



# **Presentation to ASA**

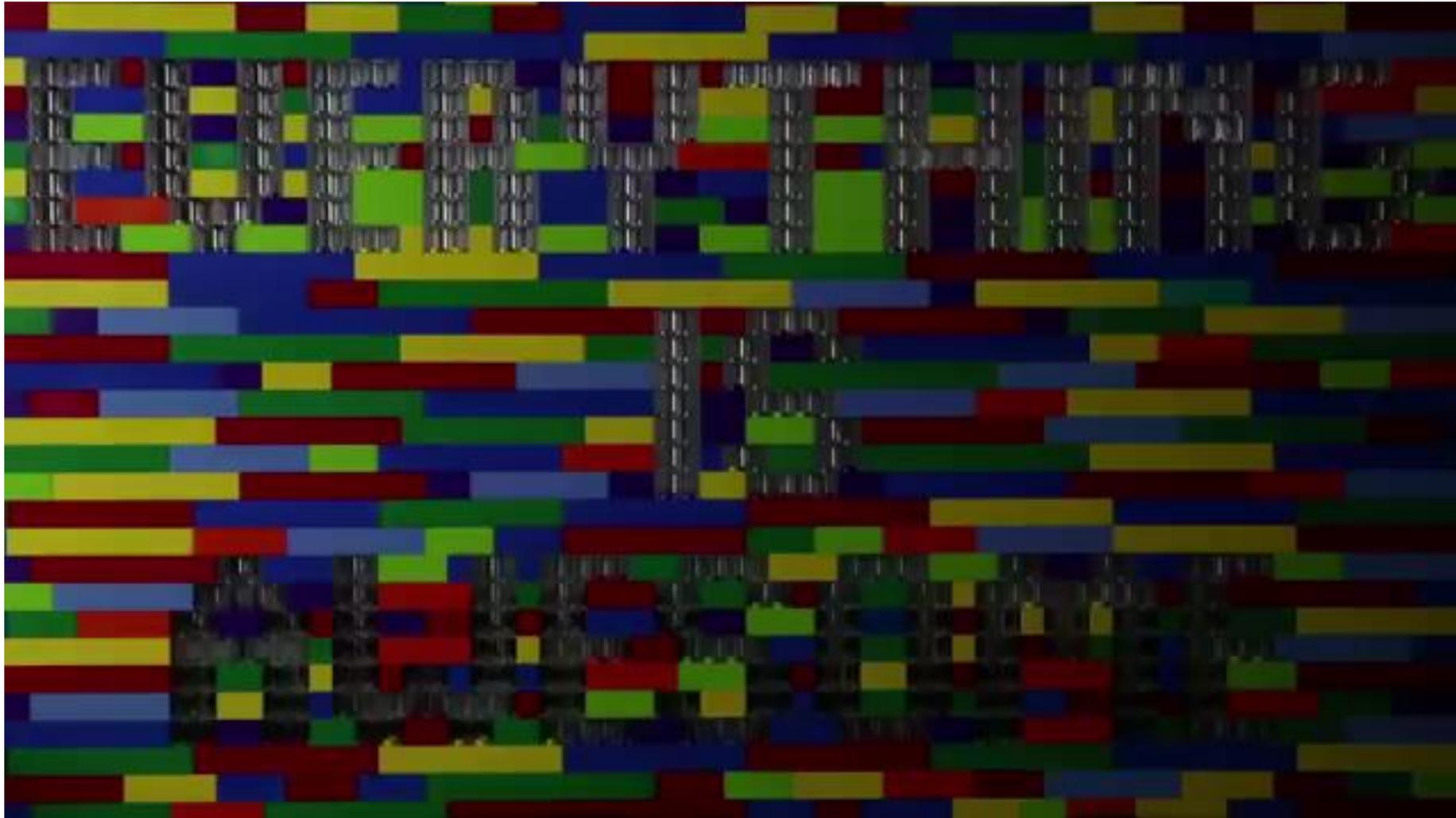
**Adam Pilarski,  
Senior Vice President, AVITAS, Inc.  
July 15, 2019  
Montreal, Canada**

# Topics

- Where are we in the cycle?
- What new products to expect?

