



EUROPEAN OUTLOOK CONFERENCE

**LONDON**

# European Aviation, Cruises and Shipping – Plane Sailing?

Ash Nadershahi – Head of HY Industrials and Transport

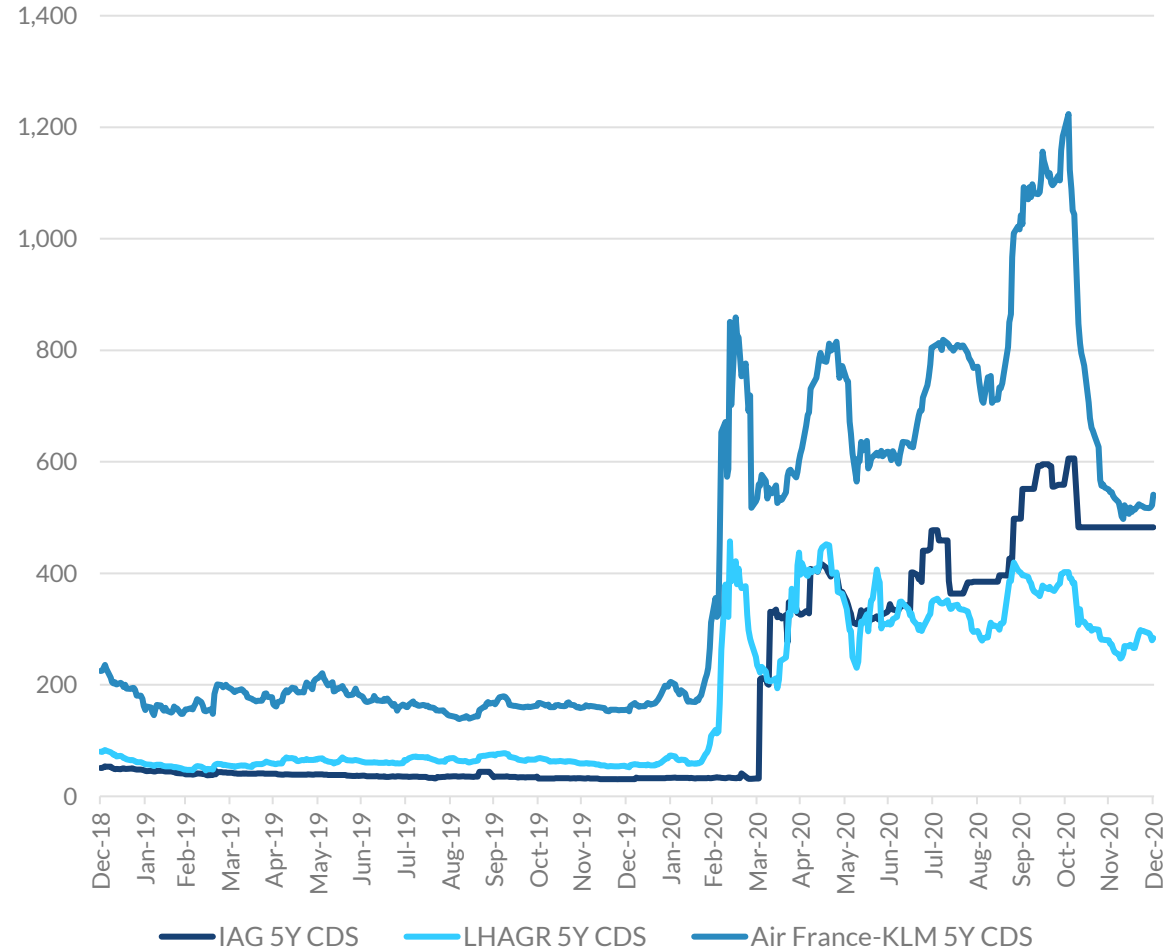
5 December 2024

An airport terminal at night. A large window in the background shows an airplane taking off over a city with bokeh lights. In the foreground, there are several rows of empty airport-style seats. The text "European Airlines Bifurcation Taking Effect" is overlaid on the left side of the image.

