



Financial performance of the airline industry

22nd February 2018,
New York

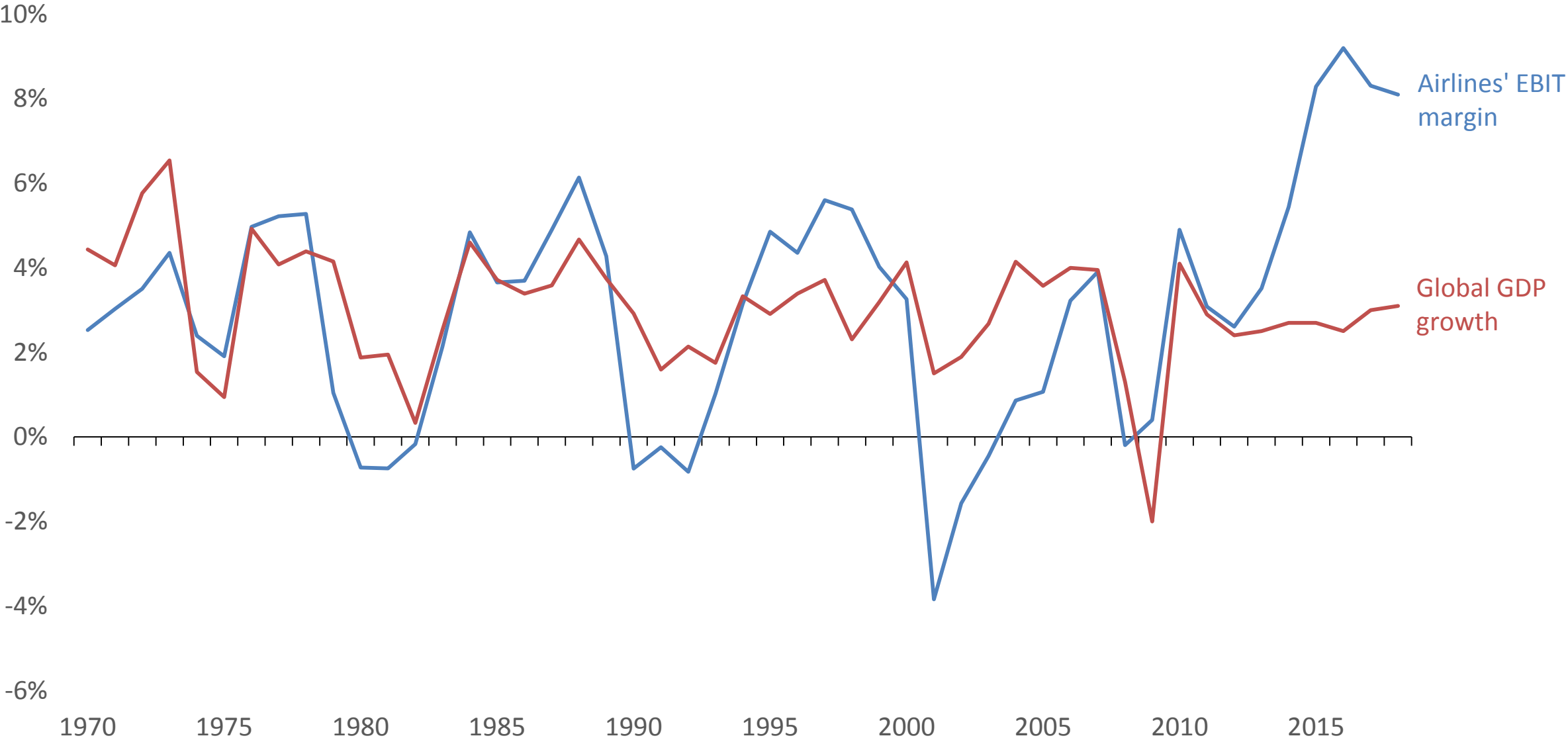
Brian Pearce,
Chief Economist,
IATA

www.iata.org/economics



