



Charter and Cargo - Niche aviation businesses delivering low risk, high margin revenue

Merren McArthur
Chief Executive Virgin Australia Regional Airlines and Virgin Australia Cargo

OUTLINE

-
- Charter and Cargo – Virgin Australia Group Strategy
 - Charter
 - The story of Virgin Australia Regional Airlines
 - Charter Operations v RPT Operations
 - Riding the Resources Boom/Bust cycle
 - Cargo
 - Story of a Start Up
 - Cargo Network
-

CHARTER AND CARGO – DIVERSIFYING THE GROUP REVENUE BASE

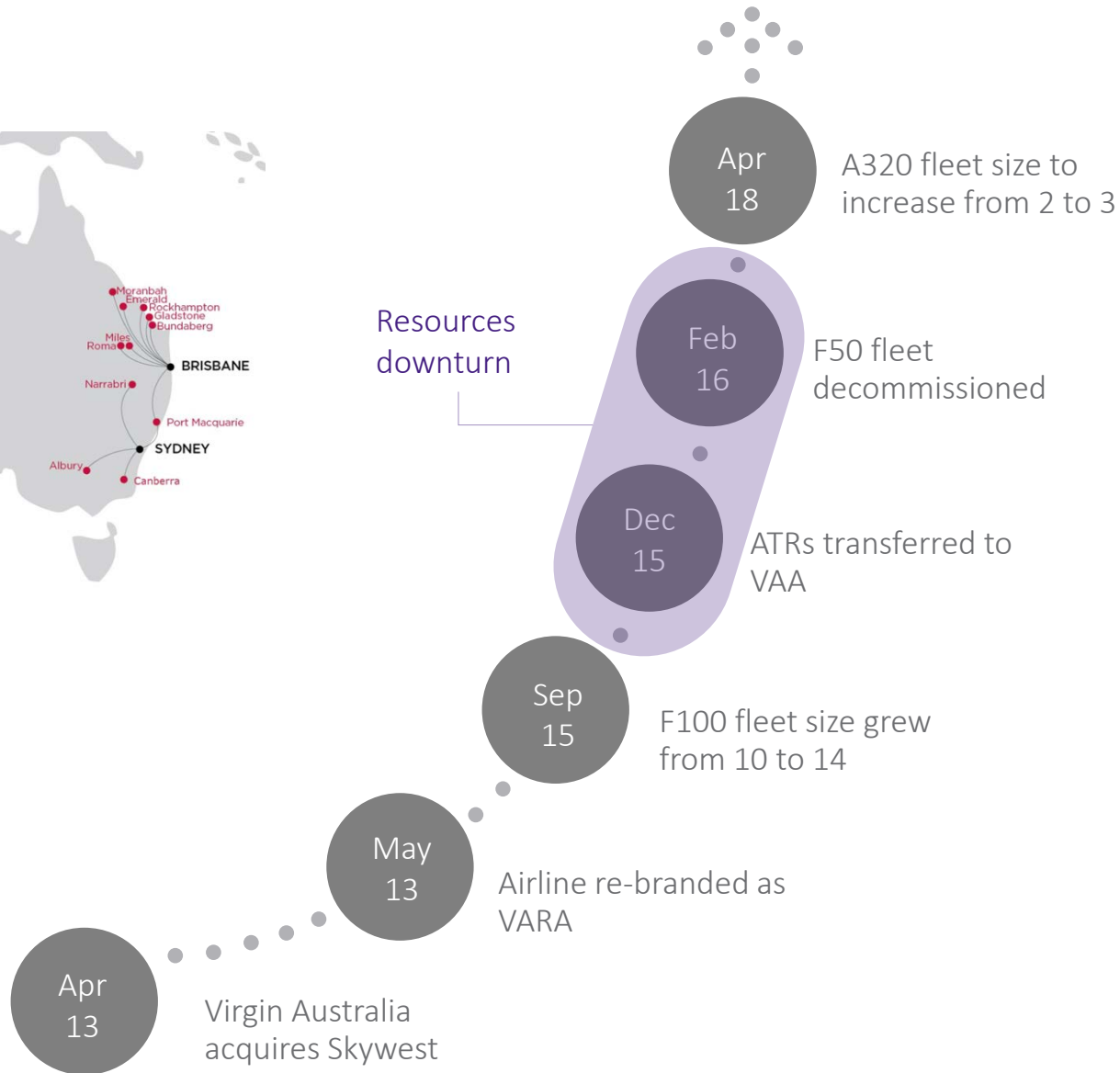
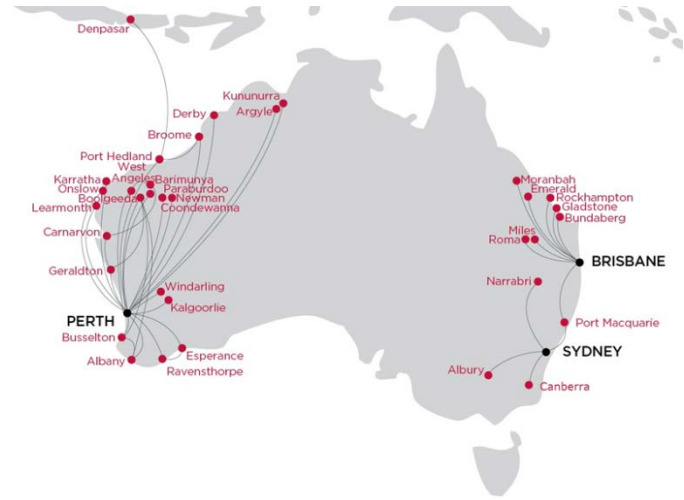
	Domestic Mainline	Charter / Freighter Business	Cargo (Bellyspace on pax aircraft)
Volatility of Demand	High	Low (Long Term Contracts)	Medium – High (Some Long Term Contracts)
Supply Side Risk ¹	Medium to High	Low (Capacity contracted by customer)	n/a (Dictated by Pax Business)
Capital Investment	High	Low (Older Aircraft)	Nil
Investment Planning Horizon	3 – 5 years	6 – 9 months	n/a
Margins	0 – 10% ²	6% - 12%	80% +

