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# Presentation of second quarter 2024

12 July 2024





## **Q2 profit before tax (EBT) NOK 477 million**

- group operating profit (EBIT) NOK 593 million
  - Norwegian EBIT NOK 391 million
  - Widerøe EBIT NOK 202 million
- strong quarterly cash flow
  - NOK 823m dividend fund set up
- improving cost performance in quarter
  - unit cost excl. fuel down 2% YoY

## **Preferred travel partner throughout Nordics**

- 340 Norwegian summer routes across attractive network
  - close to 100 Widerøe routes
- operational excellence through quarter
  - Norwegian (DY) most punctual European airline in May (Cirium)
- customer satisfaction record high – NPS 53

## **Focused on summer season execution**

- capacity increase in Q2 (19% YoY) coinciding with demand softening
  - utilising fares to fill seats
- CBA agreements reached with pilots and crew
  - avoiding significant operational disruption
- fleet impacted by Boeing delays
  - incurring external capacity cost to deliver on program

## **Preparing for winter season ahead**

- exciting routes launched for Northern Norway travel and warmer holiday destinations
- increased corporate traffic dampening seasonality
- linking network with Widerøe this winter

## **Loyalty partnership with Strawberry agreed**

- 10-million strong membership base
- world-first multi-partner offering
  - new partners to be added
- market launch targeted for second half 2024



Number of passengers in second quarter (group)

