



4th Annual Conference on Electronic Invoicing
September 13, 2007



Paris, France

State of the industry:
Improved financial performance
but risks to outlook increase

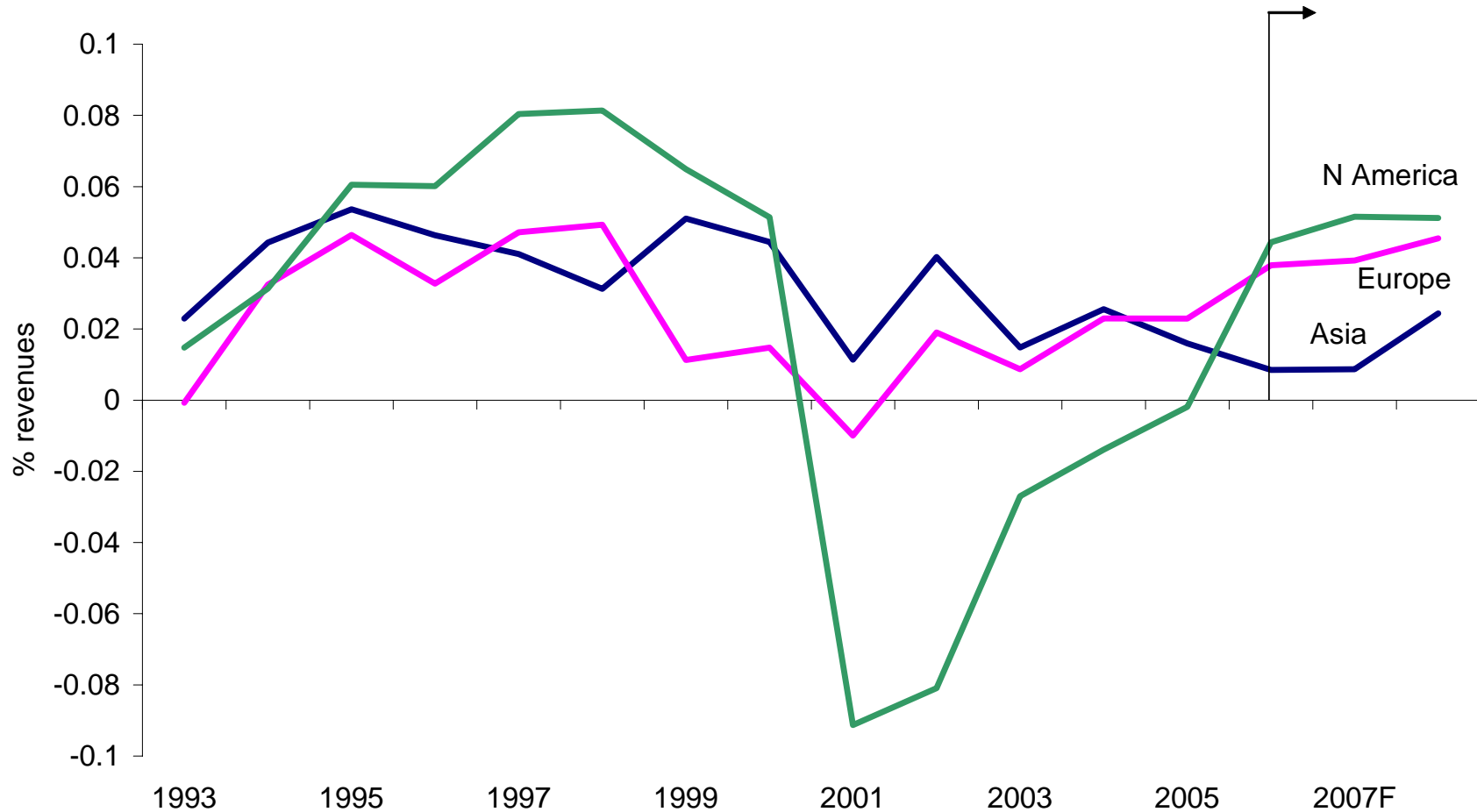
Brian Pearce

www.iata.org/economics



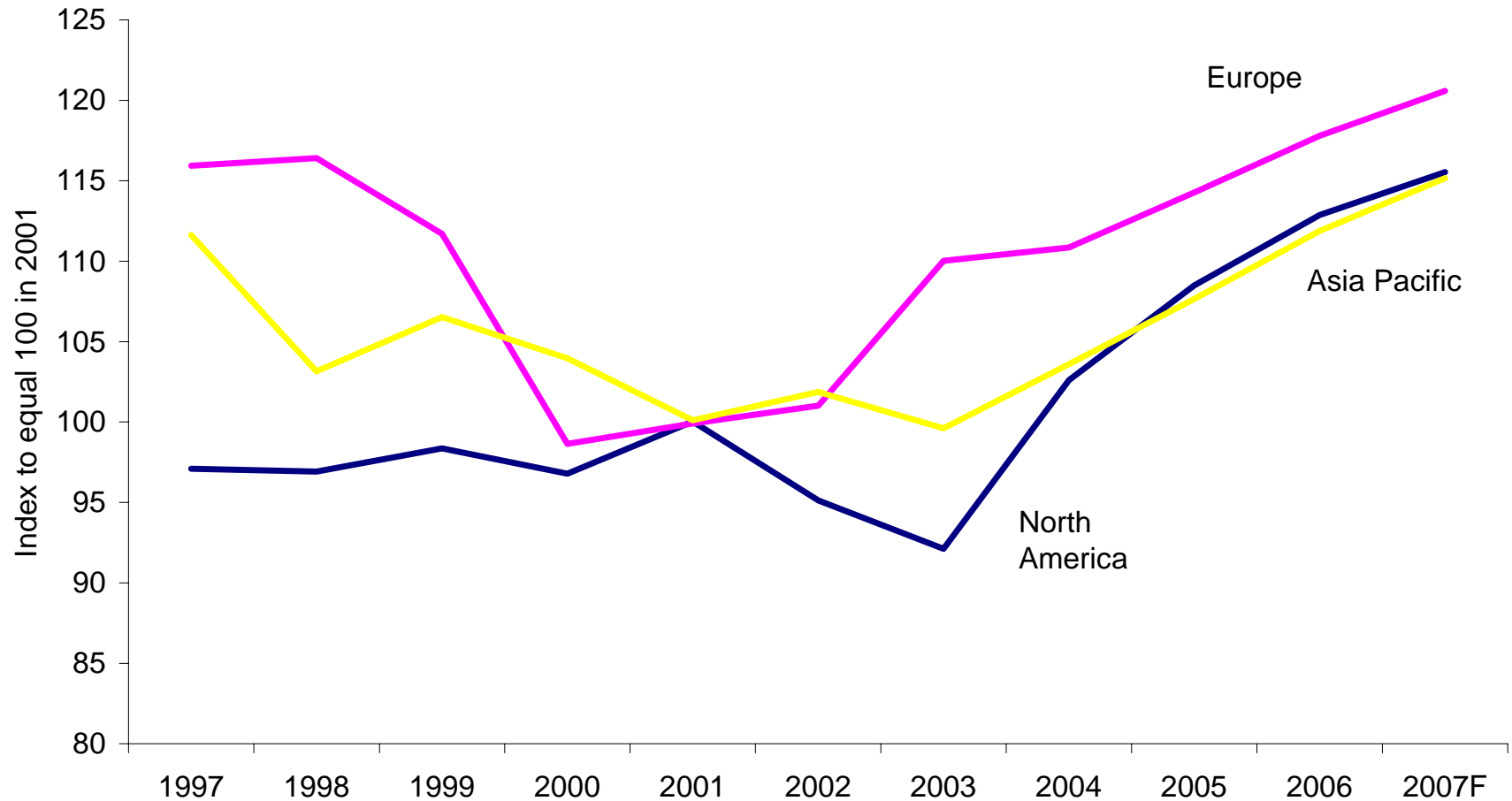
Airline profitability has risen significantly