Niche aviation businesses leveraging mainline to deliver low risk, high yielding revenue stream

¹ Risk that capacity will exceed demand

² Based on Australian Aviation Industry margins 2012-2017

VARA- TRANSFORMATION OF A 50 YEAR OLD AIRLINE

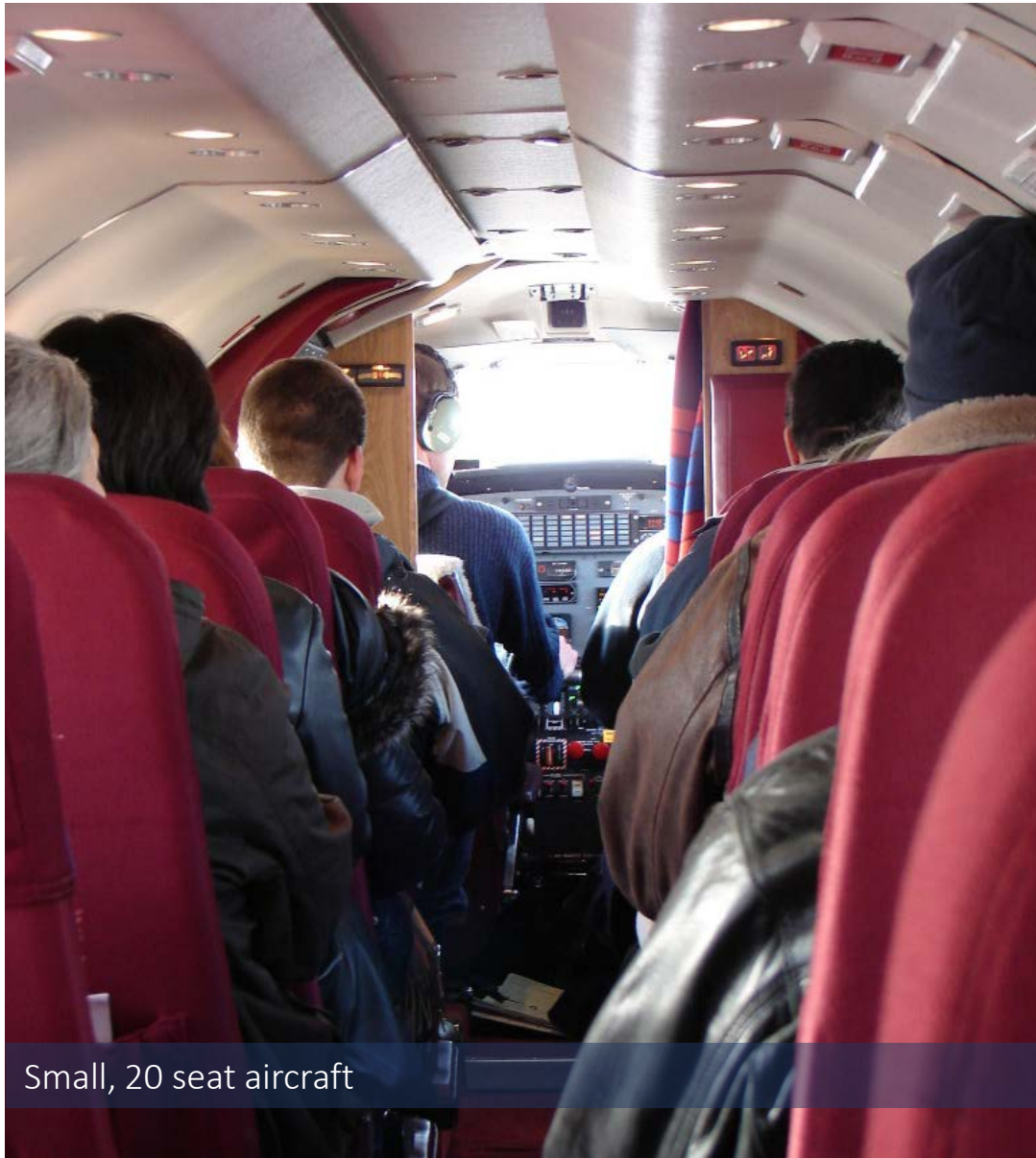


CHARTER VS RPT MODEL

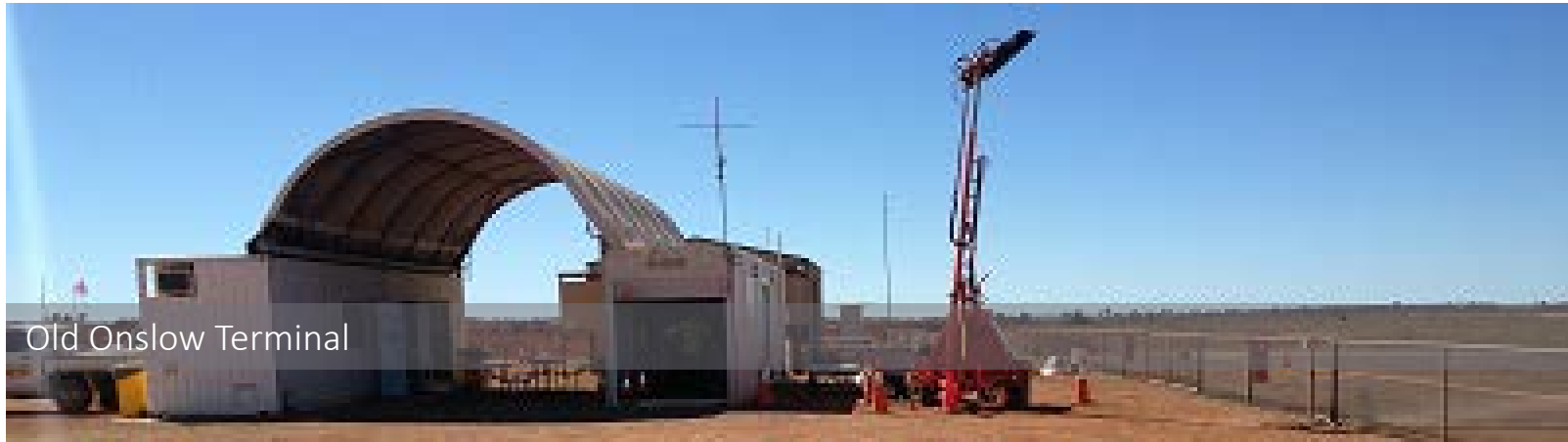
Key Attributes	RPT	Charter
Certainty of demand	Volatile / Discretionary	Contracted / Essential
Visibility of demand	1mth	6 mths
Aircraft procurement lead time	2-3 years	3-6 mths
Capital Cost of aircraft (B737 v F100)	> \$90m	< \$4m
Fuel cost	Volatility of market pricing and hedging policies	Pricing volatility passed through to customers
Schedule	High utilisation required to deliver return on capital investment	Low utilisation tailored to customer needs
Clients	Diverse - corporate and retail	Predominantly resource sector