**7.3** million (+30% YoY)

**Load factor**  
(change YoY)



**Norwegian capacity (ASK)**

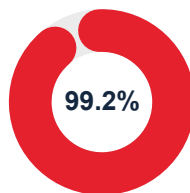


**Q2 operating performance (Norwegian)**

**Punctuality**

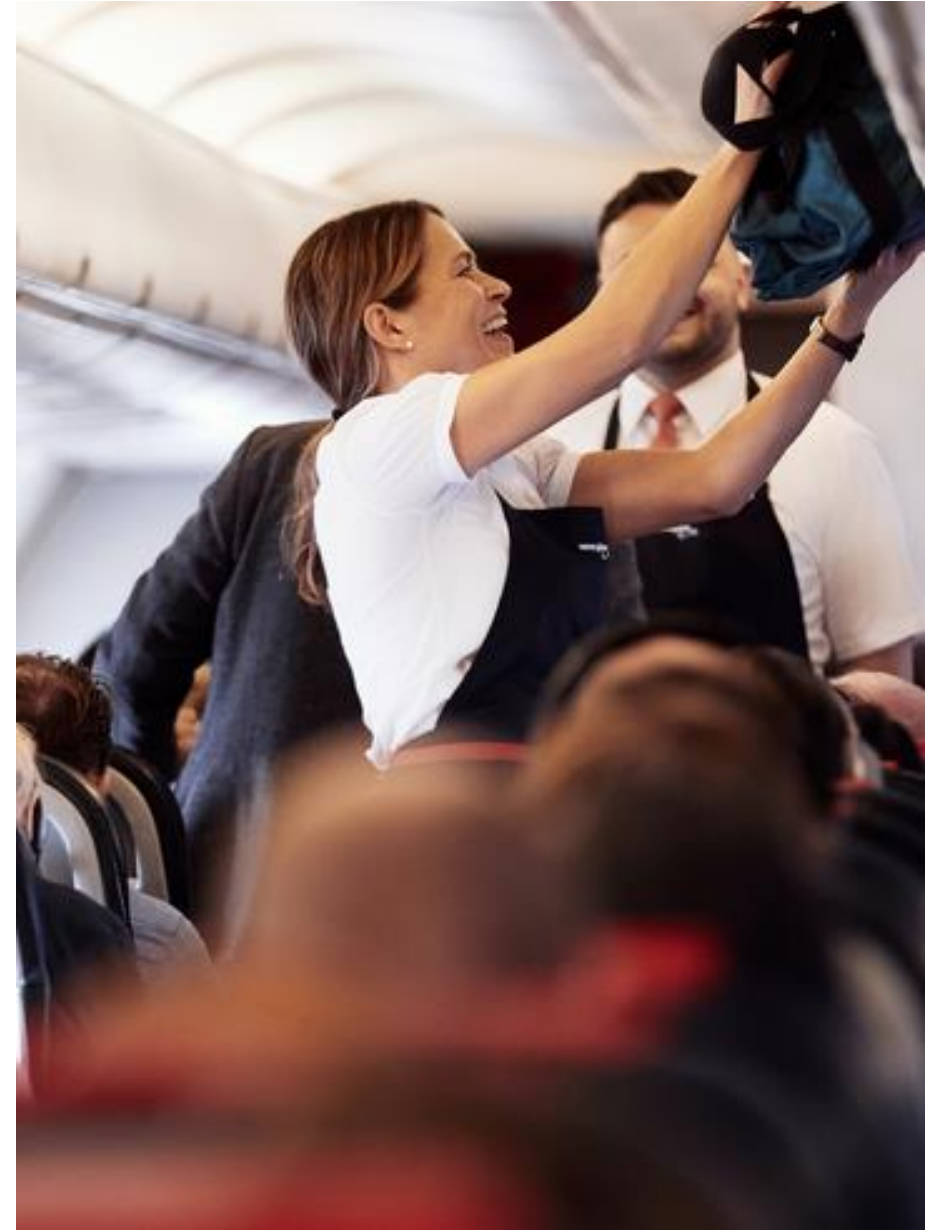


**Regularity**



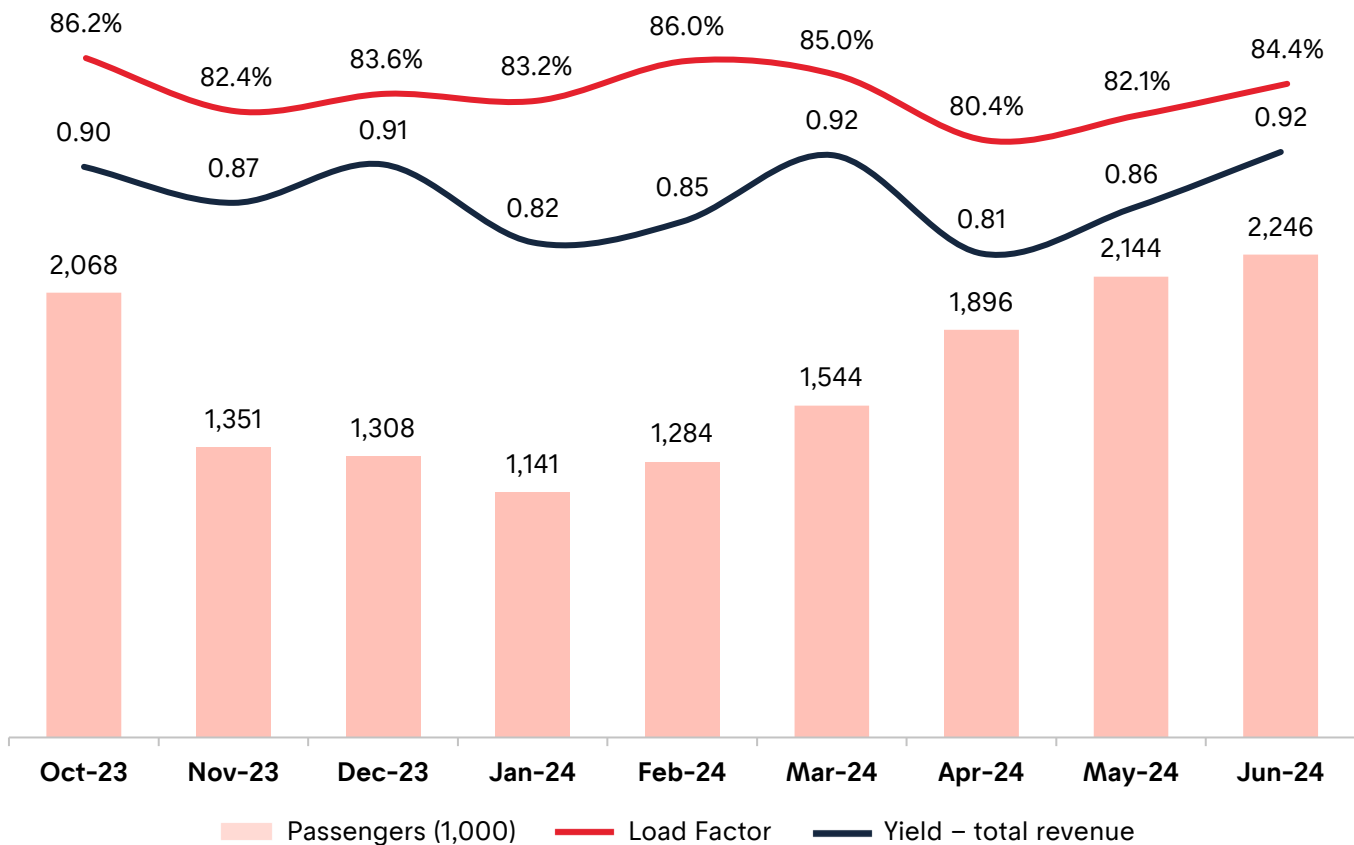
**May operating performance report (Cirium)**

- Norwegian (DY) Europe's most punctual
- top three global low-cost carrier



# Significant ramp-up into peak summer

Norwegian Traffic – PAX per month, load factor and yield



## Significant ramp-up in Q2

- Q2 capacity +66% from previous quarter and +19% YoY
- new routes, destinations and frequencies, primarily on longer flights

## Capacity increase coinciding with softening demand

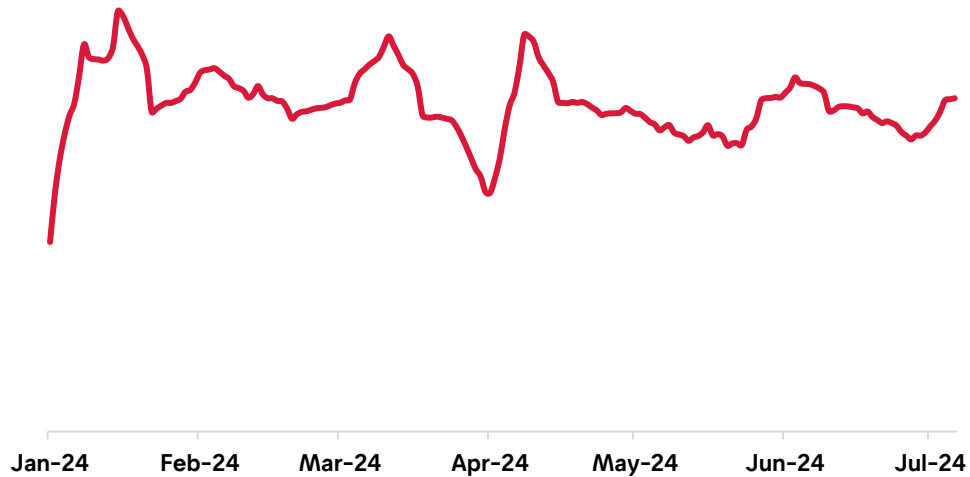
- Q2 load factor down 2% – impacted by early Easter
- yield down 3% – impacted by 6% longer avg. sector
- potential industrial action also impacted bookings

## Getting customers to their destinations

- regularity close to 100%
- mitigating Boeing delays with external capacity to avoid any flight cancellations – incurring additional costs

# Norwegian – stable booking momentum

7-day rolling sales figures (PAX) – All markets<sup>1)</sup>



## Stable sales momentum

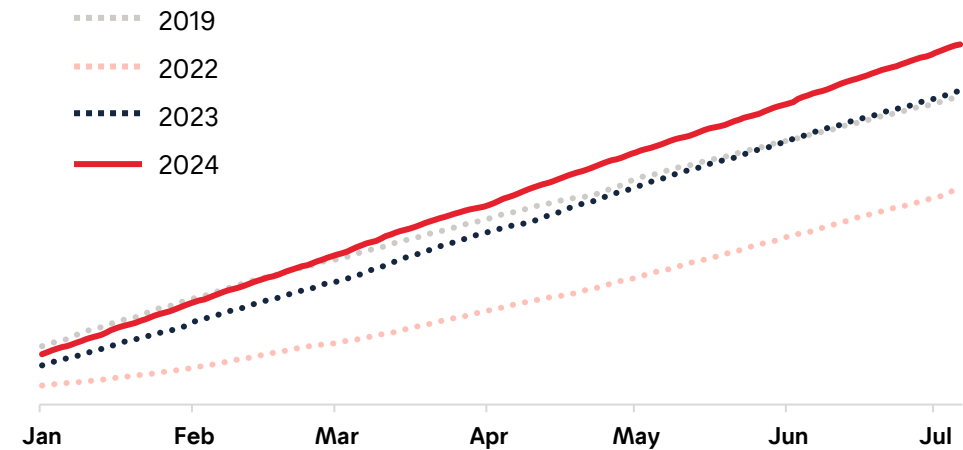
- diversified bookings across destinations and travel month

