

# West Atlantic Group - *Pioneers in regional air freight*

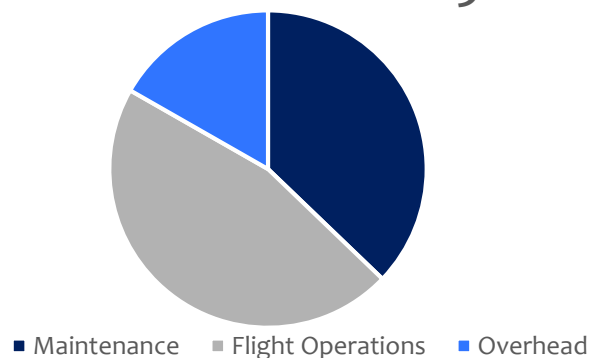
**Gustaf Thureborn**  
Group CEO & President



# Introduction

- Cargo airline group headquartered in Gothenburg, Sweden.
- Celebrated 20 years success with the same business model in 2015.
- Second Bond issued with Pareto in December 2015 (MSEK 850).
- 507 average staff YTD 15Q3 (+44YOY).
- 57 customised aircraft in the portfolio.

Staff division 2015





**“The vision of West Atlantic is to be the largest provider to NMOs in Europe and continuing to provide Global Integrators with regional capacity as needed, where needed. “**

## The air freight business



## Aircraft Fleet 2015-12-31

- <8,5 tonnes payload  
40 BAE ATP (-1 YOY)
- <6,5 tonnes payload  
3 CRJ200PF (+/-0 YOY)
- <18 tonnes payload  
11 Boeing 737-300/400 (+3 YOY)
- <50 tonnes payload  
3 Boeing 767-200/300 (+3 YOY)



## Operations

- Over 25 000 flights a year.
- More than 100 flights per night.
- Out of 100, 99 are dispatched according to plan.



West Atlantic Scheduled Airport



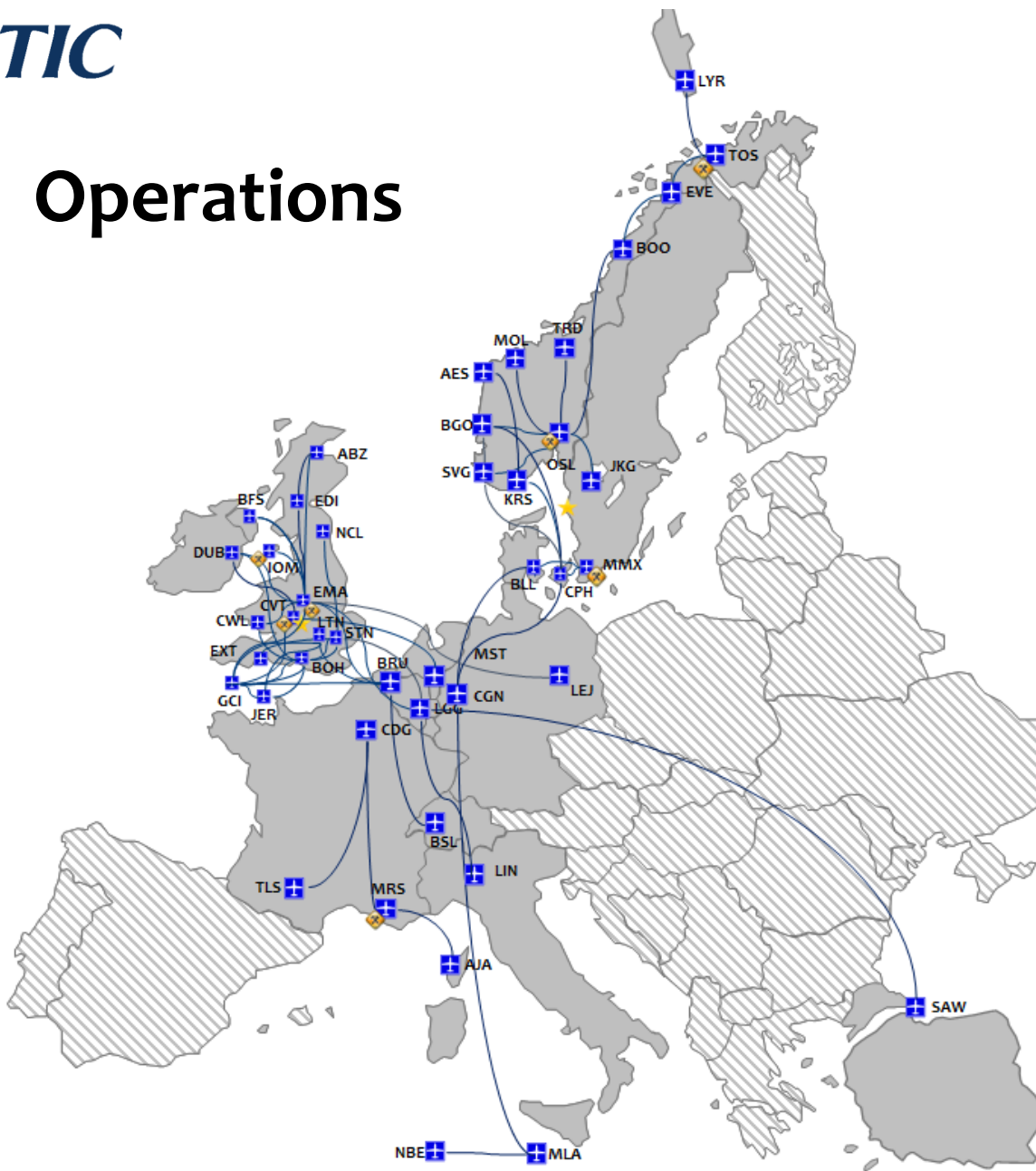
Main Offices (GOT / CVT)



