

MRO Forecast & Industry Trends

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AVIATION WEEK 
MRO
LATIN AMERICA

Buenos Aires, Argentina
February 22-23, 2023

Today's Agenda

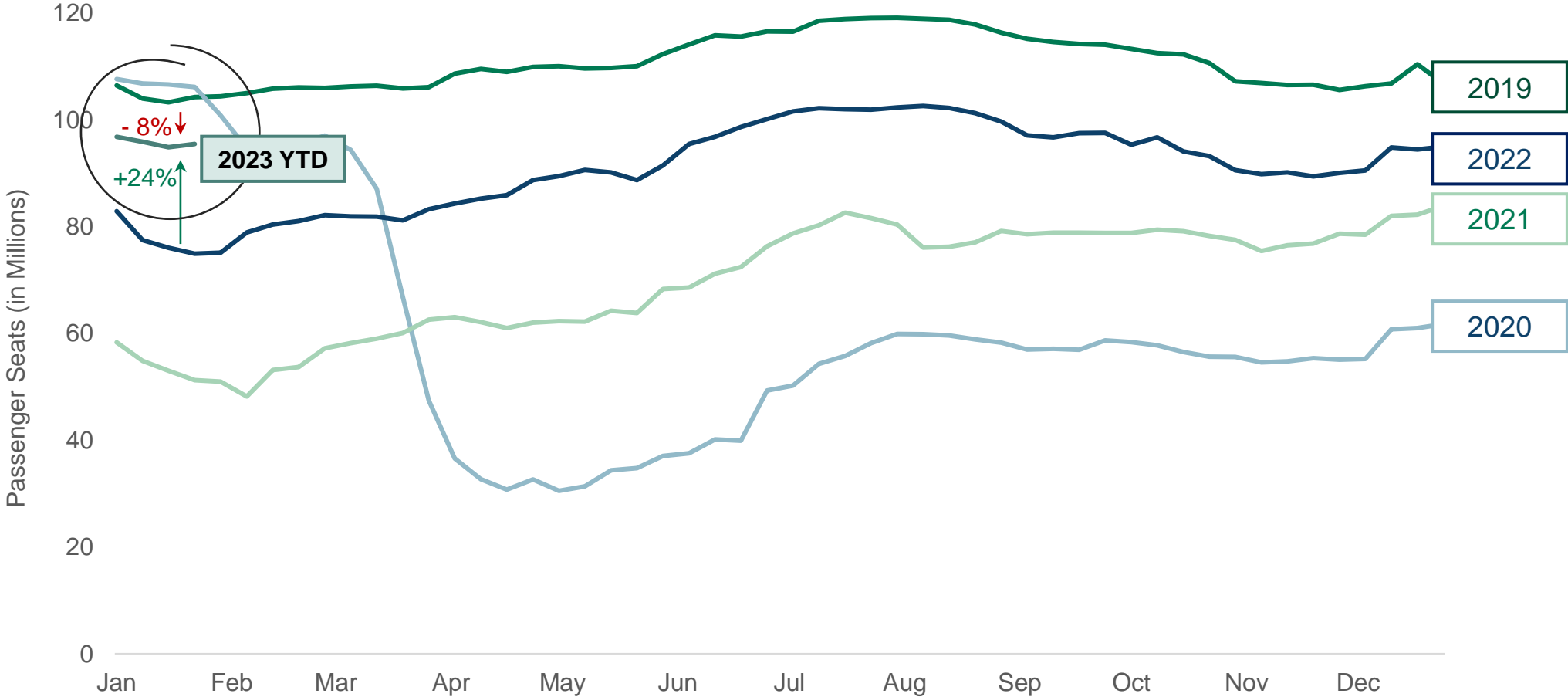
- 1** Aviation Industry Overview
- 2** Global Fleet & MRO Forecast
- 3** MRO Industry Trends
- 4** Latin American MRO Top 10 List
- 5** 2023 MRO Outlook

1. AVIATION INDUSTRY OVERVIEW

A large, stylized letter 'A' graphic composed of three overlapping triangles in shades of teal and green, positioned on the right side of the slide.

Global passenger traffic continues to improve...

