



China Aviation Oil (Singapore) Corporation Ltd  
中国航油（新加坡）股份有限公司

23 September 2015

# The Global Stratosphere of Aviation Marketing

## CAO Corporate Access Day 2015



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# Aviation - A Global Business



# Globalised Demand Spur Strong Aviation Growth



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- Notwithstanding a sharp decline in oil price in 1H 2015, global aviation industry is expected to maintain steady growth trajectory as air passenger traffic is expected to double between 2013 to 2028
- By 2030, international air passenger traffic will account for 64% of total air passenger traffic globally, with air passenger traffic growth rate from Asia Pacific expected to reach 6.2% against the world average growth rate of 4.9%<sup>(1)</sup>
- Increasing air travel demand boost Asia's growing long-haul international market as well as a burgeoning regional aviation market
- China is expected to be one of the largest aviation markets sustaining 10% growth rate annually through 2020; air passenger traffic and air cargo traffic expected to increase 6.9% and 6.7% annually, respectively, between 2014 to 2033<sup>(2)</sup>

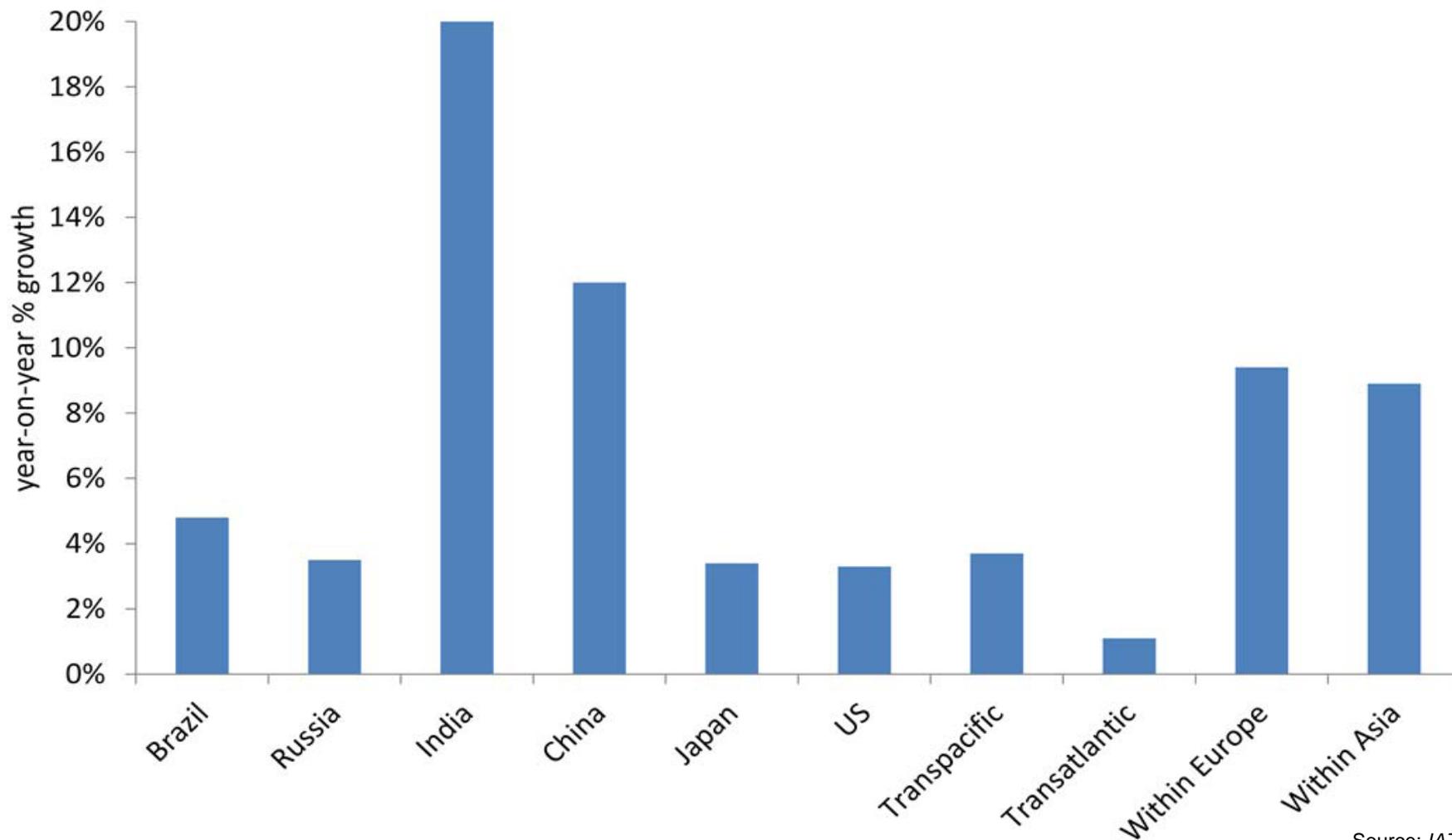
Source:

(1) ICAO, IATA and Civil Aviation Administration of China (CAAC)

# Strong Air Passenger Traffic Growth in 1H 2015



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Source: IATA

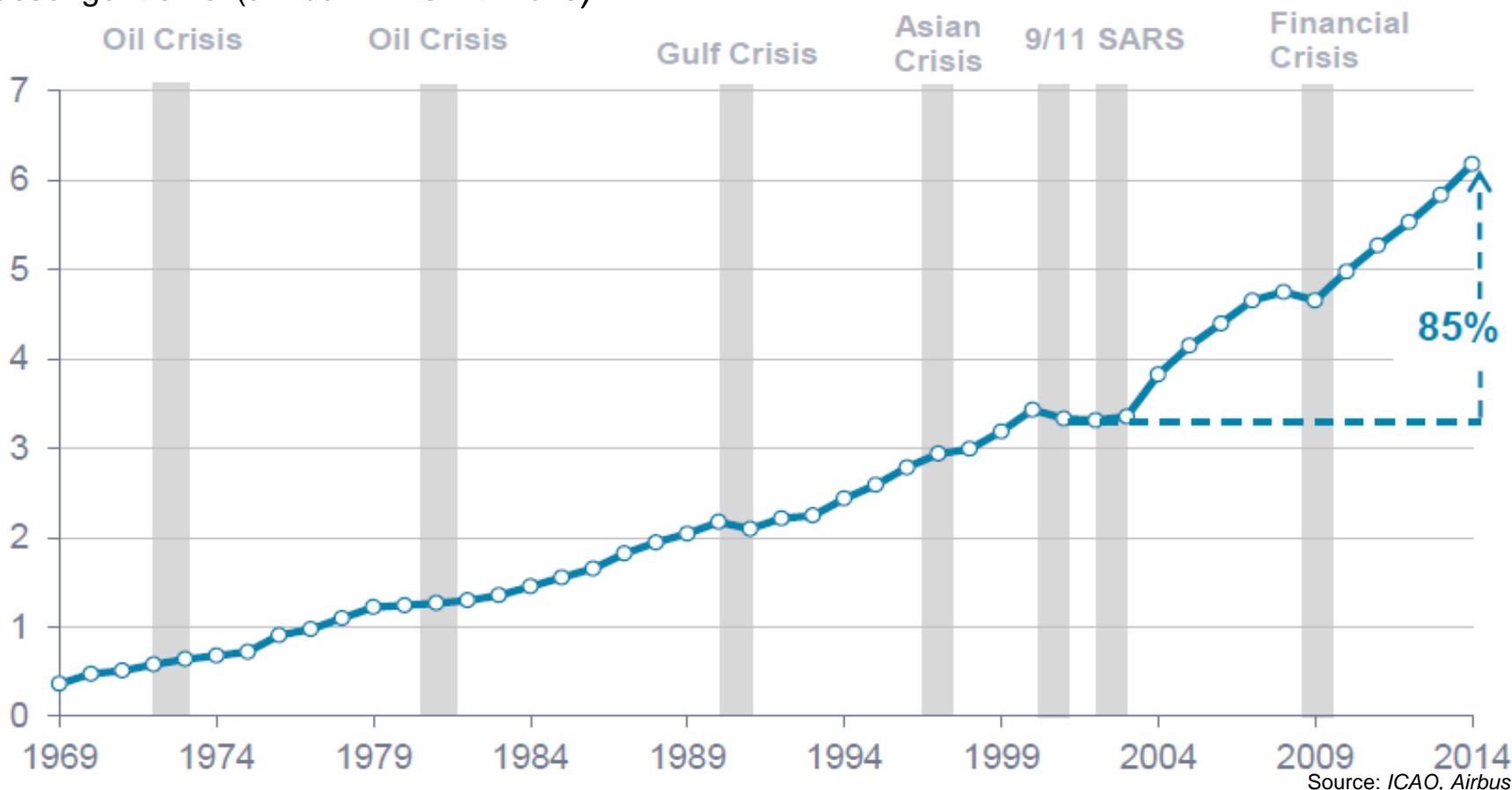
# Global Air Travel is Resilient to External Shocks



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- Air passenger traffic grew 85% over the years, supported by increase in living standards and disposable incomes of world population over time

Air passenger traffic (annual RPKs – trillions)

