Istanbul Technical University
Strengths, Weaknesses, Threats, Opportunities
SWOT Analysis of Turkish Airlines

Debra L. Santos and Thomas R. Creighton
Marketing
Boeing Commercial Airplanes
October 2014
• Agenda

• Airline Competition
• Focus on Turkish Airlines
• SWOT Analysis
Airline Competition

- The “Gulf 3”
- European Majors
- Domestic Carriers
Emirates Network

Source: August 2014 OAG
Etihad Network

- 85 destinations
- 1,744 weekly frequencies

Source: August 2014 OAG
Qatar Network

- 133 destinations
- 2,742 weekly frequencies

Source: August 2014 OAG
Lufthansa Network

- 203 destinations
- 10,031 weekly frequencies

Source: August 2014 OAG
AF/KLM Network

- 220 destinations
- 11,255 weekly frequencies

Source: August 2014 OAG
Turkish Network

- 259 destinations
- 8,538 weekly frequencies

Source: August 2014 OAG
Pegasus Network
Low cost carrier, expanding rapidly

- 90 destinations
- 2,690 weekly frequencies

Source: August 2014 OAG
atlasjet Network
Third largest carrier in Turkey

- 17 destinations
- 536 weekly frequencies

Source: August 2014 OAG
Focus on Turkish Airlines
Acknowledgements

- 2014 2Q Presentation
Turkish Airlines passenger traffic has more than quadrupled over the last ten years.
Location, location, location…

Geographical Advantage

183 out of 214 international destinations within narrow body range
More than 40% of world-wide international traffic within narrow body range
Turkish Airlines continues building its network

| Destinations: 214* International, 43 Domestic Lines in 107 Countries |

**AMERICAS (10)**
- BOSTON (5)
- BUENOS AIRES (7)
- CHICAGO (7)
- HOUSTON (7)
- LOS ANGELES (7)
- MONTREAL (3)
- NEW YORK (21)
- SAO PAULO (7)
- SAN FRANCISCO

**EUROPE (101)**
- AALBORG (3)
- AMSTERDAM (28)
- ASTRAKHAN (4)
- AUCKLAND (3)
- BAKU (28)
- BARCELONA (21)
- BELGIUM (7)
- BUDAPEST (7)
- CAIRO (21)
- COPENHAGEN (21)
- DUBAI (19)
- DUSSELDORF (35)
- EDINBURGH (7)
- EKATERINBURG (4)
- FRIEDRICHSHAFEN (5)
- GANJA (3)
- GENEVA (21)
- GENOA (7)
- GHENT (17)
- HAMBURG (28)
- HANOI (17)
- HELSINKI (14)
- HONG KONG (6)
- IRELAND (17)
- IVANOV (4)
- KAZAN (7)
- KIEV (16)
- KONIN (14)
- KRAKOW (5)
- KUMASI (4)
- LAGOS (7)
- LIBREVILLE (3)

**AFRICA (39)**
- ABIDJAN (4)
- ADDIS ABABA (7)
- ALEXANDRIA (7)
- ALGIERS (21)
- BENGHAZI (14)
- CAIRO (21)
- CASABLANCA (7)
- CONSTANTINE (3)
- COTONOU (4)
- DAKAR (6)
- DAR ES SALAAM (7)
- DJIBOUTI (4)
- DOUALA (3)
- ENTEBBE (7)
- HURGHADA (4)
- JOHANNESBURG (7)
- KANO (4)
- KIGALI (7)
- KINSHASA (5)
- KARTOUM (7)
- KIPLING (7)
- LAGOS (7)
- LIBREVILLE (3)

**MIDDLE EAST (33)**
- ABU DHABI (6)
- ADEN (6)
- ALEPPPO (7)
- AMMAN (14)
- AQABA (7)
- BAGHDAD (7)
- BAHRAIN (7)
- BASRA (7)
- BEIRUT (21)
- DAMASKUS (7)
- DAMMAM (7)
- DOHA (12)
- DUBAI (14)
- EL KASIM (4)

**FAR EAST (31)**
- AALBORG (3)
- AMSTERDAM (28)
- ASTRAKHAN (4)
- AUCKLAND (3)
- BAKU (28)
- BARCELONA (21)
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- KIEV (16)
- KONIN (14)
- KRAKOW (5)
- KUMASI (4)
- LAGOS (7)
- LIBREVILLE (3)

**43 DOMESTIC LINES**
- KANO
- LUXOR
- LIUANDA
- TLEMCE
- BATNA
- CONAKRY

* As of 30.06.2014

Planned (Weekly Frequency from all airports)
1H 2014 traffic was strong
Capacity keeping up with demand
International traffic is growing faster

Istanbul is becoming even more of a connecting hub

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**Int’l to Int’l Transfer Passengers (’000)**

- 2009: 4,445
- 2010: 5,147
- 2011: 6,249
- 2012: 8,991
- 2013: 11,615
- 1H'14: 6,665

**Int’l. Passenger Breakdown by Geography**

- Europe: 58%
- Middle East: 15%
- Far East: 13%
- Africa: 8%
- America: 6%

**Passenger Breakdown by Transfer Type**

- Domestic: 42%
- Int’l Direct: 20%
- Int’l-Dom Transfer: 13%
- Int’l-Int’l Transfer: 25%

