



# Airfinance Journal Latin America 2019

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LATAM Airlines Group


***“LATAM’s transformation  
plan bears fruit”***



*This presentation may include forward-looking comments regarding the Company's business outlook and anticipated financial and operating results. These expectations are highly dependent on the economy, the airline industry, commodity prices, international markets and external events. Therefore, they are subject to change and we undertake no obligation to publicly update or revise any forward looking statements to reflect events or circumstances that may arise after the date of this presentation. More information on the risk factors that could affect our results are contained on our Form 20-F for the year ended December 31, 2018.*

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# Agenda

1. Transformation Plan
  2. 1H19 Review & 2019 Outlook
  3. Status of Business & Operations
  4. Fleet Overview & Financing
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# Transformation Plan

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# We have successfully delivered on a transformational plan...

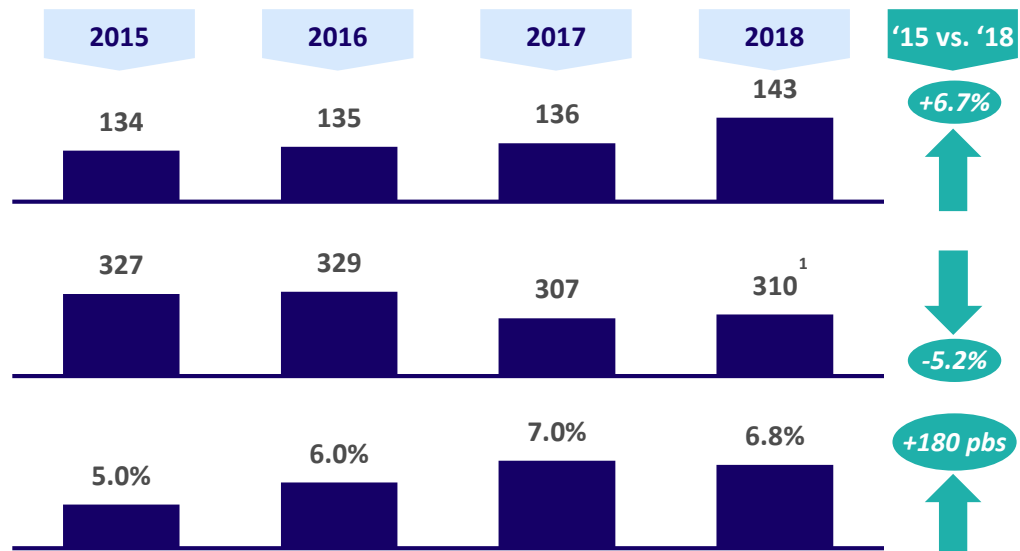
1

Focus on improving operational performance while solidifying the business model resilience ...

✓ ASK LTM (billion)

✓ Operational Fleet (units)

✓ EBIT Margin (%)<sup>2</sup>

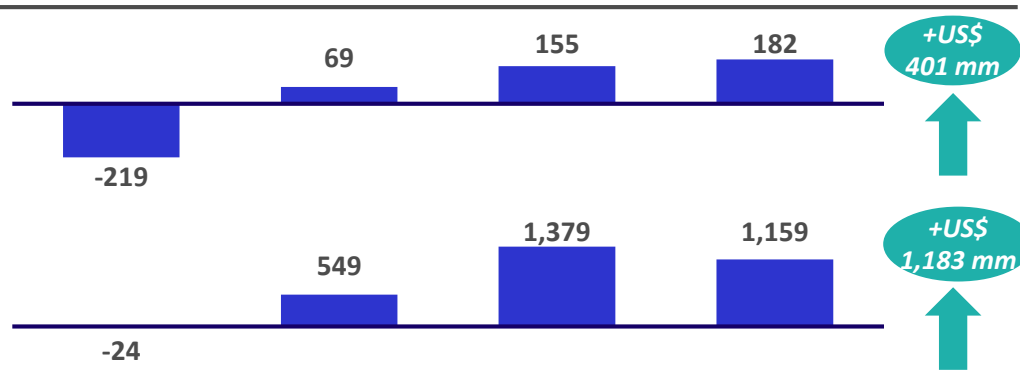


2

Has proven to be a compelling path to drive profitability and cash generation ...

✓ Net Income LTM (US\$ million)

✓ Free Cash Flow (US\$ million)<sup>3</sup>

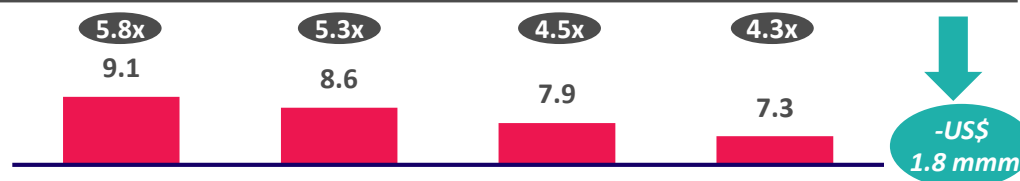


3

Maintaining a rigorous financial discipline for continuous de-leveraging

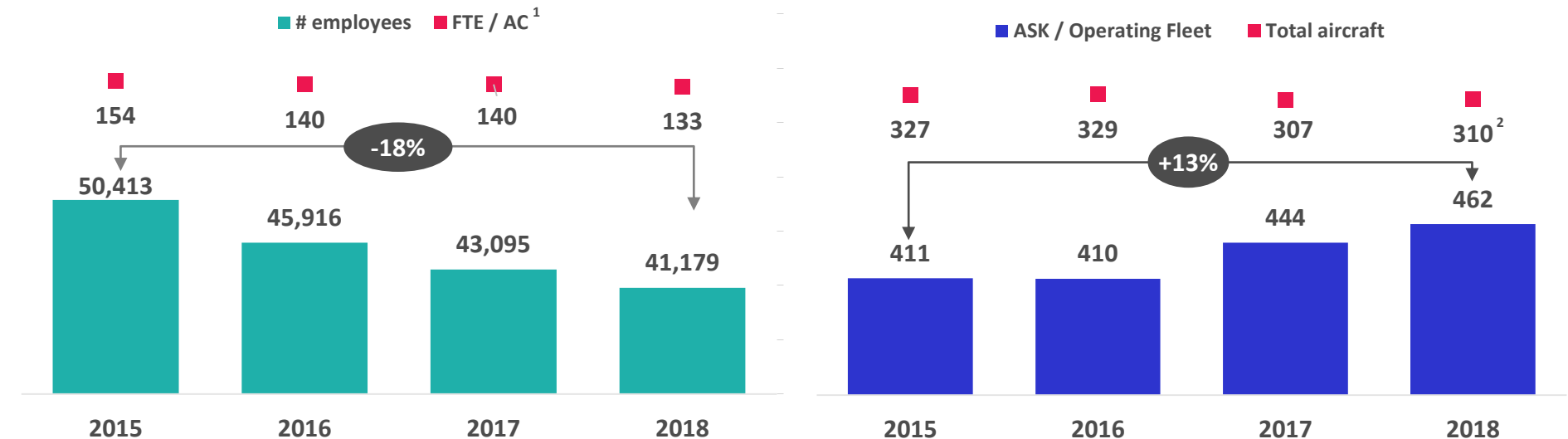
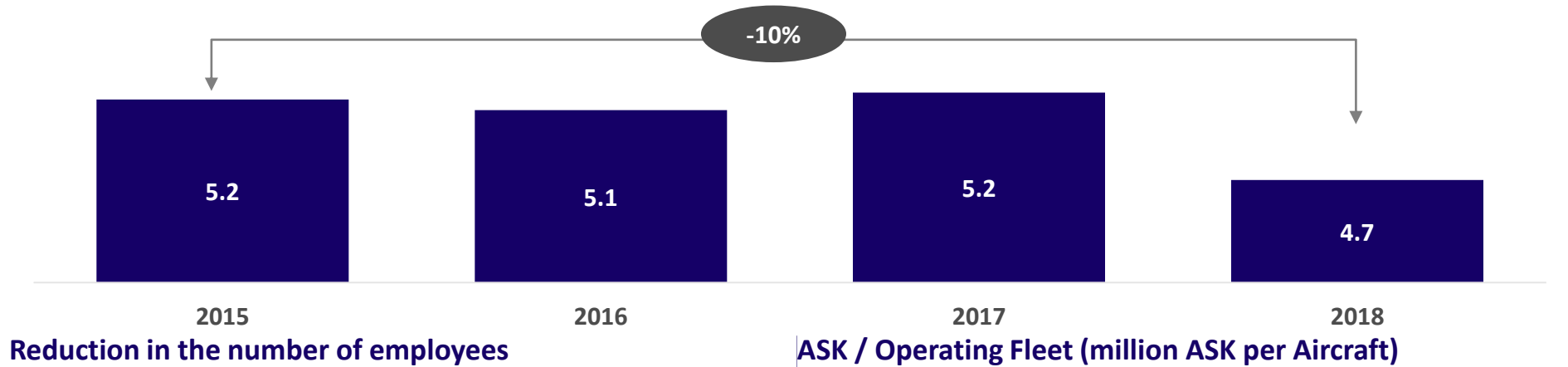
Adjusted net financial leverage (x)<sup>4</sup>