Operating profit margins

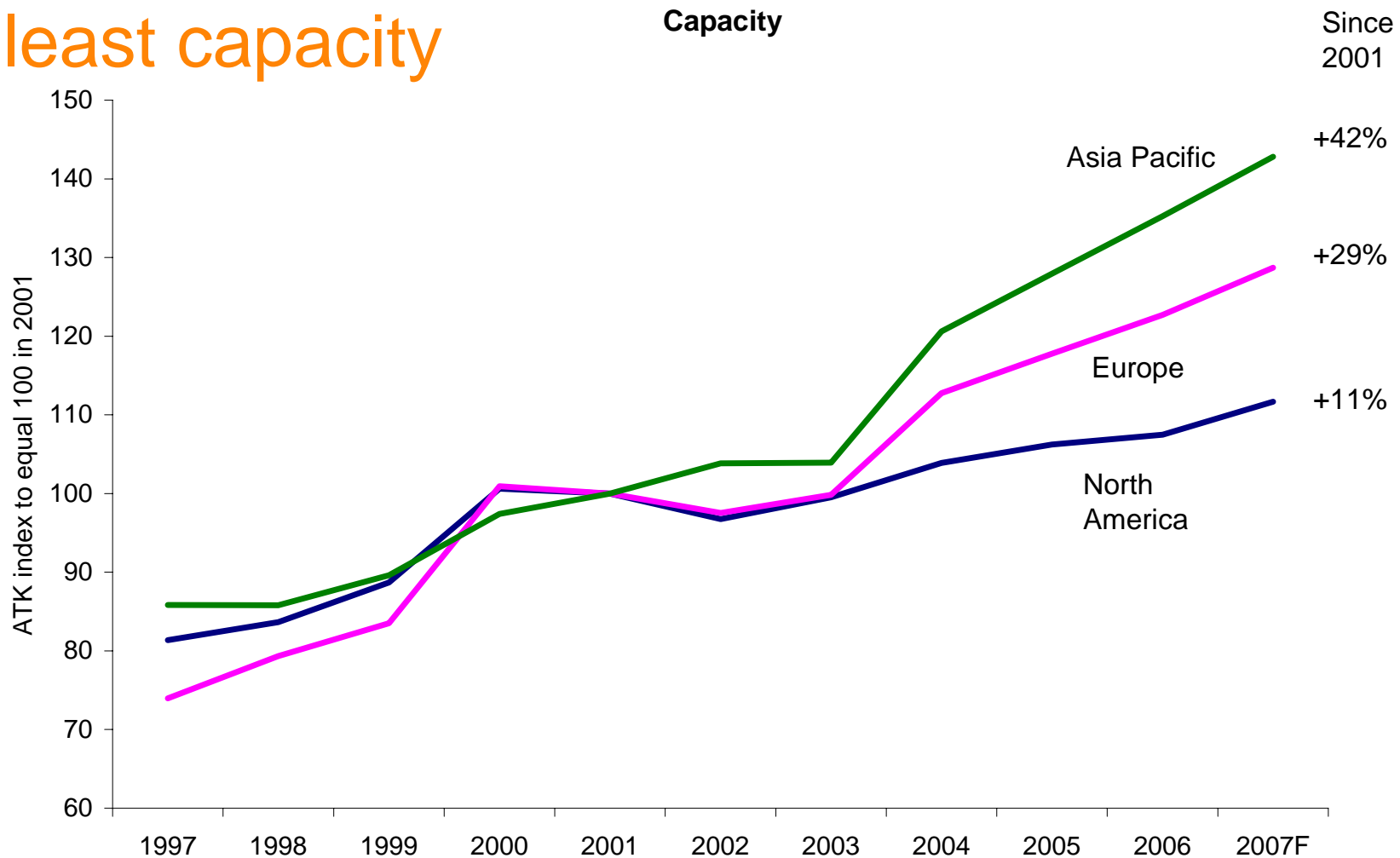


Relative performance not due to unit costs

Unit costs

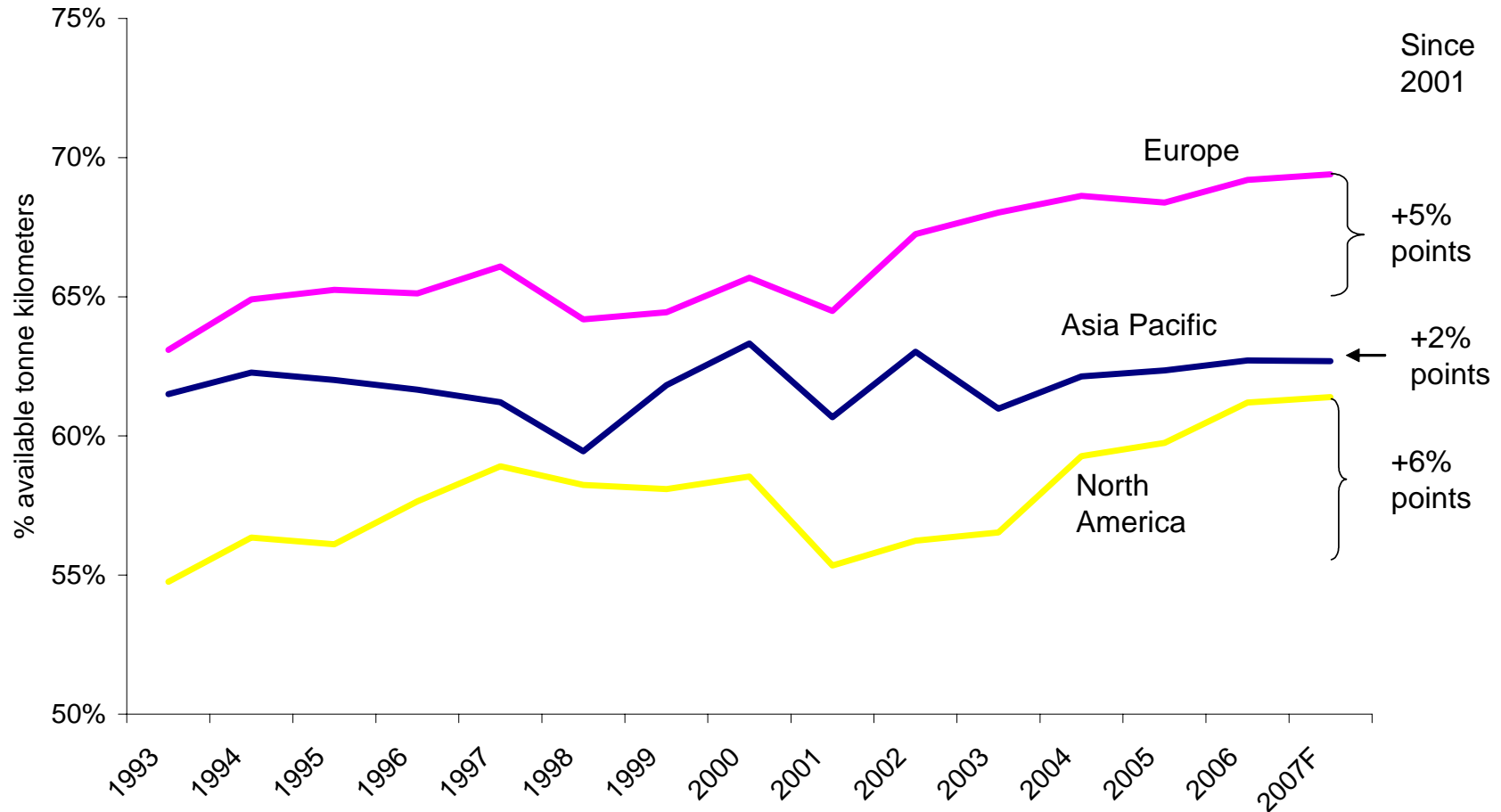


But N American airlines have added least capacity



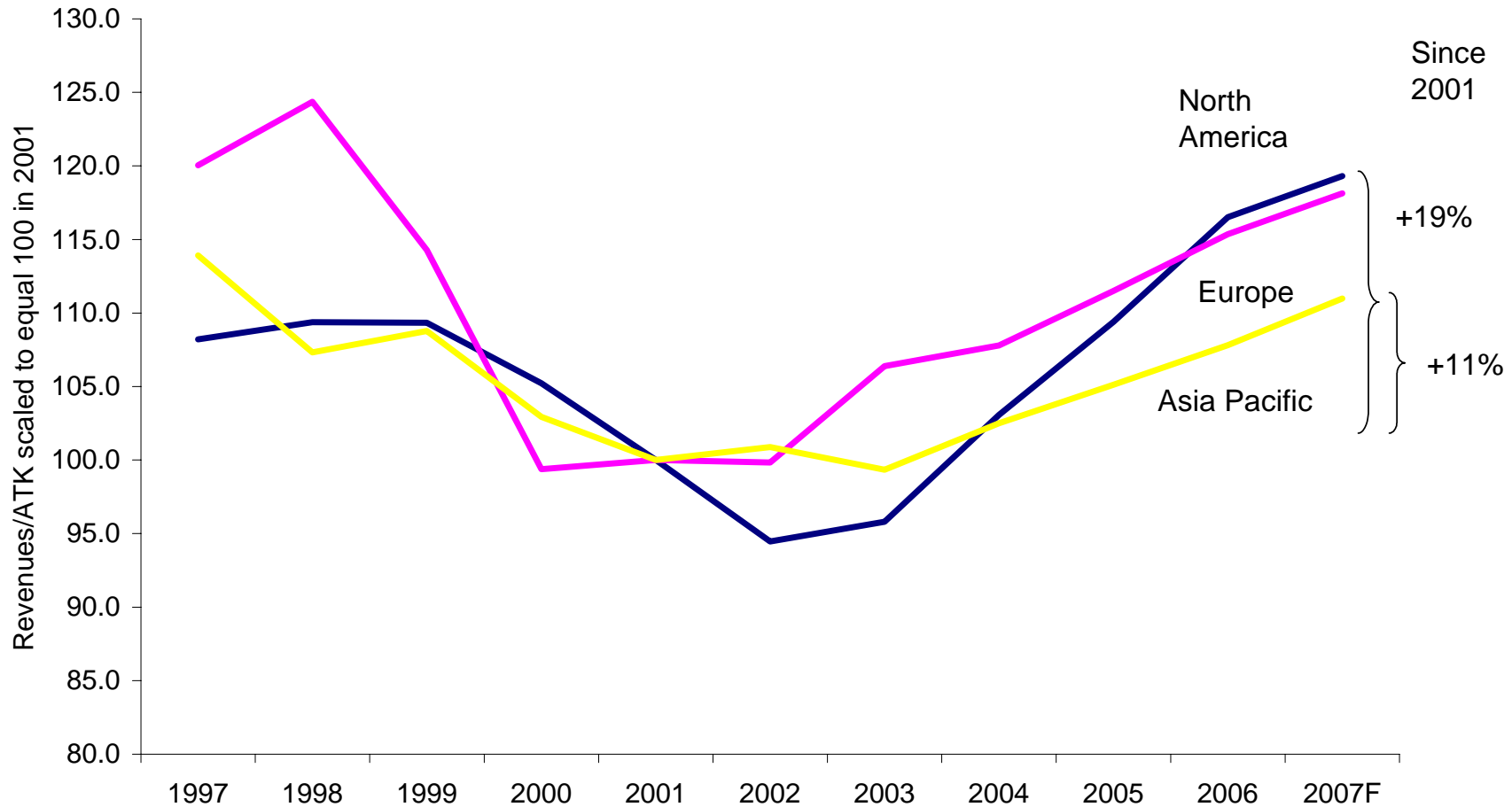