Charter = low risk, high yielding revenue stream, reliant on resource industry cycles

FIFO MARKET – THE PERCEPTION



THE REALITY - EVOLUTION OF THE FIFO AIRPORT

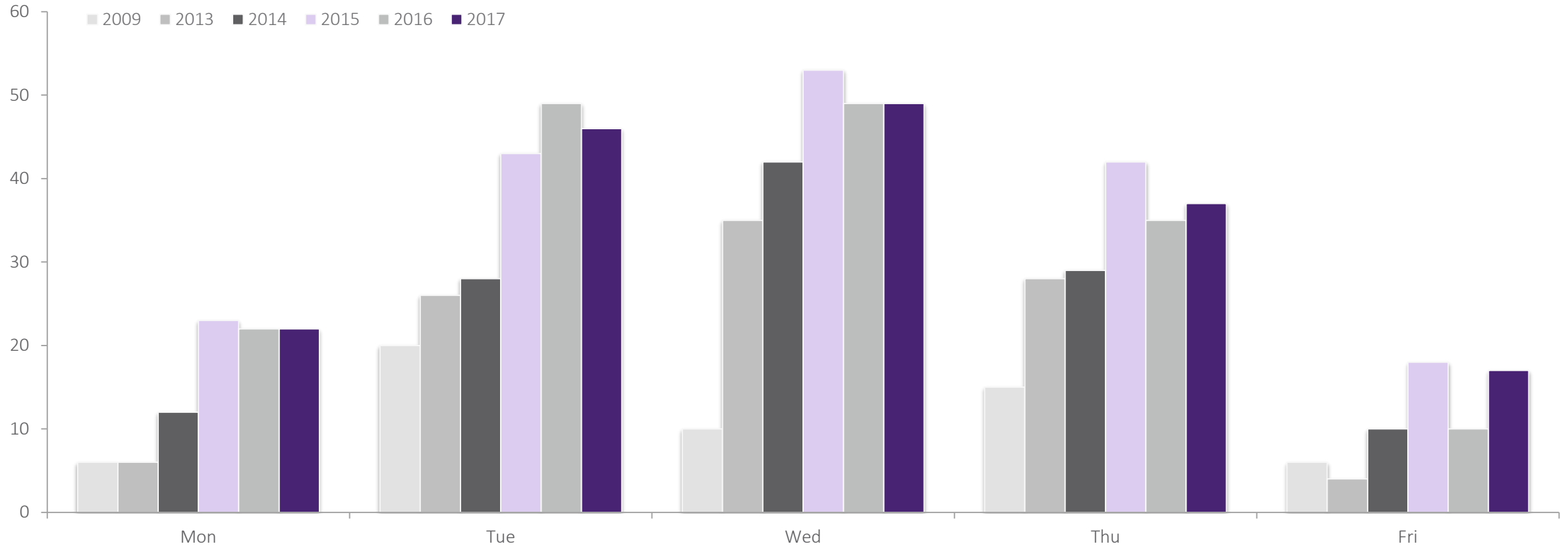




THE REALITY – CHARTER AIRCRAFT

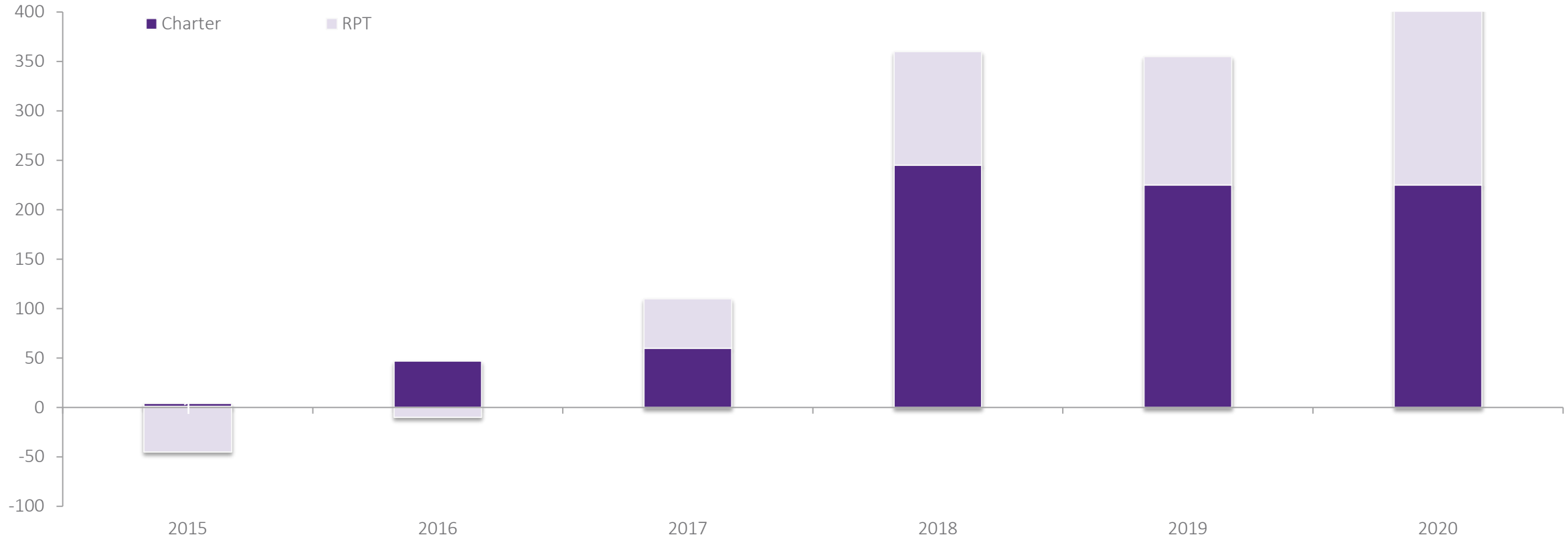


RIDING THE RESOURCES CYCLE- FIFO WEEKLY DEMAND PATTERN



- Tuesday to Thursday requirements dominate the weekly schedule
- Monday and Friday requirements have increased

RIDING THE RESOURCES CYCLE – FIFO DEMAND OUTLOOK- WA



- Volumes are large, with some customers having more than 300,000 passengers per year
- Forecast decline in size of resources sector workforce, but demand is expected to remain high due shorter operational roster cycles
- 313,000 incremental FIFO workers expected to utilise Perth Airport annually by 2020