✓ Financial Debt (US\$ billion)



# ...delivering on cost initiatives to enhance operational performance.

## CASK Ex-fuel evolution (US\$ cents)



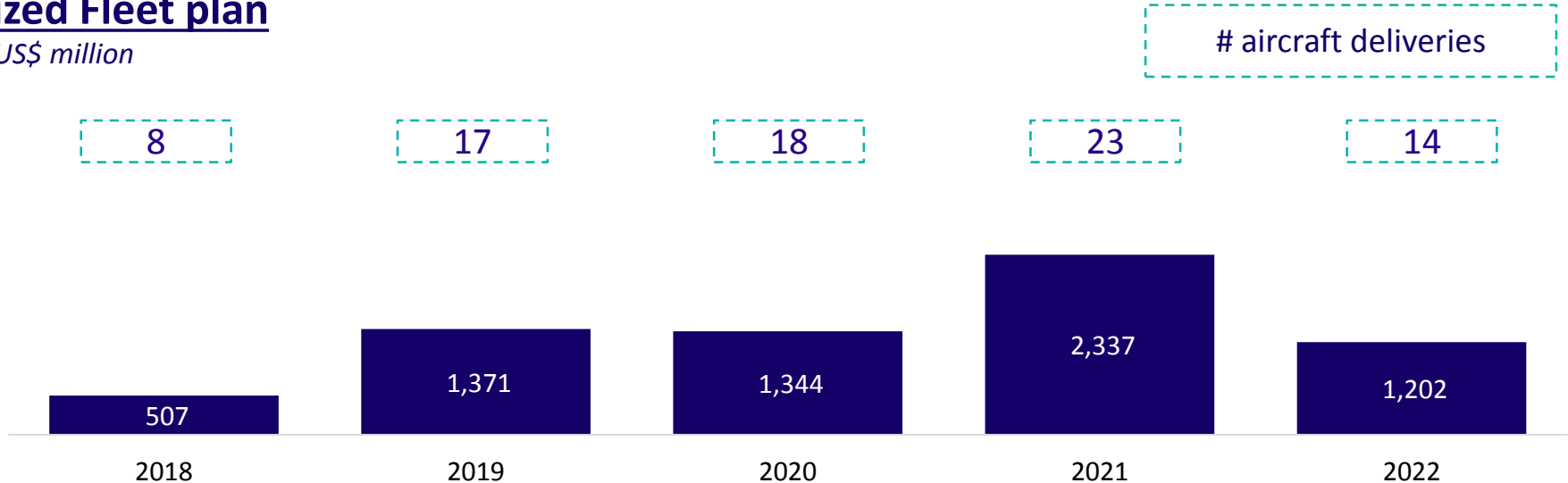
# We adjusted our fleet commitments...

## Right-sized Fleet plan

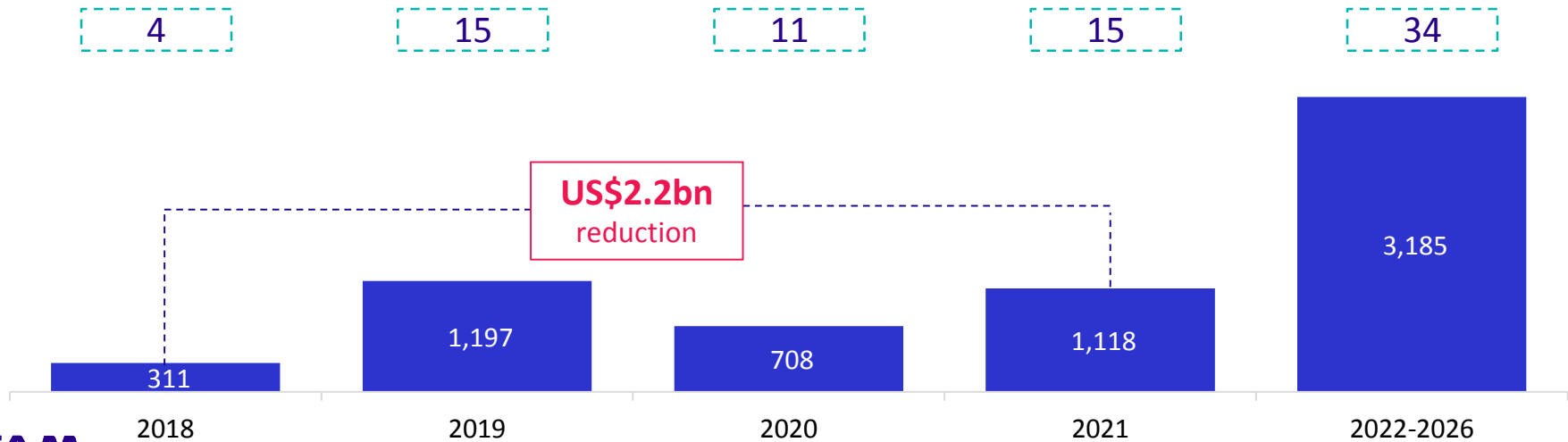
US\$ million

# aircraft deliveries

August 2018



Current Plan



US\$2.2bn  
reduction

## ... and refocused investments to improve passenger experience and loyalty.

### Cabin experience (US\$400 million in cabin retrofits in 2 years)



**22** Wide-body aircraft and **150** Narrow-body aircraft



New seat design and layout of passenger accommodation; comfort, segmentation & efficiency



**8** retrofitted aircraft already in operation

### Acquisition of Multiplus (~US\$300 million)



- **+30** million members
- **4<sup>th</sup>** Largest FFP in the world
- Unified value proposition
- Revenue management

### Worldwide recognition

**Best Airline in South America**

**Best on-time performance**



Best  
"Business Class"  
"Business Class Lounge"  
"Economy Class"



"Most punctual airline group in the world<sup>1</sup>"