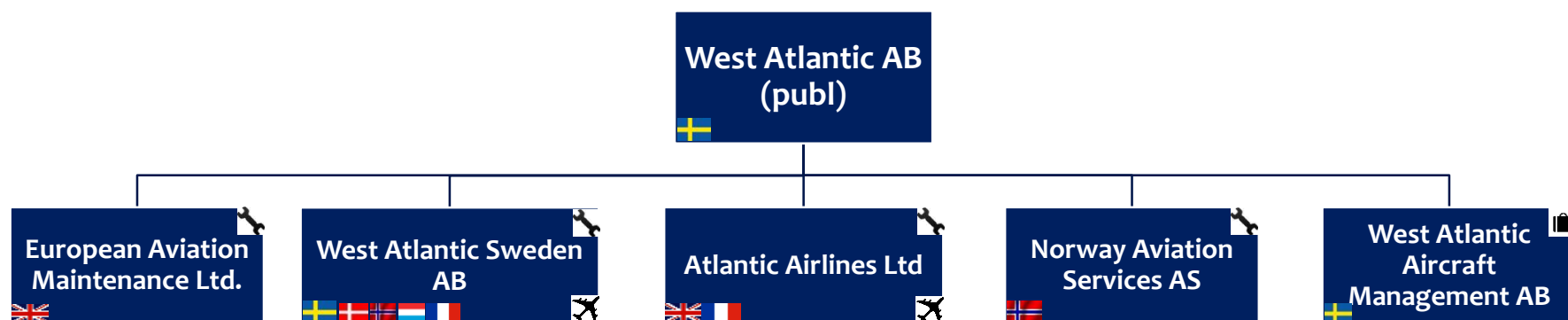
Maintenance base



West Atlantic Routes



## Group Structure



- Corporate presence in six countries with seven subsidiaries and four branches.
- All entities to be joint under the common trading name during 2016.

