

Commercial aviation in Africa

Some reflections on the future

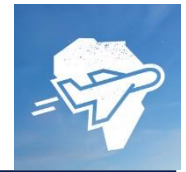
Dr Roelof Botha



Investec



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Strong, experienced aviation division

- History of financing corporate jets in Africa since 2008
- No “tick-box” approach to structuring & credit
- Flexible approach – tailor made solutions
- EXIM Qualified Advisor for USA manufactured aircraft
- Strong relationships with manufacturers, aircraft operators and export and agency financiers
- Global presence with bases in Jersey, servicing the British Channel Islands
- Awarded Financier of the year for Africa by Corporate Jet Investor from 2012 to 2015

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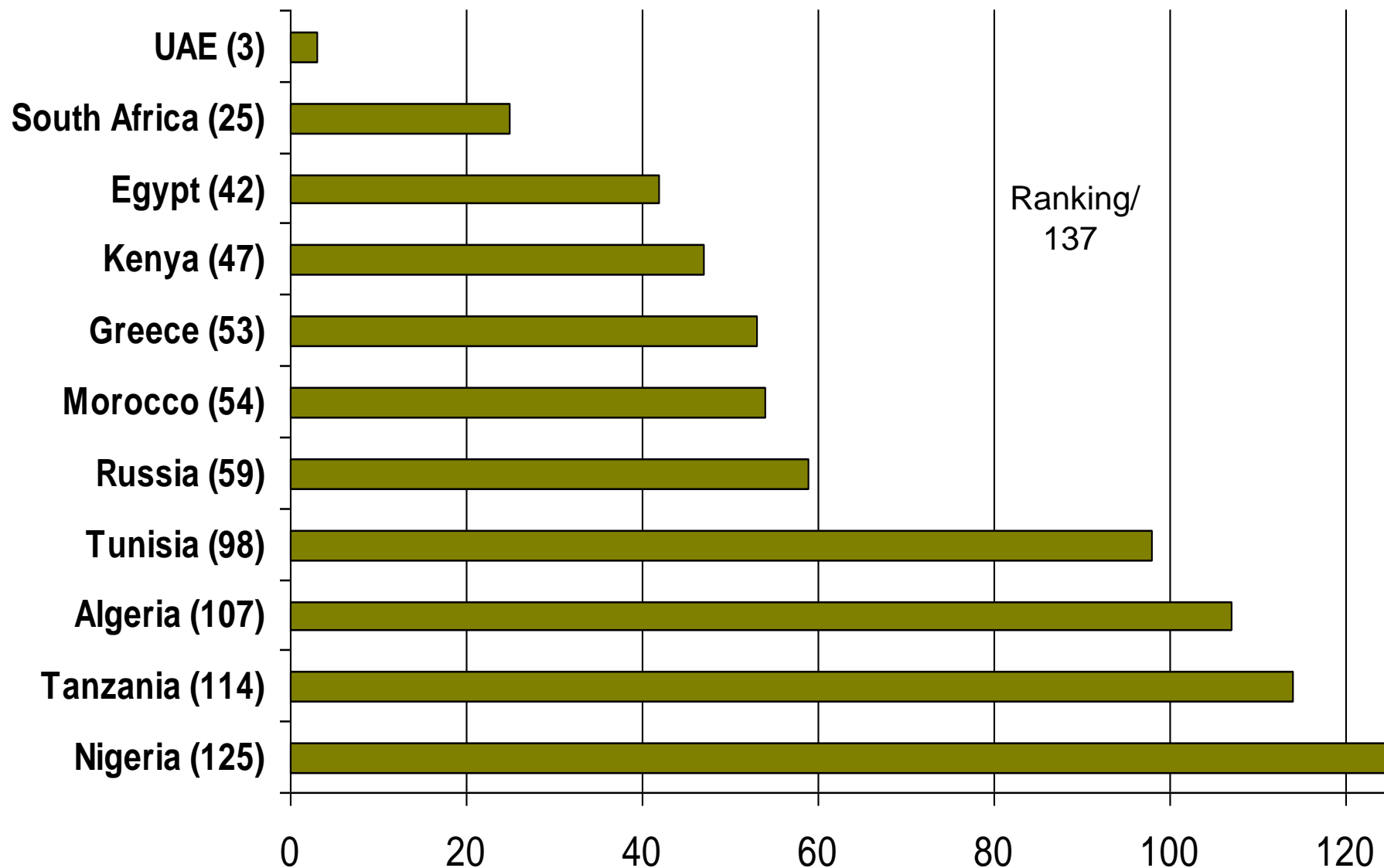
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Aviation industry trends

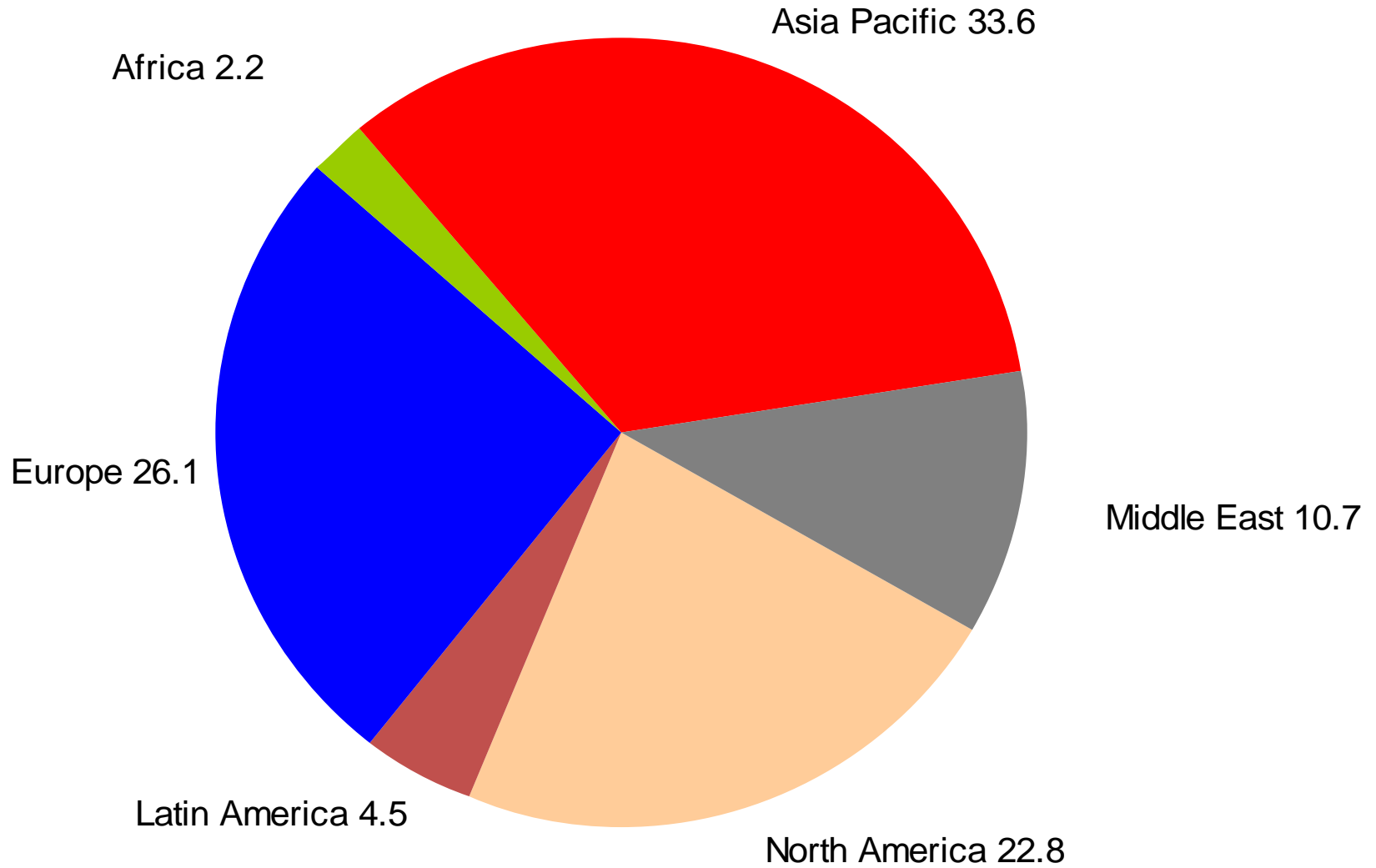
Global rankings for the quality of air transport infrastructure – selected countries