Sharply improving load factors

Weight load factors



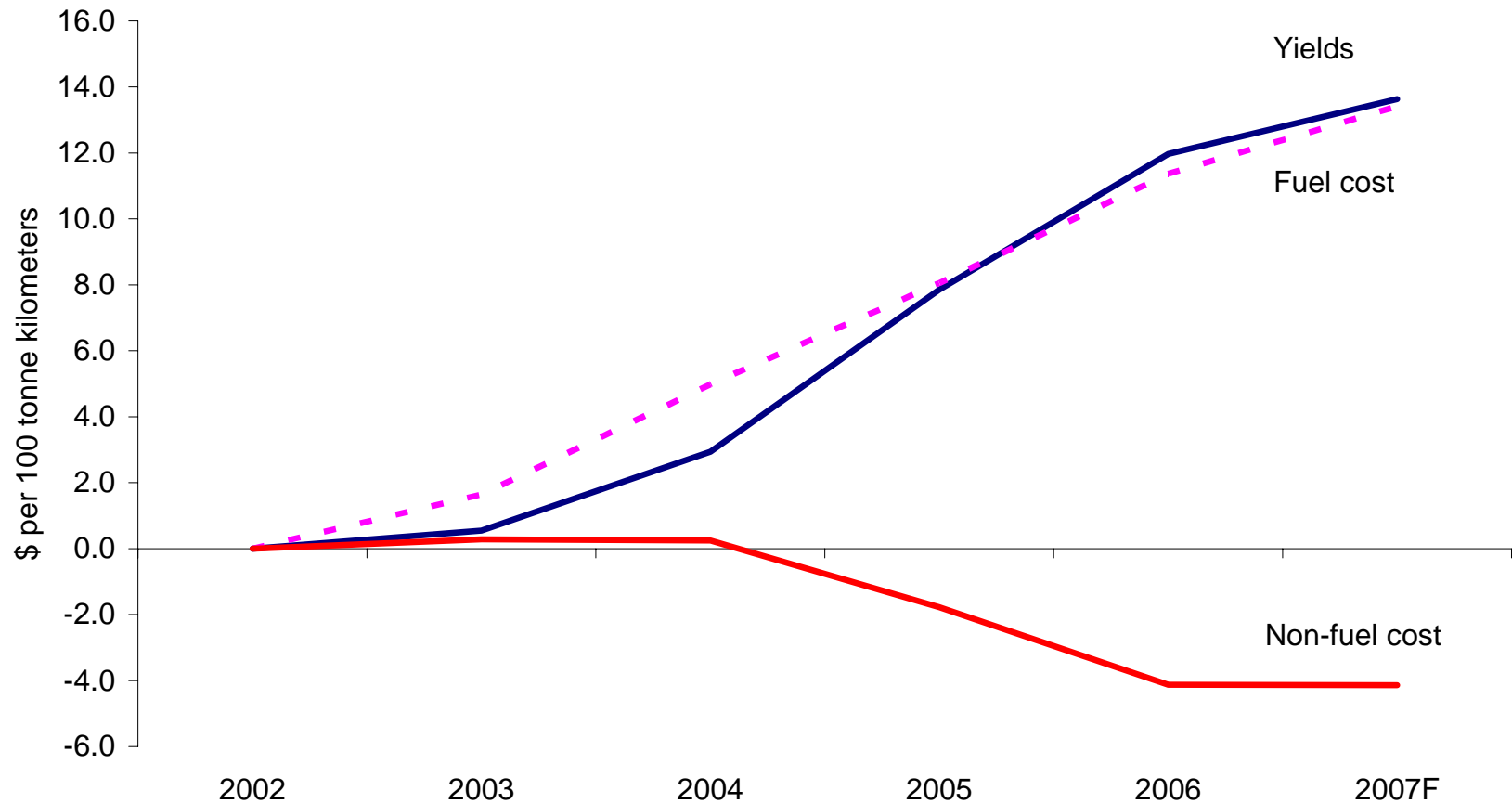
And significantly improving yields

Regional yields



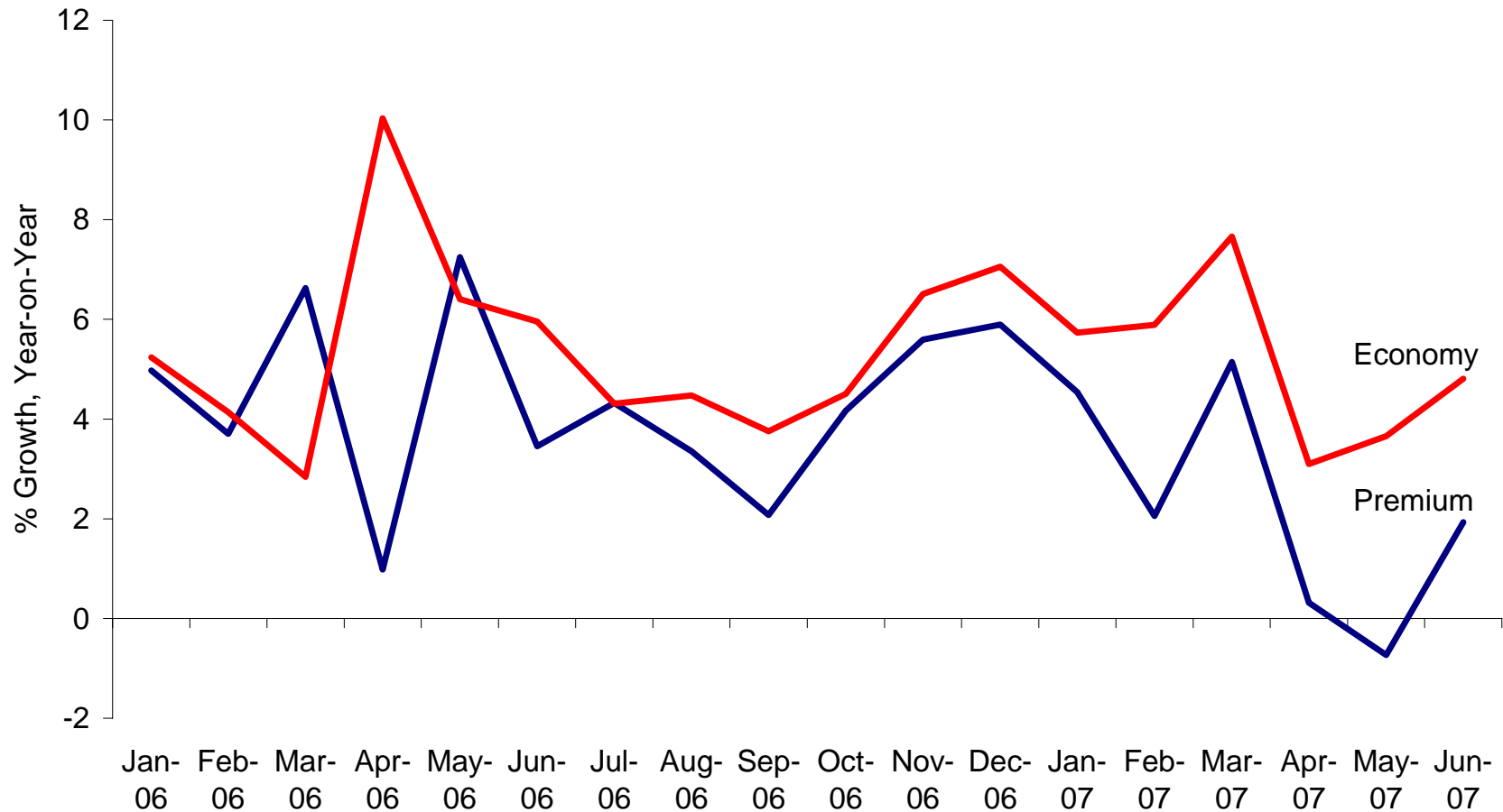
As airlines fully recovered fuel cost rise

