



THAI TRANSFORMATION **Briefing**

Thai Airways International PCL

5 February 2015

Operating Environment

Environment Changes

- SEA was Asia's hub
- Middle East emerging as the new World hub
- Longer range aircraft technology changing face of competition
- Service quality - Thai Touch is being challenged
- Lower wages substituted by technology
- Competitors are growing in size and number

Entry of New Low Cost Carriers



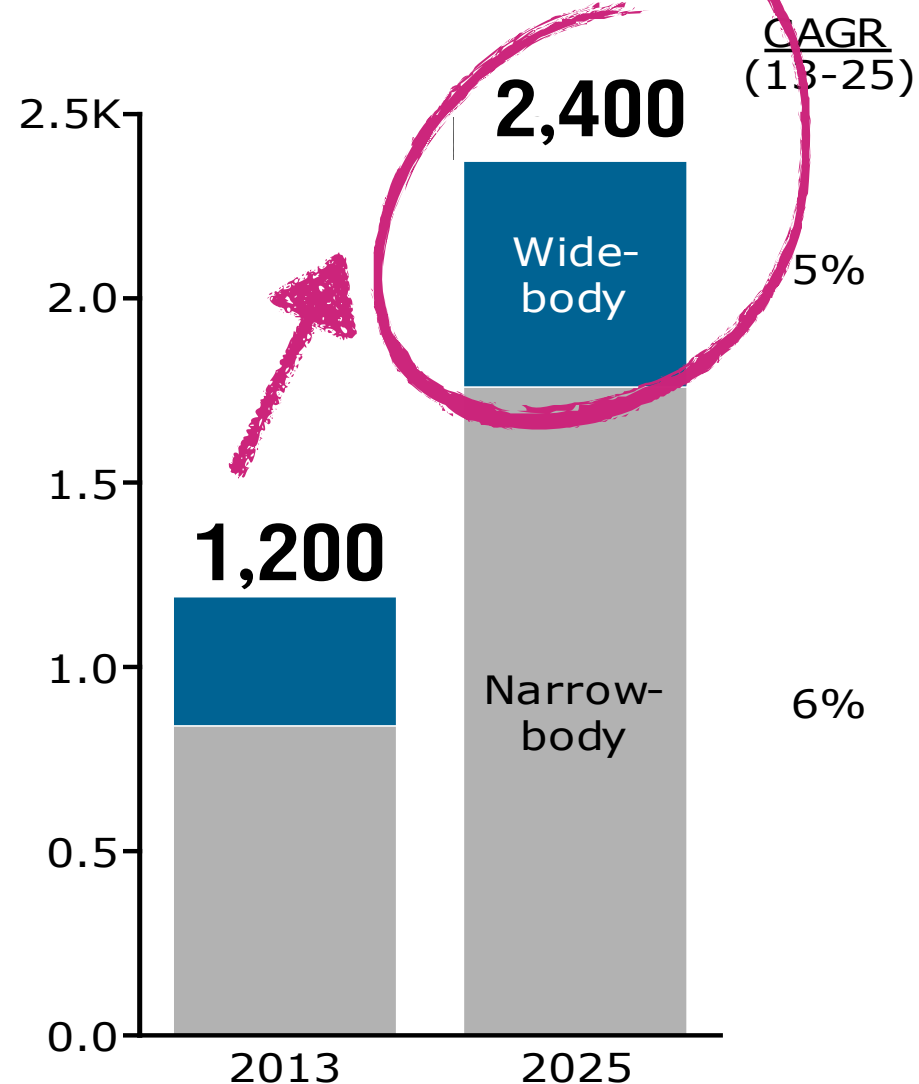
*Thai***vietjetAir**



Rapid Growth by LCCs

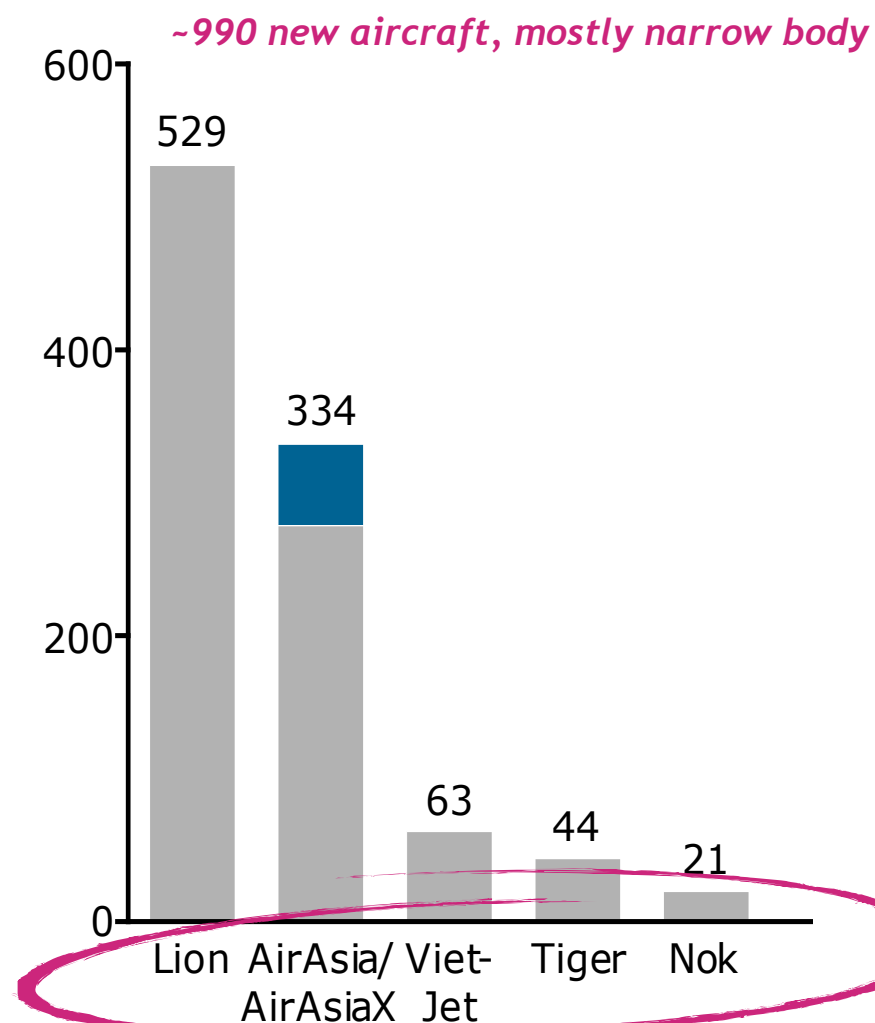
SOUTHEAST ASIA FLEET GROWTH

Southeast Asia fleet size (# aircraft)



