Presentation 6

To Lease or Own Aircraft? A Comparison

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VP Business Development
ACC Aviation

“Beyond the Crisis”
Andreas Pericleous
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MBA - Masters of Business Administration
Cyprus International Institute of Management

MSc (by Research) in Sustainable Aviation
Omega Research Centre, Manchester Metropolitan University

MSc in Marketing
Manchester Business School, The University of Manchester

BSc (Hons) in Air Transport Management
Loughborough University
MARKET SNAPSHOT

Composition of Leased vs Owned Aircraft – Global Fleet

Structure Composition – Current Global Fleet vs Africa Fleet

Year | Leased Aircraft | Owned Aircraft
--- | --- | ---
1970 | 0% | 100%
1980 | 10% | 90%
1990 | 20% | 80%
1995 | 30% | 70%
2000 | 40% | 60%
2005 | 50% | 50%
2010 | 60% | 40%
2015 | 70% | 30%
2020 | 80% | 20%
2021 | 90% | 10%

Global
- Ownership: 49%
- Op. Lease: 44%
- ACMI: 8%

Africa
- Ownership: 52%
- Op. Lease: 38%
- ACMI: 10%
TWO MAIN TYPES OF LEASES

ACMI LEASE

Ownership
Op. Lease
ACMI

Lessor
An operator with a AOC

Lessee
Provides aircraft, crew, maintenance, insurance

Block Hour ACMI Rate (All Encompassing)
TWO MAIN TYPES OF LEASES

OPERATING LEASE

Lessor
- Usually an aircraft owner or manager
- Provides aircraft
- Monthly lease rentals + Maintenance Reserves

Lessee
- Responsible for operating the aircraft

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Op. Lease</th>
<th>ACMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>38%</td>
<td>100%</td>
</tr>
</tbody>
</table>
## TYPICAL AIRCRAFT OWNERSHIP STRUCTURE

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Financier</td>
<td>Senior Debt Facility (~70% LTV)</td>
</tr>
<tr>
<td></td>
<td>Aircraft Equity (~15% - 30%)</td>
</tr>
<tr>
<td></td>
<td>Debt Repayments (Loan Term, Int. Rate)</td>
</tr>
<tr>
<td>Junior Financier</td>
<td>Junior Debt Facility (~15% LTV)</td>
</tr>
<tr>
<td></td>
<td>Debt Repayments (Usually local financier in airline jurisdiction)</td>
</tr>
<tr>
<td>OEM</td>
<td>100% Purchase Price</td>
</tr>
<tr>
<td></td>
<td>100% Ownership, 52% Op. Lease 48% ACMI</td>
</tr>
<tr>
<td>Airline</td>
<td></td>
</tr>
</tbody>
</table>

### Aircraft Ownership Breakdown

- **Ownership**: 100%
- **Op. Lease**: 52%
- **ACMI**: 48%
CAPE TOWN CONVETION

BENEFITS TO AIRLINES

- Reduction of risk associated with finance leasing transactions
- Broader credit options available to borrowers at reduced interest rates
- Longer term financing structures on more favourable terms and conditions
- Reduction of expenses related to contract enforcement.
- Greater legal certainty
- Discount on export credit premiums (important when purchasing aircraft)
## LEASE TYPES – OWNERSHIP; COMPARISON TABLE

<table>
<thead>
<tr>
<th></th>
<th>ACMI</th>
<th>OPERATING LEASE</th>
<th>OWNERSHIP (WITH DEBT FINANCING)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term</strong></td>
<td>Short-term (1-12 months)</td>
<td>Long Term (6-12 years)</td>
<td>Long Term (financing typically 10-12 years)</td>
</tr>
<tr>
<td><strong>Payment</strong></td>
<td>Block Hour Rate</td>
<td>Fixed monthly rentals and MR</td>
<td>Monthly debt payments</td>
</tr>
<tr>
<td><strong>Operating Respon.</strong></td>
<td>Lessor is responsible</td>
<td>Lessee / airline is responsible</td>
<td>Airline is responsible</td>
</tr>
<tr>
<td><strong>Ownership Transfer</strong></td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>AOC/ Op. Manuals</strong></td>
<td>Lessor’s AOC (who is operator)</td>
<td>Lessee’s AOC</td>
<td>Lessee’s AOC</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td>Lessor is responsible</td>
<td>Lessee / airline is responsible</td>
<td>Airline is responsible</td>
</tr>
<tr>
<td><strong>Deal Execution</strong></td>
<td>Less than one month</td>
<td>3-6 months</td>
<td>6-12 months</td>
</tr>
<tr>
<td><strong>Suitability / Optimality</strong></td>
<td>Short term capacity requirements, remarket seasonal excess capacity, shorter timeframe to execute, can operate into restricted jurisdictions, lack of operational capability</td>
<td>Asset flexibility (no asset risk), more cost effective over long term compared to ACMI, control of operational element</td>
<td>Most cost effective in the long-term, self-reliant asset strategy, control of operational element, no need to pay MRs</td>
</tr>
<tr>
<td><strong>Considerations</strong></td>
<td>Expensive compared to other forms</td>
<td>Long term commitment required to get competitive terms, higher capital outlay compared to ACMI, MR payments</td>
<td>Asset risk, highest capital outlay even if financed</td>
</tr>
</tbody>
</table>
## COMPARATIVE COST STRUCTURES | RGL. TURBOPROP