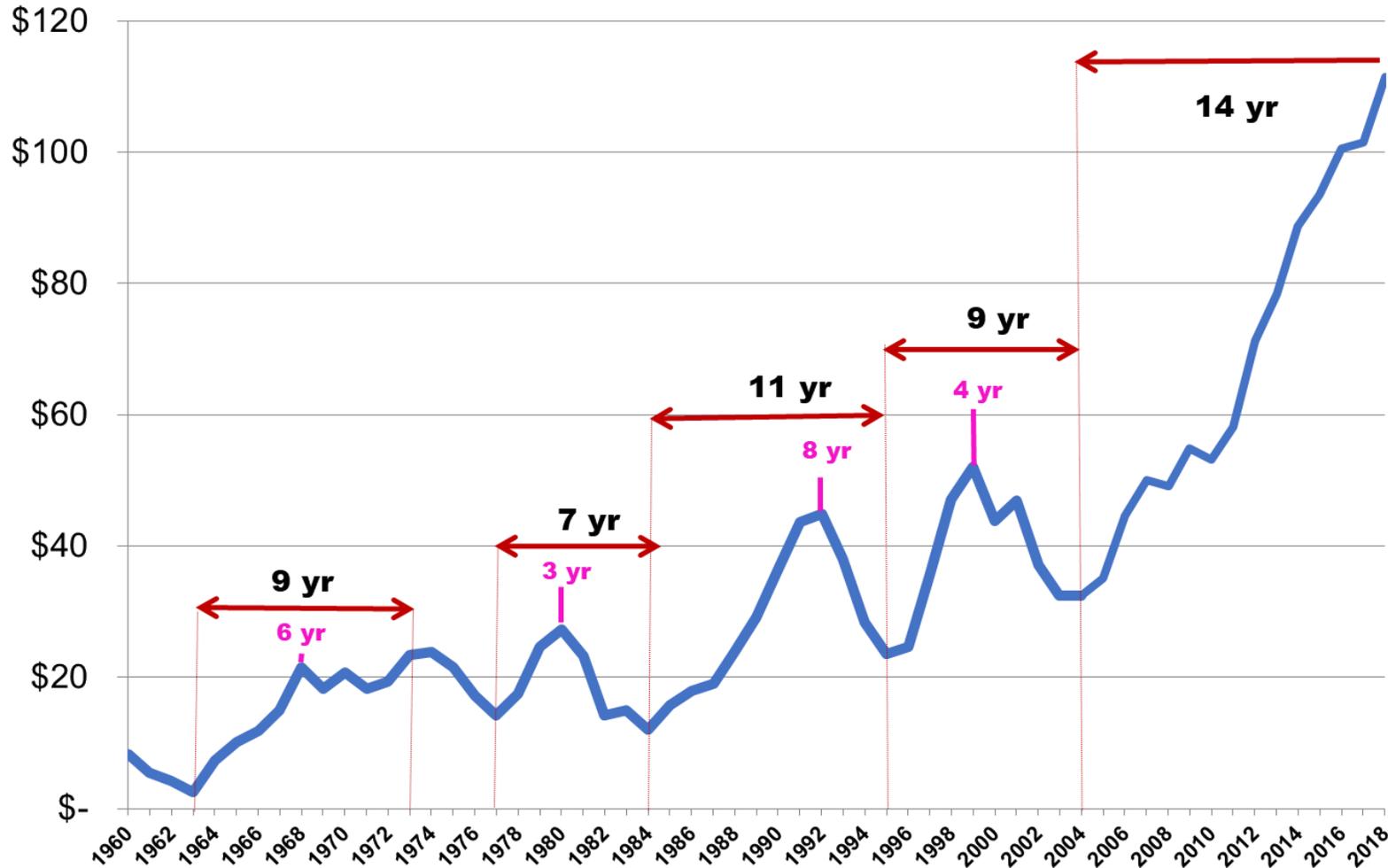
**Where are we now?**

# Everything is awesome



## Value of Deliveries - Narrowbody and Widebody Aircraft

US\$ Billions



Source: AVITAS estimates based on the *AVITAS BlueBook of Jet Aircraft Values*

# Possible explanations for mother of all cycles

- **Period of high oil prices**
- **Period of low interest rates**
- **New airplane type phenomenon**
- **Leahy effect**

