Great industry performance – but narrowly based and facing challenges

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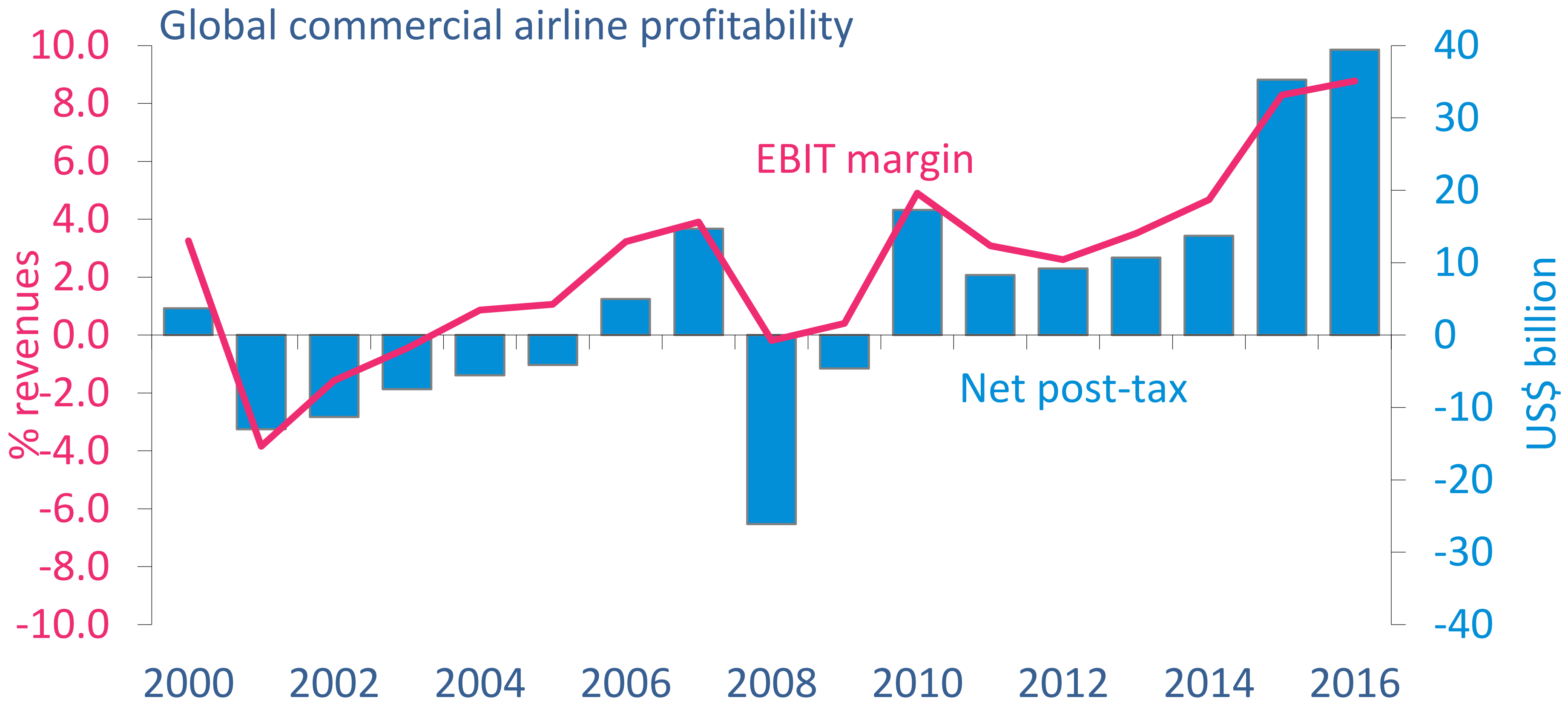
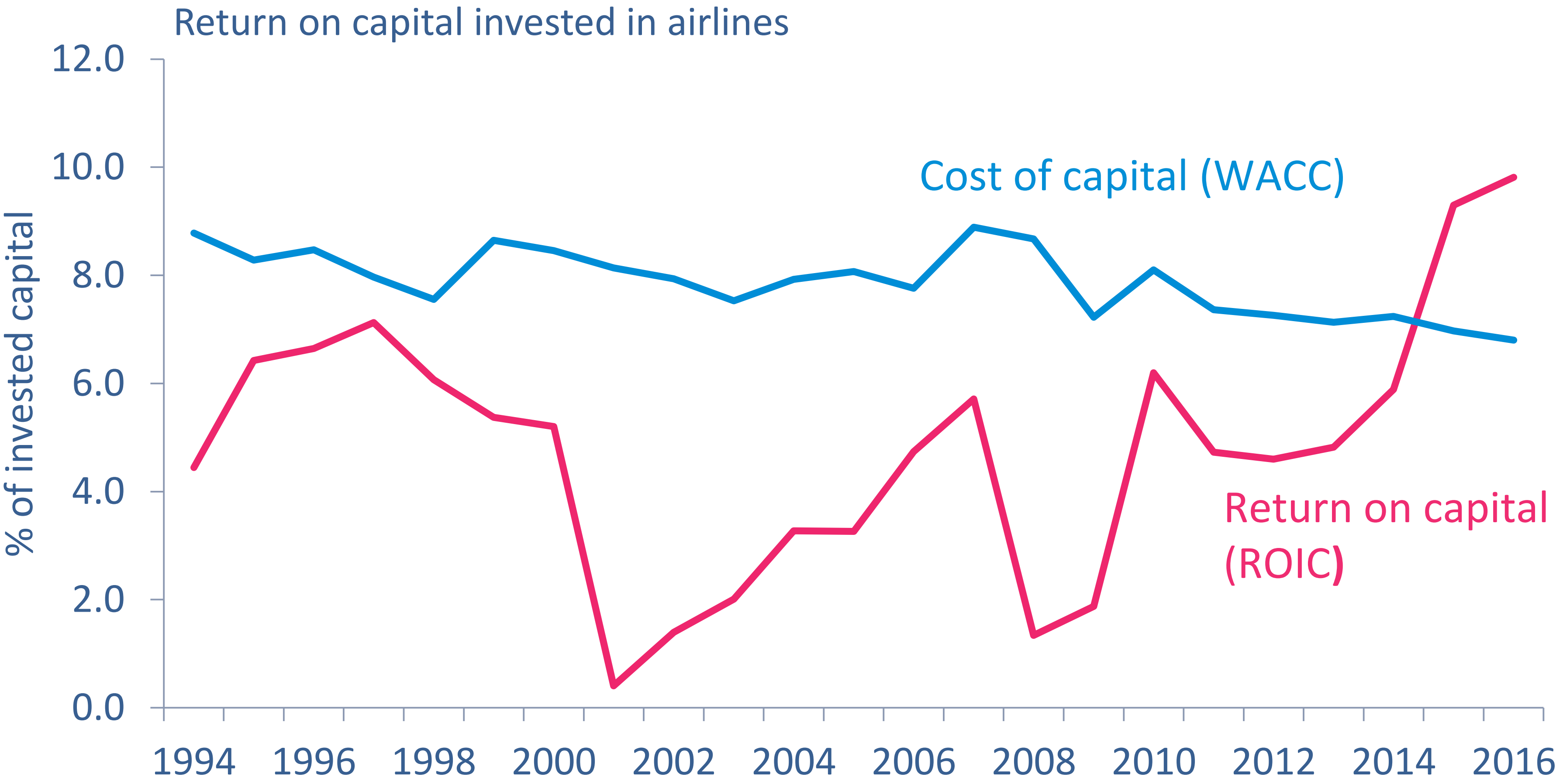
Record profits of $39.4 billion forecast this year



