



Annual Key Stakeholder Convention

4 July 2018



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- ✓ Honourable John Mutorwa, our shareholding minister
- ✓ Honorable Ministers
- ✓ Senior Gov Officials
- ✓ Special invited guests (IATA, AASA, AFRAA),
- ✓ Captains of various industries – corporate and public entities
- ✓ Members of the Diplomatic Cop
- ✓ Air Nam Board of Directors
- ✓ Management of Air Namibia
- ✓ Media,
- ✓ Distinguished guests,
- ✓ Ladies & Gentlemen



- Welcome to the 2018 edition of the Air Namibia Annual Key Stakeholder Convention.

- Per our Strategic Plan, we undertook to hold this event on an annual basis with the aim to;
 - ✓ provide feedback and in the form of an accountability session of our activities over the past 12 months.

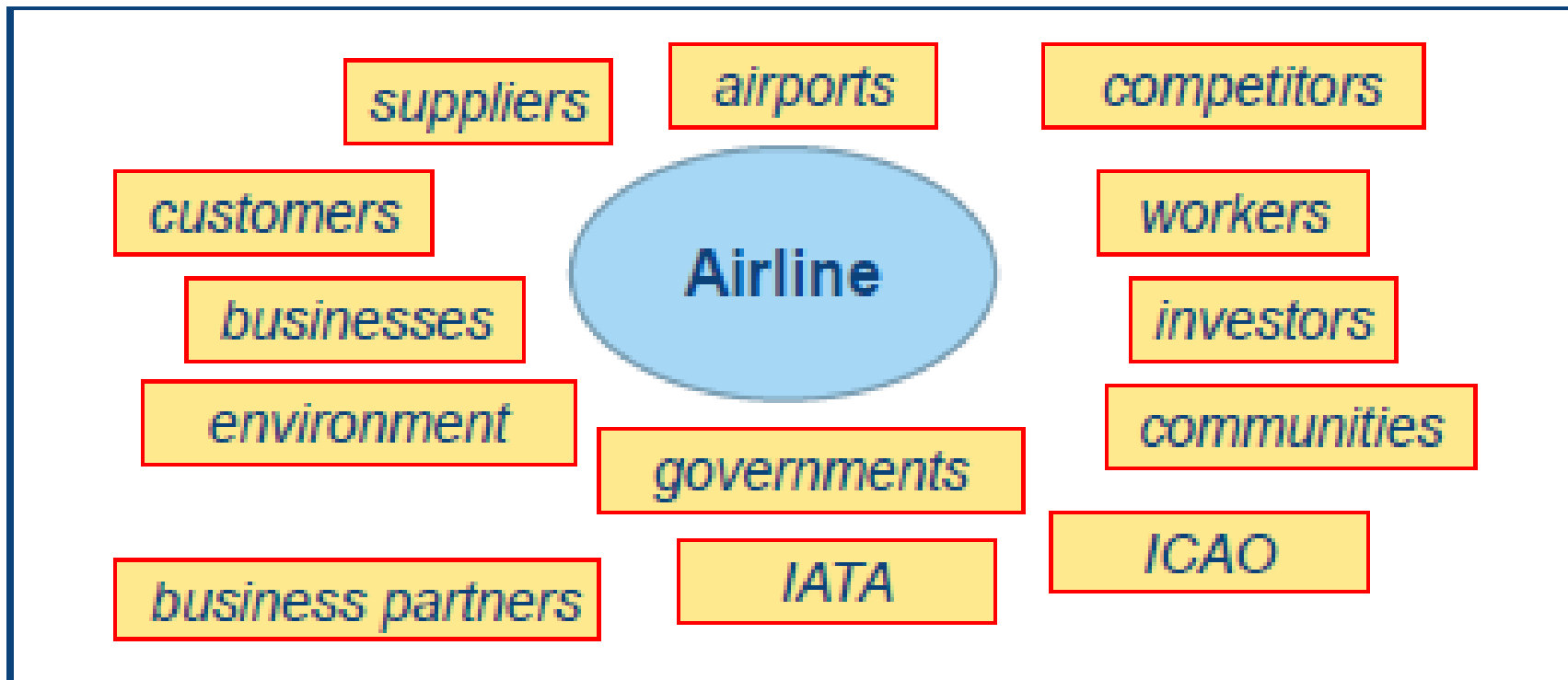
 - ✓ Create a forum to discuss relevant topics, sharing insights and educating each other on aviation matters.

 - ✓ We also use this platform to present ourselves to you our various stakeholders to engage and interrogate us so we get feedback and suggestions for our consideration.



Our Main Stakeholder Groups

Airline industry stakeholders



Background



- Air Namibia is national airline of the Republic of Namibia,
- Government of Namibia is the airline's sole shareholder.
- The business of Air Namibia is provision of scheduled air transport services into / out of the country, as well as within the boundaries of Namibia.
- Ultimate objective is;
 - ✓ promotion and development of tourism,
 - ✓ creation of vehicle for imports and exports facilitation,
 - ✓ as well as enabling trade and investment through air transport linkages.
- In lieu of the above, Government of Namibia invested significantly in aviation infrastructure of this country, today there are over billions N\$ commitments to be taken care of, e.g. aircraft leases, aircraft purchased, etc.

Our Vision: To be a safe, reliable and financially sustainable airline, contributing towards the prosperity of the Namibian nation.