- **New players in the market**
  - Airlines
  - Lessors
  - Manufacturers

**If there is a bubble – how can it burst?**

- **Traditional way**
- **Interest rate rise**
- **China**
- **Middle East**

## One Likely Scenario

- **737 MAX grounding helped soften bubble during high season**
- **Return of MAX during low season will inflate bubble further**
- **Some airlines/lessors go under**
- **Cancellations**
- **Losses**
- **Lice**
- **Pestilence**
- **Locusts.....**





- **What products to expect?**

# **NMA or NSA?**

## **Which will come first?**

# What is it (NMA)?

- **Wide body at Narrow body economics**
- **Range**
  - 4,000-5,000 miles
- **Market**
  - Same (4,000-5,000)
- **Seats**
  - 220-270

- **No moonshot**
- **Focus on manufacturing/new paradigm**
  - Design philosophy
- **Simplicity / Vertical integration**
- **Third pillar of Boeing entity/services**
  - Relationship with suppliers
- **Model based systems engineering**

- **Short term**
- **A321 successes**



### **A321neo/A330neo profitable partnership**

- **Airbus new generation solution for short to medium haul**
- Market leadership
- Family commonality benefits



**A330-300/900**



**A330-200/800**



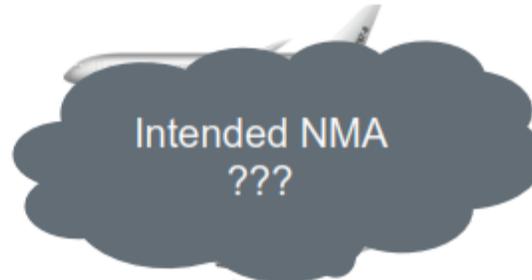
**A321/A321neo**



**A320/A320neo**



**787-9**



**737-900/MAX9/MAX 10**



**737-800/200/MAX 8**

Fleet simplification and profitability

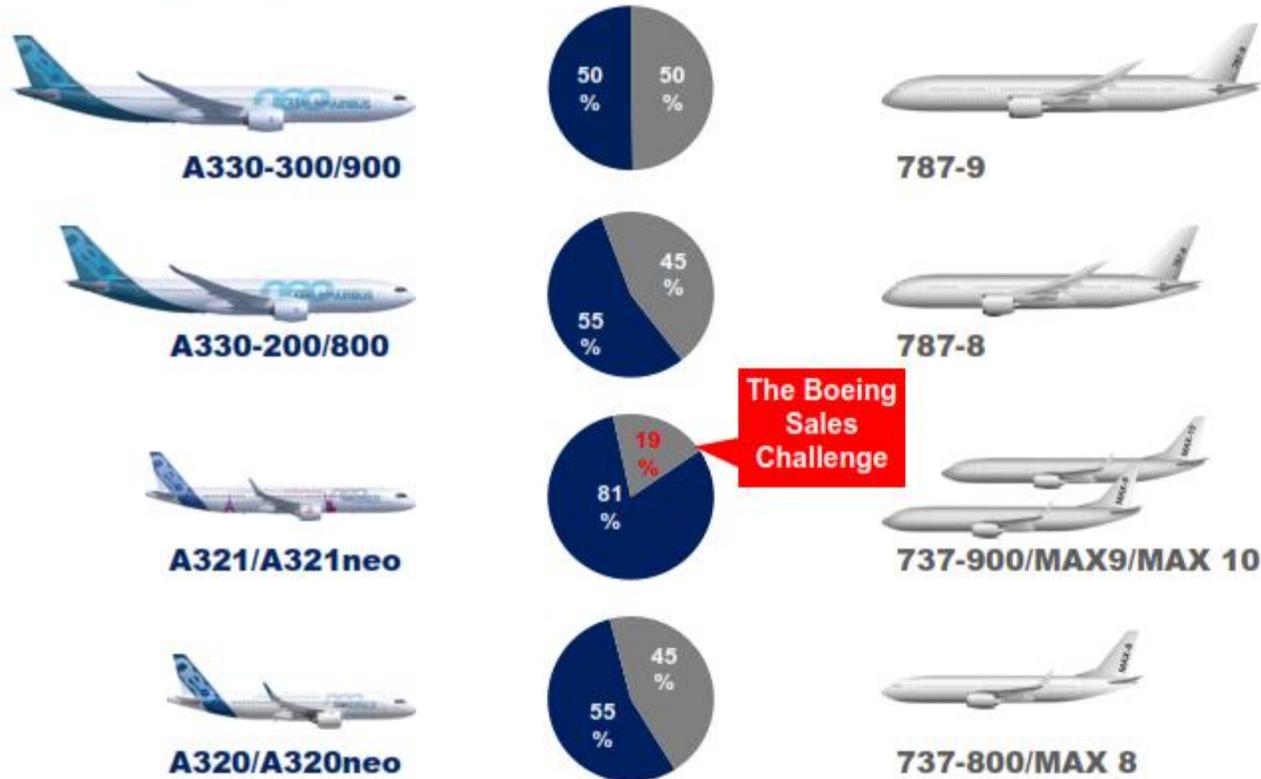
Airbus Solution:  
**2 partner fleets**

Boeing solution:  
**3 dissimilar fleets**

**AIRBUS**

## Airbus leads the large single aisle and mid-size widebody market

Net sales market share



A321neo/A330neo

New generation

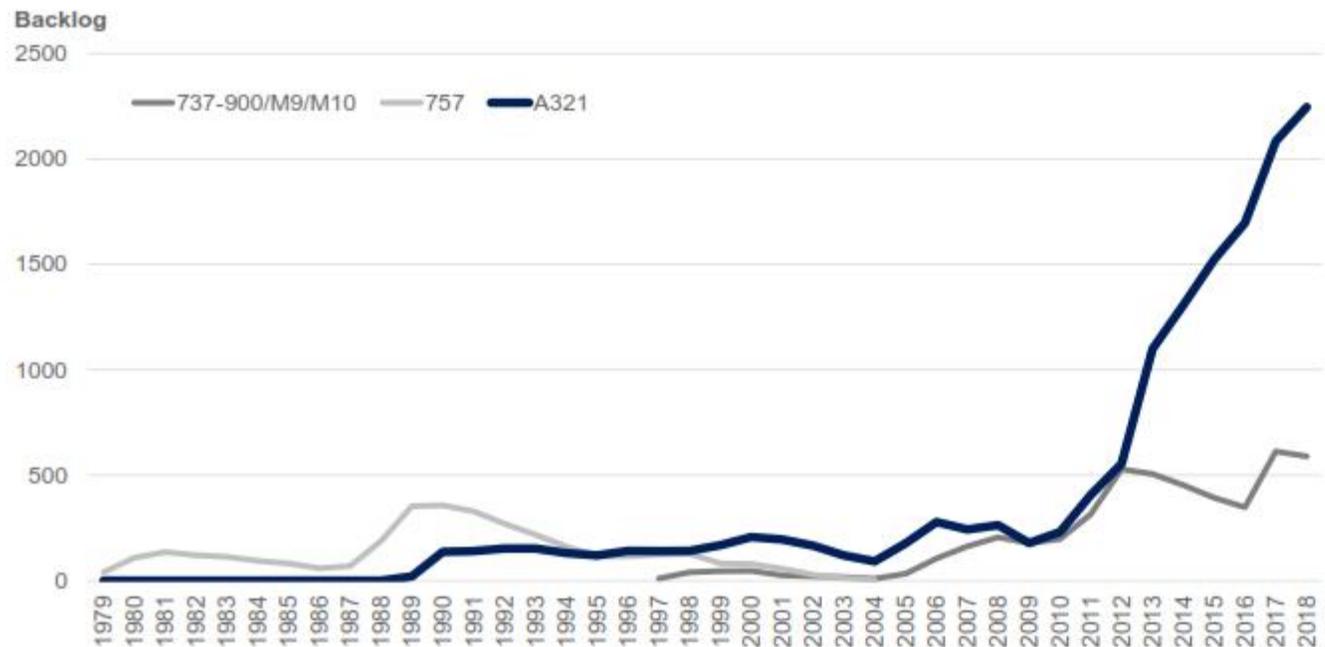
Unmatched Family commonality