Change in costs and yields since 2002



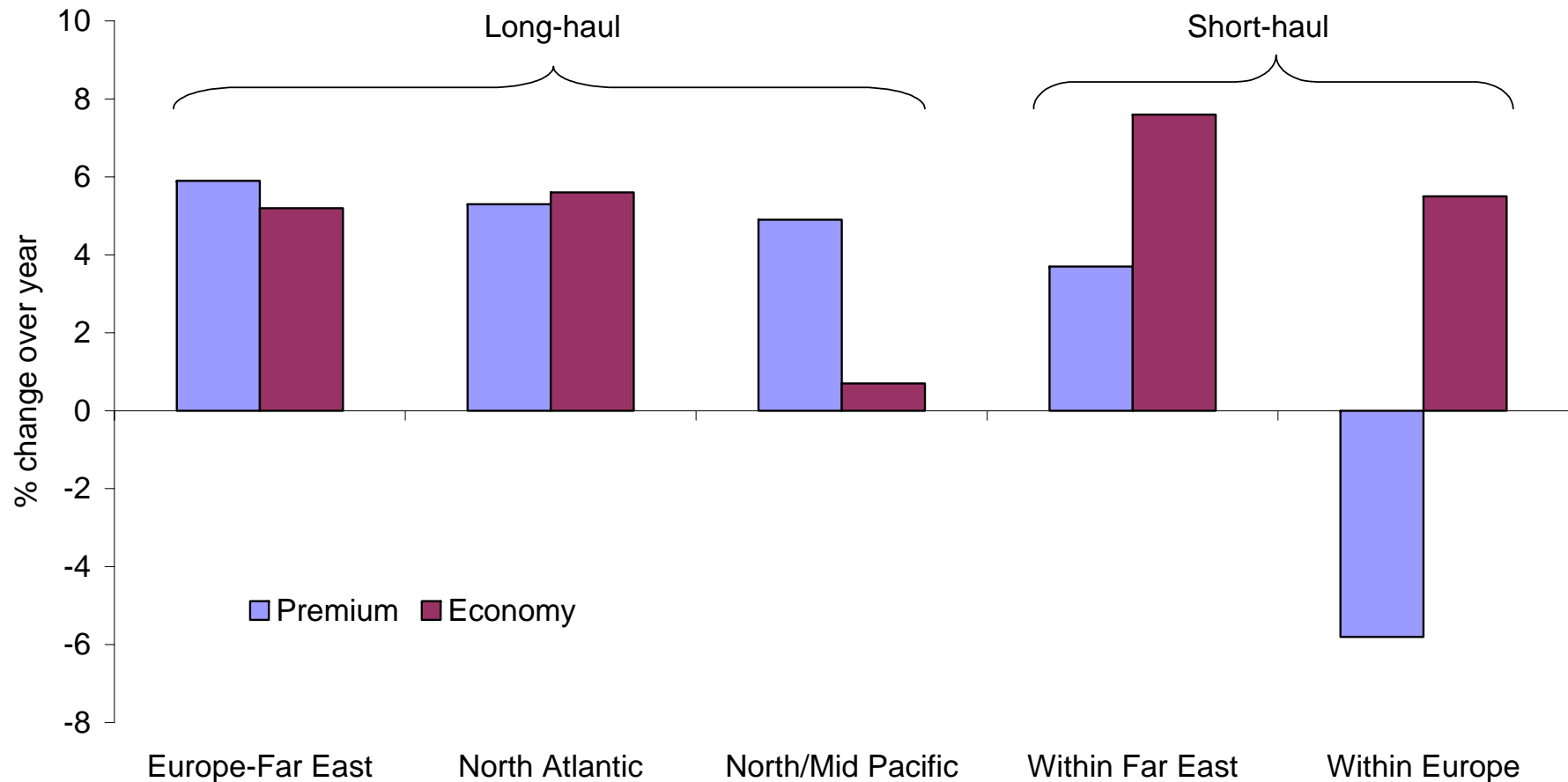
Air travel picked up after Q2 weakness

Passenger Traffic Growth by Ticket Type



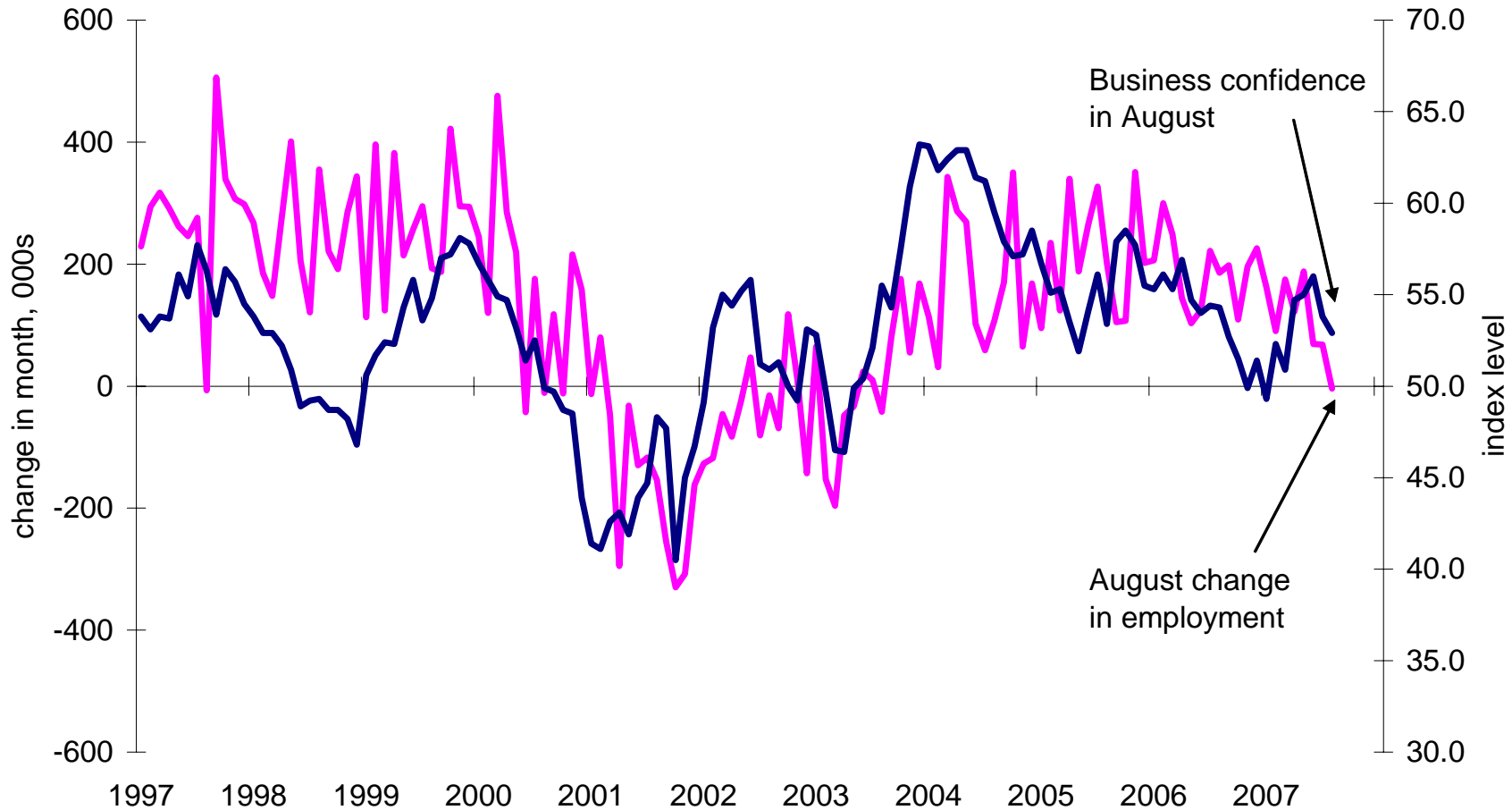
Particularly on key long-haul markets

Traffic class by major route area - Jan-Jun 2007

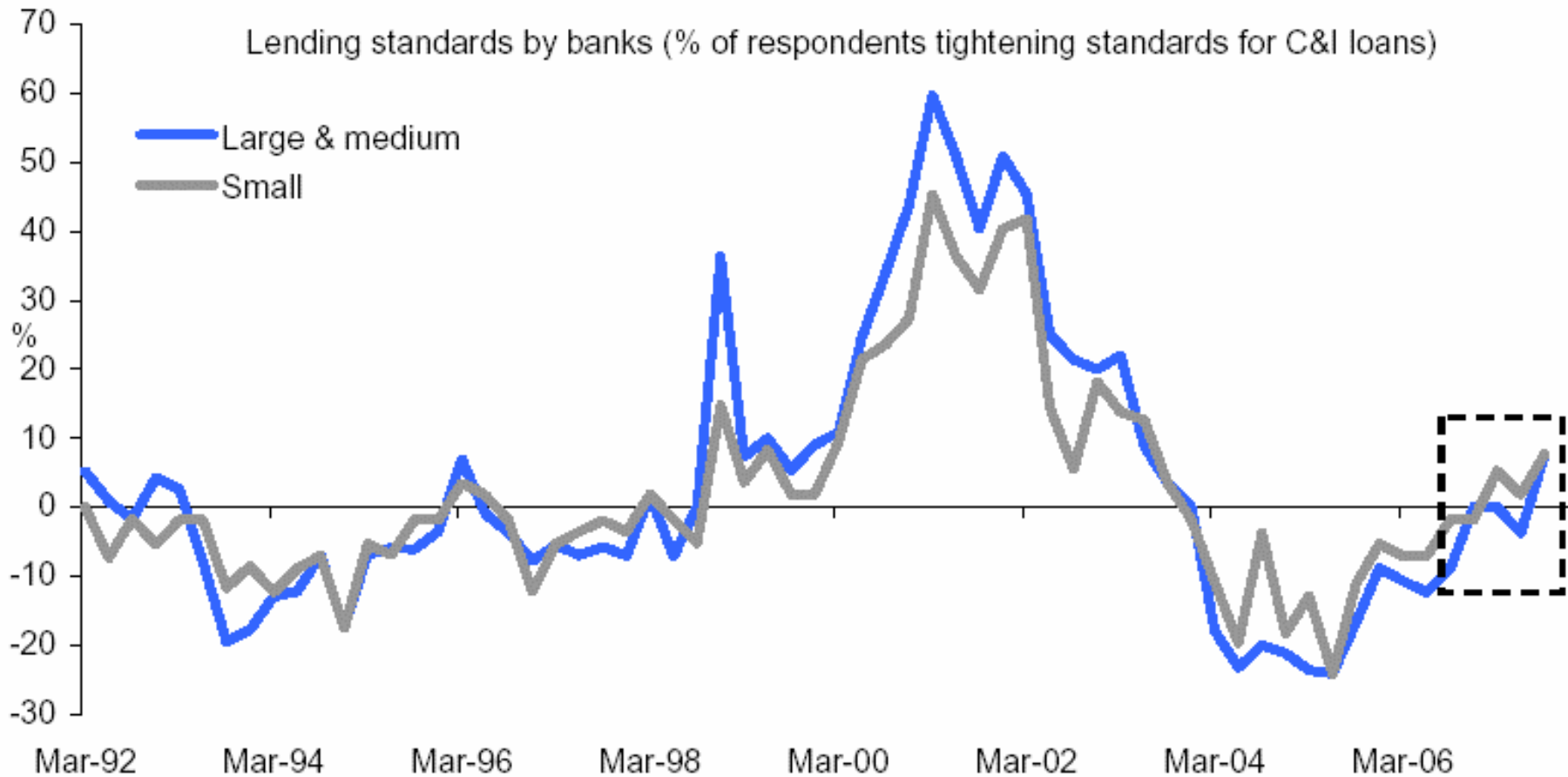