Regulatory Compliance



Value Addition to Economy

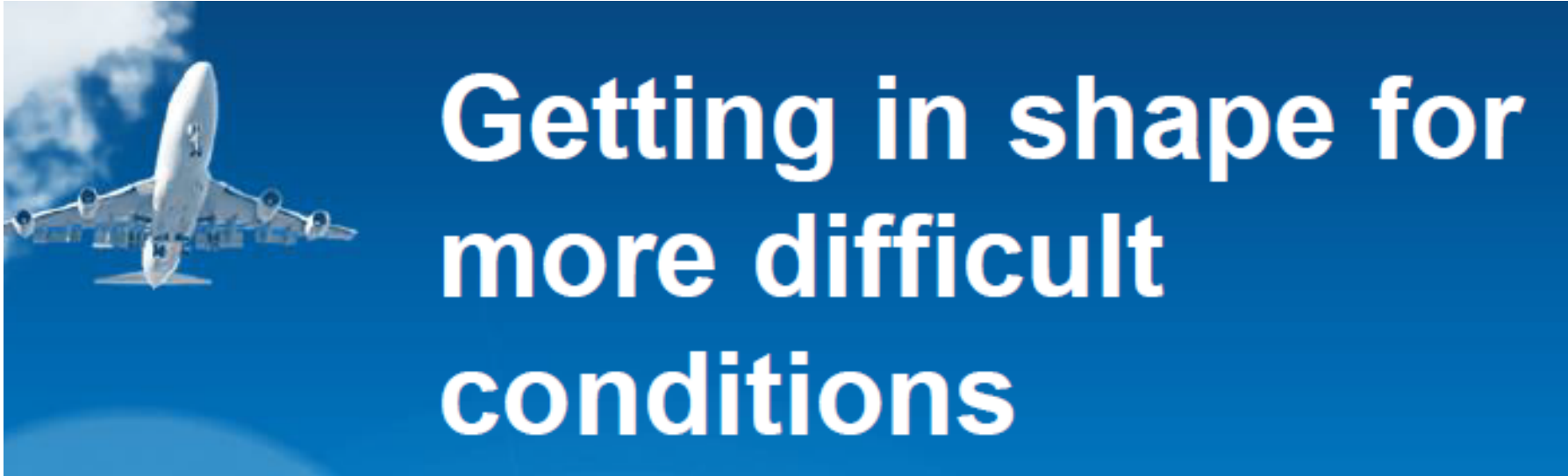


Financially sustainable



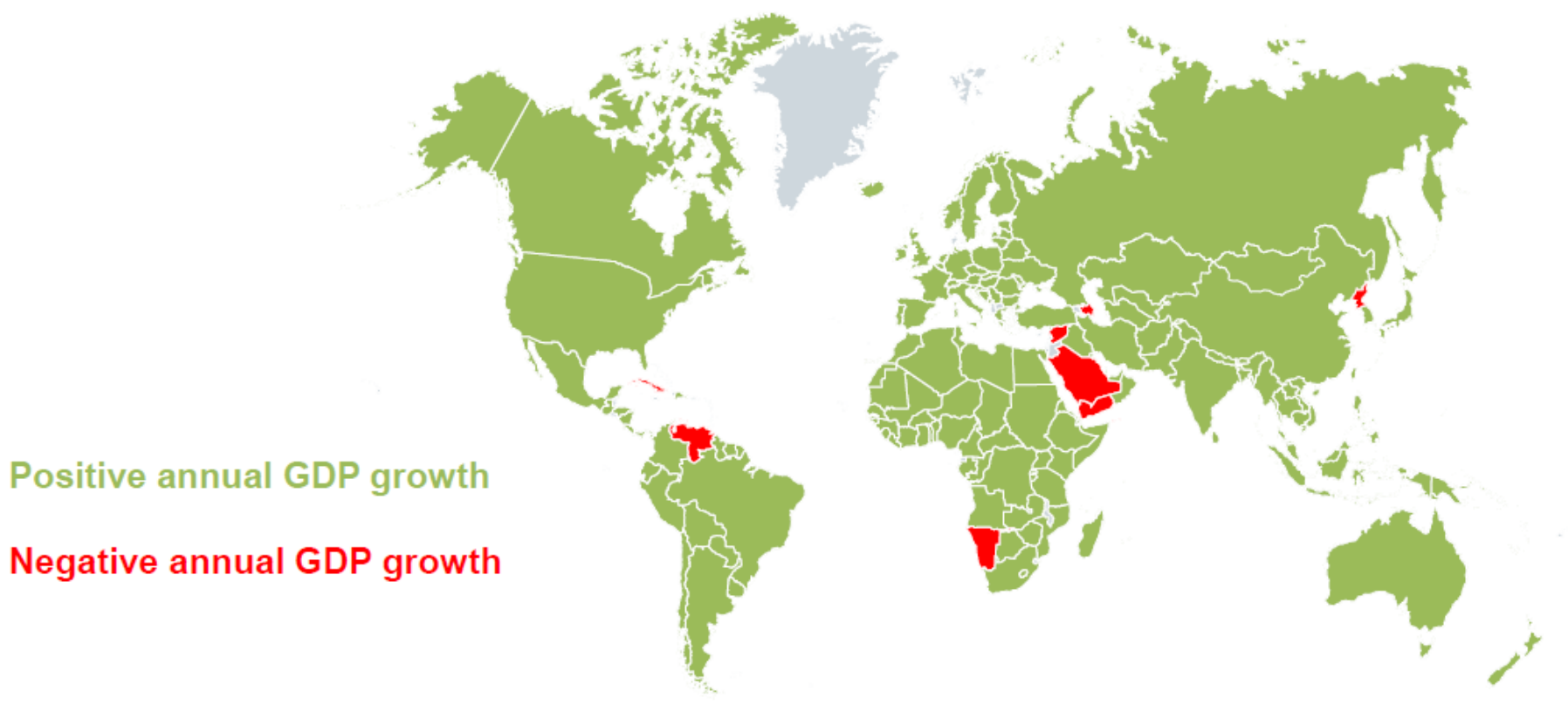
Financial sustenance – we aim to be have our operations stand in the air without support of the taxpayer's hand







Extended by more synchronized global economic growth: 2017



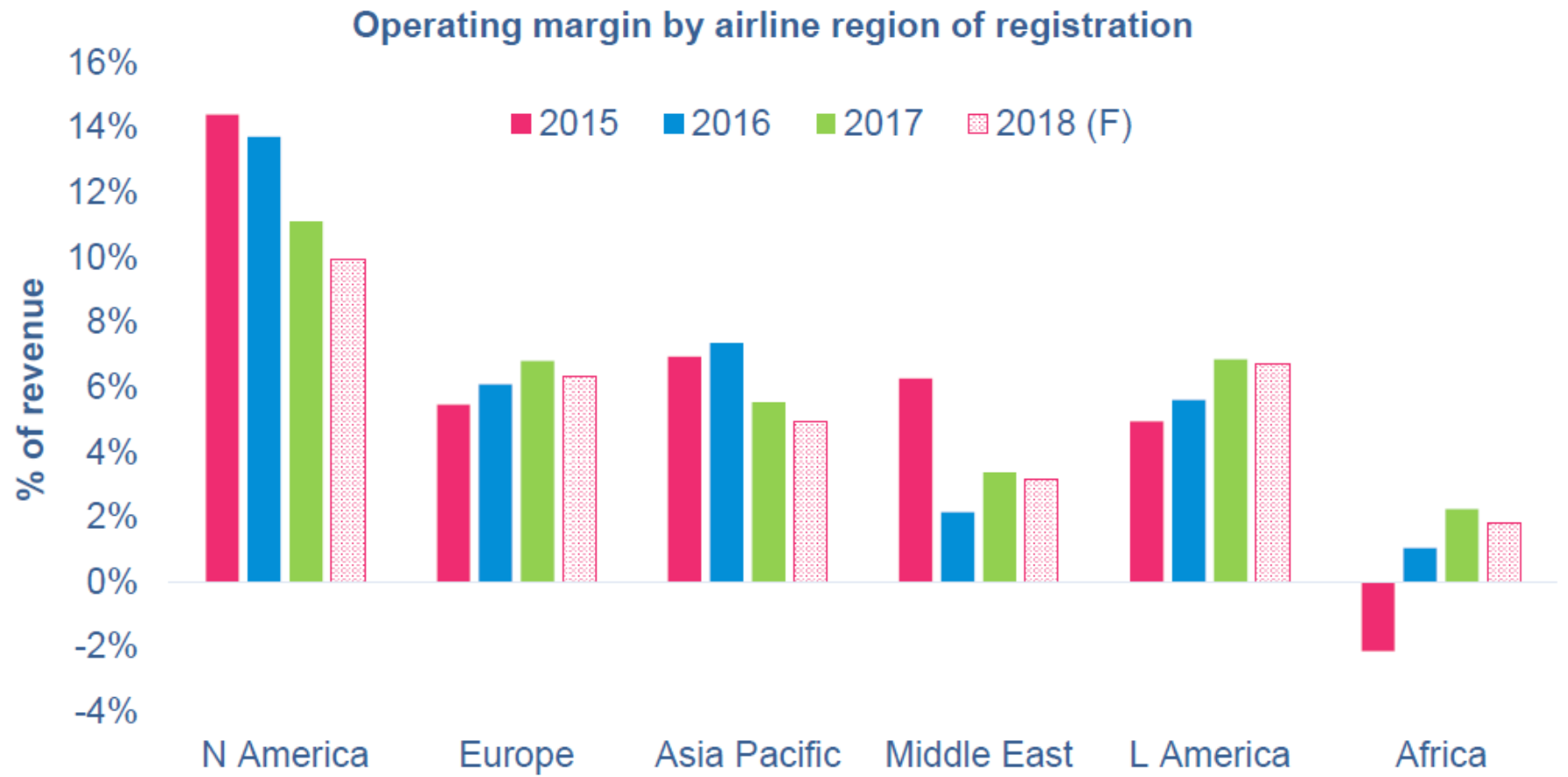
Positive annual GDP growth

Negative annual GDP growth

Source: IATA Economics using data from Oxford Economics



And profitability remains uneven across regions



Source: IATA Economics using data from ICAO, The Airline Analyst, IATA forecasts

Tariff war latest in a decade of creeping protectionism



Strategic Plan Key Result Areas

The airline identified the following as its Strategic Pillars, for which a number of strategic objectives have been set. Our plan further identifies and lists critical tasks or strategic initiatives which when executed, will result in attainment of related strategic objectives.

	Strategic Pillar	Strategic Objectives
1	Financial Sustainability	<ul style="list-style-type: none">• Attain operational break-even by 2021• Develop and implement optimum route network plan• Manage financial resources optimally
2	Stakeholder Relations	<ul style="list-style-type: none">• Increase market share• Ensure superior customer service experience
3	Operational Excellence	<ul style="list-style-type: none">• Attain optimum asset utilization levels / rates• Increase process optimization• Implement world leading airline industry ICT
4	Compliance	<ul style="list-style-type: none">• Ensure regulatory compliance
5	Organizational Capacity	<ul style="list-style-type: none">• Create a performance driven culture• Strengthen human capacity of the airline



Our Business Today

Full service carrier (we are not a LCC), and we operate in domestic, regional and the inter-continental sphere.



Two Airbus A330's



Four Airbus A319's



Four Embraer ERJ 135's



During period under review, competition landscape changed drastically due to entry of more airlines in the Namibian market. Result is as expected

More airlines



Fierce Competition



Declining yields
Dilution of traffic flows

Increase of total traffic

Key Associated Risk



We face the risk and impact from large well resourced airlines coming into our markets –
BIG FISH EAT SMALL FISH AND SPOILING THE WATERS !

Are they bringing opportunities or are they here to take a piece of our pie ?

answer depends on how we position ourselves.