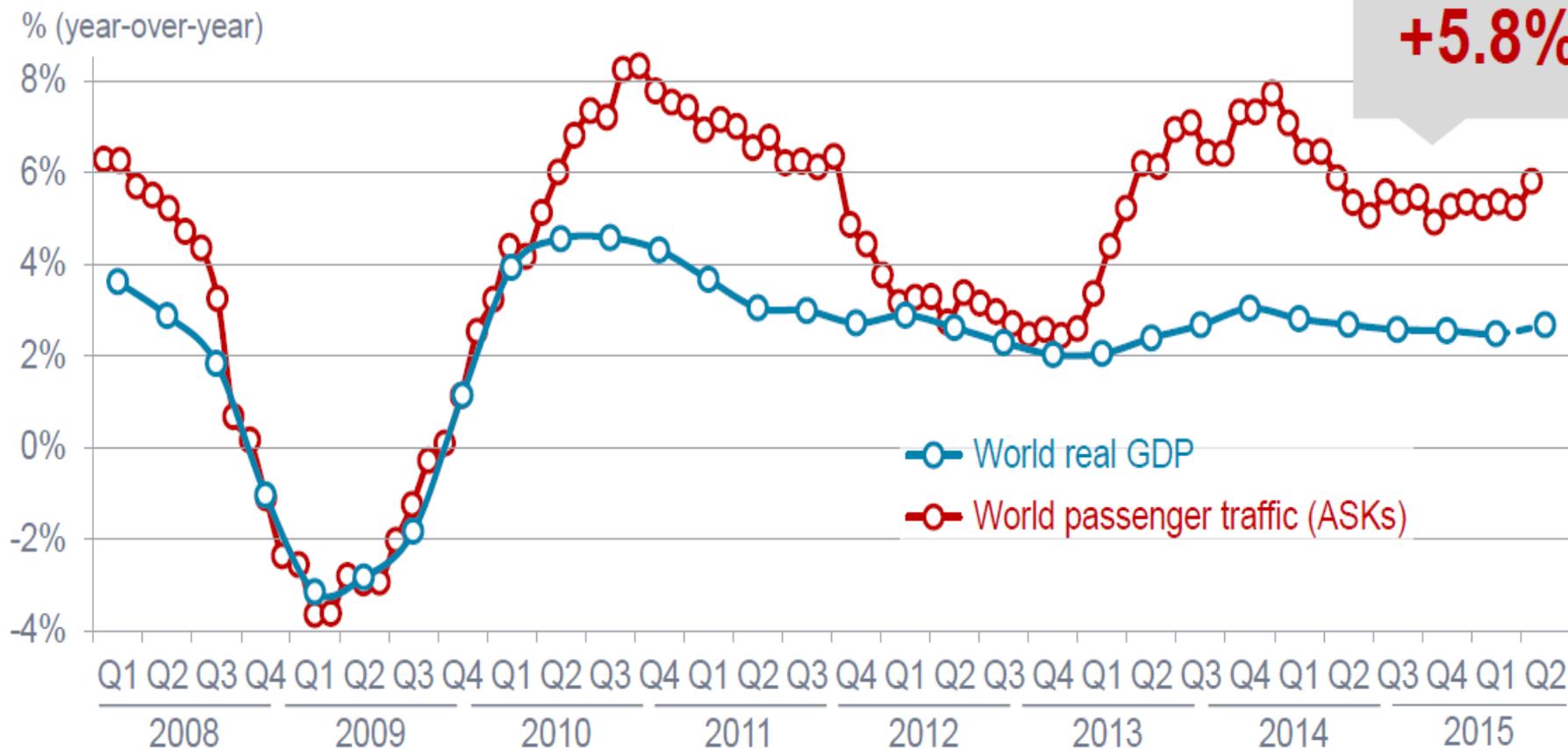


# Global Air Passenger Traffic Outperforms GDP Growth



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World real GDP and passenger traffic



May 2015  
Passenger Traffic  
**+5.8%**

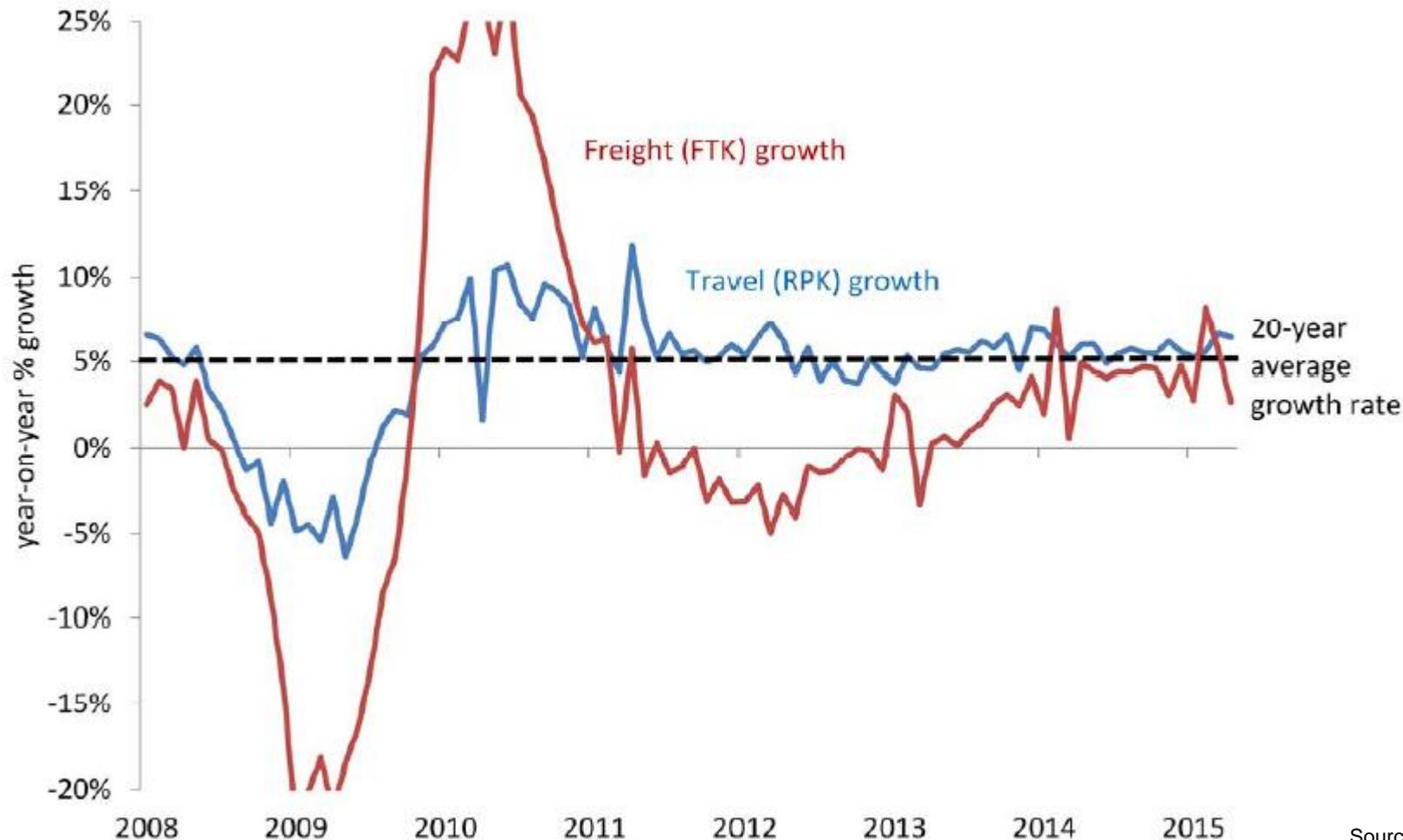
Source: IHS Economics, OAG, Airbus GMF2015-2034

# Solid Demand Growth in Air Travel & Air Freight



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## Growth of Air Travel and Air Freight



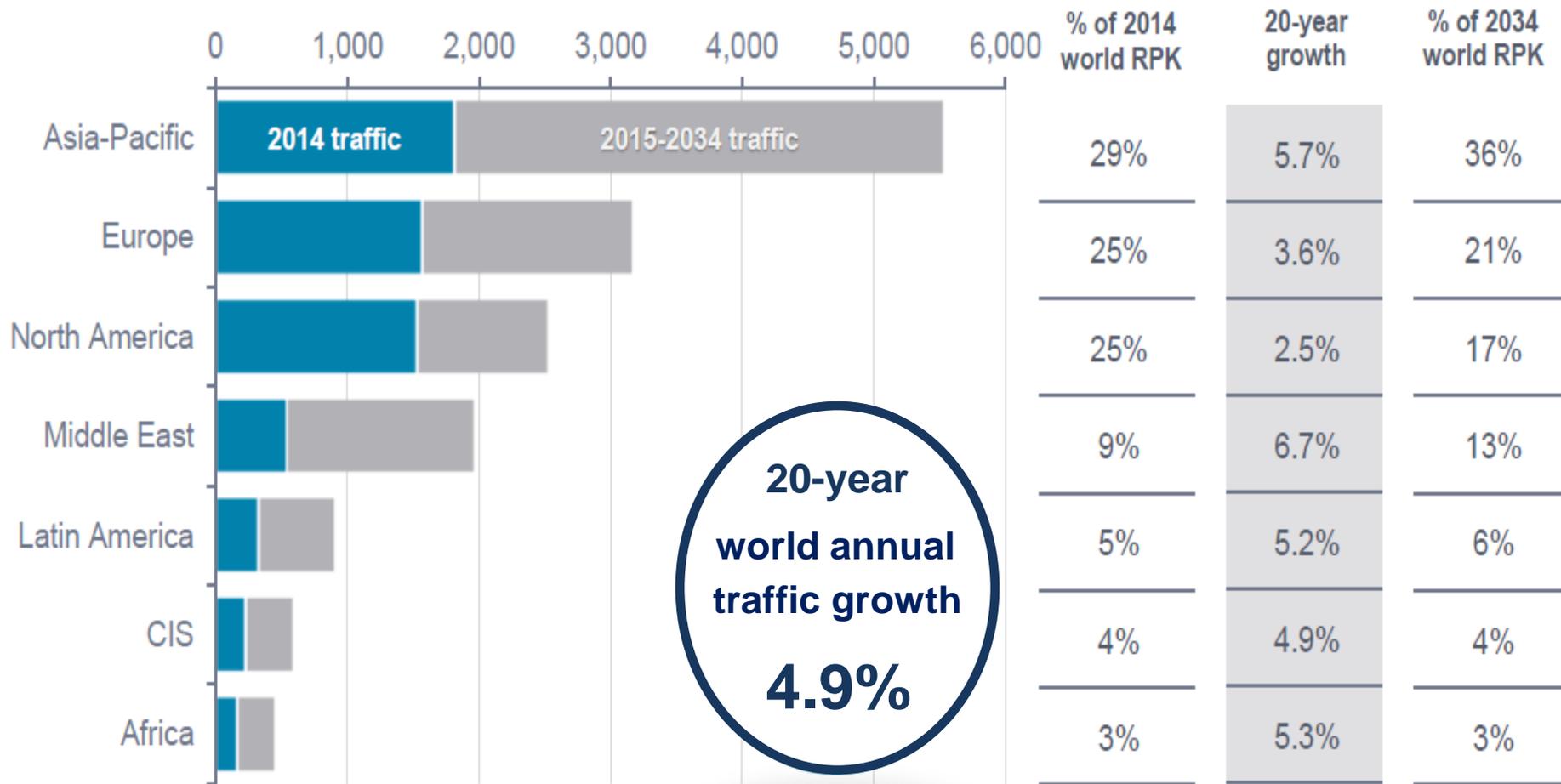
Source: IATA

# APAC Region to Lead Global Air Passenger Traffic by 2034



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RPK Traffic by Airline Domicile (billions)



