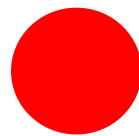
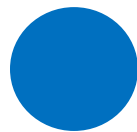




SriLankan Airlines: Privatization of the National Air Carrier

Investment Opportunity Teaser

September 2023

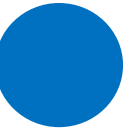


Prepared by:



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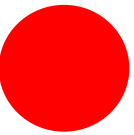
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The Government of the Democratic Socialist Republic of Sri Lanka (GOSL) seeks to divest of SriLankan Airlines Limited (SLA) to a strategic investor.

Strong operational metrics (pre-pandemic): 5 MPAX, 100k cargo tons

Current operational performance is good

KPIs are in line with international norms

A broad network of cities covered from London to Sydney and Tokyo

Extensive landing rights in many Indian cities

Connection potential for South Asia with South-East Asia/Australia

A modern Airbus fleet consistent with the network

A predominantly foreign-exchange-earning business

State-of-the-art facilities in compliance with global standards

IATA Operational Safety Audit¹ passed

IATA Safety Audit for Ground Operations² passed

Relevant SBUs with positive value:

- Sole ground handler at CMB airports (expected to generate USD 60 million in revenue)
- Exclusive flight catering provider in Sri Lanka (expected to generate USD 40 million in revenue)
- Srilankan Engineering – fully fledged EASA 145 accredited Maintenance Repair & Overhaul (MRO) arm offering aircraft line, heavy and component maintenance services to over 30 international airlines
- SriLankan Aviation College – is EASA 147 accredited and offers a suite of internationally recognized operational, customer service, and management training courses for local and international students

Projected revenues 2023/24 from airline operations: USD 1.1 billion

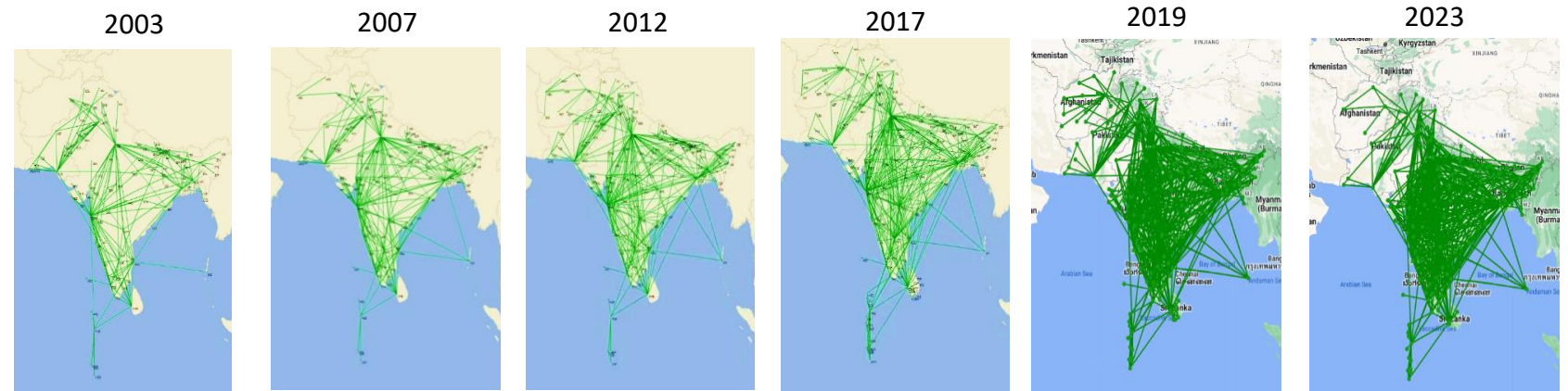
AN ATTRACTIVE INVESTMENT OPPORTUNITY

SOUTH ASIA: AIR TRAFFIC EVOLUTION AND STRONG GROWTH PROSPECTS

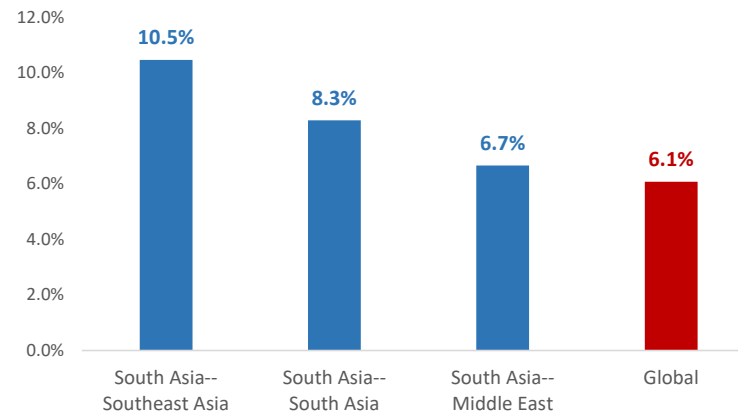


- Prime investment opportunity to access a rapidly growing air transport market: There has been a massive increase in the number of air routes in the South Asia region during the past 20 years.
- Air transport market in India is projected to be the largest in the world by the middle of this century. India has become the third-largest domestic aviation market in the world and is expected to become the third-largest air passenger market by 2024.
- Sri Lanka can connect main and secondary cities in India with points at SE Asia and Australia resident of large diasporas of Indian citizens (by connecting in CMB through sixth freedom services). A Srilankan Airlines hub could be established in Colombo Airport to serve this purpose. The development of this hub would be feasible based on the already existing critical mass of O&D traffic to and from Sri Lanka, which could cross-subsidize lower-yield connecting traffic.
- The airline could be able to achieve larger economies of scale, which in turn would reduce its operating costs per passenger