Note: Increment on 2014 levels

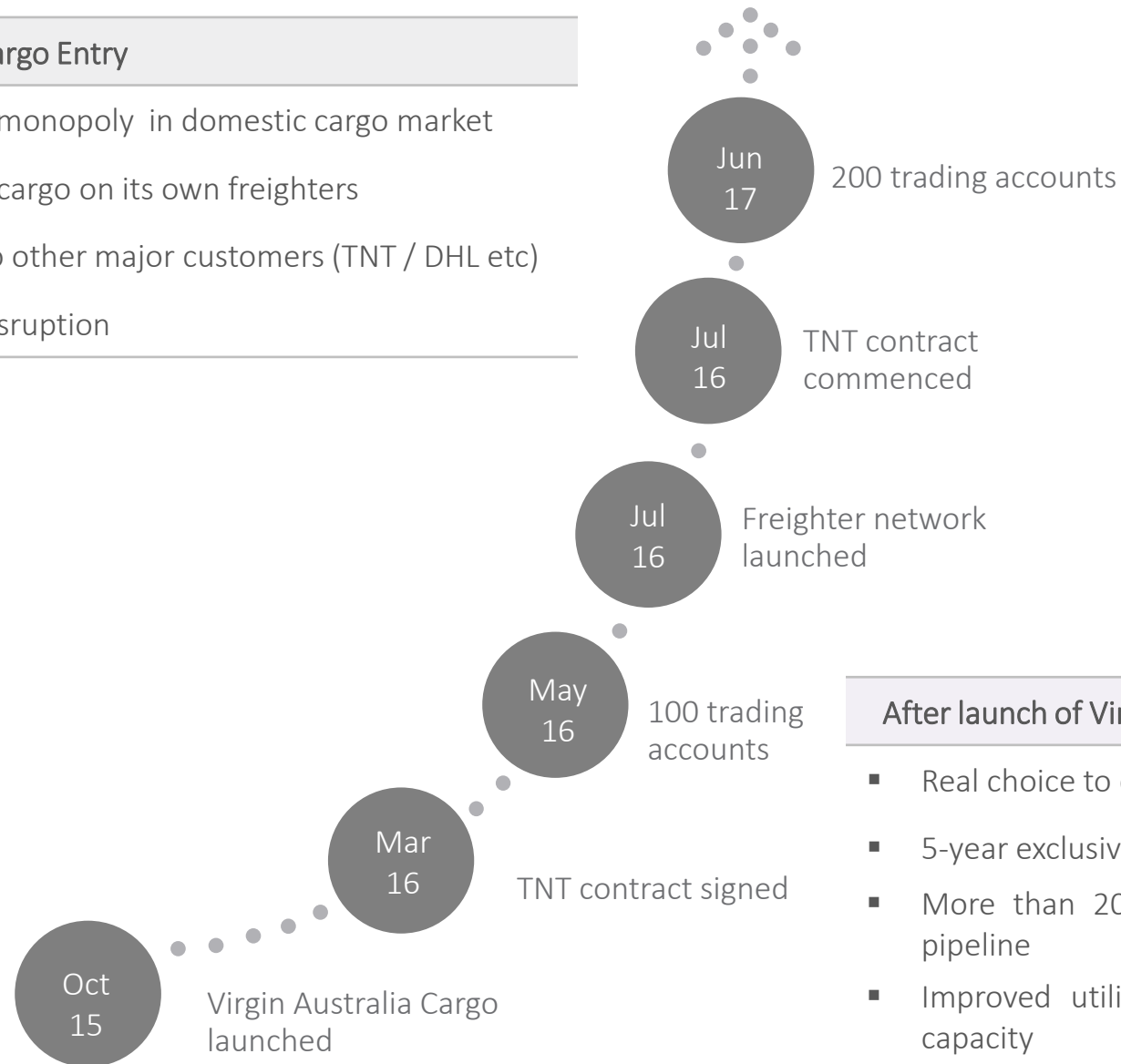
Source: 2015-2025 Western Australian Resources Sector Outlook, 13 November 2014

VIRGIN AUSTRALIA CARGO – STORY OF A START UP



Prior to Virgin Australia Cargo Entry

- Qantas holds a virtual monopoly in domestic cargo market
- Toll carries most of its cargo on its own freighters
- No choices available to other major customers (TNT / DHL etc)
- Market is poised for disruption



