

# Enhancing Corporate Value of Airlines by Restructuring

Kuwait 1st Air Transport Conference  
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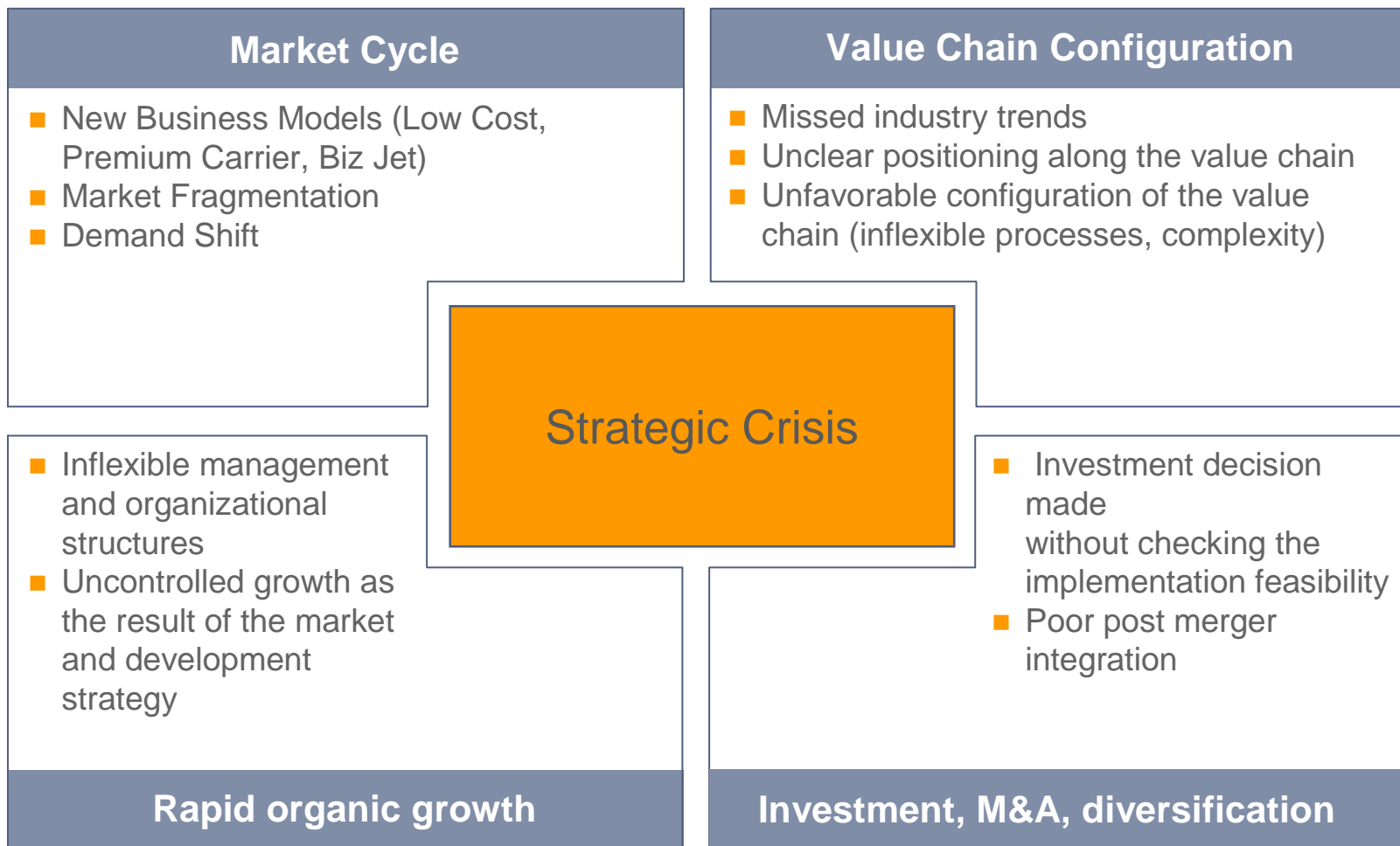
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## 1. Drivers for Restructuring

2. Goals for a Restructuring

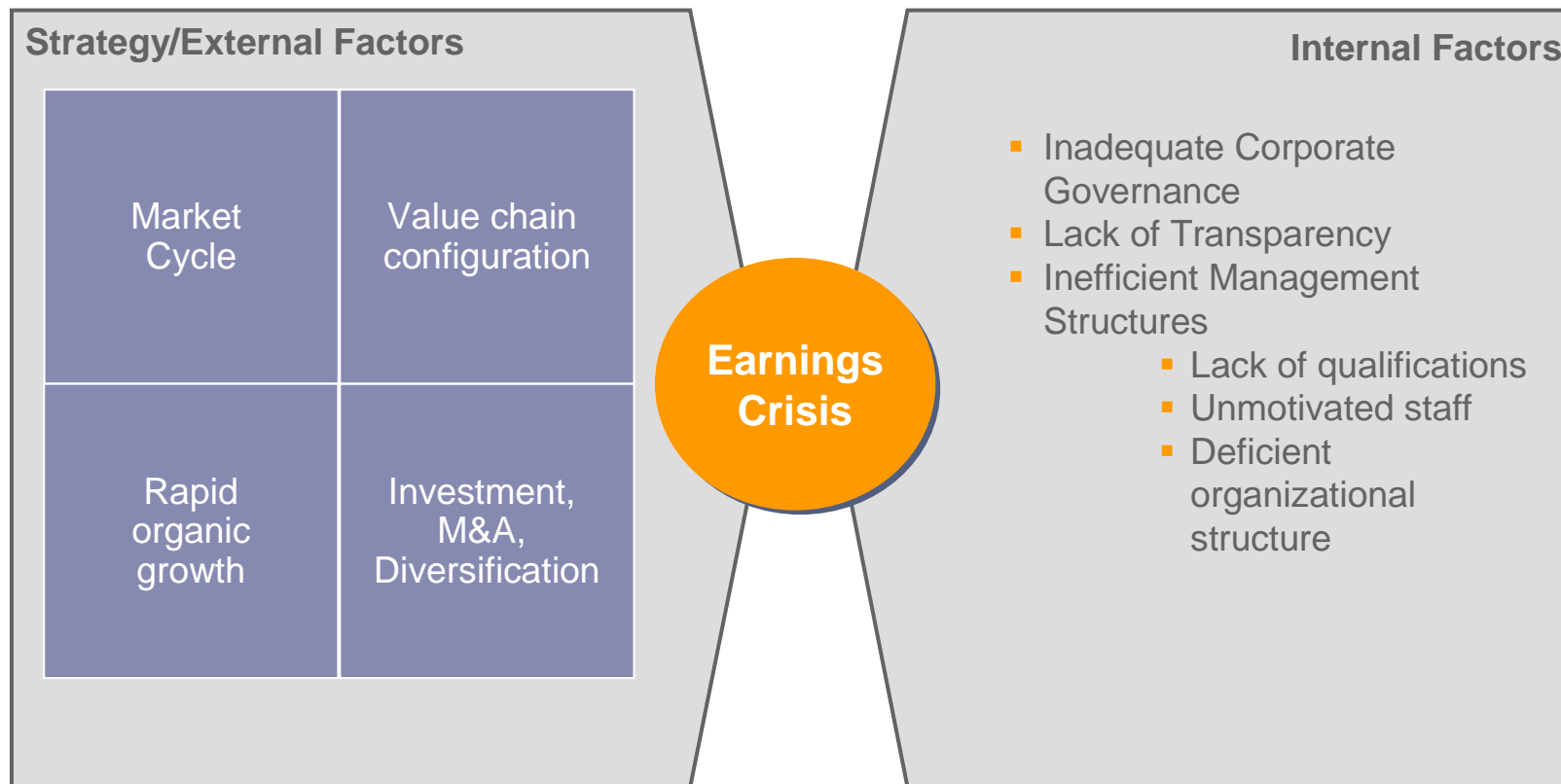
3. The right approach as a key to success