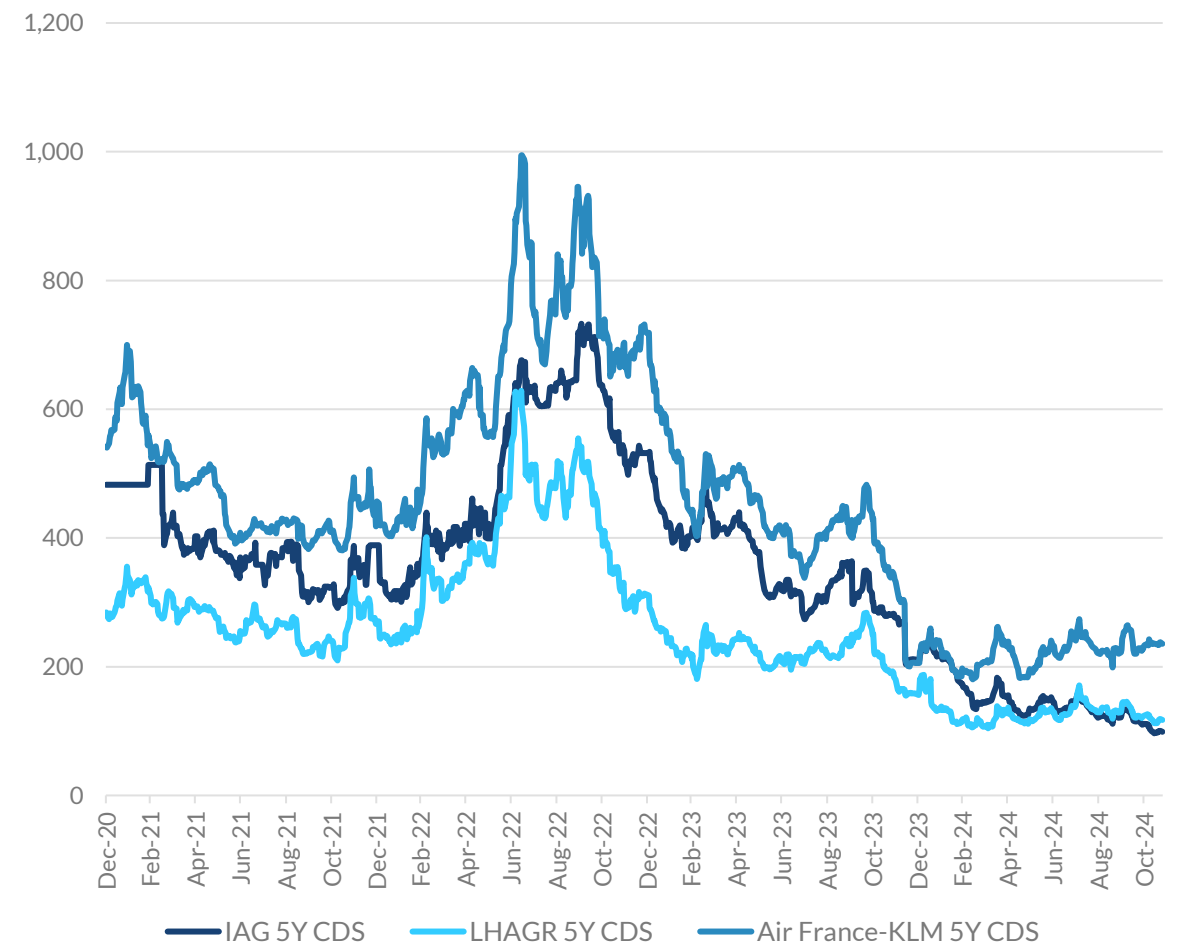
**European Airlines**  
Bifurcation Taking Effect

