

19TH JULY 2018



AIRLINE MANAGEMENT  
GROUP LTD

**avia**  
SOLUTIONS

# Transaction Advisor: New Nigerian Flag Carrier

## Investor Teaser

### Farnborough International Airshow 2018



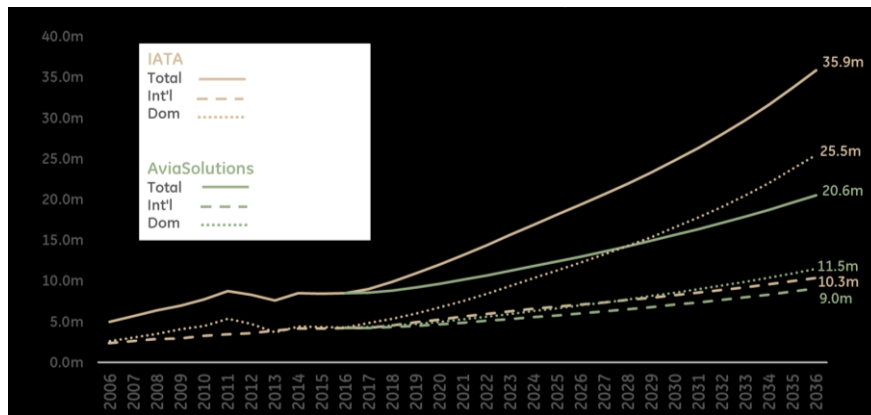
## The SWOT - Substantial latent demand....poorly satisfied to date

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Large population &amp; economy</li> <li>• Central location in West Africa</li> <li>• Long history of aviation &amp; human resources with experience</li> <li>• Government backing</li> <li>• Eagerness of Nigerians for a flag carrier they can be proud of</li> </ul>	<ul style="list-style-type: none"> <li>• High cost of fuel and airport charges</li> <li>• High taxes on aviation</li> <li>• Ageing fleet and low aircraft utilisation</li> <li>• High “mortality rate” of Nigerian airlines</li> <li>• Risk/cost premiums charges on aircraft leases &amp; insurance</li> <li>• Under-developed links in the aviation value chain (i.e. airports/terminals, limited MRO)</li> <li>• Fluctuations/weakness of Naira</li> <li>• Corruptive authorities</li> <li>• Liabilities from former Government owned airlines</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• African Open Skies</li> <li>• Under-utilised BASAs, especially long haul international</li> <li>• Substantial latent demand &amp; low propensity to fly (PPTF)</li> <li>• Growing economy &amp; middle class</li> <li>• Lack of Hubs in West Africa</li> <li>• Foreign investors</li> </ul>	<ul style="list-style-type: none"> <li>• African Open Skies</li> <li>• Growing competition from other African and international carriers</li> <li>• Elections with change in Government</li> <li>• Epidemics, terrorists and other force majeure crisis</li> <li>• International airline focus on Africa</li> <li>• Economic downturn</li> </ul>

# Significant market growth is expected under various scenarios. Supply in the domestic market has been contracting, and foreign airlines are dominating the international market

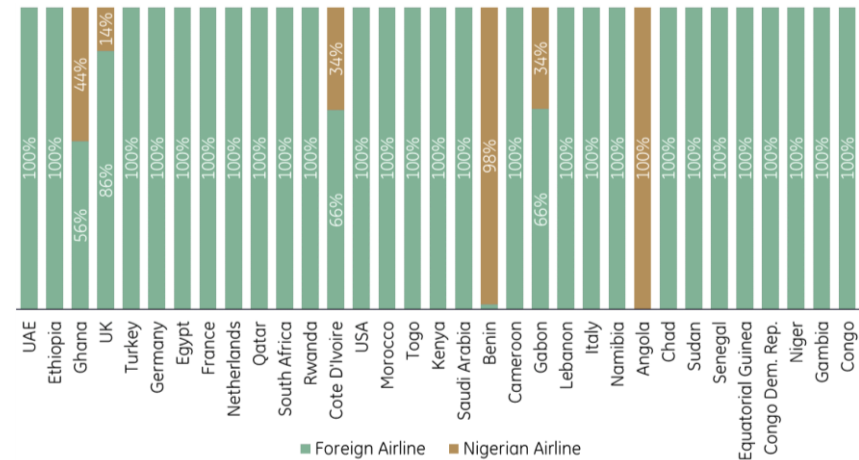
## Nigeria Total Traffic Forecast, 2017-2035