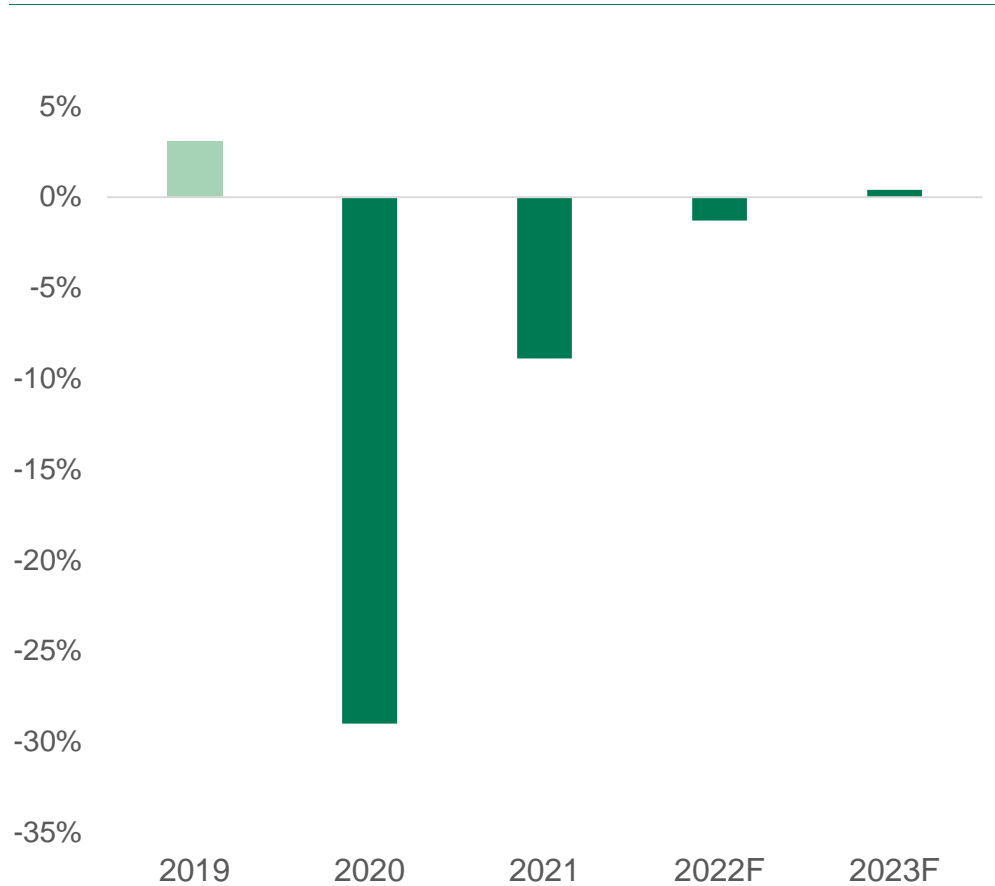
GLOBAL COMMERCIAL PASSENGER SEATS CAPACITY



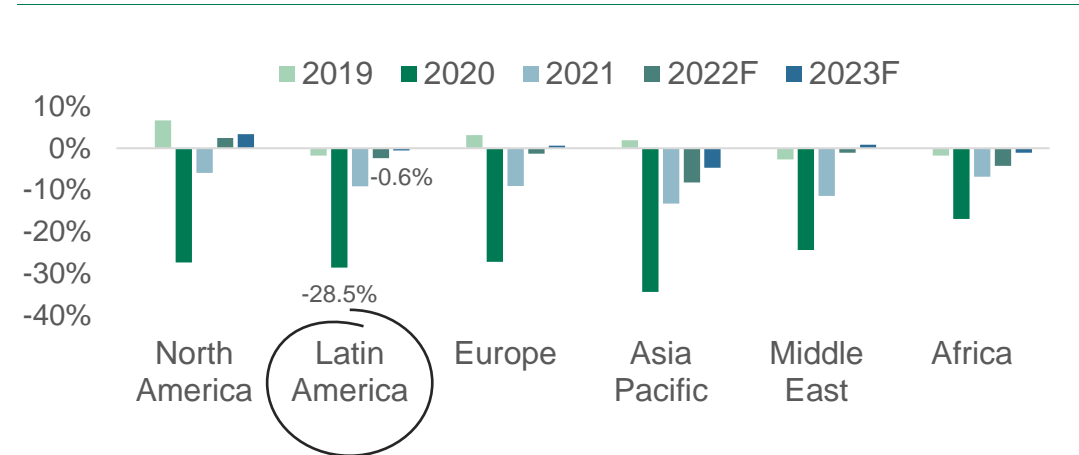
Source: OAG, Alton analysis

Airline losses continue to improve, led by North America; Latin America continues to struggle...