Source: IATA, Airbus GMF2015-2034

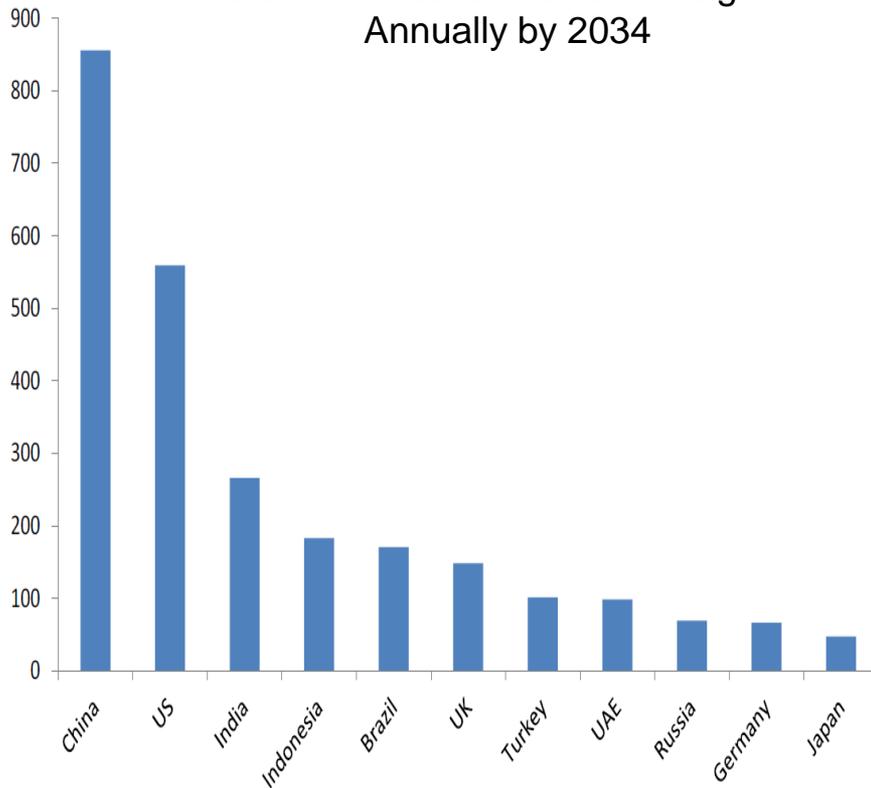
# Global Air Travel Growth Underpinned by Improvements in Living Standards



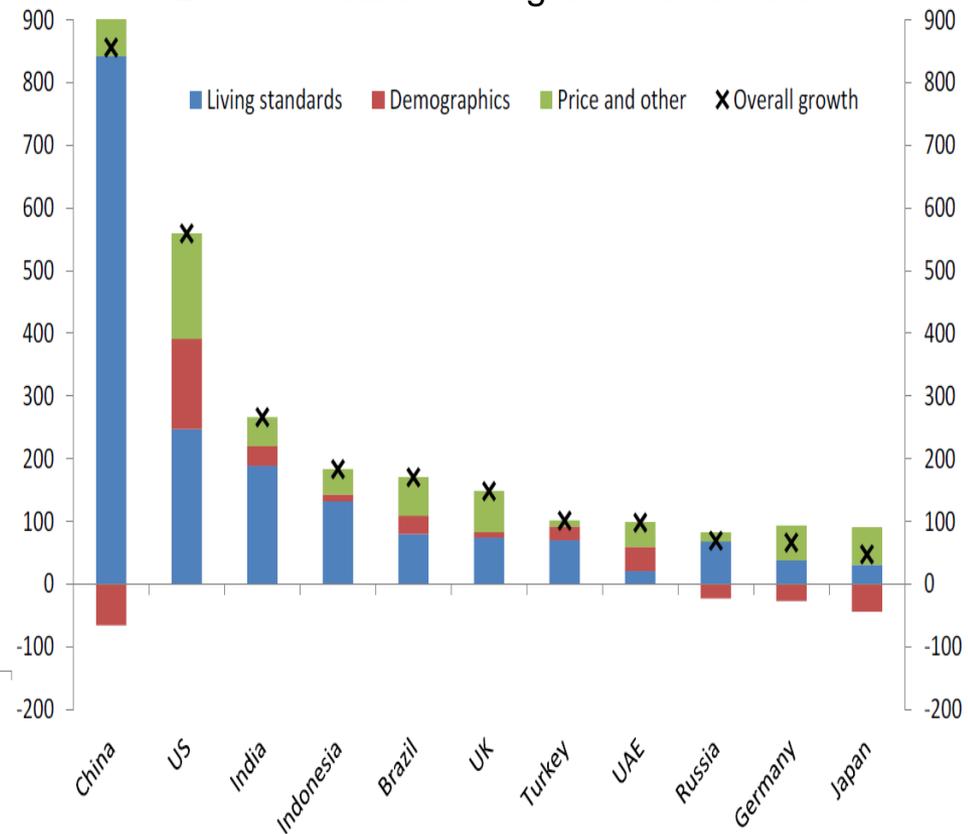
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- China shows largest rise in numbers, underpinned by growing affluence of the PRC population

Outlook for Additional Passengers  
Annually by 2034



Drivers of Air Passenger Traffic Growth



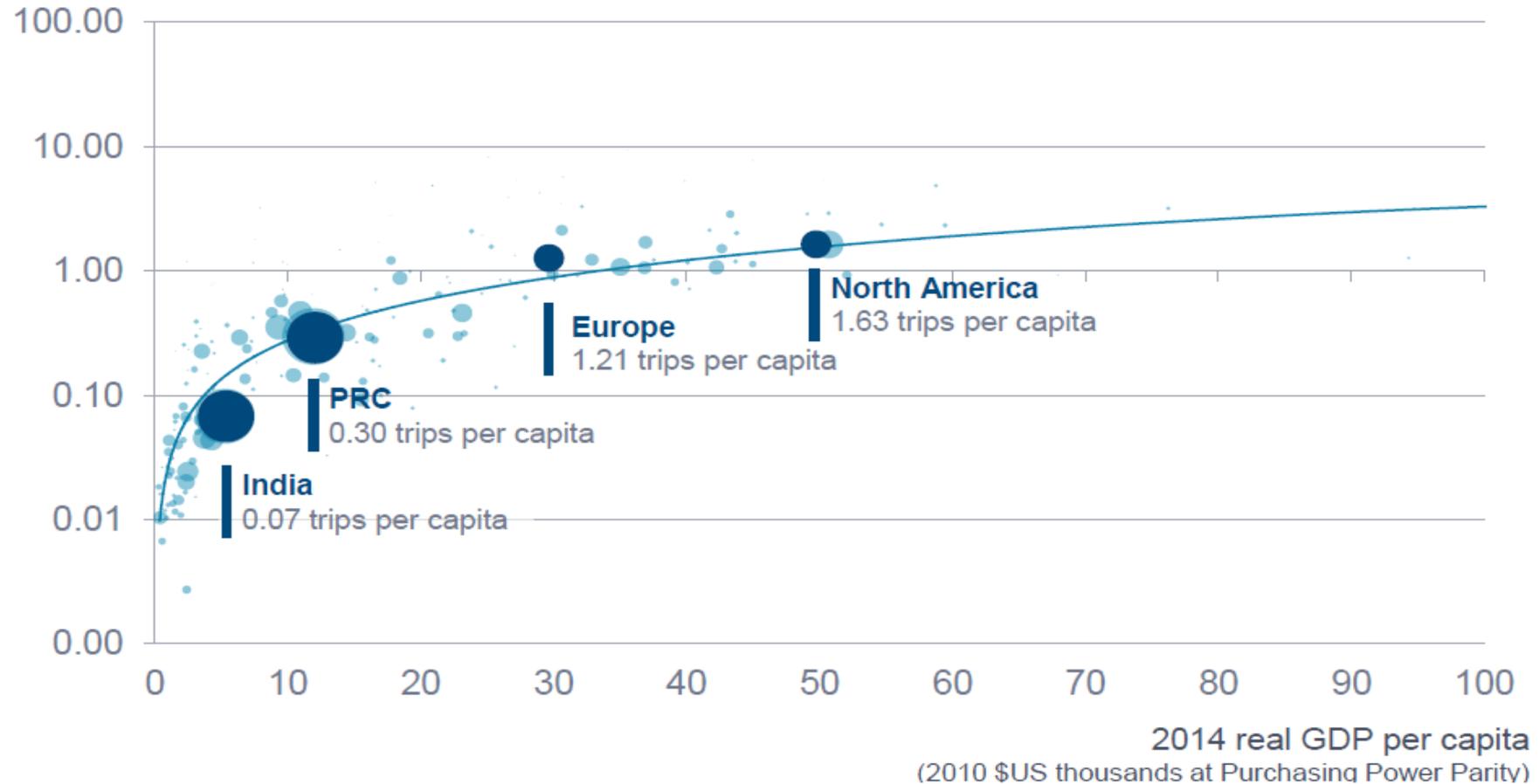
Source: IATA, Tourism Economics 'Air Passenger Forecasts'