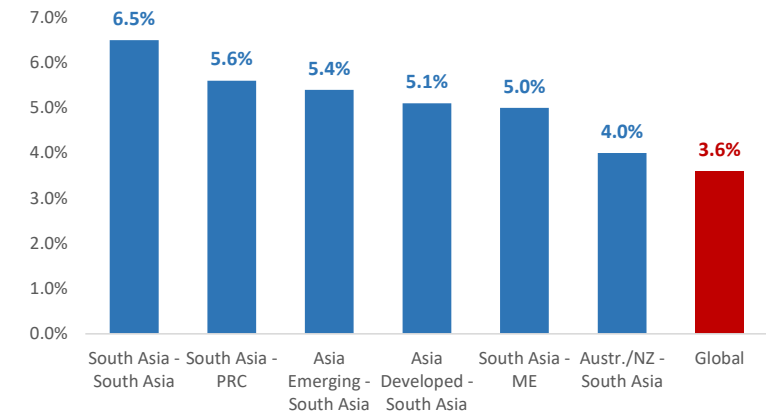
Evolution of the International Air Transport Capacity within the Region



Projected RPK growth 2022-2042 – Boeing (CAGR)



Projected RPK growth 2019-2042 – Airbus (CAGR)



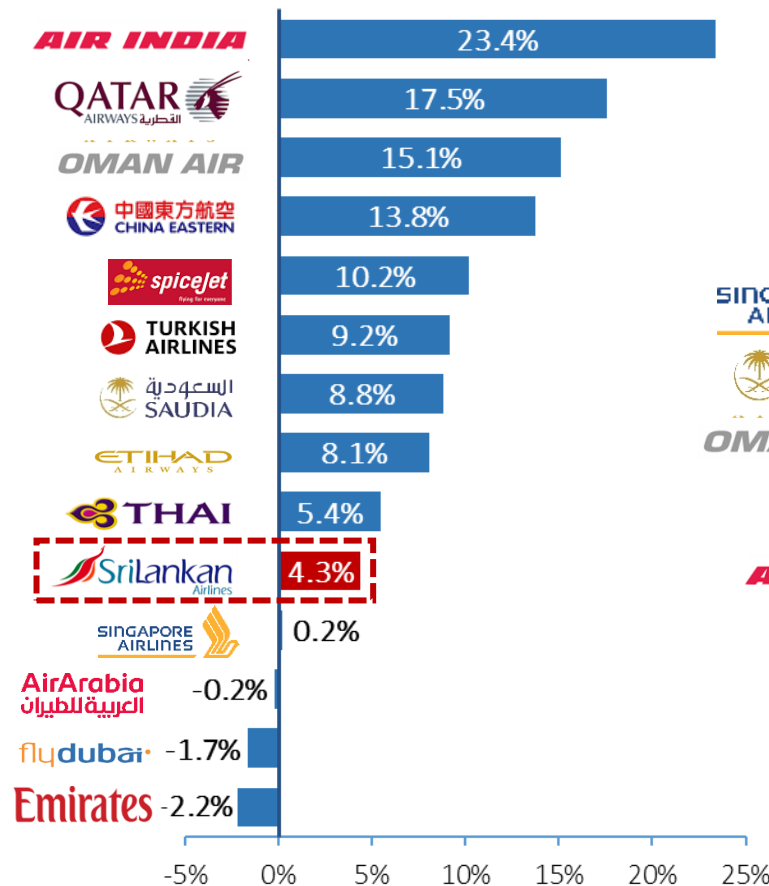
Strong expected regional growth based on industry forecasts