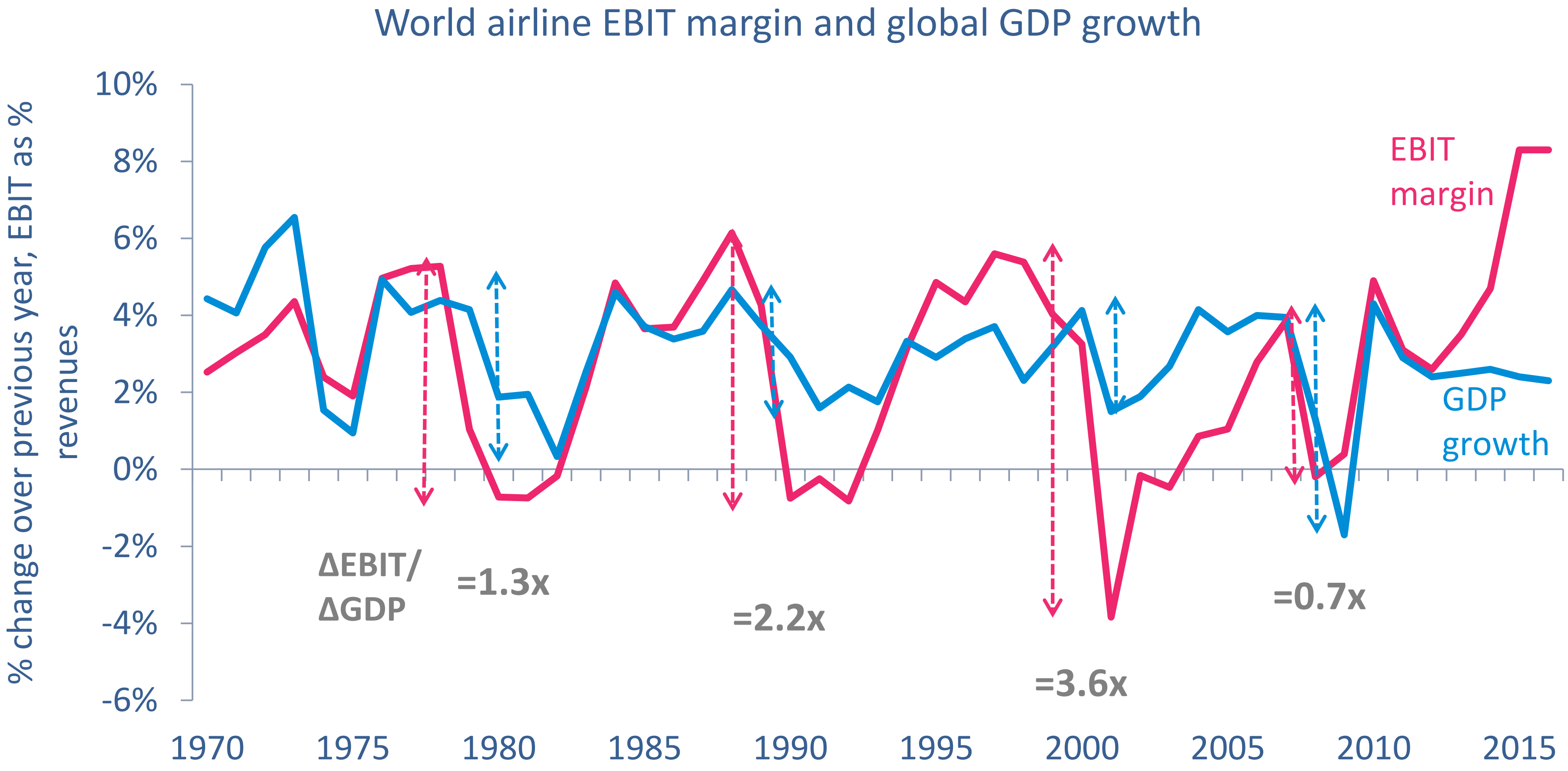
Source: ICAO, IATA

2016 another year of above WACC returns



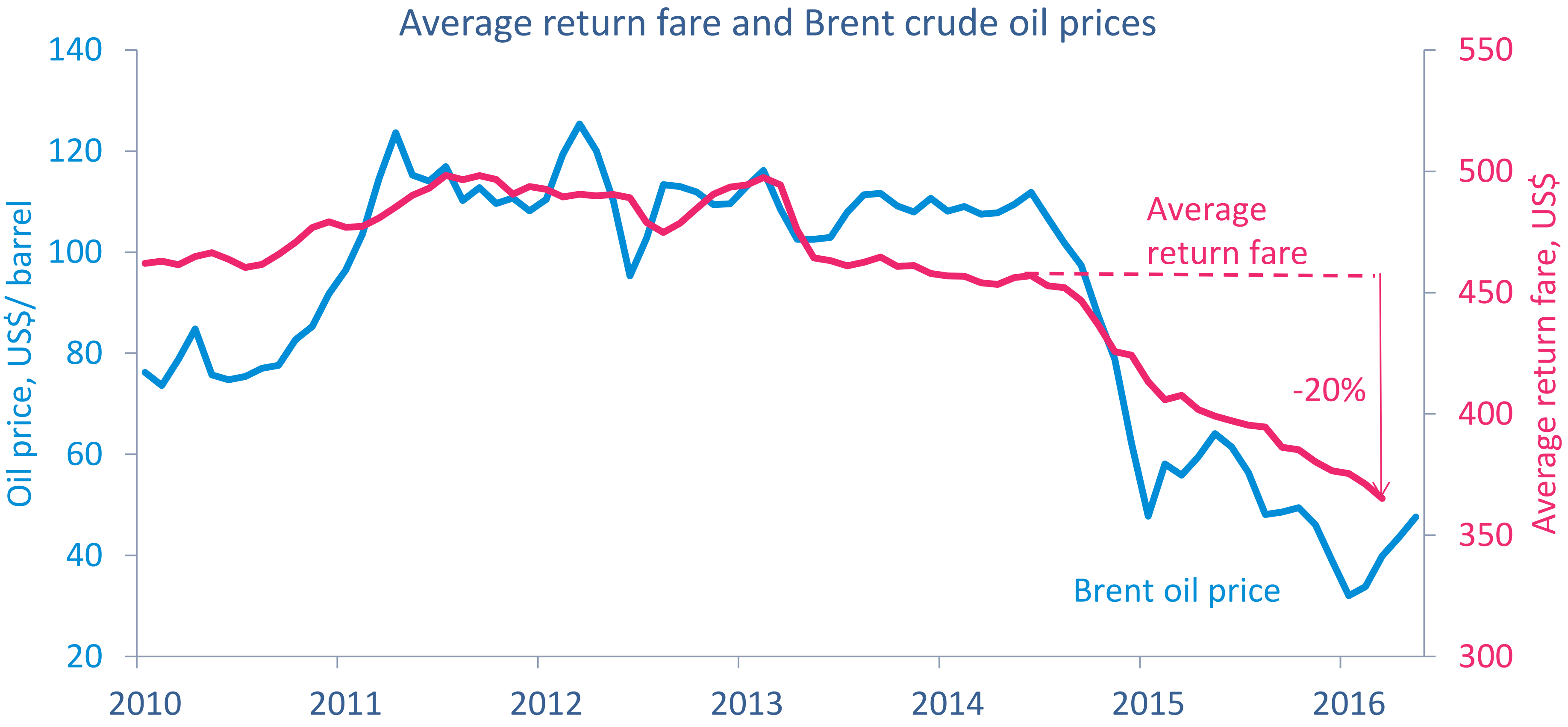
Source: McKinsey, IATA

Margins now less leveraged to economic cycle?