Decoupling from the economic cycle

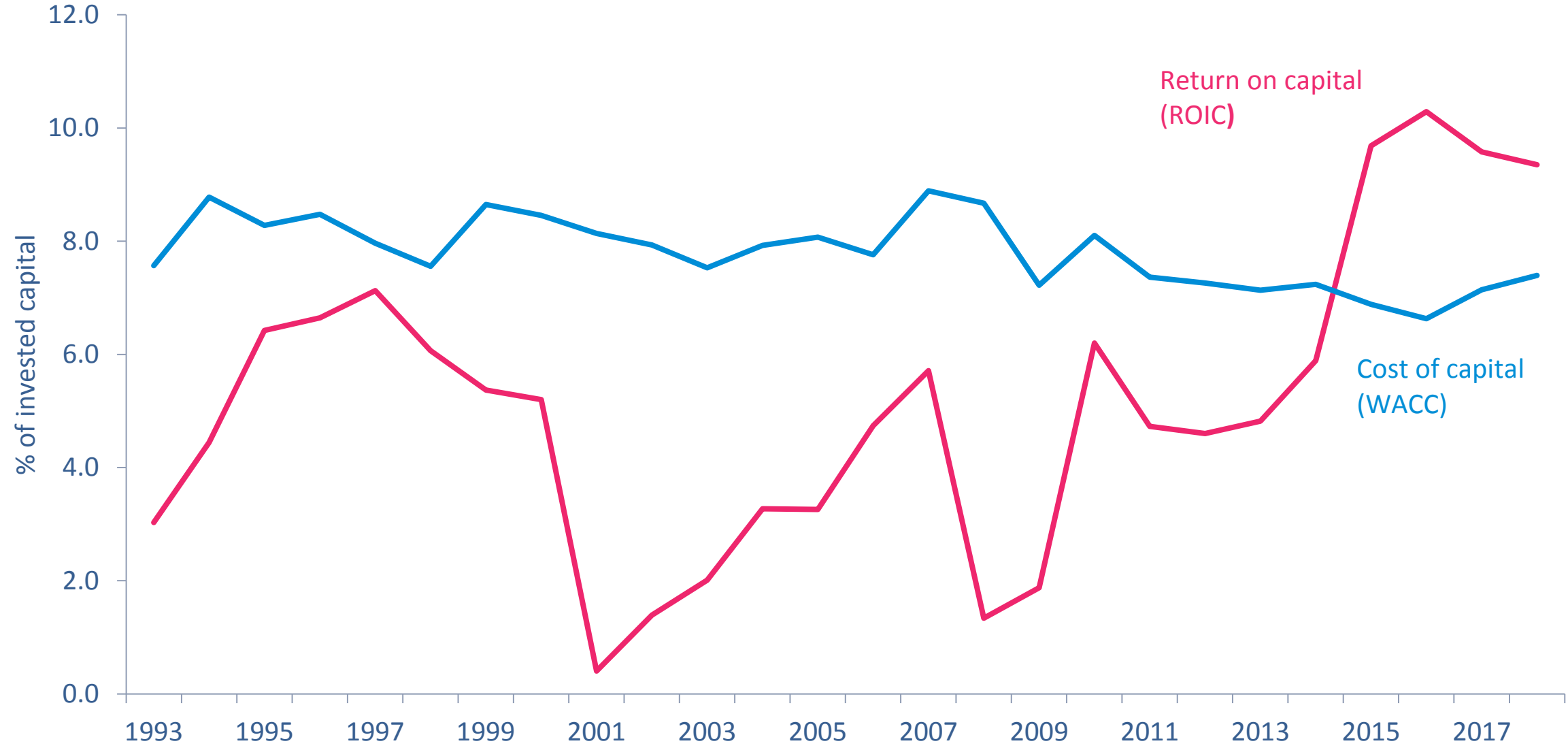
Airline industry EBIT margin and global GDP growth



Source: IATA Economics using data from ICAO, IATA Statistics, IMF and our own forecasts

