

# IAG and the UK industrial strategy

**IAG** INTERNATIONAL AIRLINES GROUP

## IAG overview

- 5th largest airline group in the world
- Hubs in London, Dublin, Madrid, Barcelona
- Carried 100m passengers last year, between 268 destinations
- Fleet of 547 aircraft, worth around £20bn at today's prices
- £2.5bn gross investment in fleet every year
- 65,000 employees, based mainly in our hubs
- Market capitalisation of £13bn, now number 38 in FTSE-100



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## IAG in the UK

- Owner of British Airways and Avios
- Bases at Heathrow, Gatwick and London City
- Carried 44m passengers last year, in and out of the UK, and domestically
- Fleet of 547 aircraft, worth around £10bn at today's prices
- 40,000 employees, based mainly in our hubs

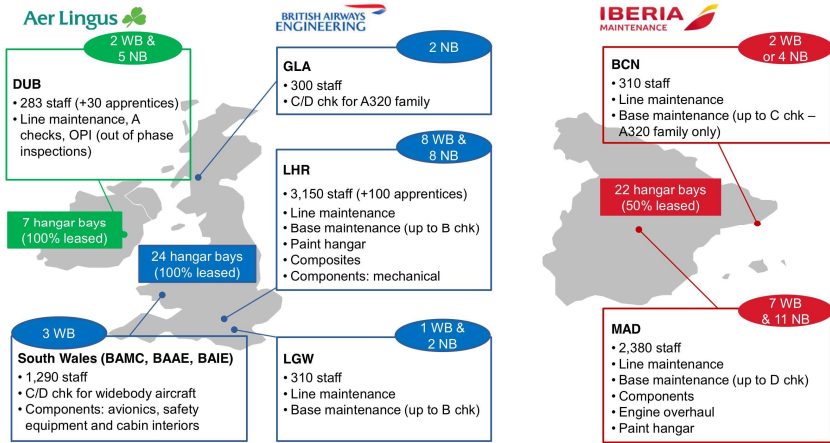


**How the industrial strategy could enhance our investment in the UK**



## Pillar 2: developing skills

We have an engineering business employing c. 8,000 skilled people around Europe, and spending over £2bn per annum. We are in the process of restructuring it. How can the UK enhance its competitiveness?



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## Pillar 2: developing skills

In Avios, we own one of the Europe's fastest-growing digital businesses, with profit of over £200m last year, based in the UK. We need skilled, entrepreneurial people.

Data capability impacts simultaneously at three levels

### IMPROVING EXISTING SERVICES

Excellent customer experience, show and increase value to Partners (consistency in the loyalty platform through IAG)



### ENABLING NEW SERVICES

More opportunities for customers to collect & spend Avios, increasing engagement & value driven to partners



### LAUNCHING DISRUPTIVE SERVICES

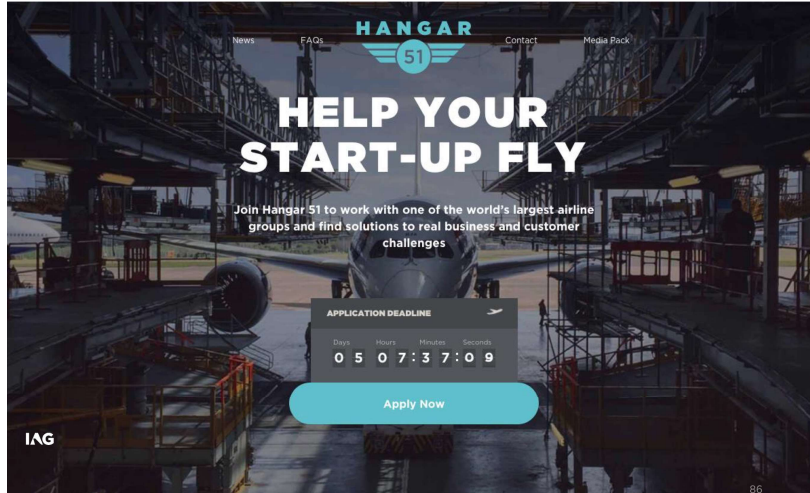
Expand Avios ecosystem by increasing customer reach & relevance (proactive, personalised approach)