## Significant capacity increase in selected markets

- utilising fares in establishment of new routes
- first establishment of non-Nordic routes since 2020
- close-in bookings exhibiting softness in recent months

<sup>1)</sup> travel anytime, anywhere as of 6 July 2024

Booked revenue – third quarter (Jul. – Sep.) travel<sup>2)</sup>



## Load on par with last year for third quarter

- Q3 capacity increase 10% – down from 19% in Q2
- more than 400,000 additional tickets sold vs. last year at corresponding date

## Q3 tickets sold at yield flat vs. last year

<sup>2)</sup> 2019 adjusted for comparable route network

# Corporate travel – increasing market share

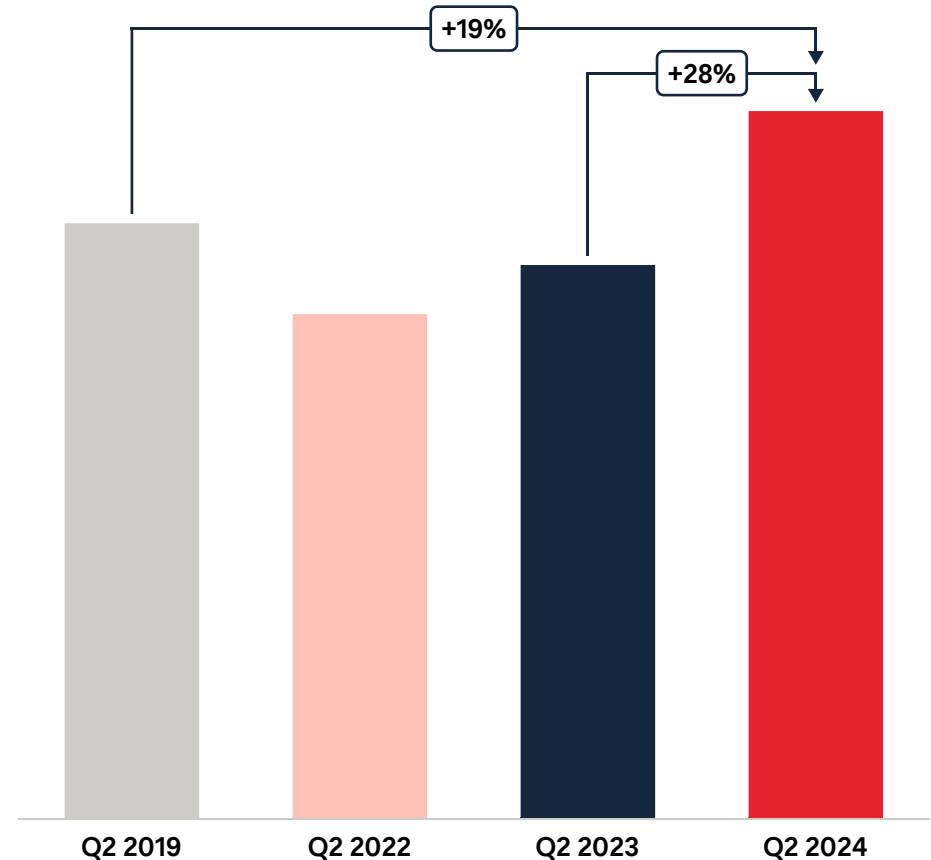
## Corporates choosing Norwegian

- **from corporates we speak to:**
  - “50% or higher share of travel with Norwegian”
  - “reduced corporate travel compared to 2019”
- **strong on-time performance** and close to zero cancellations
  - Q2 regularity 99.2%
  - Cirium most punctual European airline in May
- **onboarding new corporates**
  - more than 1,400 corporate agreements added in H1 across the Nordics
  - growth in direct bookings and via TMCs
- **Sweden** – strong growth in passengers and corporate agreements
- **four-year contract with Armed Forces started 1 Feb.**
  - stronger initial performance than anticipated

## Key initiatives ahead

- **Norwegian Reward Priority**
  - exclusive frequent flyer benefits
- **Widerøe travel with seamless end-to-end connectivity**
  - aligning networks from winter 2024
  - tailoring Norwegian-Widerøe corporate offering
- launching **loyalty partnership platform** with Strawberry

## Corporate passengers



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# Financial results for Q2 2024

# Quarterly financial highlights

## Revenue

- **group revenue increasing to NOK 9.3 billion** – up 36% vs. last year
  - Widerøe contribution NOK 1.8 billion
- **Norwegian unit revenue lower** with capacity growth and Easter effect
  - total unit revenue down 5.6% from Q2 last year
- **Norwegian ancillary** NOK 194 per pax
  - up from NOK 178 last year

## Profits

- **group operating profit (EBIT) NOK 593 million**
  - Norwegian EBIT NOK 391 million
- **improving cost performance**
  - unit cost excl. fuel down 2% vs. last year
  - non-recurring costs related to CBA negotiations
  - weak NOK against USD
- **Widerøe** – positive results contribution