# European Airlines – How Far Have We Come?

## What Happened In COVID-19



## What Happened after COVID-19



# FY24 Driving Factors And Considerations



North Atlantic Routes Driving Profitability



High Customer Demand For Premium Seats



Strong Pricing Power

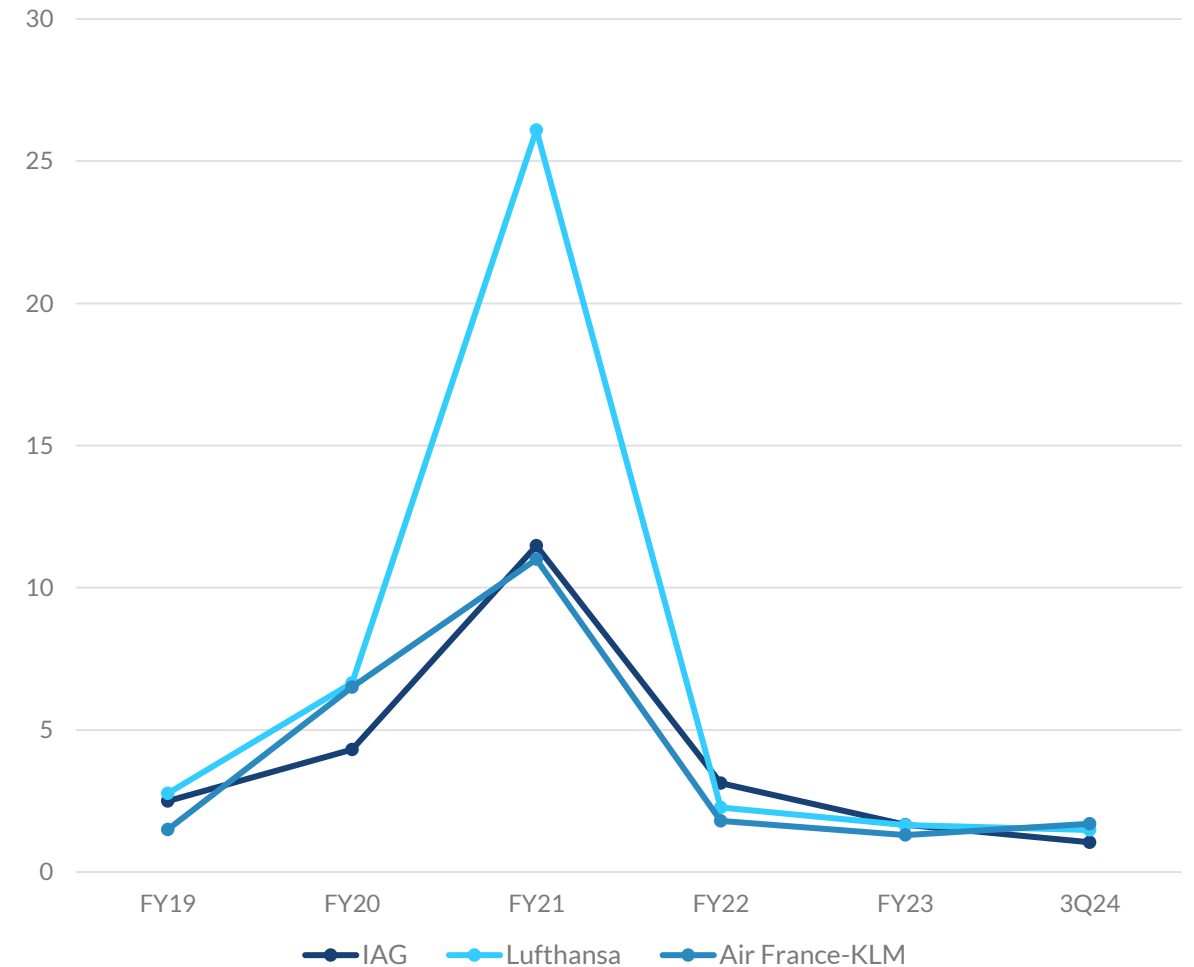


Lower Jet Fuel Prices



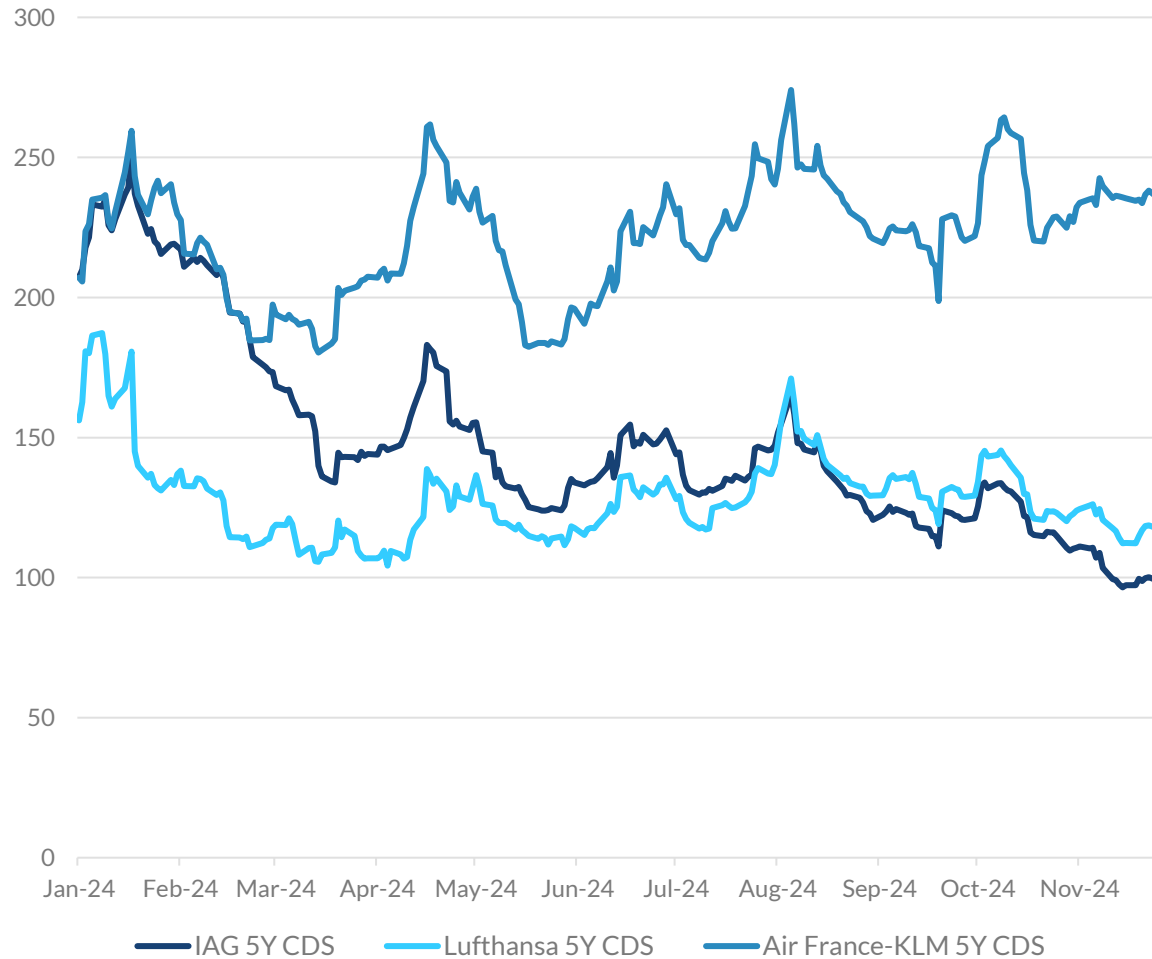
Long haul Asia and Corporate Travel Concerns