**Int’l to int’l transfer passengers’ share in total international passengers is 44%.**

**Passenger Breakdown by Cabin Class**

- Economy: 95%
- Business: 4%
- Comfort: 1%
# Turkish Airlines Fleet

**June 30, 2014**

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<thead>
<tr>
<th>Type</th>
<th>Total</th>
<th>Owned</th>
<th>Financial Lease</th>
<th>Opr./Wet Lease</th>
<th>Seat Capacity</th>
<th>Average Fleet Age</th>
<th>Year End Fleet*</th>
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Fleet Development supports Istanbul as hub
Wide body needs not fully addressed

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* As of 30.06.2014
** Including 10 optional aircraft in 2021
*** Including 7 optional aircraft in 2018, 8 in 2019 and 20 in 2020
Financial snapshot
Managing growth is putting pressure on margins

Revenue (Mn$)

Expenses (Mn$)

AVG (2009-2013): 19.8%

* Other revenue includes cargo, charter and other revenue
Revenue comes from diverse sources
1H 2014
Operating expenses are being controlled

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<th></th>
<th>1H'13 (mn USD)</th>
<th>% in Total</th>
<th>1H'14 (mn USD)</th>
<th>% in Total</th>
<th>YoY Change</th>
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<td>45</td>
<td>0.9%</td>
<td>8.7%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>84</td>
<td>1.9%</td>
<td>90</td>
<td>1.8%</td>
<td>8.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>4,326</td>
<td>100%</td>
<td>5,117</td>
<td>100%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Operating Cost per ASK (USc)</td>
<td>8.00</td>
<td>-</td>
<td>7.93</td>
<td>-</td>
<td>-1%</td>
</tr>
<tr>
<td>Ex-fuel Operating Cost per ASK (USc)</td>
<td>5.04</td>
<td>-</td>
<td>5.01</td>
<td>-</td>
<td>-1%</td>
</tr>
</tbody>
</table>

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Possible storm clouds….
Turkish Lira devaluation a threat but THY positioned reasonably well

Revenue by Currency (1H’14)
- EURO: 39.7%
- USD: 16.7%
- TL: 12.6%
- Other: 19.3%
- SEK: 1.4%
- CNY: 2.2%
- SAR: 2.3%
- JPY: 2.5%
- GBP: 3.1%

Expenses by Currency (1H’14)
- USD: 55.9%
- EUR: 14.1%
- TL: 23.5%
- Other: 6.5%

Hedging Policy – THY Currency Hedging Rate
- Monthly gradually decreasing layered hedging strategy
- Sell EUR, Buy USD and TRY via forward contracts
- Each contract for 24-month period
- Target hedge levels: 30% for TRY, 25-35% for USD
- Flexible hedge strategy with respect to conditions
Cargo Transportation
Growing even during industry downturn

- As of 1H’14, operates 47 destinations with 9 freighters besides 257 destinations with 248 passenger aircraft.
- Turkish Cargo global market share in revenue has increased from 0.6% in 2009 to 1.41% in 2013.
- In 2013, while World FTK grew by 12%, Turkish Cargo grew by 21% compared to previous year.
- New Cargo Terminal will be opening in Q3’14
- Turkish Cargo 2018 Targets:
  - 1,2 million tonnes of annual capacity
  - 2 billion $ cargo revenue
  - 3.4% global market share
  - 15% cargo revenue share in total revenue

Recent Awards
- Best Asia Pacific Cargo Airline 2013
- International Air Cargo Winner 2013
- India Cargo Airline of the Year 2014
- Best European Cargo Airline – Air Cargo News
Congratulations!

Winner of 4 awards at the 2014 Skytrax World Airline Awards:

- Best Airline Europe
- Best Airline in Southern Europe
- Best Business Class Lounge Dining
- Best Business Class Onboard Catering
Turkish Airlines Fleet Composition – August 21, 2014
265 airplanes in operation, 225 on order, and 38 options

<table>
<thead>
<tr>
<th>Boeing Fleet</th>
<th>Airbus Fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 737-700s (9 operate in AnadoluJet colors)</td>
<td>14 A319s</td>
</tr>
<tr>
<td>91 737-800s (23 operate in AnadoluJet colors)</td>
<td>33 A320s</td>
</tr>
<tr>
<td>10 737-900ERs</td>
<td>43 A321s</td>
</tr>
<tr>
<td>17 777-300ERs</td>
<td>7 A340-300s</td>
</tr>
<tr>
<td>130 Total</td>
<td>14 A330-200s</td>
</tr>
<tr>
<td></td>
<td>17 A330-300s</td>
</tr>
<tr>
<td>On order:</td>
<td>2 A310Fs</td>
</tr>
<tr>
<td>20 737-800s</td>
<td>5 A330-200Fs</td>
</tr>
<tr>
<td>5 737-900ERs</td>
<td>135 Total</td>
</tr>
<tr>
<td>55 737-8s firm</td>
<td></td>
</tr>
<tr>
<td>10 737-8s options</td>
<td></td>
</tr>
<tr>
<td>10 737-9s</td>
<td></td>
</tr>
<tr>
<td>18 777-300ERs</td>
<td></td>
</tr>
</tbody>
</table>