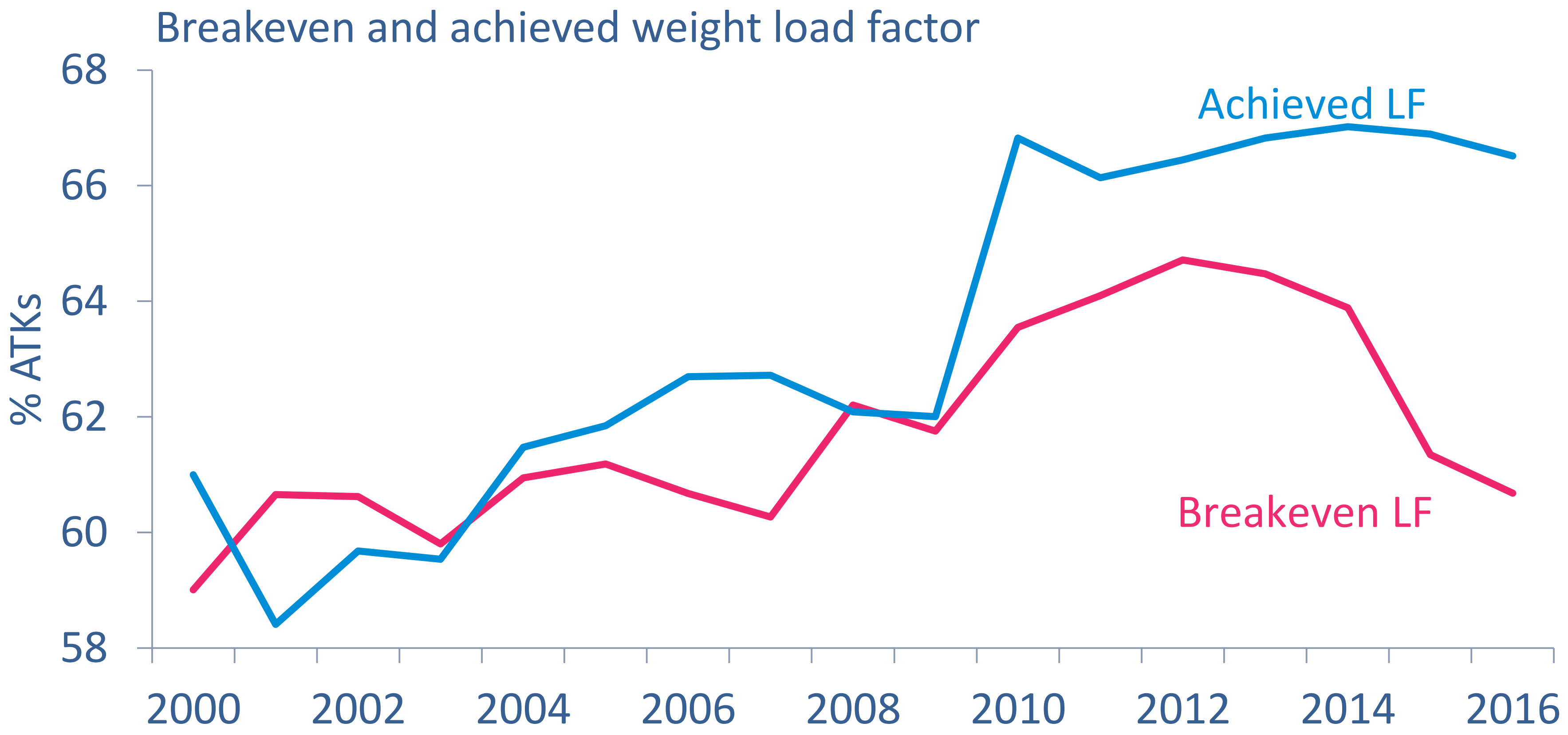
Source: IMF World Economic Outlook

Profits rising in 2016Q1 despite falling unit revenues



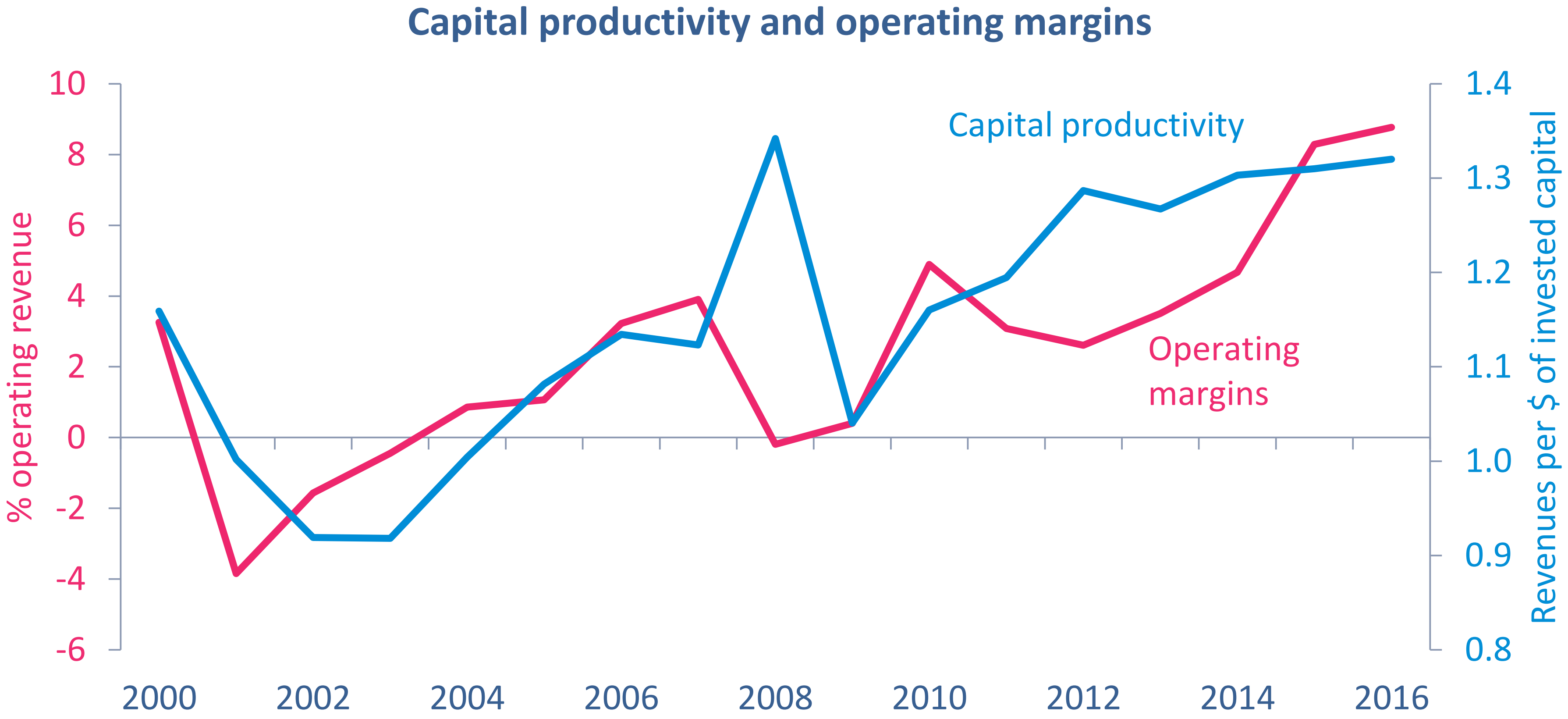
Source: IATA using PaxIS+ and Haver data