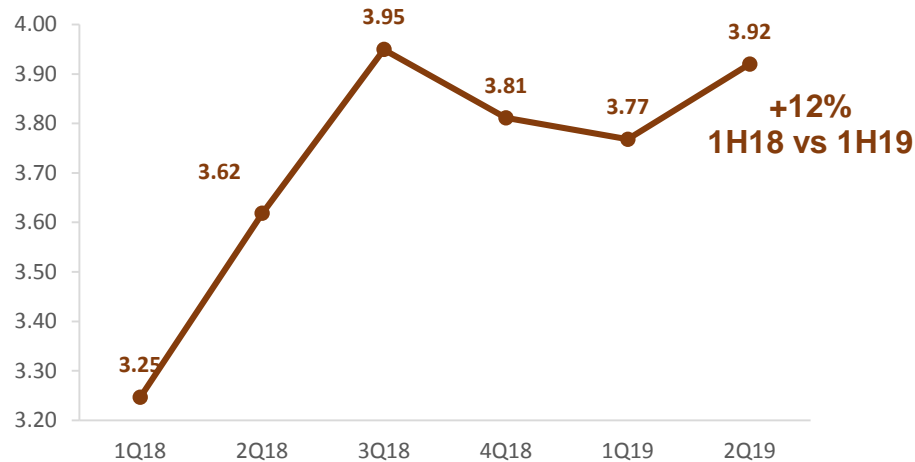


# 1H19 Review & 2019 Outlook

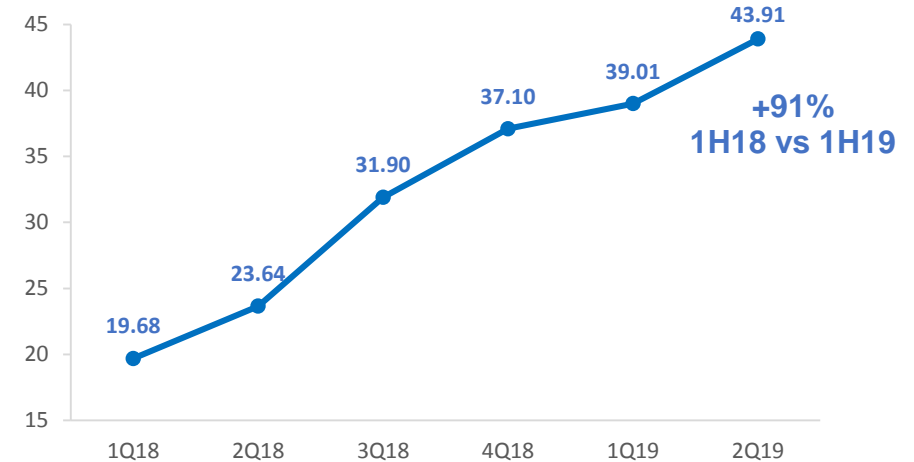
# The devaluation of currencies affected international demand and domestic sales conversion into USD...