IATA vs AviaSolutions



## Nigeria International Capacity Share by Airline Nationality, 2018

Nigerian vs Foreign



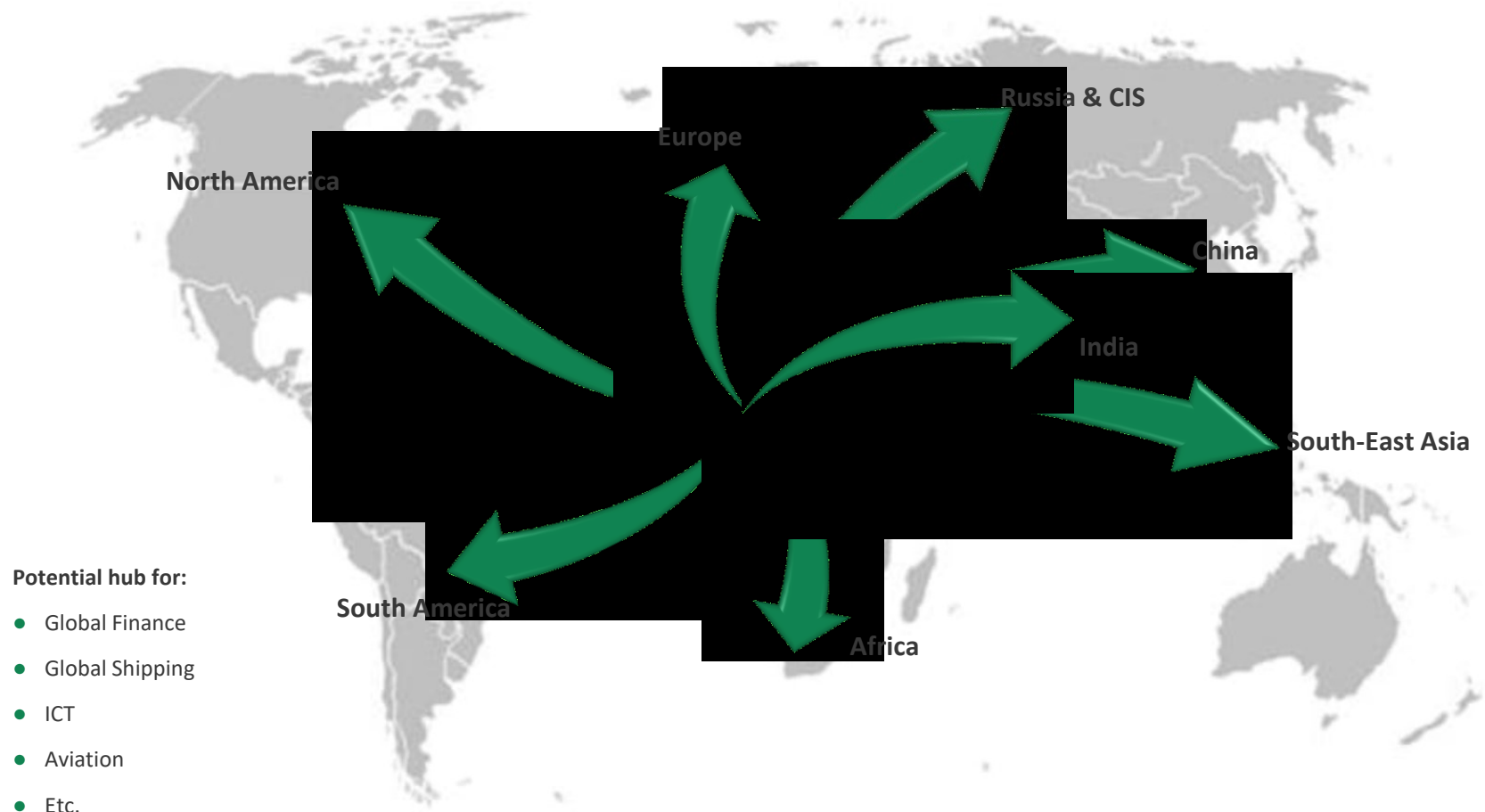
## Key remarks:

- The traffic forecasts are of unconstrained demand
- For Nigeria to actually achieve the forecast growth in air services, an appropriate offering will be required in terms of capacity, service quality, etc.
- The recent decline in Nigerian airlines means that both domestic and international markets are at risk of underperforming and/or be served increasingly by foreign carriers

Source: EOF, IATA, ACI, OAG, AviaSolutions Analysis;

Note: Capacity graph for period before Med-View ceased its London service

# Abuja and Nigeria are strategically located at the crossroads of global international trade



## The addressable market analysis assessed thousands of routes, and identified 41 routes from Abuja and 44 from Lagos worthy of further consideration\*

**For Abuja, over a 10-year period, 98 direct routes were assessed and 1,544 indirect routes**

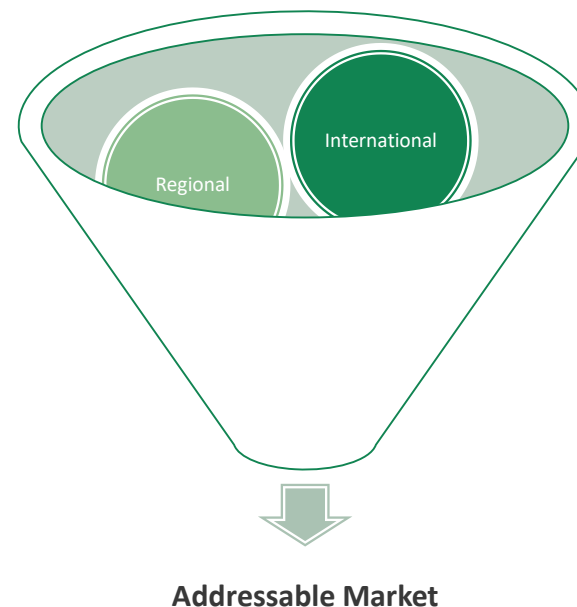
- For Abuja, 41 routes were selected of which 30 are currently unserved markets and 11 are markets with existing competition:
  - 10 domestic with narrow-body jets
  - 20 international regional under 4,000km with narrow-body jets
  - 11 international long-haul over 4,000km with wide-body jets

**For Lagos, over a 10-year period, 60 direct routes were assessed and 2,087 indirect routes**

- For Lagos, 44 routes were selected of which 22 are currently unserved markets and 22 are markets with existing competition:
  - 10 domestic narrow-body jets
  - 15 international regional under 4,000km with narrow-body jets
  - 19 international long-haul over 4,000km with wide-body jets

### \* Key remarks:

- The addressable market methodology does not explicitly take in to consideration price elasticity effects on demand (nor assumes fare changes), competitor response, etc. These will be assessed in more detail and at the route level, as appropriate, at the Business Plan stage.
- However, the Financial Model does take these issues/effects into consideration at a top-down level. The model can also be adapted for different aircraft models and types.