# Current Global Air Passenger Traffic Flows are Driven By North America and Europe Demand



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2014 trips per capita



Source: Sabre, IHS Economics, Airbus GMF2015

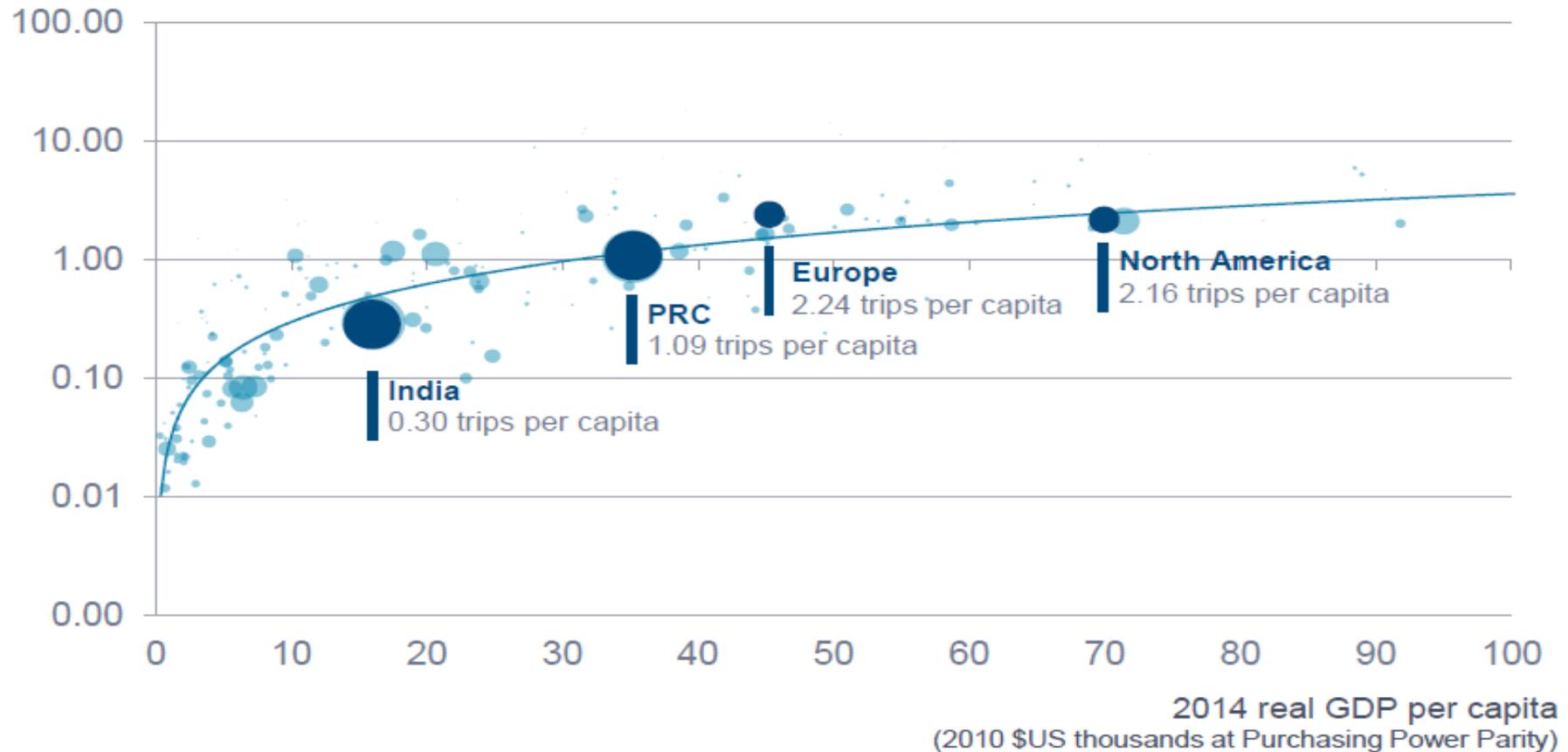
# Future Global Air Traffic Flows Driven Primarily by PRC and India



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- Chinese and Indian populations' propensity to travel will increase through 2034

2034 trips per capita



Source: Sabre, IHS Economics, Airbus GMF2015

# Strategic Growth Targets of the Civil Aviation Administration of China (CAAC)



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2030

- Ability to handle air passenger traffic volume of **1.5 billion**
- Number of airports exceed **300**
- Air passenger traffic volume to **rank first** globally; international air traffic turnover to place in the **world's top two**

2020

- Ability to handle air passenger traffic volume of **700 million**
- Number of airports to exceed **240**
- International air traffic turnover to rank in the **top three** globally

2014

- Total air passenger traffic volume was **392 million**
- **202** airports in **198** Chinese cities

\*Source: CAAC

# Chinese's Propensity to Travel Fuel Growth of Chinese Airport Hubs & Boost Domestic Connectivity



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- Strong air passenger traffic growth in China – air passenger traffic hit 832 million, up 10.2% in 2014
  - ✓ Underpinned by Chinese airlines' international routes expansion, Beijing saw 10 additional daily flights to North America whilst Shanghai Pudong grew by 7 additional daily flights <sup>(1)</sup>
  - ✓ 23% of flights across North Pacific today are directed towards Beijing and Shanghai airports, up from 16% in 2009
  - ✓ Growing connectivity of Chinese airlines – serving 123 cities at 48 countries outside of mainland China in 2014 <sup>(2)</sup>
  
- New international airports in 2<sup>nd</sup> tier Chinese cities such as Chengdu and Wuhan are ready to launch international flights as they are suitably positioned to capture regional and/or domestic connecting demand
  - ✓ Ramping up of Chinese airport capacity to cope with growing demand; 35 new airports are being constructed in 2015 <sup>(3)</sup>

Source: CAPA <sup>(1)</sup>, Civil Aviation Administration of China (CAAC) <sup>(2)</sup> and CAAC <sup>(3)</sup>

# Current Market Overview



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- Asia is one of the biggest aviation markets in the world, and over 100 million new passengers are projected to travel annually with routes to, from and within Asia increased from 2,200 to 3,800 in the last decade
  - ✓ Air passenger traffic hit 1.1 billion passengers for Asia Pacific region in 2014 and is expected to reach 2.9 billion through 2030
  - ✓ China accounts for 53 of the 177 new airport projects in Asia Pacific for 2015
- Global air passenger traffic grew about 6% in 2014 despite weak global economic growth :
  - ✓ China and Middle East led all regions with **double-digit air passenger traffic growth** and travel demand from the Chinese will spur growth in China's domestic market, making it the largest domestic market in the world by 2030
  - ✓ Europe **grew 5%** in 2014, outpacing economic growth; and North America **grew more than 2%** in 2014

Source: IATA, ICAO, CAAC, Boeing's CMO 2015 and Bureau of Transportation Statistics

# Revenue Passenger Kilometres Outweighs GDP Growth

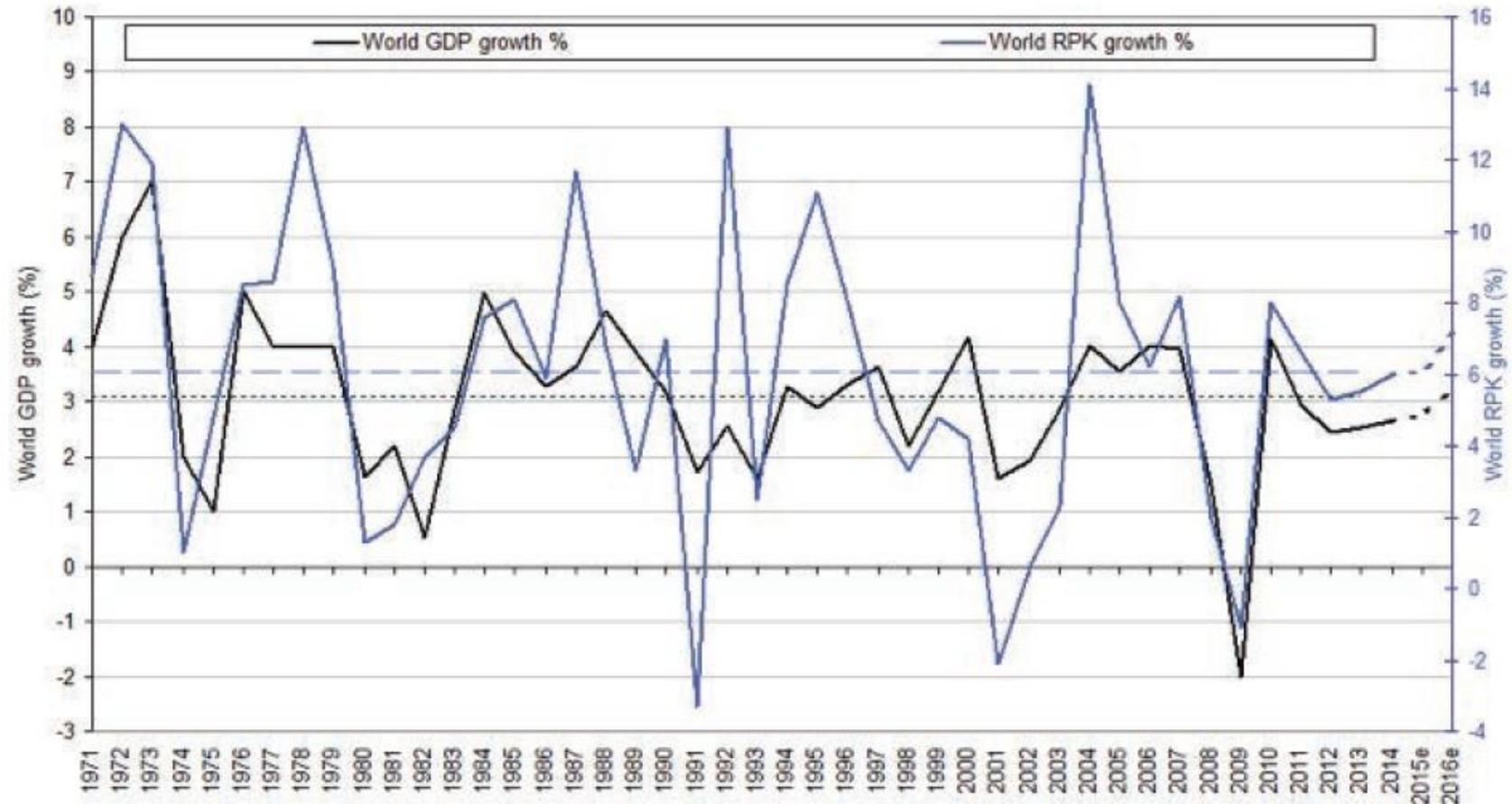


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## GDP & RPK GROWTH SET FOR CAUTIOUS RISE