# A strategic crisis is the first indicator of the need for airline restructuring



# A strategic crisis together with internal factors will destroy corporate value when escalating into an earnings crisis

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# All stakeholders have something to loose

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# The basis for a successful restructuring project is the development of clear goals for the turnaround of the airline

## 2



# Challenges related to the goals need to be tackled on a short, medium and long-term basis



\* Examples of areas to be considered

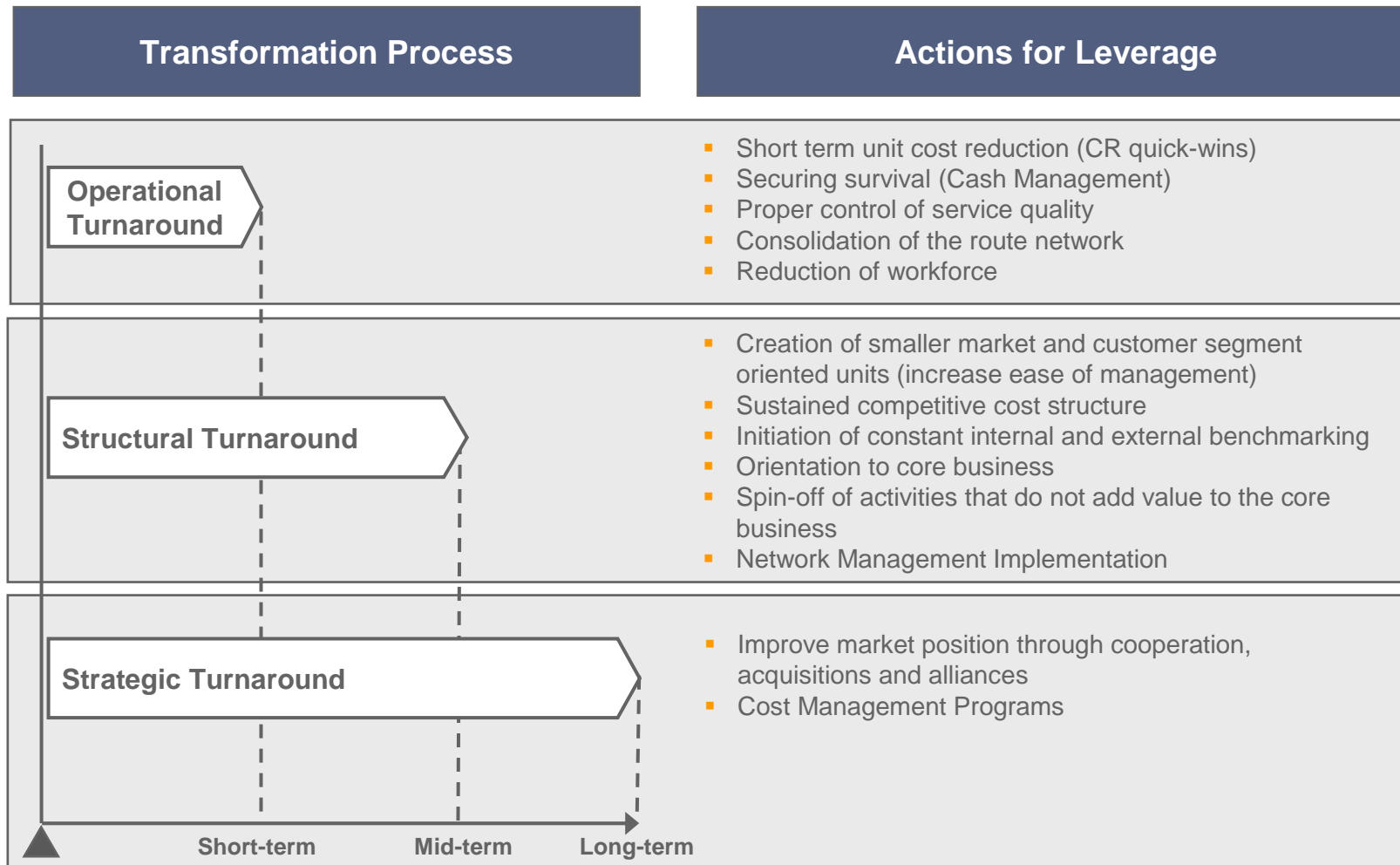
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# The transformation process requires three actions leading to an operational, organizational and strategic turnaround

