

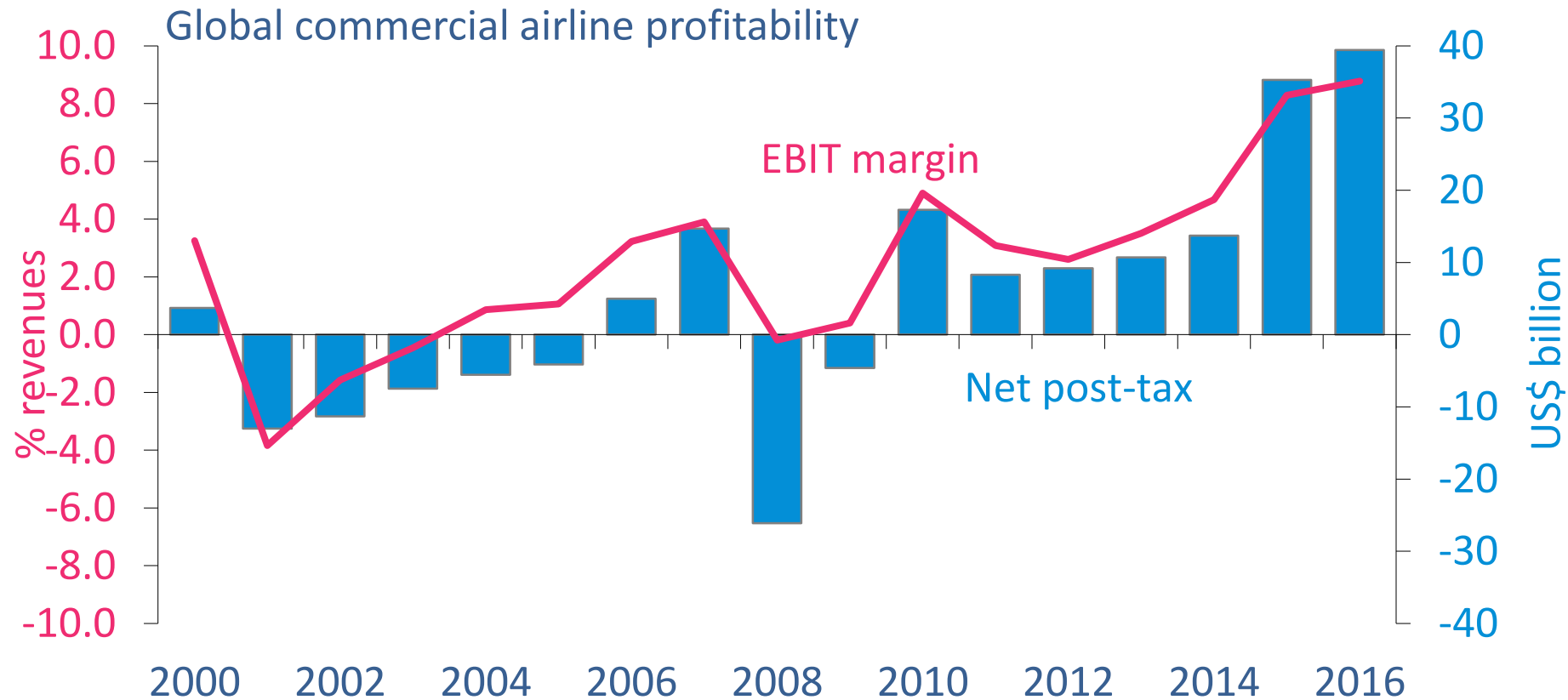


Great industry performance – but narrowly based and facing challenges

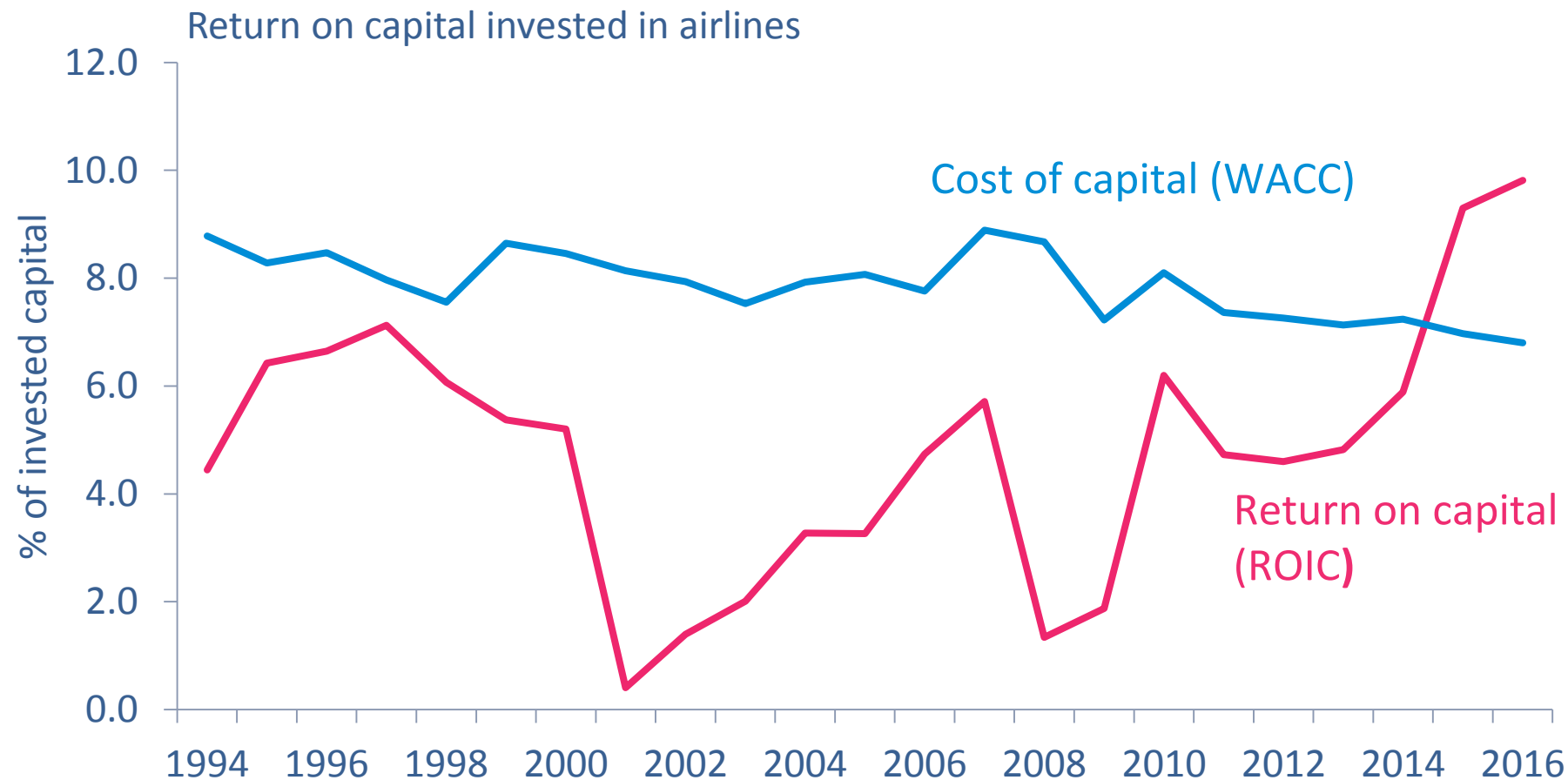
August 2016

Brian Pearce
Chief Economist, IATA