US jobs fall reflects earlier business gloom

US payrolls and business confidence



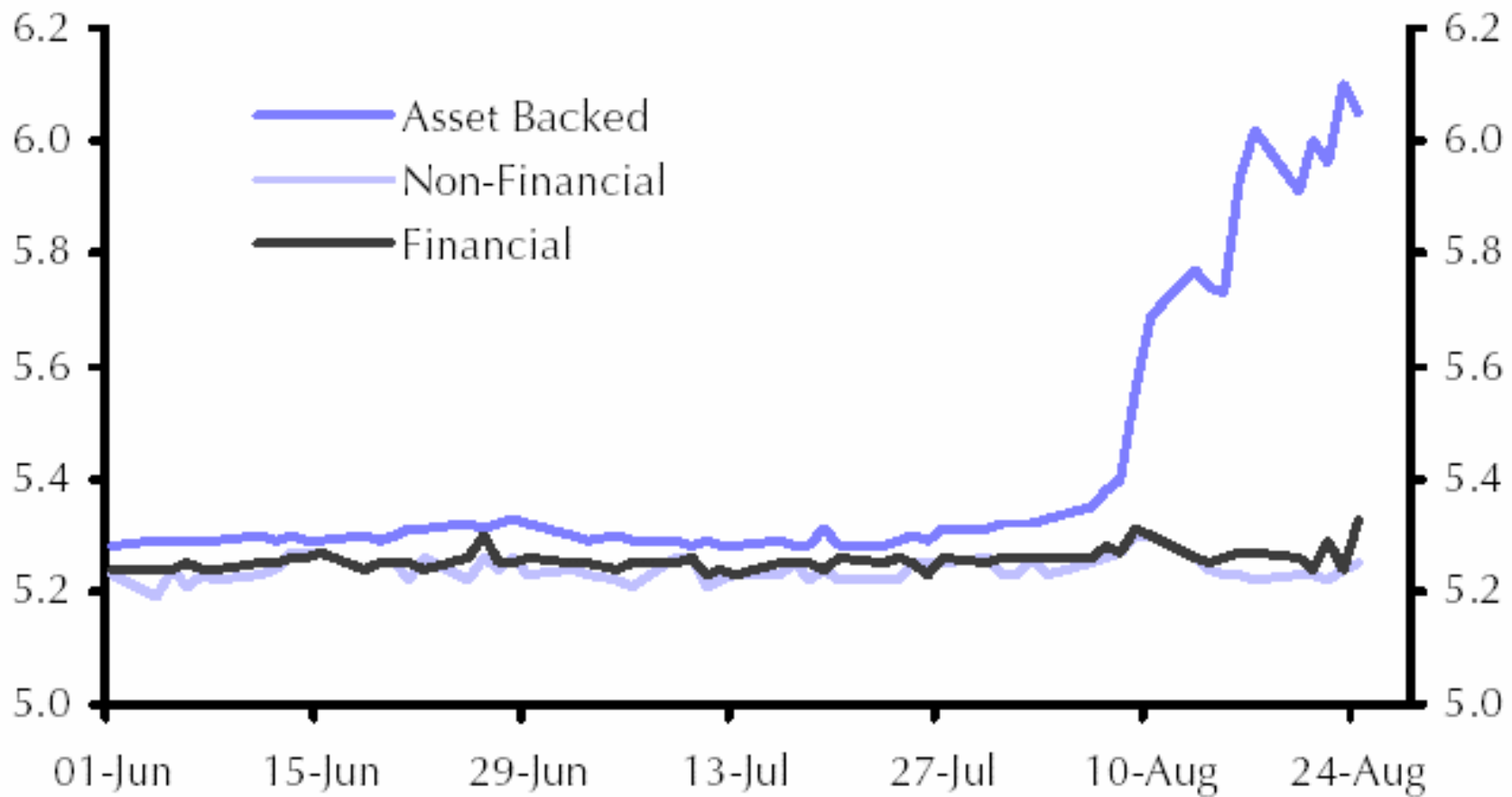
Credit crunch threatens outlook



Source: RIA



The cost of credit has risen sharply



Source: Capital Economics

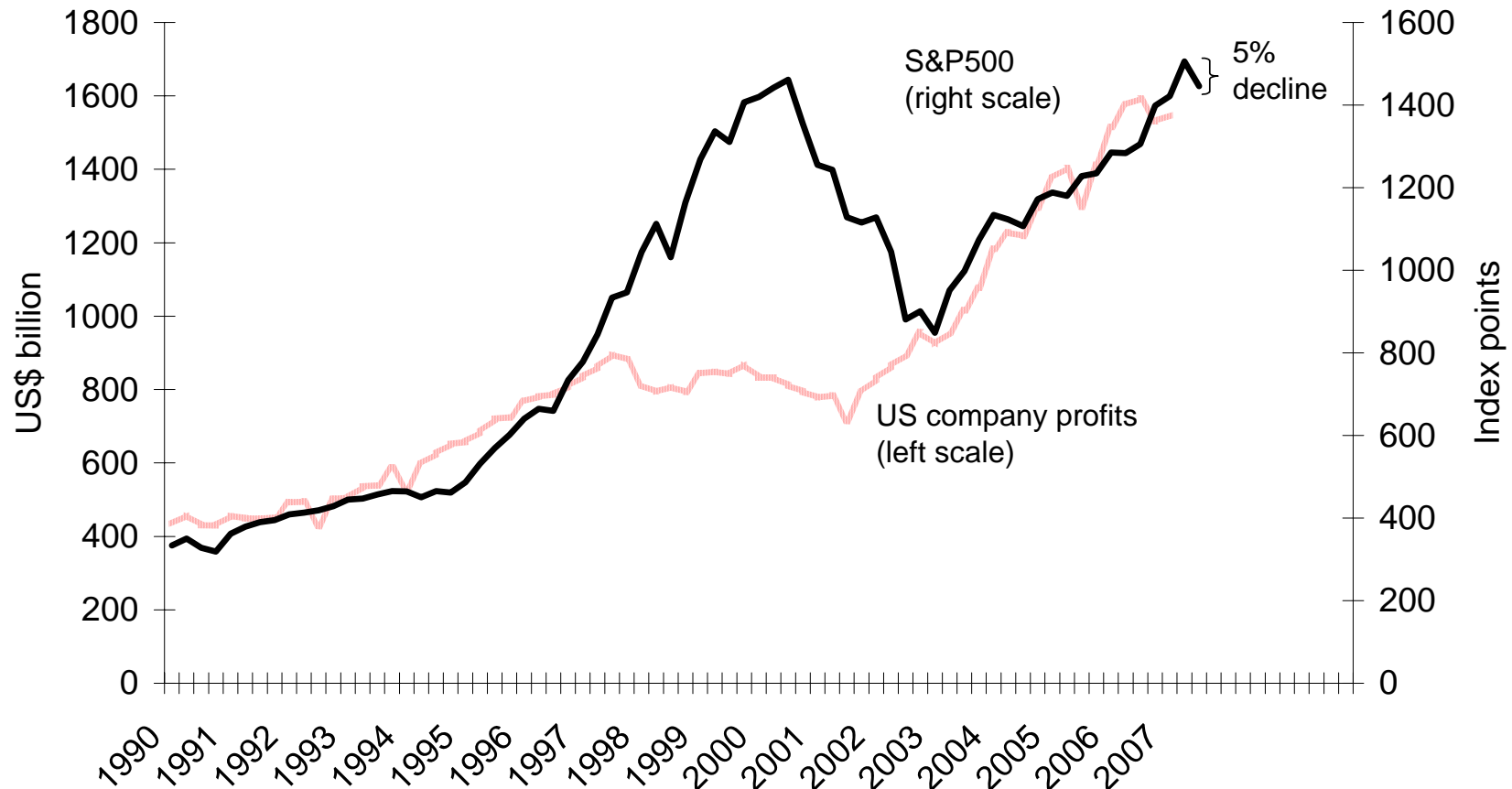


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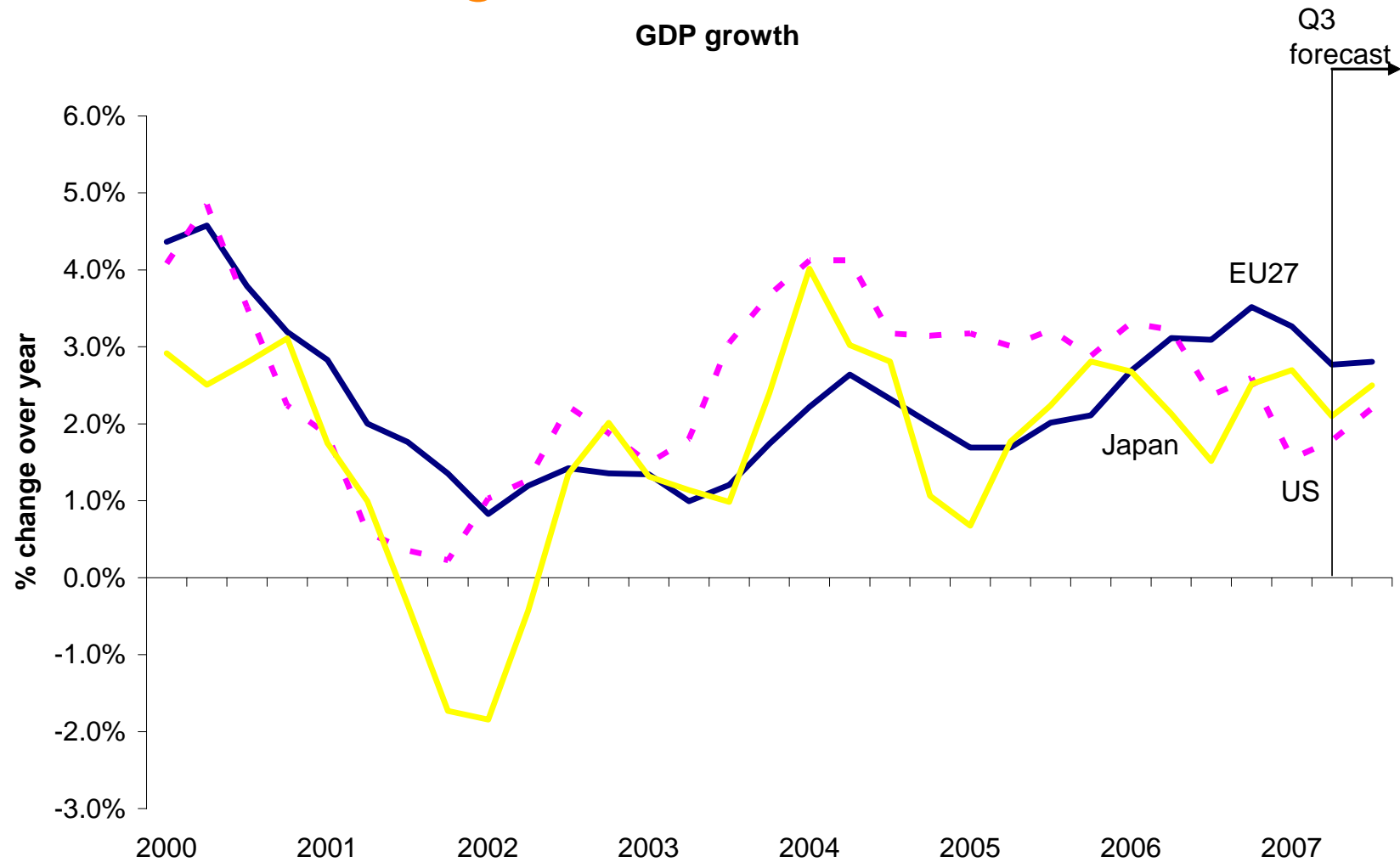