## Foreign Exchange Variation (%)

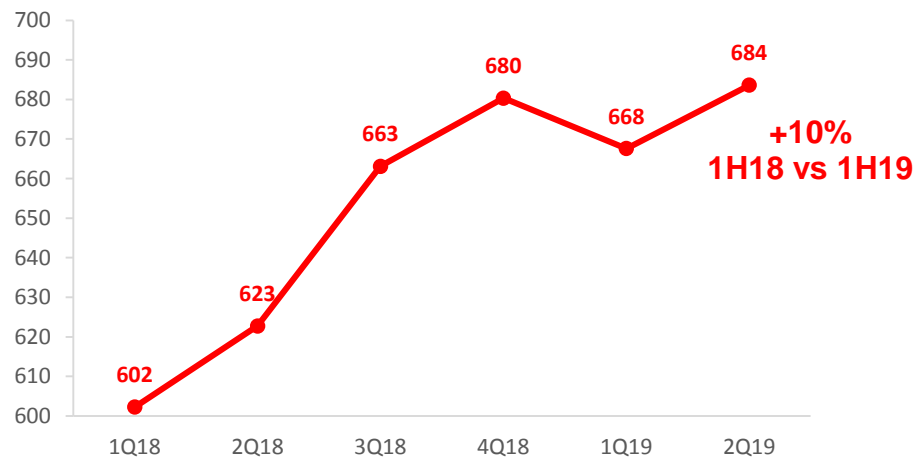
BRL/USD



ARS/USD



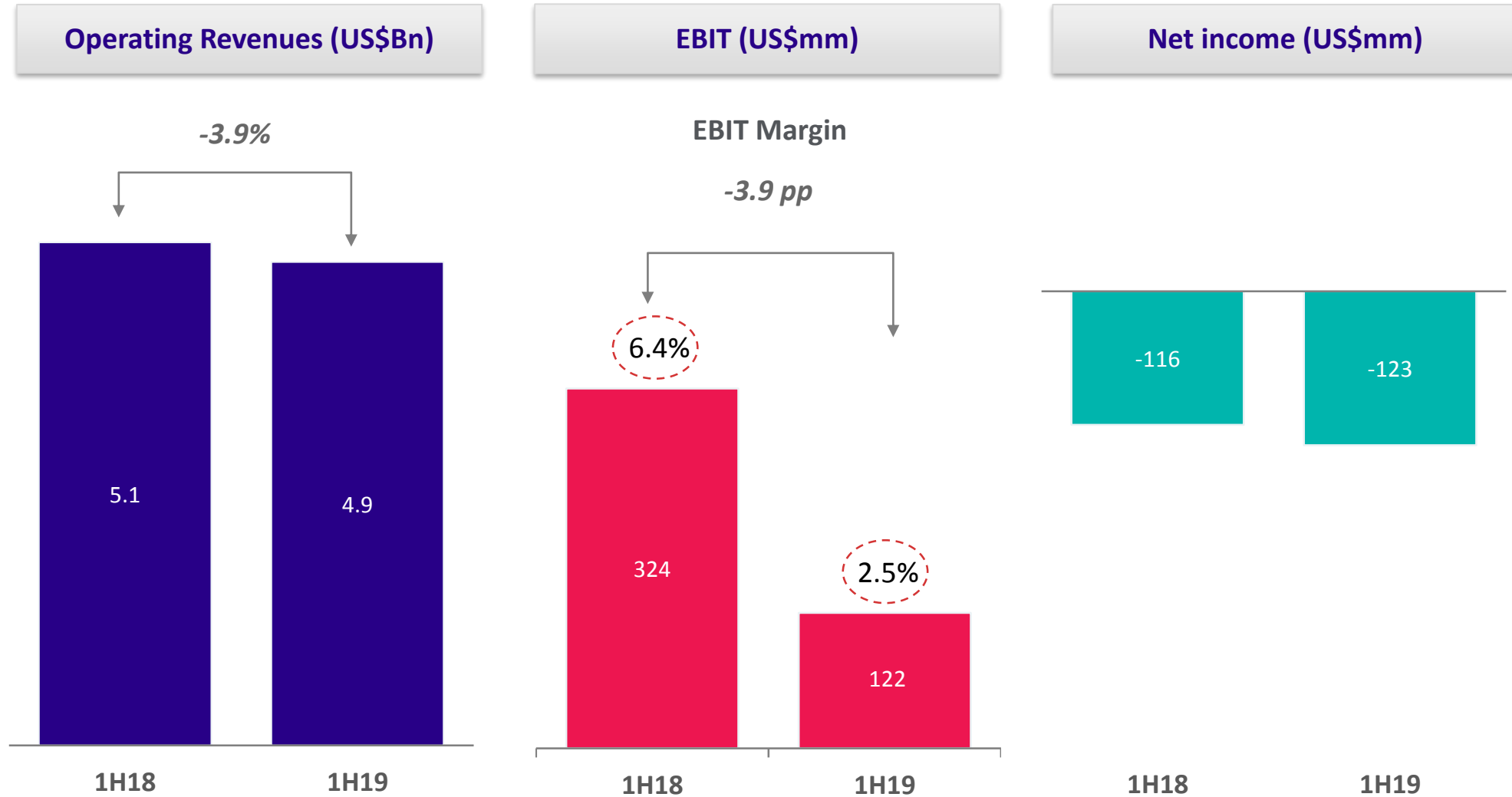
CLP/USD



COP/USD

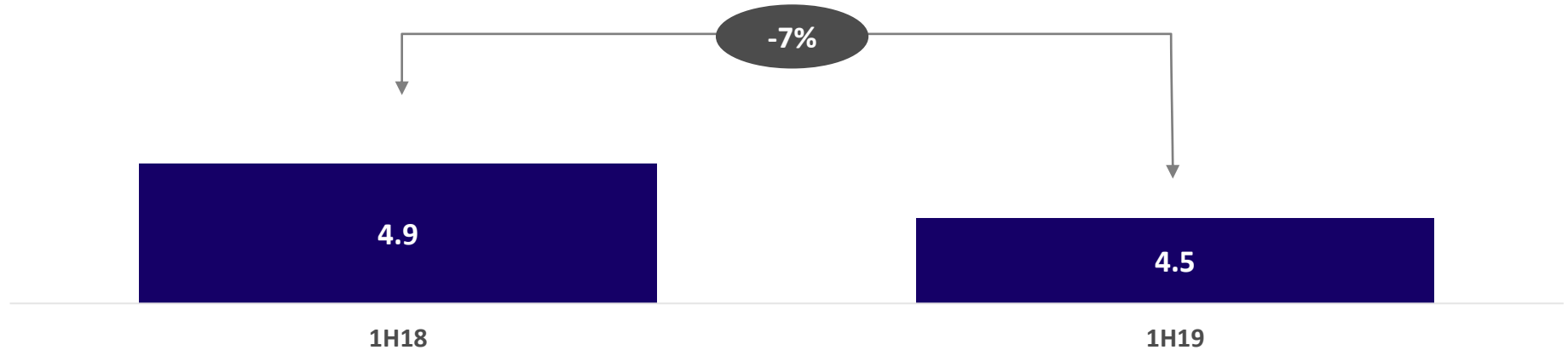


... which resulted in a challenging first half 2019.

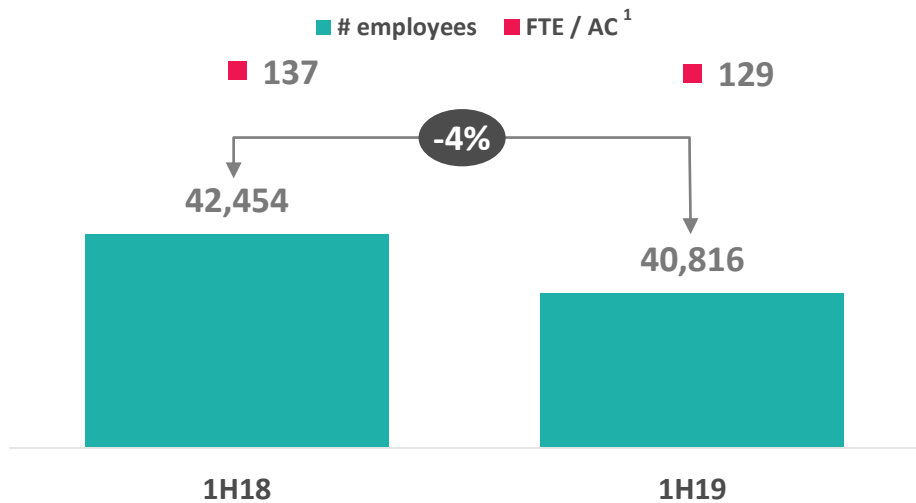


# Continue to make progress on our cost initiatives

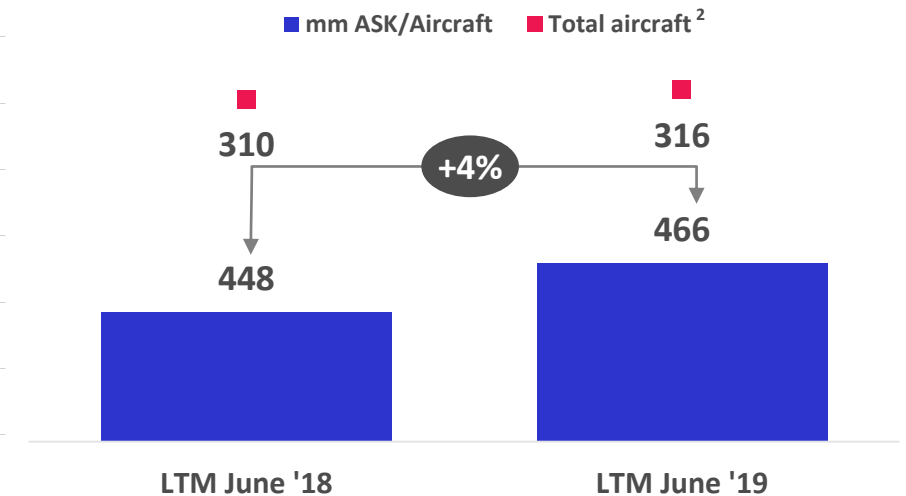
## CASK Ex-fuel evolution (US\$ cents)



## Employees Reduction



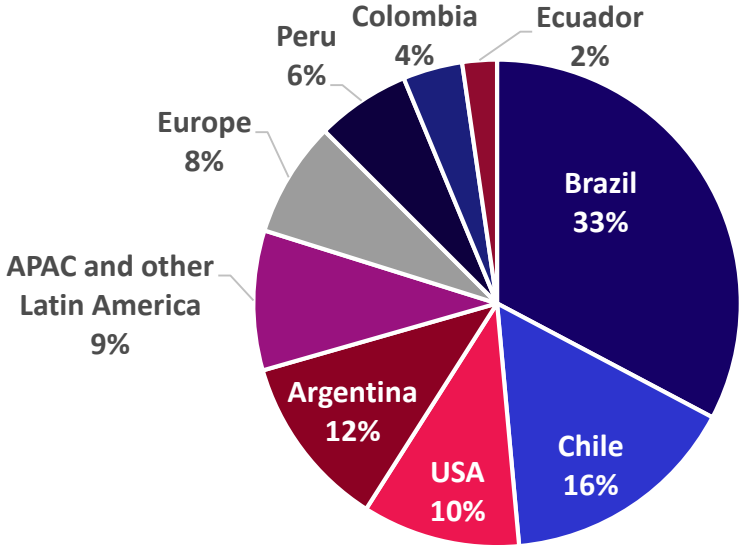
## ASK / Operating Fleet (mm ASK per Aircraft)