Record profits of \$39.4 billion forecast this year

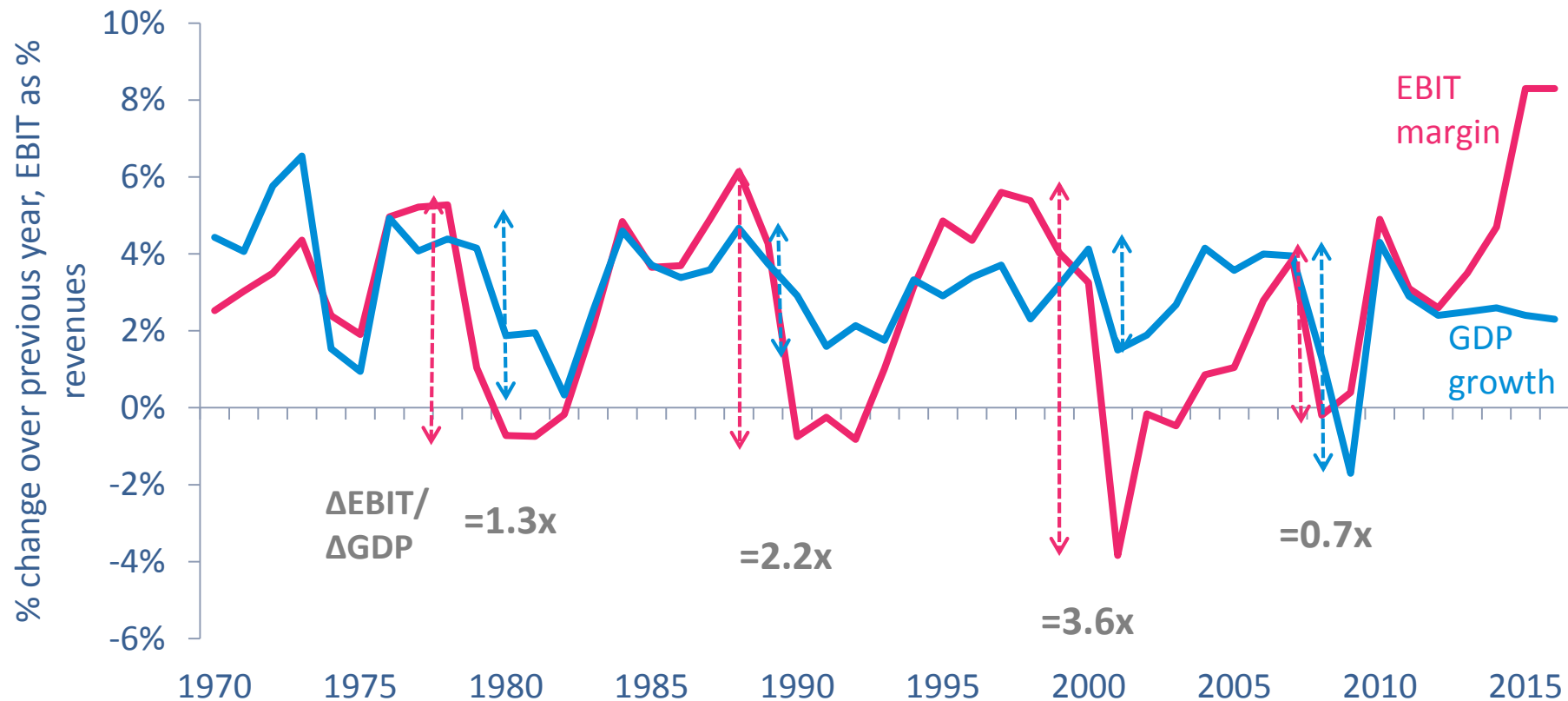


2016 another year of above WACC returns

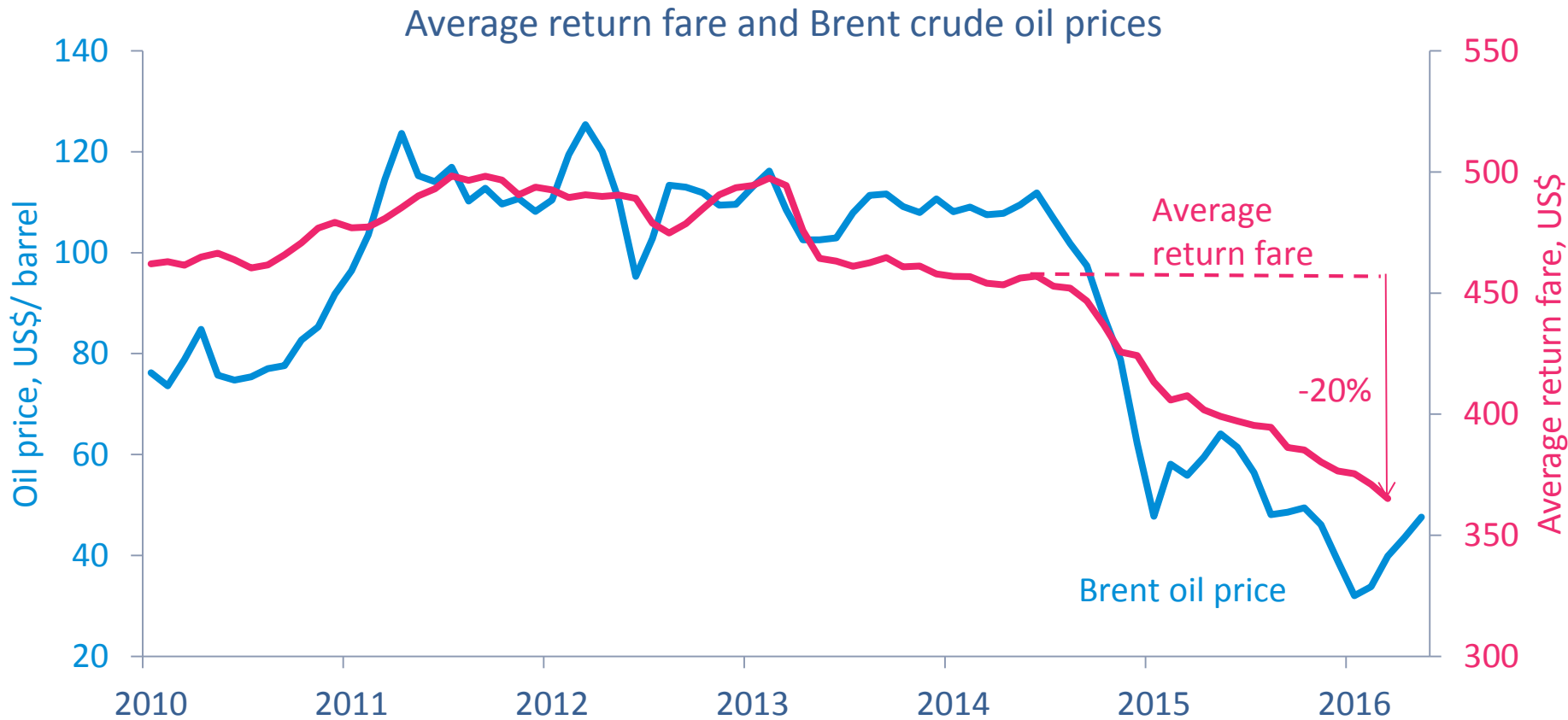


Margins now less leveraged to economic cycle?