Widening asset utilization gap driving returns



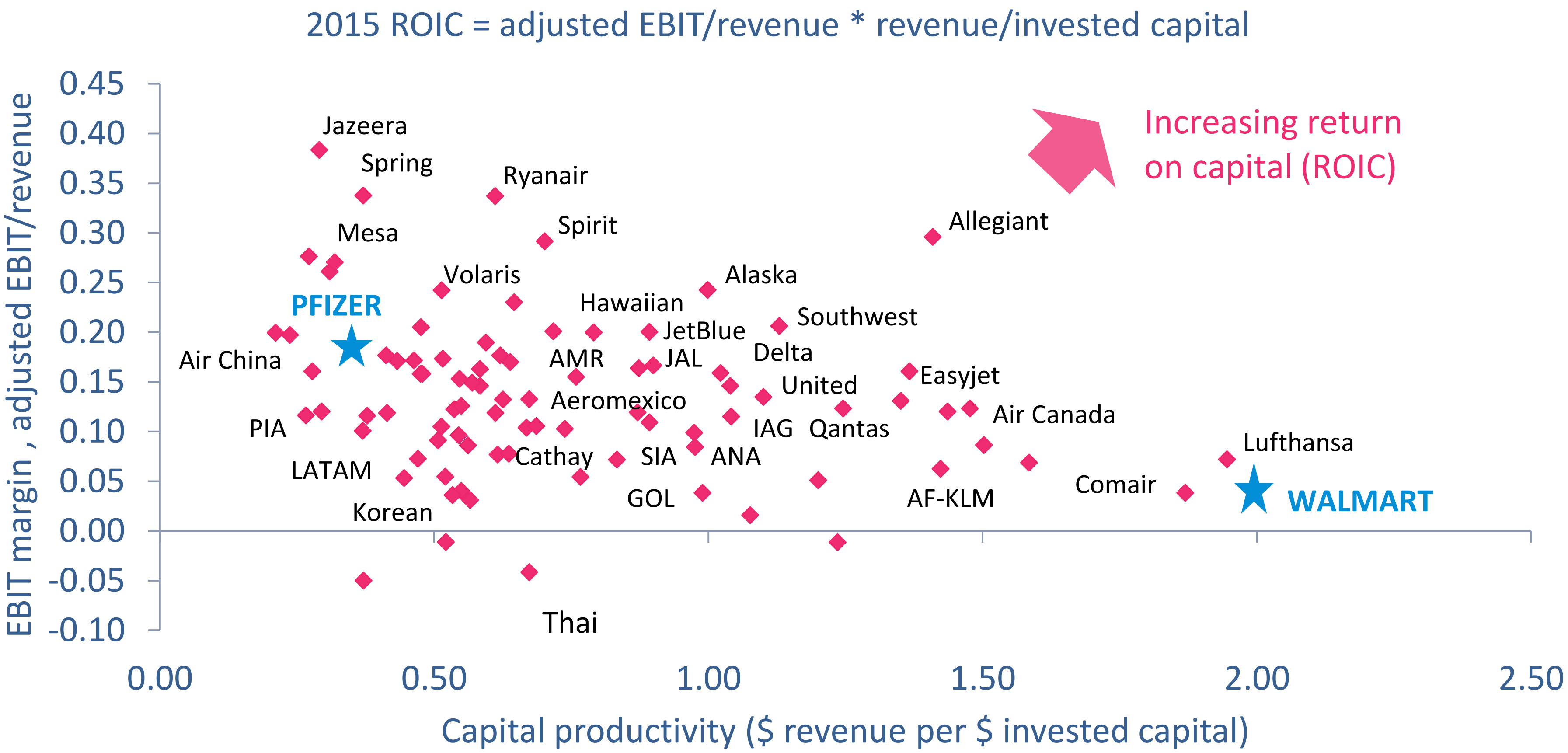
Source: ICAO, IATA

Better capital productivity also driving returns



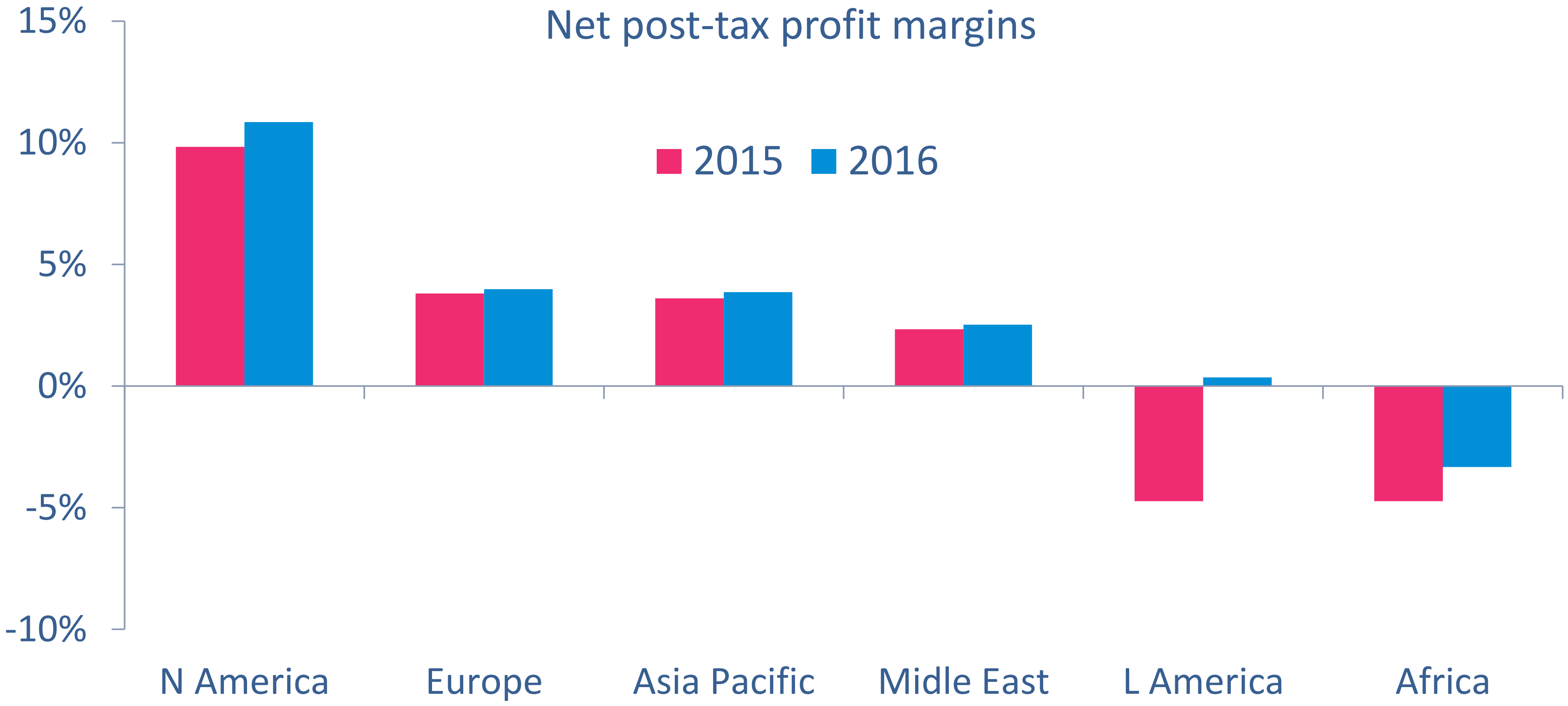
