



Hello Tomorrow

EMIRATES AIRLINE

GLOBAL ROUTE EXPANSIONS

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TODAY'S JOURNEY



Charge

Company Outlook

Analysis

Market Demand

Challenges

Solutions

Q&A

CHARGE

1 Where should Emirates expand in the next 5 years?

2 How can Emirates best overcome the potential challenges of expansion?

COMPANY OUTLOOK



Market presence

Governmental support

Location

S

W

Debt

Disputes over unfair advantage

O

T

Global growth

Strategic acquisitions & partnering

Exchange rates

Competition

Aero-political risk

CHARGE.

COMPANY OUTLOOK.

ANALYSIS.

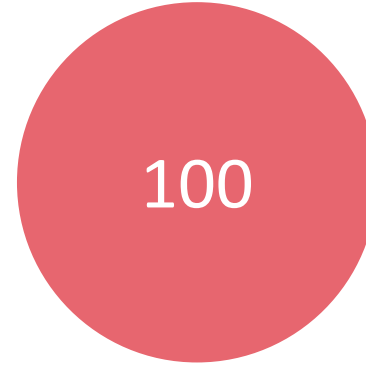
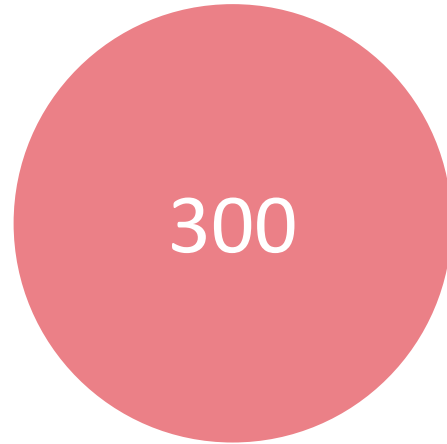
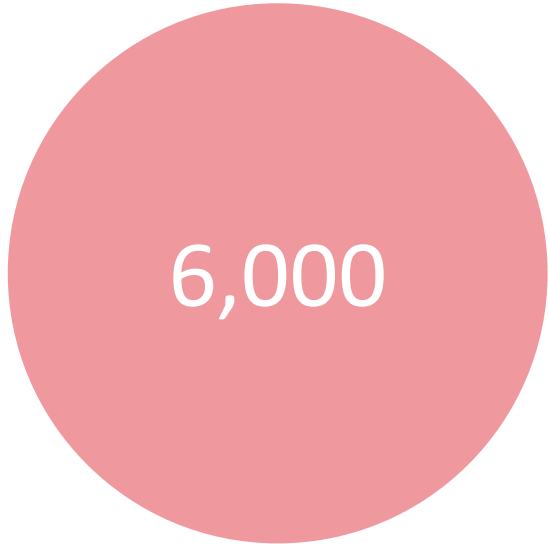
MARKET DEMAND.

CHALLENGES.

FINANCIALS.

ANALYSIS

SELECTION PROCESS DECISION MATRIX RESULTS



Population of
cities

Airport
infrastructure

Economic Growth
Rate

CHARGE.

COMPANY OUTLOOK.

ANALYSIS.

MARKET DEMAND.





CHALLENGES.

FINANCIALS.

ANALYSIS

SELECTION PROCESS DECISION MATRIX RESULTS



	Bogotá	Chongqing	Bali	Mexico City
 Political	23.5	25	28.5	21.5
 Economical	27	30	29	23
 Intercultural	15	20	20	18
 Infrastructural	6	8	5.5	5
	71.5	83	83	67.5

CHARGE.

COMPANY OUTLOOK.

ANALYSIS.

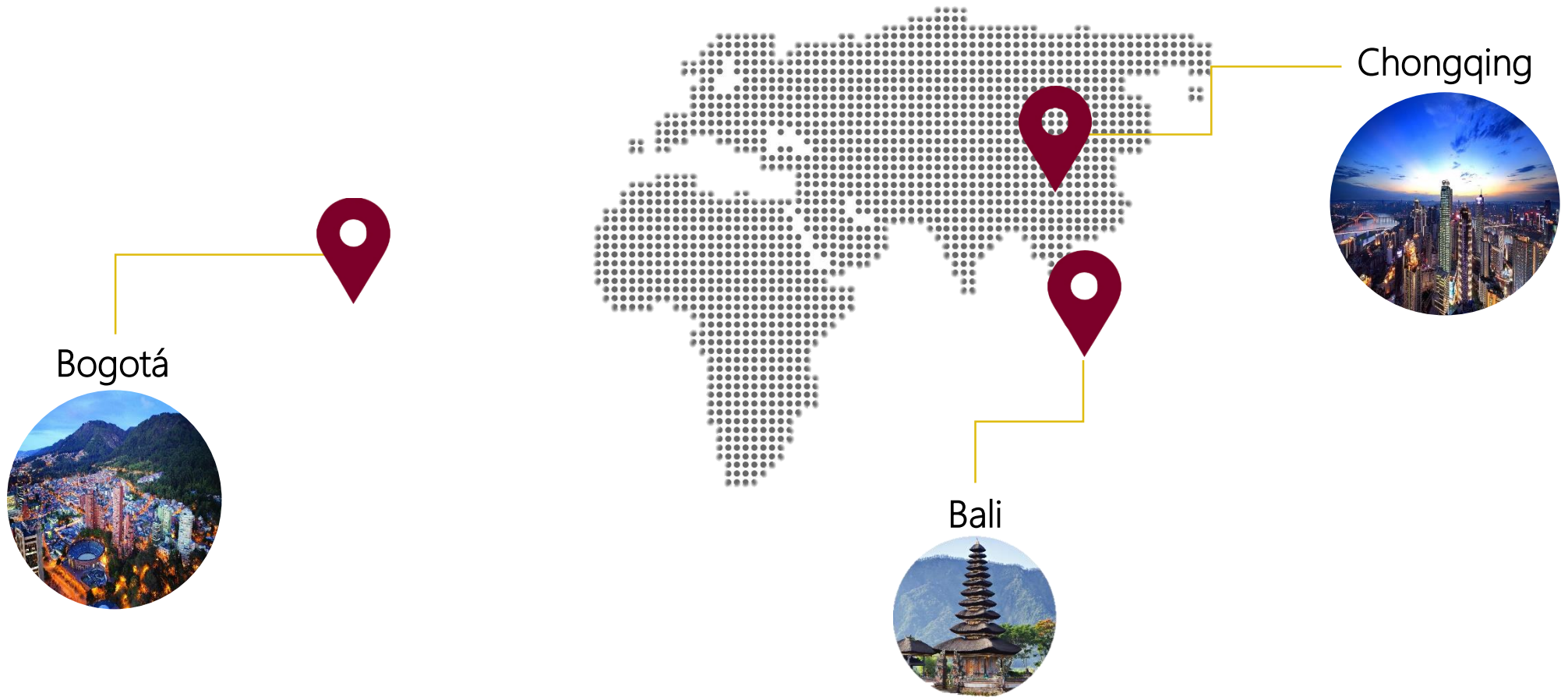
MARKET DEMAND.