Good returns for investors for a 4th year

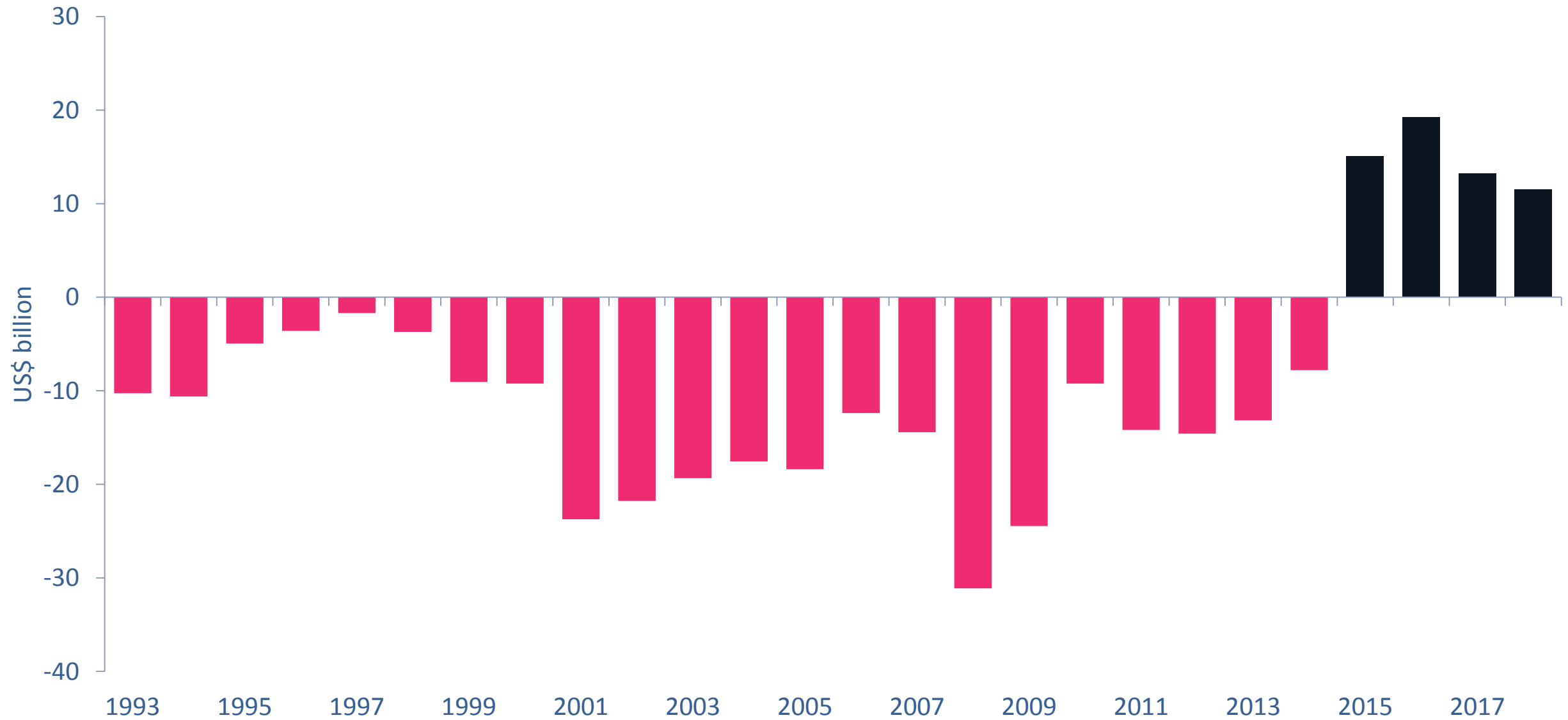
Return on capital invested in airlines and their cost of capital



Source: IATA Economics using data from McKinsey, The Airlines Analyst, IATA forecasts