## Balance sheet

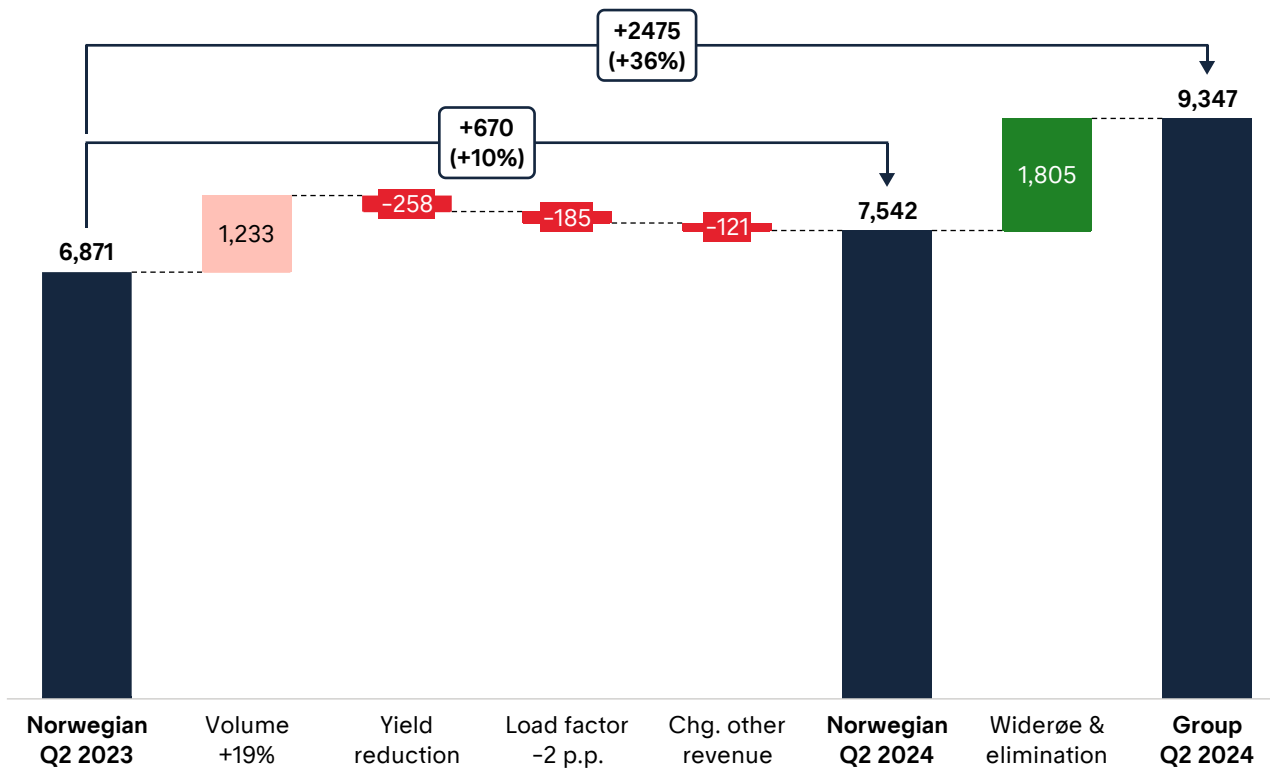
- **strong quarterly cash flow**
  - robust cash position increased to NOK 11.5 billion
  - NIBD reduced by NOK 1.4 billion
- **equity ratio** up to 14.5%
- **dividend fund** for 2022/23 established in May
  - NOK 823 million at quarter-end





# Revenue development

Quarterly total operating revenue (NOK million)



## Capacity and PAX increase in quarter

- predominant increase on long sectors vs. Q2 2023
- load factor and yield impacted by capacity increase and Easter holiday falling in Q1

## Reduction in other revenue

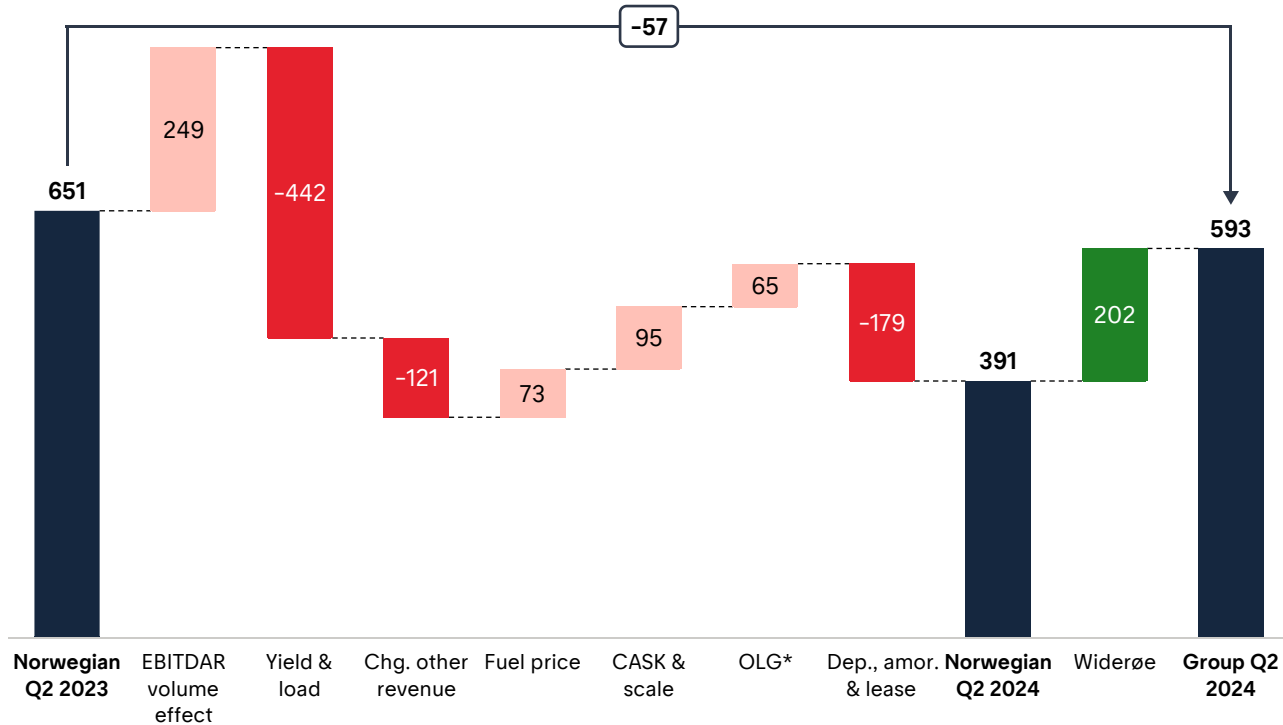
- other revenue for Norwegian NOK 141m
- level normalising after Covid-19 CashPoint expiry