## Unique solutions

- Market leader in developing turboprop operations.
- Uniquely wide service offering in EU operations.

Proven capability to significantly refine services, such as:

- E-Class cargo compartment introduction to regional aircraft.
- Increased cabin utilisation by 30%, dedicated for cargo only.



## Roll-on Roll-off Mail

- Developed RORO-mail for national mail organisations.
- Allowed loading of mail trolleys directly between trucks and aircraft.
- Significant savings in manpower and time.



## Large cargo door & Containerisation

- Introduced containers to regional aircraft.
- Possible to pre-sort and divide cargo into containers;  
From 45 min bulk-loading to less than 10 min.
- Direct container transfer (interlining) to global range widebody aircraft.
- Largest fleet of large cargo door equipped turboprops globally.



## General market

- Few competitors in Europe, market consolidating from ~30 competitors in 1996 to ~10 today, with only three new entrants since 1996.
- Stable competitive dynamics – varies by aircraft type, customer or region.
- Significant entry barriers with asset availability and requirements of operating experience.
- Political barriers with cabotage and foreign ownership limitations (*non-EU*).



## General market (cont.)

- Ongoing market shift as customers demand larger aircraft for increased volumes.
- WA's response to broaden the commercial platform has been successfully completed as the Group now offers 8 - 50 tonnes payload capacity throughout European operations.



CRJ200PF (<7 tonnes)



BAe ATP-F (<8 tonnes)



B737 (<20 tonnes)



B767 (<50 tonnes)

## < 8 tonnes market

- Three main competitors in Europe operating ATR72 or Fokker 50.



- Difficult to source attractive aircraft, either too expensive or insufficient payload capacity.
- CRJ200PF is a niche aircraft that offers excellent performance on longer but thinner routes where speed/range is essential.



BAe ATP-F



CRJ200PF

## < 18 tonnes market

- Competition with narrowbody capacity is greater as more operators are active in this segment.




- Feedstock aircraft are available but freighter conversion slot availability remains a global bottleneck.
- WA benefits from existing economies of scale in its organisation that allows us the possibility to deliver at competitive rates.



