PRESENTATION 2


by Mr. Matthias Kern, Associate Partner - Lufthansa Consulting
Building Blocks for the Air Transport Industry Recovery

The Future of Airline Business Models for Africa post-COVID

Lufthansa Consulting

“Building Blocks for the Air Transport Industry Recovery”
Lufthansa Consulting is a leading aviation consultancy

Aviation is our core expertise

3500 aviation projects worldwide

7 Competence centers

40 successful years in aviation

Headquarter in Frankfurt, Germany

100 employees with 18 different nationalities

Independent advisor and member of the LH Group

Award winning consultancy

Offices in Rio de Janeiro and Moscow

7 Dedicated regional representatives around the world
Even large airlines were hit hard by the pandemic; some are seeing a gradual path to recovery.

Largest African airlines by scheduled seats, 2019

Percentage of seat capacity vs corresponding month in 2019

Note: SAA and Tunisair have not yet filed full schedules for Nov and Dec 2021.

Source: OAG

1) Includes Air Sinai | 2) Includes Tunisair Express | 3) Includes Jambojet | 4) Includes Mango
To shape your business for the future consider your position and your purpose

Transformation approach: Strategic Options for Airlines

**Low**
- **Cash burn minimization**
  - Tactical, drastic measures to stop the bleeding and focus on quick wins to economize

**High**
- **Continuous Improvement**
  - Set-up of team and processes for continuous improvement and cost saving during regular ops

**Gradual**
- **Future Readiness of business model**
  - Owner / governmental bail out
  - Strategic partnering
  - Process re-engineering
  - Zero-based budgeting / design

**Radical**
- **Turnaround & Rightsizing**
  - Preparation for long-term turnaround based on defined business model

- **Organization of the future**
  - Rethinking of business model, skill requirements, organizational up and ways of working

**Simplified Overview**

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AFRAA 9th Aviation Stakeholders Convention – 18th - 19th May 2021
In the ‘New Normal’, winning African business models will be more focused

- Africa to remain home to FSC, hybrid, LCC, ULCC models
- Hub and spoke model carriers to evaluate P2P opportunities
- FSC to evaluate pivots to leisure and expansion of cargo
- LCCs to ensure genuine LCC cost base
- Need to streamline heterogeneous fleets
How to shape your business model towards becoming a ‘master of survival’ in Africa

Be Flexible
Design your organization to cost efficiently ramp up and down

Be Lean
Ensure competitiveness through lean cost base and focus on customer value

Be Smart
Digitize operations with decision making based on integrated, AI-supported systems

Be Sustainable
Convince your stakeholders of your commitment to the future

Be Collaborative
Go beyond code shares, optimize costs through partnerships

...and shape the market
Stick together to use the crisis to accelerate African market liberalization
The impact of an airline on the economy can convince shareholders of their return on investment.

**Impact of aviation on economy**

Example of National Carrier (Value added 2020-2025)

- Gross Value Added direct impact from Airline Operation: ~400 mn USD
- Gross Value Added indirect impact on local aviation value chain: ~200 mn USD
- Gross Value Added induced impact via domestic expenditure of employees: ~150 mn USD
- Catalytic economic impact including inbound international tourism: ~4 bn USD
In summary...

Future ready business model + Transformation plan + Financing plan + Economic impact analysis = Winning business model & convincing story to investors
Contact

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Many airlines had to seek governmental support to survive this crisis – use this as opportunity

Examples of airlines in Africa seeking governmental support (since 03/2020)

- South African Airways
- Royal Air Maroc
- Egypt Air
- Kenya Airways
- Air Mauritius
- Egypt Air
- Mango Airlines
- South African Express
- Royal Air Maroc
- South African Airways
- Royal Air Maroc
- Egypt Air
- Kenya Airways
- Air Mauritius
- Egypt Air
- Mango Airlines
- South African Express
- Royal Air Maroc
- Egypt Air
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- South African Express