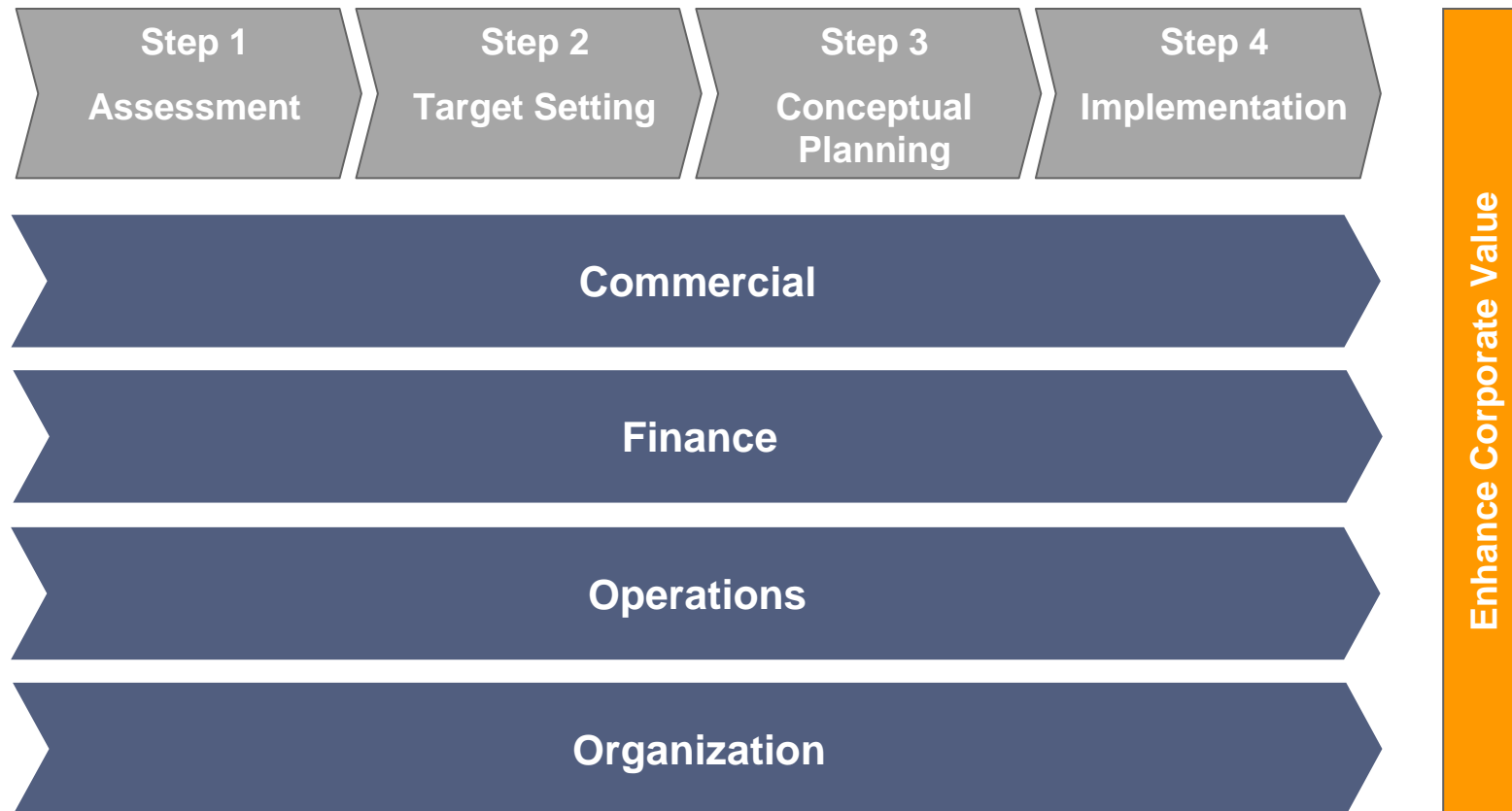
Overall Transformation Phases – Reference the Restructuring of Lufthansa



Source: Lufthansa 2000

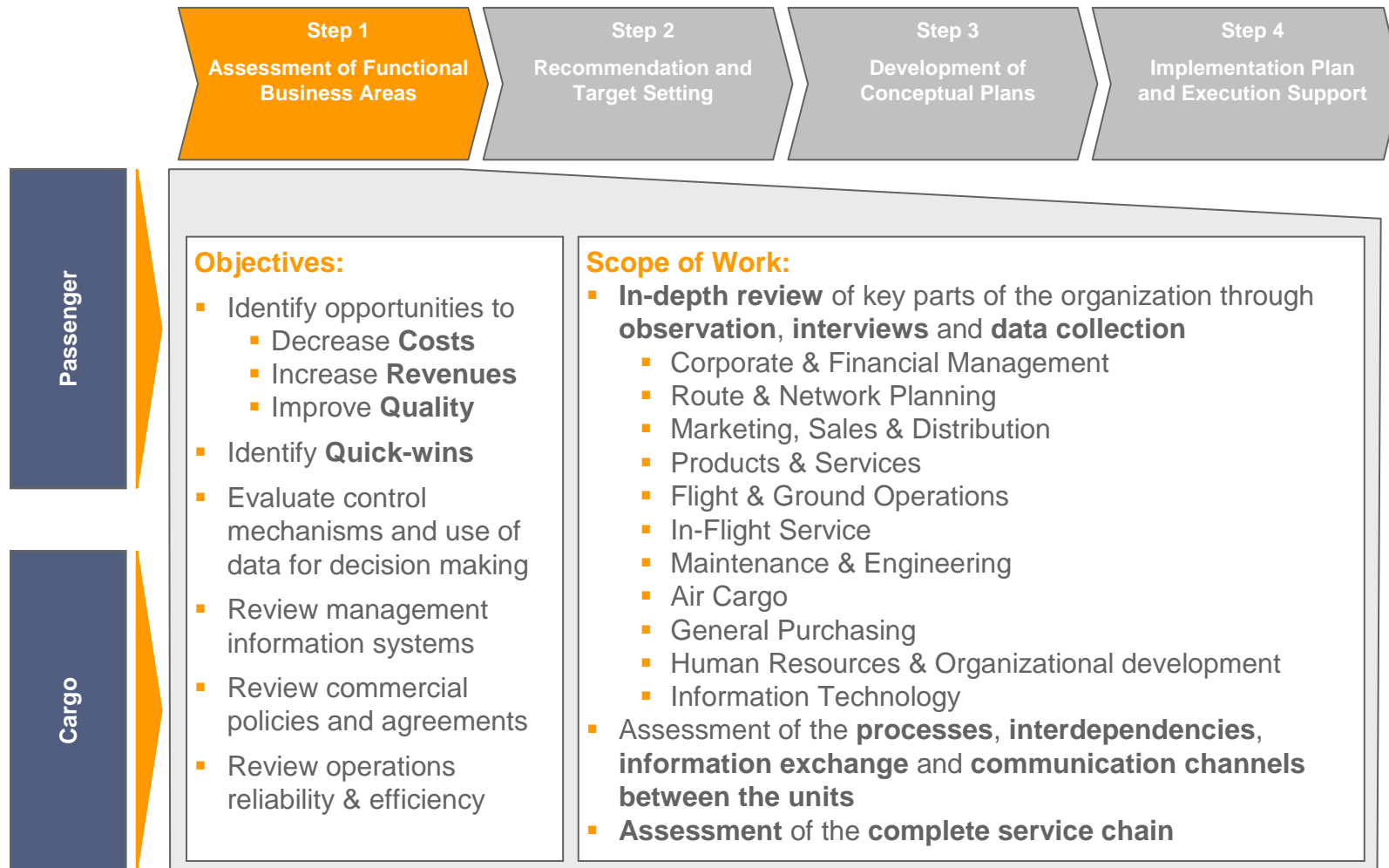
# The proven restructuring approach goes through four phases on four functional paths