(Source: WEF)



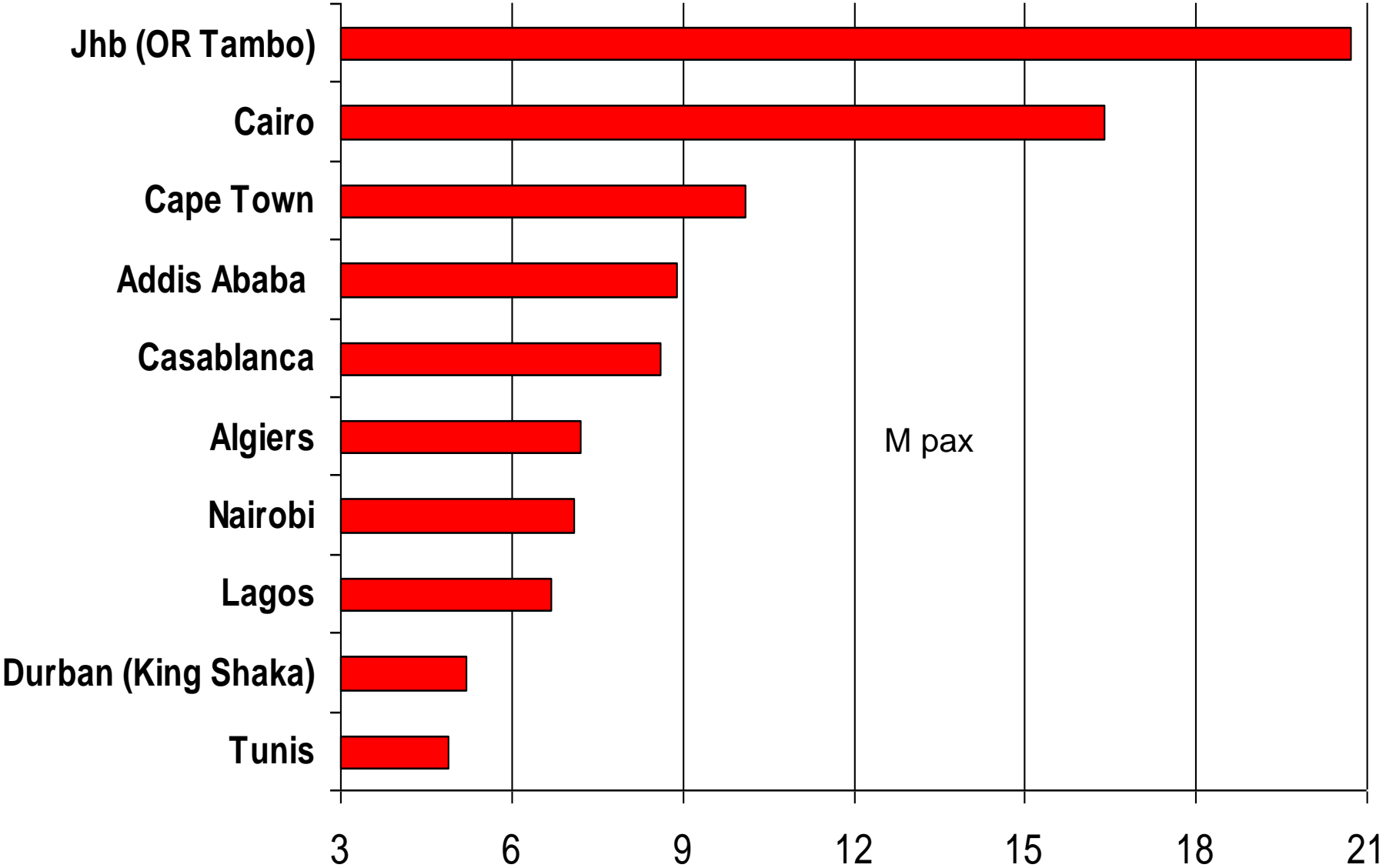
Composition of global scheduled passenger & freight traffic

% share



Top-10 busiest airports in Africa (million pax) 2016

(Sources: Africa visual data, Wikipedia)



20 other key airports in Africa

Nigeria (Abuja)	Ghana (Accra)
Morocco (Marrakech)	Morocco (Agadir)
Mauritius (Plaine Magnien)	South Africa (Port Elizabeth)
Egypt (Hurghada)	Tunisia (Monastir)
Egypt (Alexandria)	Nigeria (Port Harcourt)
Tanzania (Dar es Salaam)	Egypt (Marsa Alam)
Ivory Coast (Abidjan)	Senegal (Dakar)
Egypt (Sharm El Sheikh)	La Réunion (Saint-Denis)
Tunisia (Enfidha)	South Africa (Lanseria)
Tunisia (Djerba)	Kenya (Mombasa)

Impact of global airline industry in 2016

Value of international trade shipped by air	\$5.5 trillion
Spending of tourists travelling by air	\$650 billion
Growth in passenger journeys by air in China	27 million
Growth in revenue passenger kilometres	7.4%
Growth in air freight tonne kilometres	3.6%
Supply-chain jobs in aviation	68 million
New record for passenger load factor	84%
New record for city-pair connections	18,200
New record for total industry profit	\$35.6 billion
Highest ever net profit margin	5.1%