New flight additions of competition airlines now connect WDH to almost anywhere in the world with 1-stop online connections via multiple hubs

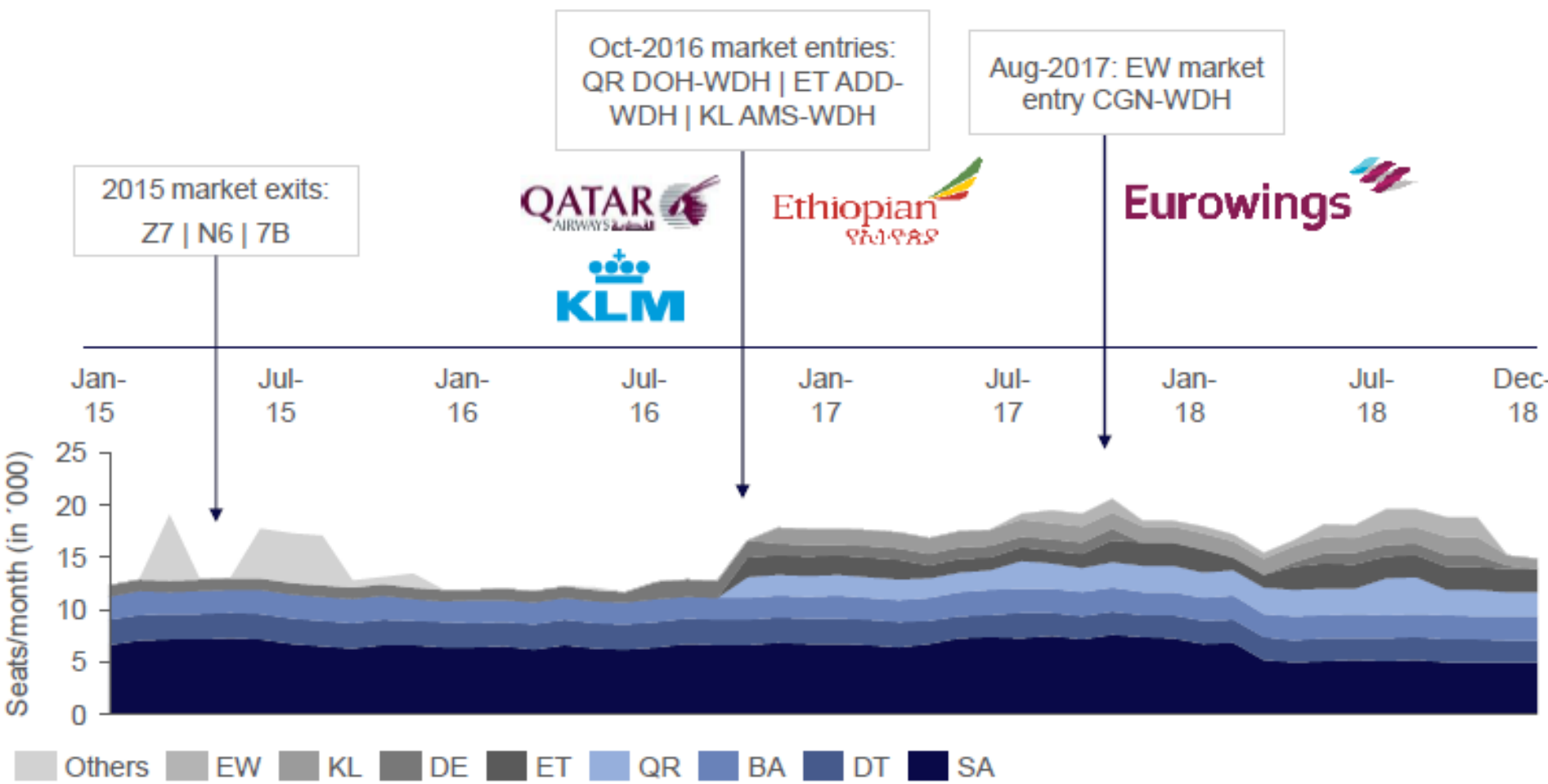
While the market entry of new airlines is beneficial for Namibia's economy and the tourism industry, home carrier Air Namibia needs to defend its home turf in order to avoid being driven out of the market

To remain competitive, Air Namibia needs to adapt its strategy to ever-changing market conditions and enter new partnerships and cooperations

new market entrants create a more diversified airline picture at WDH;



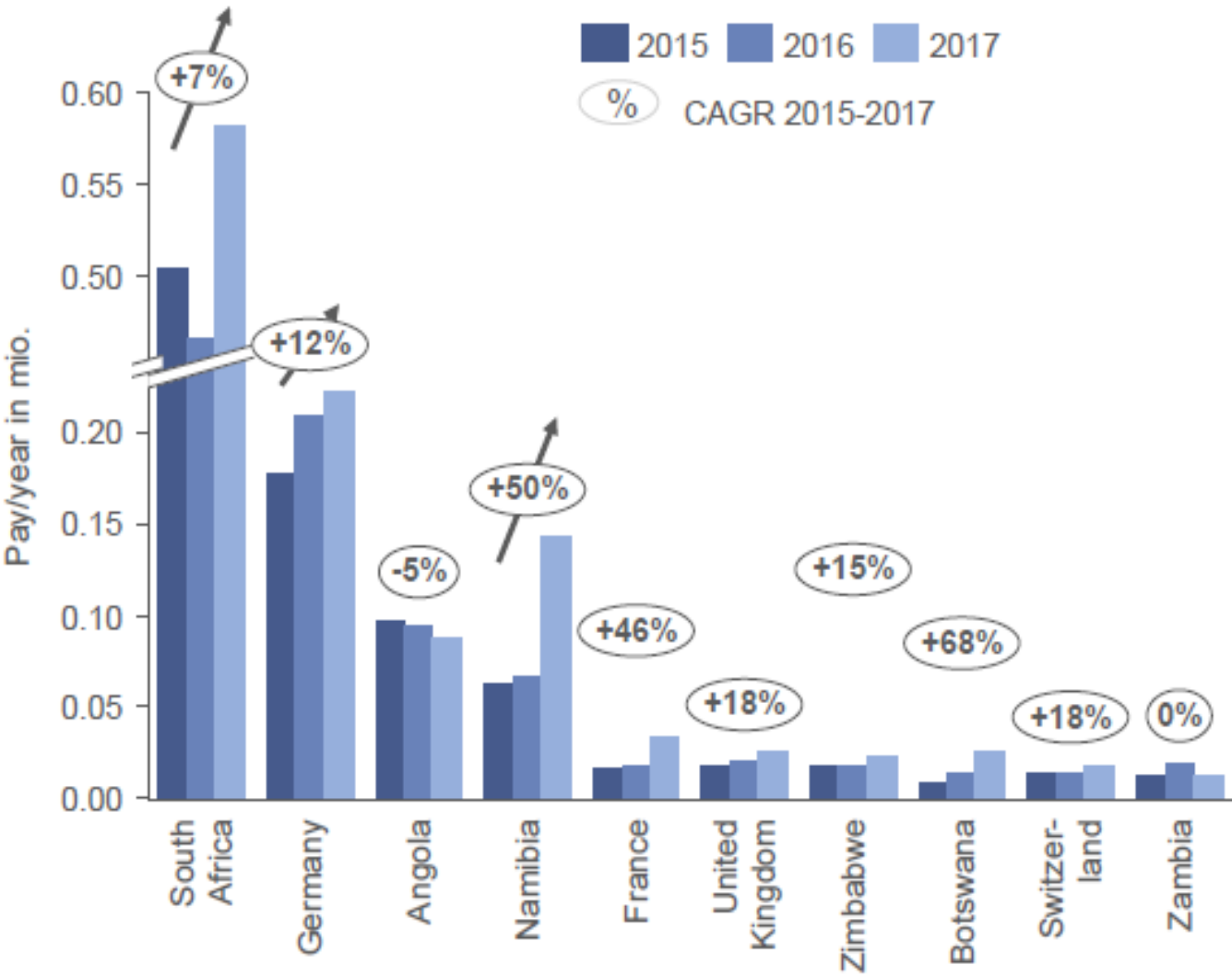
WDH market entries and exits (excluding Air Namibia)



Source: AirportIS, seats/months to/from AKL by airline, excluding home carrier Air Namibia

Almost all top markets to/from Namibia experienced significant growth rates in the recent years; it is now important that Air Namibia maintains its fair market share

