



Inventory and purchasing optimization through utilization of systematic asset valuation

IATA – Maintenance Cost Conference 2018

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Lufthansa Technik

Lufthansa Technik Group – Facts & figures

800+ 
customers
worldwide


21,502
employees
worldwide*

 4,556
aircraft under
exclusive contracts

 5.404
billion €
in revenue*

 36**
subsidiaries and
affiliates worldwide

*Lufthansa Technik AG Germany and 23 consolidated companies of Lufthansa Technik Group in 2017; employees as of 31.12.2017; **XEOS is in preparation

Original sources of used parts and frequent questions concerning this material category...



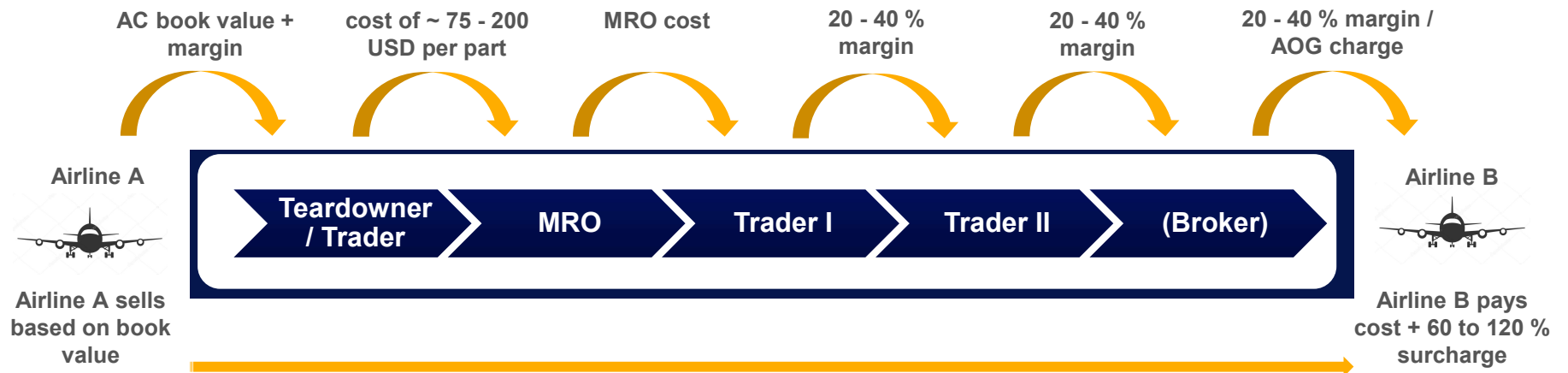
The Sources:

- Dismantling of aircrafts and engines owned by airlines or lessors
- Surplus inventories of airlines
- Surplus inventories of major MRO shops



Today's supply chain for used parts



Too many marketplayers involved




If the market would be transparent in terms of demand and offering as well as price:
 Airline A could have a higher ROA and Airline B would buy for less.

The concept of data-driven Fair Market Value


We – the airlines and MROs – have the data

Fair Market Value in the past	FMV today
	
<ul style="list-style-type: none"> • Manually generated • Time consuming • Limited coverage • Limited user group within the company • Mathematically not accurate 	<ul style="list-style-type: none"> • Generated by embedded tool • Real time, dynamic data • Available for whole LHT Group • Mathematically proven • Quality gates, leading to better results

Roles using FMV		Supported Tasks
<ul style="list-style-type: none"> Purchasing Planning Sales Material Accounting Tax Department Business Development 	<ul style="list-style-type: none"> Purchasing automated evaluation of sources and offers AOG Desk Loan, Exchange, Sales and Purchase (inbound and outbound) Trade Team Surplus sales activities Shops Make-or-buy decision, Capability development Sales Calculation of contracts based on FMV Strategy Fleet Strategy, Fleet Phase-In/-Out, Forecasts 	<ul style="list-style-type: none"> And many more, e.g. • Bottom-up calculations • PMA development • Discussions with authorities, e.g. customs • Demand forecasts • ...

The result of transparency

A320 - INTEGRATED DRIVE GENERATOR – price development from 2006 - 2017

450821993 NB			S12 17.08.2006	
00001 740119H:99167	99167	IDG	# INTEGRATED DRIVE GENERATOR	
1000 2010	1 EA	367.339,35	USD	1 EA
451152420 NB			TBJ 21.04.2009	
00834 740119H:99167	99167	IDG	# INTEGRATED DRIVE GENERATOR	
L 1000 1010	3 EA	191.197,70	EUR	1 EA
451453706 NB			S12 17.11.2011	
00001 740119H:99167	99167	IDG	# INTEGRATED DRIVE GENERATOR	
1000 1015	1 EA	129.000,00	USD	1 EA
451656479 NB			S12 29.08.2013	
00001 740119H:99167	99167	IDG	# INTEGRATED DRIVE GENERATOR	
1000 1015	1 EA	75.000,00	USD	1 EA
 451813788 NB			S13 04.12.2014	
00002 740119H:99167	99167	IDG	# INTEGRATED DRIVE GENERATOR	
1000 1015	1 EA	29.400,00	USD	1 EA
as removed 452097488 NB			28.11.2016	
00001 740119H:99167	99167	IDG	# INTEGRATED DRIVE GENERATOR	
F 1000 1015	1 EA	13.500,00	USD	1 EA
as removed, from own aircraft 452217388 NB	131379	Lufthansa Technik Sofia	S14 08.09.2017	
00001 740119H:99167	99167	IDG	# INTEGRATED DRIVE GENERATOR	
F 1000 1015	1 EA	14.732,00	EUR	1 EA

Source: LHT SAP System

In the last 365 days we:

- Avoided 7 repairs
- Saved 155 KUSD in repair costs
- Never bought a new part (list price > 500 KUSD)

Overall we reduced the average price by >200%

Only on that partnumber!

We need transparency – We are ready to share!

- Airlines and MROs are owner of millions of data points, e.g.: Prices, MTBRs, TATs, Scrap Rates, Demands and are not benefiting from that asset.
- Lufthansa Technik has utilized its own data to calculate dynamic Fair Market Values and through that knowledge been able to achieve massive savings and increase of ROA.
- Meanwhile external data is being used to enlarge the information basis and therefore the quality and accuracy of the tool and results.
- Tools for direct exchange of data and material transactions are being developed by several parties in the marketplace.



It is time to use these potentials and share data

in order to reduce costs from maintenance and material for the airlines!



**Vielen Dank für Ihre Aufmerksamkeit.
Thank you for your attention.**

Questions?

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