## Net Leverage FY19-3Q24 (x)

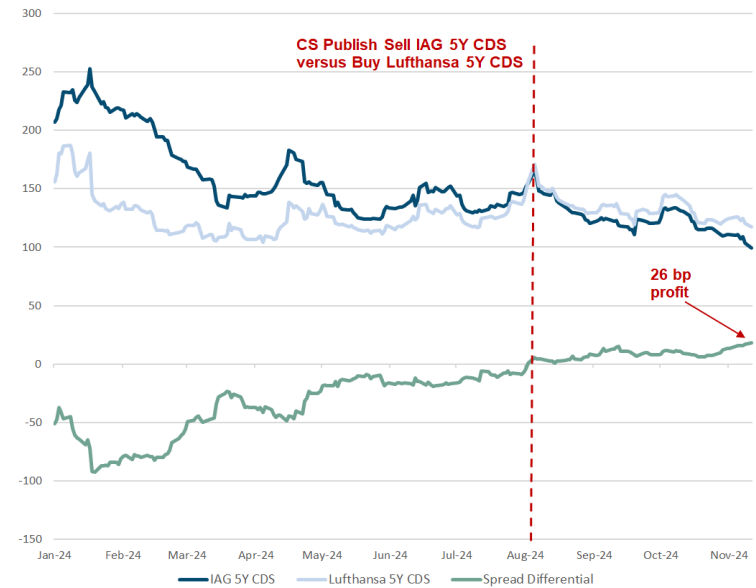


# European Airline Performance YTD

## European Airline 5Y CDS YTD (bp)



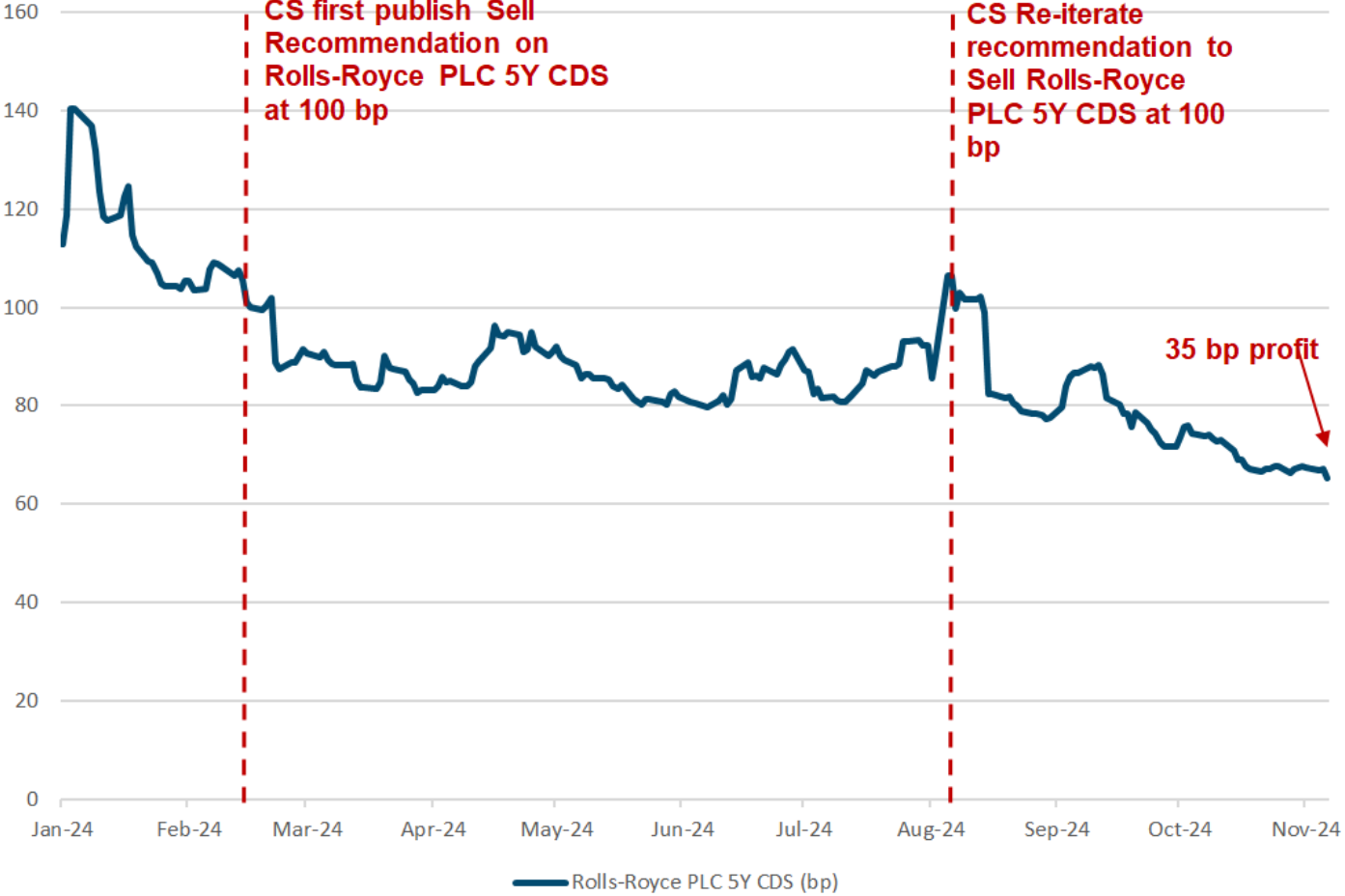
## Our Key Recommendations YTD



## Rolls-Royce Key Considerations

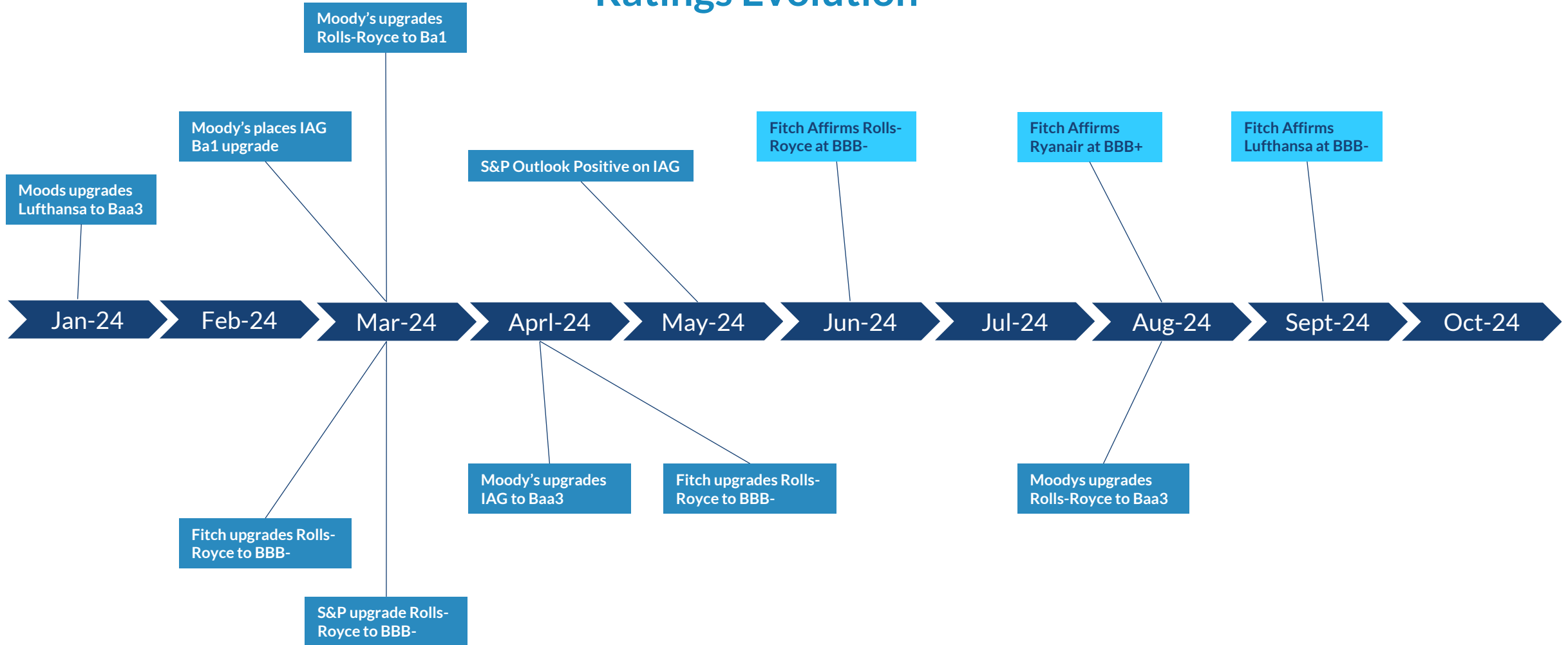
-  Engine Delays Driving OE And Aftermarket
-  Disposal of Non-Core Assets
-  FCF Generation
-  Recovery in Engine Flying Hours
-  Defence Spending Environment Supportive

## Our Recommendations



# European Airline and Aerospace Ratings Evolution in FY24

## Ratings Evolution



# The Year Ahead – FY25



Fleet Modernization



Managing higher unit costs



Focus on profitability




Aircraft deliveries hurting capacity constraints



Loyalty Programs





An aerial photograph of a person walking on a path of white foam on a beach at sunset. The person is in the center-right of the frame, walking away from the viewer. The foam is bright white and contrasts sharply with the golden-brown sand and the dark, calm water of the ocean. The sky is a deep, dark blue, and the sun is low on the horizon, creating a warm, golden glow over the scene. The overall mood is serene and peaceful.