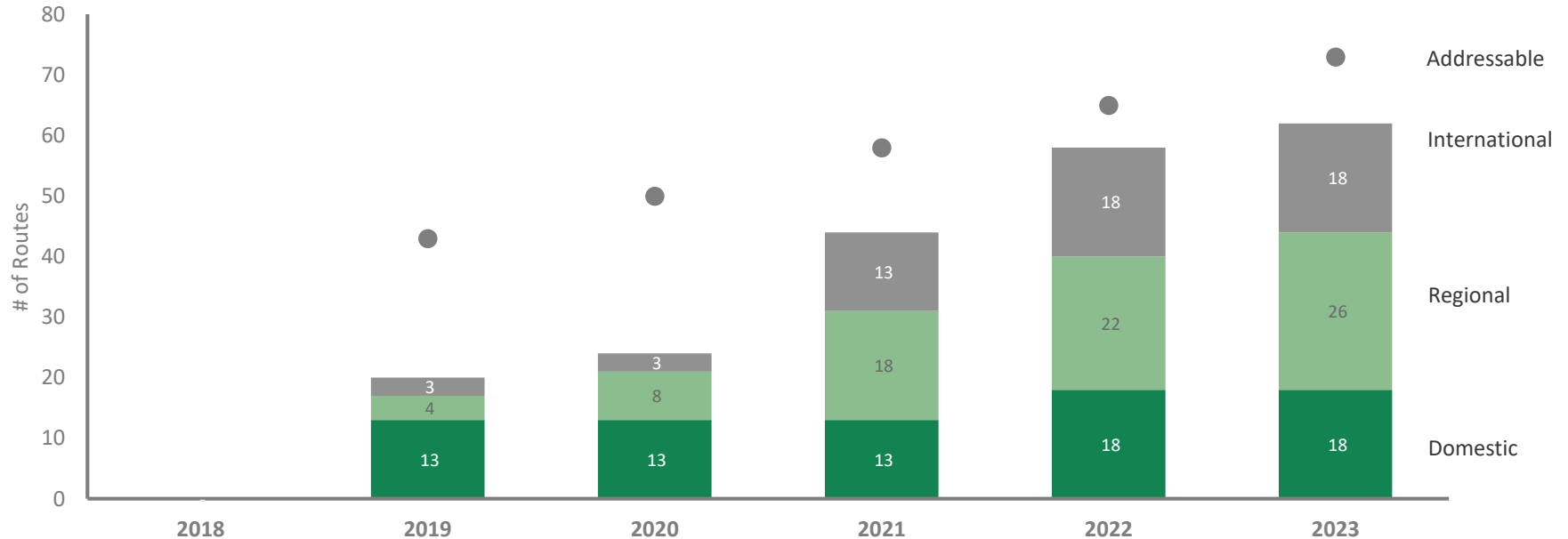


**As Lagos today is the main airline market in Nigeria, our draft project structure is assuming serving both major cities with International flights. Once Abuja is developed into a hub, many international connections can concentrate towards ABV.**

## Operating assumptions for the feasibility financial model are based on actual international standards and adjusted to reflect local market characteristics

- The addressable market has been refined to focus on routes with sufficient size and frequency to allow for profitable growth over the 5-year period

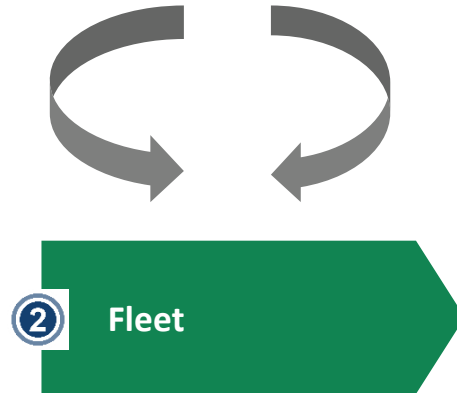
Projected Number of Routes vs Addressable, 2018-2023