### WORLD AIRLINE RPK GROWTH AND WORLD GDP GROWTH 1971 TO 2016\*

\*CAPA FORECASTS FOR 2015E TO 2016E. SOURCE: CAPA - CENTRE FOR AVIATION, IMF, AIRLINE MONITOR



Source: CAPA's *The World Airline Forecast July 2015*



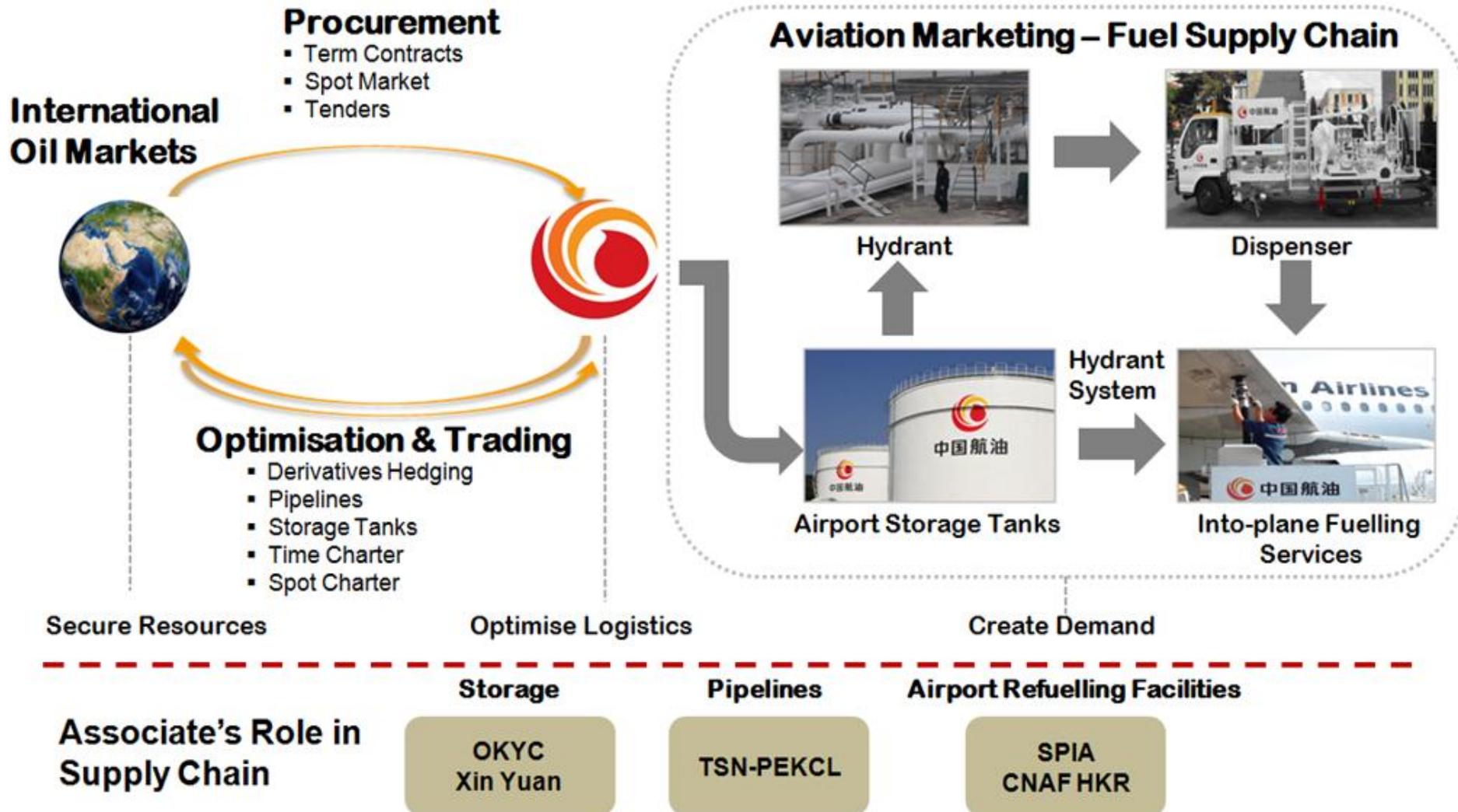
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# CAO's Niche in Aviation Marketing

# CAO's Integrated Value Chain Augments its Aviation Marketing Business Model



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# CAO's Strategic Role in PRC Jet Fuel Import Market



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- **Sole licensed importer** of jet fuel into China
- Supply up to **40%** of total jet fuel demand in the Chinese civil aviation industry
- Supply to **3 key international airport hubs**, namely Beijing Capital International Airport, Shanghai Pudong International Airport (SPIA) and Guangzhou Baiyun International Airport
  - ✓ Airports in Beijing, Guangzhou and Shanghai handled 28.3% of total air passenger throughput at Chinese airports
  - ✓ SPIA's refuelling volumes expected to grow in tandem with air traffic growth at Pudong Airport of around 7%
- Total aggregate **air passenger traffic for the PRC** civil aviation industry increased **10.7%** year-on-year to 392 million in 2014



● Supply locations in mainland China

# Shifting Air Travel Landscape Propels Aviation Marketing Growth



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Source: HKIA Website, CIA Factbook

# Aviation Marketing Strategic Roadmap to 2020



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## 2020 STRATEGIC TARGETS

### Maintain Leadership

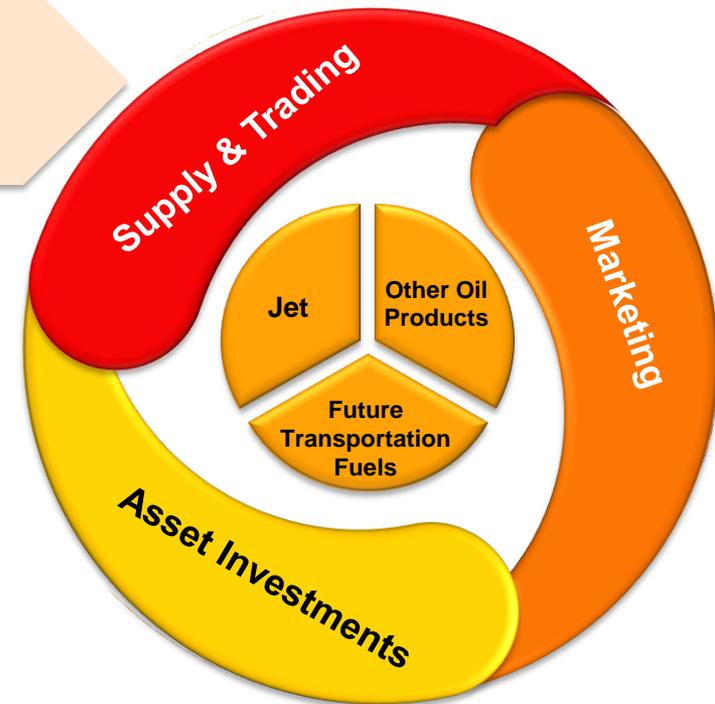
Global leader in **Jet Fuel Supply & Trading** and a reputable global supplier and trader of **Other Oil Products**, with a focus on **Transportation Fuels**

### Grow International Presence

Important **aviation fuel service provider at international airports**

### Leverage Global Trends

Niche player in the supply and trading of future **Clean Transport Fuels**

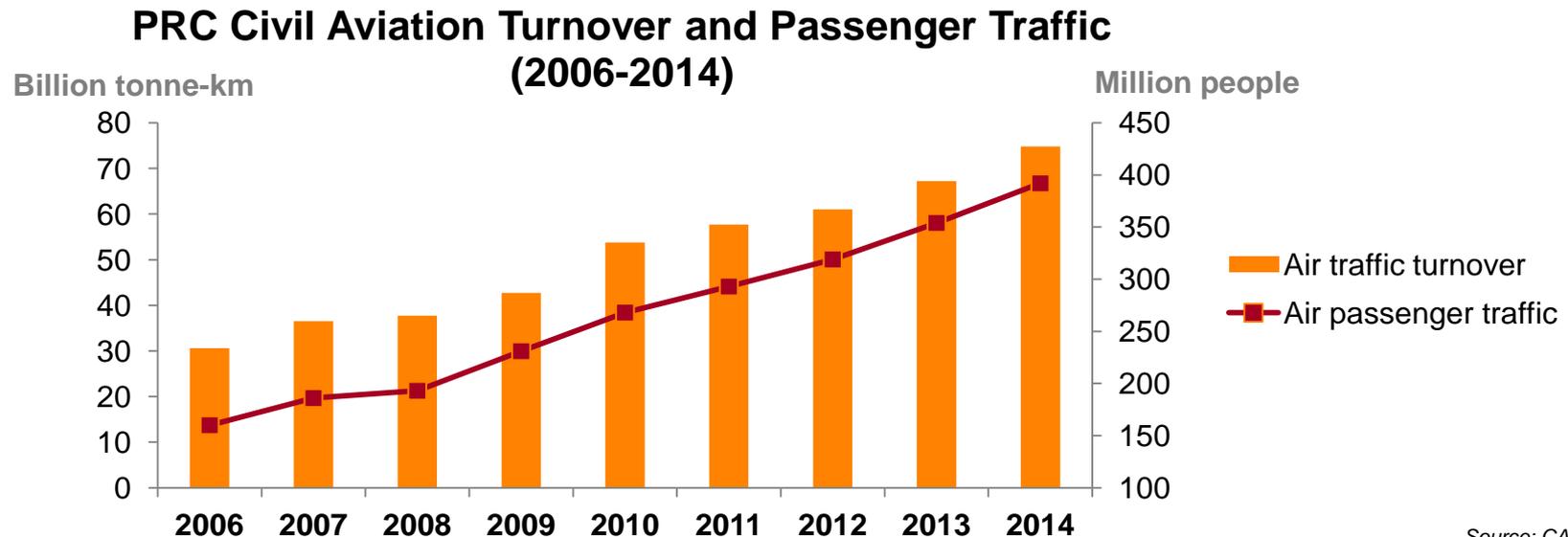


# CAO: Poised for Aviation Marketing Growth



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- CAO will sustain growth momentum as **demand for jet fuel continues** to be supported by:
  - ✓ Growth in China's civil aviation industry;
  - ✓ Growth in CAO's aviation marketing business as CAO continues to expand its supply network at overseas airports and leverage on its competitive advantage as the sole supplier of imported jet fuel to China's burgeoning civil aviation industry.