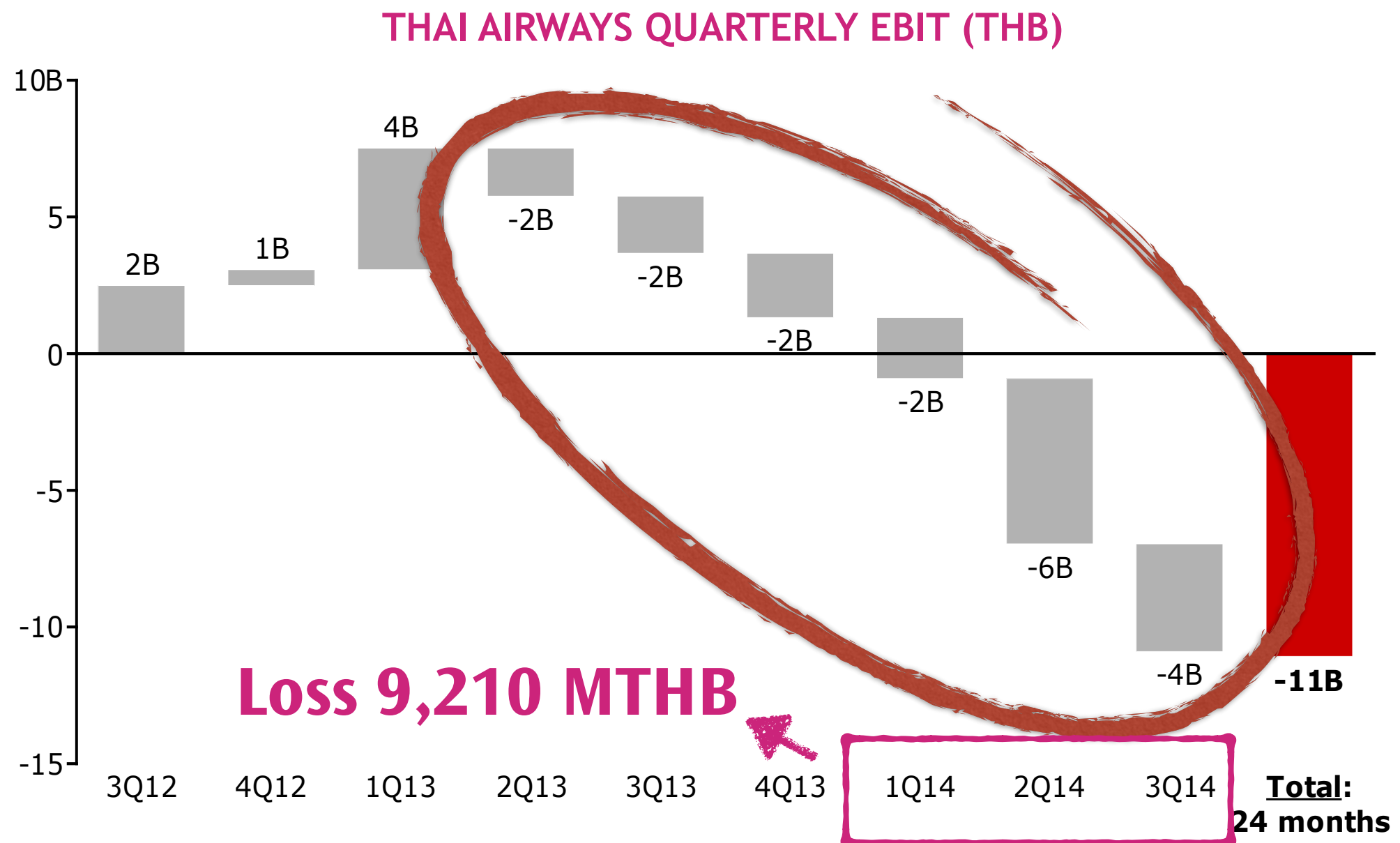
ANNOUNCED FLEET ORDERS, SELECT CARRIERS

Announced fleet orders (# aircraft)



Note: Jetstar includes Jetstar Airways and Jetstar Asia, excludes Jetstar Pac., Jetstar JP, Jetstar HK; VietJet excludes Thai VietJet; Nok excludes NokScoot
Source: THAI fleet order data; Boeing; CAPA; Airline Monitor; Business Standard