CHALLENGES.

FINANCIALS.

ANALYSIS

SELECTION PROCESS DECISION MATRIX RESULTS



CHARGE.

COMPANY OUTLOOK.

ANALYSIS.

MARKET DEMAND.

CHALLENGES.

FINANCIALS.

BOGOTA, COLUMBIA

EL DORADO INTERNATIONAL AIRPORT



Growth in Tourism



Market Size



Transportation Hub



CHARGE.

COMPANY OUTLOOK.

ANALYSIS.

MARKET DEMAND.

CHALLENGES.

FINANCIALS.

CHONGQING, CHINA

CHONGQING JIANGBEI INTERNATIONAL AIRPORT



Consumer Wealth



Brand Awareness



Business Opportunities



"Go West" Initiative



CHARGE.

COMPANY OUTLOOK.

ANALYSIS.

MARKET DEMAND.

CHALLENGES.

FINANCIALS.

BALI, INDONESIA

NGURAH RAI INTERNATIONAL AIRPORT (DENPASAR INTERNATIONAL AIRPORT)



Growth in Tourism



Common Culture



Advancements in Political Stability

OVERALL CHALLENGES

1. Aero-Political Regulations
2. Competition
3. Currency Risks
4. Infrastructural Differences

CHALLENGES & SOLUTIONS

BOGOTA
CHONGQING
BALI



1. Lack of Experience

Regulation and Market Research

2. Lack of Brand Recognition

Sponsorships

CHALLENGES & SOLUTIONS

BOGOTA
CHONGQING
BALI



1. Competition

Internal Infrastructure Investment

2. High Tax Structure

Take Advantage of Tax Incentives

CHALLENGES & SOLUTIONS

BOGOTA
CHONGQING
BALI



1. Unsafe Conditions

Active Involvement

2. Pilot Regulation and Price Controls

Local Hire

Non-Price Promotion

FINANCIAL ANALYSIS

5 YEAR OUTLOOK



Chongqing

\$57,313,212



Bogotá

\$18,948,466



Bali

\$18,516,941

FINANCIAL ANALYSIS

BREAK-EVEN POINTS



Chongqing

3 years and
9 months



Bogotá

4 Years and
8 months



Bali

EMIRATES' POSITION

OPPORTUNITIES FOR GROWTH

- 1. BOGOTA**
- 2. CHONGQING**
- 3. BALI**

RESOLVING CHALLENGES

APPENDIX

Financial Models	Competitor Chart	PESTILE	Full Decision Matrix	Top 10 Airports & Data
Plan B: Mexico	5 Year Timeline	Codesharing Partners	Matrix Criteria	Expansion Strategies
Sponsorships	Full SWOT	Bogotá Analysis	Chongqing Analysis	Bali Analysis

Presentation Slides

- [Charge](#)
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- Analysis
 - [Selection Process](#)
 - [Decision Matrix](#)
 - [Results](#)
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 - [Bogotá](#)
 - [Chongqing](#)
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- Challenges& Solutions
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 - [Bali](#)
- [Financials](#)
[Maps](#)
[Economic Data](#)
[Economic Data \(PPP\)](#)

FINANCIAL ANALYSIS



	Chongqing	Bali	Botoga
Revenues	\$ 118,289,808	\$ 104,255,424	\$ 148,432,228
Fuel costs	\$ 42,482,498	\$ 39,202,101	\$ 65,569,213
Wages	\$ 26,763,974	\$ 24,697,324	\$ 41,308,604
Margin (2017)	\$ 49,043,336	\$ 40,355,999	\$ 41,554,411
2018	\$ 52,966,804	\$ 43,476,859	\$ 44,154,301
2019	\$ 57,204,149	\$ 46,839,065	\$ 46,916,856
2020	\$ 61,780,482	\$ 50,461,282	\$ 49,852,252
2021	\$ 66,722,921	\$ 54,363,616	\$ 52,971,305
Margin after 5 years	\$ 214,213,212	\$ 175,416,941	\$ 175,848,466
Cost of plane investment	\$ 156,900,000	\$ 156,900,000	\$ 156,900,000
Realized 5 year profit	\$ 57,313,212	\$ 18,516,941	\$ 18,948,466