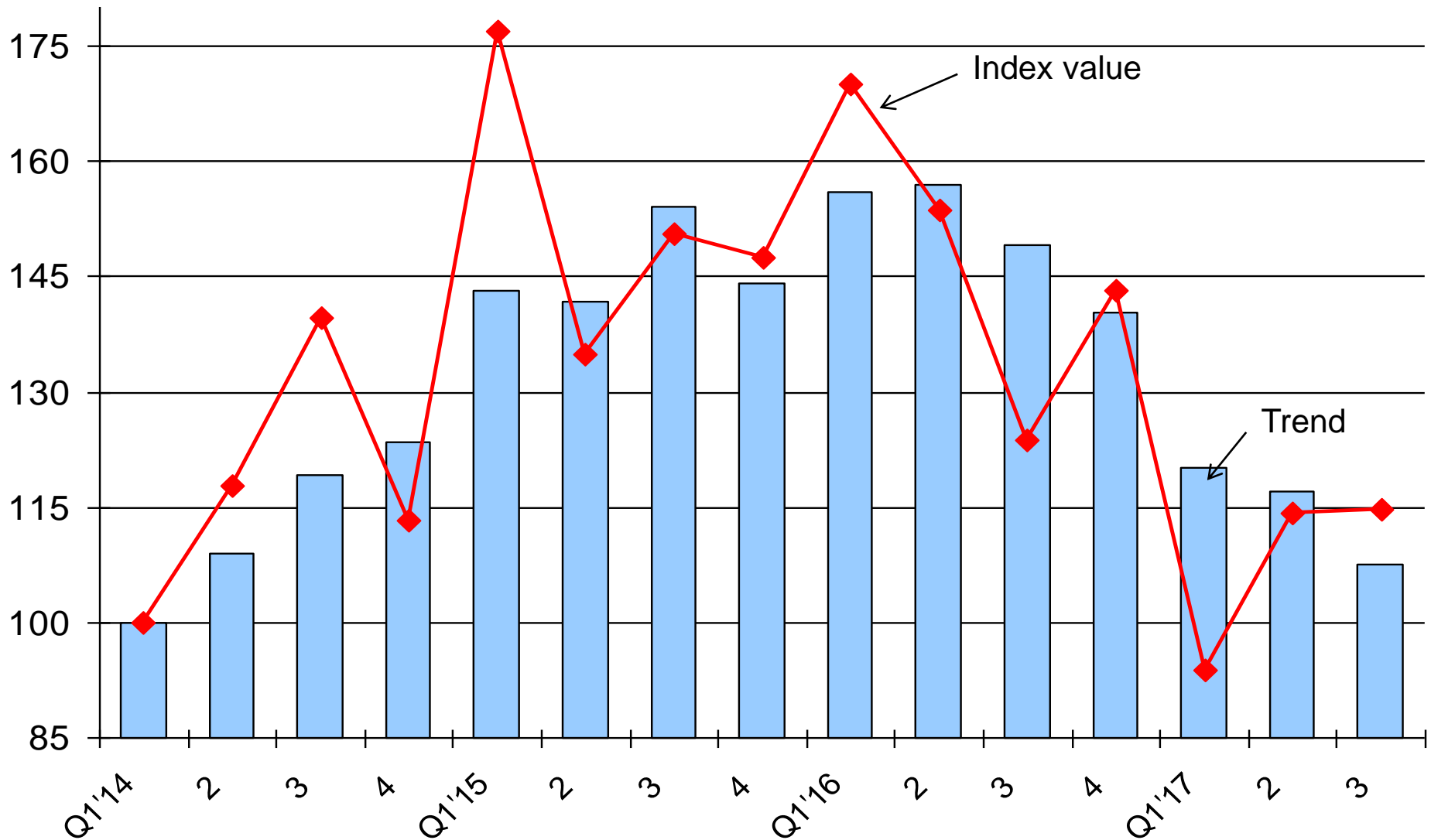
Forecast impact of global airline industry in 2017

Average global return airfare (63% below 1995 level)	\$351
Average air freight rates (68% below 1995 level)	\$1.48/kg
Value of trade carried by air transport	\$5.7 trillion
Air cargo share of total value of global goods trade	35%
Global spend on tourism enabled by air transport	\$681 billion
Growth in supply-chain jobs supported by aviation	3.4%
Number of new aircraft to be delivered to airlines	1,700
Global commercial airplane fleet	28,700
Number of flights to be operated by airlines	38.4 million
Growth in combined cargo & passenger business	7.5%

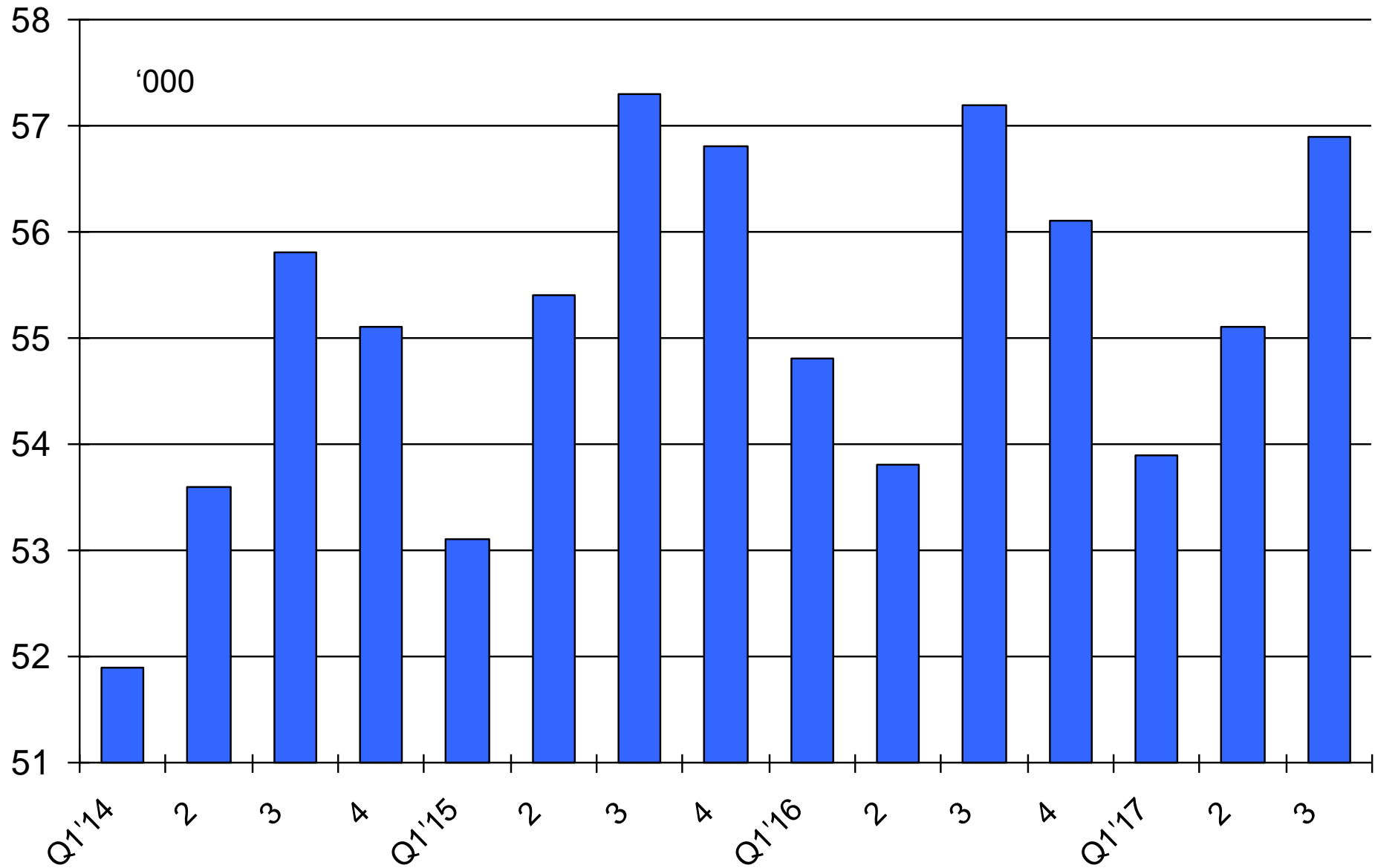
CAASA Aviation Activity Index (CAAI) for South Africa