Traffic development to/from Namibia

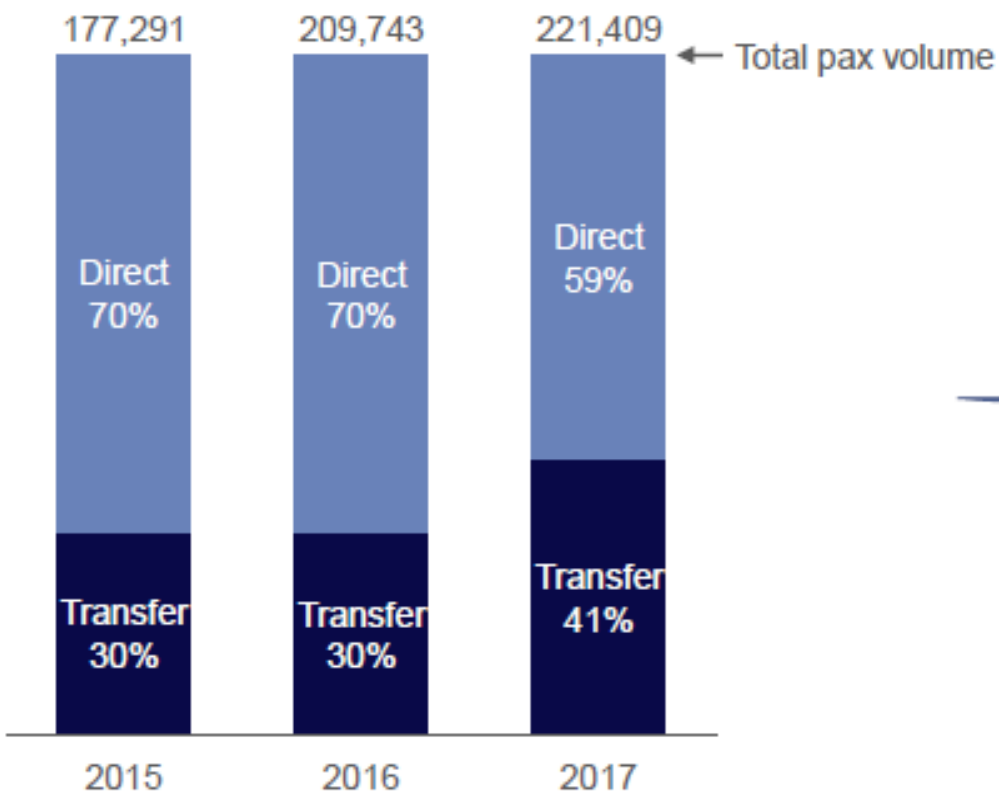


- The total passenger volume to/from Namibia did grow by 33% in the past three years and reached 1.4m pax in 2017
- The passenger increase is on the one hand driven by significant additional domestic volume, transported by Air Namibia, and on the other hand by new service offers of different hub airlines such as QR, KL, and ET

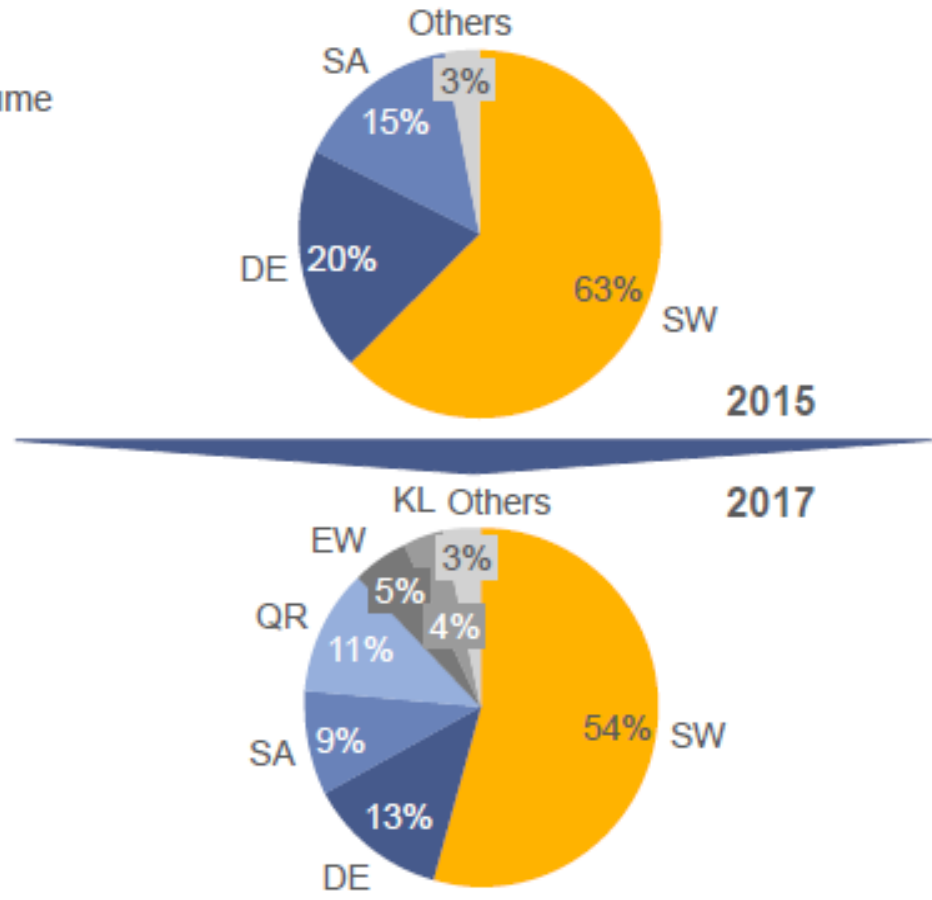
Source: AirportIS, uncalibrated pax volume to/from Namibia, 2015-2017

On Namibia's main intercontinental market, Germany, a significant shift of traffic flows can be observed in favor of new hub carriers connecting to WDH

Namibia – Germany vv. traffic flow distribution



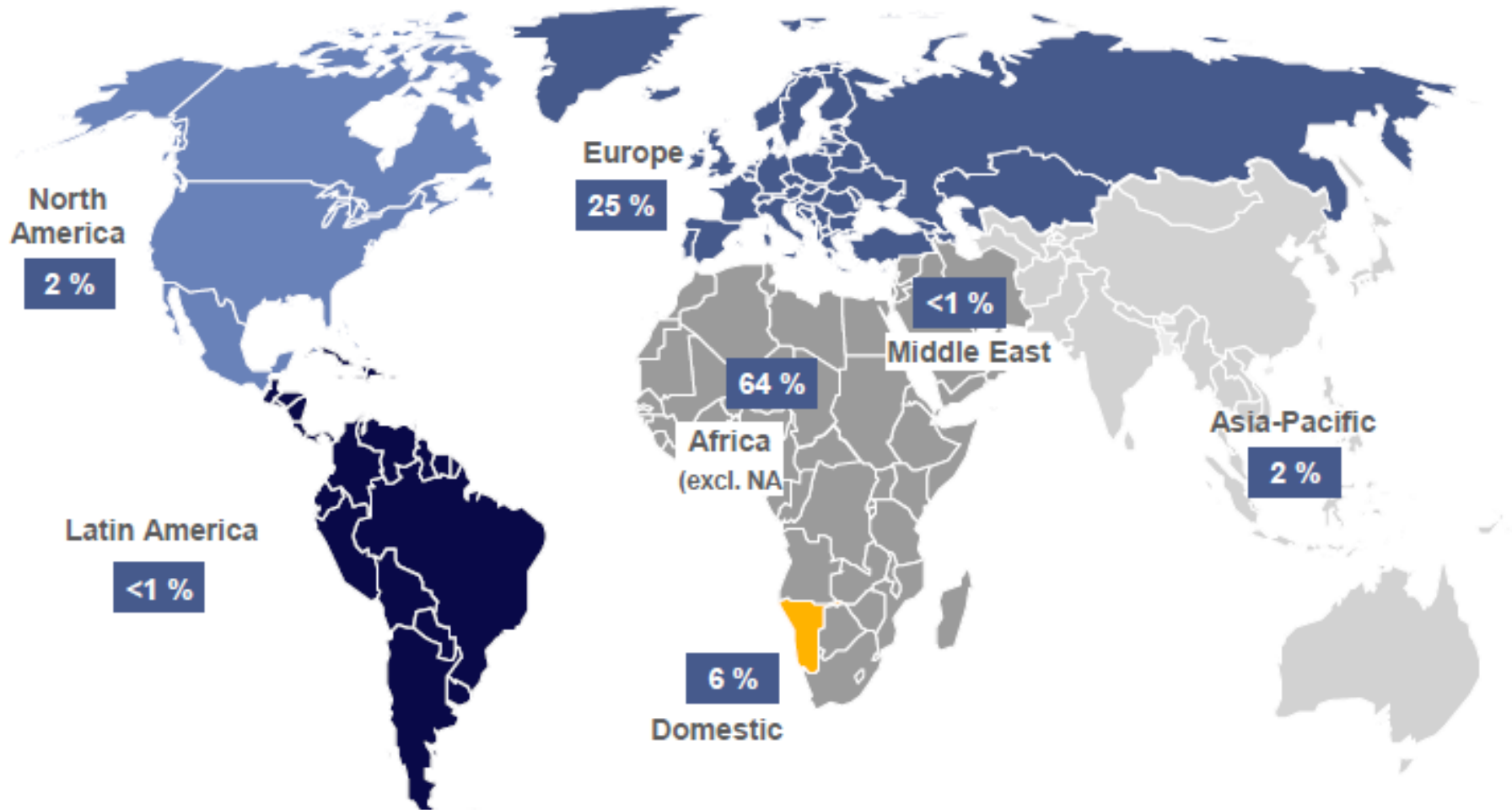
Airline market shares 2015 & 2017



In 2015, 1 million pax travelled to/from Namibia, most of which regionally to neighboring countries such as South Africa and Angola

