

PRESENTATION 3

**“Covid-19: How airlines
can **come stronger** after
the pandemic **than ever**
before”**

**Mr. Christophe Ritter, Managing Partner -
Predictive Mobility**



Who are we?

PREDICTIVE MOBILITY
Big Intelligence for Agile Marketing

AFRAA Partner since 2014, supporting the Route Network Coordination project, and the **N°1 provider of Market Intelligence, Scheduling and Network Development software in Africa** with more than 10 customers. We have the largest market information database worldwide and serve 50 aircraft manufacturers, airlines, and airports worldwide. Won Technology awards in 2014 and 2017, elected in the Top 10 Big Data Company worldwide in 2020.

MHIRJ | AERO ADVISORY
SERVICES

Building on the vast experience accumulated by its team on aviation financing, fleet development, aircraft development and aircraft operations, MHI RJ Aero Advisory Services pride itself on leveraging its strong **analytical expertise, large aircraft trading experience, and razor focus on aviation finance** to help airlines in Africa to grow their revenue, lower their operating costs, and ultimately find the right solution to expand your world!

We provide you with smart and bankable solutions, using the best of our systems and airline expertise!

LET'S FOCUS ON SEPTEMBER 2021



-26 %

In September 2021, the overall weekly seats operated from Africa to the World will be lower by 26% against the same period of 2019, a call of optimism against the latest passenger traffic results in March showing a drop of -67% versus 2019

Intra-African scheduled capacity is at -28%, an anomaly against other regions in the world where domestic and intra-regional operations are recovering much faster than inter-regional services!

-28 %

INTERNATIONAL AIRLINES ARE THERE



Regarding the seat capacity operated from any airport in Africa and including domestic and international operations in September 2021, TK is the 5th largest operator after ET, MS, AT, and Airlink, followed by BA (6th), EK (8th) and Qatar (10th). There is no other region in the World where foreign airlines have such a predominant (and worrying) position

At the same time, prominent national carriers are facing a difficult situation, such as SAA, RAM, Tunisair, LAM, Air Mauritius and many others. The Covid-19 crisis has just been an accelerator of some pre-existing problems for these carriers, pushing their finance down the drain



SOME AFRICAN AIRLINES SHOW RESILIENCE



Ethiopian and EgyptAir demonstrated their resilience through the crisis, leveraging their cargo operations, but also reengineering their operations to adapt to the pandemic, while preparing for the market recovery, and making them the two clear leaders of the African aviation

New carriers in South Africa and Burundi have been announced earlier this year, and will join the recently launched national carriers in Nigeria, Ghana, Guinea, Uganda, Tchad and Mauritania.



THEN, WHAT TO THINK?



The only certainty is that the impact of the Covid-19 has been important on the African aviation market, and the key risk in the short term is having non-African airlines ripping off the benefits of the aviation recovery at the detriment of the African carriers

To leverage the crisis in opportunity, we believe from our forward analysis on some markets already in recovery, but also the comparative analysis of the H1N1 pandemic in Asia, that some practical solutions should be implemented by the African carriers

LET'S FIRST ADDRESS SOME BUSINESS LEGENDS



A state-owned carrier will not be successful, only private companies are !

**Risks
Managed**

State ownership is an **OPPORTUNITY** to secure a better capital structure, it minimizes the risks of default for partners and suppliers, and the ROE is on the medium long term versus a short-term focus

**Proper
Controls**

What does matter is the **AIRLINE GOVERNANCE** and corporate structure, allowing the airline to be autonomous in its decision making and focus on the key strategic guidelines agreed with the government

**Global
Strategy**

Moreover, the airline should be one element of a more **GLOBAL TRAVEL and HOSPITALITY STRATEGY** aiming to develop the travel and hospitality sector, aviation being the most secure mode of transport for medium long distances

LET'S FIRST ADDRESS SOME BUSINESS LEGENDS



The more national airlines are, the less competition there is !

**SAATM
Initiative**

In Europe there are still a lot of national airlines, and the competition is wide-open. What does matter is not the flag but **OPEN SKY** policies, that supports fair competition, encourage all carriers to be competitive and meet passenger demand, and ultimately grow the traffic!

**AFRAA
RNC**

African carriers need also to **CO-OPERATE** to fight against foreign carriers having both time and money. African airlines should **COMPETE** and **coOPERATE** at the same time. It should not be uncommon to have 5 or 6 codeshare partners on a given flight, as it is the best way to expand your network at the lowest cost possible!