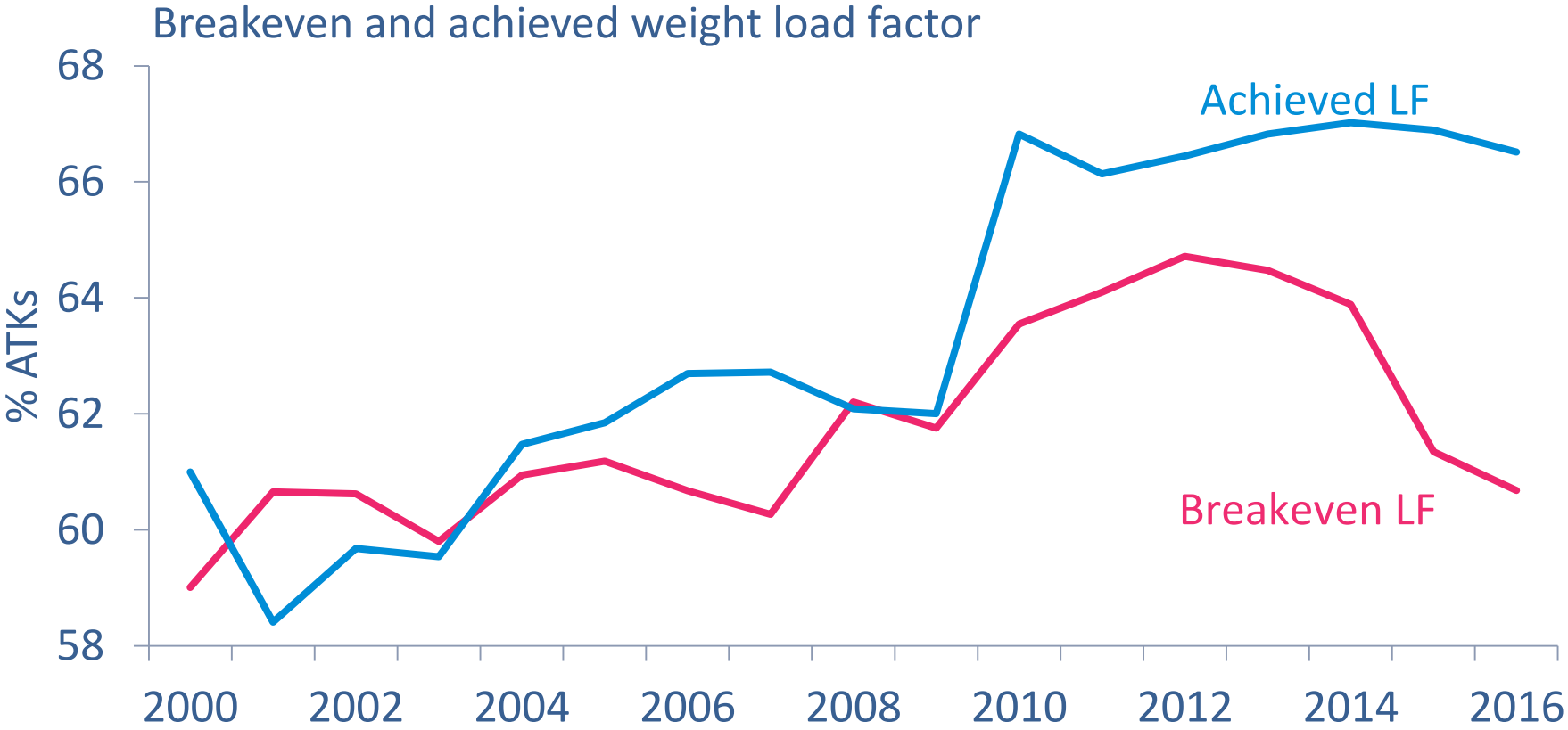
World airline EBIT margin and global GDP growth