## Widerøe contributing positively

- 20% share of group operating revenue in quarter

# Operating profit (EBIT) development

Quarterly EBIT (NOK million)



## Capacity increase supporting revenues

- Norwegian operating revenue +10% YoY

## Cost improvement amidst inflation and ccy

- unit cost excl. fuel NOK 0.47  
– scale benefits – down 2% YoY
- weak NOK against USD impacting cost lines
- CBA negotiations more costly than provisioned for

## Depreciation increasing with fleet size

- addition of latest generation 737 MAX 8 aircraft with reduced fuel-burn
- fleet 86 aircraft – up 5 aircraft vs. last year

\*) other losses/(gains), including share of JV

# Group P&L

<i>NOK million</i>	<b>Q2 2024</b> (Group)	<b>Q2 2023</b> (Norwegian)	<b>Chng.</b> (YoY)	
Passenger revenue	7,820	5,615		
Ancillary passenger revenue	1,257	994		
Other revenue	270	262		
<b>Total operating revenue</b>	<b>9,347</b>	<b>6,871</b>	<b>+36%</b>	→ increased volumes and Widerøe inclusion
Personnel expenses	2,079	1,071		→ additional flying FTEs and Widerøe inclusion
Aviation fuel	2,593	2,051		
Airport and ATC charges	1,015	778		
Handling charges	673	554		
Technical maintenance expenses	287	192		
Other operating expenses	887	633		
<b>EBITDAR excl other losses/(gains)</b>	<b>1,811</b>	<b>1,594</b>	<b>+217</b>	→ improved cost-performance amidst unit revenue softening
Other losses/(gains)	-36	25		
Share of net loss/(profit) of JV	2	0		
<b>EBITDAR</b>	<b>1,846</b>	<b>1,569</b>		
Aircraft lease, depreciation and amortization	1,253	918		
<b>Operating profit (EBIT)</b>	<b>593</b>	<b>651</b>	<b>-57</b>	→ primarily unit revenue softening
Net financial items	-116	-112		
<b>Profit before tax (EBT)</b>	<b>477</b>	<b>538</b>		
Income tax expense (income)	0	0		→ profit offset against non-booked tax carry forward losses
<b>Net profit (loss)</b>	<b>477</b>	<b>538</b>		

# Robust balance sheet

<i>NOK million</i>	30 Jun. 2024	31 Mar. 2024	Chng. (QoQ)
Intangible assets	2,622	2,592	
Tangible assets	18,951	19,097	
<b>Total non-current assets</b>	<b>22,031</b>	<b>22,129</b>	
Receivables	5,613	4,998	
Cash and cash equivalents	11,498	10,434	+1,064 → strong cash-flow
<b>Total current assets</b>	<b>17,628</b>	<b>15,936</b>	
<b>Assets</b>	<b>39,659</b>	<b>38,065</b>	
<hr style="border-top: 1px dashed red;"/>			
<b>Equity</b>	<b>5,732</b>	<b>5,443</b>	
Non-current debt	13,851	14,212	
Other non-current liabilities	4,729	4,198	
<b>Total non-current liabilities</b>	<b>18,580</b>	<b>18,409</b>	
Air traffic settlement liabilities	7,758	7,398	+5% → forward bookings record-high post 2019
Current debt	2,051	2,033	
Other current liabilities	5,538	4,781	
<b>Total current liabilities</b>	<b>15,347</b>	<b>14,212</b>	
<b>Liabilities</b>	<b>33,927</b>	<b>32,621</b>	
<b>Equity and liabilities</b>	<b>39,659</b>	<b>38,065</b>	
<b>Equity ratio (%)</b>	<b>14.5</b>	<b>14.3</b>	0.2 p.p. → up 2 p.p. from Q1 last year

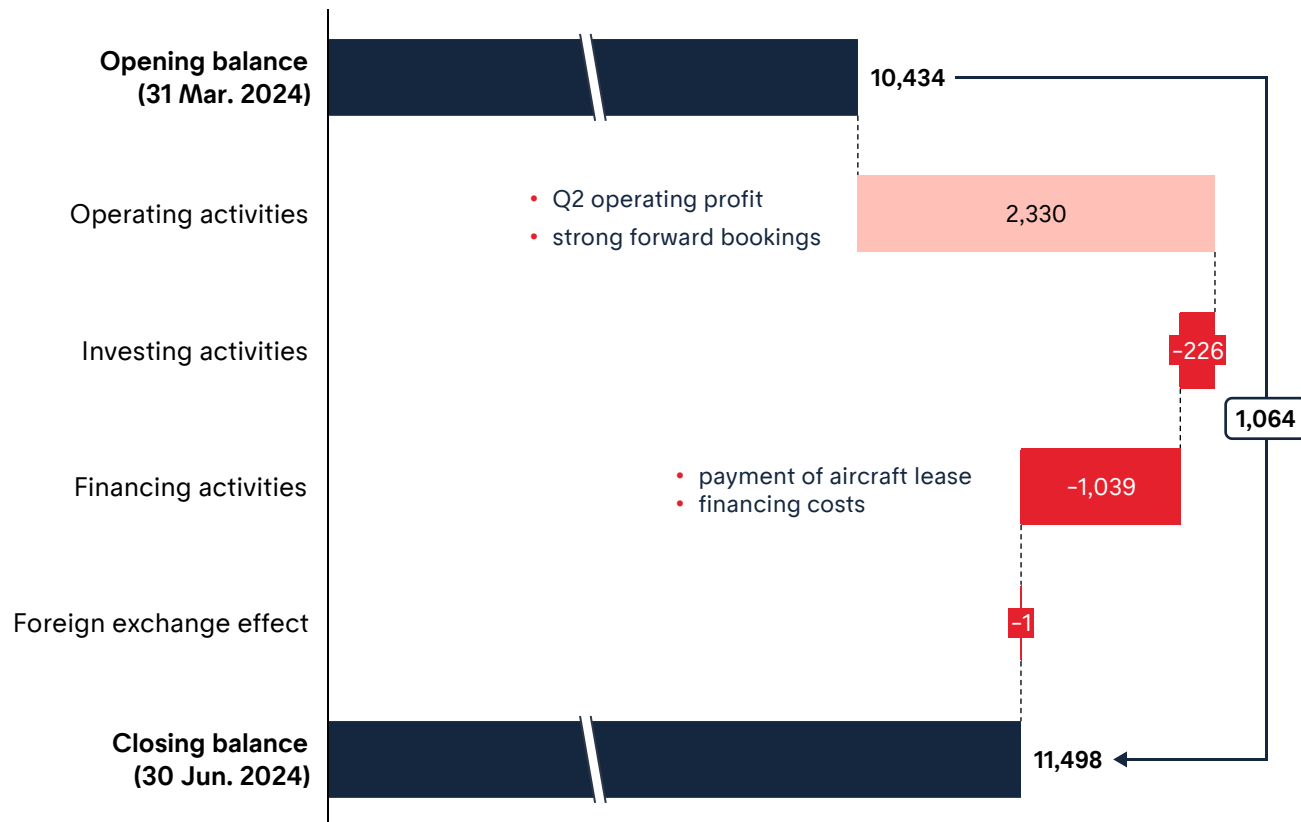
## Net interest-bearing debt (Group)