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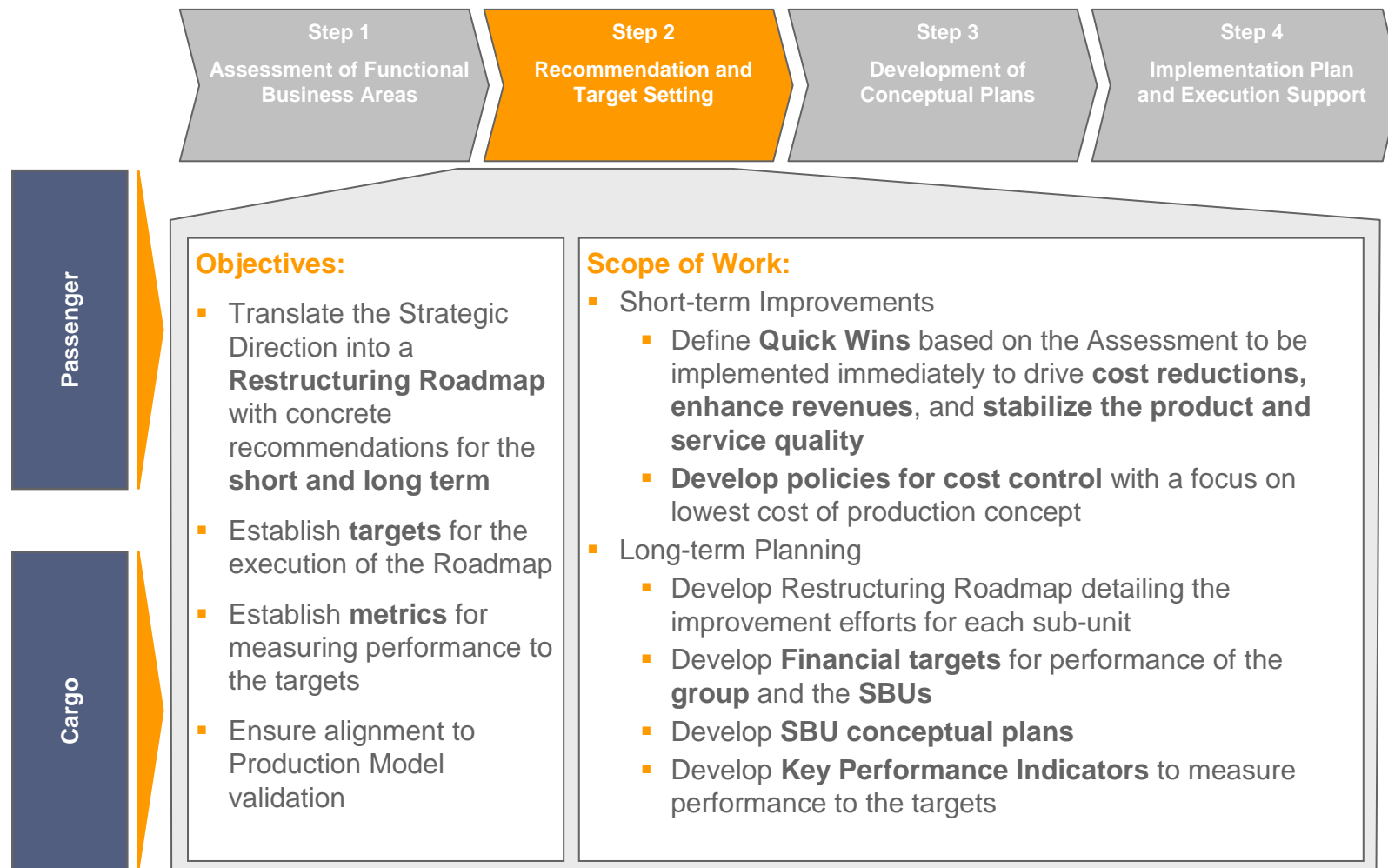
# The assessment of the value chain provides a complete picture of the carrier's performance & capabilities

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# The assessment provides insight into the possible immediate changes and sets the base for the long term development