(Trend = 3-quarter moving average)

Index; Q1 2014=100



ATMs at OR Tambo airport

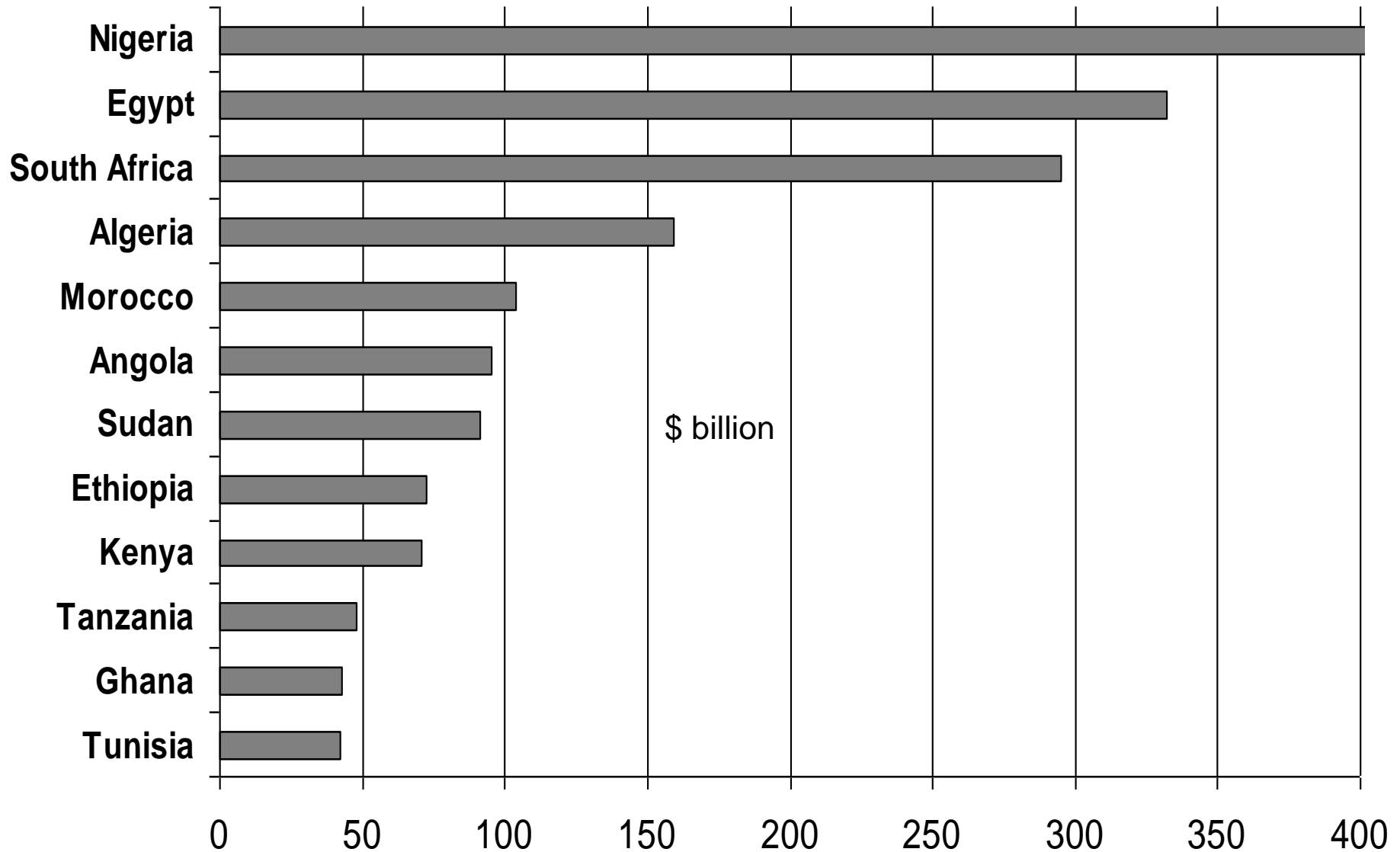


A dramatic sunset over the ocean. The sky is filled with dark, heavy clouds that are illuminated from below, creating a vibrant orange and red glow. The sun is just below the horizon, casting a bright light that filters through the clouds. In the foreground, the dark silhouette of a coastline with trees and rocks is visible against the bright sky. The water of the ocean is dark and calm, reflecting the colors of the sky.