THAI's Quarterly Performance

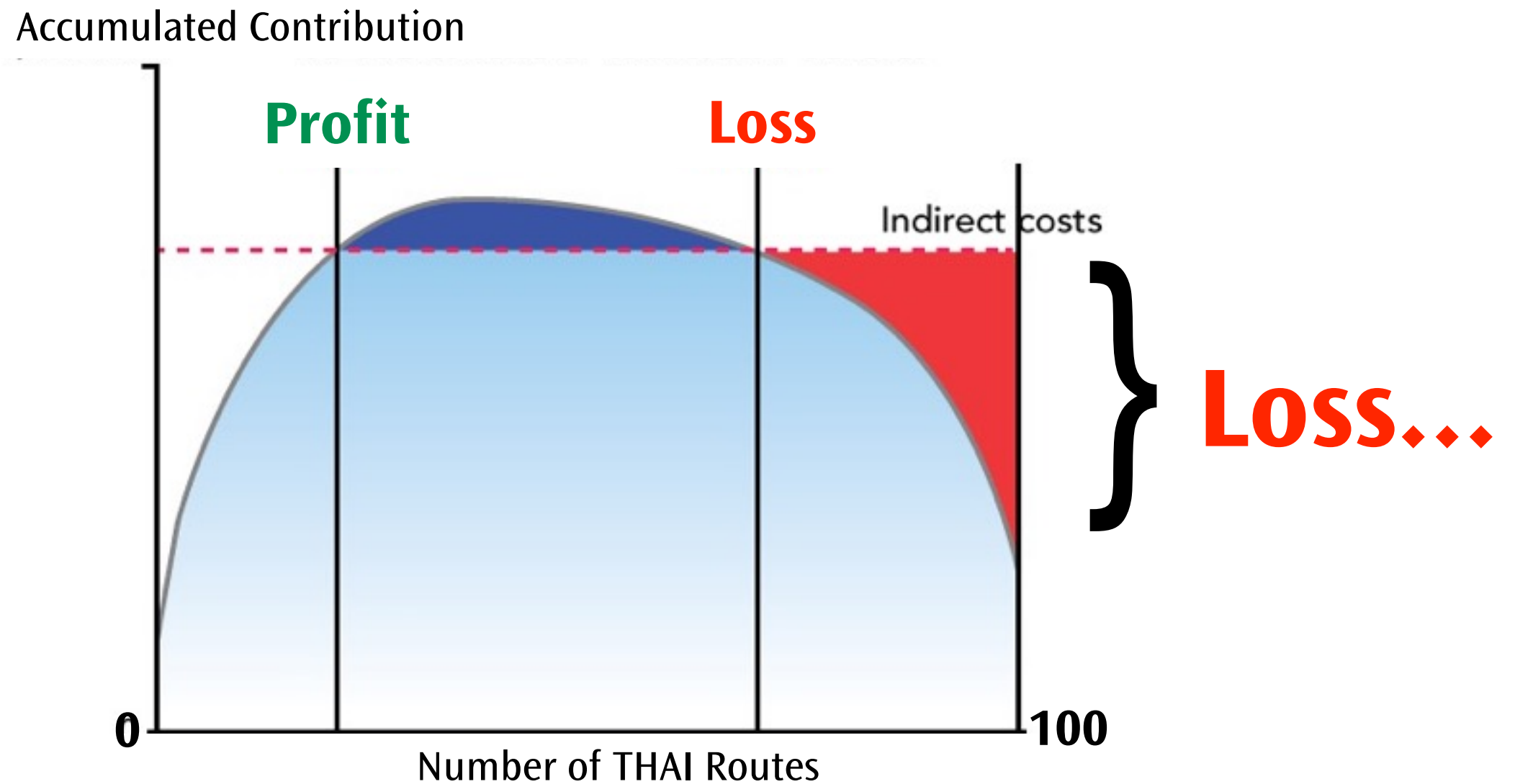


World Ranking Down

Figure 1: Skytrax ratings for World's Best Airline

	2010	2011	2012	2013	2014
1	ASIANA AIRLINES ⁷	QATAR	QATAR	Emirates	CATHAY PACIFIC
2	SINGAPORE AIRLINES	SINGAPORE AIRLINES	ASIANA AIRLINES ⁷	QATAR	QATAR
3	QATAR	ASIANA AIRLINES ⁷	SINGAPORE AIRLINES	SINGAPORE AIRLINES	SINGAPORE AIRLINES
4	CATHAY PACIFIC	CATHAY PACIFIC	CATHAY PACIFIC	ANA	Emirates
5	AIR NEW ZEALAND	THAI	ANA	ASIANA AIRLINES ⁷	TURKISH AIRLINES
6	ETIHAD	ETIHAD	ETIHAD	CATHAY PACIFIC	ANA
7	QANTAS	AIR NEW ZEALAND	TURKISH AIRLINES	ETIHAD	Garuda Indonesia
8	Emirates	QANTAS	Emirates	Garuda Indonesia	ASIANA AIRLINES ⁷
9	THAI	TURKISH AIRLINES	THAI	TURKISH AIRLINES	ETIHAD
10	malaysia airlines	Emirates	malaysia airlines	QANTAS	Lufthansa