Assumptions

Growth rate of each market represents the growth expected in Emirates revenues

Emirates buys 777-200ER's at 60% of list price

Emirates flies planes at 76.5% capacity on average

Emirate's discount rate is equal to the industry average in UAE (10.13%)

Wages cost 63% of fuel costs on any given flight (from financial statements)

Turkish Airlines and Virgin Australia rates would equal Emirates rates for identical routes

Emirates buys jet fuel at the average low market cost (\$3.50)

Emirates will offer flights for Chongqing at a 30% premium cost to Air China

TOP COMPETITORS



Bogotá:



Turkish Airlines



Qatar Airways



Interjet

Chongqing:



Air China



Qatar Airways



Etihad Airways

Bali:



Virgin Australia



Qantas

PESTIL ANALYSIS ON EMIRATES AIRLINE



Political	<ul style="list-style-type: none">• Government financing to build/expand Dubai's 2nd airport to 146mil capacity• Strong support of nat'l government• No access to cheap oil (although rumored) (euromonitor pdf)• Opposition to government subsidies• Low tax rates due to ownership
Economic	<ul style="list-style-type: none">• Terrible exchange rates (strong US dollar and terrible euro) weaken revenues - \$ tied to USD• Looking for \$2.5 billion loan for 10 Airbus A380s (see loan pdf)• Fuel costs dropped (major expense for airline ~\$5bil)• Strong economic growth projected for ME region (euromonitor)• "Premium demand and yields suffered materially, while the unhedged carrier greatly benefited from lower expenses."
Social	<ul style="list-style-type: none">• Islamic sources to raise liquidity• Fears of terrorism (euromonitor)
Technology	<ul style="list-style-type: none">• Free in-flight wifi• Smartphone booking/check-in app (euromonitor)• 251 units, continually retiring smaller aircraft (aviation week, space technology)• Innovative on-flight experience, but limited by what's currently possible
Intercultural	<ul style="list-style-type: none">• 2015 partnership w/ Alaska Airlines• Longer-standing relationship w/ Qantas Airways (Emirates = #1 airline in MENA + Asia region)• Hostile Western airlines• Codeshare partnerships (TAP Portugal, Air Malta) → expected to dvlp more in Europe (euromonitor pdf)• 2014 Jetstar agreement
Legal/Regulatory	<ul style="list-style-type: none">• Friendly relationships w/ government• Other governments offer subsidies to flagship airlines, block Emirate's entrance• Milan-NY connection blocked by lawsuit (backed by Delta + other small comps)

FULL DECISION MATRIX



Governmental/ Political

Economic Policy
Expected Retaliation
Political Stability
Restricted Airspace



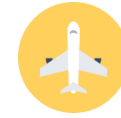
Economic

Capital Requirements
Competition
Expected Profitability
Exchange Rates
Consumer Wealth



Intercultural

Customer Loyalty
Price Sensitivity
Brand Strength
Code Share Partners



Infrastructural

Airport Infrastructure

FULL DECISION MATRIX-GOV



Economic Policy

Expected Retaliation

Political Stability

Restricted Airspace

	Colombia	China	Indonesia	Mexico
Economic Policy	4	4.5	6	4
Expected Retaliation	8	9	8	5
Political Stability	3	5	6	4
Restricted Airspace	8.5	6.5	8.5	8.5
	23.5	25	28.5	21.5

FULL DECISION MATRIX-ECON



Competition

Expected Profitability

Exchange Rates

Consumer Wealth

	Colombia	China	Indonesia	Mexico
Competition	7	5	7	4
Expected Profitability	7	9	7	4
Exchange Rates	6	7	8	9
Consumer Wealth	7	9	7	6
	27	30	29	23

FULL DECISION MATRIX-CUL/INF



Customer Loyalty

Price Sensitivity

Brand Strength

Partnerships

	Colombia	China	Indonesia	Mexico
Customer Loyalty	3	3	3	4
Price Sensitivity	3	4	3	3
Brand Strength	3	5	6	7
Partnerships	6	8	8	4
	15	20	20	18



Airport Infrastructure

	Colombia	China	Indonesia	Mexico
Airport Infrastructure	6	8	5.5	5

TOP 10 AIRPORTS



Middle Eastern:

Faisalabad International Airport

Cairo International Airport

Europe:

Copenhagen Airport

Ferihegy Airport

Stockholm-Arlanda Airport

America:

Mexico City Airport

El Dorado International Airport

Jorge Newbery Airport

Asia:

Denpasar International Airport

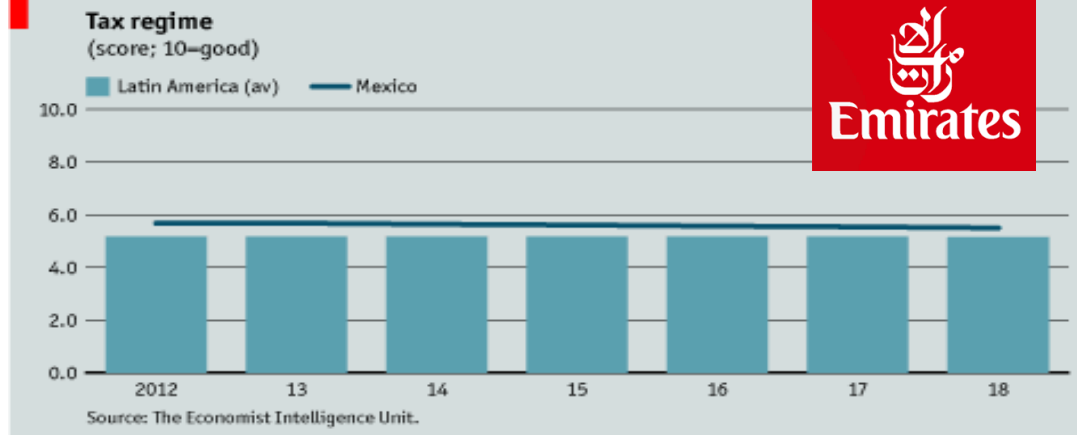
Chongqing Jiangbei International Airport

PROS/CONS OF MEXICO EXPANSION



Pros	Cons
<ul style="list-style-type: none"> • Attractive emerging market #2 • vulnerability to US business cycle → working on investment diversification • None of our geographic competitors currently present • 6.8% of Mexico's population (8,567,100) potentially served by entrance into one airport • Hedging instrument for global risk (most widely traded emerging-market currency in the world) • Real GDP per head is expected to grow by 2-3% for the next 15 years • Consumer spending on package holidays is up • Household spend more on non-essentials than food/housing • Disposable income per capita = \$7,378USD • 80 million people watched world cup @ home (80%+ of home audience) – potentially strong brand recognition with Emirates 	<ul style="list-style-type: none"> • Weak taxation laws strengthened in 2013 <ul style="list-style-type: none"> ○ 2014 = removal of flat-rate corporate tax ○ income tax rate of 30% (accrual-accounting basis) ○ file two statement obligation ○ ns (ISR and IETU), seen as time-consuming (avg 286hrs/yr) • few incentives (accelerated depreciation scheme, financing incentives only outside of major metropolitan areas) • Fears/hostility from western companies • Direct conflict w/ codesharing partners • Competition w/ legacy airlines and flagship Western airlines • Corruption • Drug-related violence • Institutional weakness in the government • Below average political stability (#150) – world bank data • Volatile peso • Reduced investor confidence • Movement towards buying generics, private label (no brand loyalty) • Reduced performance of engines, aircraft performance (hot and heavy) • Lack of expansion options (heavily populated) • Latin America's 2nd busiest airport by traffic (not in line with traditional development model)

PROS/CONS OF MEXICO EXPANSION



CODESHARING PARTNERS



Air Malta	Alaska Airlines	Air Mauritius	Bangkok Airways	Copa Airlines
Flybe	Japan Airlines	Jet Airways	Jetblue Airways	Jetstar Airways
Korean Air	Malaysia Airlines	Oman Air	Qantas	Siberia Airlines
South African Airways	TAP Portugal	Thai Airways International	TGV Air	WestJet

EXPANSION STRATEGIES



Chongqing	Bali	Bogota
New route Daily flight Boeing 777	Expansion of existing route 24 hour flight cycle Boeing 777	Colombia 3 direct flights/week Boeing 777



PURCHASING POWER PARITY (PPP)

Purchasing Power Parity per Capita Forecast

Country	Current	2017	2018	2019	2020	Growth
China	\$13,400	\$14,520	\$15,300	\$16,300	\$18,450	37.7%
Argentina	\$17,554	\$19,200	\$20,500	\$21,800	\$22,000	25.3%
Vietnam	\$5,668	\$6,166	\$6,427	\$6,715	\$7,014	23.7%
Pakistan	\$4,745	\$5,279	\$5,404	\$5,620	\$5,778	21.8%
Indonesia	\$10,385	\$11,209	\$11,631	\$12,042	\$12,457	19.9%
Colombia	\$13,801	\$12,700	\$13,100	\$15,865	\$16,516	19.7%
Hungary	\$24,474	\$26,217	\$27,064	\$27,923	\$28,810	17.7%
Egypt	\$10,250	\$10,637	\$10,852	\$11,073	\$11,300	10.2%
Sweden	\$45,296	\$46,191	\$46,713	\$47,354	\$47,876	5.7%
Denmark	\$43,415	\$43,937	\$44,232	\$44,529	\$44,829	3.3%
Mexico	\$16,502	\$17,300	\$117,600	\$12,000	\$12,300	-25.5%

CURRENCY GROWTH

Currency Growth (Decline) Forecast against USD

Country	Currency	Actual	\$2,020	Growth
Argentina	CNY	15.1	18.42	22%
Mexico	MXN	19.15	23.16	21%
Vietnam	COP	22325	26765	20%
Pakistan	IDR	104.72	125	19%
Indonesia	PKR	13082	15574	19%
Hungary	EGP	276.45	329	19%
Denmark	VND	6.7055	7.98	19%
China	ARS	6.7708	8.02	18%
Sweden	DKK	8.974	10.3	15%
Colombia	HUF	3072	3518	15%
Egypt	SEK	13.8913	10.63	-23%

FULL SWOT



Strengths

- Advantage of Size
- Strong government support
- Strong mega Hub in Dubai
- Strong and diverse workforce
- Diverse geographical presence (reduced risk)
- Continued innovation on services
- Strong brand value (2016 improved by 17% to reach \$7.7 billion from \$5.5 billion in 2015)

