Transaction Advisor: New Nigerian Flag Carrier
Investor Teaser
Farnborough International Airshow 2018
The SWOT - Substantial latent demand….poorly satisfied to date

<table>
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<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tr>
<td>Large population &amp; economy</td>
<td>High cost of fuel and airport charges</td>
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<td>Central location in West Africa</td>
<td>High taxes on aviation</td>
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<td>Long history of aviation &amp; human resources with experience</td>
<td>Ageing fleet and low aircraft utilisation</td>
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<td>Government backing</td>
<td>High “mortality rate” of Nigerian airlines</td>
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<td>Eagerness of Nigerians for a flag carrier they can be proud of</td>
<td>Risk/cost premiums charges on aircraft leases &amp; insurance</td>
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<tr>
<th>Opportunities</th>
<th>Threats</th>
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<td>African Open Skies</td>
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<tr>
<td>Under-utilised BASAs, especially long haul international</td>
<td>Growing competition from other African and international carriers</td>
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<td>Substantial latent demand &amp; low propensity to fly (PPTF)</td>
<td>Elections with change in Government</td>
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<td>Growing economy &amp; middle class</td>
<td>Epidemics, terrorists and other force majeure crisis</td>
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<td>Lack of Hubs in West Africa</td>
<td>International airline focus on Africa</td>
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<td>Foreign investors</td>
<td>Economic downturn</td>
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**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

Potential hub for:
- Global Finance
- Global Shipping
- ICT
- Aviation
- Etc.
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
Approval of the Project Structuring Report allows the TA to proceed to the Business Plan, and the Procurement/Transaction Phase to commence.