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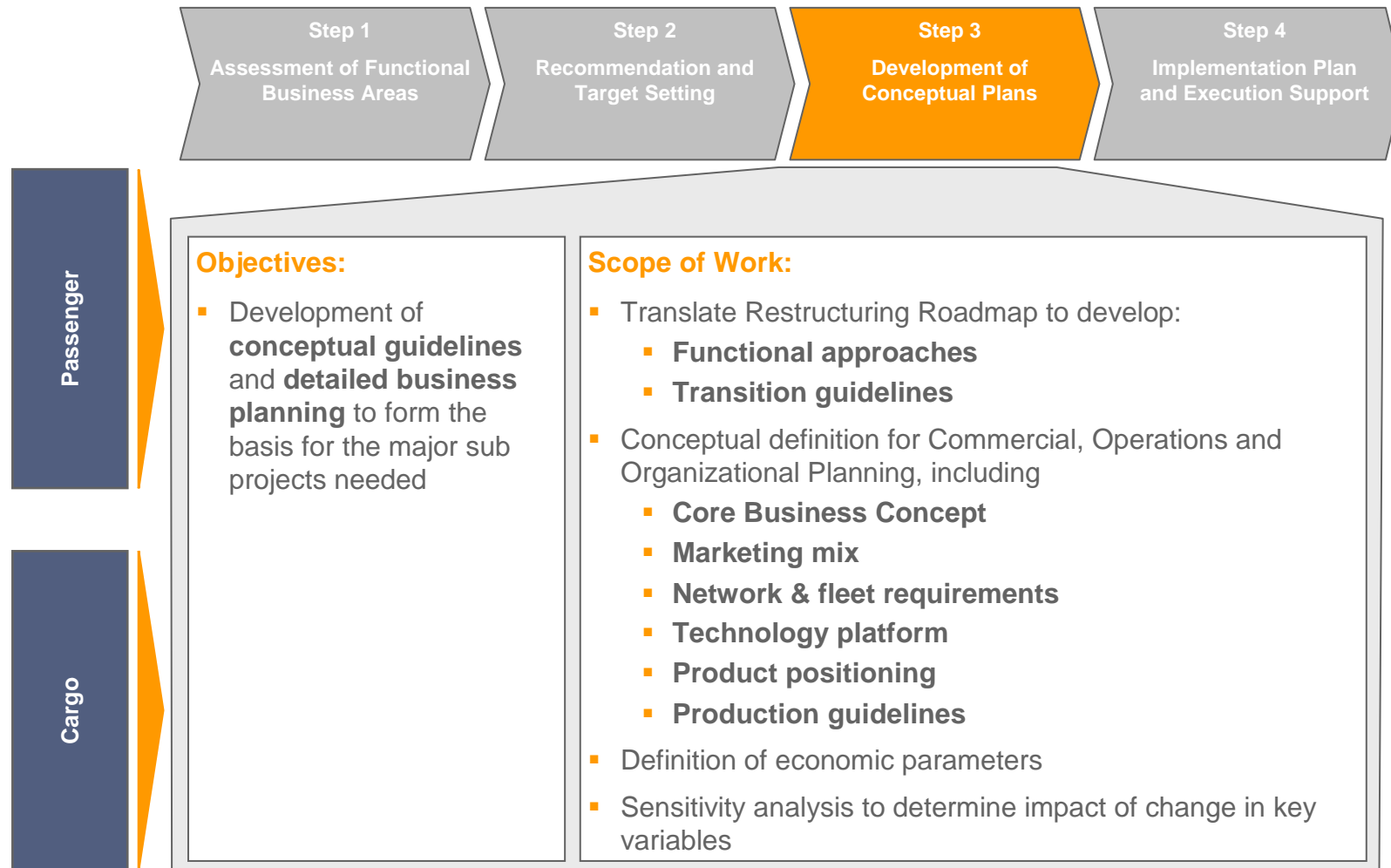
# Significant quick-wins in all airline functions can be achieved in the first six to nine months of restructuring

# 3

Examples from different areas:	Measures	Contribution
<b>Sales Network Redesign</b>	<ul style="list-style-type: none"> <li>Optimize market presence by a consequent make (ATO/CTO) or buy (GSA) reorganization</li> <li>Renegotiate GSA contracts</li> </ul>	<b>up to 10%</b> savings of sales budget
<b>Treasury &amp; Cash Flow Management</b>	<ul style="list-style-type: none"> <li>Improvement of cash flow planning and reporting</li> <li>Efficient management of accounts receivable and payable</li> </ul>	<b>5-10%</b> of financing cost
<b>Asset Management</b>	<ul style="list-style-type: none"> <li>Lease vs. buy: investment evaluation modeling</li> </ul>	<b>10-15%</b> of contracted amounts
<b>Human Resources Management</b>	<p>HR Crisis Management including</p> <ul style="list-style-type: none"> <li>Abolishment of voluntary employees' benefit</li> <li>Change of staffing policy</li> </ul>	<b>15-20%</b> Cost Reduction in HR
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>Identification of financial risks</li> <li>Risk covering – Hedging</li> </ul>	<b>5- 10%</b> of financing cost
<b>Integrated Fuel Management</b>	<ul style="list-style-type: none"> <li>Integration of short-, mid- and long-term demand according to planned aircrafts, destinations and frequencies</li> </ul>	<b>3%</b> savings of fuel costs
<b>Aircraft utilization</b>	<ul style="list-style-type: none"> <li>Increase productivity of aircraft by an improved operations control</li> </ul>	<b>2%</b> savings of aircraft operating costs