Many Loss Making Routes



Many Aircraft Families & Types



A380 (6)	800 (6)
B747 (12)	400 (12)
A340 (6)	600 (6)
B777-200 (14)	200 (8) 200ER (6)
B777-300 (17)	300 (6) 300ER (11)
A330 (22)	300 (22)
B787 (4)	8 (4)
B737 (2)	400 (2)
A320 (17)	200 (17)

**9 FAMILIES,
11 TYPES OF AC**
Fleet size: 100

A330	300
A380	800
B777-200	200 200 ER
A320	300 300 ER
A320	320 319
B787	800

**6 FAMILIES,
9 TYPES OF AC**
Fleet size: 130

A330	300
A340	300
B747	400
B777-200	200
B777-300	300 300ER
A320	321 320

**6 FAMILIES,
8 TYPES OF AC**
Fleet size: 161

A330-300	300
A380-800	800
B747-400	400
B777-200	200ER
B737-800	800

**5 FAMILIES,
5 TYPES OF AC**
Fleet size: 97

Operating Efficiency

- Low aircraft utilization - 11 hours
- High cost, high unit cost, and lower productivity
- Redundant operations, slow decision making process
- Low staff morale

Transformation Goals

- Re-emerge as a national carrier bearing the pride of the Thai People
- Ensure sustainable growth and profit
- Be ranked among the top 3 airlines in the world

TRANSFORMATION STAGES

1

Stop the Bleeding

- Immediately cut loss-making routes
- Frequency or capacity reduction
- Improve revenue management

2

Strength Building

- Reduce per-unit cost
- Enhance efficiency
- Enhance revenue generating capability

3

Sustainable Growth

- Leverage growth on rejuvenated organization strength
- Drive for long-term sustainable profitability