Source: CAAC

# Growth Driver 1 : Robust Growth of Chinese Civil Aviation Industry

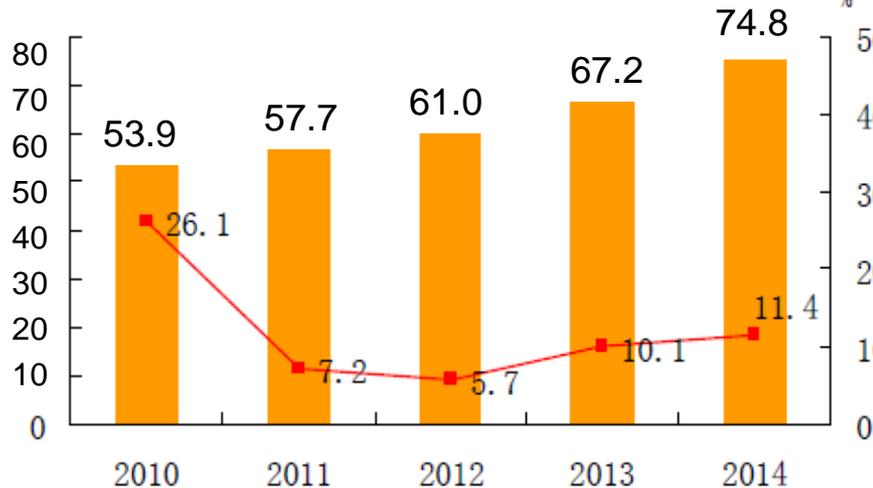


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- 64 Chinese airports had over one million air passengers each in 2014, and together, they handled 95.3% of total air passengers at Chinese airports
  - ✓ Air passenger throughput was 832 million in 2015, up 10.2% year-on-year with an increase of 11.7% increase in international passengers to 70.9 million
  - ✓ Air traffic turnover was 74.8 billion billion tonne-kilometres, up 11.4% over 2013

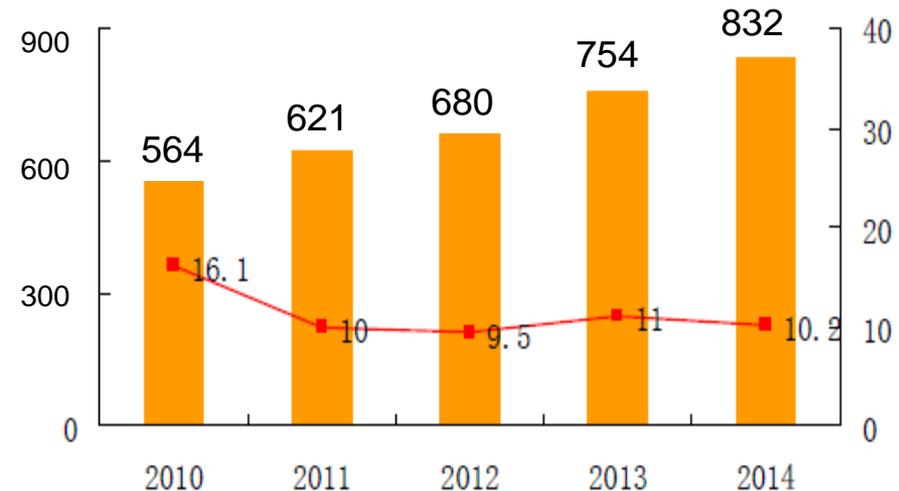
**PRC Civil Aviation Industry  
Total Air Traffic Turnover in 2014**

Billion tonne-km



**PRC Civil Aviation Industry  
Total Passenger Throughput in 2014**

Million



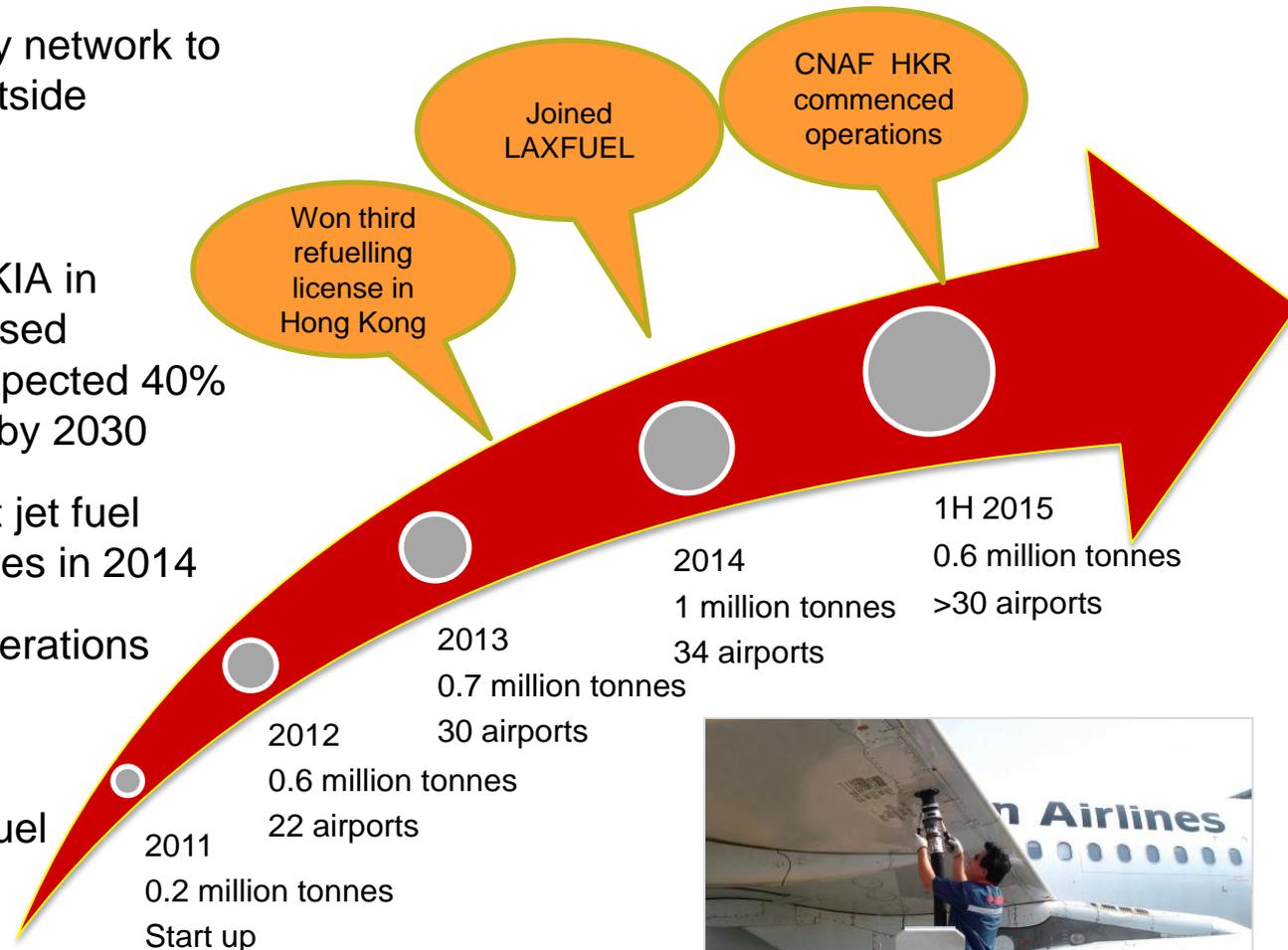
Source: CAAC

# Growth Driver 2 : Riding on the Growth of the International Aviation Market



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- Extended international supply network to >30 international airports (outside mainland China) in 4 years
- CAO's CNAF HK Refuelling commenced operations at HKIA in August 2015 as its third licensed refueller on the back of an expected 40% increase in demand at HKIA by 2030
- Joined LAXFUEL, the largest jet fuel consortium in the United States in 2014
- CAO Europe commenced operations in 2013 and turned earnings accretive in 2014
- Successfully delivered a jet fuel cargo shipment to North America in 1H2015 for NAFCO's independent supply business



# Global Presence Across International Markets



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**CAO currently operates at over 30 international airports outside mainland China in 16 countries, supplying and trading over 10 million tonnes of jet fuel annually**

● CAO global supply locations

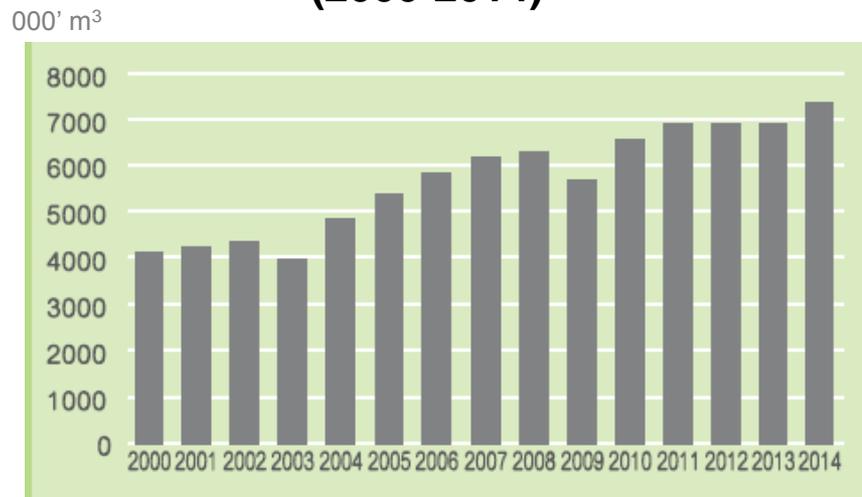
# Entrenched Position at World's Busiest Airport, HKIA - CNAF HK Refuelling Limited



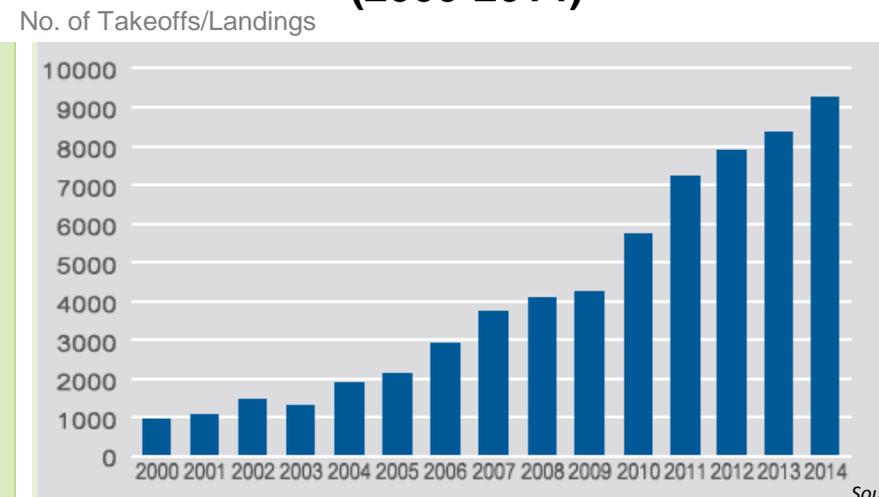
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- CAO's CNAF Refuelling is HKIA's third licensed into-plane fuelling services provider. CNAF Refuelling's suite of fuelling services include:
  - ✓ Round-the clock Into-Plane Fuelling
  - ✓ Maintenance & Operation of Storage Tanks, Fuel Distribution Network
  - ✓ Maintenance & Operation of Transportation Systems & Pipelines
  - ✓ Ground Support of Fuelling Equipment etc.