RECOMMENDATION 1



Successful airlines have a clear **STRATEGIC FOCUS** and business model!

Why? Because **TRUST** is paramount of importance with your customers, and having a clear message you pass to them is a necessity, especially during and after a global crisis. Some airlines are tempted to have only an opportunistic perspective and do not realise the **VALUE OF THEIR BRAND**, especially new carriers.

A recent study by the Harvard Business Review outlined that 85 percent of executive leadership teams spend less than one hour per month discussing strategy, and 50 percent spend no time at all. This is quite astonishing, since in troubled time it is important to provide a **CLEAR STRATEGY** to your partners, stakeholders, and clients on how you are going to **ADDRESS THE CRISIS**, and what will be your strategic **FOCUS** for a sustainable future.

Without it, there is no trust, and without trust no revenue!

RECOMMENDATION 2



Successful airlines have a ratio of MONOPOLY routes over markets with multiple operators of 2 to 1!

Why? Because the yield is higher on monopoly markets, and it help you boost your profitability ratio. It does not mean that an African carrier should avoid the top key markets out of their base airport, but rather have a portfolio of secondary destinations, with perhaps less volume, but surely more revenue per passenger and higher profitability

Exiting the pandemic, all airlines will focus on large markets – but with demand lagging behind and cash flow a necessity, prices will drop. Having markets with no or limited competition is important since they will not only recover quickly but also at a good yield! Focus also on cooperation on these markets to fill up your seats – it is always preferable to find a partner rather than discovering a new competitor!

Data source: Predictive Mobility travel analytics . We shared a detailed study with AFRAA on the percentage of monopoly routes in an airline network and the profitability of the African carriers. The results were published in Africa Skies Magazine during summer 2020

RECOMMENDATION 3



Sell, Sell, Sell, the EARLIER the better!

Why? Because it is obvious, but not always translated into reality. For example, very few African carriers have already distributed their Winter 2021-22 schedule, while they will most likely operate the vast majority of their Summer schedule next year. In Europe many LCC are already advertising Easter Breaks 2022! The earlier you sell, the better is your CASH FLOW position, and the more you can be aggressive in the short term against your competitors.

Booking are usually made later than earlier in Africa, but not all market segments follow this logic, neither the destinations. It requires to identify first the KEY TRAFFICS you are going to serve. The pattern of demand from the diaspora is different from the small entrepreneurs, the international tourists, and the large corporations. You should analyse which TYPOLOGIES of traffic do you serve, and what can be leveraged to expand their purchase horizon

RECOMMENDATION 4



A fool thinks himself to be wise, but a wise mind uses DATA INTELLIGENCE!

Why? Gut feeling can work, and serving large markets, cannot go wrong. At time of crisis, however, when margins are thin, not enjoying the benefit of MARKET DATA is betting the future of your airline on luck, not on solid ground.

Understanding the market potential, the routing of your passenger for a specific origin destination but also evaluating their market share and passenger revenue is a necessity to take the PROPER DECISIONS in a troubled environment. Performing a detailed market analysis including demand potential, expected revenue, connecting traffic, cost of operation, and determining the potential P&L of the new route should be the requirement of any CEO, and using proven market data and models should be mandatory to avoid costly and tragic errors that only your competitors will enjoy!

RECOMMENDATION 5



Develop multi offering strategies and BE AGILE!

Why? Because having strategic focus does not mean one fits all. You need to determine what is required on your domestic market, how you need to serve the regional destinations – focus on frequency of operations or volume, passenger traffic only or cargo, etc. – which partner to work with, and shall it be an international operator or regional or both?

It requires as well to have a fleet that can support different missions and **CREATE FLEXIBILITY** within your operations. Being agile is also to continuously re-evaluate the destinations you operate, and the earlier you launch them, the easier it is to cancel the underperforming routes to find better alternatives. Airlines should look at partnerships and connections at your beyond destinations to grow their network, create new traffic opportunities, and start selling in new markets



We wish you a Successful Convention

and are looking forward to continue our discussions and find more bankable solutions for you:

bethebest@predictivemobility.com



"Building Blocks for the Air Transport Industry Recovery"



AERO ADVISORY
SERVICES

PREDICTIVE MOBILITY
Big Intelligence for Agile Marketing

THANK YOU

“Building Blocks for the Air Transport Industry Recovery”