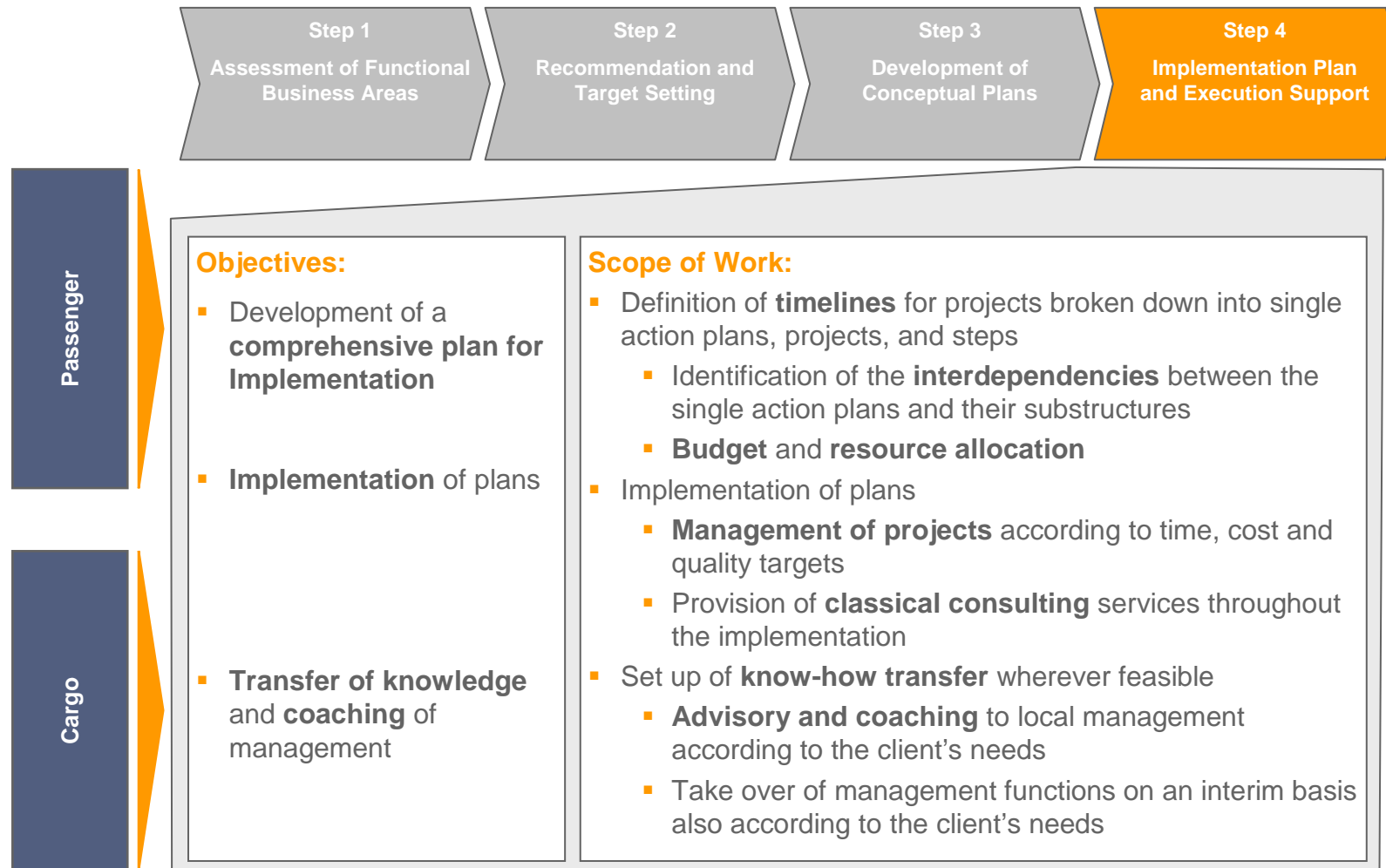
# The business plan is a consolidation of the commercial, financial, operational and organizational plans

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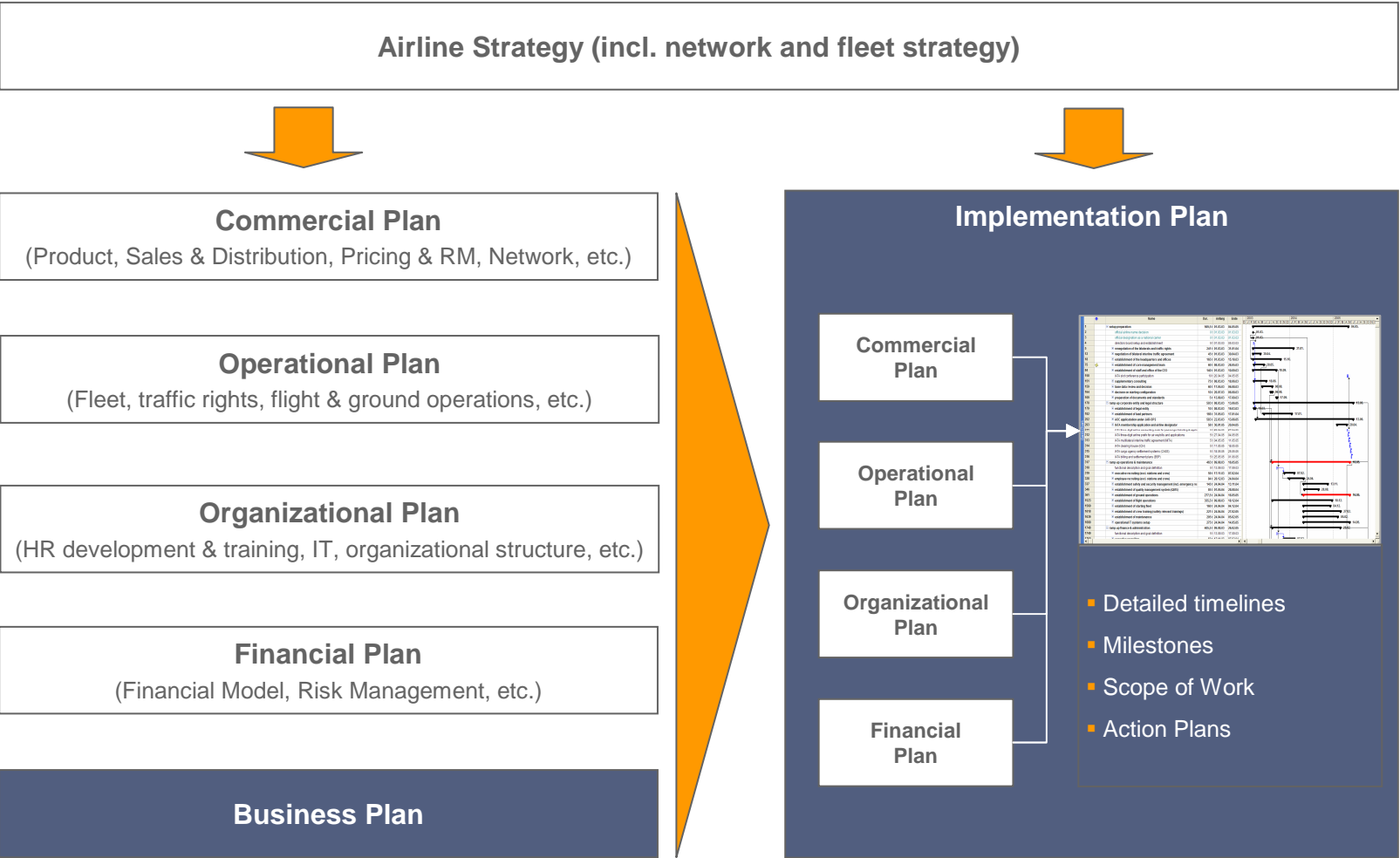


# Detailed timelines, budgets and targets are defined in the implementation plan and guide the implementation process

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# All strategy and restructuring activities result in a comprehensive Business and Implementation Plan