Profits rising in 2016Q1 despite falling unit revenues

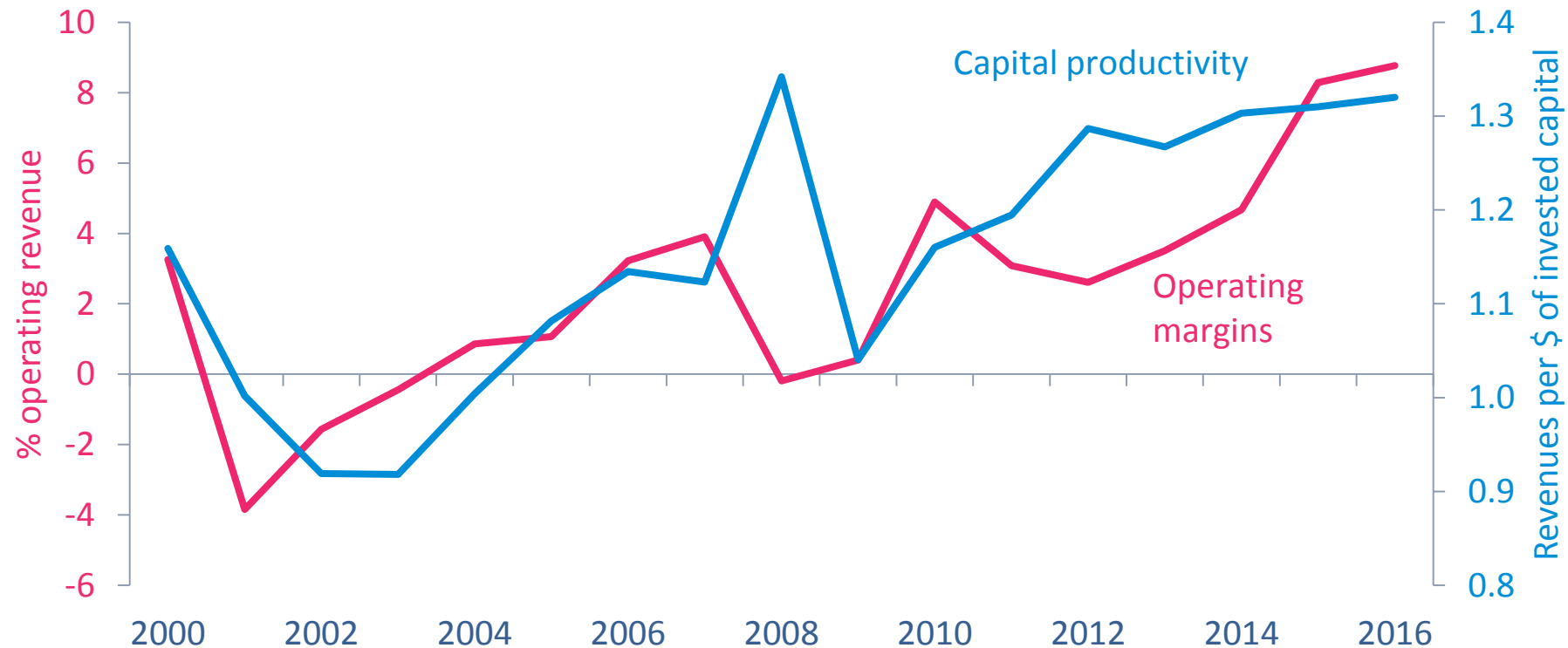


Widening asset utilization gap driving returns



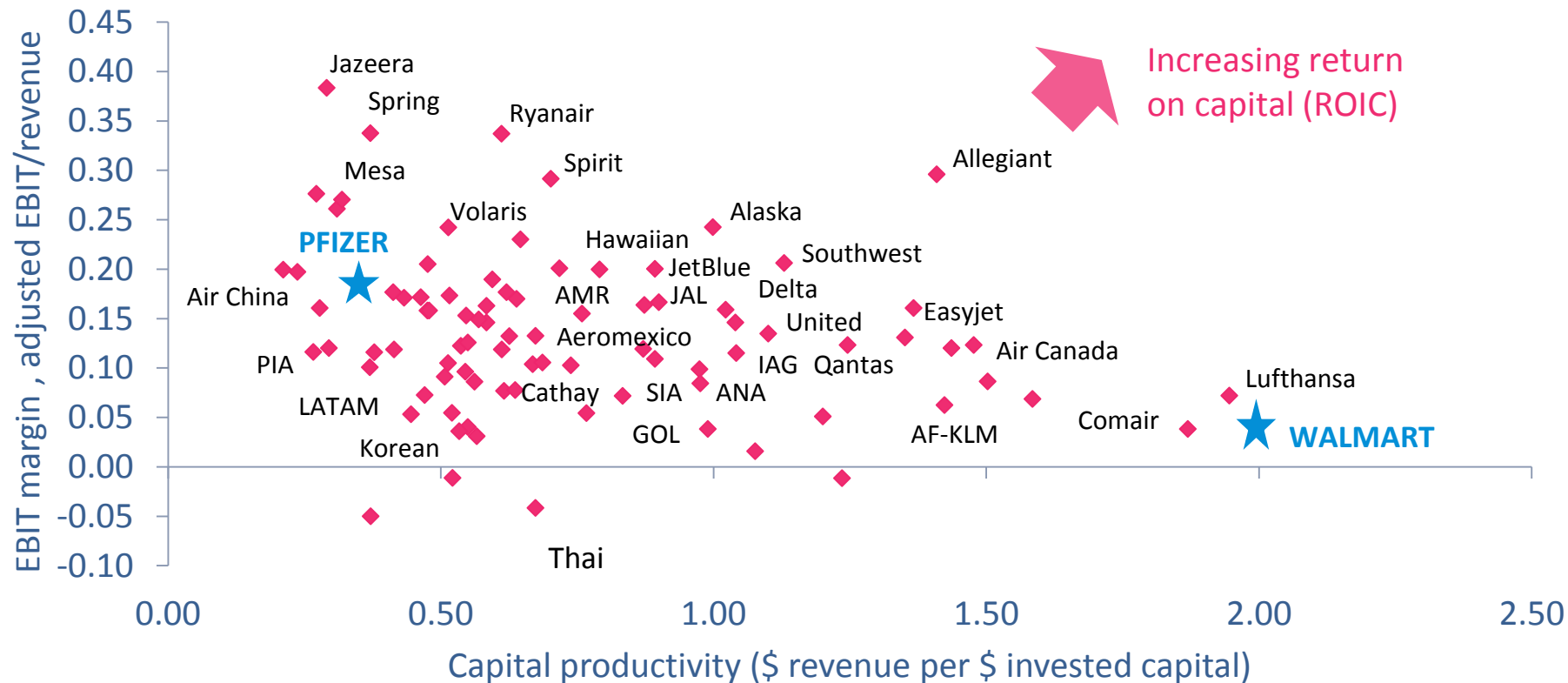
Better capital productivity also driving returns