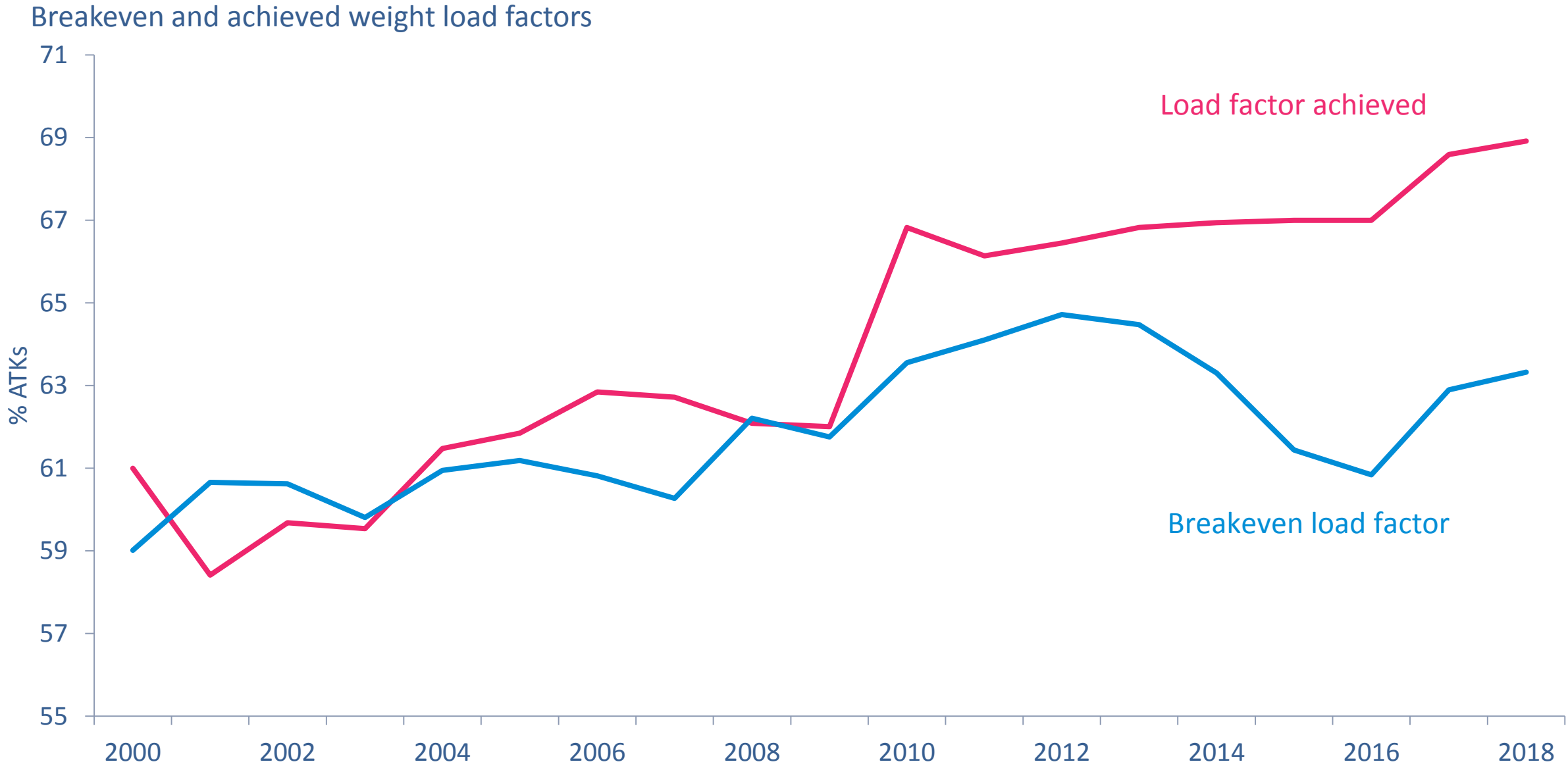
From value destruction to value creation

Difference between investing in airlines and investing in similar assets elsewhere



Source: IATA Economics using data from McKinsey, The Airlines Analyst, IATA forecasts