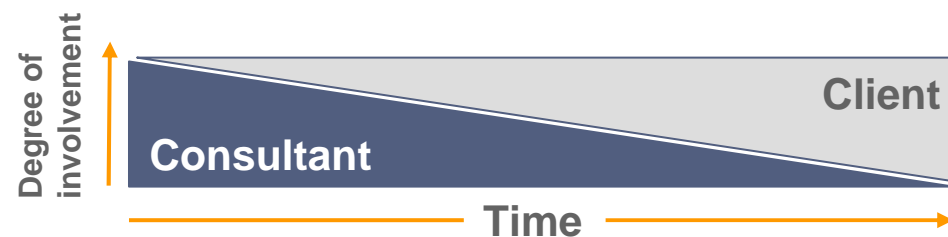


# Successful restructuring focuses on improvement of results and continuous know-how transfer to the client

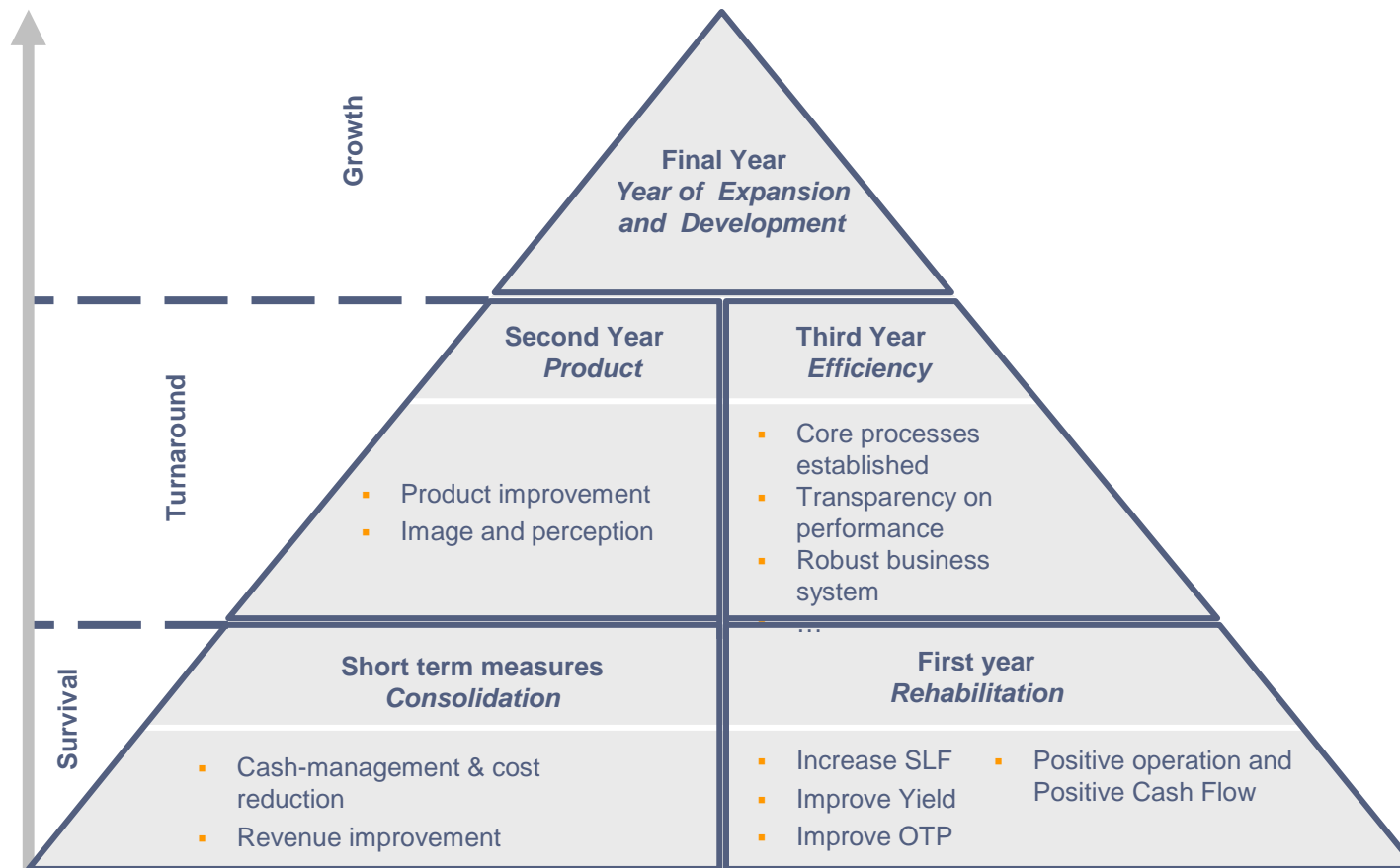
Key element of all concepts, plans and implementation activity should be the increase of corporate value