But profits have supported equity values

US company profits and equity markets

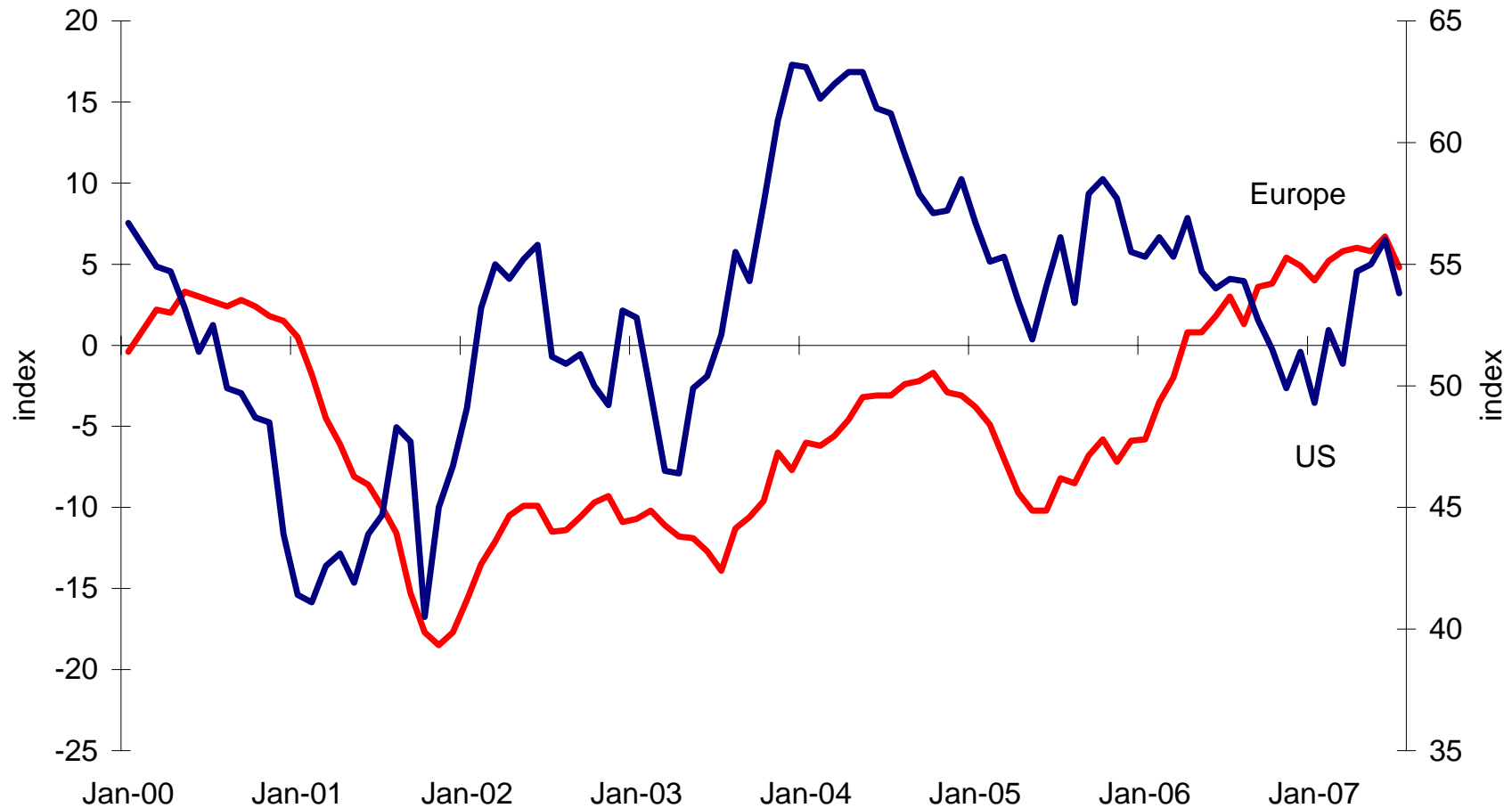


And economic growth robust at start of Q3

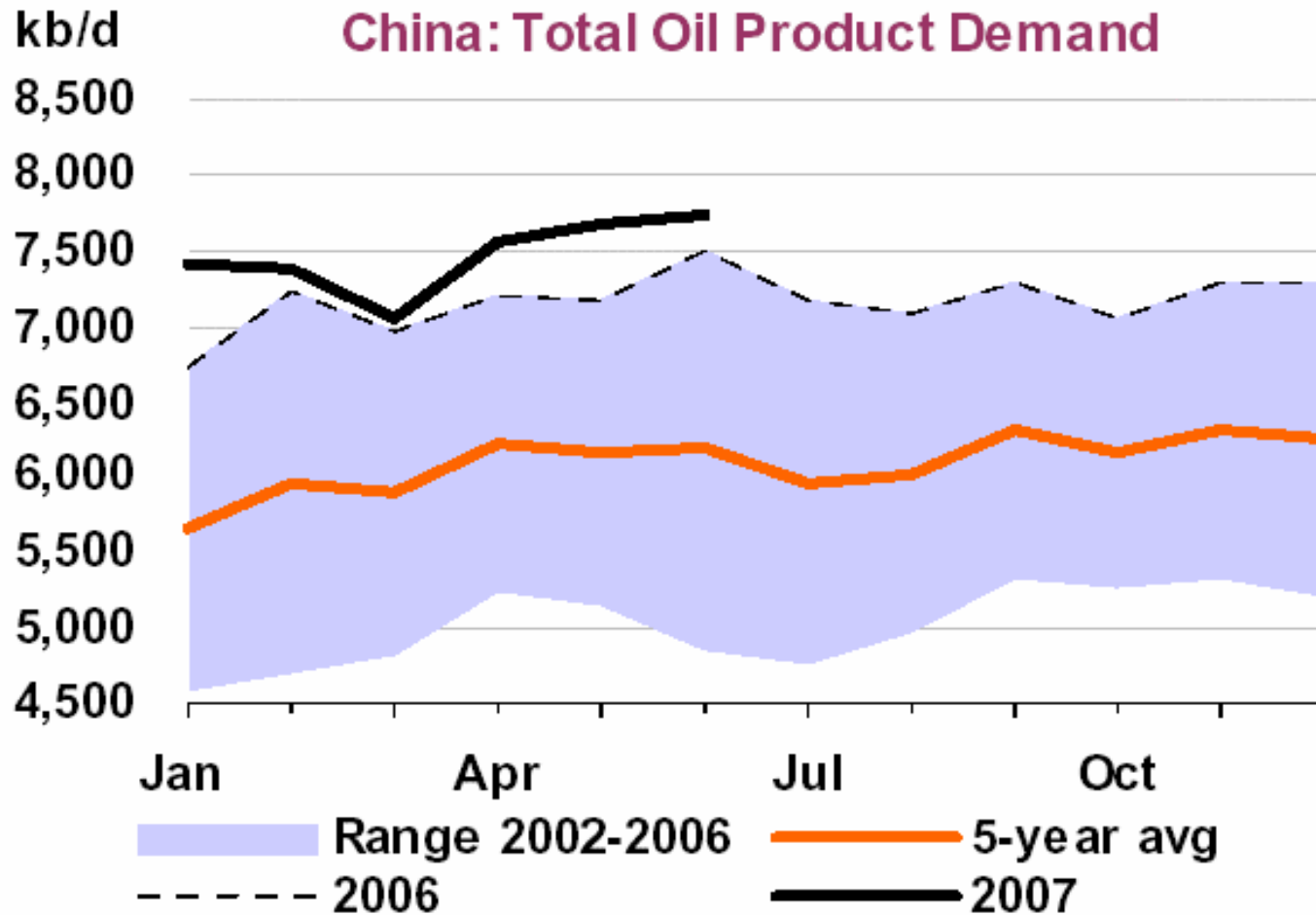


Business was getting more confident

Business confidence surveys



Surging oil demand from China



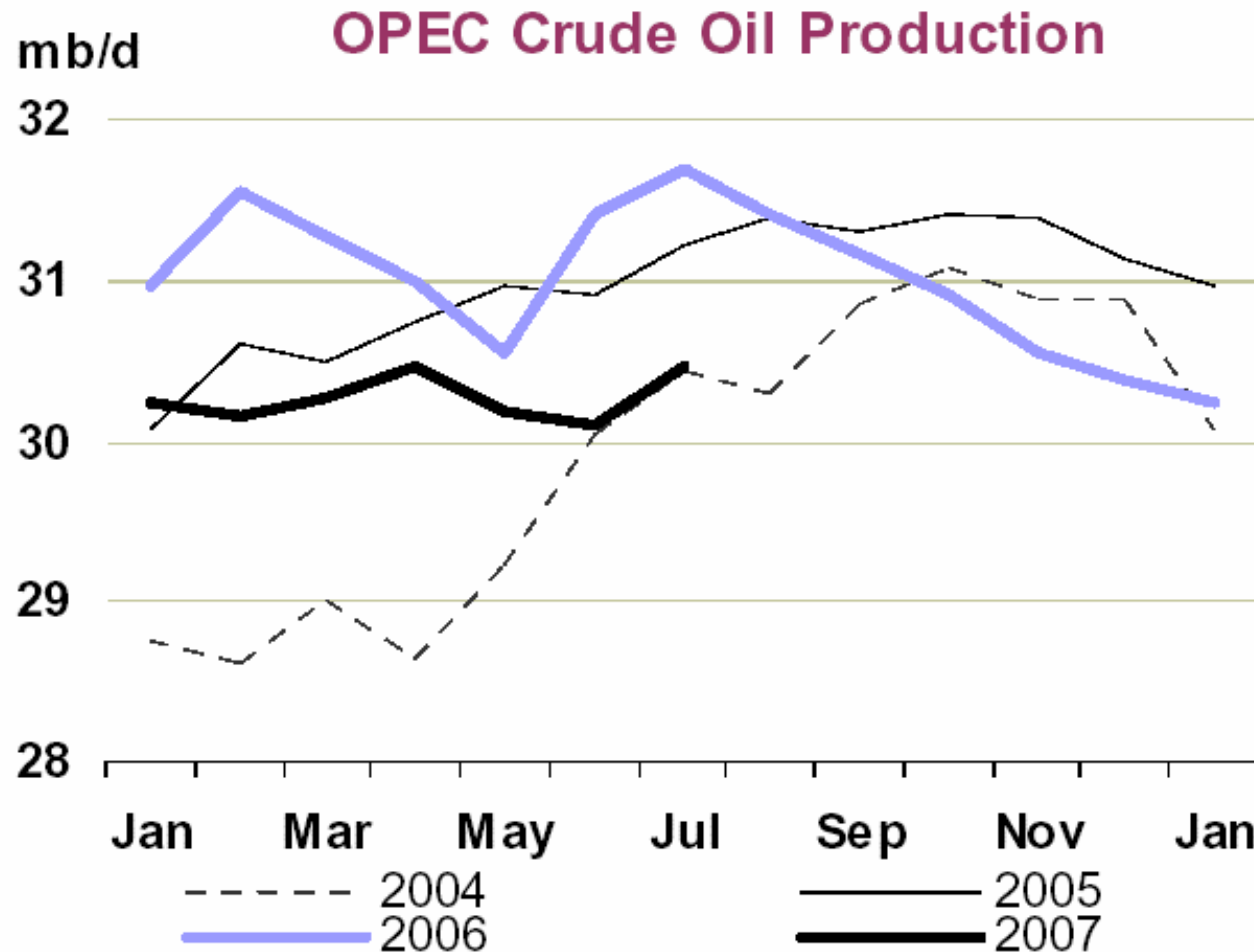
Source: UBS



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Coupled with OPEC reducing oil supply

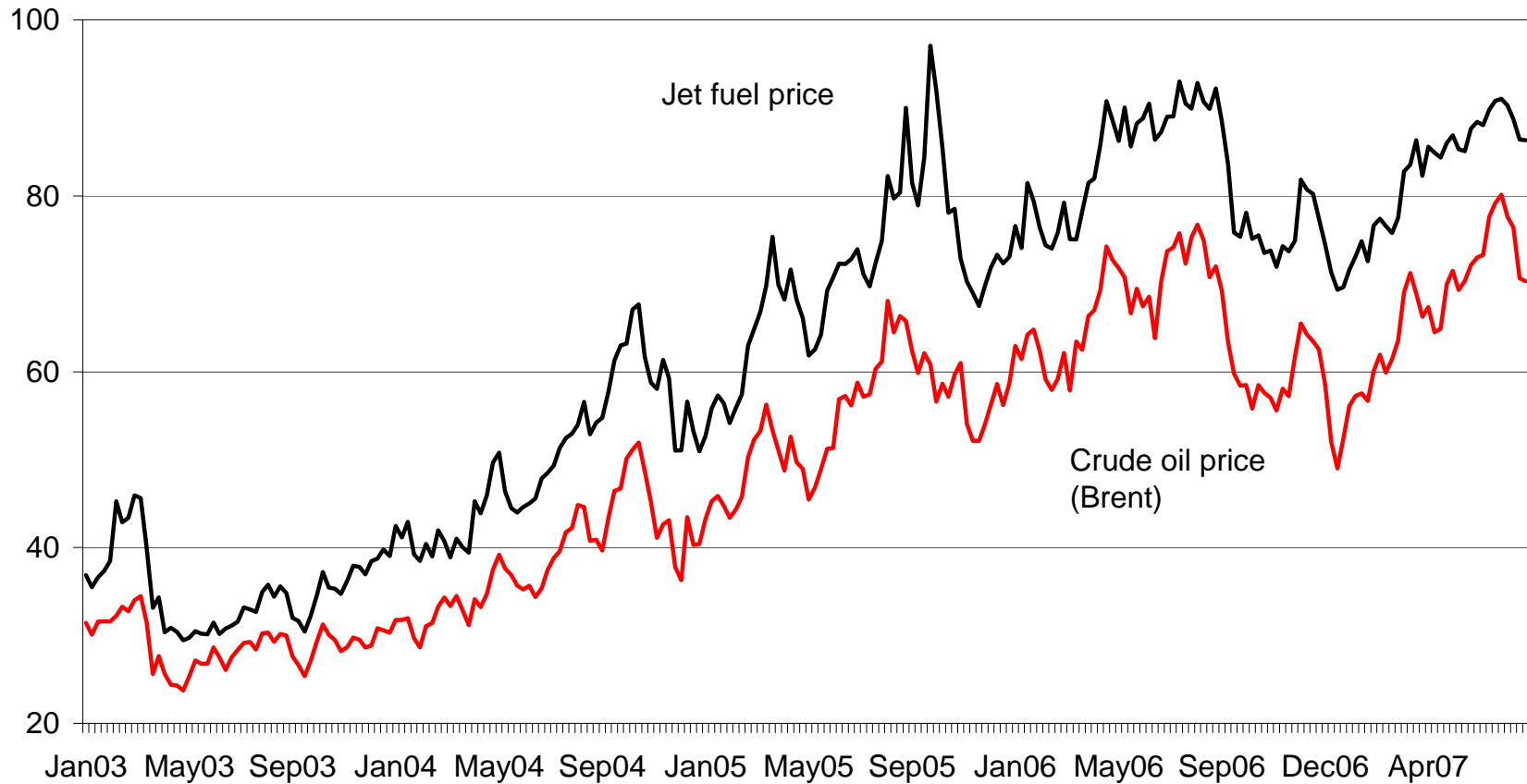


Source: UBS



Pushed oil and jet fuel prices higher again

Jet Fuel and Crude Oil Price (\$/barrel)