Focus on Africa's
commercial aviation
potential

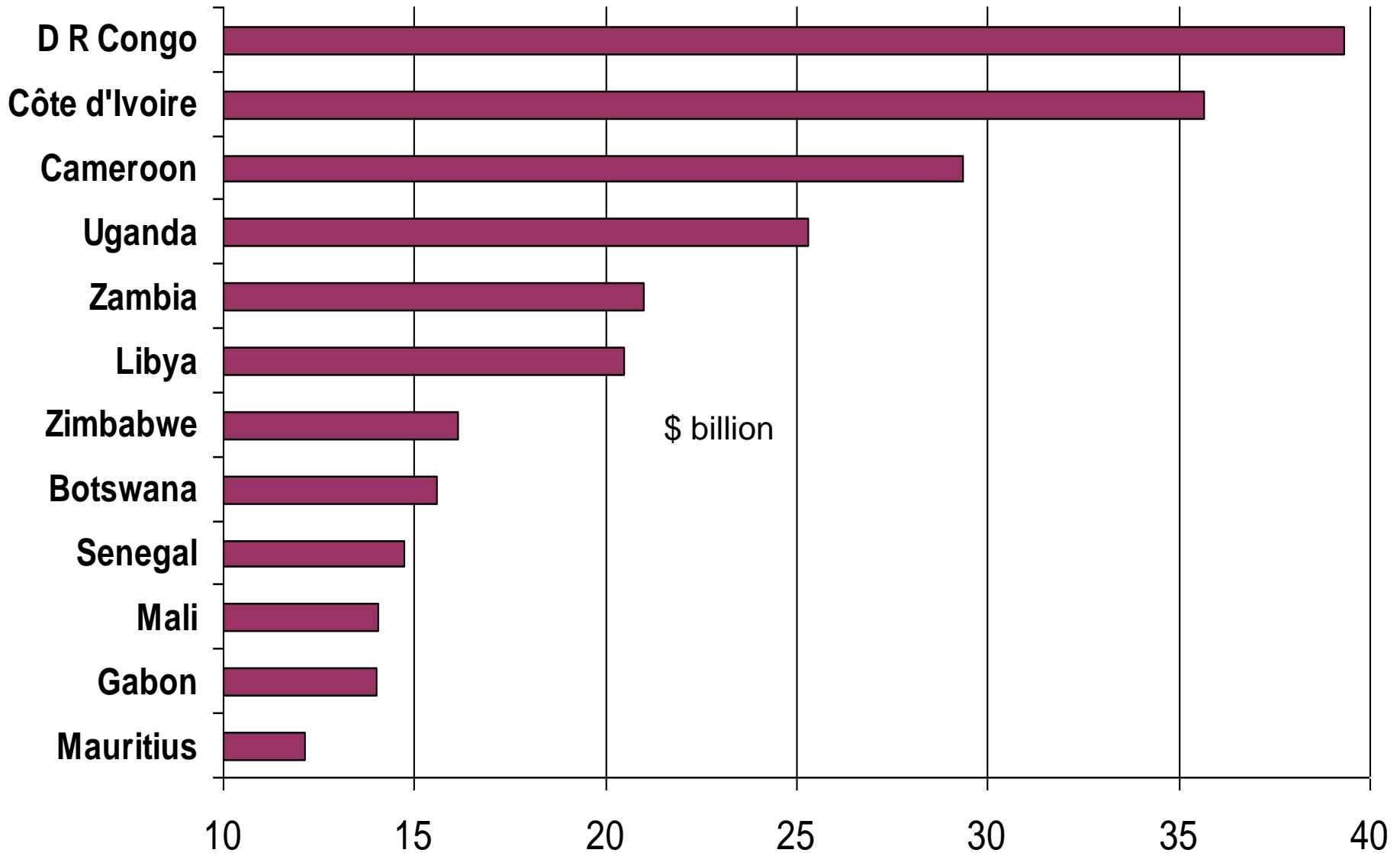
Top-12 economies in Africa (total GDP) 2016

(Source: IMF)



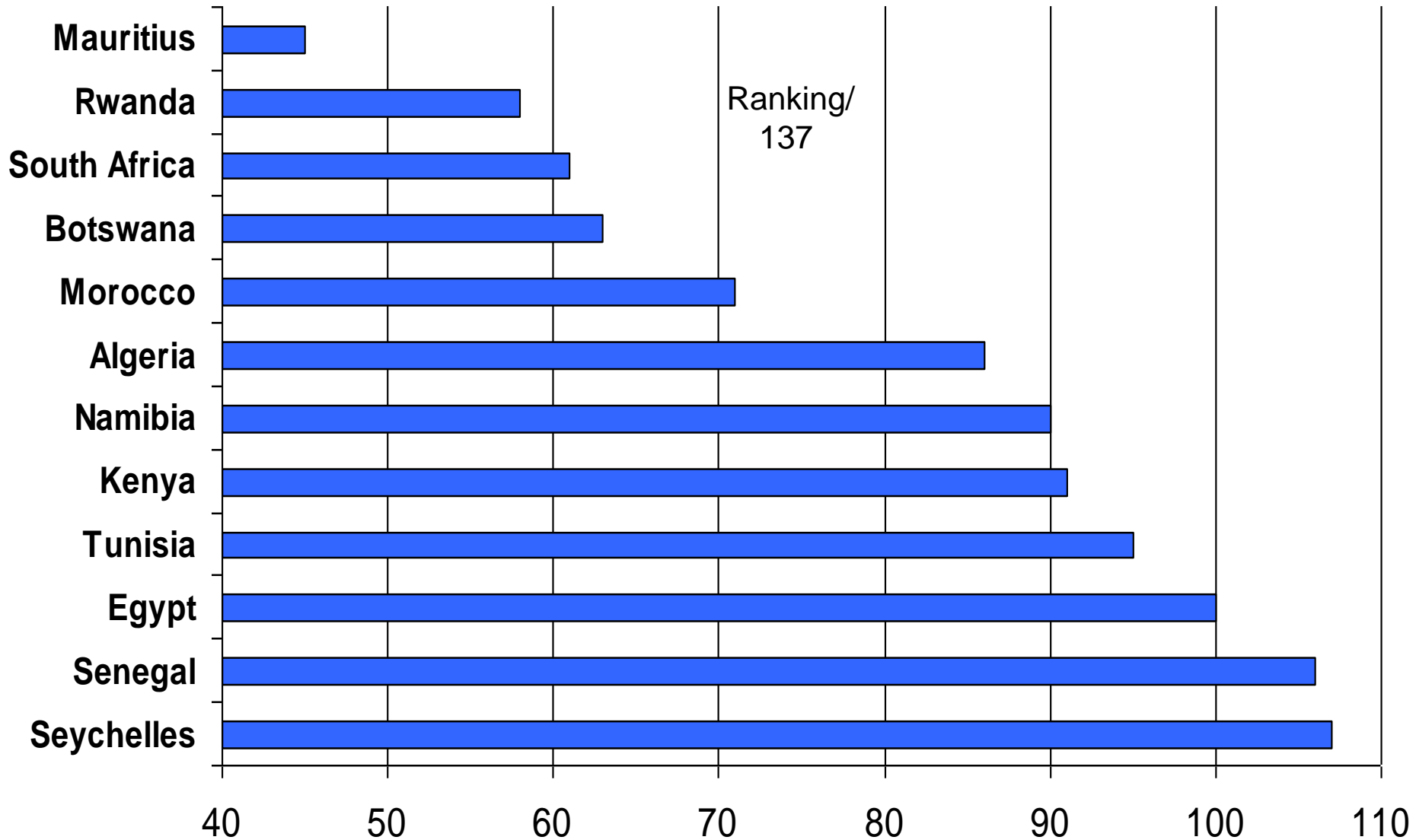
2nd top-12 economies in Africa (total GDP) 2016