<i>NOK million</i>	30 Jun. 2024	31 Mar. 2024	Chng. (QoQ)
Cash & equiv.	11,498	10,434	+1,064
Aircraft financing	12,853	13,045	-192
Other IB debt	301	516	-215
Retained Claims Bonds	2,747	2,684	64
<b>NIBD</b>	<b>4,404</b>	<b>5,810</b>	<b>-1,407</b>

- **NIBD decrease** with significant increase in liquidity position during Q2
- **86 aircraft** in Norwegian at quarter-end – one additional 737 MAX 8, two 737-800 redeliveries
- **optimising and simplifying capital structure**
- **dividend provision of NOK 0.85 per share for 2022/2023**
  - distribution subject to approval from bond holders
  - dividend fund NOK 823 million included in cash position
  - investment return added to dividend fund

# Robust cash flow in quarter

## Quarterly cash flow (NOK million)



### Positive working capital effect

- increased forward bookings
- holdback at normalised level

### Excess liquidity on deposits and money-market funds

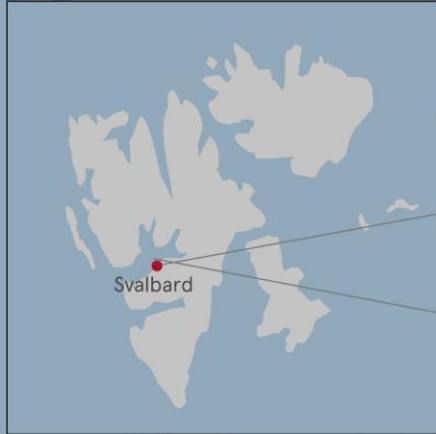
- rate-of-return 5.5%

### Limited aircraft prepayments to Boeing in 2024

- prepayment to date NOK 3.3bn

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The way forward



# Widerøe – vertically integrated, key regional infrastructure operator

## Organisation

- 3,000 employees – majority in ground handling (WGH) and technical (WTS)
- 49 aircraft fleet – 46 DeHavilland turboprops
- Tore K. Jenssen new CEO – previously Norwegian Chief Asset Officer

## Commercial operations

- predominant share of airline operations and revenues – c. 75% of ASK
- significant improvement YoY for load factor and underlying result
- wet-lease services provided to other airlines

## Public service obligation (PSO)

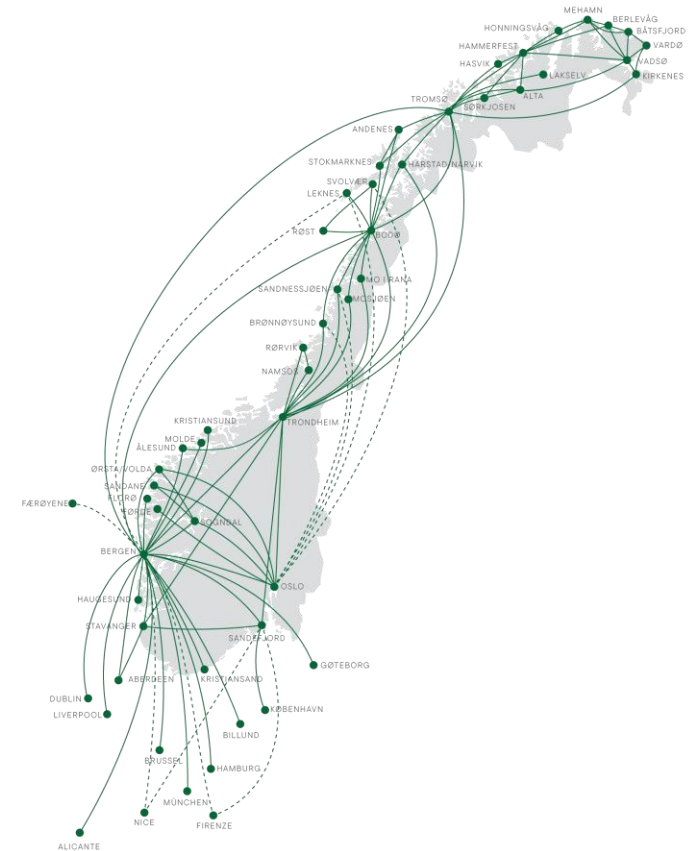
- routes operated on government demand
  - harsh complex operations with short runways & steep approach
- new PSO tender – duration until 2027/28 with increased capacity

## Widerøe Ground Handling (WGH)

- largest ground handler in Norway – covering 40+ airports
- delivering services to 100+ customers – significant revenue from third-parties
- handling collaboration with Norwegian to capture synergies

## Widerøe Technical Services (WTS)

- high technical competence with close to all work related to own fleet
  - performing both light- and heavy maintenance tasks
- in-house services yield competitive advantage with short lead-times