<table>
<thead>
<tr>
<th>KPI BY OWNERSHIP TYPE</th>
<th>ACMI</th>
<th>OPERATING LEASE</th>
<th>OWNERSHIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per Trip (USD)</td>
<td>4,368</td>
<td>3,853</td>
<td>3,737</td>
</tr>
<tr>
<td>Cost per Seat (USD)</td>
<td>56</td>
<td>49</td>
<td>48</td>
</tr>
<tr>
<td>Cost per Block Hour (USD)</td>
<td>4,368</td>
<td>3,853</td>
<td>3,737</td>
</tr>
<tr>
<td>Cost per ASK (Cents)</td>
<td>16.2</td>
<td>14.3</td>
<td>13.8</td>
</tr>
<tr>
<td>Break Even Load Factor</td>
<td>74%</td>
<td>64%</td>
<td>62%</td>
</tr>
</tbody>
</table>

### Operating Profit Margin
- 10%
- 21%
- 23%

### Capital Outlay (USD)
- 396,000
- 525,000
- 3,048,000

### Key Assumptions
- Analysis run on a 8 year old regional turboprop Aircraft
- Ownership financed via 70% debt
- Capital outlay for operating lease is based on 5 month security deposit
- Capital outlay for ACMI is based on 1 month minimum guaranteed rent security deposit
## CONCLUSIONS

### ACMI
- Suitable for all types of airlines needing a short term solution
- Short time frame to execute, no significant capital outlay, no operational complexity
- However, more expensive on a unit cost basis compared to other ownership / financing structures

### OPERATING LEASE
- Suitable to for established or going to be established operators with own sets of operating manuals
- Cost effective solution with moderate level of fleet flexibility
- Higher margins than ACMI but also requires more capital outlay

### OWNERSHIP
- Long term solution for a well defined fleet strategy
- Large capital outlay even with debt financing however lowest unit costs and highest margins
- Opportunities for refinancing of the asset in future

### CAPE TOWN CONVENTION
Facilitates favourable conditions for airlines on aircraft financing and credit borrowing as well as preferrable export credit premiums. However, not all African states have signed / ratified / adopted the convention.
OUR TRANSACTIONS TRACK RECORD

85,000+
Annual ACMI Hours Arranged in a single year

50+
Aircraft Assets Transacted

25+
Airline Clients in Africa
OUR SERVICES TO AIRLINES

ACMI | ASSET MANAGEMENT | TECHNICAL SERVICES | AVIATION FINANCE | ADVISORY

- Strategy and aircraft type selection (business plan preparation)
- Aircraft sourcing (ACMI, operating lease, outright acquisition)
- Aircraft financing (debt and sale and leaseback capital)
- Aircraft inspection and acceptance (PPI, Pre-Lease, FAL)
- Technical representation services (heavy maintenance events)
- Lease returns (project management, redelivery bible preparation, etc.)
- Aircraft remarketing (outright sale, ACMI out, sublease)
THANK YOU

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Presentation 7

Leveraging on technology to support travel recovery from COVID-19 – Insights from SITA’s 2021 Air Transport IT Insights

Mr. Deepak Garg
Business Development Sr. Manager (MEA), SITA For Aircraft

“Beyond the Crisis”
Innovative solutions for a safe and sustainable journey

Efficiently Improving Passenger Experience

Deepak Garg
May 10, 2022
Economic & Environmental pressure to Show Sustainability Today

Pressure to Achieve Sustainability Goals Now

- An unstable worldwide economic context
- High volatility of jet fuel price
- Huge ROI on fuel saving initiative implementation

Economic

Environmental

- Ever-growing volume of emissions
- Commitment NOW to reduce emissions
- Huge CO2 reduction in the with smart flight tools

*Source: IATA Jet Fuel Price Monitor
1. Digitalization

Everyone agrees - success is in the power of digital transformation

What is happening with transformation:

90% Of airline leaders are looking to invest into digital initiatives
2. Passengers

There is one way to attract more passengers – show them that you care

Top drivers for selecting an airline to fly with:

1. past experience with an airline
2. good customer service
3. convenient scheduling
3. Optimization

Optimization is key to grow your business with reduced costs, better efficiency and higher revenues.

Optimization delivers:

- Revenue
- Cost
- Profit
1. Digitalization

Choosing trusted partner

Operational Excellence

Passenger Experience

Sustainable Actions
1. Passenger

Passenger experience is at the heart of our core business

**Connectivity as entertainment** with WiFi / 4G

be among the first to give your passengers access to high speed, seamless in-flight connectivity.