Easy fleet management on airlines network

Commercial passenger aircraft  
Widebody sales since A330neo launch – July 2014  
Single aisle sales: since A320neo launch – December 2010  
737MAX sales FlightGlobal Fleet Analyser  
Data as of end December 2018

**AIRBUS**

## A321 has a very strong backlog



A321 is by far  
the best  
selling large  
single-aisle

A321 backlog has  
increased  
consistently since  
2010.

Launch of 737  
MAX 10 has done  
little to improve  
Boeing's market  
share

Backlog at each year end.  
Source: FlightGlobal Fleets  
Analyzer

**AIRBUS**

# Why?

- Long term
- Build it, he will come
- Prevent 787 debacle from happening ever again





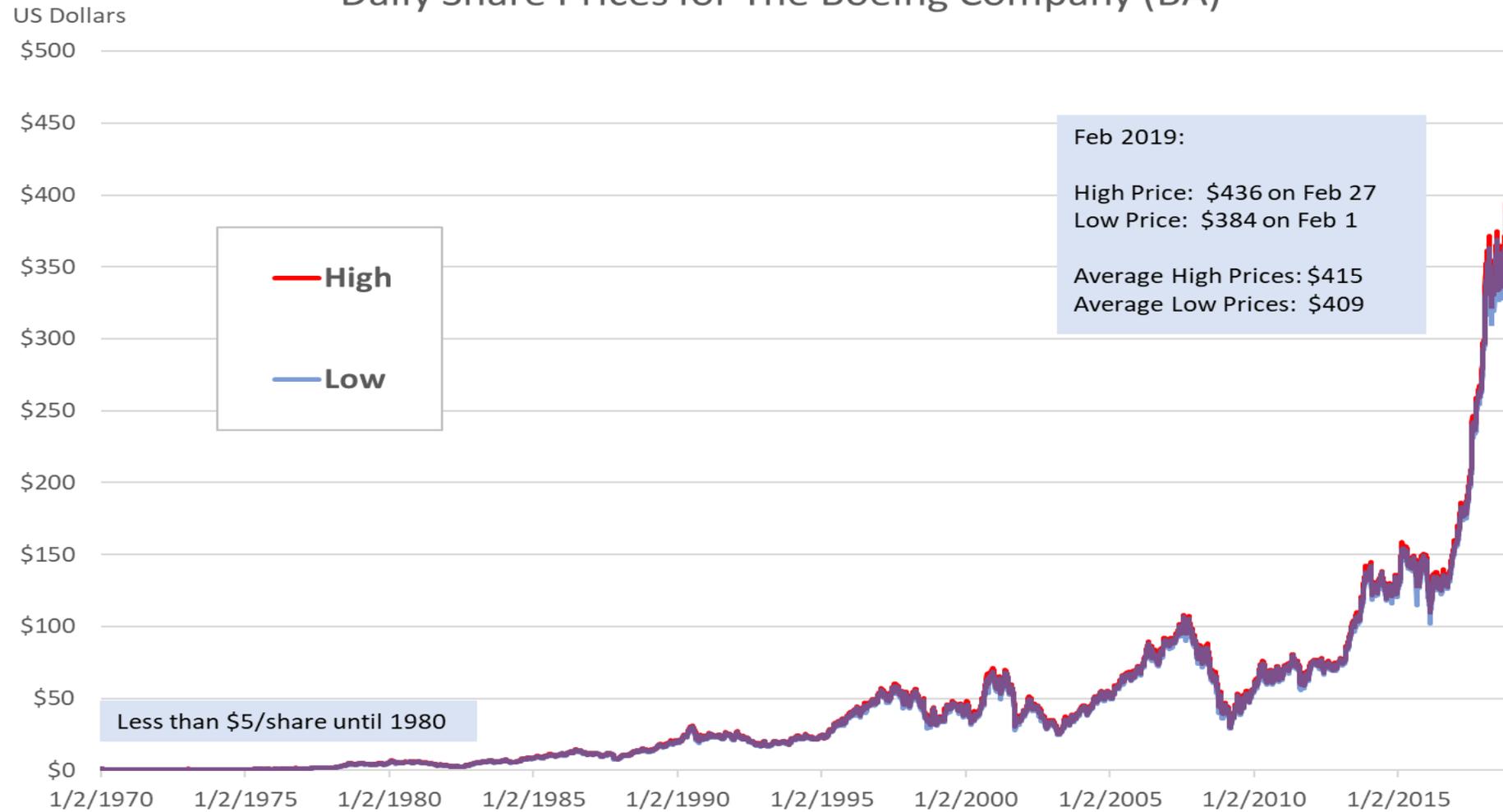
- **Cultural Revolution may be needed to prevent meltdown like with 787 (we were not ready in 2011 when I predicted MAX)**
- **Short term solution to A321 beating MAX**