(Source: IMF)



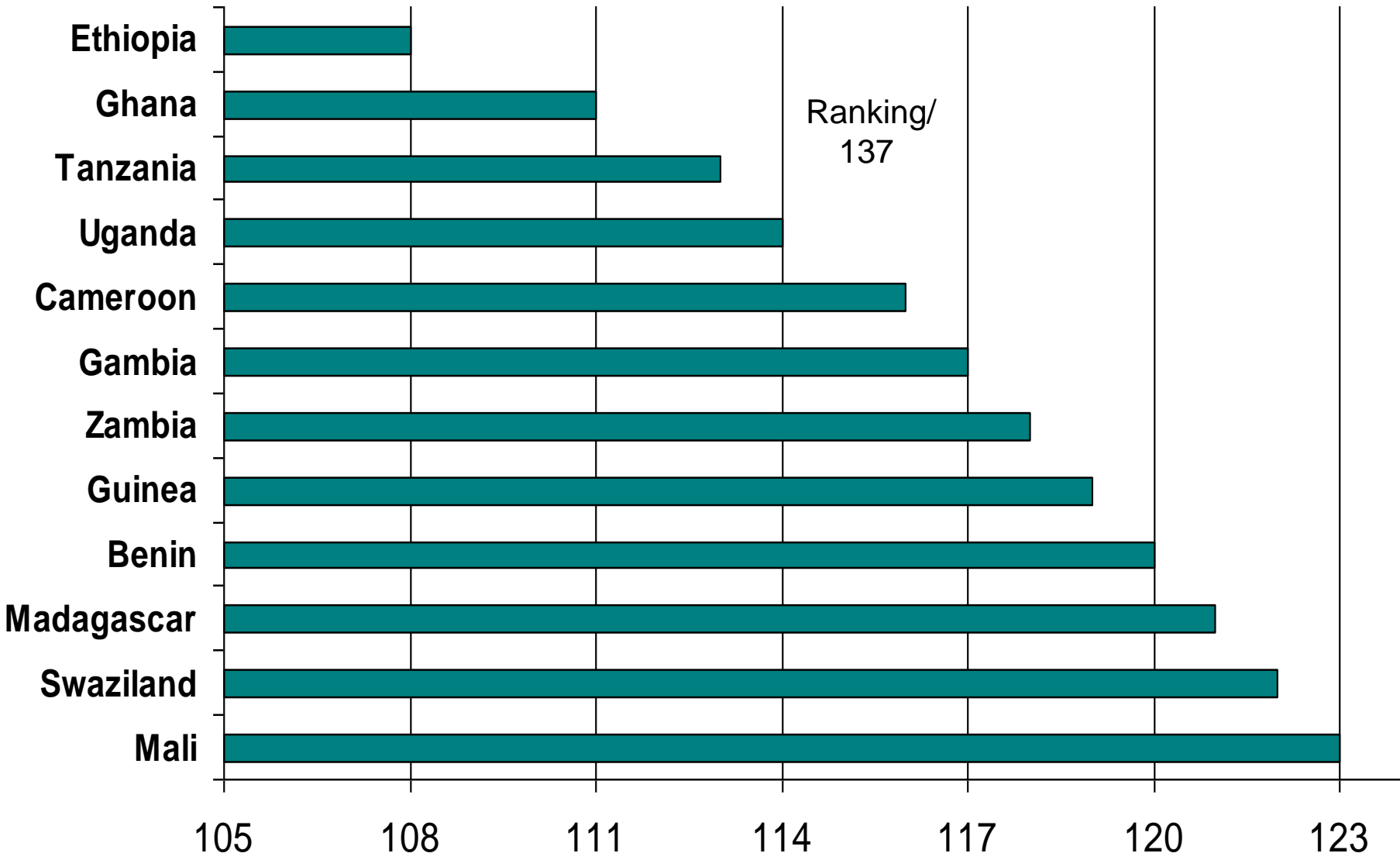
Most competitive 12 countries in Africa

(Source: WEF)



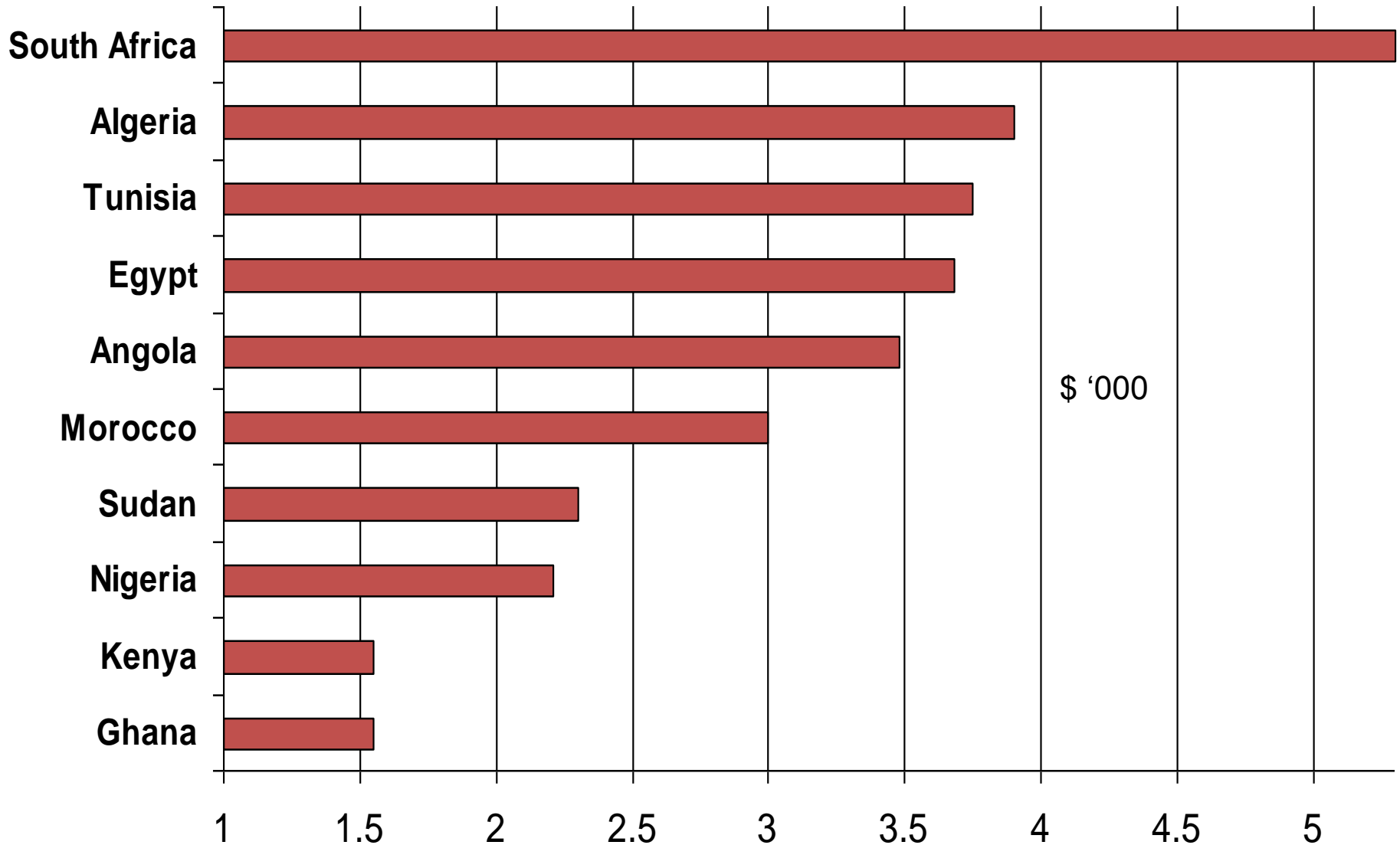
2nd most competitive 12 countries in Africa