Leveraging our unique diversified presence in the region

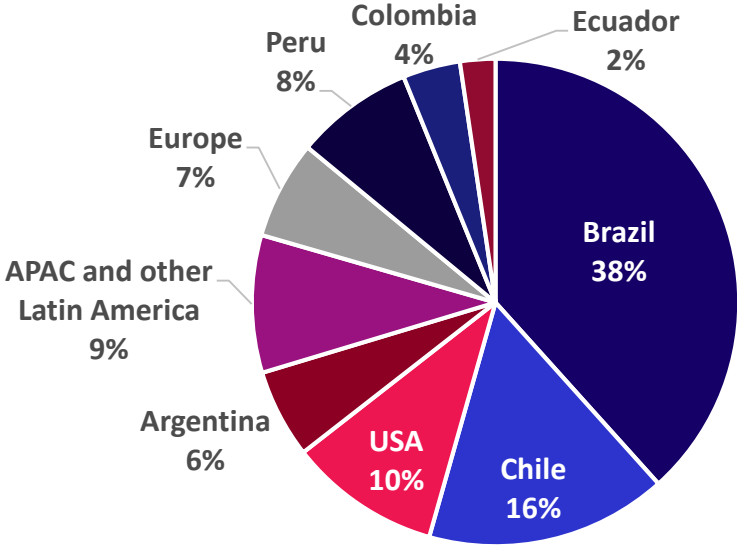


2Q18



Passenger + Cargo revenues = US\$2,256 million

2Q19






Passenger + Cargo revenues = US\$2,289 million

+1.4%

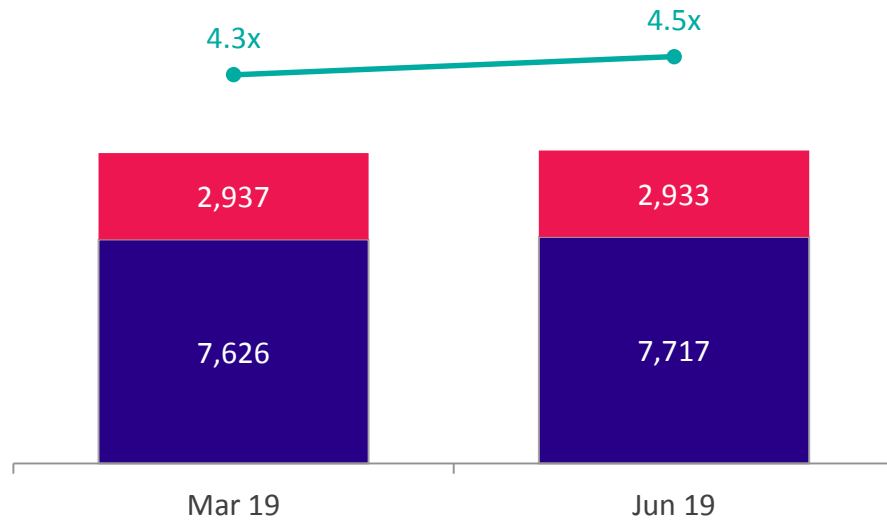


# Revised Guidance 2019

		Previous Guidance	New Guidance	
<b>Passengers (ASK)</b> 	<b>International</b>	3% - 5%	0% - 2%	↓
	<b>Domestic Brazil</b>	2% - 4%	5% - 7%	↑
	<b>Domestic Spanish-speaking countries</b>	8% - 10%	8% - 10%	
	<b>Total</b>	4% - 6%	3% - 5%	↓
<b>Cargo (ATK)</b> 		1% - 3%	0% - 2%	↓
<b>Operating Margin (%)</b> 		7% - 9%	7% - 9%	

# Maintaining a healthy financial position...

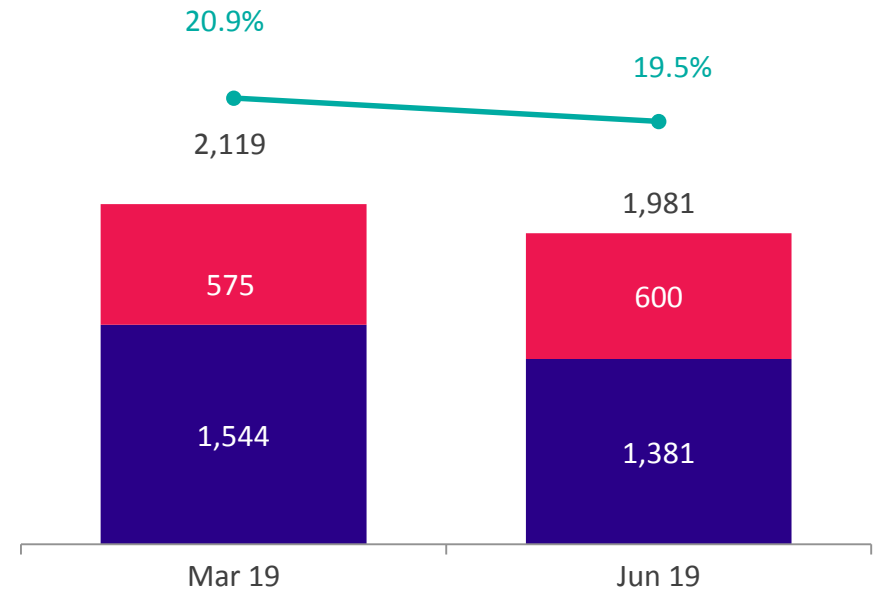
## Net Debt / EBITDA LTM



■ Financial Debt (US\$ MM) ■ Lease liabilities (US\$ MM)<sup>1</sup>

— Net Debt / EBITDA

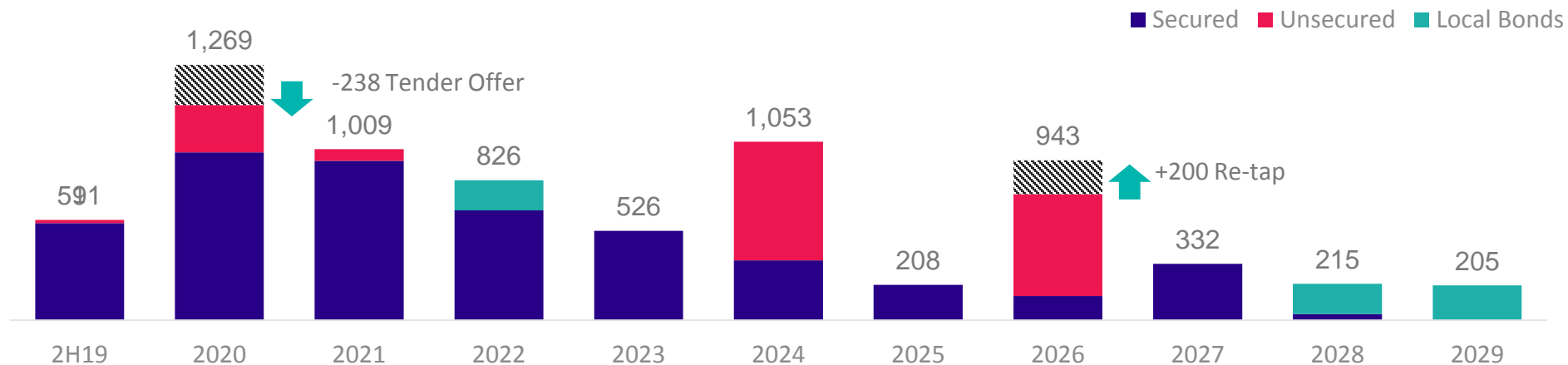
## Cash and Equivalents as % of LTM revenues



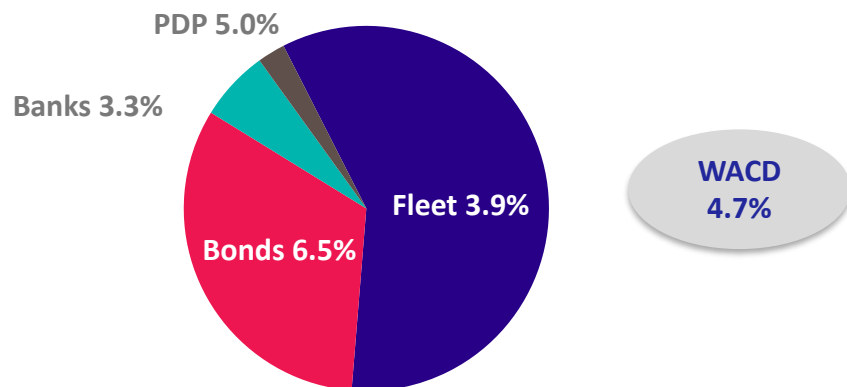
■ Cash (US\$ MM) ■ Committed Lines & RCF (US\$ MM)