Capital productivity and operating margins

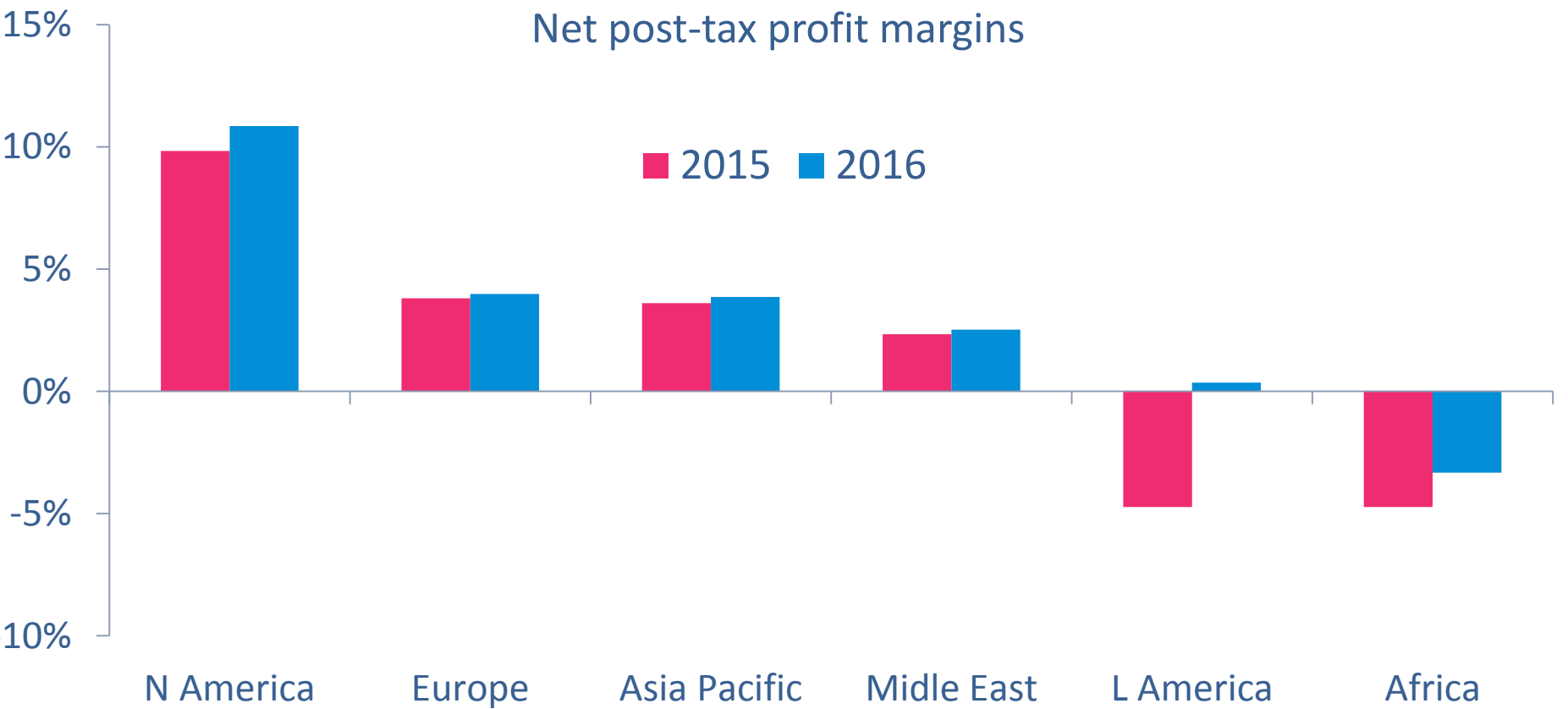


But industry totals hide enormous diversity

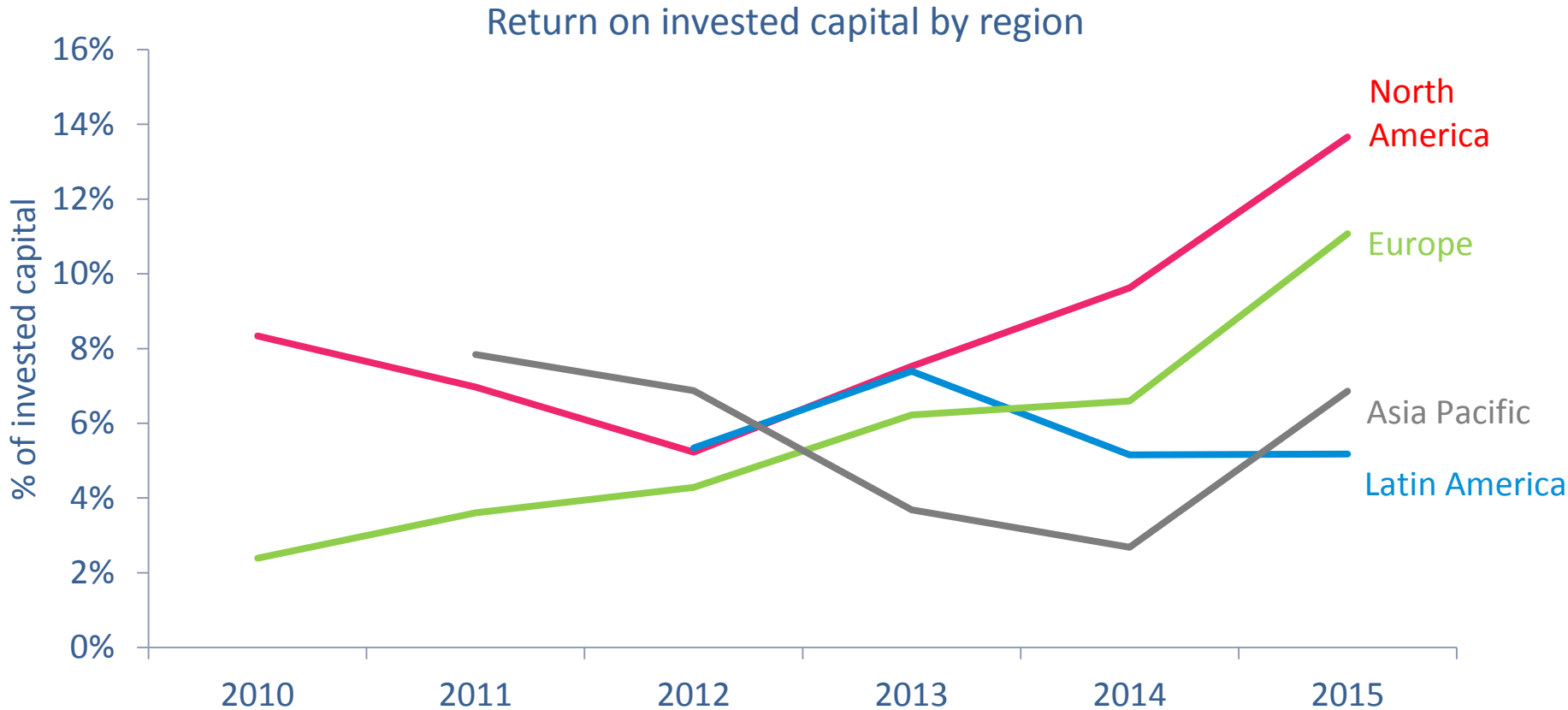
2015 ROIC = adjusted EBIT/revenue * revenue/invested capital