## Annual Jet Fuel Consumption at HKIA (2000-2014)



## Air Traffic Movements at HKIA (2000-2014)



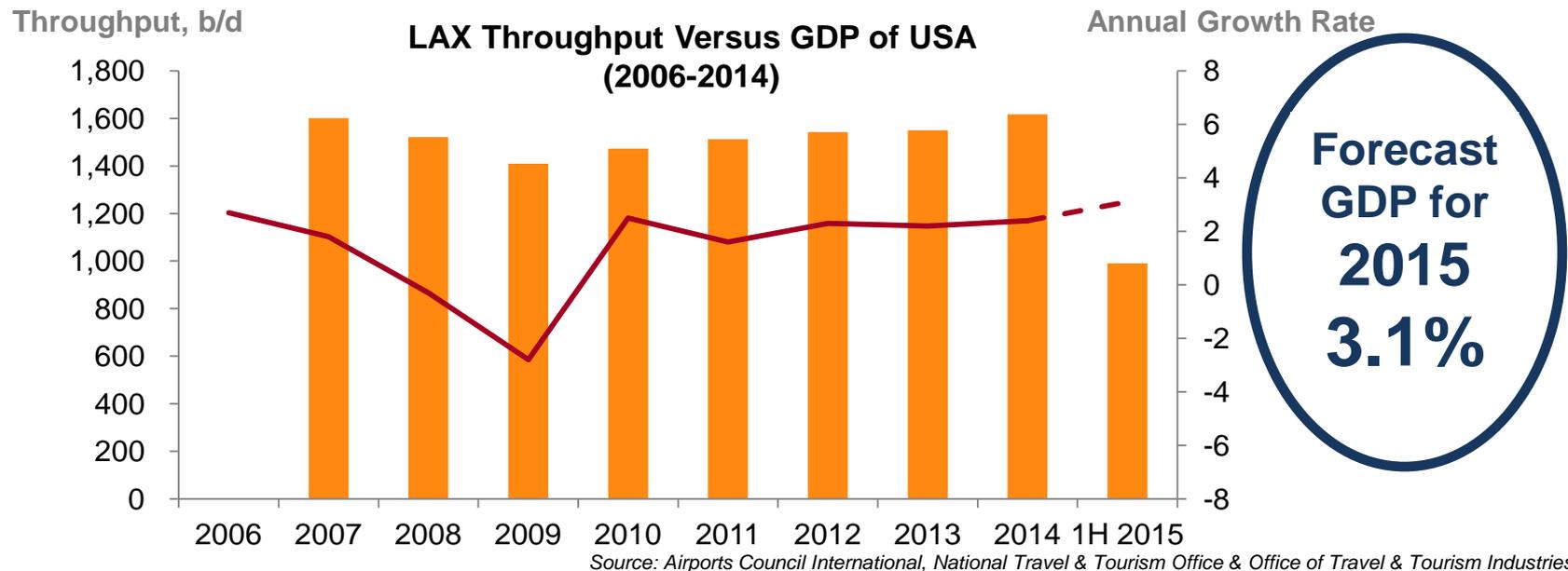
Source: HKIA

# NAFCO: Recovering North America Economy Supports Uptick in Air Passenger Growth



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- Despite recent headwinds in the global economy, the North America market is driven by increased global air travel demand, supported by:
  - ✓ Growth in domestic air traffic; with Atlanta, the world's busiest airport, registering a 4.4% year-on-year growth in 1H 2015
  - ✓ As of May 2015, air passenger traffic (to/from foreign airports) of top ten American airports reached 55.7 million (68% of total air traffic), of which LAX has 4.9% share



# Rest of the World Bears Huge Potential for Aviation Growth



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## ■ Surging air travel globally is spurring major airports to ramp up their airport capacity:

- ✓ Air passenger traffic in Asia Pacific region hit 1.1 billion passengers in 2014
- ✓ At 11 major Asian airports, air passenger traffic reached 566 million in 2014, reaching 97% of these airport hubs' combined capacity



- ✓ Air passenger traffic in the European region was up 5.7% in 2014, backed by intra-Europe robust travel on low-cost carriers
- ✓ Air passenger traffic rose 4.6% year-on-year for the region, with Madrid recording growth of 11.4% in 1H 215, whilst London posted 1.3% growth

Source: IATA, CAPA, ACI & OAG



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# Looking Ahead – Strategy to 2020

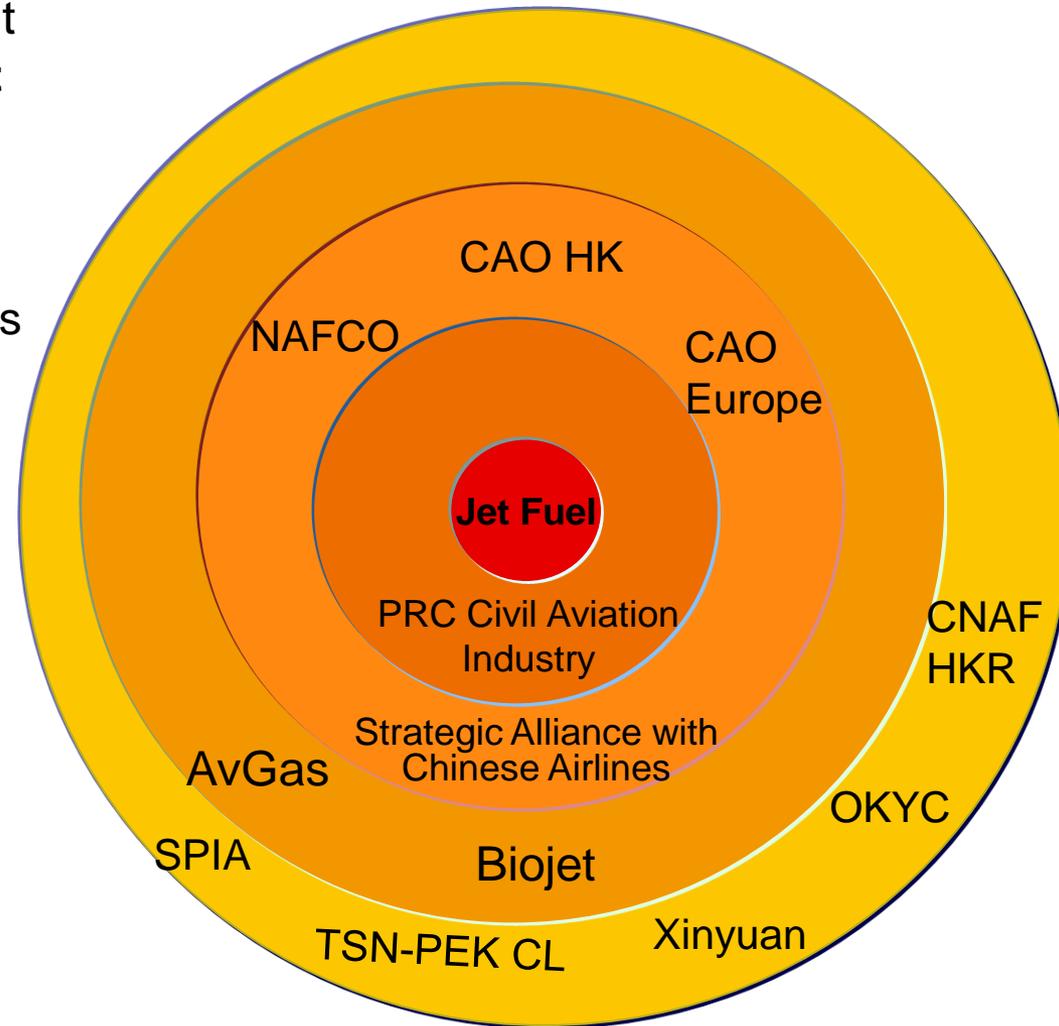
# Strategic Initiatives Overview



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- As CAO targets to be an important **aviation fuel service provider at international airports**, we will be adopting a polycentric approach :

- ✓ Establish/Set up supply channels through B2B/reseller model
- ✓ Leverage on the strategic alliance with Chinese airlines to access international airports
- ✓ Explore and develop niche growth segments
- ✓ Build global footprint through strategic acquisitions



Growing PRC Civil Aviation Industry  
Organic Growth  
Niche Products/Value-added Services  
M&As