THAI'S TRANSFORMATION PLAN

2015-2016

1

Network Strategies

2

Fleet Strategies

3

Commercial Strategies

4

Operations and Cost Control Strategies

5

Organisation Strategies

6

Portfolio Strategies

1

Network Strategies

Non-Profit Routes

Discontinue/
Likely to be
discontinued

- No potential for profit
- Consistently loss-making

Undecided

- Consistently loss-making
- Potential for turning around

Profitable Routes

Maintain and
make profitable

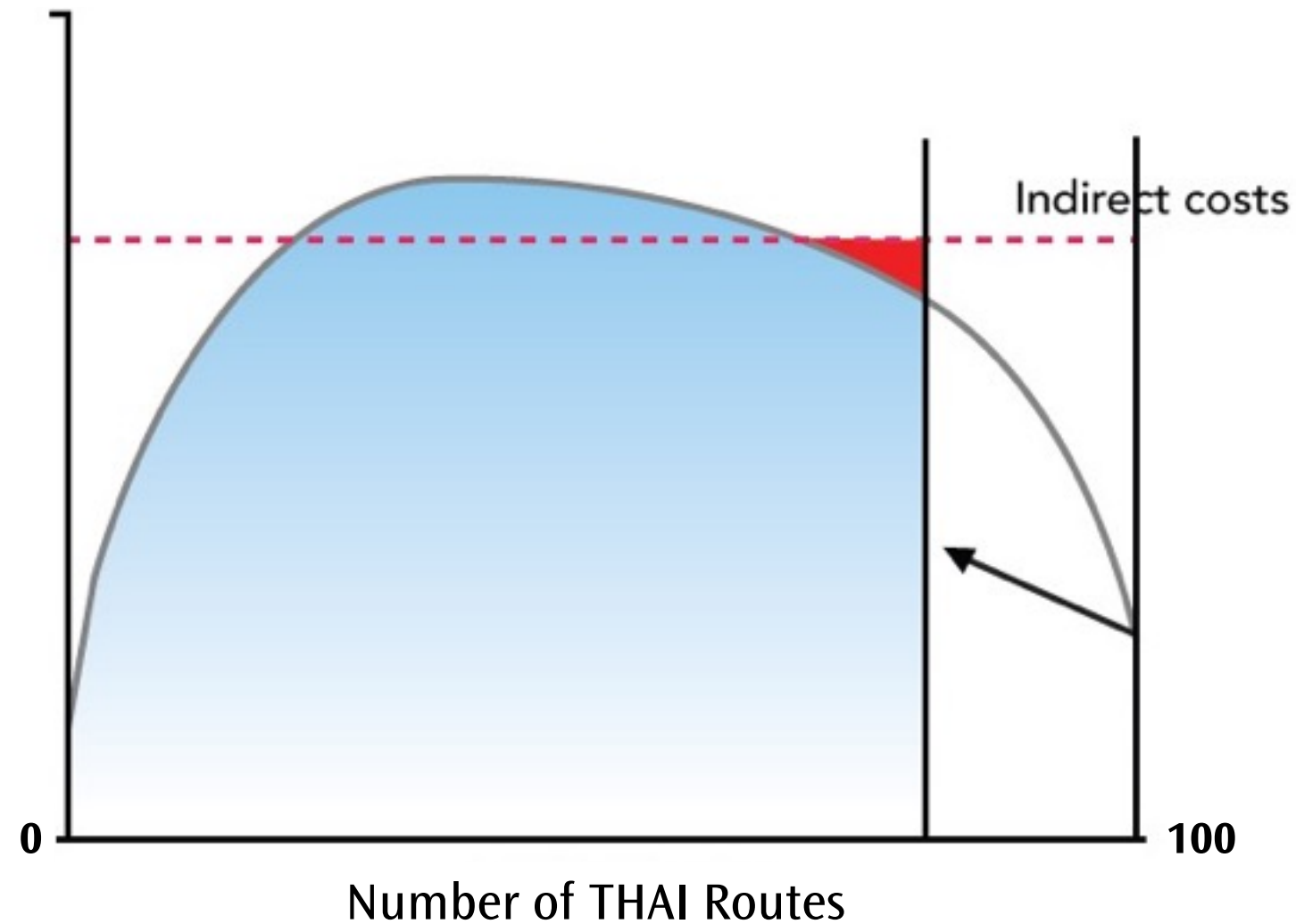
- Currently loss-making but high potential for making profit

Strengthen
profitability

- Currently profitable

Impact from Transformation

Accumulated Contribution



Fleet Strategies



Reduce Fleet Size

- From 102 to less than 90 aircraft
- From 9 families, 11 types to 6 families, 8 types
- Sale of 22 aircraft already grounded