DOMINANT PLAYER WITH 52% MARKET SHARE AT CMB

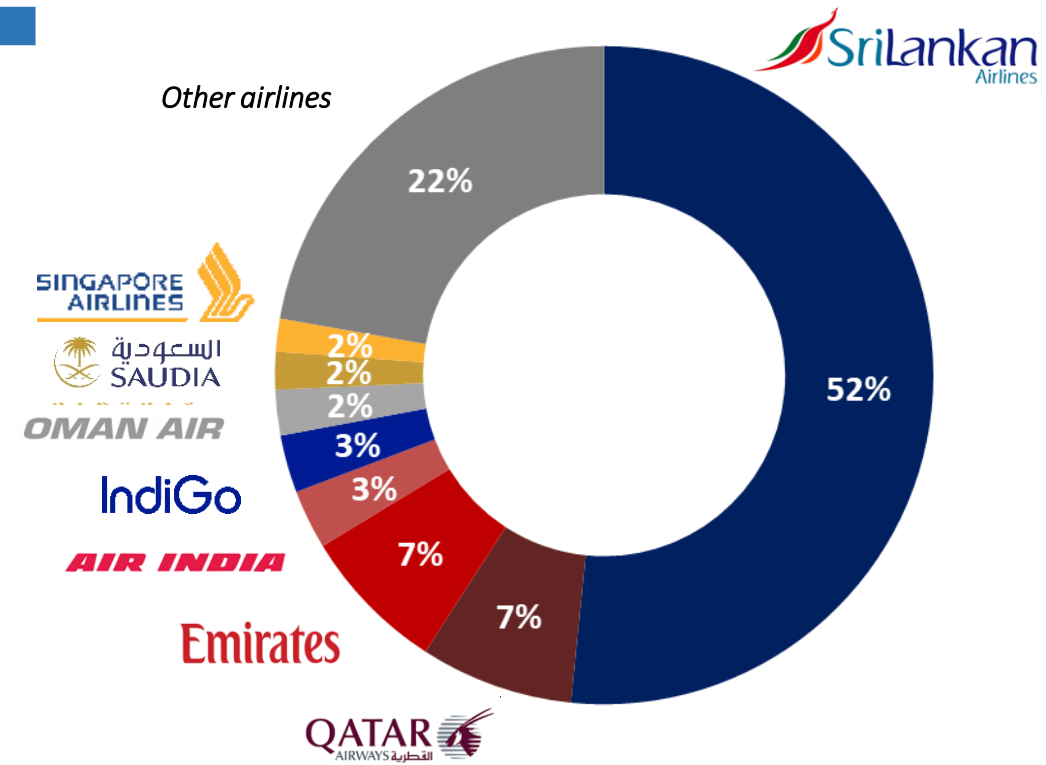
Top 15 Routes by Available Seats at CMB, 2022

Airport pair	Flights	Seats
MLE	4,666	1,209,137
MAA	4,455	871,399
DOH	3,267	840,514
DXB	2,895	811,931
SIN	1,223	345,335
DEL	1,430	230,978
AUH	1,100	221,640
KWI	1,050	218,380
LHR	723	214,731
BOM	1,203	211,220
KUL	1,193	203,239
BLR	1,116	197,024
RUH	684	190,924
DAC	730	182,308
COK	1,033	175,165