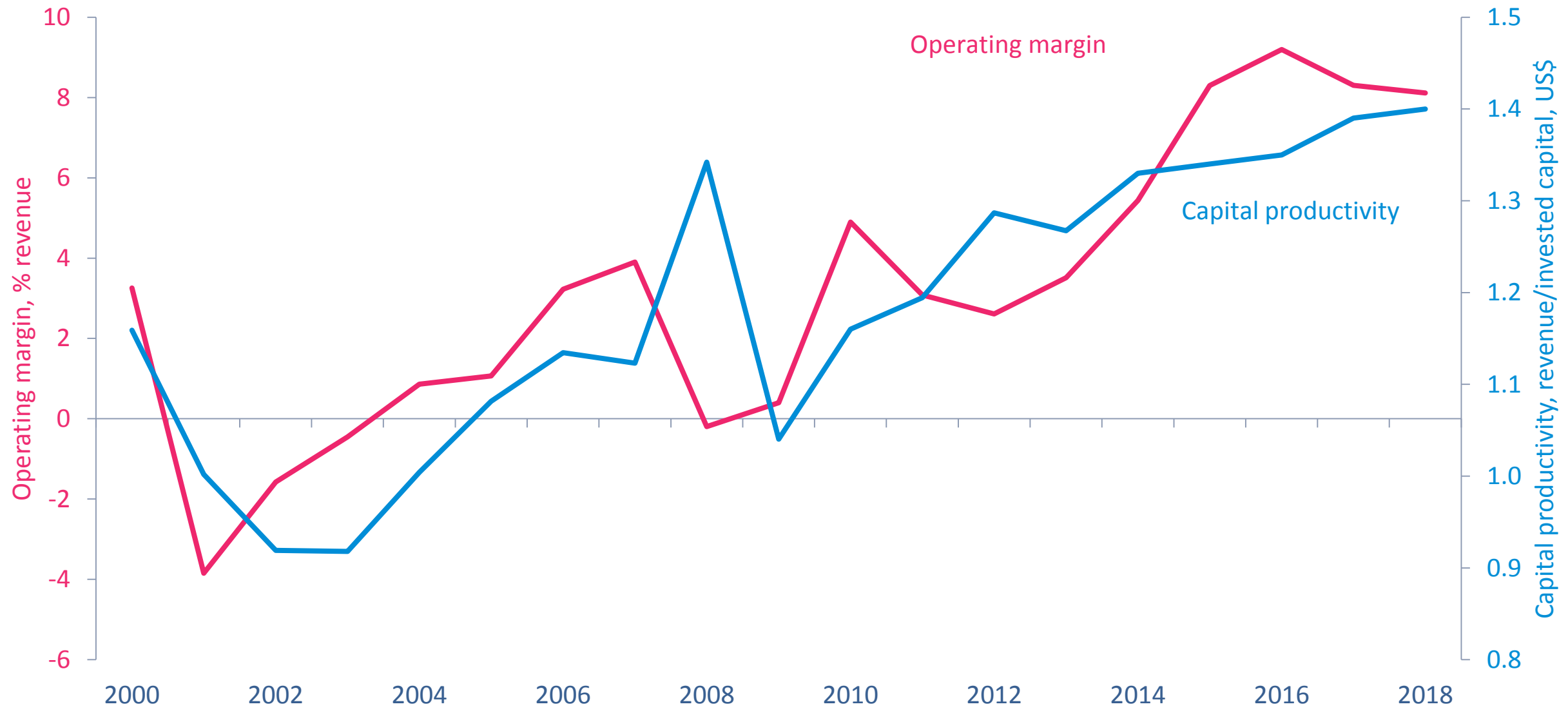
Change happened before 2015 fall in fuel prices