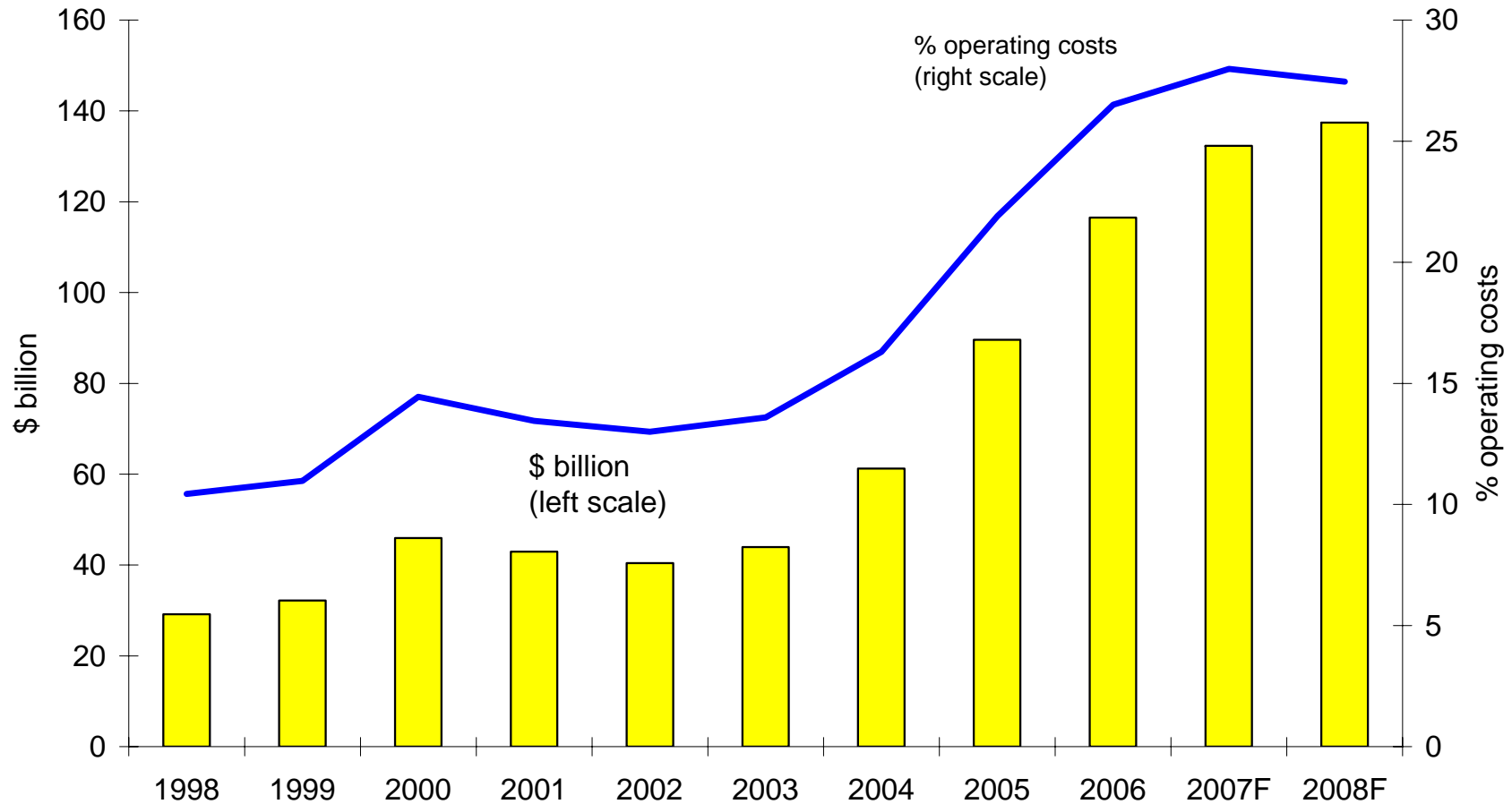


Source: Platts, RBS

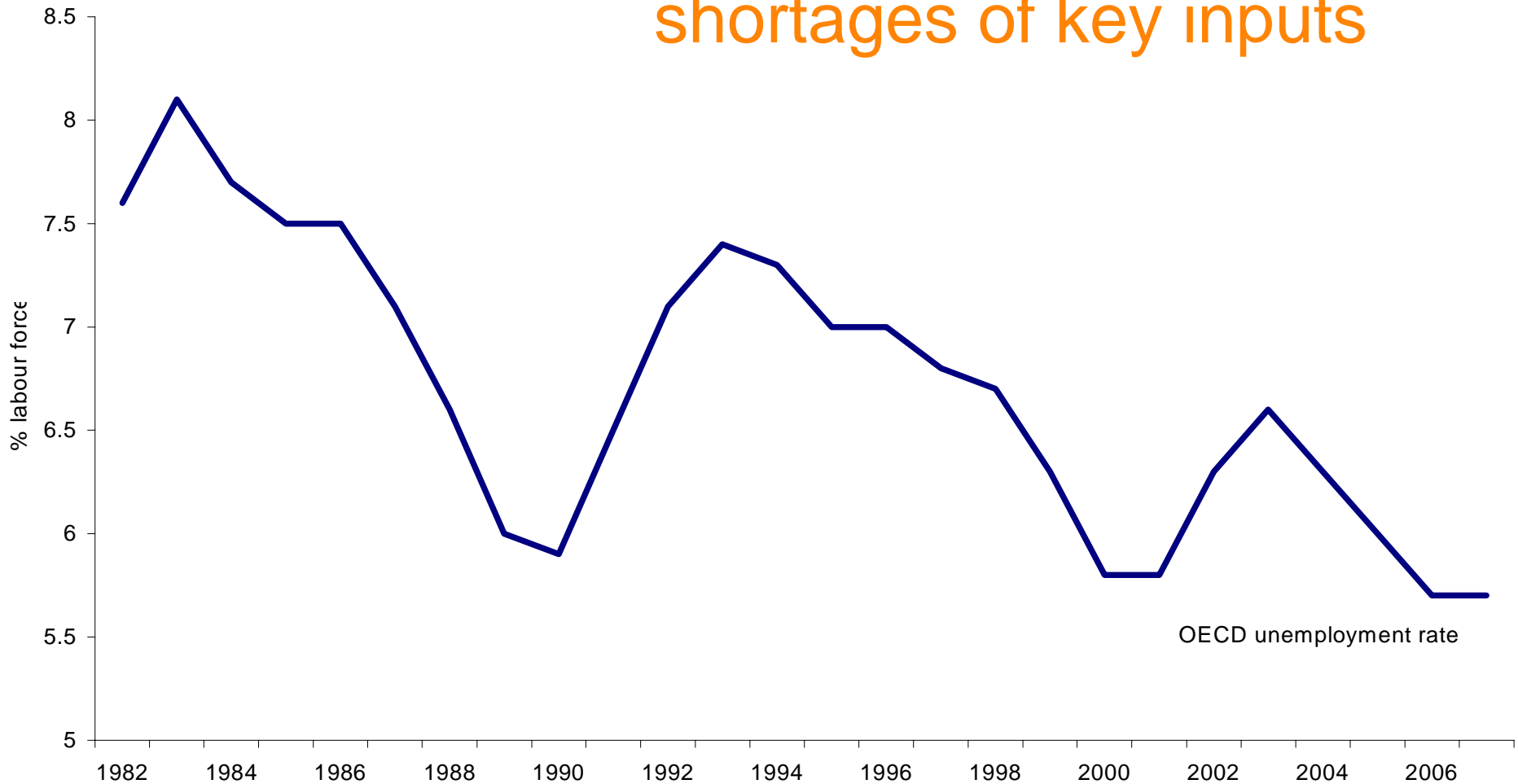


Fuel costs are likely to remain high

Fuel costs

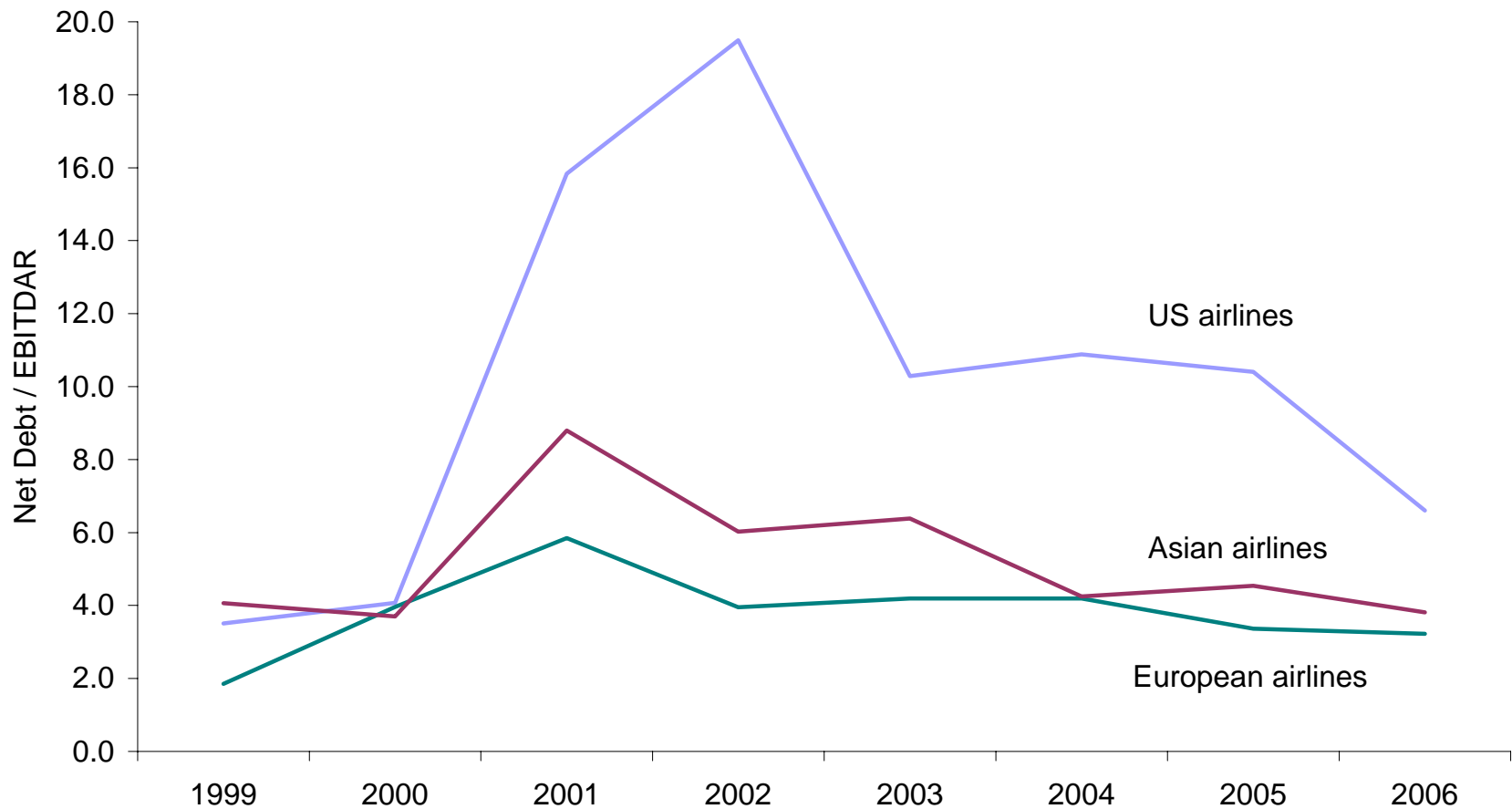


Cost pressures are also rising due to shortages of key inputs



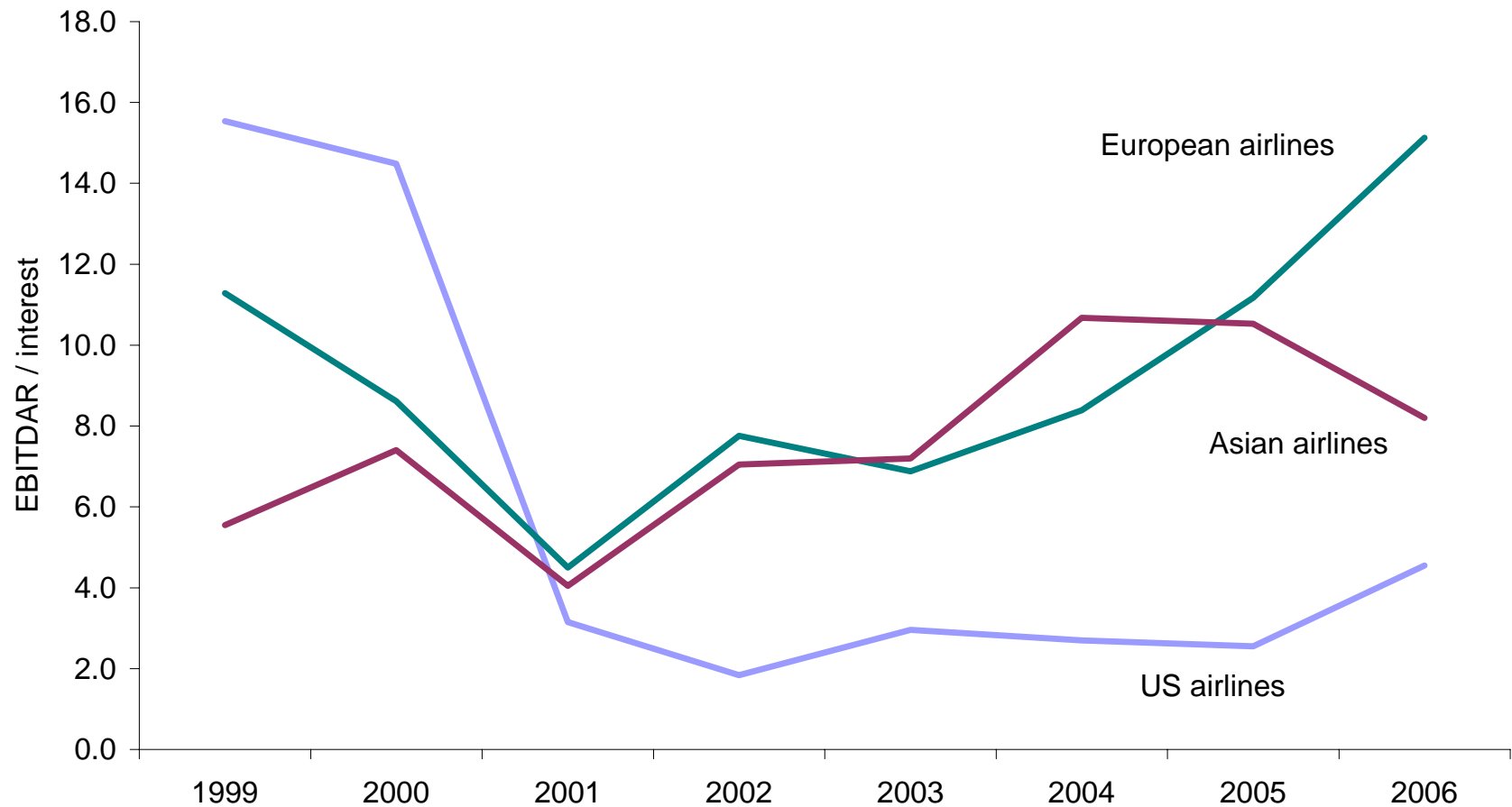
And the US debt overhang not yet gone

Net debt / EBITDAR

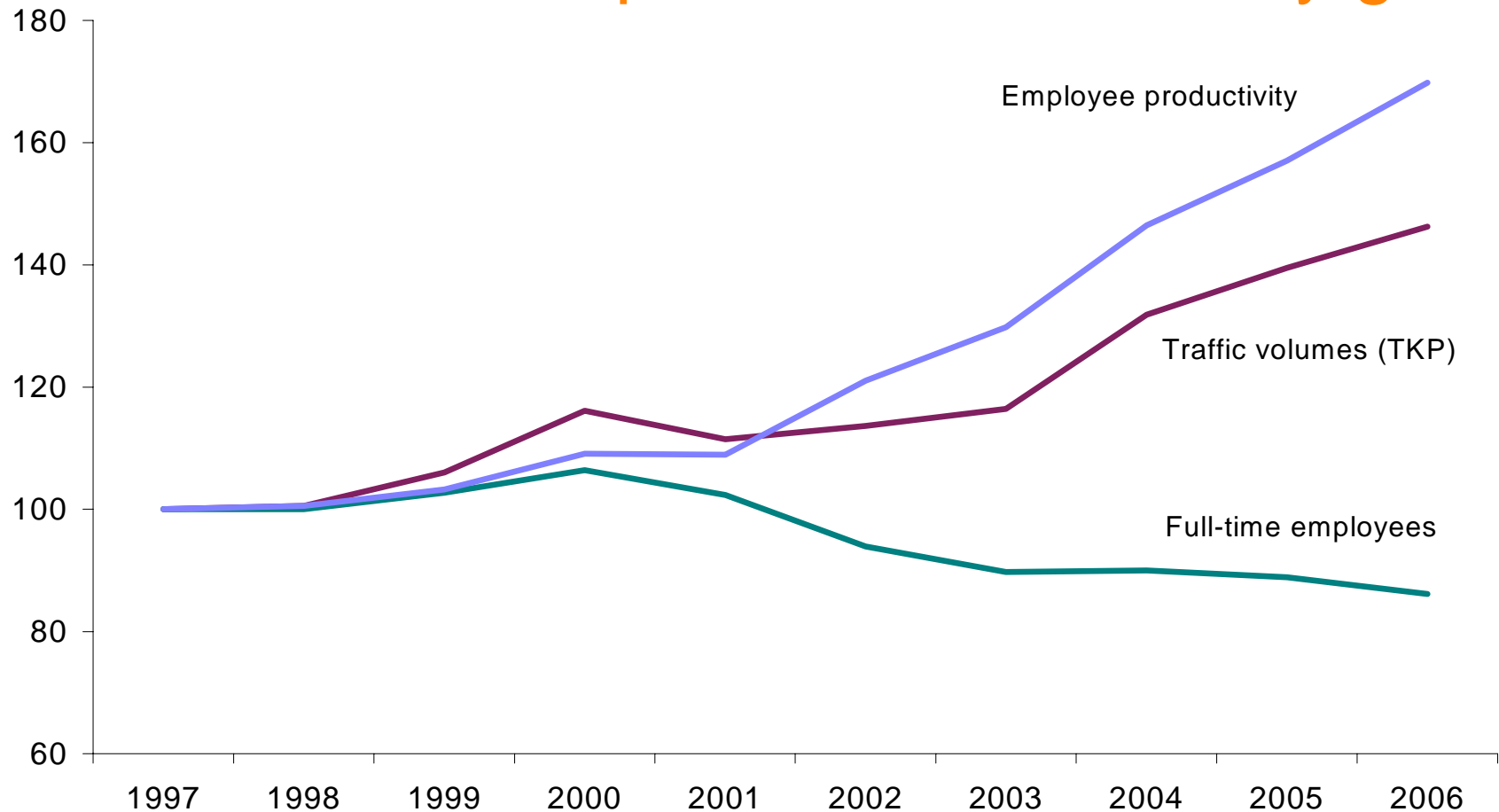


So interest coverage not recovered in US