Data from Ascend online - http://ascend.flightglobal.com
## Turkish Airlines Fleet Composition Assumption

**October 17\(^{th}\), 2024**

### Boeing Fleet:
- 90 737-800s
- 15 737-900ERs
- 65 737-8s
- 10 737-9s
- 32 777-300ERs

### Airbus Fleet:
- 33 A320s
- 66 A321s
- 4 A320 NEO
- 88 A321 NEO
- 8 A330-200s
- 30 A330-300s

### Seat Count Assumption:
- 737s have 154 seats
- 777s have 349 seats
- A320/1s have 174 seats
- A330s have 270 seats

### Utilization assumption:
- 737s fly 5.6 trips per day
- 777s fly 1.9 trips per day
- A320/1s fly 5.6 trips per day
- A330s fly 2.0 trips per day
# Available Seat Calculation

## Turkish Airlines

As of October 17th, 2024

<table>
<thead>
<tr>
<th>Available Seats Calculation</th>
<th>737 fleet</th>
<th>56,659,680</th>
<th>$180 \times 154 \times 5.6 \times 365$</th>
</tr>
</thead>
<tbody>
<tr>
<td>737 fleet</td>
<td>737 fleet</td>
<td>7,745,008</td>
<td></td>
</tr>
<tr>
<td>A320 fleet</td>
<td>A320 fleet</td>
<td>67,930,296</td>
<td></td>
</tr>
<tr>
<td>A330 fleet</td>
<td>A330 fleet</td>
<td>7,489,800</td>
<td></td>
</tr>
<tr>
<td>Annual Available Seats</td>
<td></td>
<td>139,824,784</td>
<td></td>
</tr>
<tr>
<td>Annual Revenue Passengers</td>
<td></td>
<td>118,851,066</td>
<td></td>
</tr>
</tbody>
</table>
What’s next for THY fleet?

- THY is continuing to experience high rates of growth
- Fleet required to manage growth in the next planning phase
  - What are the smart options for 2017-2020 and from 2020 onward once the new airport is operational?

- 747-8?
- 787?
- A380?
- A330neo?
- 777?
- A350?
Connecting Traffic

Network Expansion
» ~ 2 Million new seats
» More than 700k connecting passengers

Network Challenge
» Need 700k+ new seats in large O&D markets (JFK, PEK, PVG, HKG, etc) to support flow traffic from airline growth in Africa & India
» These new seats need to be available on key banks at IST hub to allow flow through for Africa/India

Network Solution
» 747-8I provides profitable increase in capacity in key markets without congestion of additional frequency
» By using 747-8I in IST-JFK, Turkish could increase seats in the market while freeing up two wide-bodies for use elsewhere in the network

Assumptions:
1x Daily Service to each destination
151 Seats per Departure
72% Load Factor
55% Local IST Traffic
The New 747-8 Intercontinental

- The world’s most efficient aircraft, with 787 advanced technology
- Dreamliner-inspired interior provides a new passenger experience suitable for a world-class airline
- The only solution in the 400-500 seat market, for low-risk growth capability above the 777-300ER in the Turkish Airlines fleet
747-8I Concept in Turkish Network

747-8 Intercontinental projects THY’s global brand in prestigious flagship markets

747-8I is ideal for markets where additional frequency is not possible or beneficial, and for markets with a larger concentration of premium traffic

LAX: Peak Time, Cost of Frequency
YYZ: Constrained, Premium
JFK: Saturated, Premium
LHR: Constrained, Premium
PEK: Constrained
PVG: Constrained, Premium
HKG: Constrained, Premium
NRT: Constrained, Premium
The 787 Dreamliner

- Breakthrough technologies provide significantly better fuel efficiency and lower operating cost
- Dreamliner interior design sets a new benchmark for unrivaled passenger experience
- Long range capability in a 200-300 seater to open up new non-stop markets
- A potential game-changer for future Turkish Airlines network growth
787 Family Concept in Turkish Network

787-8
» Ideal for opening new markets and hot/high performance limited markets
» Examples: Mexico City & Bogota

787-9
» Fantastic payload/range capability reaching markets too far for 787-10 or markets with higher cargo loads
» Examples: San Francisco & Buenos Aires

787-10
» Core market flying with lowest seat costs and greatest profitability for established markets
» Examples: Chicago, Washington DC, & Houston
Complete a SWOT analysis for Turkish Airlines

• Drawing on what you have learned this week as well as your work experiences and knowledge of the airline list as many as you can think of, strengths, weaknesses, opportunities, and threats (SWOT) of/to Turkish Airlines.
# SWOT Analysis of Turkish Airlines

**Strengths, Weaknesses, Opportunities, Threats**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Opportunities for improvement (Weaknesses)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SWOT Analysis of Turkish Airlines
Strengths, Weaknesses, Opportunities, Threats

Opportunities

Threats