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## Pillar 2: developing skills

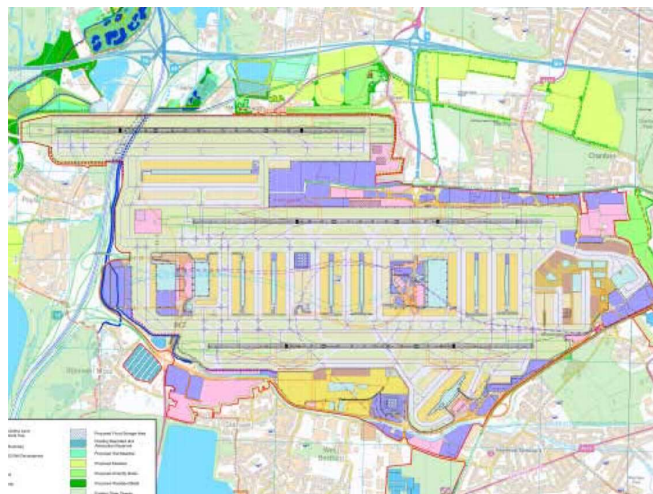
We have launched a new tech start-up incubator, based in the UK, with a "multi-million Pound" investment budget



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## Pillar 3: upgrading infrastructure

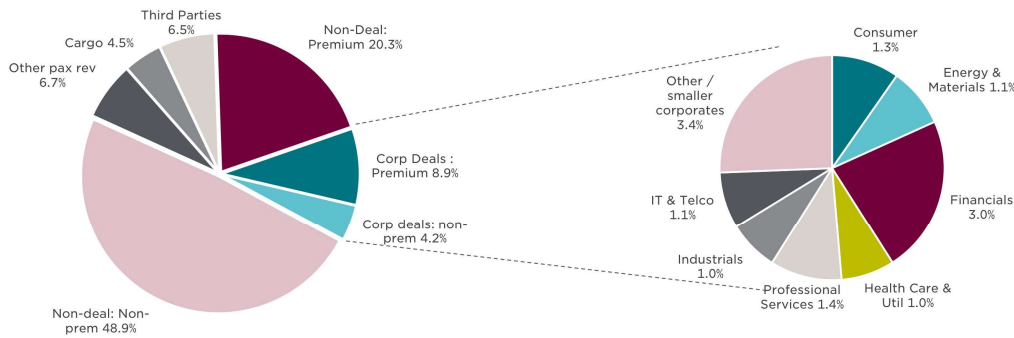
We are engaged in trying to produce a viable expansion plan for Heathrow - the UK's gateway to the world, a major hub and therefore export point, and potentially the UK's largest infrastructure project



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## Pillar 6: encouraging trade and inward investment

We carry the majority of the UK's inbound and outbound business travel, and also underpin the UK's inbound tourism sector - a major export



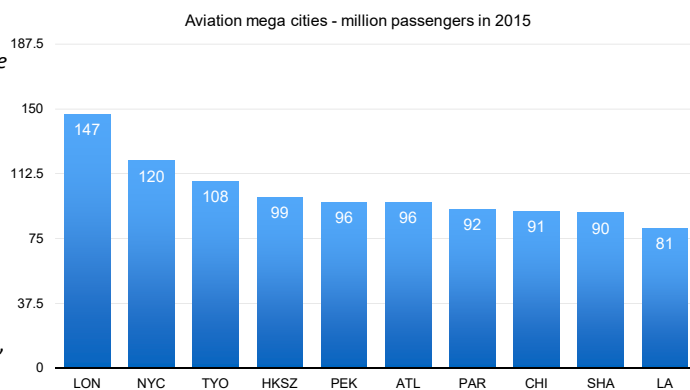
## Pillar 8: cultivating world-leading sectors

The UK has always been a leading aerospace and air transport competitor. London remains the pre-eminent air transport crossroads. But beware: the industry is precarious...