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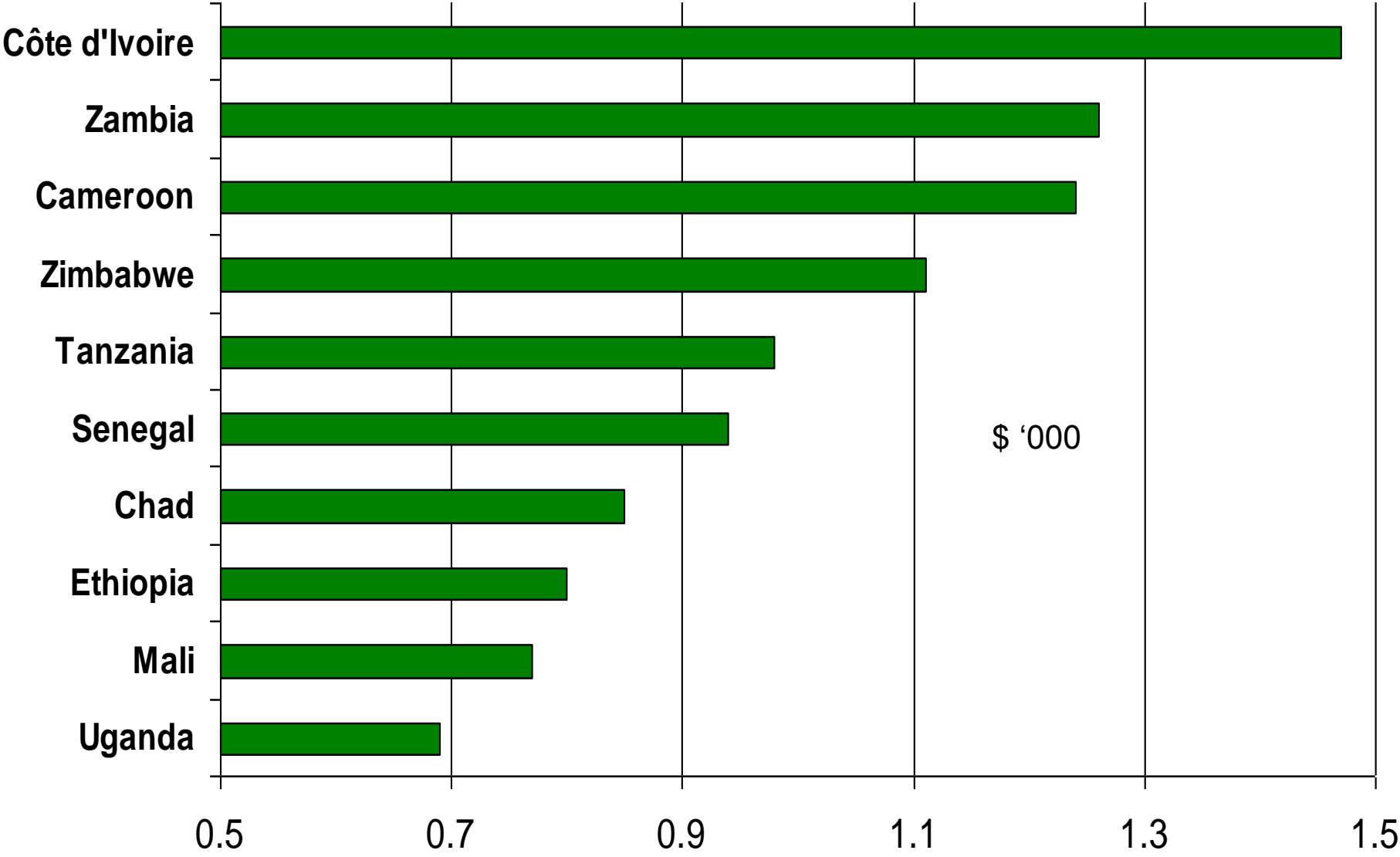
Top-10 countries in Africa from an aviation industry perspective (ranked by GDP *per capita*)

(Source: IMF)



2nd top-10 countries in Africa from an aviation industry perspective (ranked by GDP *per capita*)

(Source: IMF)



Key challenges facing commercial aviation in Africa

High levels of taxation

High fuel costs

Excessive infrastructure charges

Insufficient safety oversight

Failure to follow global aviation standards (IOSA)