## ■ Duopoly

- Both producers increase prices, maximize profits
  - No innovations necessary
- With Bombardier/Embraer developments we are in an even more duopolistic market

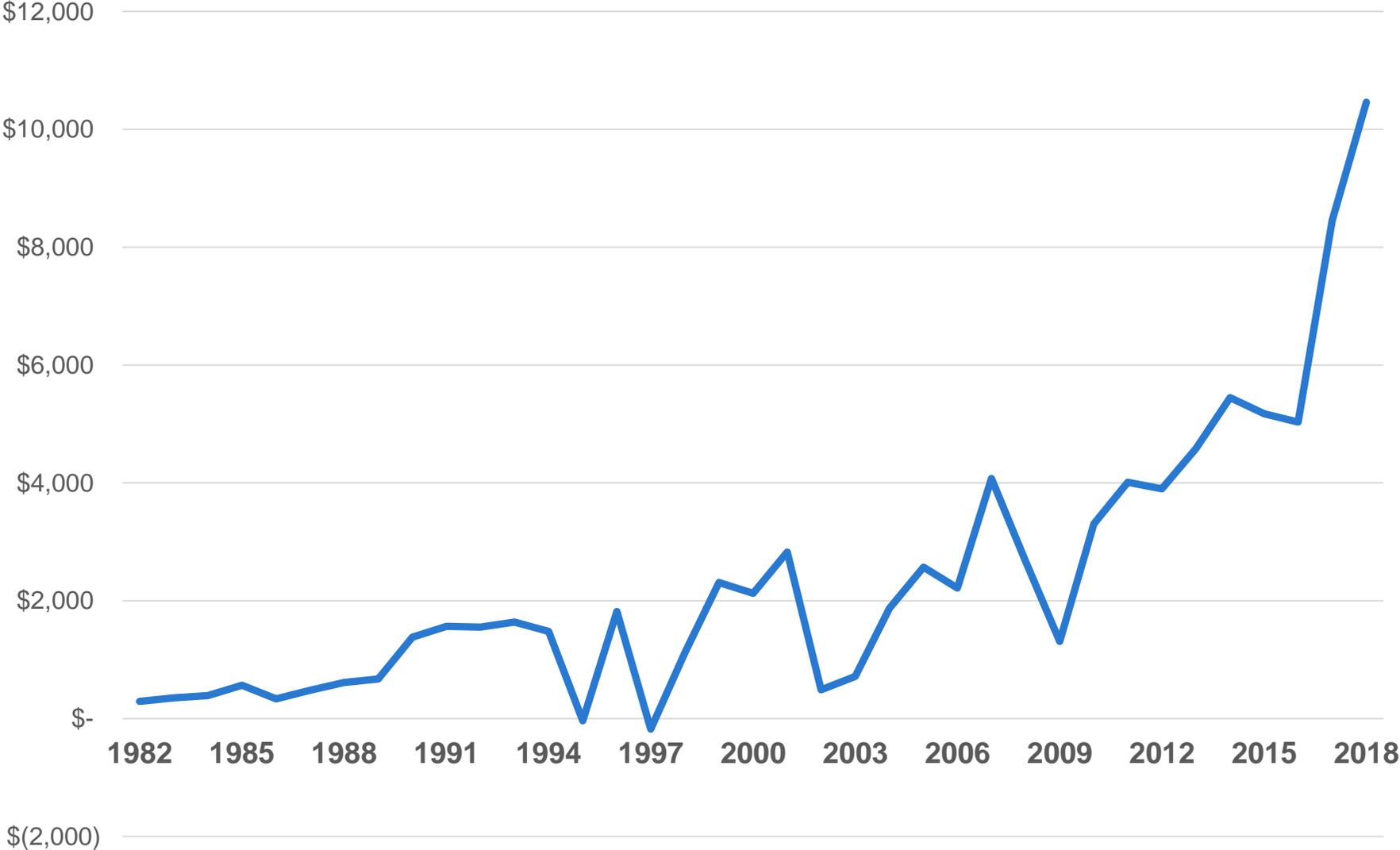
**Boeing has money & high share value  
– hence wants to spend money**