3

Commercial Strategies

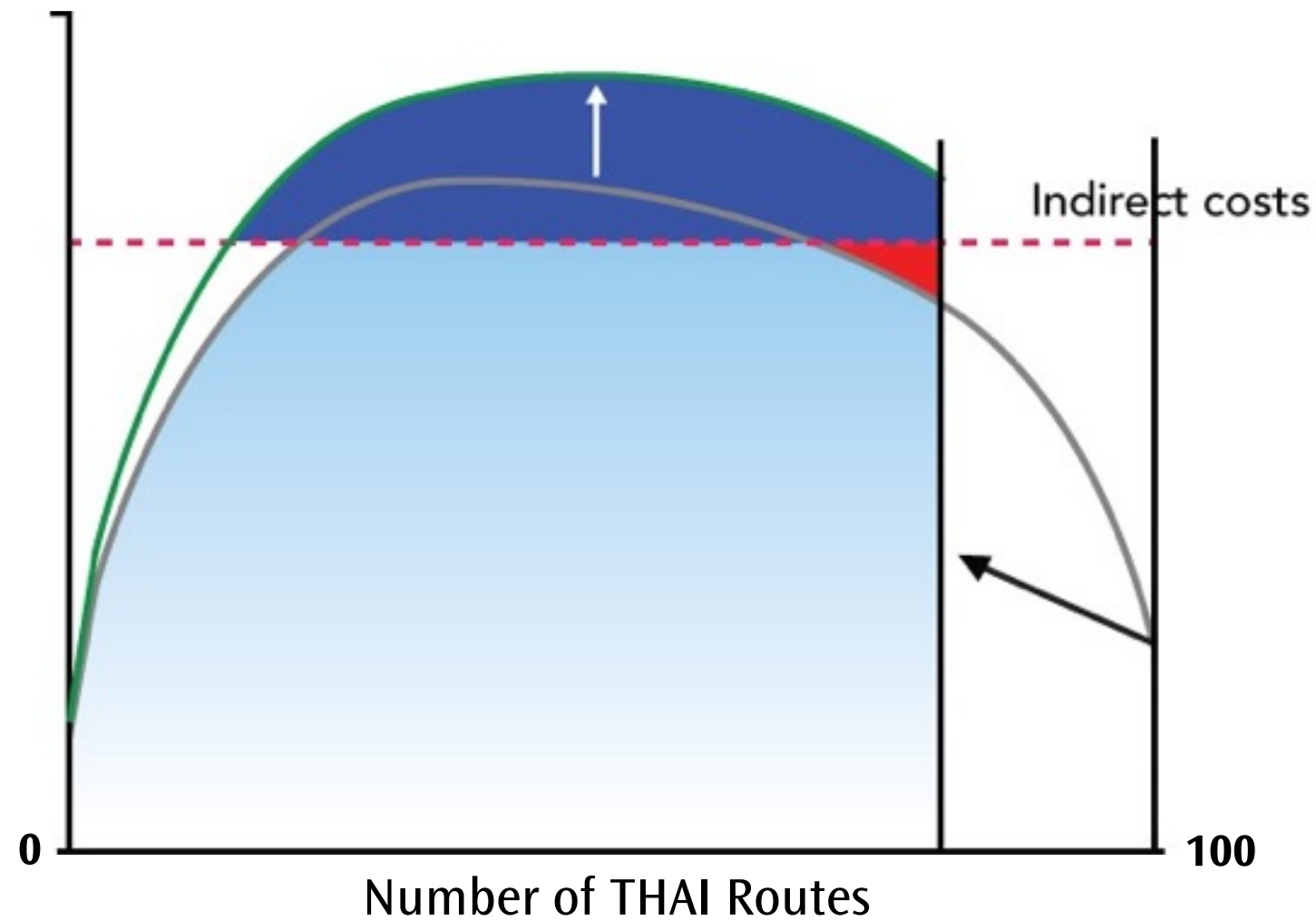
Enhance revenue
management/
maintain service
quality