Restrictive air service agreements

Absence of economies of scale

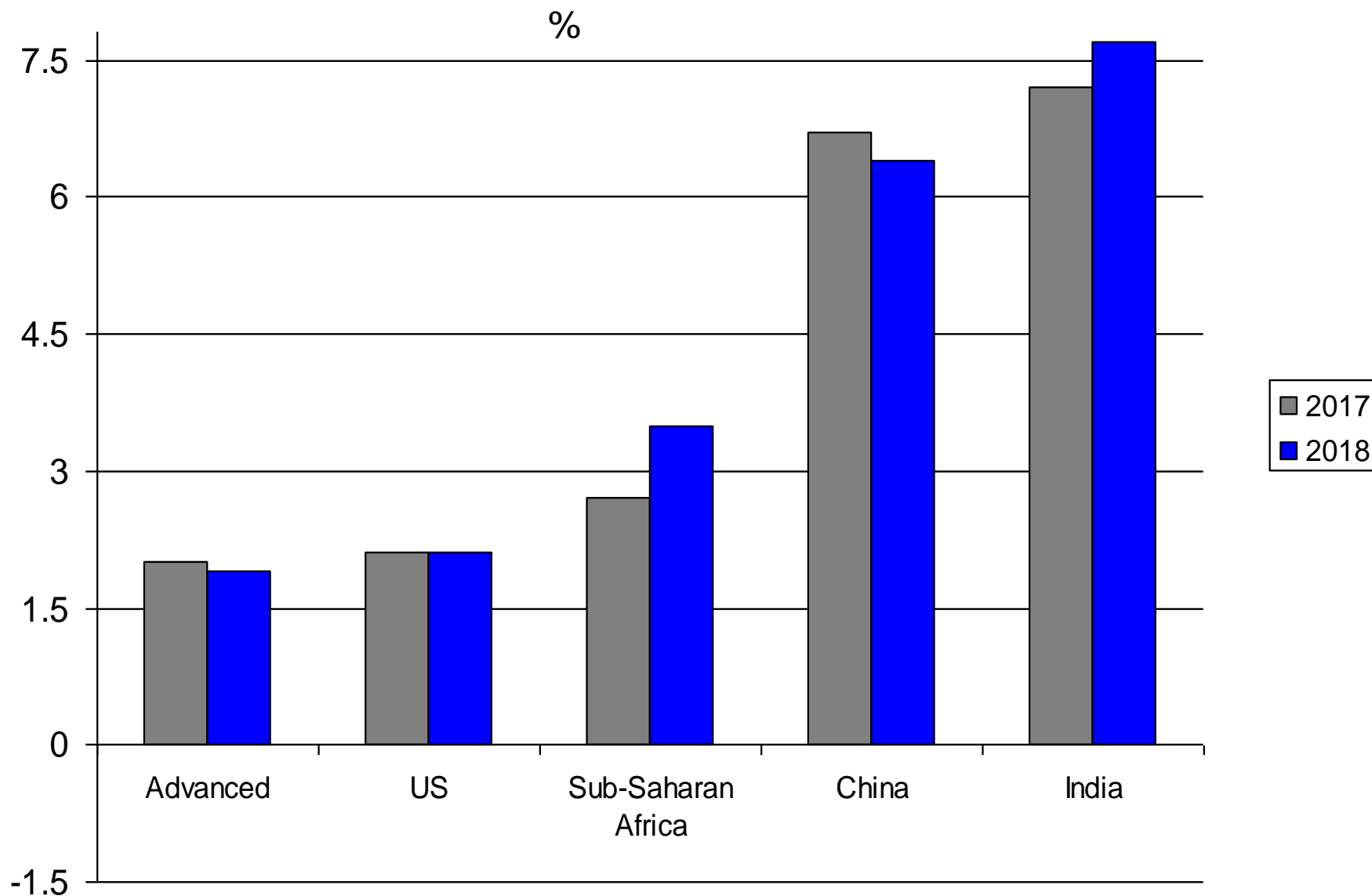
Volatile exchange rates

Civil wars & socio-political unrest

Small share of global tourism (4.7% of total)

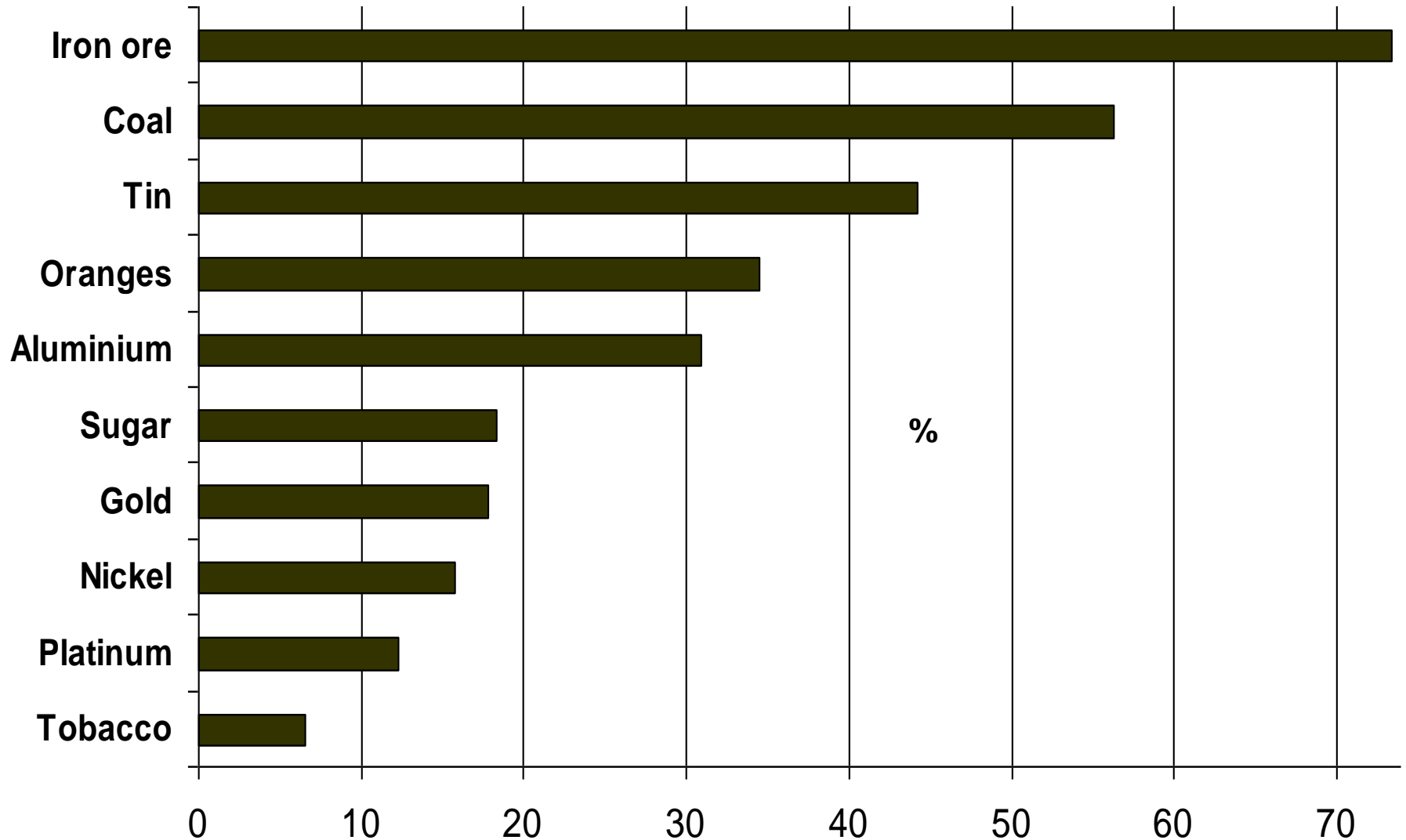
Economic growth forecasts – selected countries & SSA

(Source: IMF)



Selected commodity price changes between early 2016 and mid-2017

(Source: World Bank)



Growth drivers for commercial aviation in Africa

Deepening of democracy

Improved standards of corporate governance

Progress with deregulation of business environment

Recovery of metal & mineral commodity price cycle

Relatively low cost of capital (record low global interest rates)

Huge latent demand for air travel (1.2 billion people)

Growing population

Consistent increase in disposable income levels

Tourism potential via spectacular endowment of fauna & flora

“Bread basket” potential for countries in Asia