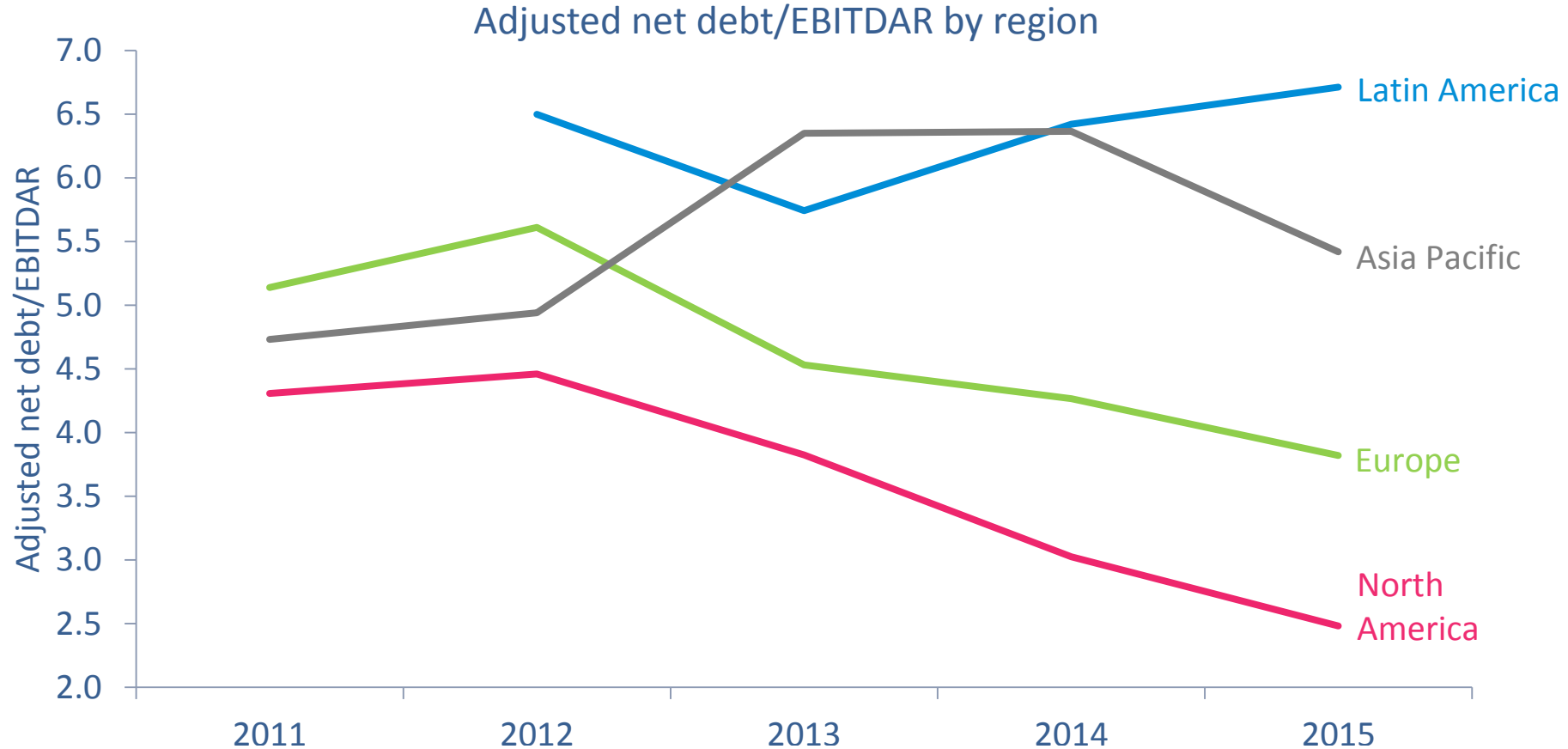
It's largely N America driving industry results



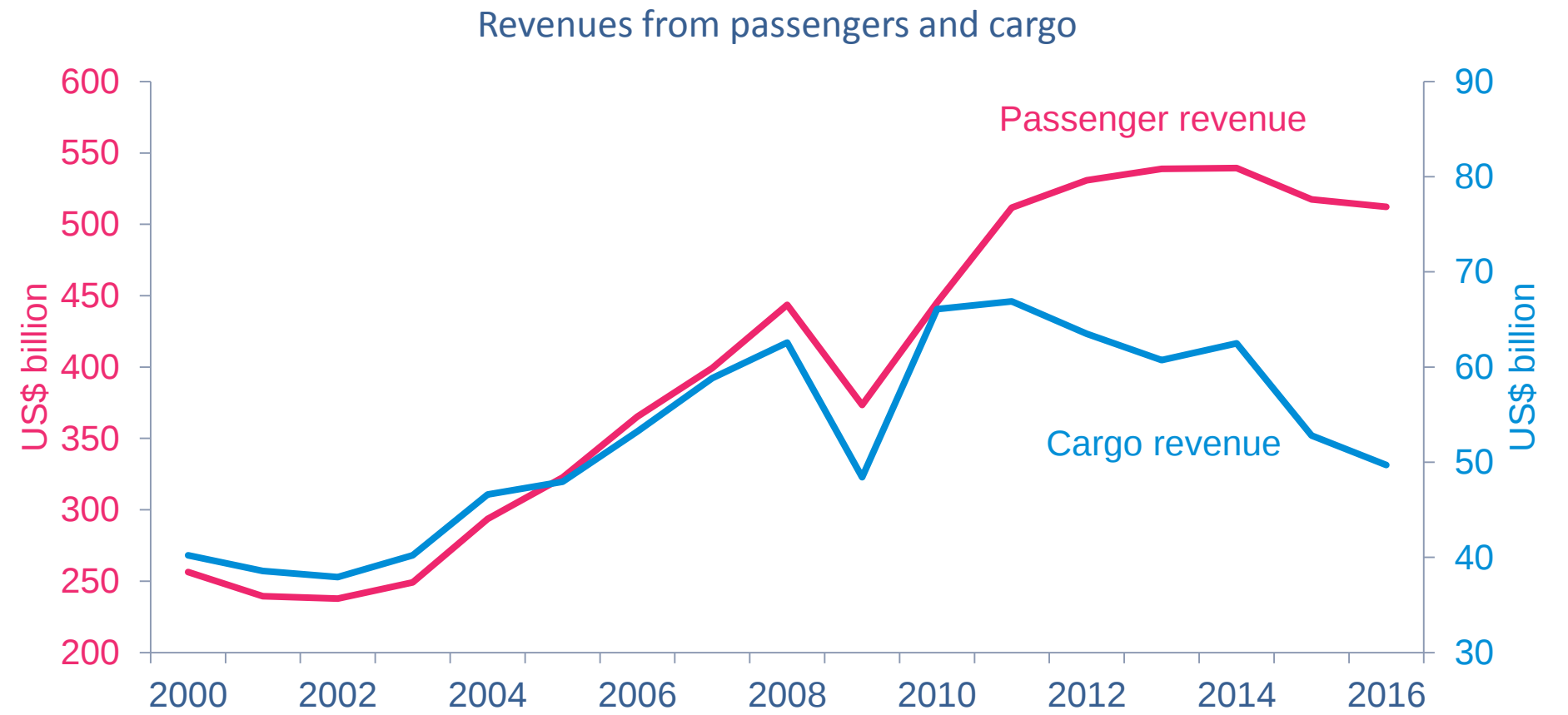
Parts of Europe also performing well but not elsewhere