# Cruise Liners

New Era For The Industry

# Cruise Liners Performance Drivers

## What Happened During COVID-19



Cruise Liners Took On Additional Debt



Demand Destruction Led To Cash Burn



Low Vessel Fleet Deliveries



Travel Restrictions Slow To Be Lifted

## Post COVID-19

“New to Cruise” Customers,  
inc under 40y olds

Pent Up Demand

All Inclusiveness

New Vessels and Resorts

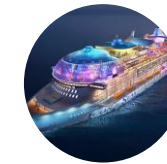
# Cruise Liner Sector By Segment

## Premium to Upper Premium The Sweet Spot

Contemporary	Premium	Upper Premium	Luxury	Expedition
   <b>NORWEGIAN</b> <small>CRUISE LINE</small>	<i>Mein Schiff.</i>   <b>Celebrity Cruises</b>  <b>CUNARD</b>	 <b>VIKING</b>  <b>PRINCESS</b>  <b>OCEANIA</b> <small>CRUISES</small>  <b>AZAMARA</b> <small>CRUISES</small>  <b>PHOENIX</b>	 <b>Regent</b> <small>SEVEN SEAS CRUISES</small>  <b>CRYSTAL</b> <small>CRUISES</small>  <b>SEABOURN</b>  <b>HAPAG LLOYD</b> <small>CRUISES</small>  <b>COMPAGNIE DU PONANT</b> <small>FAÇONNÉES DE VOYAGES</small>  <b>ATLAS</b> <small>OCEAN VOYAGES</small>	 <b>SILVERSEA</b>  <b>HURTIGRUTEN</b>  <b>Quark</b> <small>Expeditions</small>

Source: CreditSights, Company

## Factors that drive Customers



New Vessels



All Inclusivity



Resorts/Excursions



Exclusive Dining/Events

An aerial photograph of a container ship's deck, showing a dense arrangement of multi-colored shipping containers (red, green, blue, orange, and grey) stacked in neat rows. The ship is moving through a vast, deep blue ocean under a clear sky. In the distance, several other large cargo ships are visible on the horizon. The lighting suggests a bright day, with the sun reflecting off the water's surface.