# Widerøe – highly complementary airline

## Solid business rationale

- **seamless connectivity** end-to-end
  - network alignment with Norwegian from winter 2024
  - **interlining sales up 73%** vs. last year
- **increasing inbound travel**
  - attractive destinations across regional Norway
- **reduced seasonality** – 1/5 of NAS'
  - strong corp. offering and resilience through PSO operations

## Improving 2024 outlook

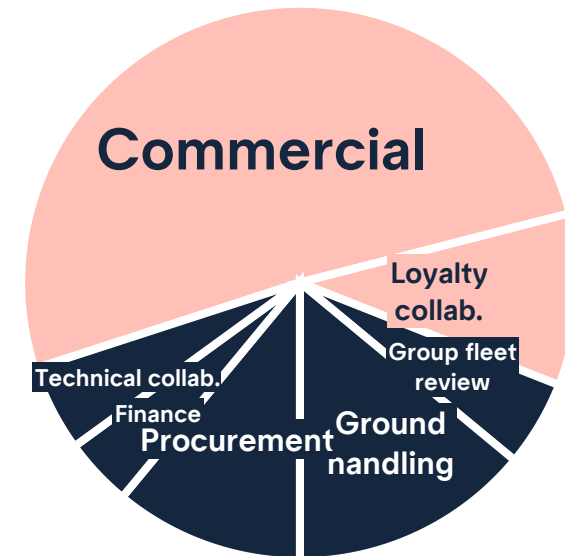
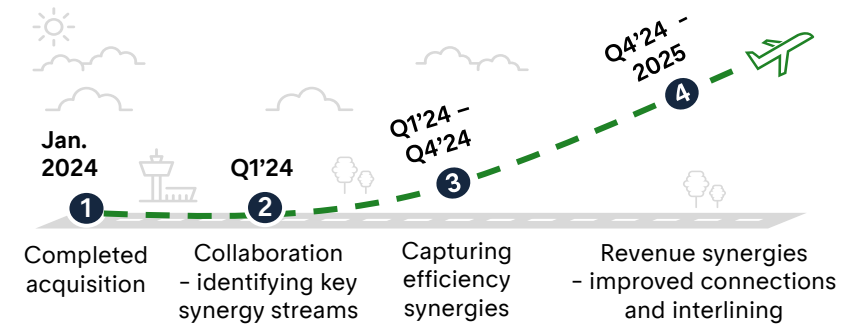
- **new PSO tender** in place from 1 April
  - 50% reduced max. fares – increased gov. revenues
  - Widerøe PSO capacity increase 6%
- **commercial routes with strong passenger growth**
  - overall load factor in Q2 +5 p.p. vs. last year
- **favourable hedge positions** on jet fuel
  - 80% for remainder of 2024, 45% for 2025

## Shareholder accretive acquisition

- **transaction with favourable timing**
  - acquisition price at P/E 3.0-3.5 on historic earnings post synergies
- **increasing competitiveness** with better combined customer offering
- **capturing broad range of synergies**
  - aligning networks from W24 for key commercial synergies

## Capturing on key synergies\*

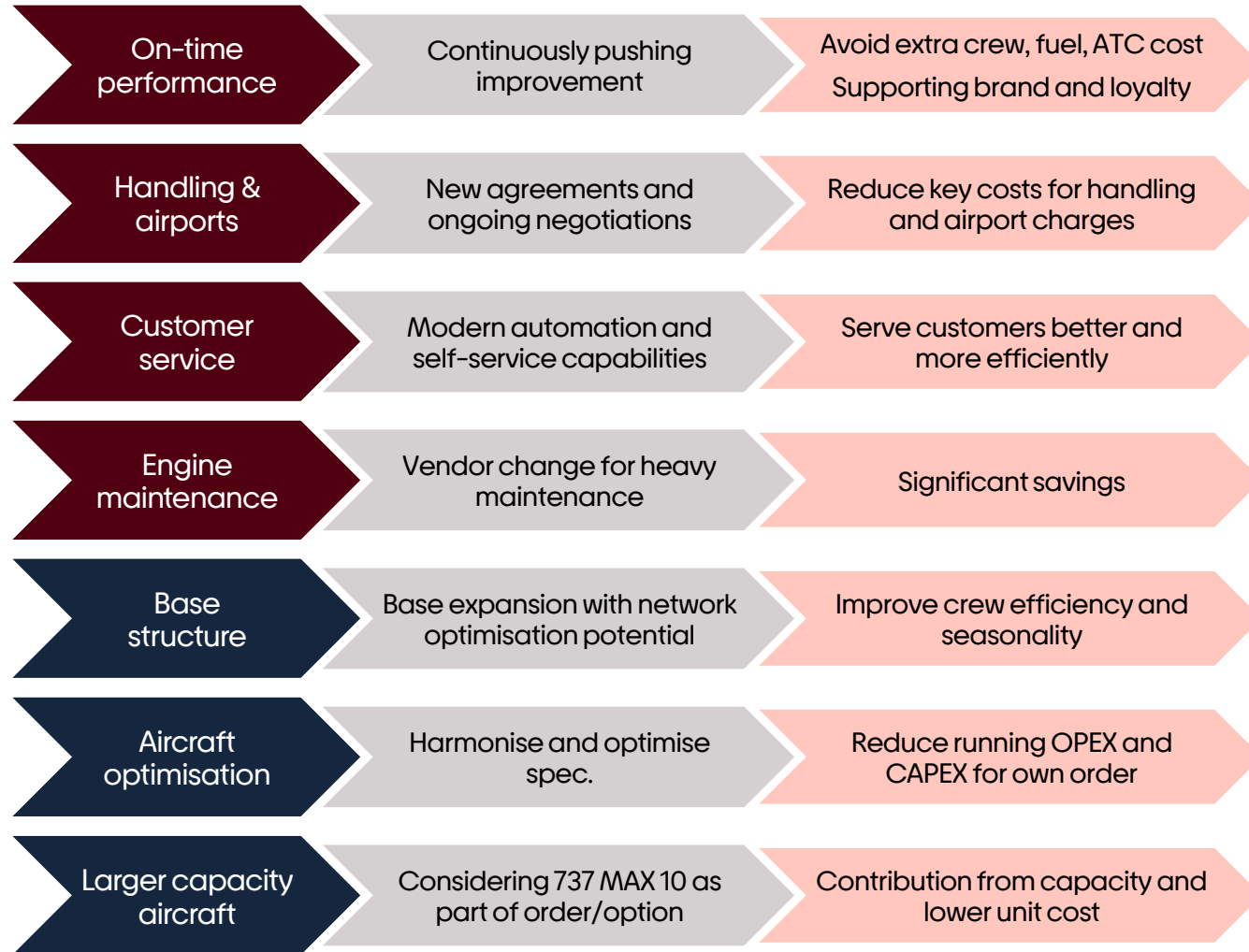
– consolidated synergies in excess of NOK 300m