Source: IATA Economics using data from ICAO, IATA Statistics, IATA forecasts

Successfully sweating assets as well as improving margins

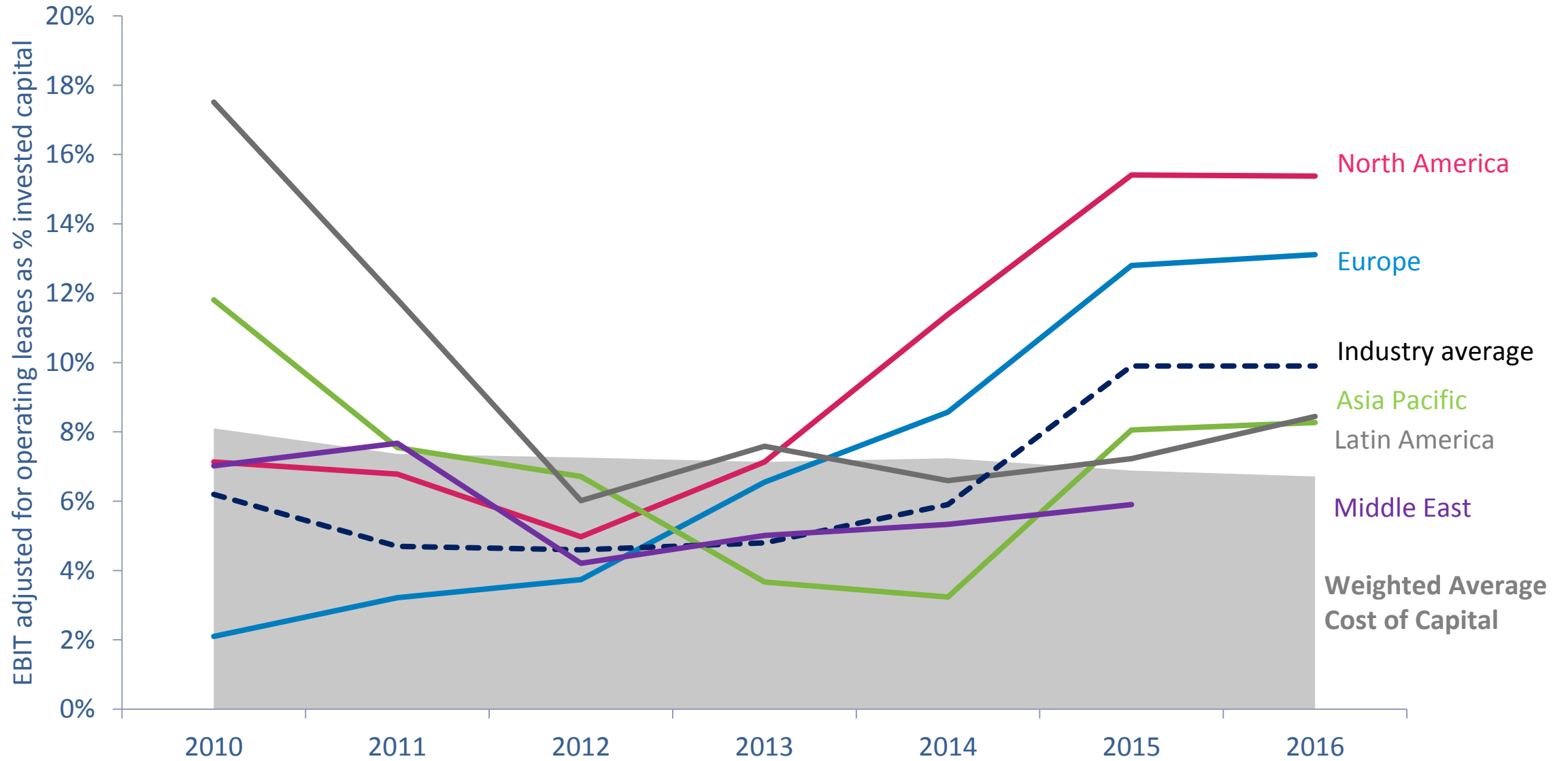
Components of return on capital



Source: IATA Economics using data from ICAO, McKinsey, The Airline Analyst, IATA forecasts