**Shipping**  
Uncertain Waters

# European Shipping Performance YTD

## European Shipping 5Y CDS YTD (bp)



# FY24 Driving Factors And Considerations



Red Sea/Suez Conflict Absorbed Capacity



Container Rates remain elevated



New Order Vessels being absorbed

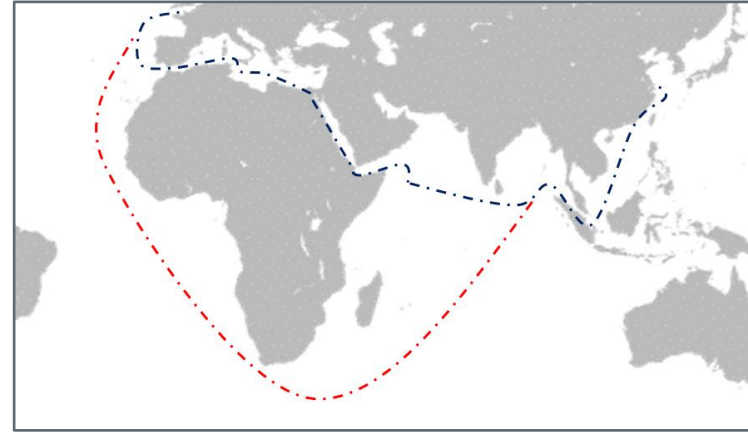


Tariffs remain an unknown

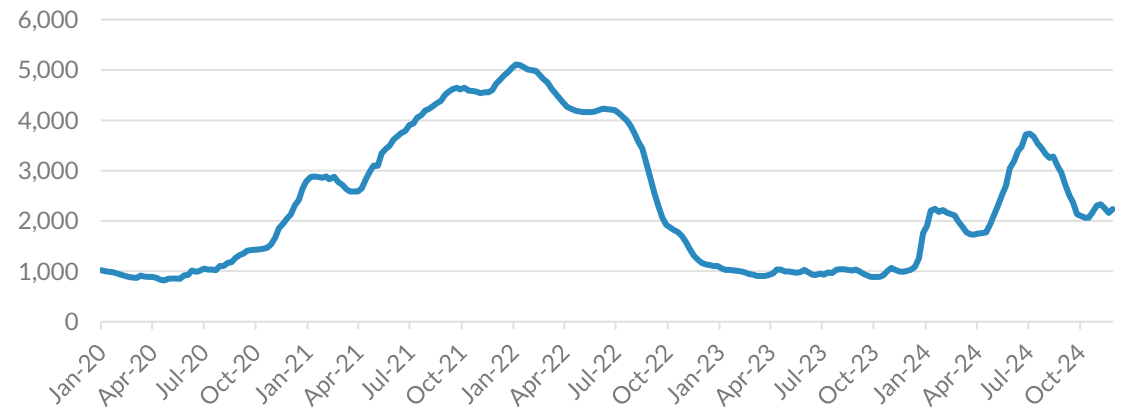


Demand has remained strong in 3Q24

## Re-Routing Absorbed Capacity



## Container Rates



# The Year Ahead – FY25



US Tariffs



Structural Oversupply



Utilisation and Rates



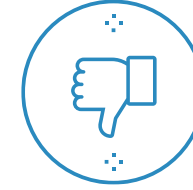
Lower profitability



Evolution of Red Sea/Suez



# European Aviation, Cruises and Shipping - Picks and Pans





This Report is for informational purposes only. Neither the information contained in this Report, nor any opinion expressed therein is intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. CreditSights and its affiliates do not recommend the purchase or sale of financial products or securities, and do not give investment advice or provide any legal, auditing, accounting, appraisal, valuation or actuarial services. Neither CreditSights nor the persons involved in preparing this Report or their respective households has a financial interest in the securities discussed herein. Recommendations made in a report may not be suitable for all investors and do not take into account any particular user's investment risk tolerance, return objectives, asset allocation, investment horizon, or any other factors or constraints.

Information included in any article that includes analysis of documents, agreements, controversies, or proceedings is for informational purposes only and does not constitute legal advice. No attorney client relationship is created between any reader and CreditSights as a result of the publication of any research report, or any response provided by CreditSights (including, but not limited to, the ask an analyst feature or any other analyst interaction) or as the result of the payment to CreditSights of subscription fees. The material included in an article may not reflect the most current legal developments. We disclaim all liability in respect to actions taken or not taken based on any or all the contents of any research report or communication to the fullest extent permitted by law.

Reproduction of this report, even for internal distribution, is strictly prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion or information contained in this report (including any investment recommendations or estimates) without first obtaining express permission from CreditSights. The information in this Report has been obtained from sources believed to be reliable; however, neither its accuracy, nor completeness, nor the opinions based thereon are guaranteed. The products are being provided to the user on an "as is" basis, exclusive of any express or implied warranty or representation of any kind, including as to the accuracy, timeliness, completeness, or merchantability or fitness for any particular purpose of the report or of any such information or data, or that the report will meet any user's requirements. CreditSights may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this Report, and all opinions are reflective of judgments made on the original date of publication. CreditSights is under no obligation to ensure that other reports are brought to the attention of any recipient of the Products.

Certain data appearing herein is owned by, and used under license from, certain third parties. Please see Legal Notices for important information and limitations regarding such data. For terms of use, see Terms & Conditions.

If you have any questions regarding the contents of this report contact CreditSights at [legal@creditsights.com](mailto:legal@creditsights.com).

© 2024. CreditSights, Inc. All rights reserved.