Opportunities

- Growth in Global Airline Traffic
- Prime geographical location
- Emirates = 35% share of UAE airline market
- System capacity in available seat miles (ASMs) for both domestic and international is projected to increase by 2.4% in 2015 compared to 2.2% increase in 2014. In 2015, the domestic market's capacity growth is forecast to be 2.8% and further projected to grow at an average annual rate of 1.8 percent for the remainder of the forecast period.
- 12% CAGR for airlines in UAE for the next 5 years

Weaknesses

- Business model is duplicable (competitors copying their bar etc.)
- Heavy debt (212% debt to equity ratio). Lots of interest payments from cash flow
- Brand image impacted by dispute over unfair advantage with government subsidies
- Restriction from entering other countries due to perception of unfair advantage

Threats

- Foreign Exchange
- Unforeseen Circumstances
- Intense Competition
- Price discounting
- Aero-political risk
- Coordination
- Airport related risks

FOREIGN TOURIST ARRIVALS IN INDONESIA (2013-2015)

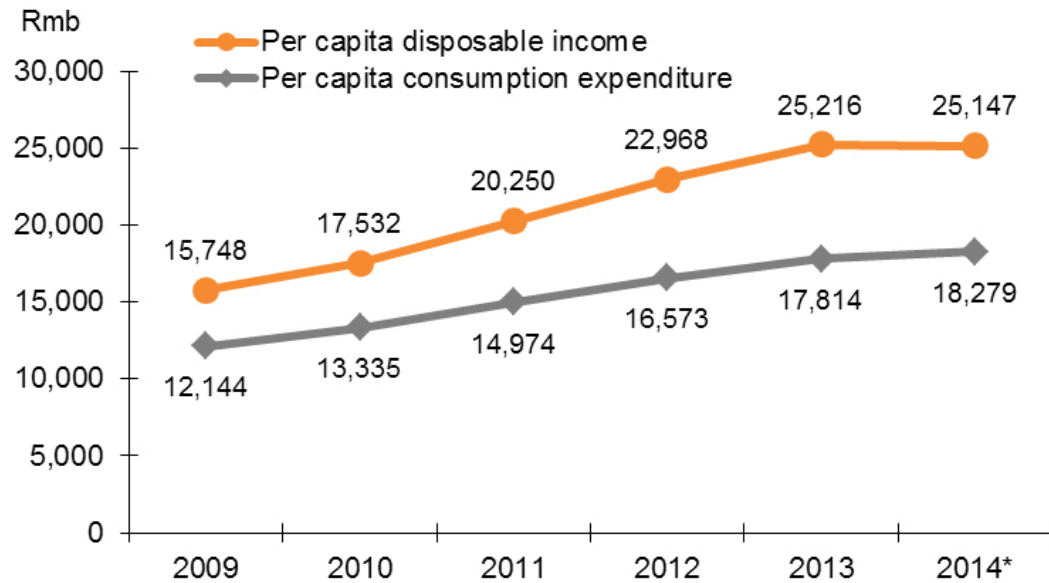


Month	Tourist Arrivals 2013	Tourist Arrivals 2014	Tourist Arrivals 2015
January	614,328	753,079	723,039
February	678,415	702,666	786,653
March	725,316	765,607	789,596
April	646,117	726,332	749,882
May	700,708	752,363	
June	789,594	851,475	
July	717,784	777,210	
August	771,009	826,821	
September	770,878	791,296	
October	719,900	808,767	
November	807,422	764,461	
December	766,966	915,334	
Total	8,802,129	9,435,411	3,049,170

Source: Statistics Indonesia (BPS)

CHONGQING

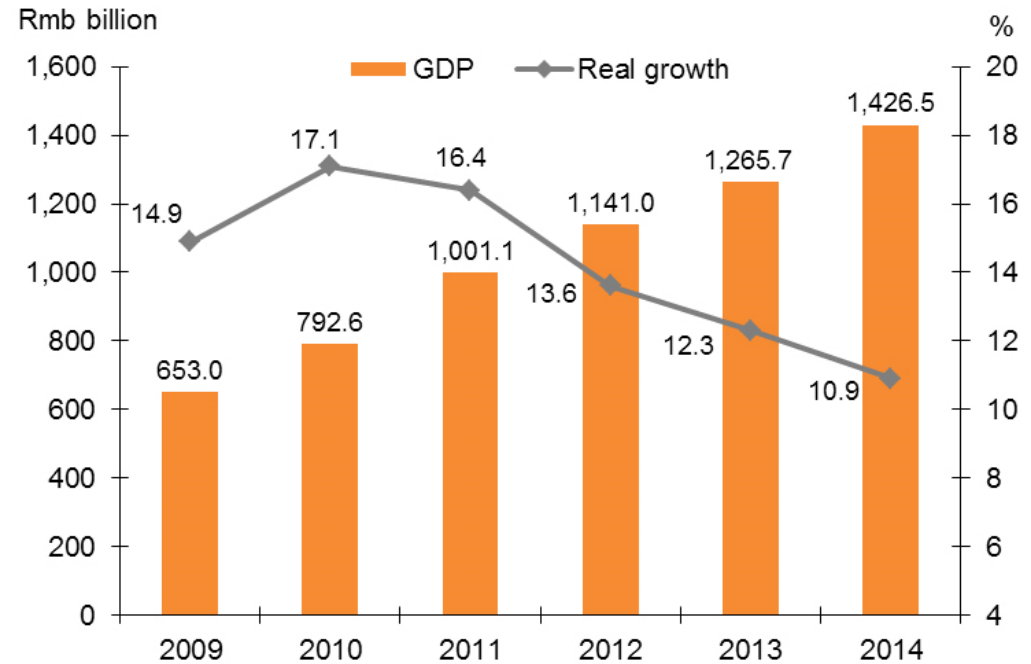
Per capita disposable income and consumption expenditure of urban households in Chongqing



* The 2014 figures have a different statistical scope than previous years and therefore cannot compare with previous figures.