## Daily Share Prices for The Boeing Company (BA)



# Does Boeing need to act?

## Boeing Annual Net Earnings



- **Short term**

- NMA will not rectify the A321 situation

- **Long term**

- No obvious reasons exist

# **Is NMA really No More Airbus?**

- **No short term reasons**
- **No long term reasons**
  - Duopoly market
- **No financial reasons**
  - Boeing has plenty of money

So....

- No
- No
- No

**So will they?**

**YES**

# STRATEGIC reasons

# **The Plane That Never Should Have Been Built: The A380 Was Designed For Failure**

Forbes, February 15<sup>th</sup>, 2019

- **Airbus's strategic interests are served by launching the A3XX. Market considerations, however important and however debated within the industry, are not of material consideration**
- **The A3XX – an Inevitable Decision**
  - Airbus has every reason to launch the A3XX. It needs the airplane to be on an equal footing with Boeing's so Airbus can realize its goal of capturing 50 percent market share. The introduction of this very large plane will end Boeing's monopoly in this aircraft category and put pressure on the U.S. company's pricing policies. Airbus will be able to secure the final subsidies prior to incorporation. The A3XX project will serve as a massive jobs and economic development program for Europe, and it will satisfy the dual purposes of technological development and national pride.

Rational economic analysis of the strategic interests and objectives of Airbus must lead one to no other conclusion than that the development of the A3XX is inevitable. Its go-ahead is a forgone conclusion; the only question is one of timing.

- **Have money**
- **Need to fix/repent for the initial 787 debacle**
- **Need work for very skilled group of people**

- **Single engine supplier**
- **Will take their sweet time**
- **Eventually will have an outstanding product**

## **NSA**

- Bread and Butter for Boeing
- Immediate concern/urgency

## **NMA**

- Smaller scale cultural revolution
- Incorporate improvements for NSA

- **Temporary adjustment coming**
- **Boeing will proceed with NMA, ahead of NSA**
- **Aviation is wonderful, a basket of puppies**





Diamond Jubilee  
1952 - 2012

Burnett's Highland Chocolatier  
THE HIGHLAND CHOCOLATIER

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Diamond







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