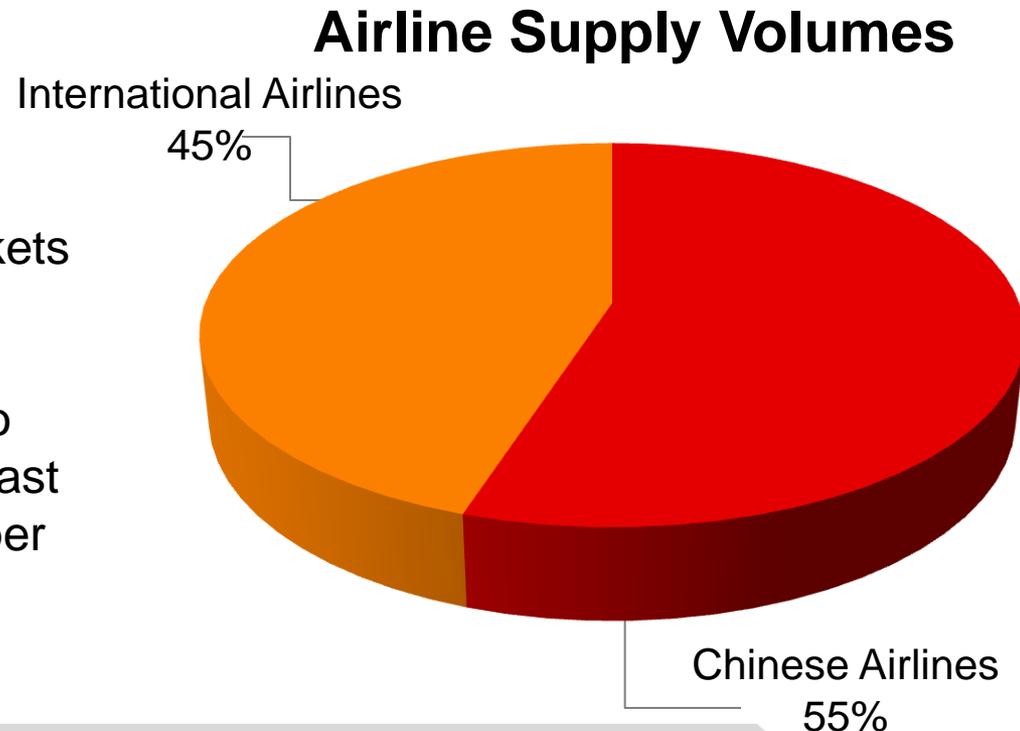
# Growing in Tandem with Chinese Airlines



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- Proactively grow airlines marketing and supply business :

- ✓ Leveraging on our strategic alliance with major Chinese airlines to secure refueling contracts at international markets
- ✓ Chinese airlines' overseas refuelling volumes expected to grow, supported by their forecast fleet growth at 6.5% to 8.4% per annum



**CAO currently supplies over 20% of total jet fuel demand required by three major Chinese airlines at international airports outside China**

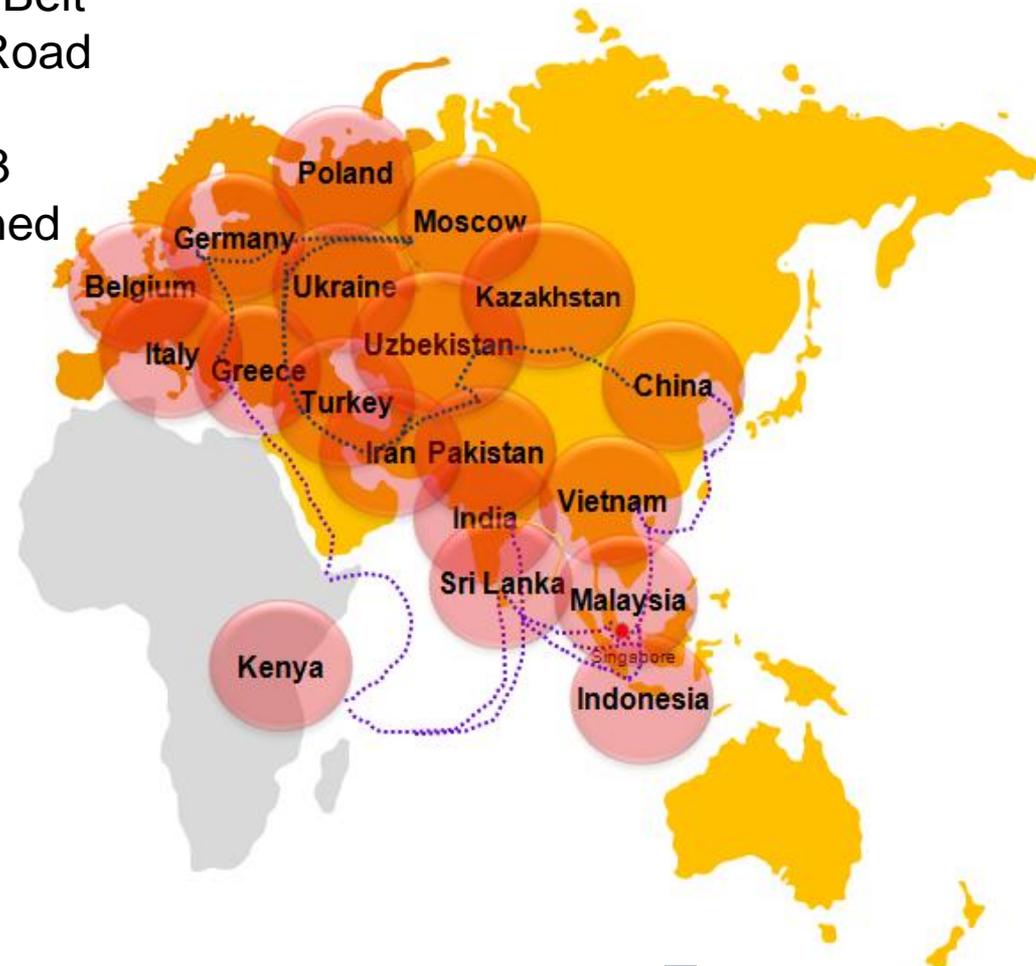
# Opportunities from One Belt, One Road



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- Under China's Silk Road Economic Belt and the 21<sup>st</sup> Century Maritime Silk Road Initiative, China aims to build roads, railways, ports and airports across 3 continents, and CAO is well positioned to capture the opportunities:

- ✓ Maintain leading position in Asia Pacific region for new markets by leveraging consolidated scale and supply channels of existing supply and trading network
- ✓ Increase supply locations and volumes through partnership with airlines which will be supported by burgeoning growth of aviation industry in emerging markets



■ Silk Road Economic Belt  
■ Maritime Silk Road Initiative

# Aviation Gas: A Growing Niche Product



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- Importer of AvGas to the PRC
- China continues to be one of the fastest growing aviation markets, buoyed by increasingly affluent Chinese population's demand for international travel and private aircrafts
- China's general aircraft fleet is expected to surpass 5,000 by 2020 at an estimated annual growth rate of 19%
- Growth Strategies :
  - ✓ Expand footprint in emerging markets such as Indonesia with demand from agriculture, mining, tourism, air chartering industries

## AvGas Supply Volume



**CAO currently supplies Avgas internationally with exclusive distribution rights in 14 Asia Pacific countries**

Source: CAAC

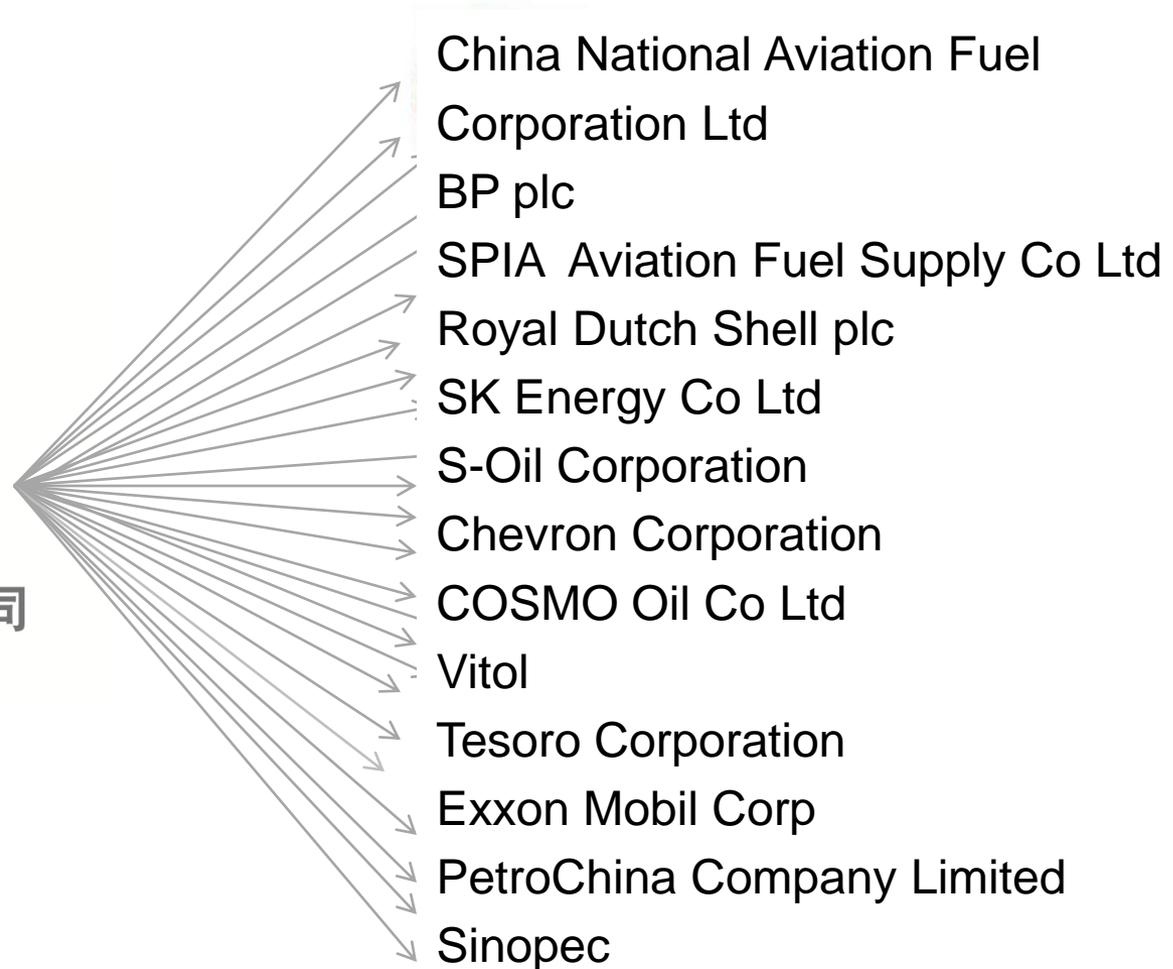
# Top Customers: Leading International Companies



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**China Aviation Oil**  
中国航油(新加坡)股份公司



# Compelling Competitive Strengths in Aviation



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- **Our Key Competitive Advantages:**
  - Jet fuel
  - China market
  - China relationships
  - Strong support from major shareholders
  
- **Our Competitive positioning:**
  - Global player
  - Transportation fuels
  - Integrated supply chain
  - Soft skills – trading and risk management

# Vision



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***To be a constantly innovating global top-tier  
integrated transportation fuels provider***



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# Thank You