Growth of Offered Seats by Airline – International, CAGR 2013-19

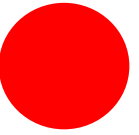


Offered Seats by Operating Airline – International, 2019*

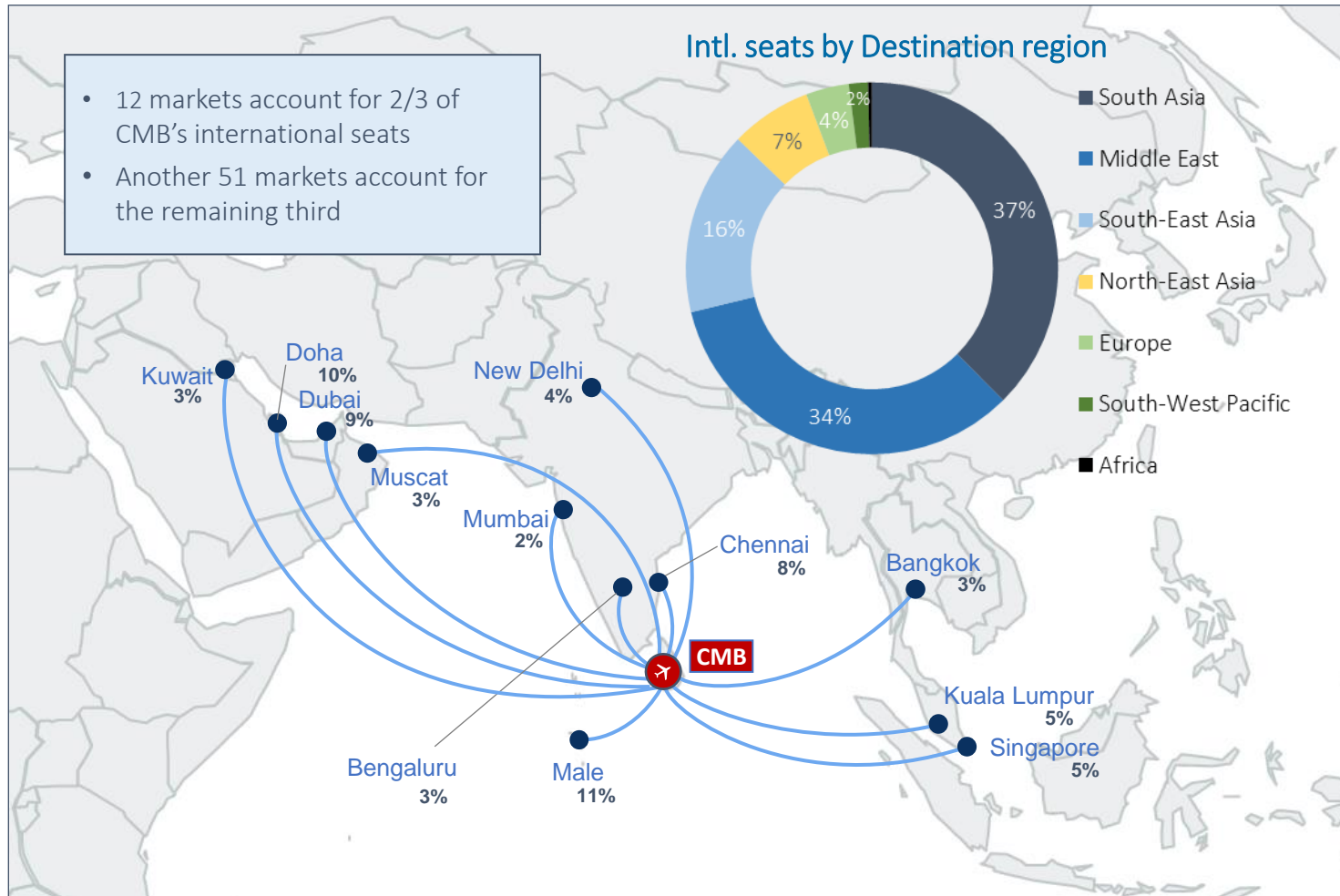


*2019 was the last full operational pre-pandemic year

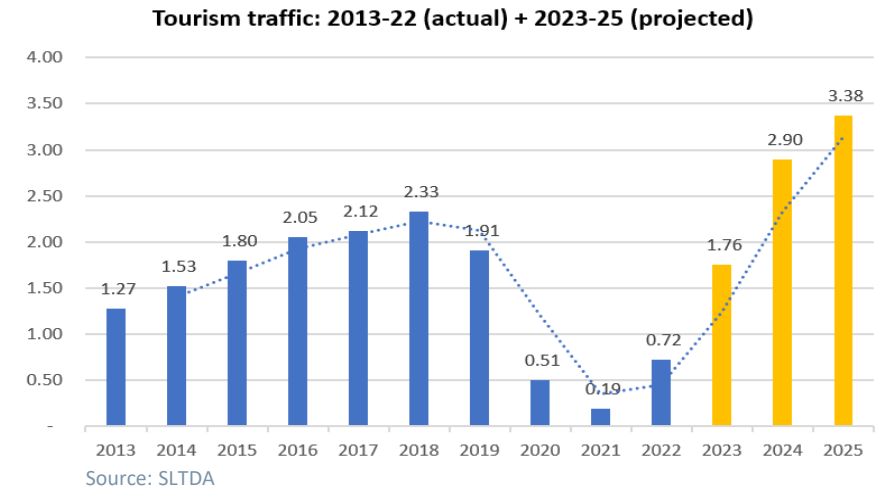
DIVERSIFIED ROUTES AND SOLID OUTLOOK FOR TOURISM REBOUND



International seats out of CMB by destination market (2019)



Historical and Projected Tourism Traffic in Sri Lanka (pax millions)



- During 2013-2019 (pre-pandemic), the local tourism sector grew at 6% CAGR, attracting tourists from various markets
- Top tourist exporting countries are: India, the EU, Australia, Russia, and China.
- The tourist profile is predominantly emerging middle-class, as the country's offering is a diverse yet affordable vacation experience.
- YTD 2023, Sri Lanka has already attracted ~800k tourists, which exceeds the full-year 2022 visitations by 6%
- Sri Lanka Tourism Board is projecting to exceed the historical peak of tourist arrivals with 2.90m visitors in 2024