Sources: *Chongqing Statistical Yearbook 2014* and *Communiqué of Chongqing Municipal Statistics Bureau*

Chongqing's GDP in recent years



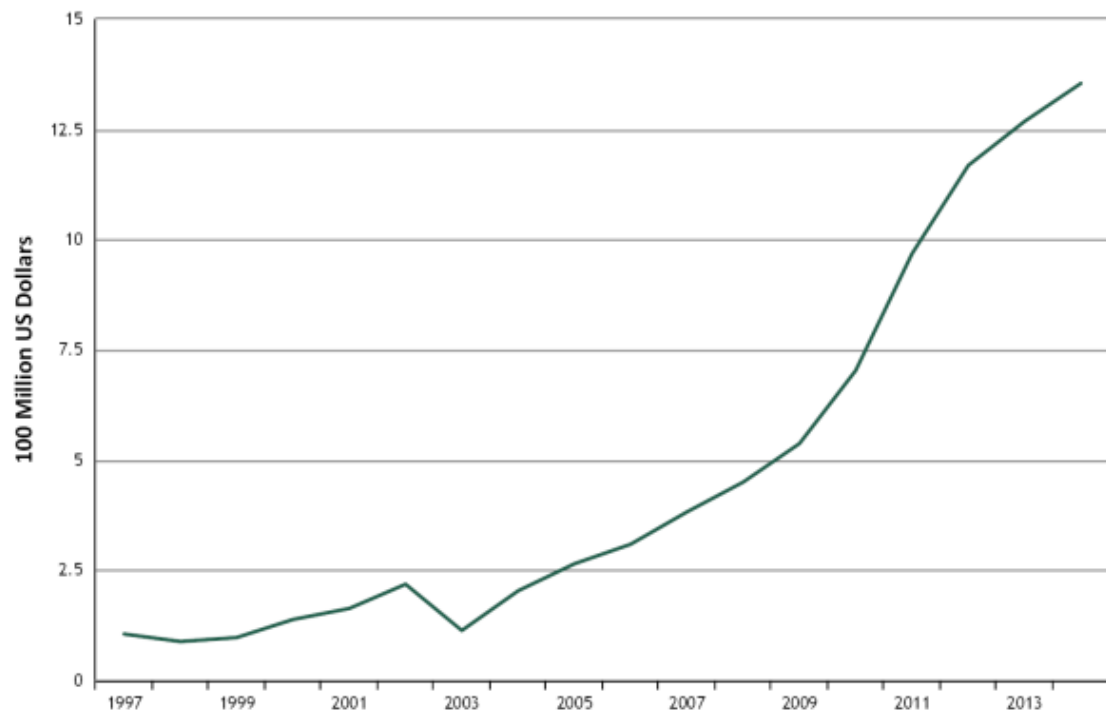
Sources: *Chongqing Statistical Yearbook 2014* and *Communiqué of Chongqing Municipal Statistics Bureau*

CHONGQING-CONTINUED

Chongqing - Foreign Exchange Earnings from International Tourism

13.5

(100 Million US Dollars)
in 2014



[View source's information](#)