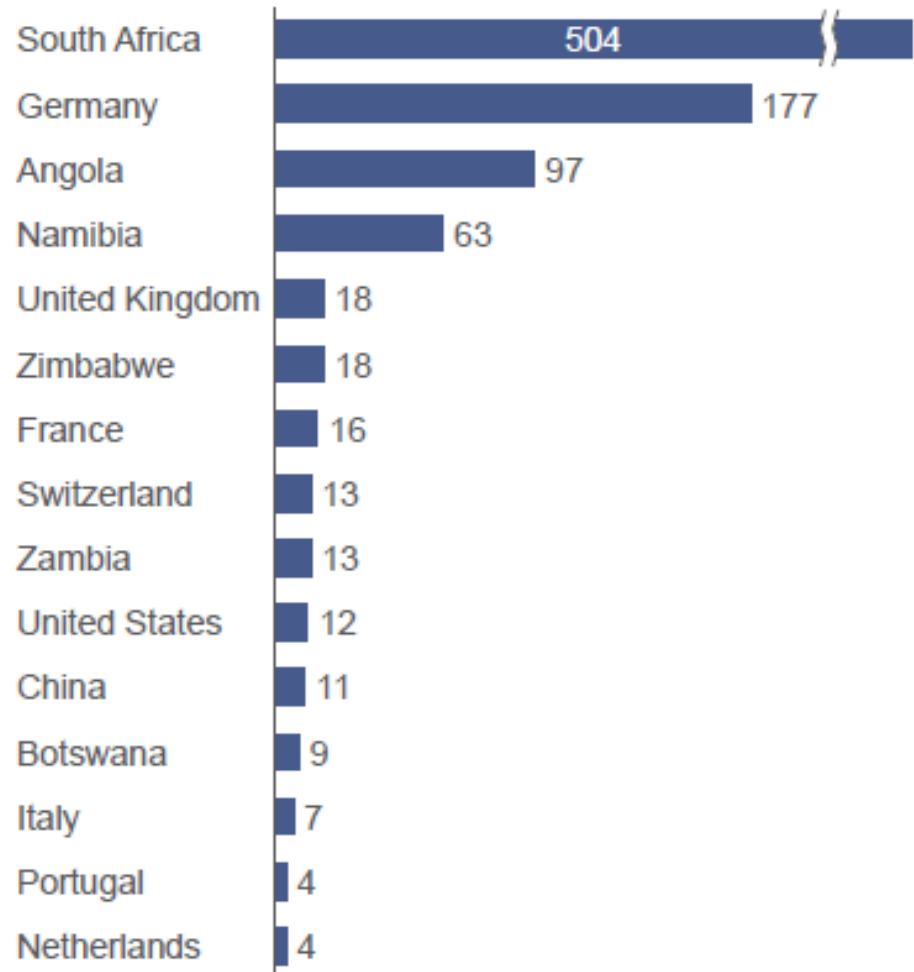
Traffic distribution to/from Namibia by region, 2015

Total passengers to/from Namibia ~ 1.0 million

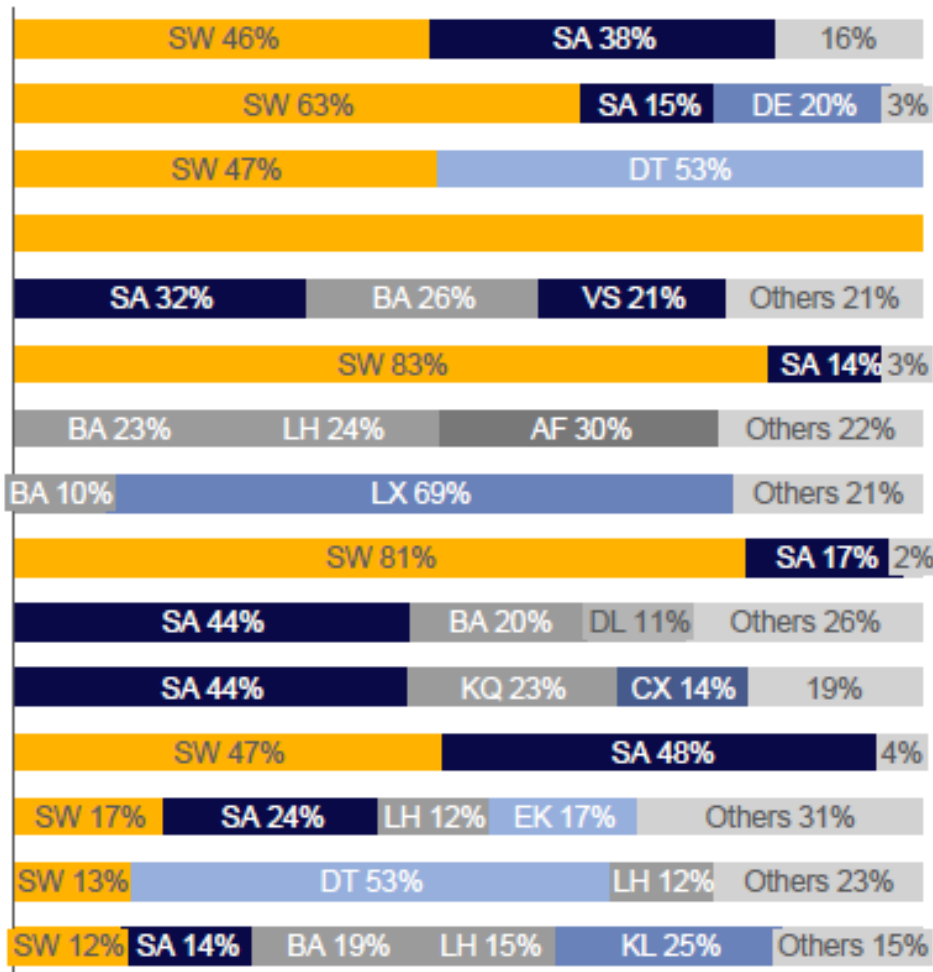


Half of the total traffic flowed between Namibia and South Africa, while Germany was the biggest destination country outside of Africa

Top 15 countries to/from Namibia, 2015



Airline market share, 2015



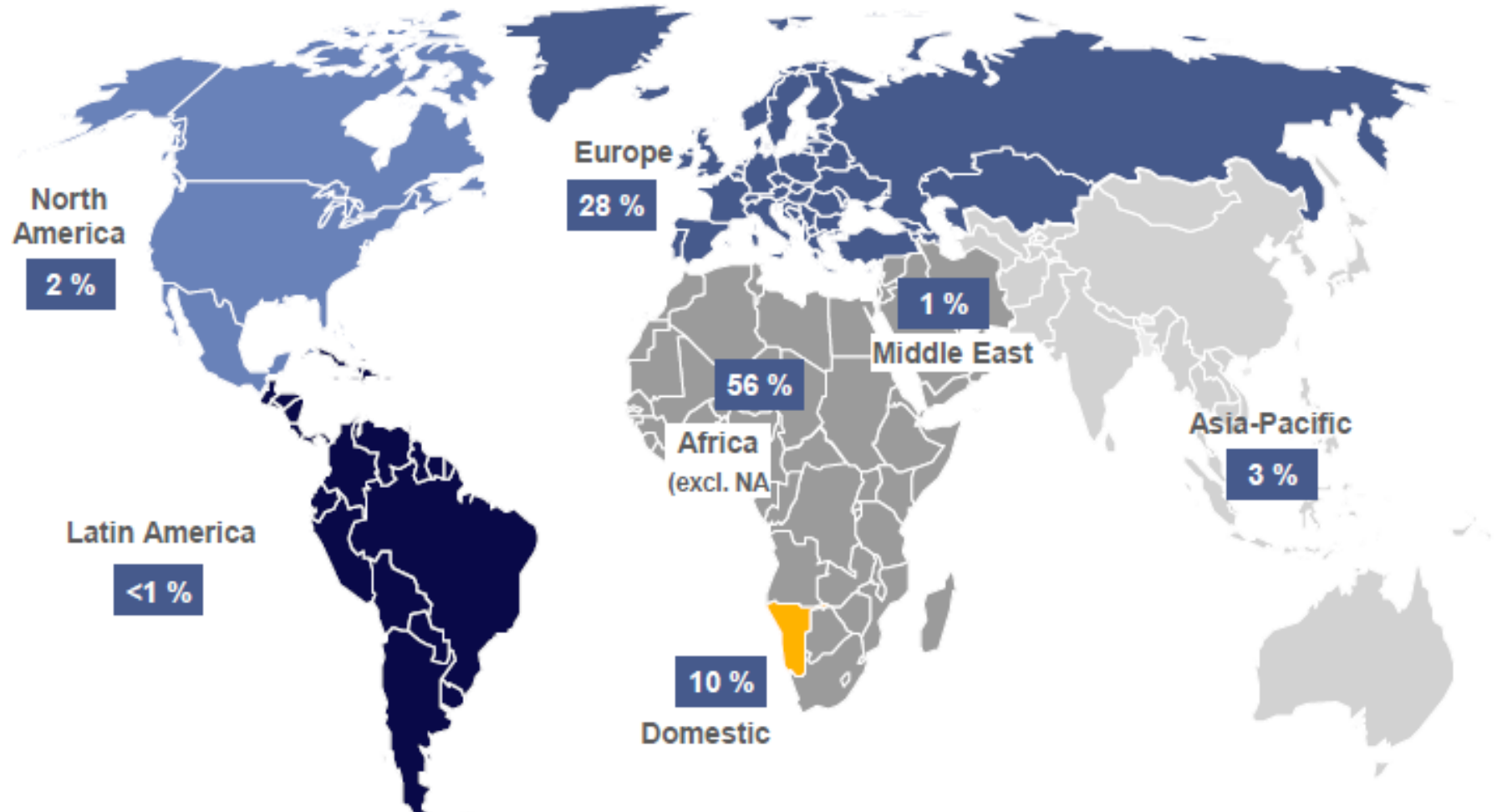
Source: AirportIS, 2015 non-calibrated pax volume to/from Namibia, market share by operating airline