SLA: AN OVERVIEW

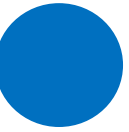
Group Structure



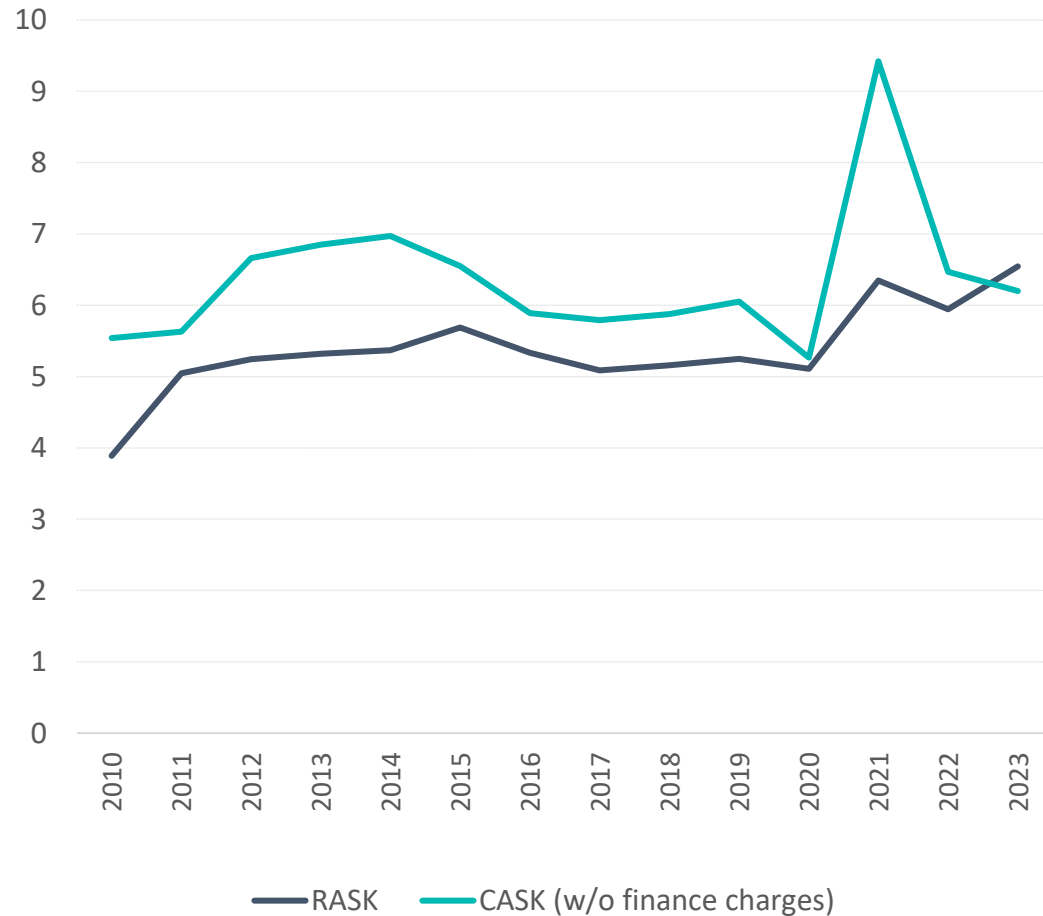
Key Highlights

- Founded in 1979, SLA currently operates with a fleet of 24 Airbus A320 and A330 aircraft and has a route network of 126 destinations in 61 countries
- Pre-pandemic SLA carried around 5 million passengers and 100,000 tons of cargo annually, with 15,000 flights annually.
- The network of international destinations served by SLA has expanded from 37 destinations in 2019 to 39 in 2023. It has extensive landing rights in many Indian cities. Male, Chennai, London, and Singapore are the largest destinations served, contributing to a combined 25% of the airline's seats
- The Air Services Agreement between Sri Lanka and India is highly liberal, allowing Sri Lankan designated carriers unrestricted frequencies to the majority of Indian cities, including metros, along with fifth freedom traffic rights connecting SAARC countries.
- Holder of IATA Operational Safety Audit (IOSA) certification, SLA is a predominantly foreign-exchange-earning business, expected to generate USD 1.1 billion in revenue from airline operations in 2023/2024
- Holder of IATA Safety Audit for Ground Operations (ISAGO) certification, SLA is the sole ground handling operator at Colombo airport, expected to generate USD 60m in revenue in 2023/24
- SLA's subsidiary "SriLankan Catering" is the exclusive provider of catering services in Sri Lanka, expecting to generate over USD 40m in revenue in 2023/24