Boeing 737

## < 50 tonnes market

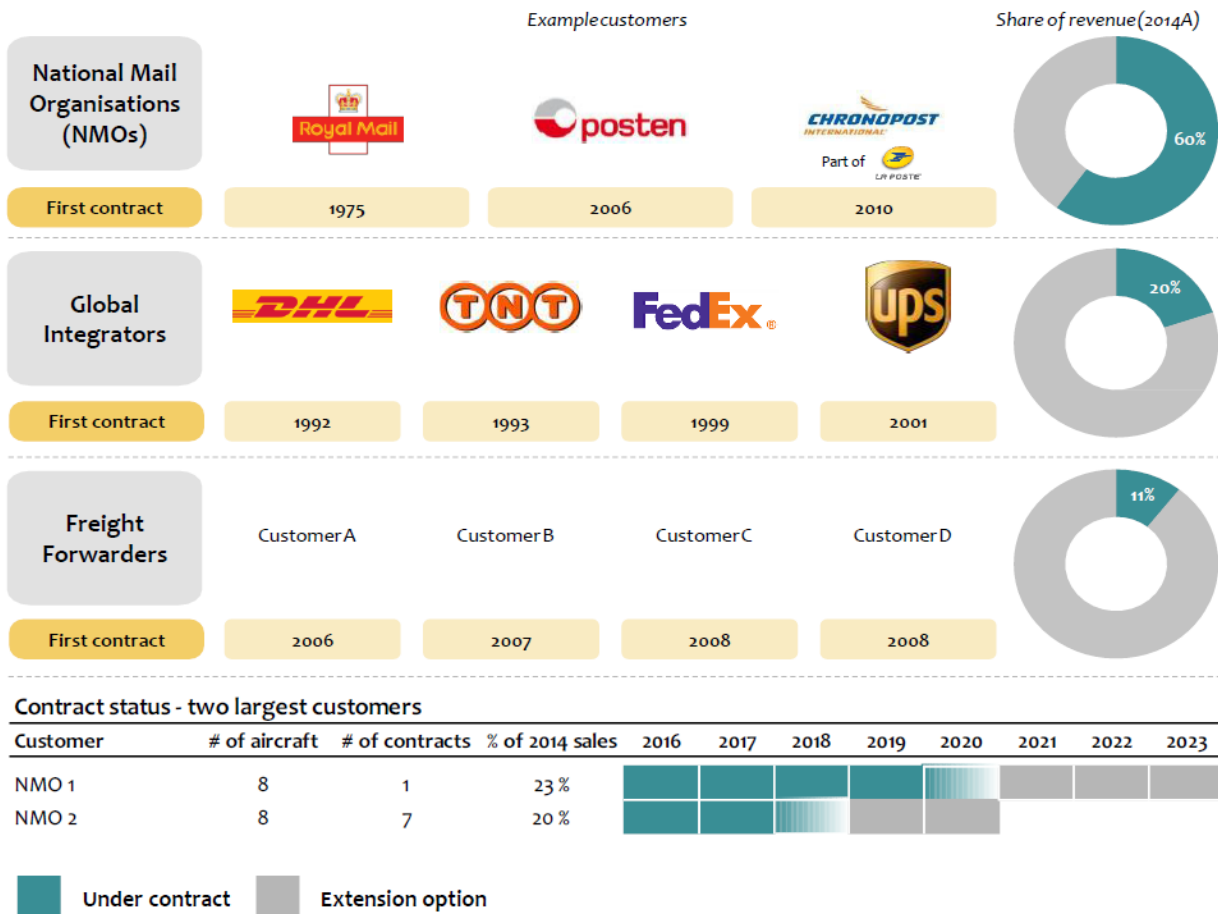
- B767 successfully introduced to commercial operations in April 2015 with three aircraft in service at year end.
- Competes in the EMEA region with only one other major outsourcing provider, which is dedicated to one integrator.  **STAR AIR**
- WA benefits from existing economies of scale in its organisation that allows us to deliver the capacity at competitive rates.
- Air Transport Services Group, Inc.'s (NASDAQ: ATSG) equity holding in WA offers major advantages within the strategic partnership as ATSG is the largest operator of B767 converted freighters in the world.



Boeing 767

## Customer Portfolio

- West Atlantic benefits from longstanding, strong relationships with loyal, credit-worthy customers
- The four largest customers have been with the Group for 9, 40, 23 and 22 years, respectively
- High customer retention due to close customer cooperation in developing innovative solutions such as RoRo mail (developed with Norwegian and Swedish NMOs)
- Nearly 2/3 of sales derive from the most stable customers, namely NMOs
  - Lack of in-house capabilities
  - Long contract tenors
  - Each NMO has at most only a handful of suppliers (Posten Norge has only one, West Atlantic)
- The Group's five largest customers accounted for 72 per cent of revenues in 2014
- Contracts with two largest customers not due to expire until mid-2020 and mid-2017, respectively, but with 2-3 year extension options