Strong growth rates contribute to a total market size of 1.4 million passengers in 2017, and exorbitant strong growth is coming from the domestic market

Traffic distribution to/from Namibia by region, 2017

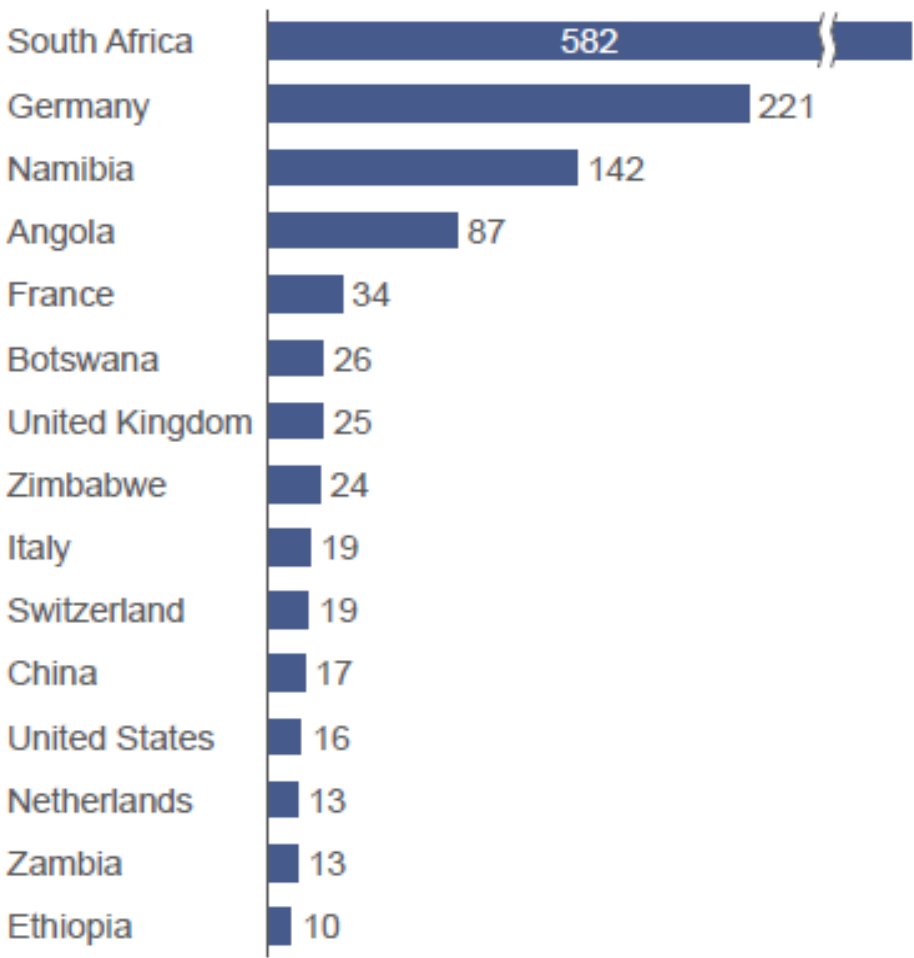
Total passengers to/from Namibia ~ 1.4 million



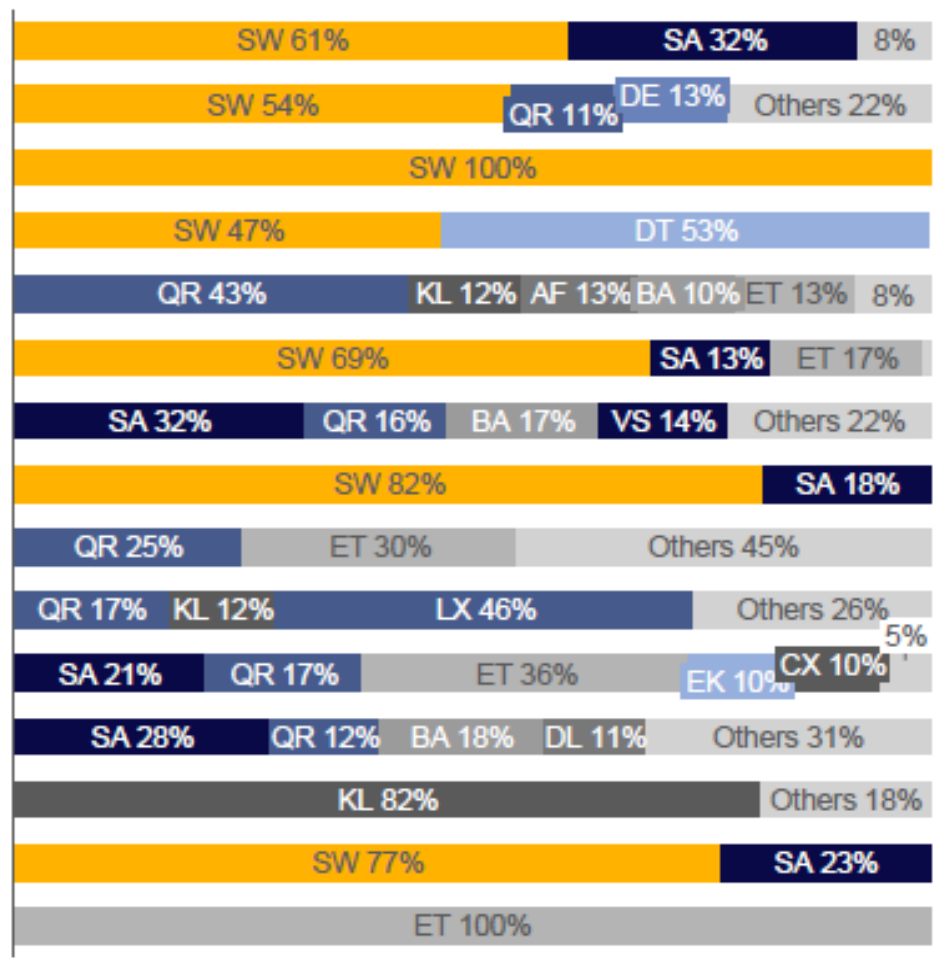


Picture is different in 2017 – RSA market share increased from 46% to 61%, Germany market share decreased from 63% to 54%