Source: McKinsey, ICAO, IATA

But industry totals hide enormous diversity

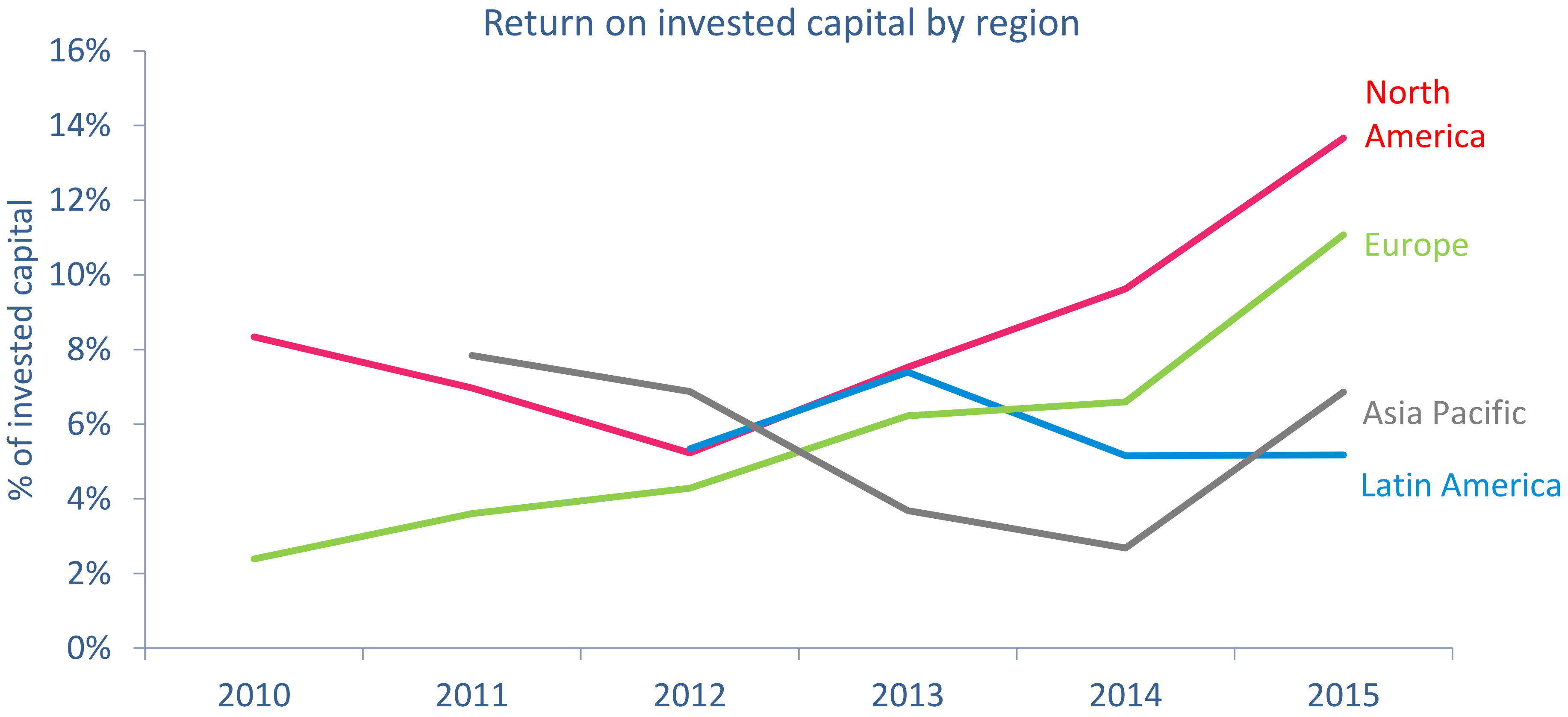


Source: IATA calculations from The Airline Analyst

It's largely N America driving industry results

