

EVOLUTION OF AIRLINE ALLIANCES

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EVOLUTION OF GLOBAL ALLIANCES



- I. Interline Ticketing & Baggage (ITB) agreements
- 2. Codeshare agreements
- 3. Bilateral blocked space arrangements
- 4. Multicarrier agreements (oneworld, SkyTeam, Star) extending into broader marketing, purchasing, sales, etc.
- 5. Bilateral Joint Ventures
- 6. Multilateral Joint Ventures

OVERVIEW OF GLOBAL ALLIANCES



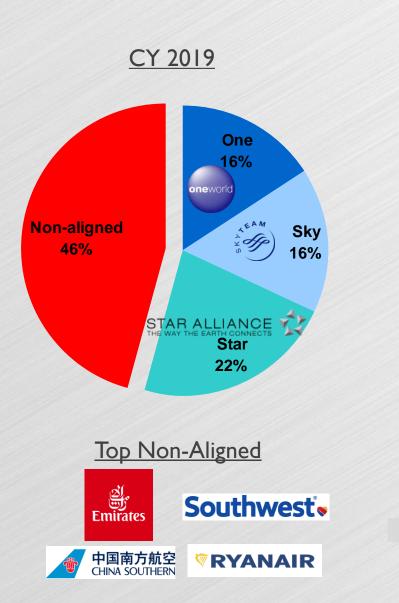


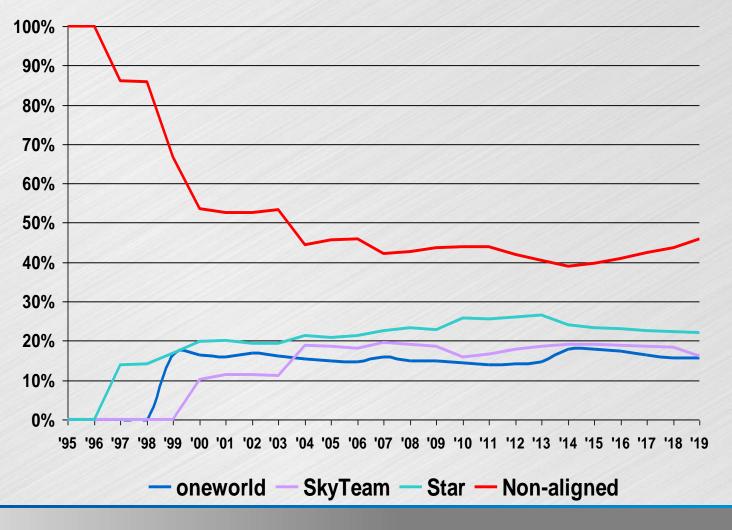
GLOBAL ALLIANCE SHARES

NOTE: BASED ON ASM'S



SOURCE: OAG AND INNOVATA SCHEDULES







UNITED/AVIANCA/COPA JV HAS YET TO BE FILED WITH THE U.S. DOT

AER LINGUS JV APPLICATION PENDING WITH THE U.S. DOT

JOINT VENTURES HAVE DEVELOPED AN INDUSTRY WITH DEEPER PARTNERSHIPS



RECENT/PENDING JV APPLICATIONS

AA

- ✓ American Qantas
- Hawaiian Japan Airlines (In appeals)
- Delta WestJet
- ✓ Delta/Air France/KLM/Virgin Atlantic (Blue Skies)
- United/Avianca/Copa (+Azul?)
- American LATAM
- Delta LATAM



LATAM LEAVING AMERICAN FOR DELTA



- Announced in September, much to the surprise of many, likely including American and other oneworld members
- Delta will buy 20% of LATAM for \$1.9BB and acquire 14 Airbus A350-900s (4 in service and 10 on order)
- LATAM was not only an American partner, but also an early member of Oneworld in 1999, and expect to leave Oneworld by Oct. 1, 2020
- Codeshare will start in QI 2020 between Delta and LATAM's subsidiaries in Colombia, Ecuador and Peru
- Expect DL to add more flights at MIA and LATAM to add flights to DL hubs

SO WHAT?



- According to American, partnership provided less than \$20 million of annual incremental revenue to American and a JV without Chile would have generated even less
- Delta needed to catch-up with United in Latin America but worth it to buy aircraft and invest \$2B in LATAM?
- Delta/SkyTeam had a low share in U.S.-Peru/Brazil/Colombia/etc.
- Will GOL replace LATAM as AA's primary Latin American partner?
- Could other airlines start to change dance partners?

WHAT WILL DELTA'S ALLIANCE STRATEGY LOOK LIKE GOING FORWARD?



 Delta CEO Ed Bastian told Bloomberg that SkyTeam may not be the future for Delta and that they can carry out their goals with direct investment

"One of the things that has not been successful in the airline world are the alliances. We, self-critical, SkyTeam alliance I don't think we've brought a lot of great value to customers, I don't think we've brought a lot of great value to our member airlines. And we're going at this thing in a very different approach."



CONSIDERATIONS FOR FUTURE OF ALLIANCES



- Can LATAM and Aer Lingus be successful being "alliance adjacent?" Can they cover enough markets? Is it working for JetBlue and Alaska?
- Aer Lingus tried to go it alone and now entering JV with oneworld members
- What happens when your country coverage disappears?
- Who will be interesting targets for alliances? Azul? TAP? SAS?
- Co-location could be a challenge if more airlines change/drop alliance membership (e.g., JFK and LHR)
- Will we see more JV's shift to the JetBlue and Southwests of the world in the future?
- Icelandair struggle in medium sized markets for onward traffic

CONSIDERATIONS FOR FUTURE OF ALLIANCES



- Certain markets will restrict JV expansion due to bilaterals like China
- Will some alliance partners finally play nice?
- Will airline partnerships outside alliances continue and grow? (e.g., QF-EK)
- Will we see airlines like Alaska, JetBlue and Norwegian involved in JV's?
- How do new carrier models affect JV's? (e.g., Rouge and Eurowings)