Top 15 countries to/from Namibia, 2017



Airline market share, 2017



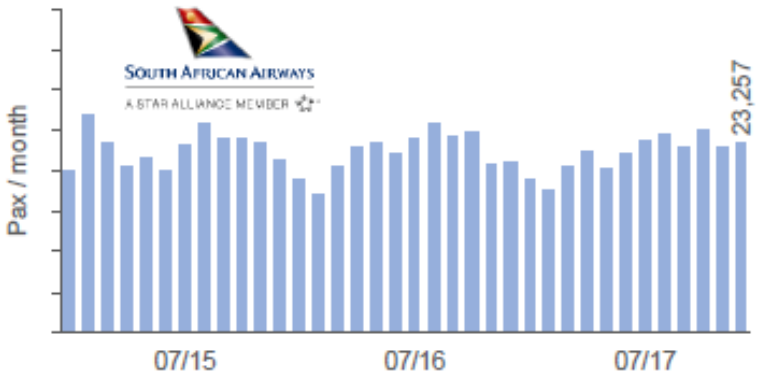
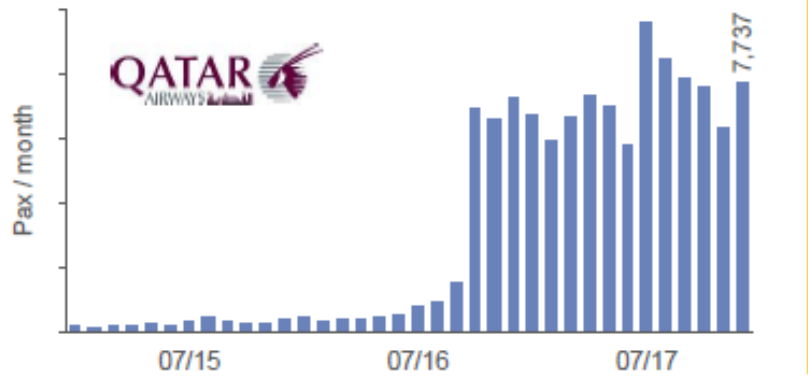
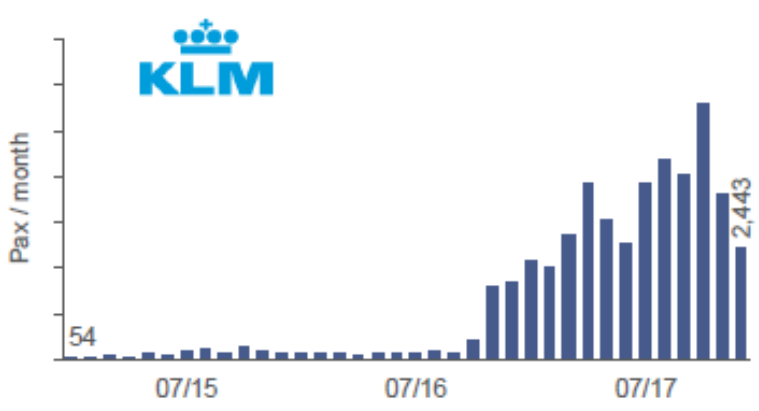
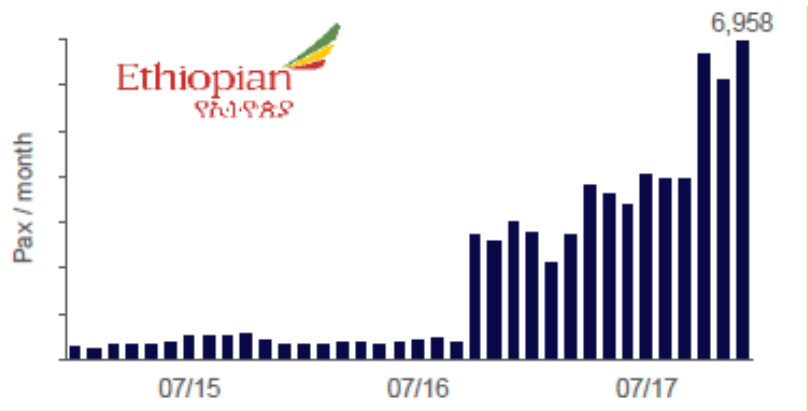
Source: AirportIS, 2017 non-calibrated pax volume to/from Namibia, market share by operating airline



The visualization of the airlines market sizes shows the growth of the three big new entrants into the Namibian aviation market

Passenger volumes by dominant operating carrier

Details in separate Excel sheet



This is what contributed to increase in air passenger volumes by average 33% per annum between 2015 and 2017

Other Challenges



- The challenge we face as airlines is that of ever increasing costs from elements outside our control,
 - Inability to pass full cost increase to our customers (there is downward pressure on yields),
 - Growth rates lower than inflation in most cases.
 - The purchasing power of many in our markets is weak, so we are forced to depend on external points of sale.
 - External points of sale, mostly from the West are in recession, demand is soft.
- Poor and inefficient infrastructure to support airline operations.

Other Developments at Air Namibia



- Since incorporation of the company in 1998, Air Namibia never held an AGM of its shareholders.
- For first time ever, the AGM took place on 28 May 2018.
- At this AGM held in May 2018, audited financial statements for the first 17 years (1998 to 2014) were tabled for adoption and approval by the Line Minister.
- These will now go to Cabinet & Parliament, after which they will be made public.
- 2015 to 2018 are set to be tabled for approval & adoption during quarter 4 of this year.



Other Developments at Air Namibia ...

- We aim to make the Air Namibia improve its financial performance, to operational break-even by 2021.
- Initiatives being implemented include increasing aircraft utilization, by operating more flights to new destinations, while keeping fixed costs constant.
- In this regard, we introduced flights to Gaborone & Durban in year 2016/17, and another two destinations in June 2018 to Lagos & Accra. plus OND-WvB route
- Outlook for these new destinations is positive, and will go a long way in providing additional required revenue flows. First flight to Lagos took off with 100% load factor – full of religious tourists to that country.



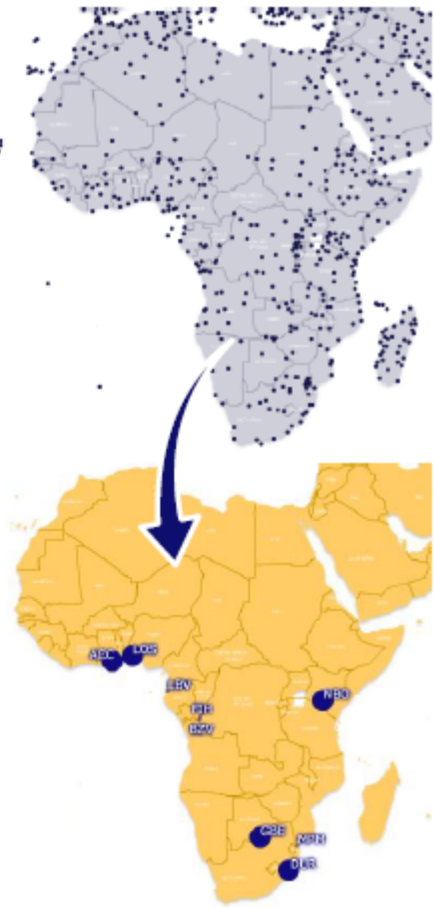
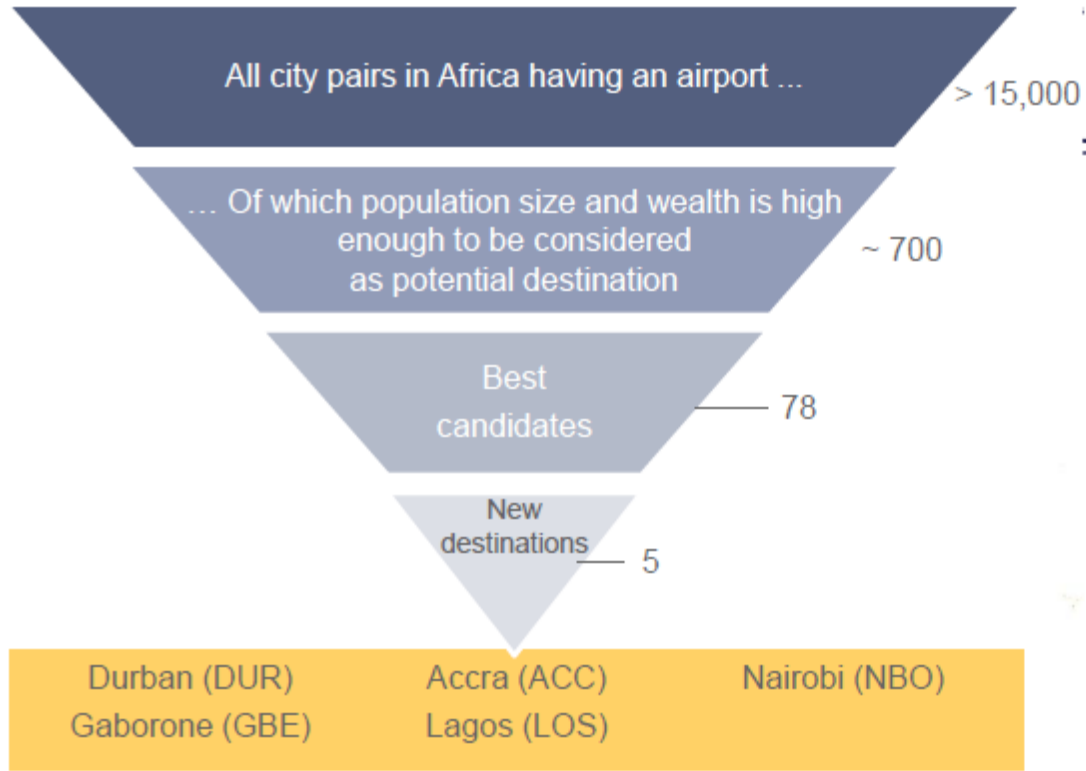
Route analysis

A methodology for route planning



- Find it
- Analyse it
- Forecast it
- Fly it

The market potential analysis explored all possibilities reachable by Air Namibia covering the entire African continent



Other good candidates must be monitored and re-evaluated in the future: Maputo (MPM), Brazzaville (BZV), Kinshasa (FIH) and Libreville (LBV)



A number of options for increasing the **Airbus A330** fleet utilization have been identified, we are busy with feasibility studies, and outcomes will be made known as soon as desired scenario's have been arrived at and required Governmental Approvals have been secured.