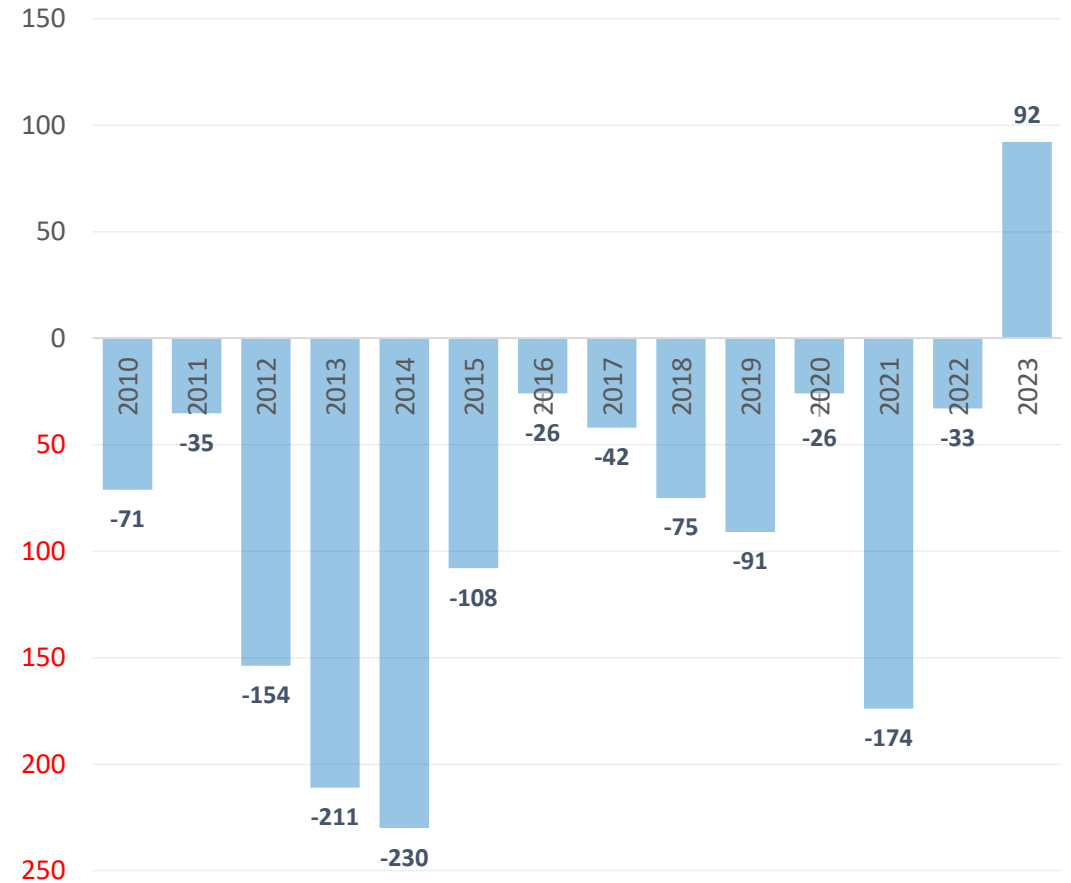
SLA: EVOLUTION OF FINANCIAL INDICATORS (2010-2023)



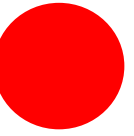
Operating revenues and Costs per ASK
(US cents)



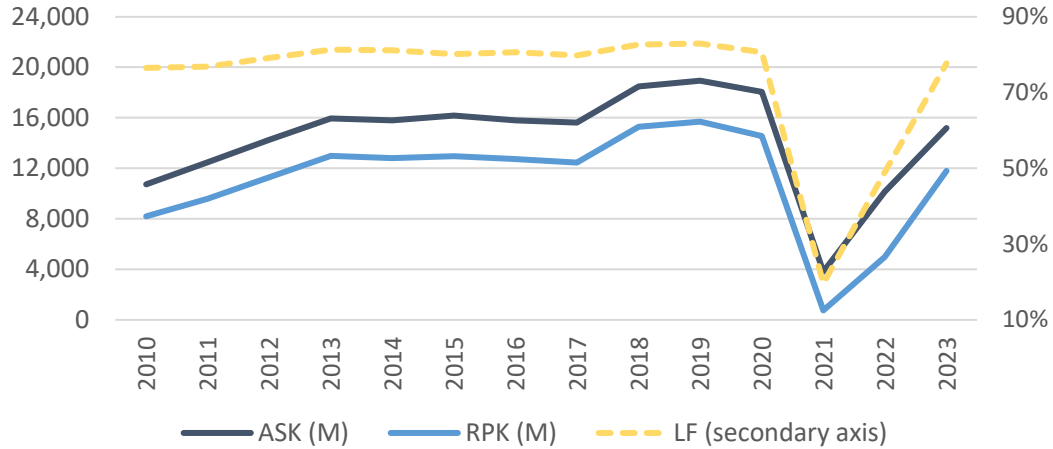
Operating profit / loss
(US millions)



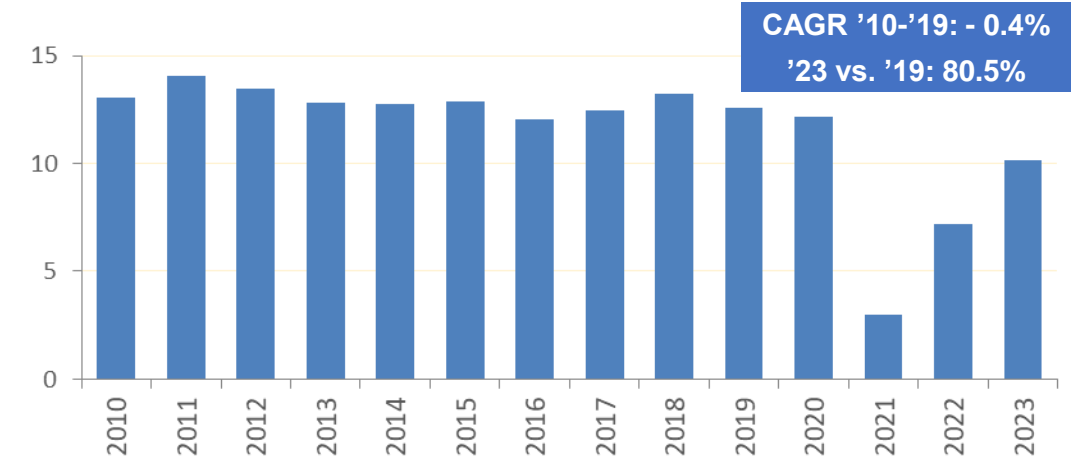
SLA: EVOLUTION OF OPERATIONAL INDICATORS (2010-2023)