*"Think airlines. Here a durable competitive advantage has proven elusive ever since the days of the Wright Brothers.*

*Indeed, if a farsighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favour by shooting Orville down"*

Warren Buffet, Berkshire Hathaway shareholder letter, 2007



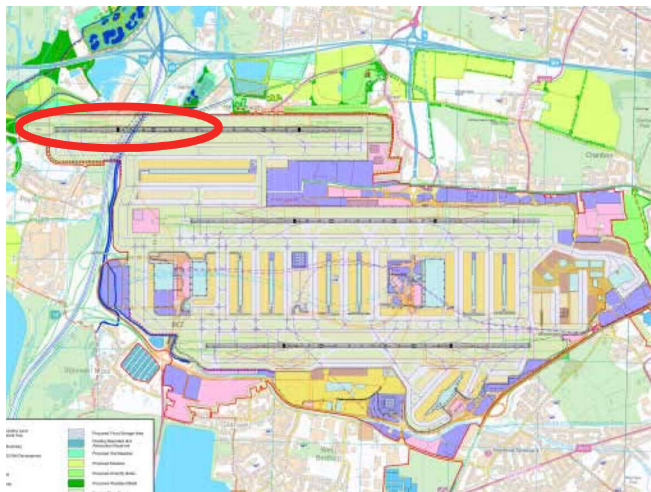
# Under the pillars - there need to be foundations

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## Foundation 1: quality engagement

No engagement at all with Government on shape and affordability of key national infrastructure - producing unaffordable £17.6bn cost

Who decided runway 3 had to be this long, and cross the M25?

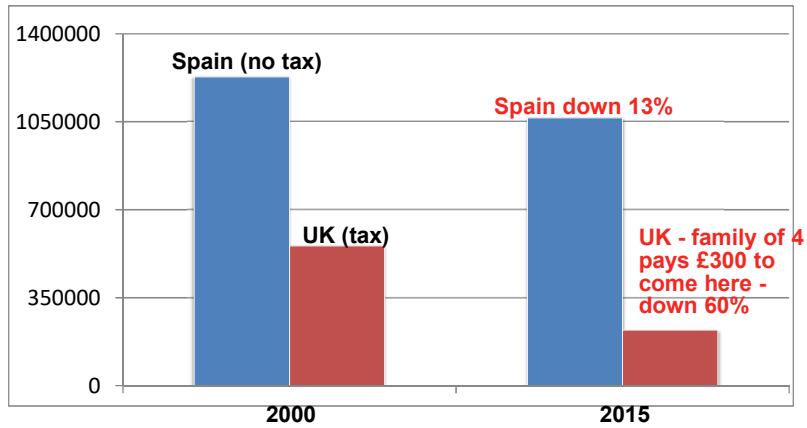


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## Foundation 2: intelligent fiscal policy

Heathrow is being funded entirely by the private sector (in the end, airlines and their customers) - separately, the Treasury is taking a >£3bn annual toll on all UK passengers

Japanese tourist arrivals



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## Foundation 3: patient capital

"International long-term patient capital providers such as sovereign wealth funds, the super funds in Australia, Asian sovereign wealth, Middle Eastern sovereign wealth and, indeed, US VC money are now recognising this gap, the gap being that there is great science here but no scale-up capital. They are stepping into that gap."

Key drivers of UK DB pension industry, 2006-16		£ bn
Credit:	UK economy through QE	435
Debit:	UK corporate sector through DB pension liability increase	(1,000)
	(S179 funding basis)	
Funded by:	Sales of UK equities	136
	Regular corporate contribution + fund performance	434
	Special contributions to date	120
	Deficit	450
Key data:	<b>TOTAL ASSETS IN UK DB SCHEMES (as of 3/16)</b>	<b>1,341</b>
	O/w in schemes with membership of 10,000+	60%
	Total membership of UK DB schemes	10,863,900
	O/w in schemes with membership of 10,000+	6,843,000
	O/w not yet retired	4,105,800

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