This is the elephant in the room, and we are confident that our identified options will provide the solution to one of our biggest setbacks as far as financial performance is concerned.

Other Developments at Air Namibia ...



As part of our cost reduction strategies and strengthening of our balance sheet, we converted our ERJ fleet leases from operating to ownership in 2017, and reduced the monthly outflows by 23%.



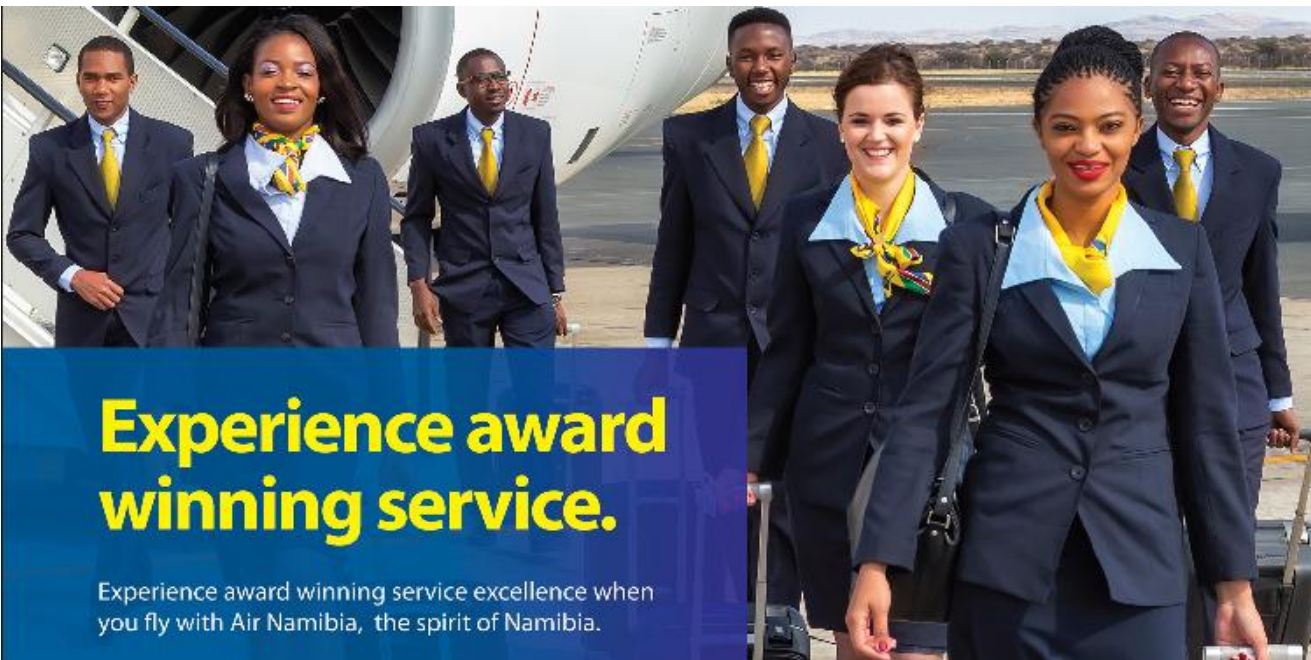
Similar exercise is being pursued for the other aircraft types in our fleet currently on operating lease, where we will bring them on our balance sheet and reduce monthly cash outflows – target is about 40% reduction.

Other Developments ...

- Another strategic cost management initiative involves having received certification to do own maintenance on the Embraer fleet.
- Key milestones in this regard involves first ever that Air Namibia own maintenance team is doing C-Checks (heavy scheduled checks) at Eros Airport.
- This reduces maintenance costs on this fleet by approximately 38% on labor charges, excluding cost of components.
- We are evaluating feasibility of extending our in-house MRO to cover line checks of the bigger fleet at HKIA.



We continue to Receive Service Excellence Awards as Best Regional Airline, in Southern Africa and in 2nd Best in Africa Overall





Like in most parts of Africa, we also experience inadequacy in facilities and infrastructure, especially at airports, with both HKIA & Eros limiting our growth potential and affecting service standards.

These are matters we are aware of our Government and relevant operators are working towards resolving.



Codeshare partnerships in place



Condor is looking for more seats from us

Codeshare partnerships being pursued

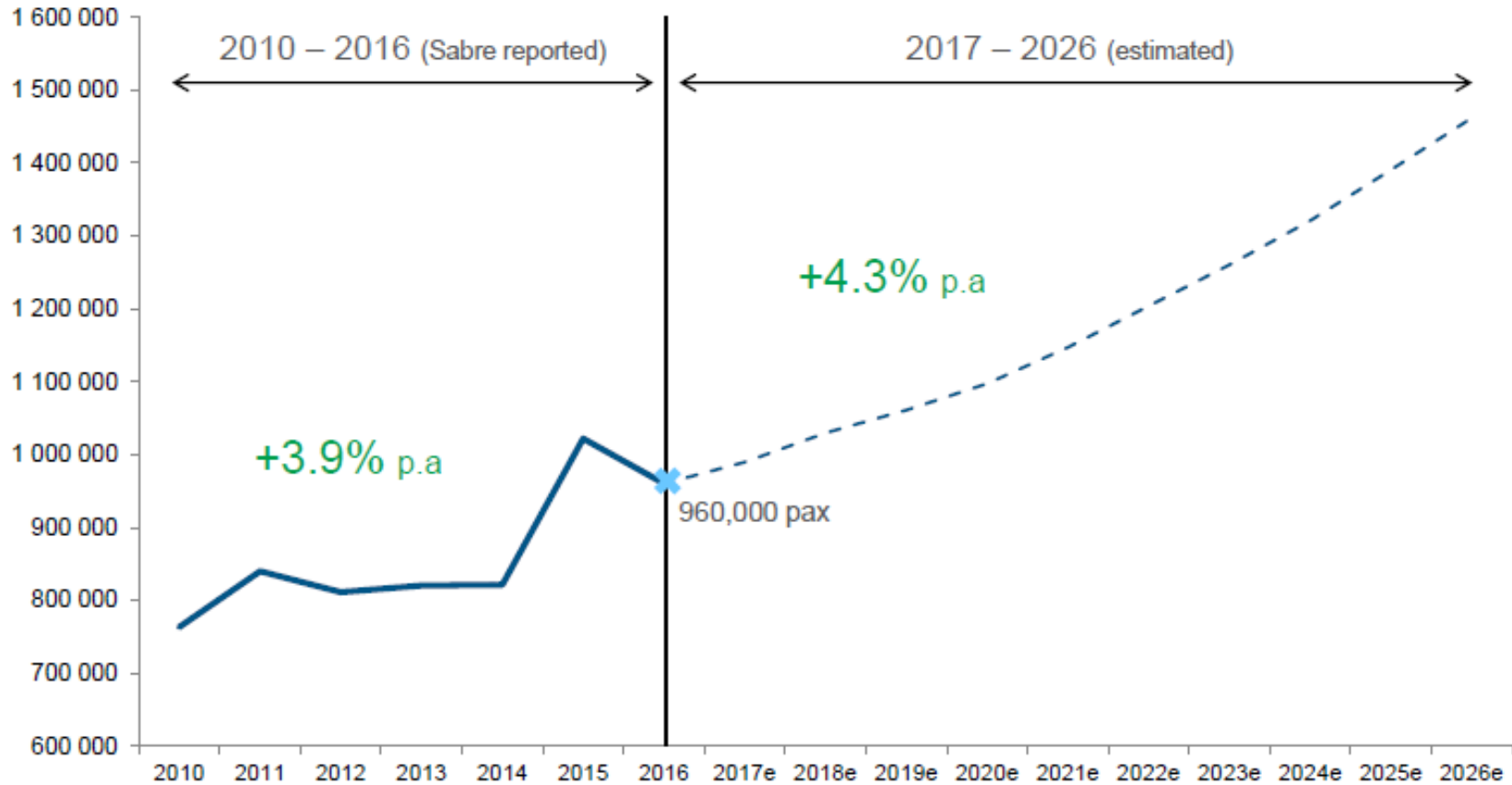


Securing the above codeshares will pave wave for eligibility to be nominated for Star Alliance membership



Forecasted annual passenger to / from Namibia

Pax to/from Namibia





The Single African Air Transport Market

- An Agenda 2063 Flagship Project -

In conclusion, the main topic on the African Aviation Agenda is the issue of SAATM.

Air Namibia is not opposed to SAATM, and has already given its position to the Namibian Government.

What is important though is Namibia as a country's readiness as far as;

- ✓ infrastructure status is concerned,
- ✓ ensuring that competition laws and the impact thereof are understood,
- ✓ also making sure that the playing field is levelled for all participants.



Thank You