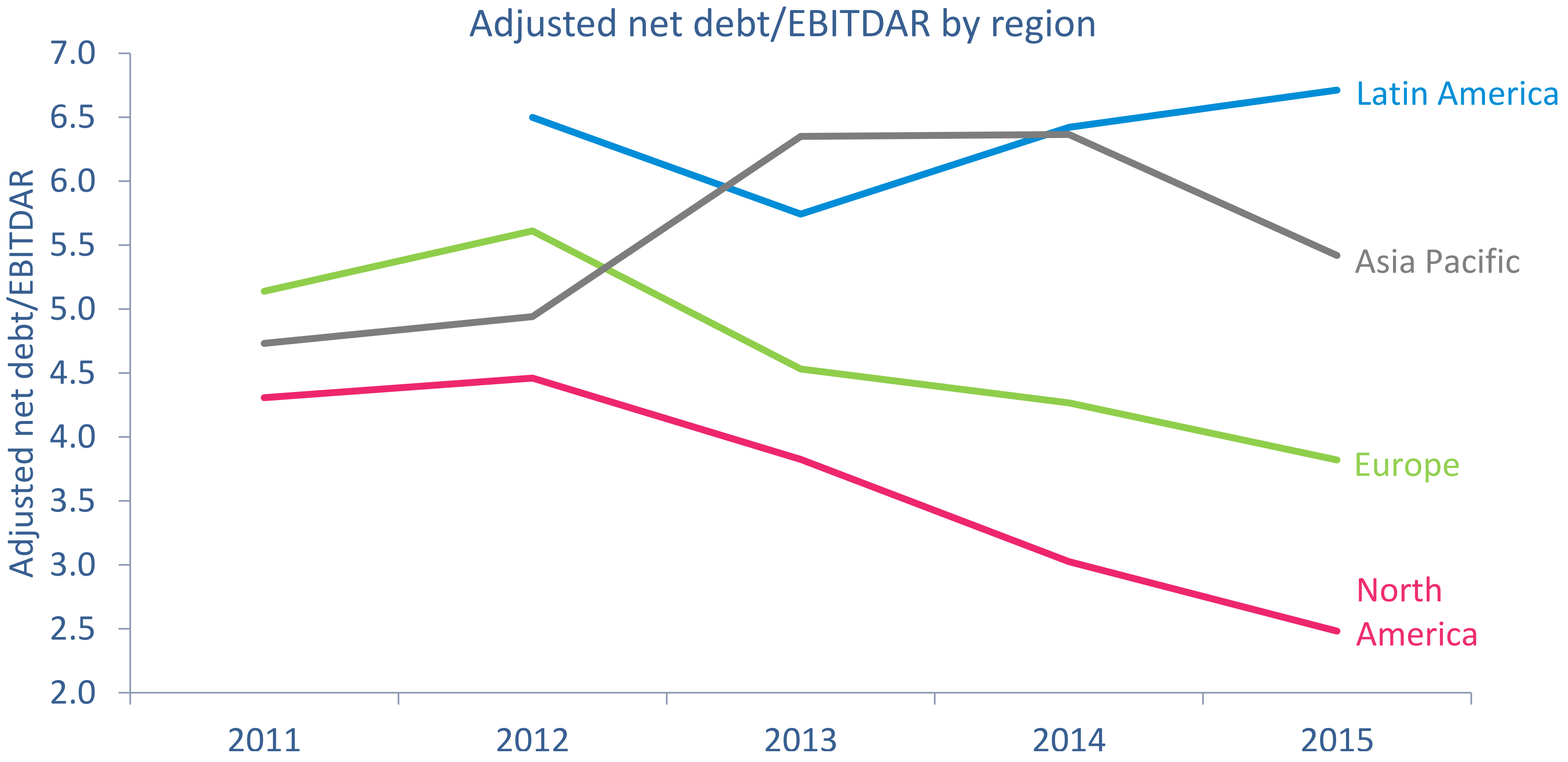


Parts of Europe also performing well but not elsewhere



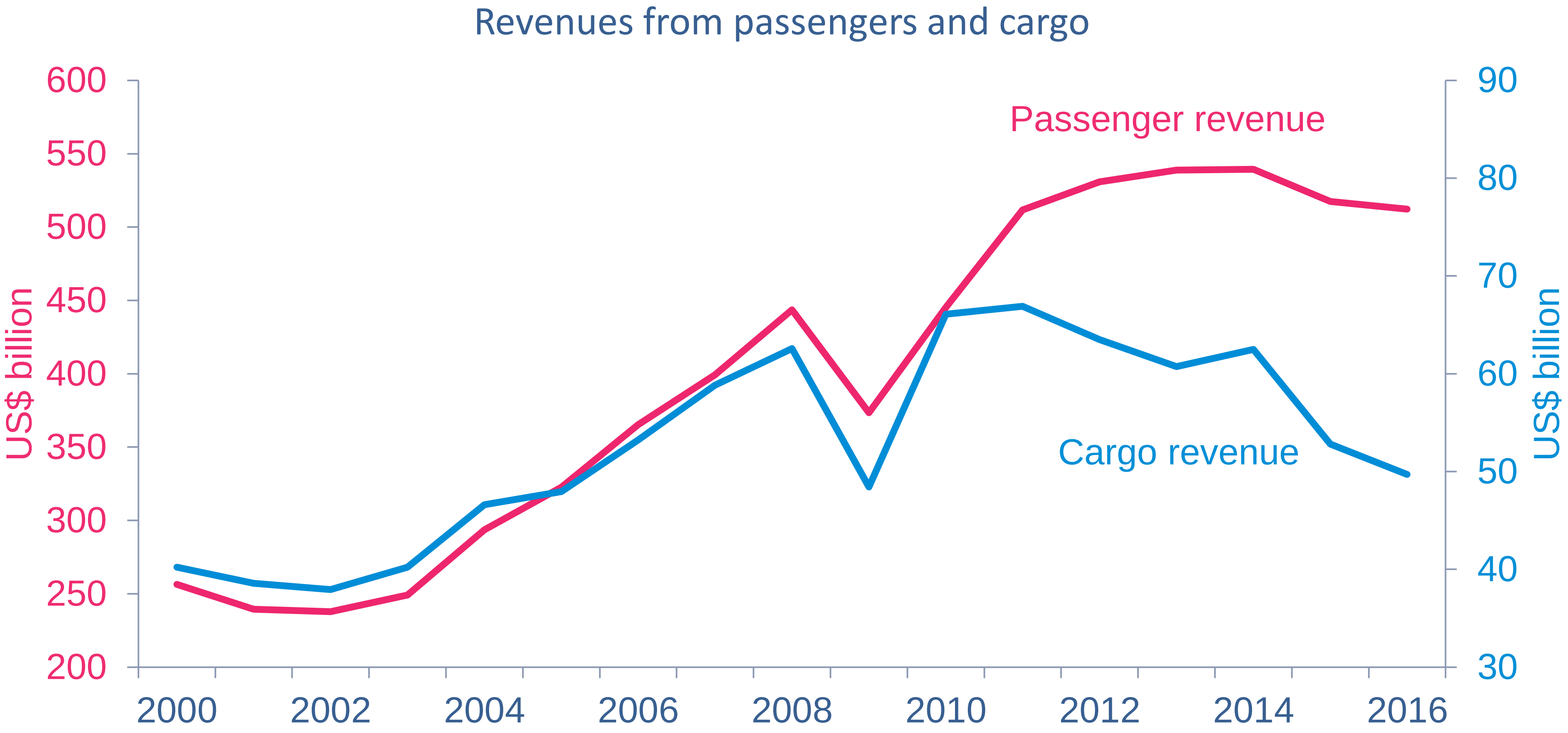
Source: IATA calculations from The Airline Analyst