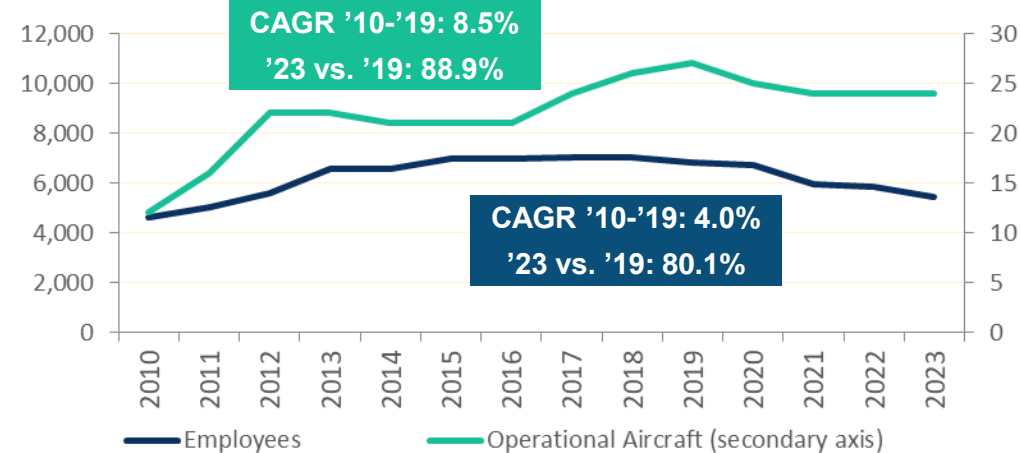
Production KPIs (M)



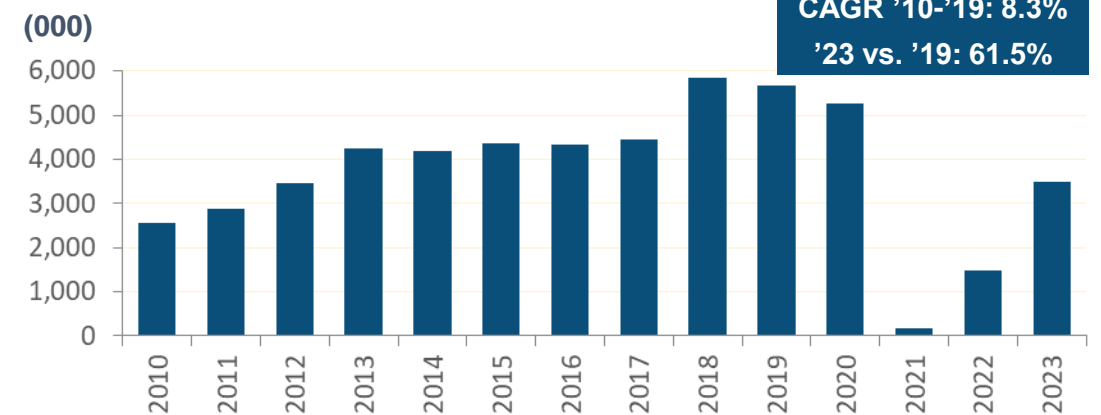
Average block hours per day



Input



Passengers carried (000)

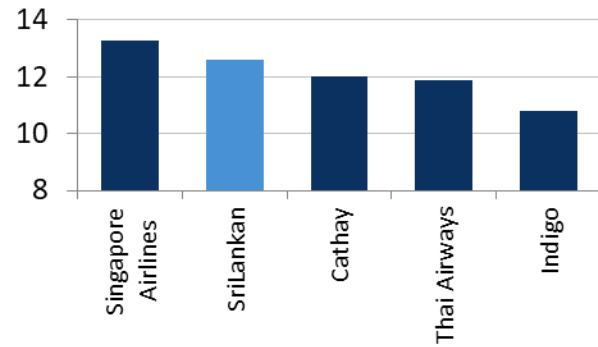


SLA PERFORMANCE IS COMPARABLE TO ITS REGIONAL PEERS

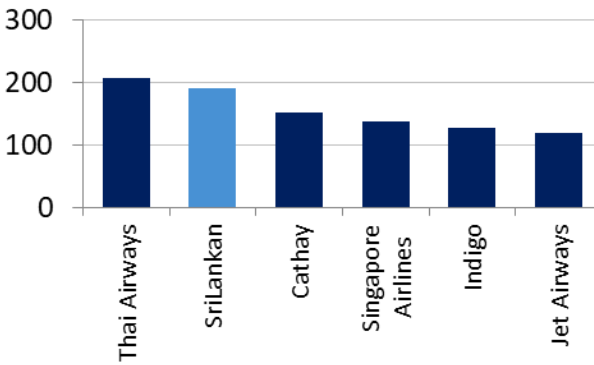


Benchmarking analysis: summary (based on 2019 data, pre-COVID 19 operations)

