG	8	5

- Only eight airlines in Africa have more than five widebody aircraft
- Only eight have more than 15 narrowbody passenger aircraft (Comair, FlySafair and Tunisair not listed)
- No airline outside South Africa has more than 20 regional aircraft
- Only the top six airline groups have at least 30 aircraft in total

Africa's vision for the future: Conclusions

- Africa's aviation industry is at an important juncture
- There is an opportunity to advance liberalization and improve connectivity, ushering in a new era of passenger and wider economic growth
- An integrated and interconnected Africa also provides an opportunity for African airlines to raise their game and improve profitability
- New generation aircraft will help usher in a new era but only if African airlines embrace the technology and work together to streamline fleets, gain scale and increase efficiency

Africa's vision for the future: Conclusions

- There are still huge impediments to growth and success, some of which will be addressed in panel discussions today
- A comprehensive study on intra-Africa network opportunities, the challenges impeding growth and how to achieve a better more sustainable future for all airlines would help raise awareness and support ongoing initiatives
- The future outlook is bright but if we are not careful the mistakes of the past will continue to be repeated

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**THANK
YOU!**



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