# Proven business model with 20 years of Growth

## At a glance

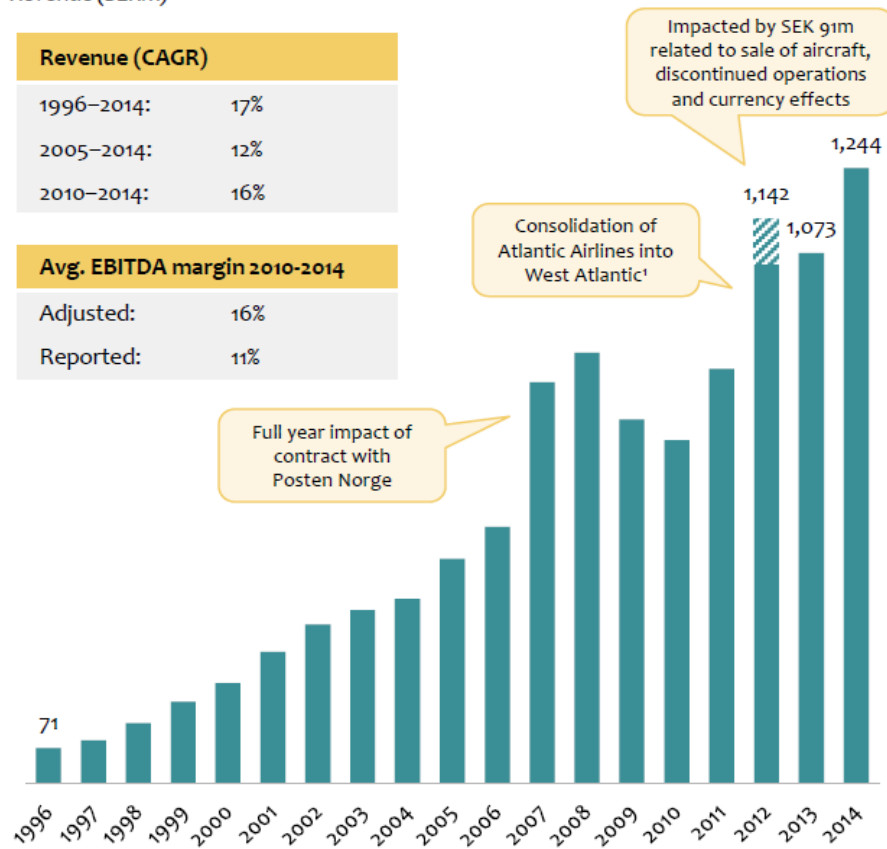
- Dedicated provider of air freight solutions since 1995, originally founded in the 1960s.
- One of the market leaders in the intra-European market.
- Contract-based operations, revenue regularly recurring.
- Well established geographical network based from six major hubs.
- Large fleet of 49 customised aircraft in service, the majority wholly owned.
- Strong track record of reliable and efficient operations, >99% flight dispatch regularity.
- Reported revenue of SEK 1.2bn and adj. EBITDA margin of 18% for 2014.
- Over 500 FTEs with HQ in Gothenburg, Sweden

## Impressive financial track record

Revenue (SEKm)

Revenue (CAGR)	
1996–2014:	17%
2005–2014:	12%
2010–2014:	16%

Avg. EBITDA margin 2010–2014	
Adjusted:	16%
Reported:	11%



# Quarterly development



- Sustained growth in revenue streams with stable EBITDA.
- EBITDA impaired during 2014 by nonrecurring costs with the introduction of new aircraft types (B737-400 and B767-200) and by further expansion in 2015.
- Ongoing consolidation of operations to further economics of scale.

# Outlook to 2020

- Stable core business with recurring demand from national mail organisations and global integrators driven by the growing e-commerce.
- Appealing market position in response to market shift toward larger payloads
  - Norwegian Post, eight <8 ton aircraft awarded for up to eight years.
  - Successfully widened service offering to span 8 - 50 tonnes payload in 2015.
  - Gained entry to several new and existing customers with added capacity.
- Further consolidation efforts in the Group to increase economies of scale.
- Continued low fuel prices positive for demand of air freight.
- Consolidation of the marketplace may offer interesting possibilities in terms of mergers and/or acquisitions.

# Executive summary

- Successful strategy and concept for 20+ years.
- Highly experienced management team.
- Strong sales development and ongoing internal consolidation.
- Longstanding relations with national mail organisations and global integrators.
- Leveraging the Groups' assets and knowhow to refine services continuously.
- Expansion plans – further developing the B737 and B767 markets.



Thank you for your attention.

Any questions?