**Personalized customer service** with CrewTab

bring passengers insights into every cabin crew's decision for customer-centric approach

A fully customized passenger experience improving your passenger loyalty and enhancing the image and reputation of your airline

Digital tools helping improve your operational efficiency through

- An increase in ancillary revenues
- A reduction of briefing and flight preparation time
- The reduction of printed papers

A modern way of working attracting new generation cabin crews.
3. Optimization

Our excellence – we go above and beyond for your operations

Improve your Operations & OTP with user-friendly digital tools fully integrated in the cockpit and OCC eWAS Dispatch, eWAS Pilot and FlightFolder

equip your core team with the top performing tools for daily tasks

Connect people for all with Mission Control

let all key stakeholders collaborate efficiently around every single flight with complete visibility

Fully integrated digital tools for your cockpit, cabin, OCC and on ground stakeholders to
• Improve flight safety and passenger experience with better situational awareness
• Improve turnaround time
• Avoid inefficient diversions
• Improve on-time fueling
• Reduce flight briefing time

Attract new generation flight ops, cabin & cockpit crew

Attract new generation flight ops, cabin & cockpit crew
Think Sustainable

Something extra…

Reduce fuel consumption with OptiFlight

- give your pilot smart tool that will save fuel at every stage of the flight

Bring it all together with eWAS Pilot

- combine all critical information for pilots in one tool that aids in making sustainable flight decisions

Reduce fuel consumption and carbon emission with data driven tools that enable intelligent yet seamless decision-making

- Reduce discretionary fuel uplift by up to 5%-10%
- Reduce climb fuel by 2%-5%
- Reduce CO2 emissions
- Reduce your insurance costs

THE SUSTAINABLE FLIGHT CHALLENGE
Partner with innovating solutions

Challenges

1. Achieving Business Goals

2. Maintaining / Improving Operations

3. Rapidly Achieving Returns

Solutions

Strong & Proven ROI

Easily adopt into existing workflow

Easy to Upgrade, Fast to Integrate

Scalable solution for dynamic operations
Interlude

3) GTM co-sell program with Microsoft. Are there any airlines where we could benefit from joint discussions?
Panel 2
Creation of a more streamlined and digitally enabled journey to boost passenger confidence and enhance convenience

Ms. Agnes Mucuha
Chief Executive Officer
Kenya Association of Travel Agents (KATA)

Mr. Paschal Watula, Account Director - Amadeus

Mr. Roger Page-Morris, Regional Sales Director – Accelva

Mr. Rami Haddad, Chief Information Officer - National Aviation Services (NAS)

Mr. Fredrick Kithya Kitunga, Chief Information and Data Officer - Kenya Airways

Mr. Johan Pauwels, Regional Vice President Africa and France - Hahn Air

Moderator
Welcome to Hahn Air

10th Aviation Stakeholders Convention
Nairobi, Kenya
IATA member airline HR-169 since 2001
IATA Clearing House Member / SIS compliant
MITA participant
Experts in worldwide ticketing
Leader in the airline distribution industry
Present in 190 markets
4000 destinations
350+ partner airlines
102.000 Travel Agencies
Generating incremental revenues for our airline partners.

Trusted business partner since more than 20 years.

Our partner portfolio covers 40% of airline seat capacity worldwide.
68 African Airline partners

10,000 Travel agencies partners in Africa

Partner of AFRAA
Our team in Africa

Candy Kasonkomona

Christelle Boutec
Our team in Africa

Vincent Ndoricimpa

Johan Pauwels
Masterclasses

Class 1
Aircraft configuration and fleeting decisions for recovery by Embraer

Class 2
Showcase of selected AFRAA Projects:
• AFRAA Fuel Project
• AFRAA-UTD Brown Condor Initiative

Class 3
Regional Operators’ Opportunities for Route and Network Planning by De Havilland Aircraft of Canada and Jambojet
Networking Coffee

10.00-10.30hrs

(Press conference 10.00-10.45hrs)
CEO Keynote Interview 2

CEO Keynote Interview – How Safarilink navigated through the crisis, lessons learnt and strategic focus beyond the crisis

Mr Alex Avedi
Chief Executive Officer
Safarilink Aviation

Ms. Maureen Kahonge
Senior Manager Business Development & Communications
AFRAA
Moderator
Panel Discussion 3
Cost Competitiveness: Optimisation of Industry costs in the post-COVID era

Mr. Cisse Abdoulaye, COO – Ground Handling and Cargo - National Aviation Services (NAS)

Mr. Didier Perrin, Sales and Marketing - Collins Aerospace - Avionics EuMEA

Mr. Semou Diouf, Director SatNav - AFRICA JPO

Mr. Georges Abou-Nasr, Customer Business Executive, Africa - Rolls-Royce

Mr. Walid El-Ghoz - SVP International Middle East & Africa - Safran

Moderator

Mr. Alan Peaford - Editor-in-chief - Times Aerospace
Closing Ceremony
Closing Networking Coffee Break

16.00-17.00hrs