Source: AviaSolutions and AMG Analysis

# The feasibility analysis in the Project Structuring Report will be refined as part of developing the Business Plan

## Candidate Refinements in Business Plan:



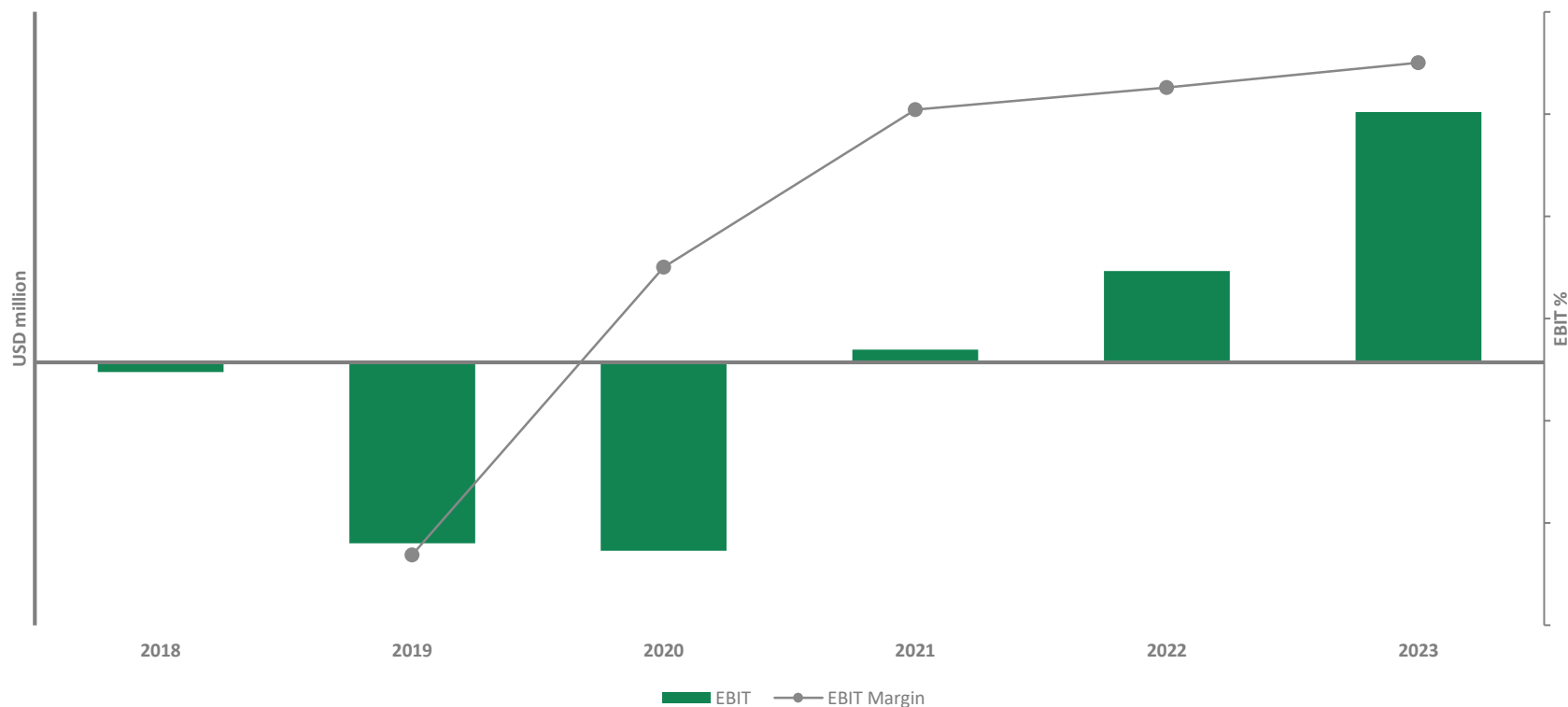
- Hours flown (turn times, night base/Hub, route length mix,..)
- Fares (by route)
- Costings by route (e.g., specific airport charges, en-route charges, catering..)

- Fleet size
- Aircraft type (make & model)
- Seat numbers & configuration
- Fares (to reflect seat configuration)
- Load factors

- Funding (amount, ramp-up, held in what form)
- Financing (leverage, types debt & equity)
- Ownership structure