EBITDAR / debt interest

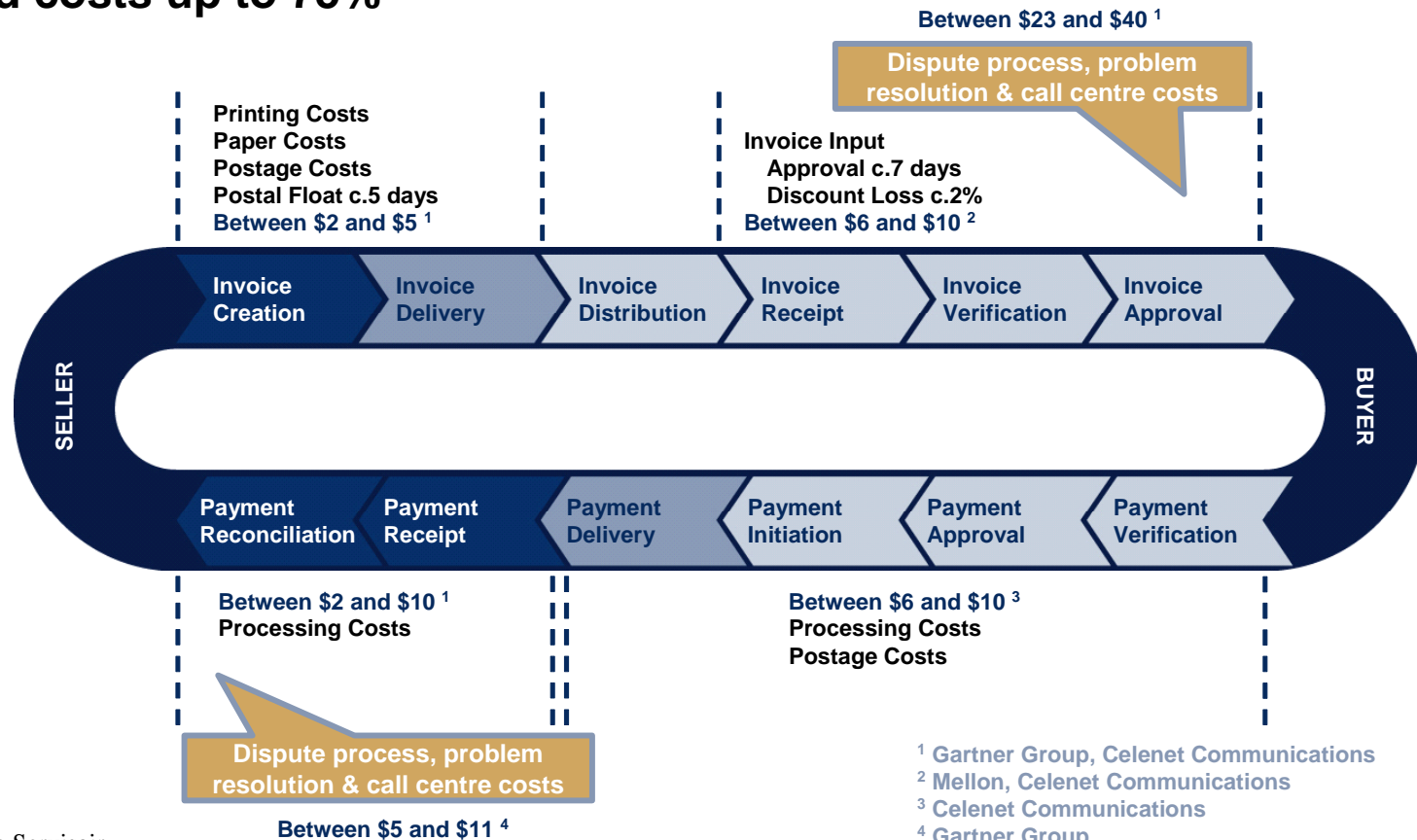


Sustaining the improvement in profitability will require further efficiency gains



In particular through electronic invoicing

Most studies come to a similar conclusion that **electronic invoicing cuts related costs up to 75%**



¹ Gartner Group, Celenet Communications
² Mellon, Celenet Communications
³ Celenet Communications
⁴ Gartner Group

Source: L. Penouille, Servisair