## ... and proactively reshaping our debt profile.

### Debt maturity profile<sup>1</sup> (US\$ million) as of June 30, 2019<sup>2</sup>



### Debt type as of June 30, 2019



### Rating agencies

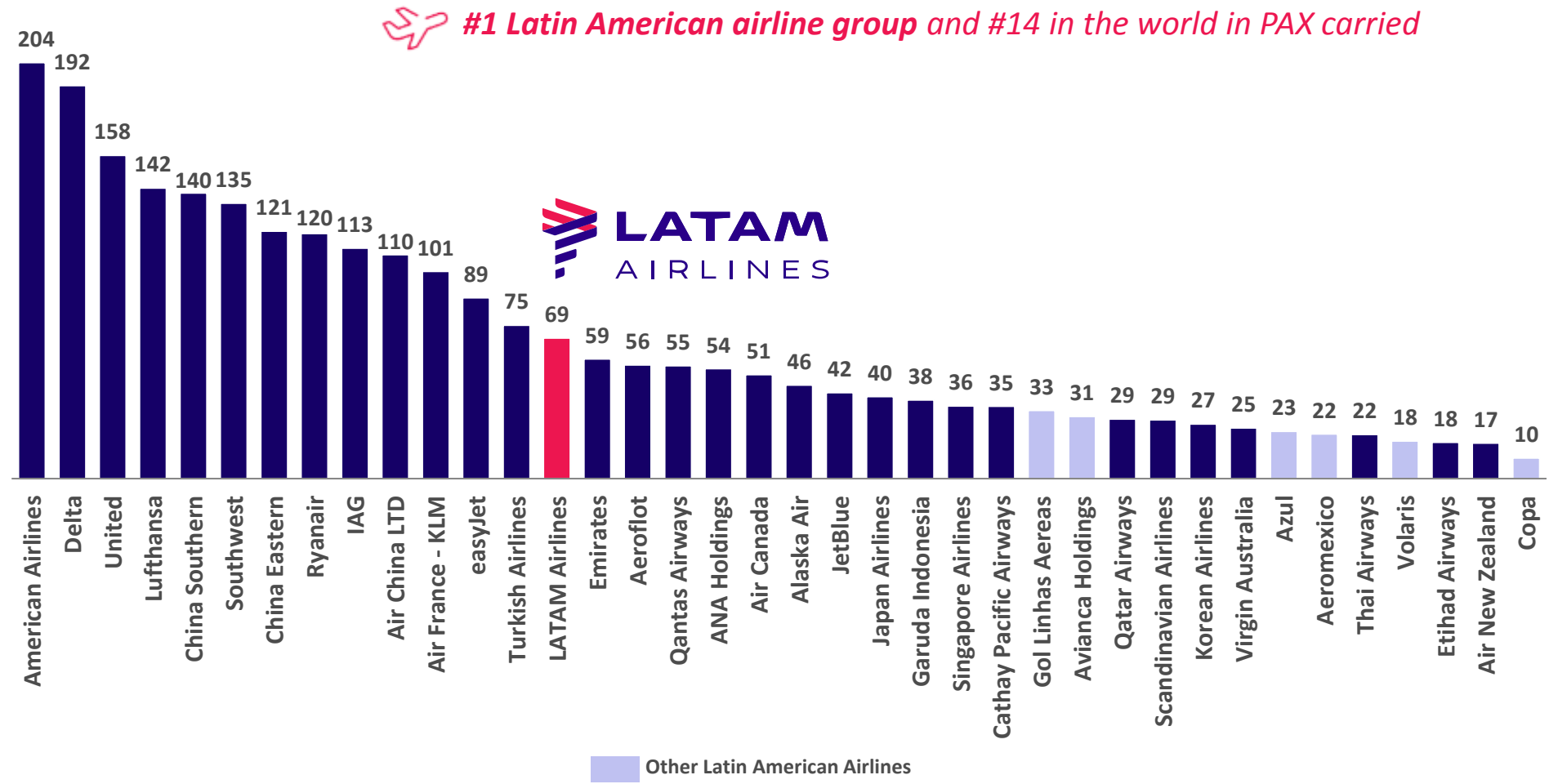
MOODY'S	Ba3
S&P Global Ratings	BB-
Fitch Ratings	BB-  July 10, 2019



# Status of Business & Operations

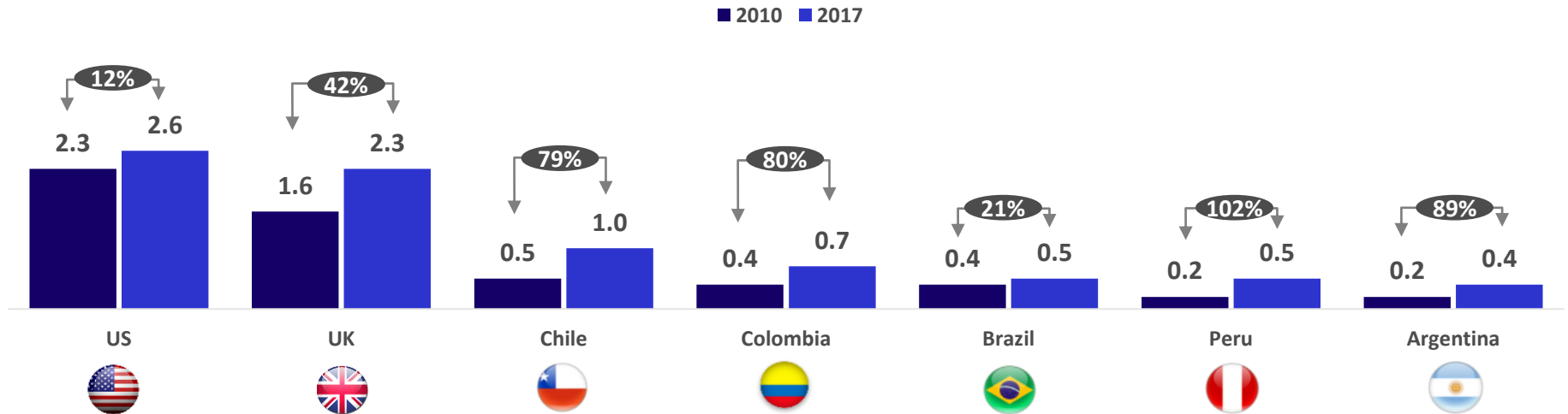
# LATAM is amongst the largest airline groups in the world

PAX carried 2018<sup>1</sup> (million)



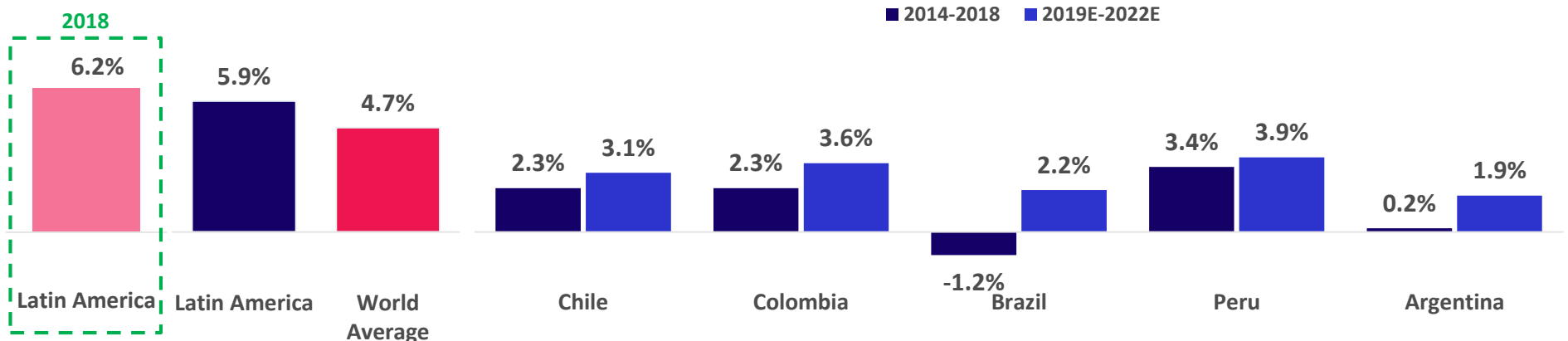
# LATAM is well positioned to capitalize on Latin America's growth potential