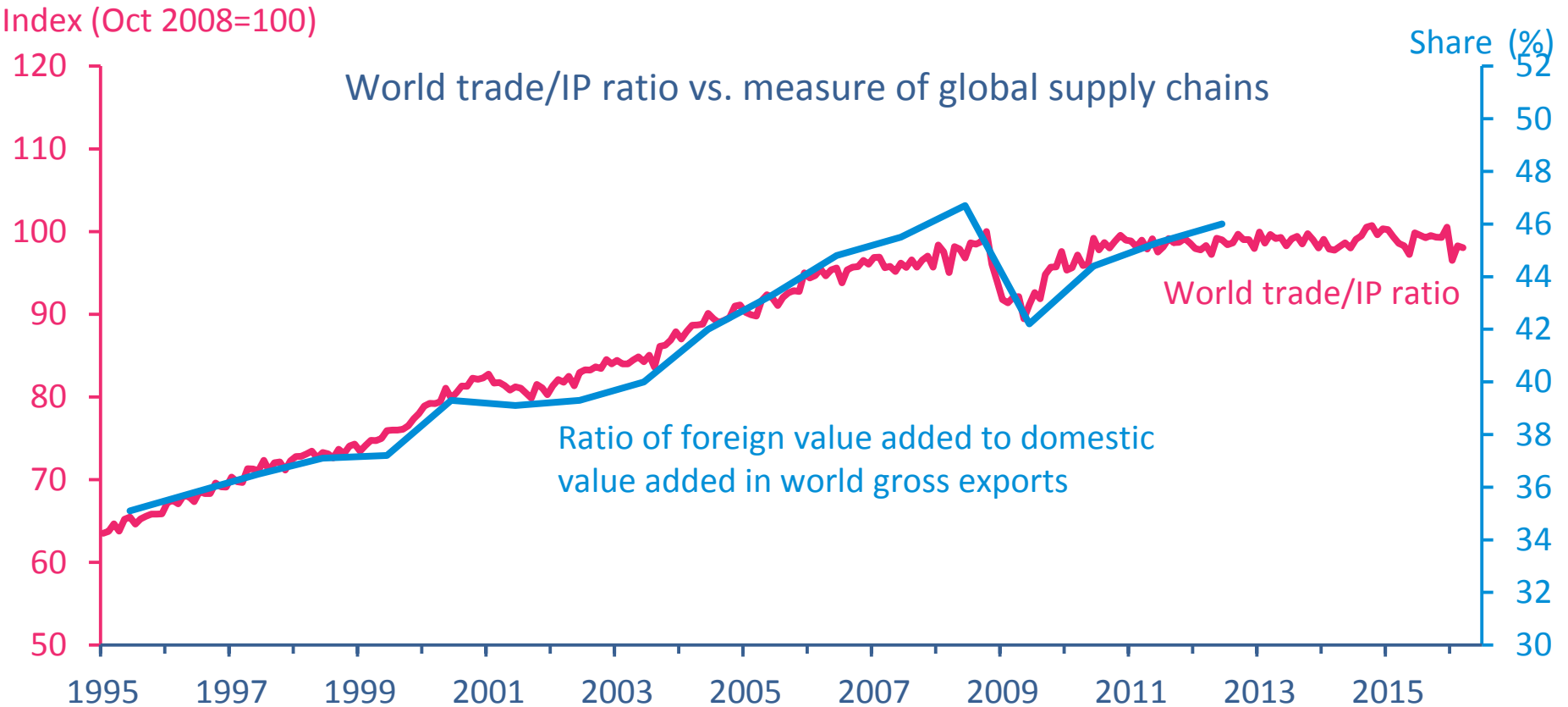
Balance sheets show the diversity of financial health



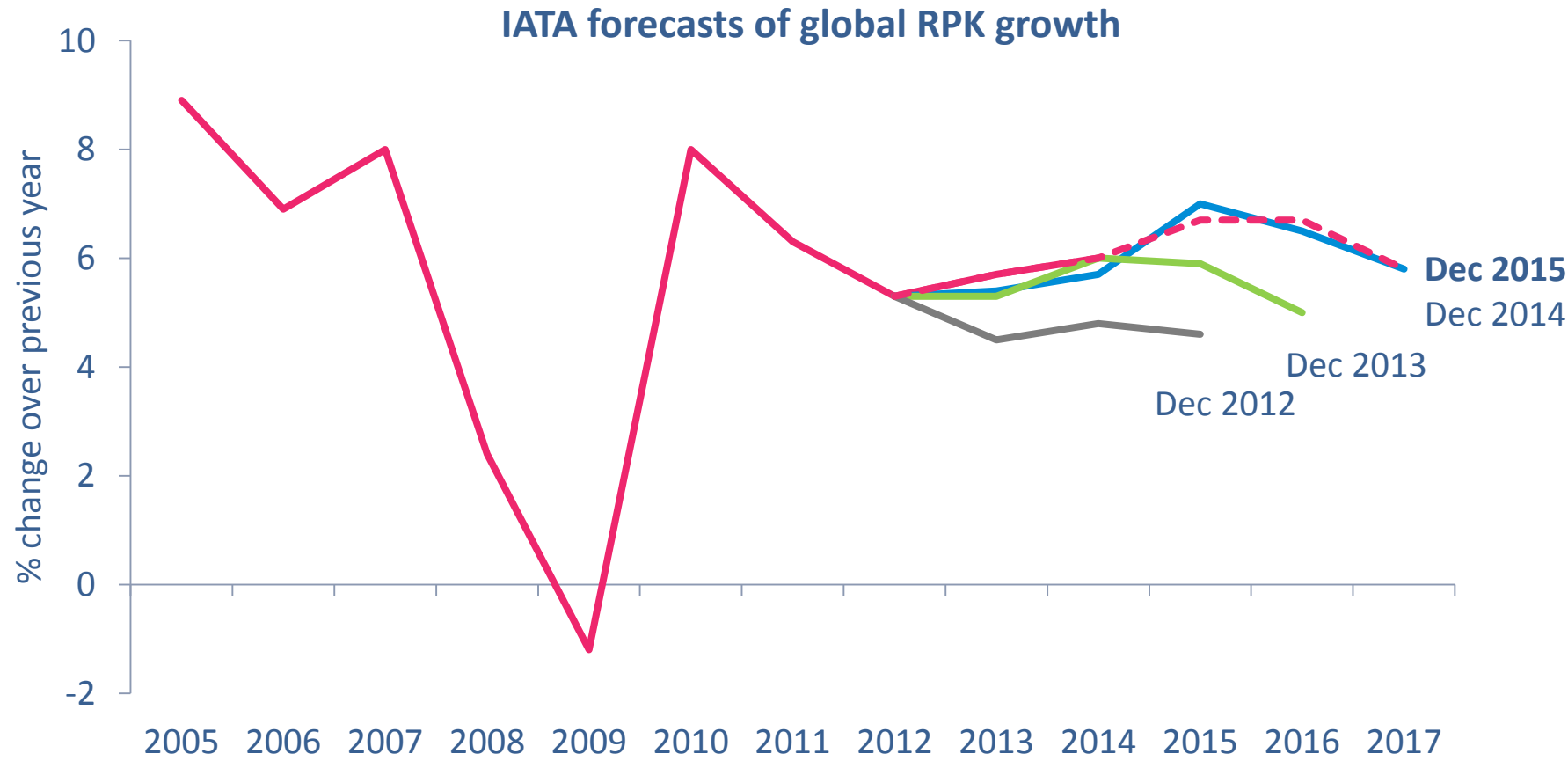
And performance is uneven across markets