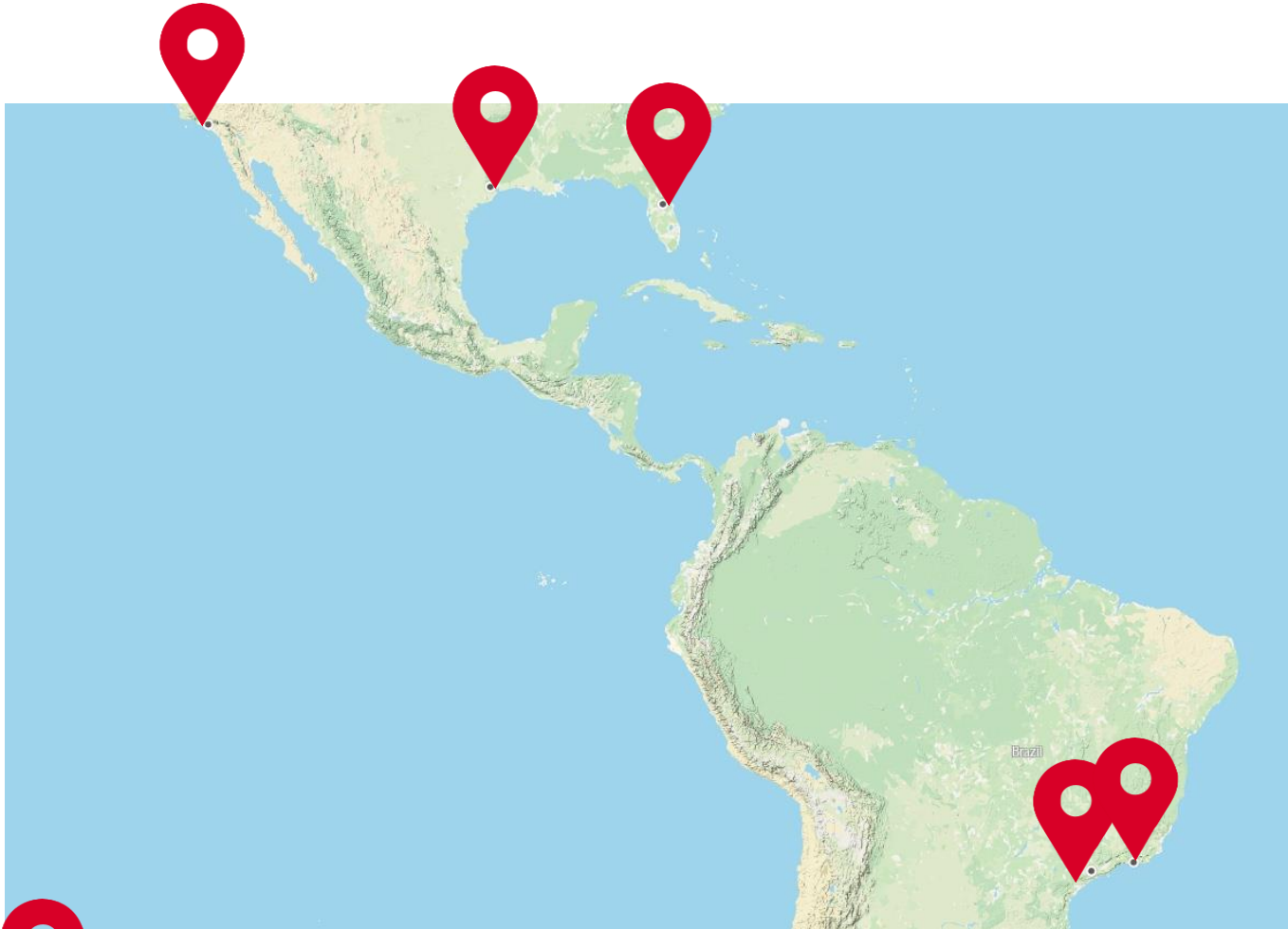
2025

Population:
16 million

2015

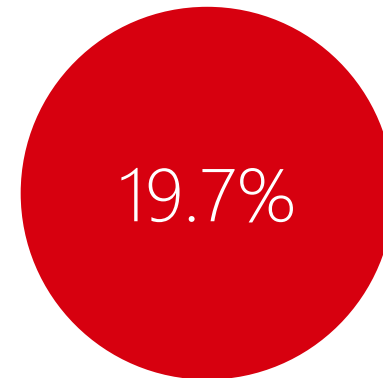
Population:
13 million

BOGOTA



Emirates' Presence

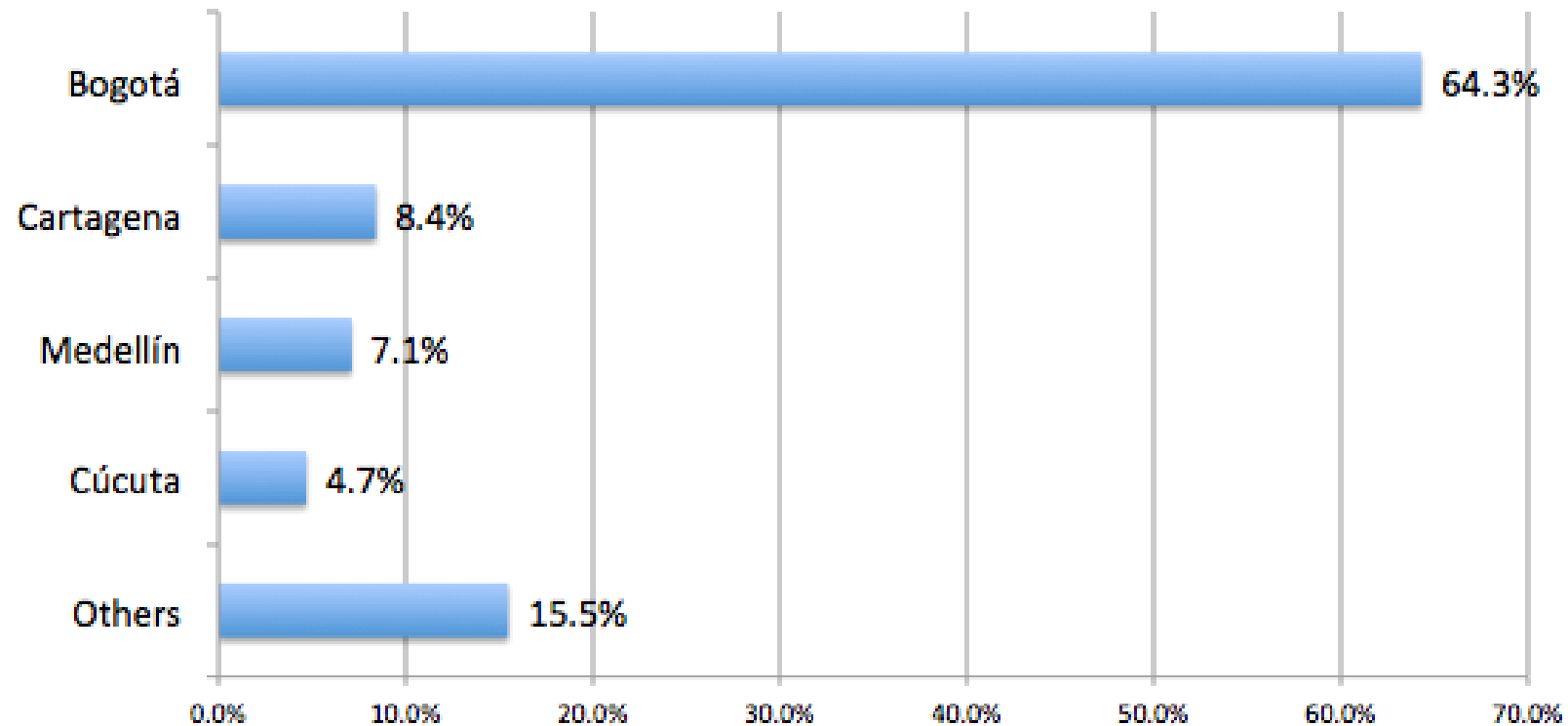
\$17b USD for infrastructure investment over the next 5 years