Balance sheets show the diversity of financial health



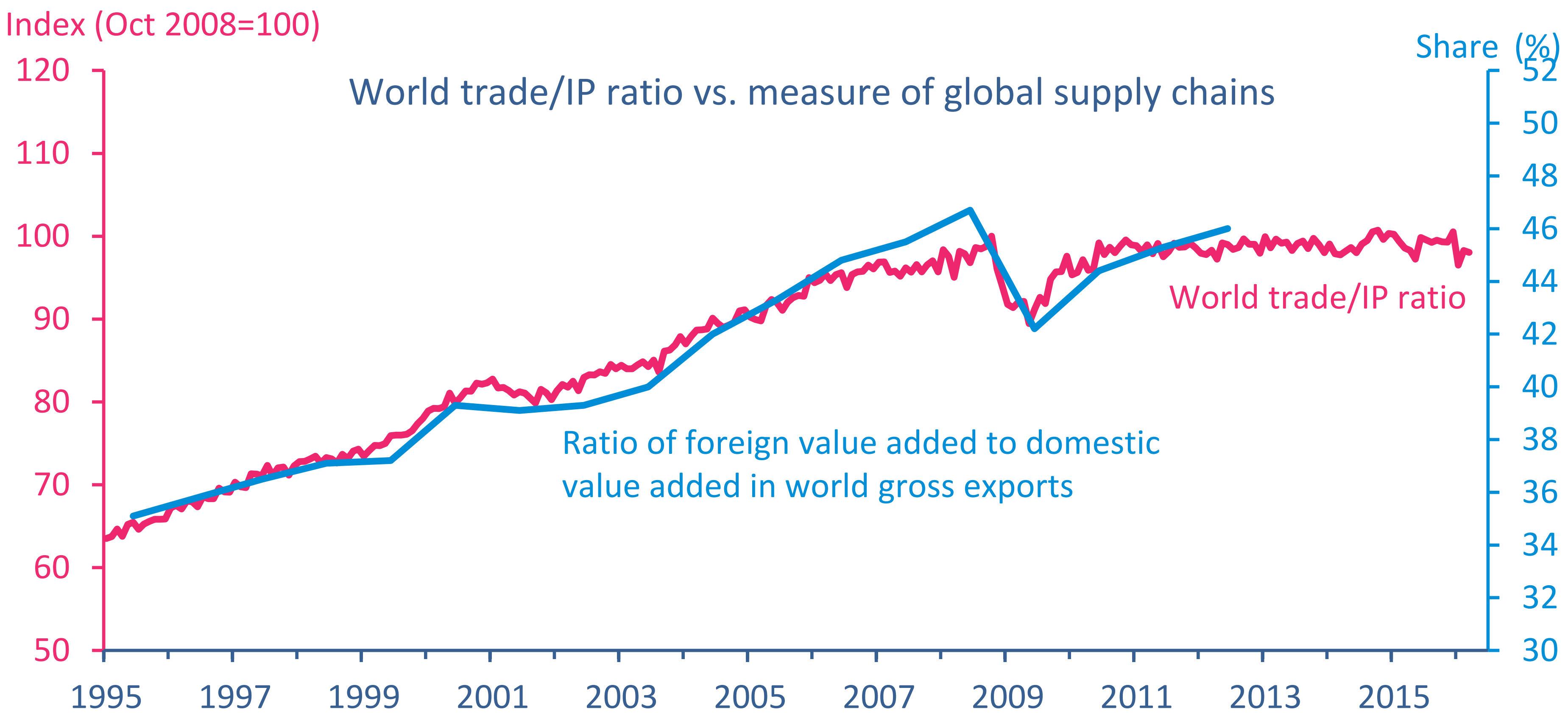
Source: IATA calculations from The Airline Analyst

And performance is uneven across markets



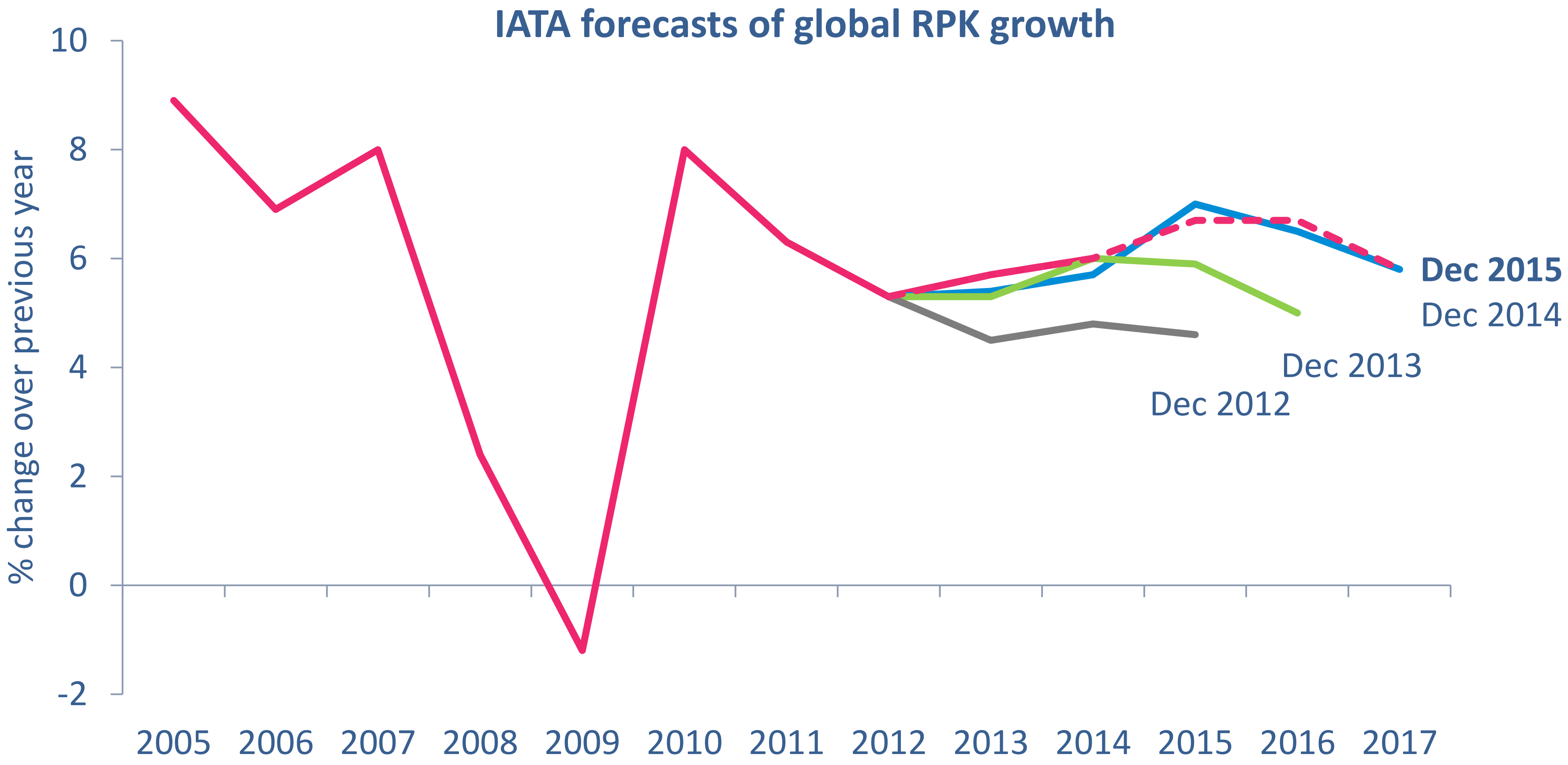
Source: ICAO, IATA

Globalization paused and threatened?