After launch of Virgin Australia Cargo

- Real choice to cargo customers in airport-to-airport cargo market*
- 5-year exclusive cargo services agreement signed with TNT
- More than 200 trading accounts with in excess of 60 in the pipeline
- Improved utilisation of Virgin Australia's mainline belly space capacity



*: No competitive alternative since 2001

VIRGIN AUSTRALIA CARGO NETWORK

- **Freighter Network**

- 3 x BAe 146
- 1 x B737 – 300
- Goal to transition to low noise, fuel efficient B737NG fleet, subject to Sydney Curfew Amendment

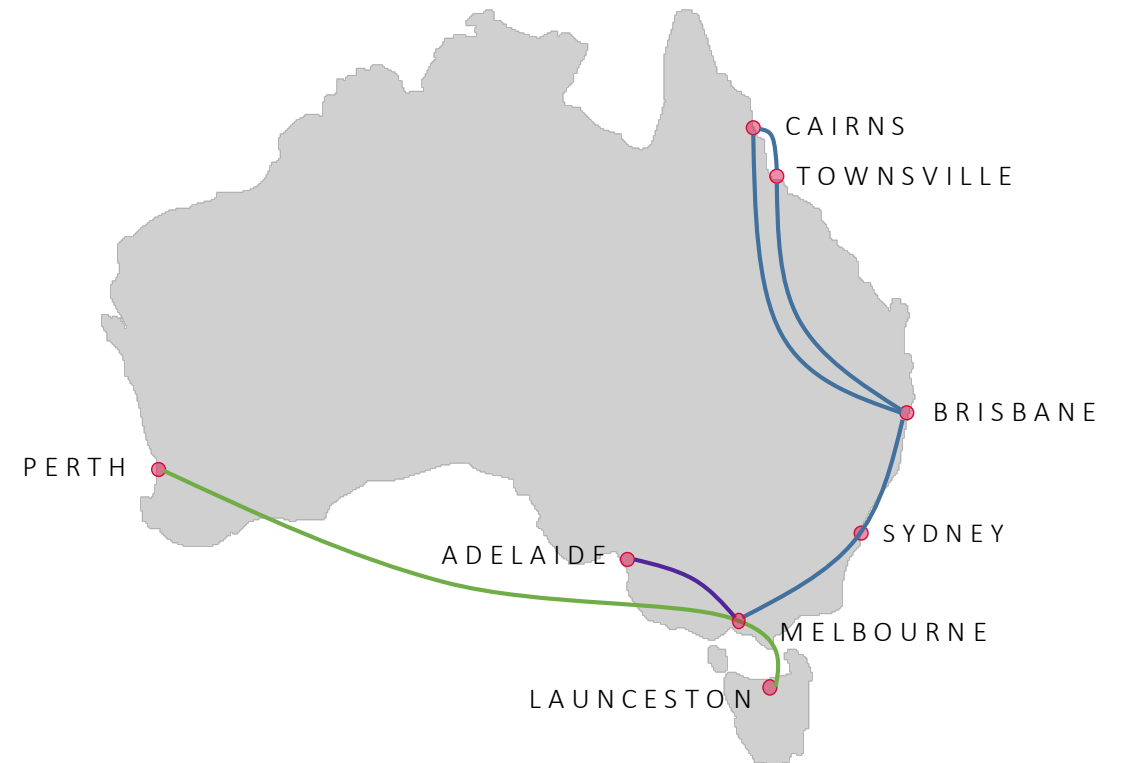
- **Existing Virgin Australia Passenger Network**

- Leverage capabilities of ~ 3,700 passenger flights to 43 domestic and 15 international destinations

- **Innovative Booking Portal**

- First cargo business to make the booking portal (iCargo) available on mobile devices

Current Freighter Network



Virgin Australia Cargo offers an innovative, reliable and responsive cargo solution to our customers

QUESTIONS