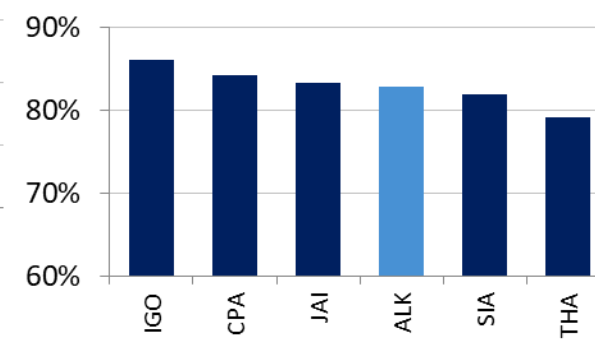
Average daily aircraft utilization
Block hours



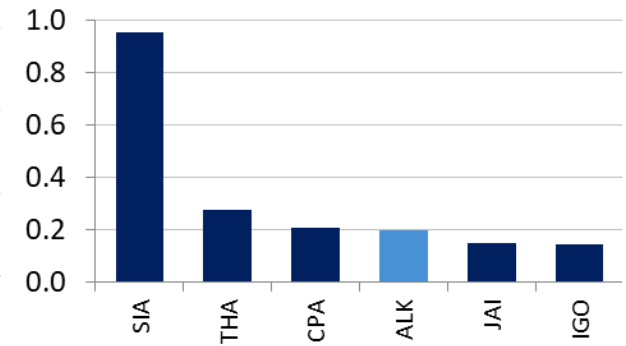
Employees per aircraft



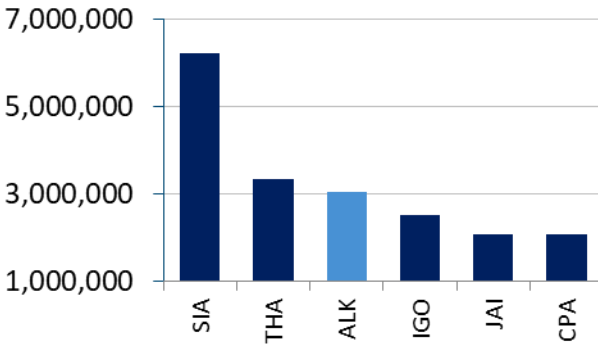
Load Factor



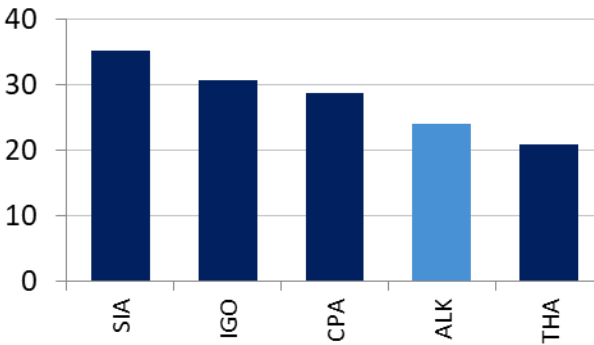
Revenues per employee



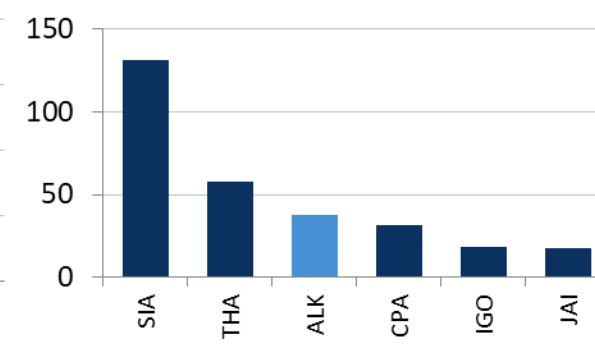
RPKs per employee



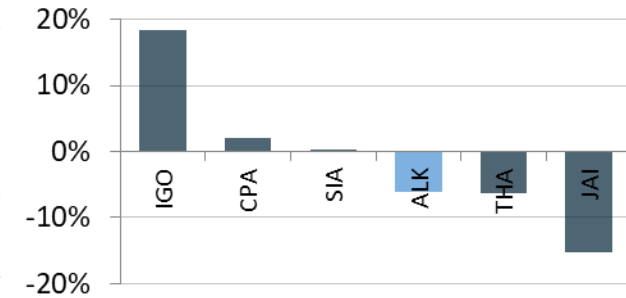
Block hours per employee



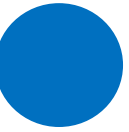
Revenues per operating aircraft USDm



EBITDA Margin



INDICATIVE TIMELINE AND CONTACTS



Fast-Track Processing is a Priority for GOSL



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International Finance Corporation (IFC), a member of the World Bank Group, was appointed as Lead Advisor by the Ministry of Finance of Sri Lanka, State Owned Enterprise Restructuring Unit (SOERU), to assist in the structuring and implementation of the transaction for private sector participation.