PPP forecasted growth

BOGOTA-CONTINUED

**Entry Point in Colombia for Foreigner Vistors
(Non-Residents, January to March 2015)**



Source: Colombia Ministry of Industry and Tourism

INDONESIAN FOREIGN DIRECT INVESTMENT

2014				2015				Total
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Domestic Direct Investment	34.6	38.2	41.6	41.7	42.5	42.9	47.8	46.2
Foreign Direct Investment	72.0	78.0	78.3	78.7	82.1	92.2	92.5	99.2
Total Investment	106.6	116.2	119.9	120.4	124.6	135.1	140.3	145.4

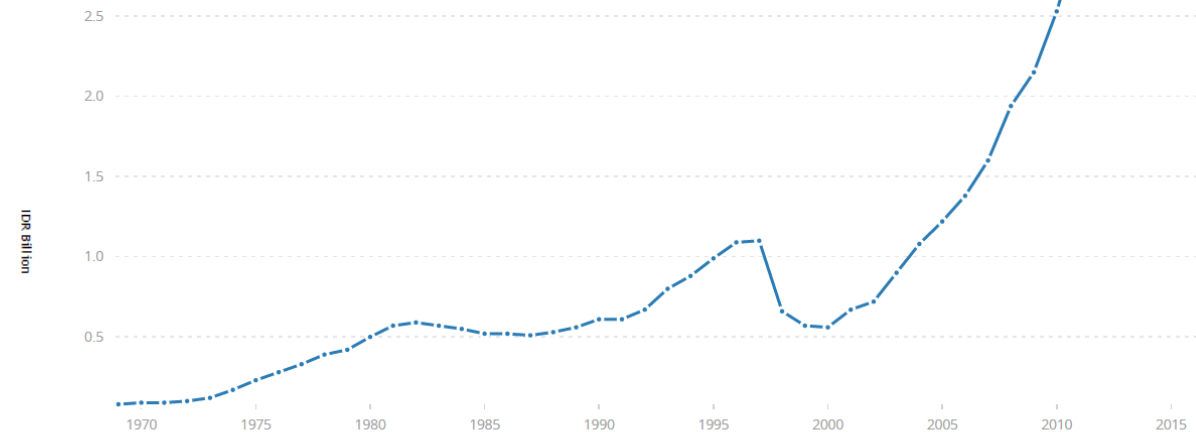
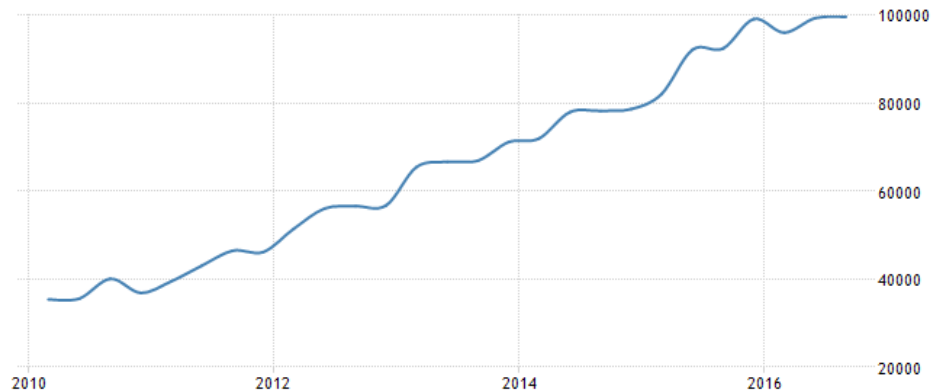
87.2% Muslim

10 million+
tourists
annually



GNI per capita

INDONESIA FOREIGN DIRECT INVESTMENT



EMIRATES SPONSORSHIPS



Football	Rugby	Tennis	Golf	Cricket
Asian Football Confederation (AFC)	Rugby World Cup 2015 & 2019	Emirates Airline US Open Series	Hong Kong Open	Durham County Cricket Club
Arsenal FC and Emirates Stadium	IRB Referees and Match Officials	Dubai Tennis Championships	DP World Tour Championship	Emirates Elite Panel of ICC Umpires
AC Milan	USA Rugby	US Open	BMW International Open	ICC
S.L. Benfica	HSBC Sevens World Series	Rogers Cup	WGC-HSBC Champions	Lancashire County Cricket Club
Paris Saint-Germain		BNP Paribas Open	Emirates Australian Open	
Hamburger SV		Internazionali BNL d'Italia	Australian PGA Championship	
Real Madrid C.F.		ATP World Tour	Lyonesse Open	
Olympiacos FC		Barcelona Open	Maybank Malaysian Open	
Arsenal Soccer Schools Dubai		Roland Garros	Alstom Open de France	
The Emirates Cup			The Irish Open	
Collingwood Football Club			Boeing Classic	

TIMELINE FOR EXPANSION