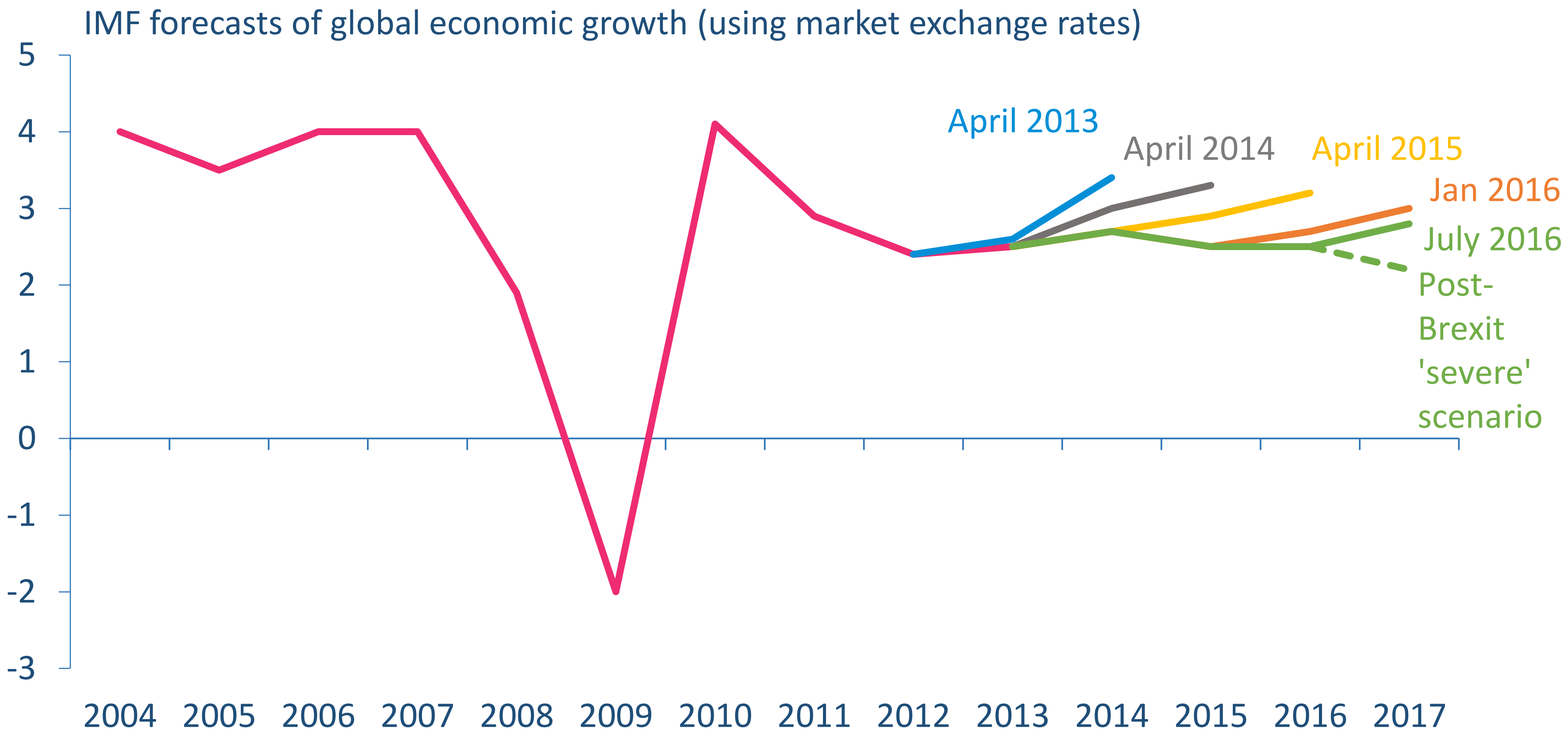
Sources: IATA, Netherlands CPB, OECD-WTO TiVA database

Air travel growth has remained strong



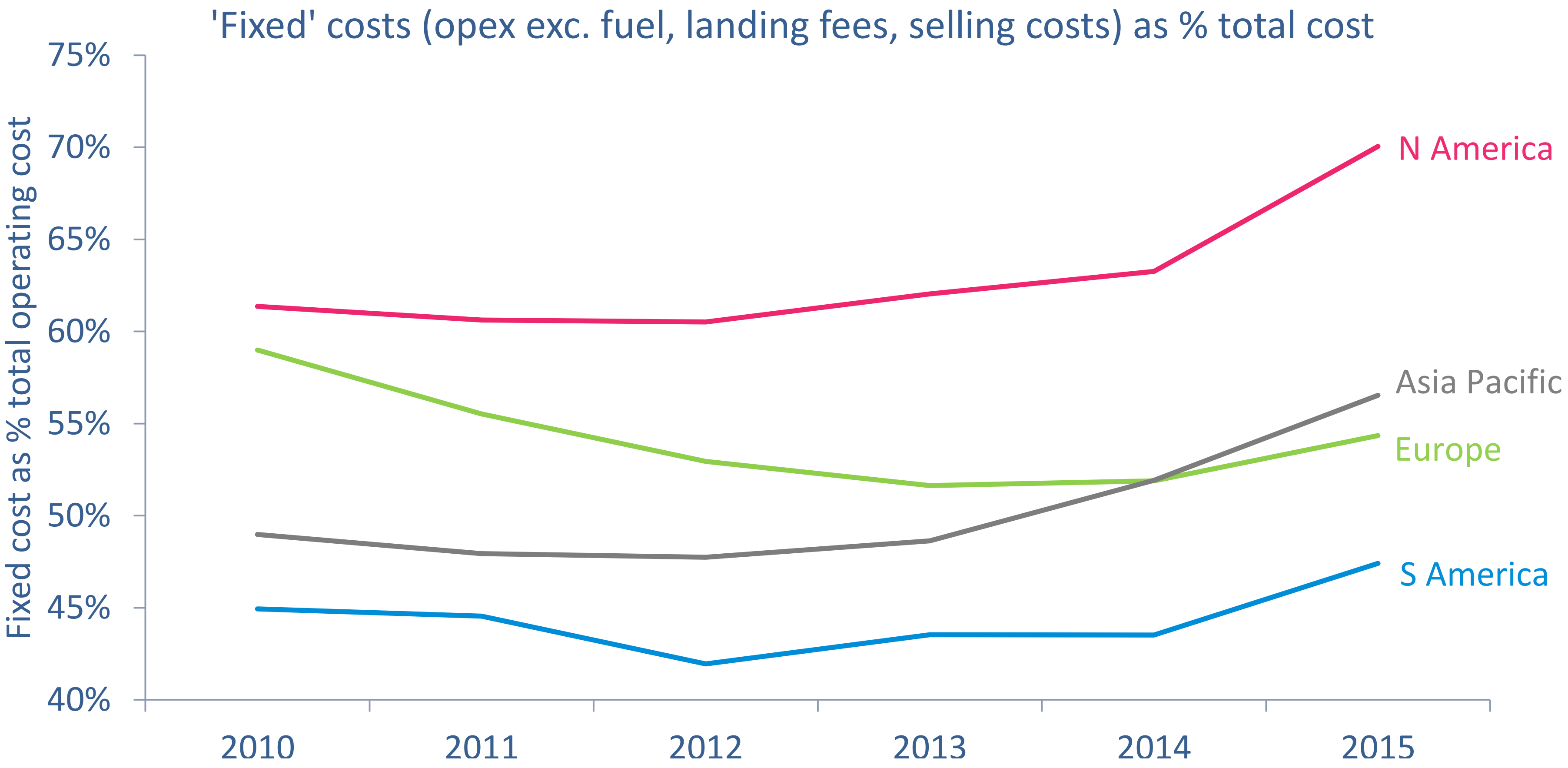
Source: IATA Economic Performance of the Airline Industry

But world is stuck in a low economic growth path



Source: IMF World Economic Outlook

In this environment lower operating leverage preferable



Source: IMF World Economic Outlook