## Trips per capita<sup>1</sup>



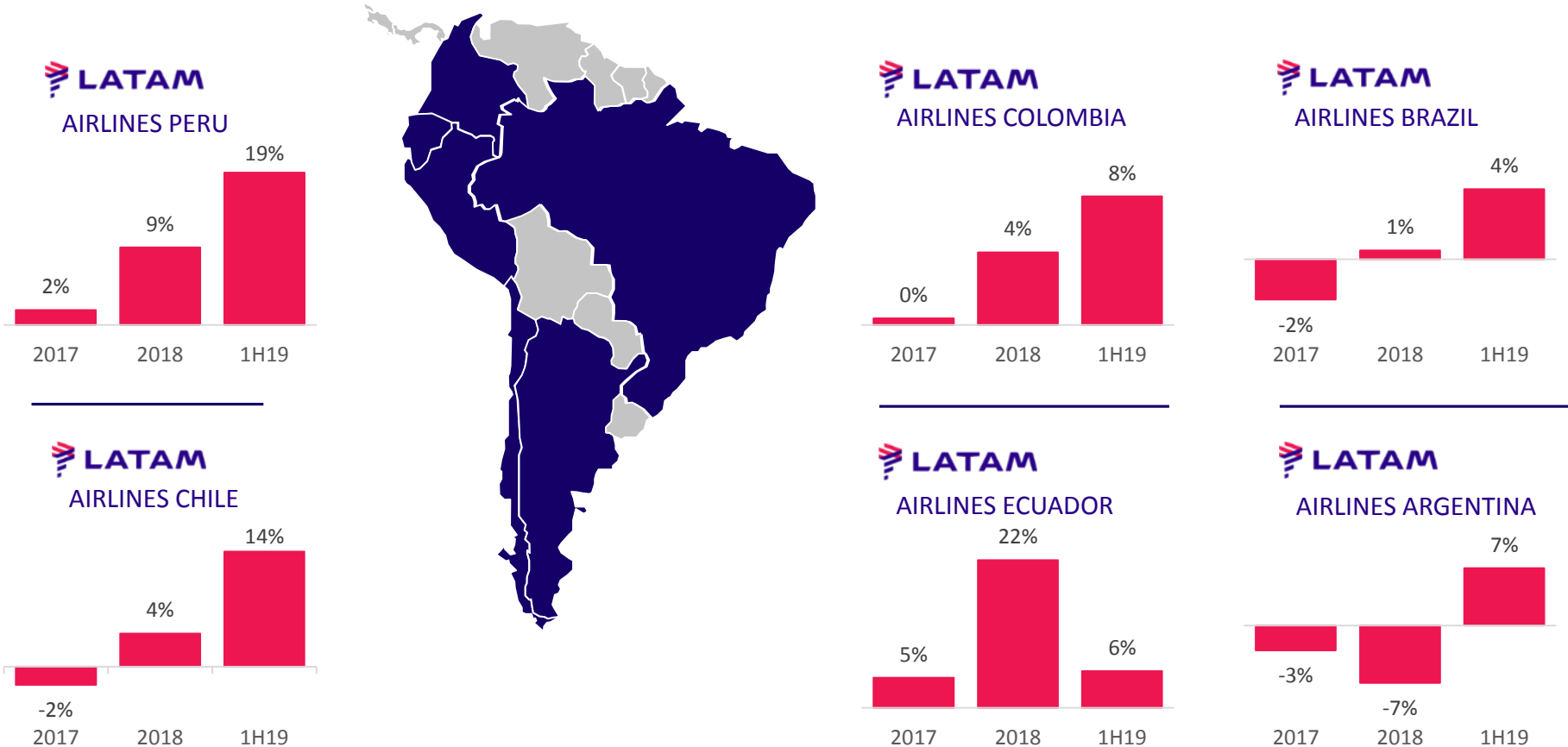
## RPKs growth 2018E – 2037E

## GDP CAGR (%)



# Domestic: Strong passenger growth rates

YoY Passenger Growth Rate (%)



# Domestic: Leading market share across markets with positive passenger growth dynamics

## Market Share (%)



**LATAM**  
AIRLINES PERU  
**62%<sup>1</sup>**

Market size **13mm**

**LATAM**  
AIRLINES CHILE  
**62%<sup>2</sup>**

Market size **15mm**



**LATAM**  
AIRLINES COLOMBIA  
**23%<sup>2</sup>**

Market size **28mm**

**LATAM**  
AIRLINES BRAZIL  
**34%<sup>2</sup>**

Market size **94mm**

**LATAM**  
AIRLINES ECUADOR  
**31%<sup>3</sup>**

Market size **3mm**

**LATAM**  
AIRLINES ARGENTINA  
**16%<sup>1</sup>**

Market size **15mm**

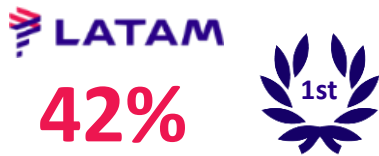
**+2.0 mm**  
passenger  
1H19 vs 1H18



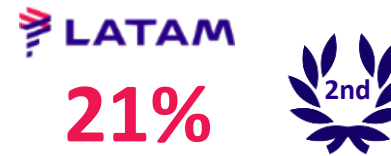
# International: Unparalleled network connecting Latin America

Market Share (%)<sup>1</sup>

## Within South America



## South America - North America



## South America – Asia Pacific



## South America – Europe



+285k  
passenger  
1H19 vs 1H18



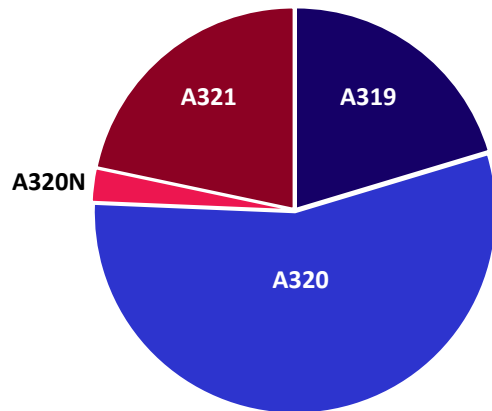
# Fleet Overview & Financing

# 316<sup>1</sup> aircraft operating fleet with an average age of ~9.0 years

## Narrow body: 233

Owned<sup>2</sup>: 161 aircraft

Leases<sup>3</sup>: 72 aircraft



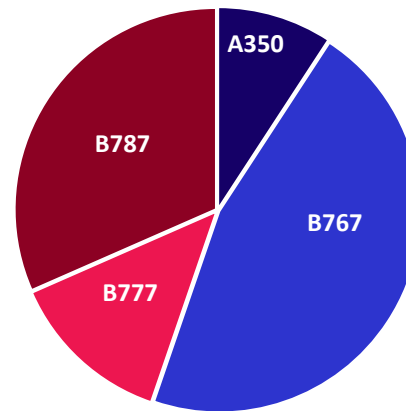
Airbus A320N



## Wide body (PAX): 74

Owned<sup>2</sup>: 49 aircraft

Leases<sup>3</sup>: 25 aircraft



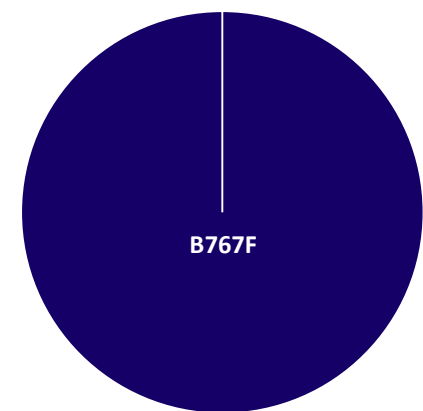
Boeing 787-9



## Freighter: 9

Owned<sup>2</sup>: 8 aircraft

Leases<sup>3</sup>: 1 aircraft



Boeing 767F

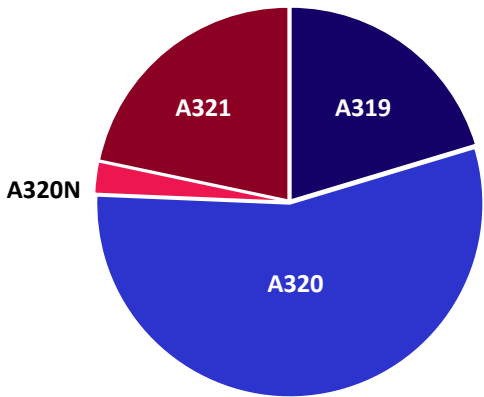




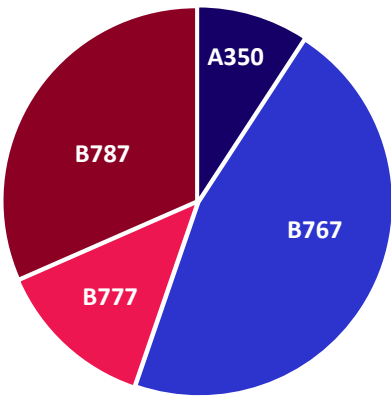
# Fleet composition evolution including new generation aircraft