Improve sales,
diversify distribution
channels and
broaden customer
base

Improve customer
service excellence
and consistency

Impact from Transformation

Accumulated Contribution



4

Operations & Cost Strategies

Reduce non-fuel cash cost

5

Organization Strategies

Flatten organization

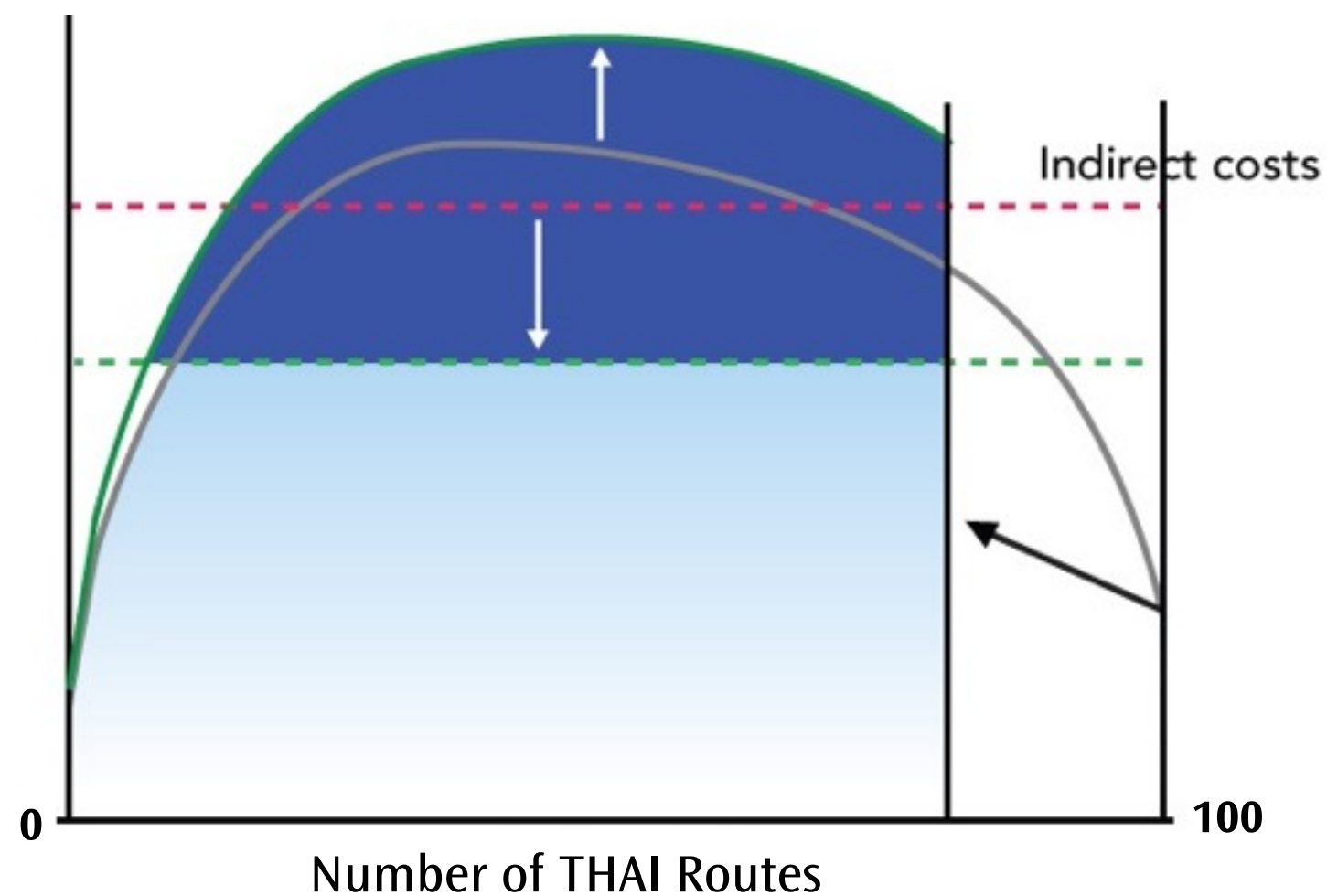
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Portfolio Strategies

Adopt systematic approach to
manage core and non-core
businesses

Impact from Transformation

Accumulated Contribution



Transformation Guidelines

- Establish **Corporate Transformation Management Office**
- Members represented by all relevant departments
- Establish clear scope, targets and timeline
- Establish clear accountabilities

Transformation Outcome

Before

- Financial difficulty
- Uncertain future
- Low staff morale



After

- Financial stability
- Sustainable profitability
- A company of opportunities

Airline Transformation Successes



**Harvard
Business
Review**

**“From worst to first
in the industry”**



**JAPAN
AIRLINES**



**“Japan Airlines
Roars Back”**



Lufthansa

**Bloomberg
Businessweek**

**“Lufthansa Is Back
On Course”**

Transformation Supported by Sufficient Liquidity

- Standby ECP support from MoF
- Raised THB 6 bn in BE paper at year-end 2014
- Raised THB 4 bn in 5, 7, 10 year bonds (2014) - 3 times oversubscribed
- Planned raising of THB 15 bn in debentures (2015)



 **THAI TRANSFORMATION**

Thank You