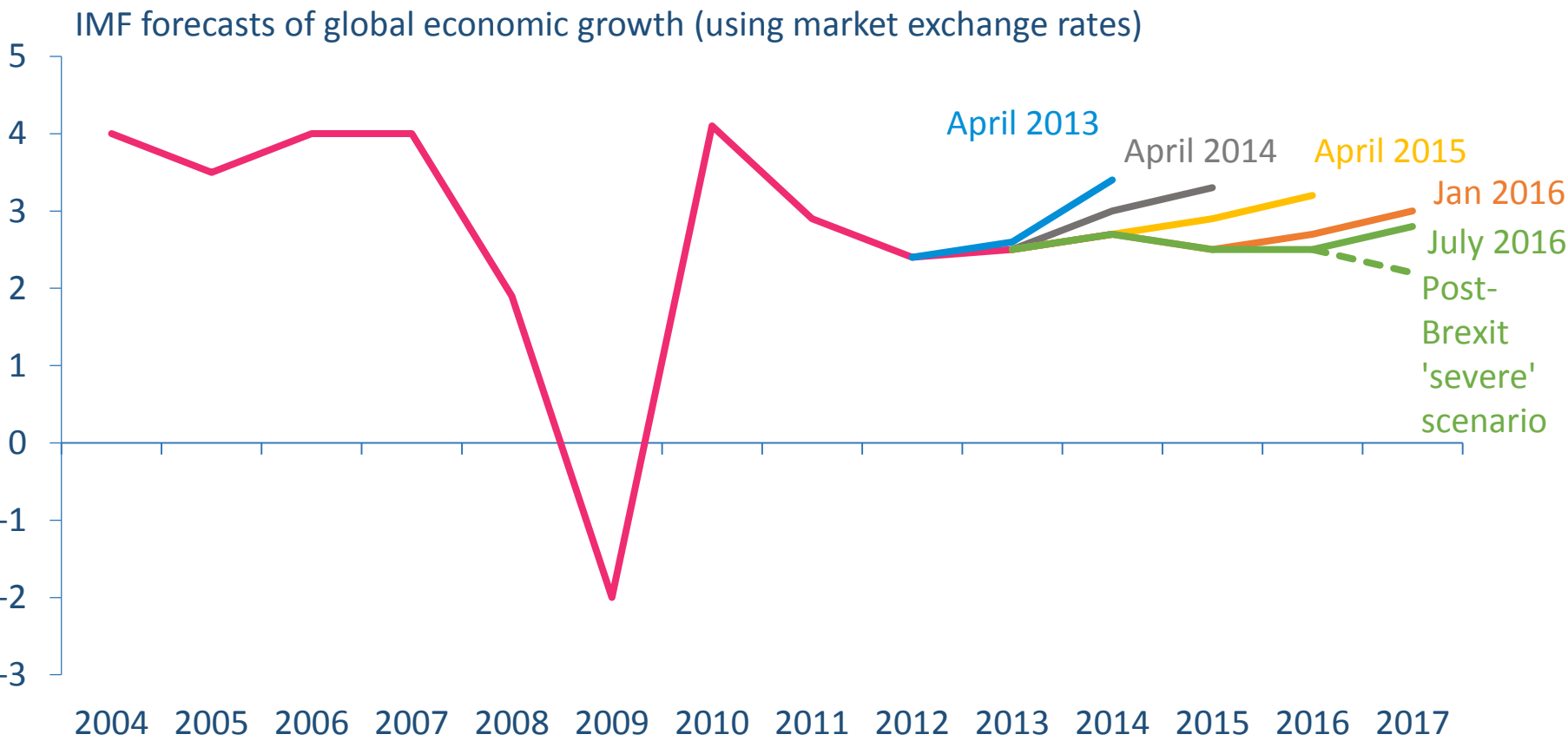
Globalization paused and threatened?



Air travel growth has remained strong

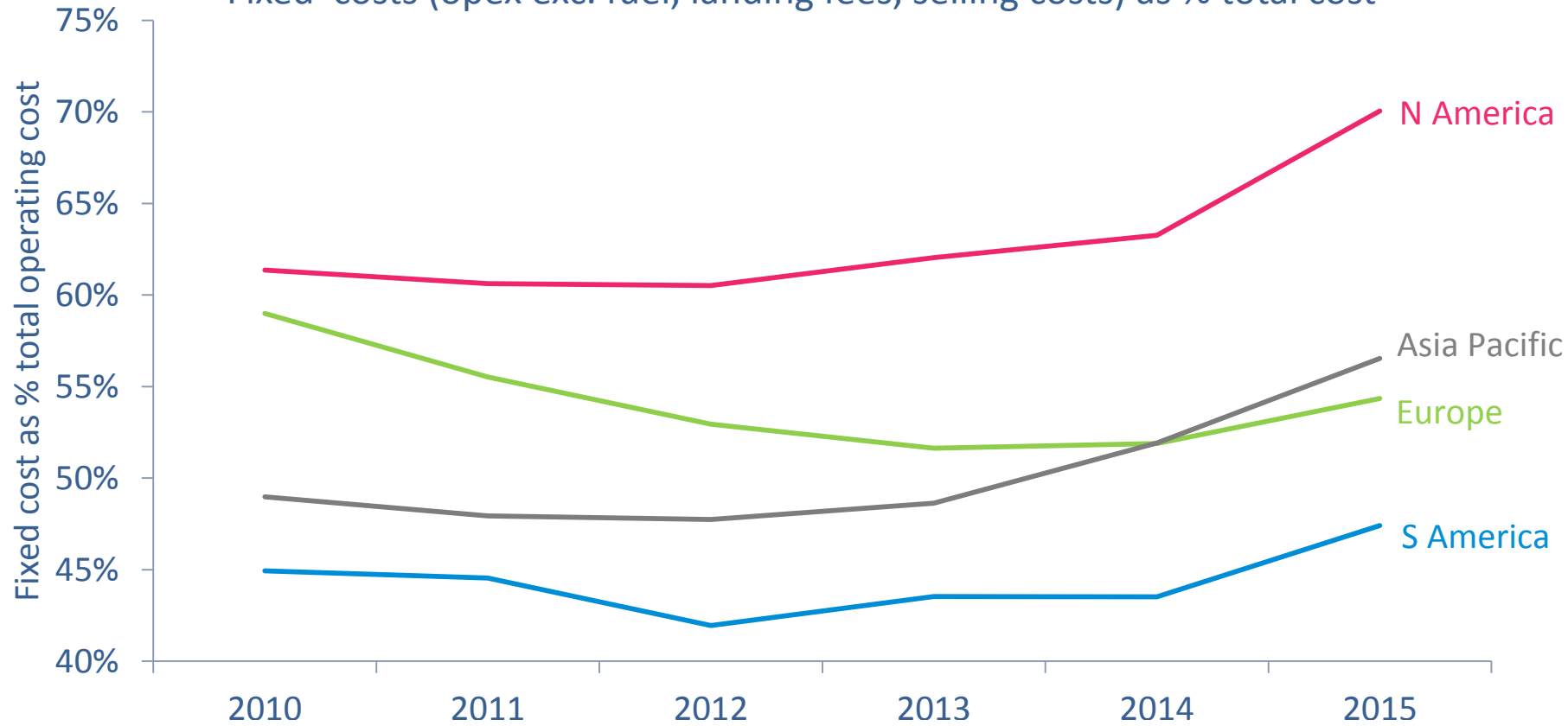


But world is stuck in a low economic growth path



In this environment lower operating leverage preferable

'Fixed' costs (opex exc. fuel, landing fees, selling costs) as % total cost



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