## Current 2Q19 Fleet Composition: 316

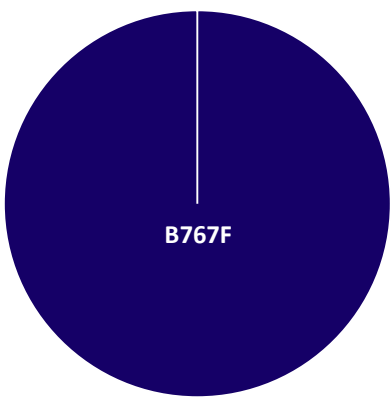
Narrow body: 233



Wide body (PAX): 74

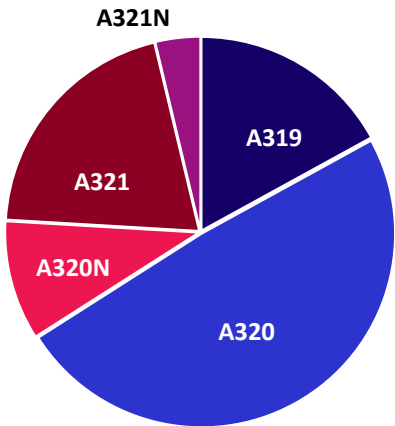


Freighter: 9

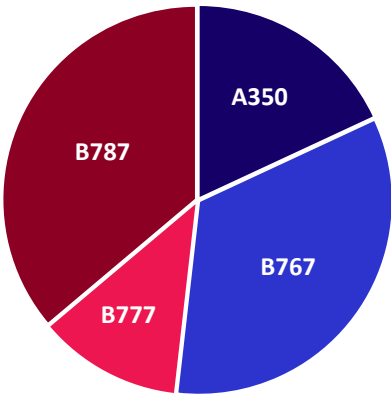


## 2021E Fleet Composition: 335

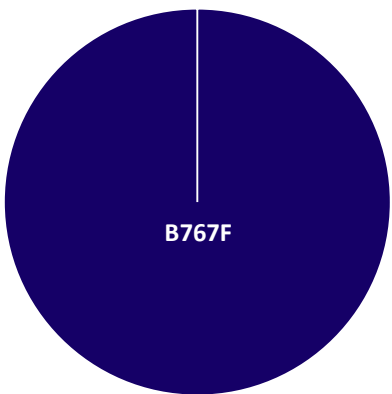
Narrow body: 241



Wide body (PAX): 83



Freighter: 11



# 2019 - Fleet Deliveries and Financing

JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<div>A320NEO S&amp;LB</div> <div>A320 NEO S&amp;LB</div>		<div>A350-900 S&amp;LB</div>	<div>A320NEO JOLCO</div> <div>A320 NEO JOLCO</div>			<div>A320NEO JOLCO</div>		<div>A350-900 S&amp;LB</div> <div>A320NEO JOLCO</div> <div>A320NEO S&amp;LB</div>	<div>B787-9</div> <div>A320NEO JOLCO</div> <div>A320NEO S&amp;LB</div>	<div>A320NEO JOLCO</div>	<div>A350-900 JOLCO</div>

Fleet Commitment 2019: USD 1,197 million

## 2020 - Fleet Deliveries and Financing

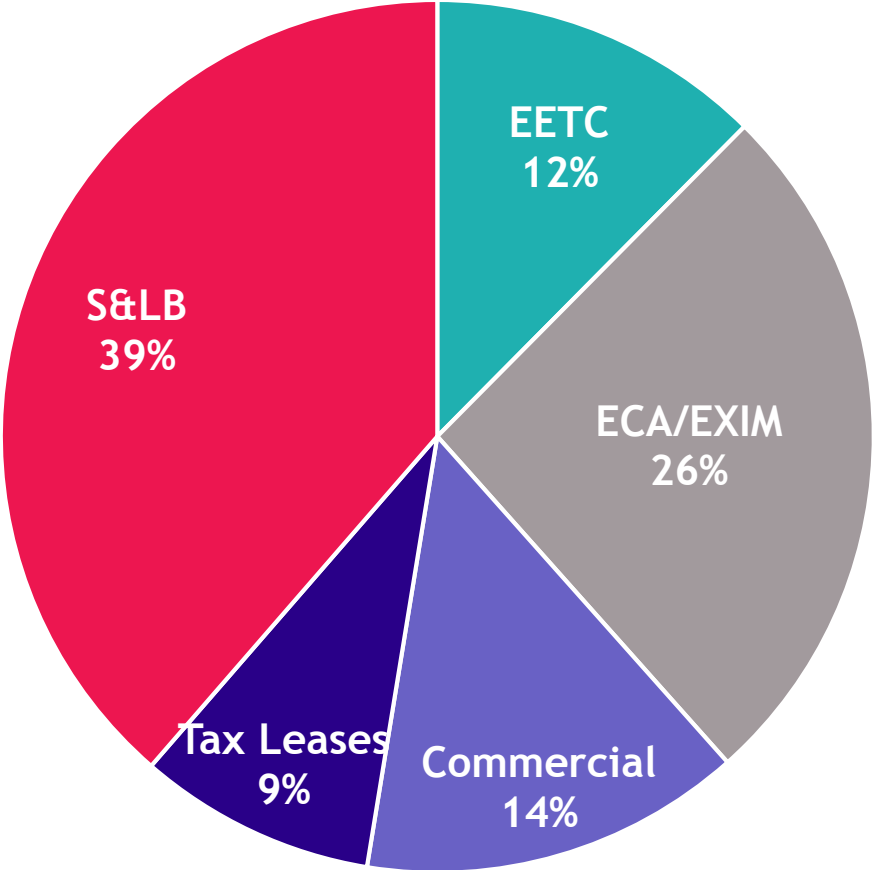
JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
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<b>A321NEO</b>	<b>A320NEO</b>	<b>A320NEO</b>
<b>TO BE FINANCED</b>	<b>TO BE FINANCED</b>	<b>TO BE FINANCED</b>
		<b>A321 NEO</b>
		<b>TO BE FINANCED</b>

A320NEO	A321NEO	A320NEO
TO BE FINANCED	TO BE FINANCED	TO BE FINANCED
A321NEO	A320NEO	B787-9
TO BE FINANCED	TO BE FINANCED	TO BE FINANCED
	B787-9	
	TO BE FINANCED	

## Fleet Commitments 2020: USD 708 million

# Aircraft Financing Sources Composition



Including all deliveries of 2019  
US\$ MM

Total: USD 7,323 million

## Main takeaways

1

**LATAM is the leading and largest airline group in Latin America with an unmatched network**

2

**Delivered improving and resilient operational and financial results despite challenges**

3

**Disciplined financial policy focused on continuous de-leveraging and balance sheet strengthening**

4

**Unaltered clear long-term strategy with customer focus**



**LATAM AIRLINES GROUP:**

***“LATAM’s transformation  
plan bears fruit”***