\*illustration purposes only



# Key cost initiatives for 2024 and beyond



# Short-term growth impacted by Boeing aircraft delays

## Countering Boeing delivery delays

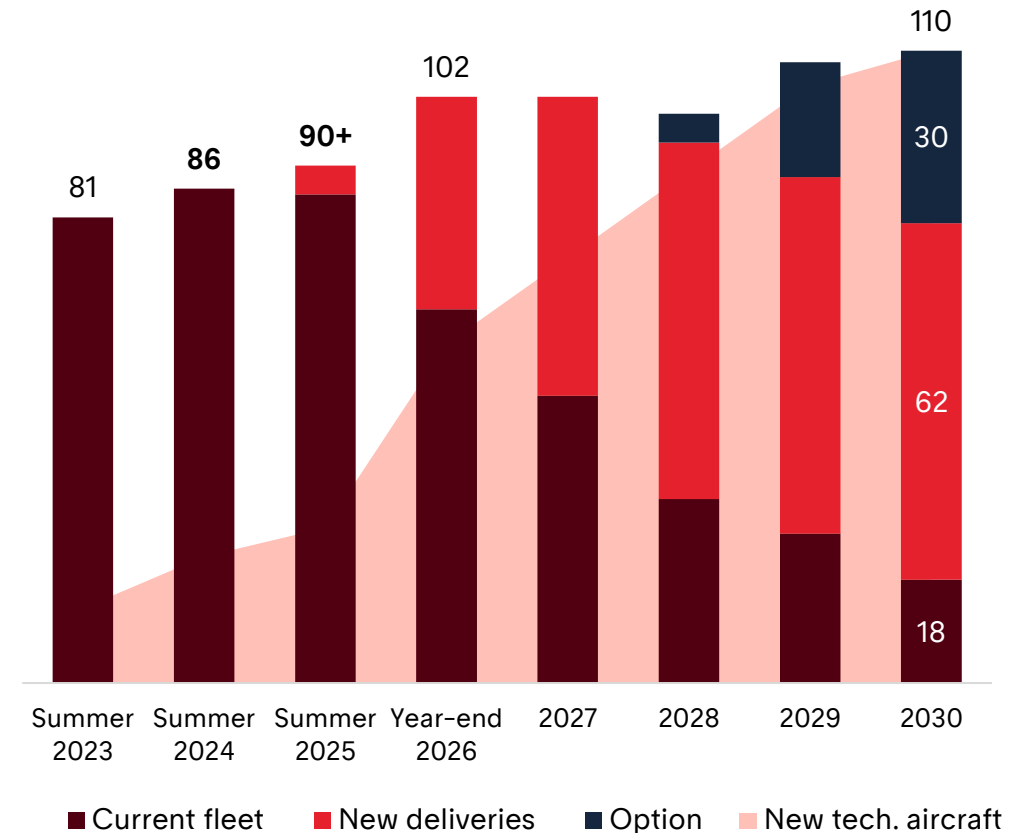
- upcoming deliveries for Boeing aircraft delayed 8 to 11 months  
– partially compensated for incurred delay cost
- 86 aircraft fleet for summer, down from 87 estimate last quarter  
– sourcing external capacity to avoid cancelling flights  
– overall unchanged 2024 capacity growth of 12%
- evaluating 737 NG lease extensions for 2025 and 2026

## Replacing older generation aircraft

- more fuel-efficient aircraft with significant cost savings  
– above 14% reduced fuel-burn and 40% noise reduction
- CFM LEAP-1B engine – unrelated to P&W GTF engine issues

## Aircraft order delivery from 2025

- order for 50 737 MAX 8 aircraft – delivery 2025–2028  
– option for additional 30 aircraft  
– attractive pricing and inflation protection
- considering MAX 10 for part of order/option
- aircraft specification optimisation – significant cost improvements
- NOK 3.3bn PDP paid-in – limited capex in 2024
- significant share to be owned – secured financing for initial deliveries



# Summary

## Second quarter performance

- **capacity increase coinciding with price softening in shoulder season**
  - strong growth (+19% YoY) focused on longer sectors
  - utilising fare and campaigns to fill seats
- **market traction investment** when establishing new routes
- **improving cost performance** with ongoing key initiatives
  - unit cost excl. fuel reduced 2%

## Growth impacted by delivery delays




- **growth slowing in Q3** (+10% YoY)
  - booked yields and loads flat vs. last year
- **summer 2025 fleet estimate 90+ aircraft**
  - significant uncertainty due to Boeing delivery delays
  - partial compensation for incurred costs

## Positioning for a successful 2025

- **Widerøe performing well**
  - capturing key commercial synergies from 2025
- **top European airline for operational performance**
  - key to continue growing corporate market share
- **strong ESG commitment**
  - reducing carbon emissions by 45% by 2030
- **launching loyalty platform** with partners



# Outlook

	FY 2024	Q3	Q4
 Capacity growth <sup>1)</sup>	c. 12%	c. 10%	c. 16%
<b>FY 2024</b>			
 Group operating profit (EBIT) <sup>2)</sup>	NOK 2.1 – 2.6 billion		
 Norwegian unit cost excl. fuel <sup>2)</sup>	Low single-digit % increase vs. 2023		

1) Available seat kilometres (ASK) vs. same period last year

2) Assuming average market rates for period of jet fuel 840 USD/mt, EUR/NOK 11.5, USD/NOK 10.6.

Company is projecting not to pay significant amount in taxes over the coming years due to deferred tax asset, currently amounting to NOK 1.9 billion.



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