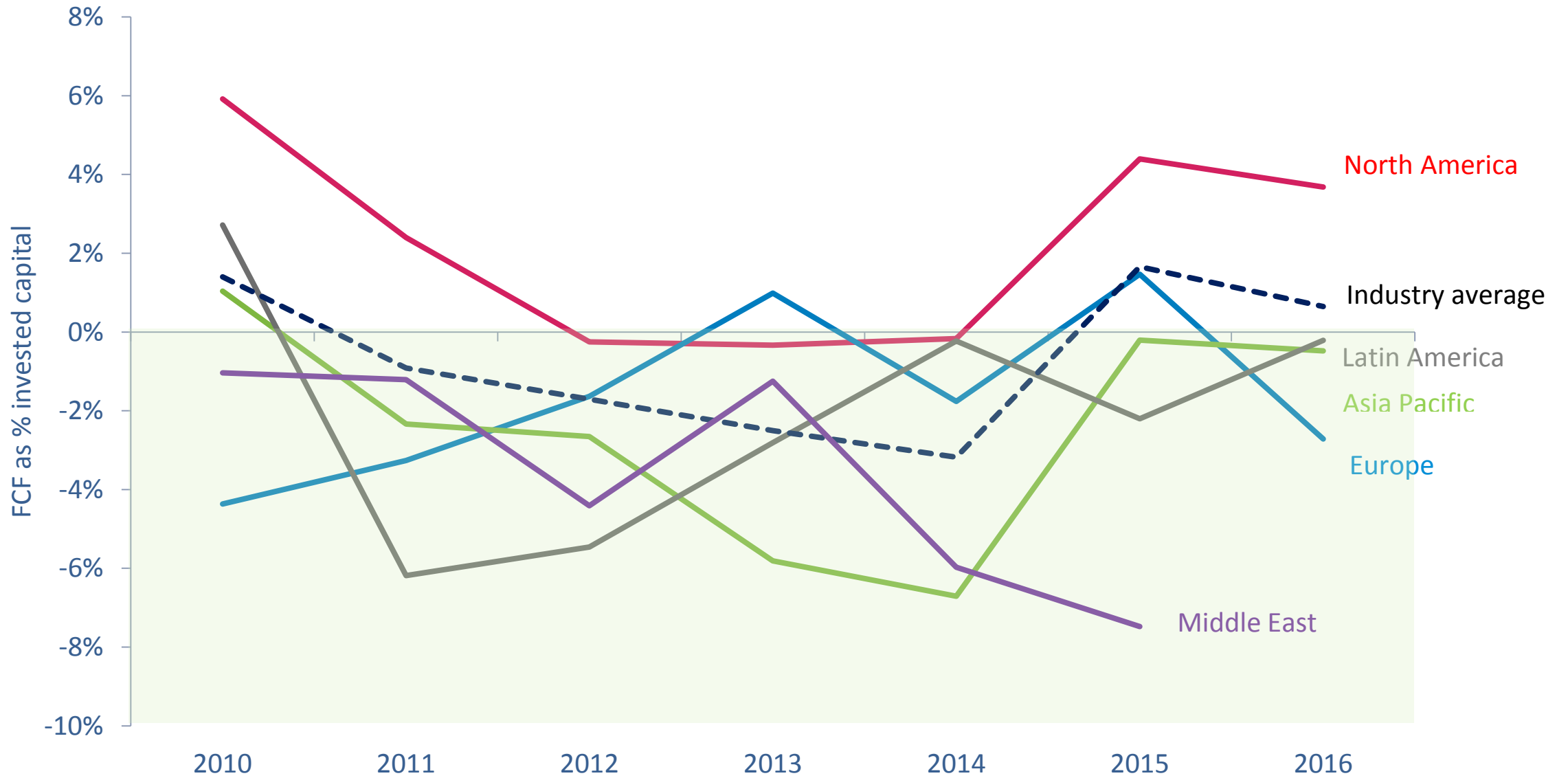
US ahead on ROIC

Return on invested capital

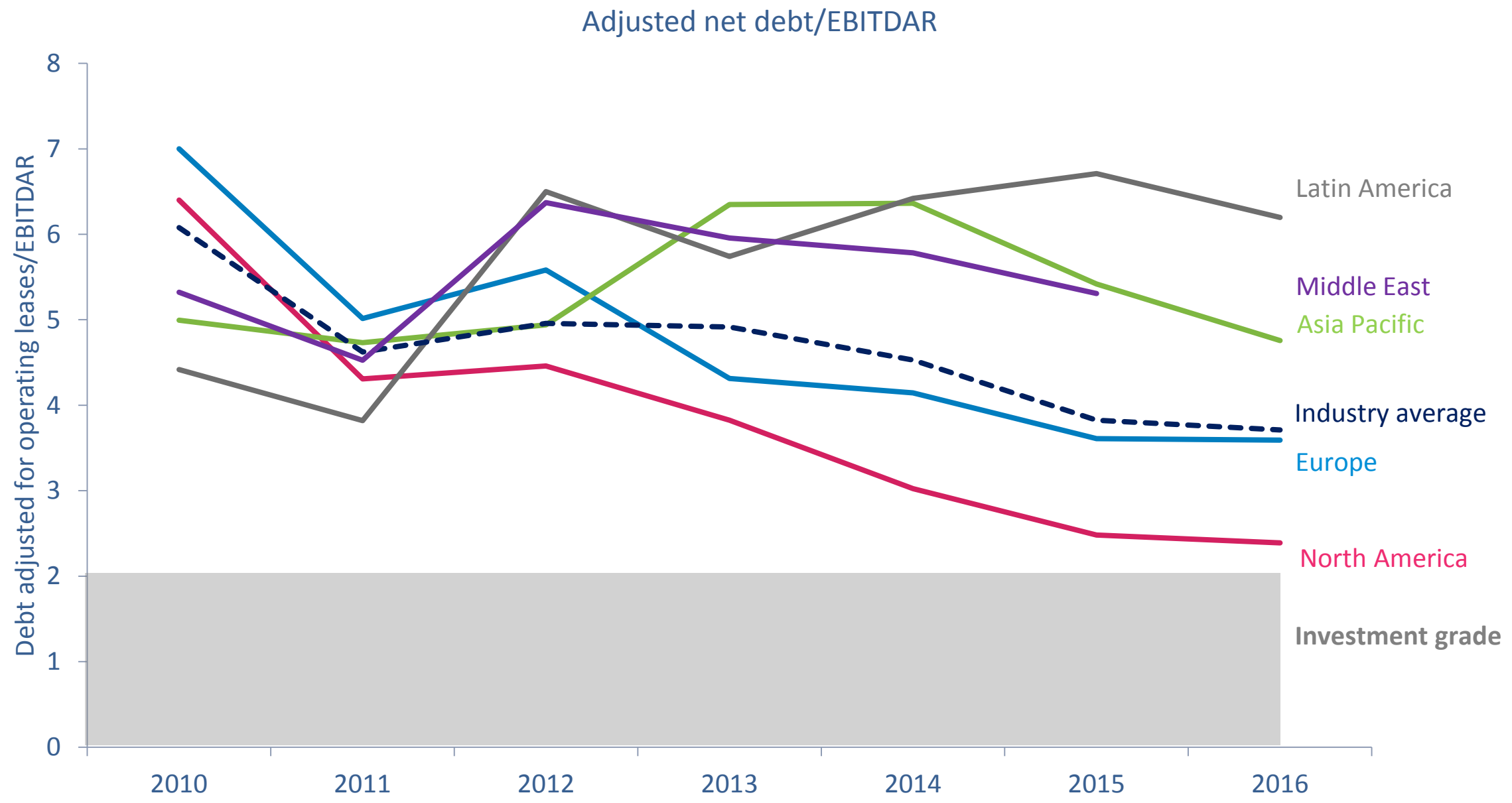


US ahead on free cash flow too

Free cash flow yield (% invested capital)



And balance sheets strongest in the US



Source: IATA Economics using data from The Airline Analyst

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