# New airline ramps up to break-even during year 3, and an EBIT margin in year 5 in line with industry peers

Airline Projected EBIT and Margin, 2018-2023



Source: AMG Analysis



**And this strong nation of Nigeria  
is hungry and ready for a true  
flag carrier.**

**People want an airline that connects  
them and represents their culture.**

**An airline that makes them proud.**



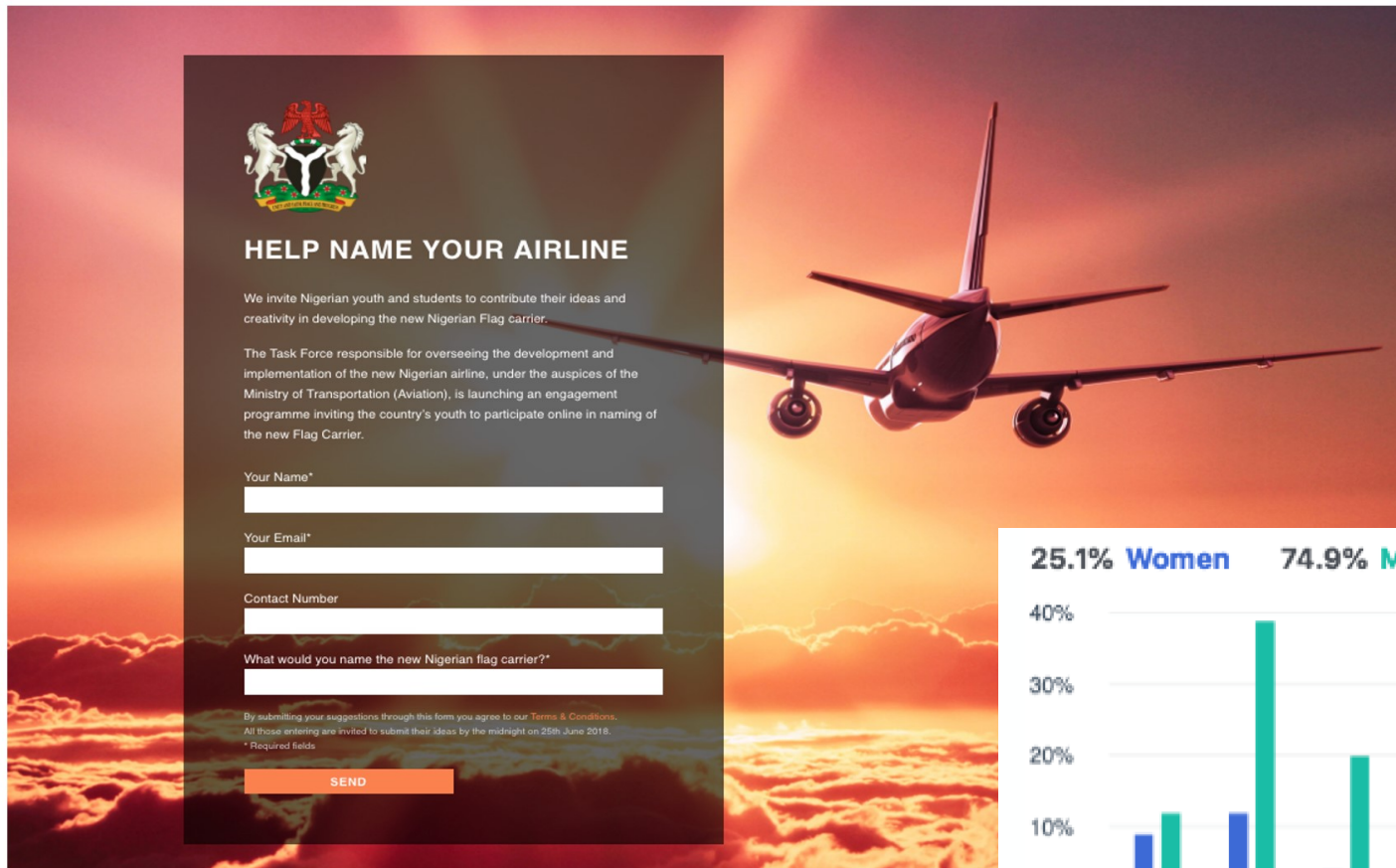


# Bringing Nigeria closer to the world



# The Nigerian Public is engaged in Naming the New Flag Carrier

- ✓ Total Reach: 400,000
- ✓ 100,000 people engaged on Facebook & > 1,700 name entries



**HELP NAME YOUR AIRLINE**

We invite Nigerian youth and students to contribute their ideas and creativity in developing the new Nigerian Flag carrier.

The Task Force responsible for overseeing the development and implementation of the new Nigerian airline, under the auspices of the Ministry of Transportation (Aviation), is launching an engagement programme inviting the country's youth to participate online in naming of the new Flag Carrier.

Your Name\*

Your Email\*

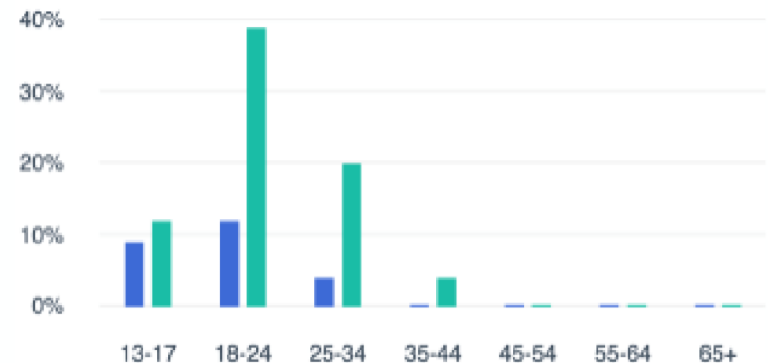
Contact Number

What would you name the new Nigerian flag carrier?\*

By submitting your suggestions through this form you agree to our [Terms & Conditions](#).  
All those entering are invited to submit their ideas by the midnight on 25th June 2018.  
\* Required fields

**SEND**

25.1% **Women** 74.9% **Men**





# Approval of the Project Structuring Report allows the TA to proceed to the Business Plan, and the Procurement/Transaction Phase to commence