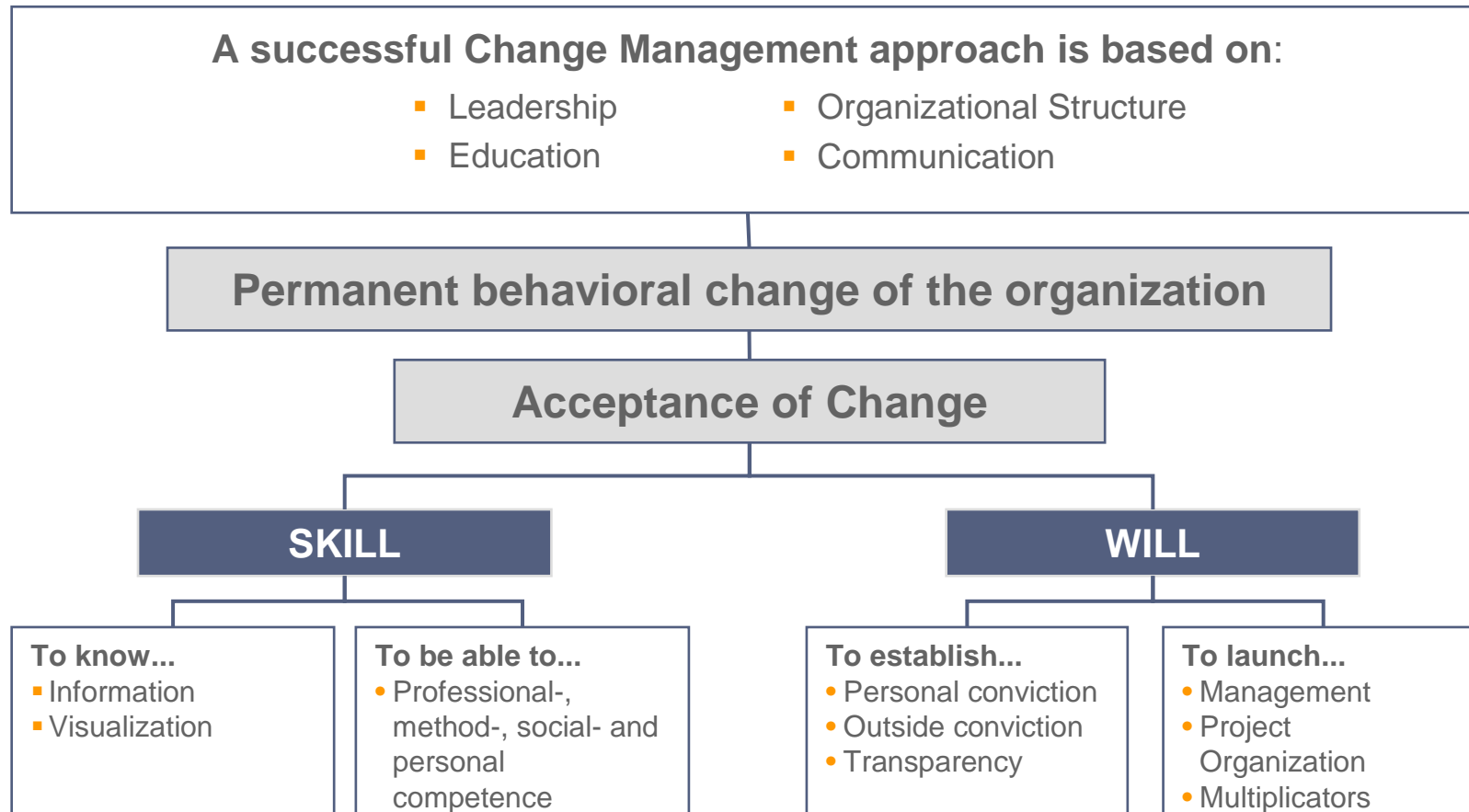
To achieve sustainable results, know-how transfer is achieved in joint teams of the client and the consultant



# Starting from a crisis situation, a typical restructuring project is completed in three to four years

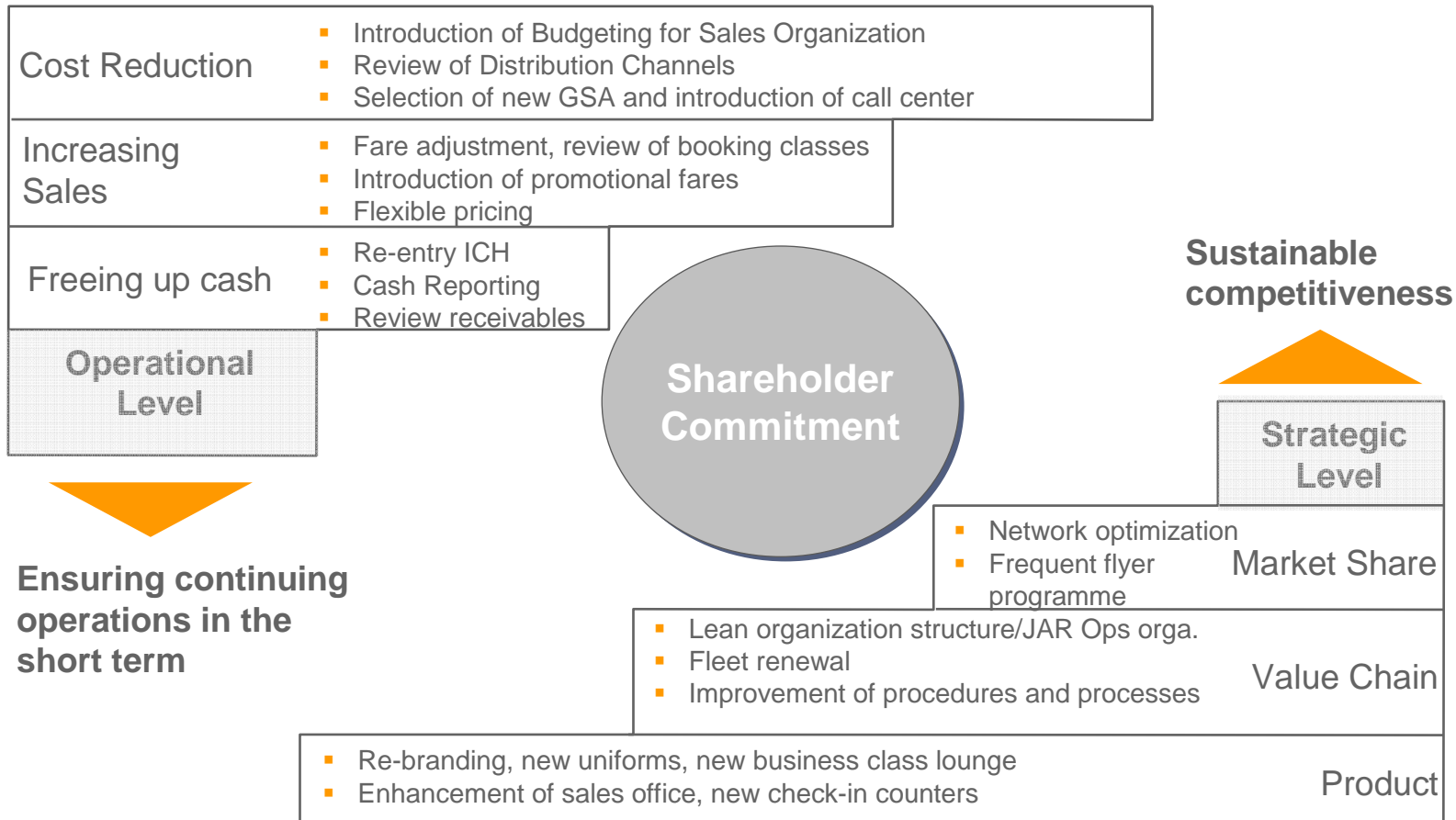


# The active application of Change Management will ensure a smooth implementation of improvement measures



# Shareholder commitment is key to a successful restructuring with focus both on operations and strategy

## Main Features in successful Restructuring



Source: Lufthansa Consulting

# Contact

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**Thank you for your attention**