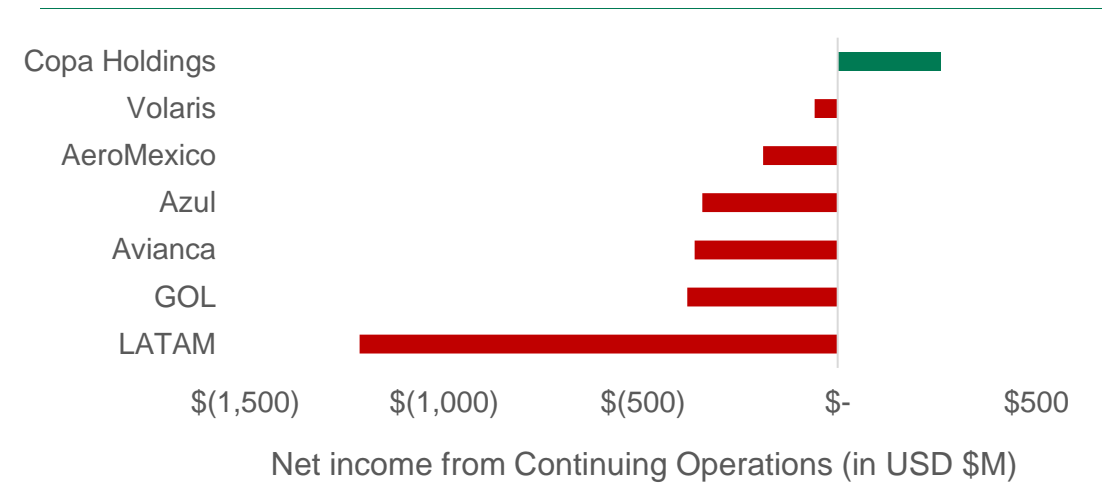
GLOBAL AIRLINE NET PROFIT MARGIN



COMMERCIAL AIRLINE NET PROFIT MARGIN BY REGION



SELECT LATIN AMERICAN AIRLINE NET PROFITS¹

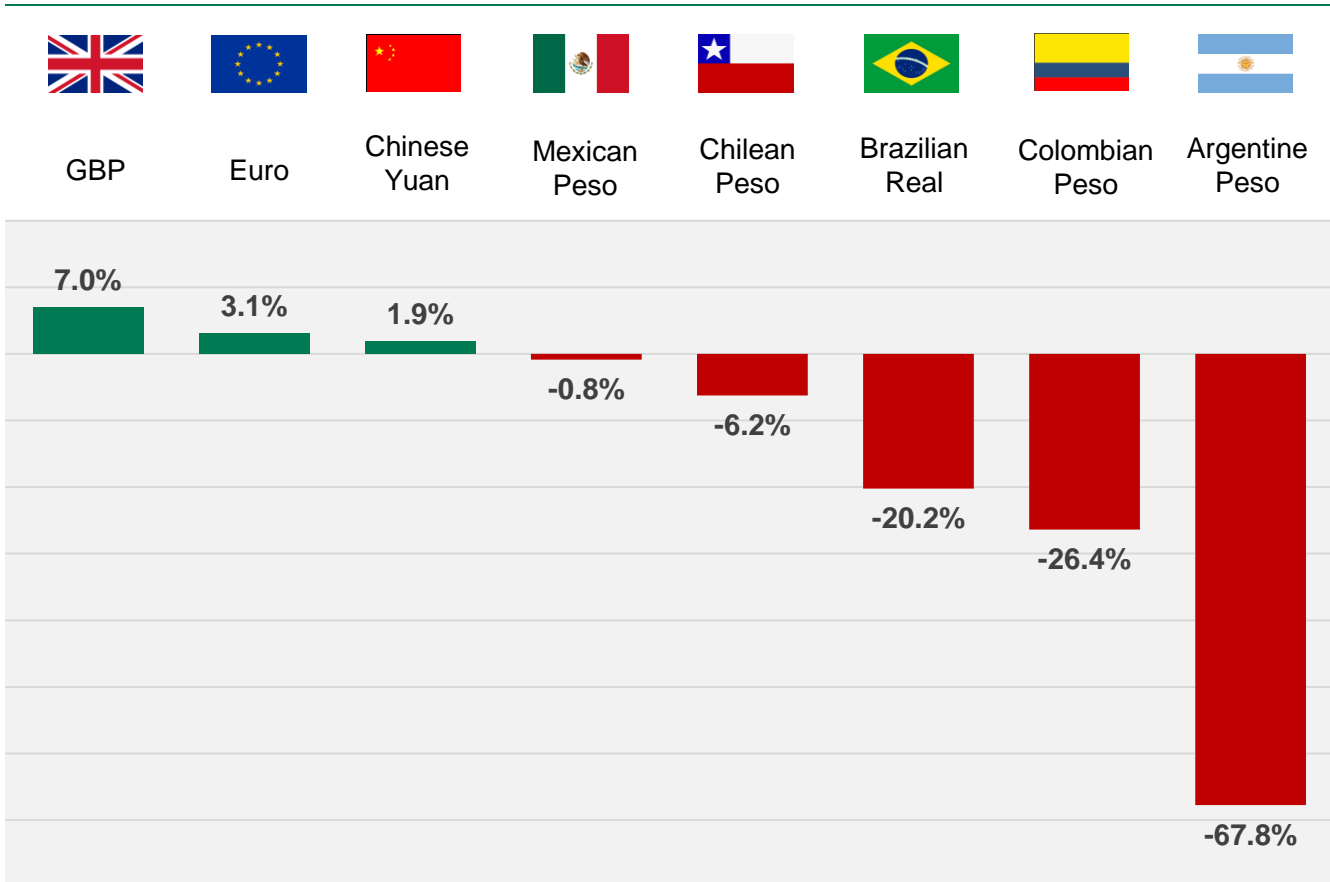


Note: 1/ For the nine months ended September 2022

Source: IATA, Pitchbook, Alton analysis

The strength of the US dollar creates additional headwinds for global airlines and MROs

US DOLLAR VS MAJOR GLOBAL CURRENCIES % VALUE CHANGE;
JANUARY 2020 – JANUARY 2023

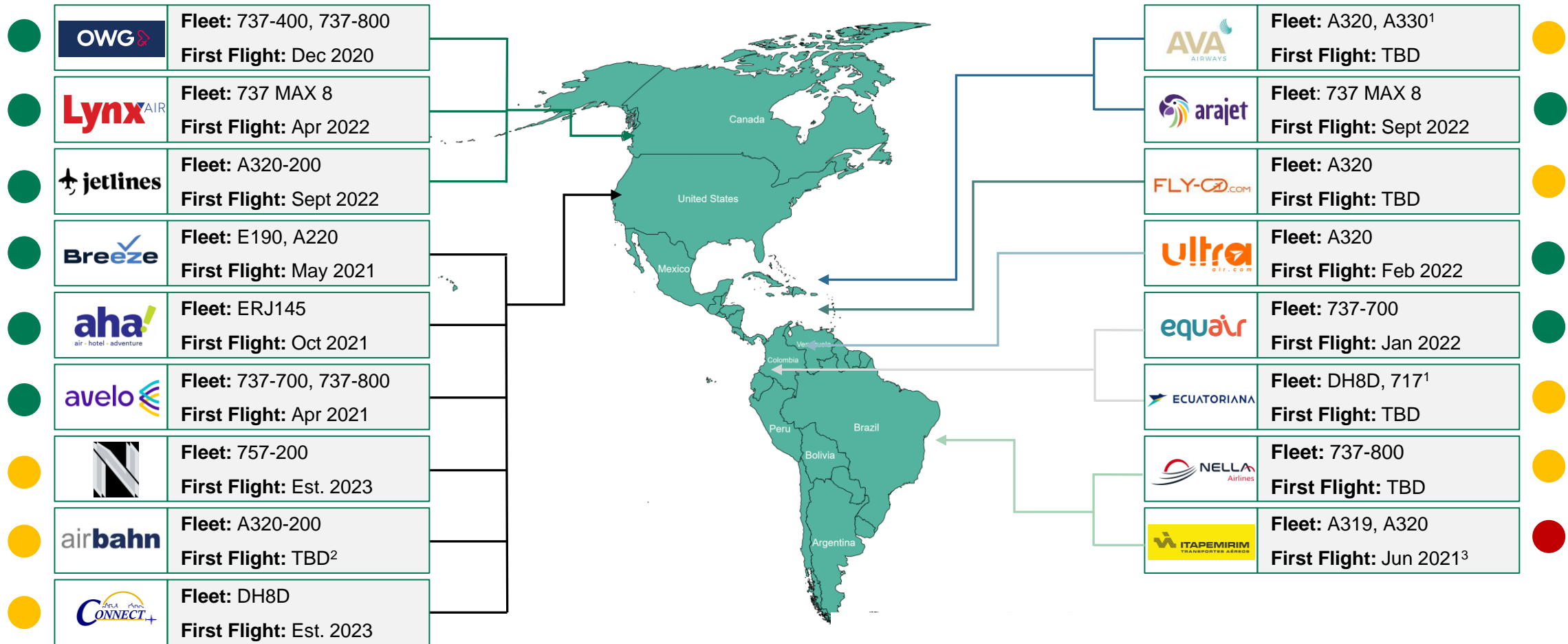


Alton Insight

- MRO PBH and spare parts sold in US dollars = higher costs
- Jet fuel sold in US dollars = higher costs
- Aircraft financing becomes more expensive
- Good news for non-US destination travel
- Good news for manufacturing & MRO in emerging markets = lower labor costs

Never let a global pandemic go to waste; airline start-ups present new growth opportunities for MRO suppliers...

● In operation
 ● Announced, but not in operation
 ● Halted/ceased operations



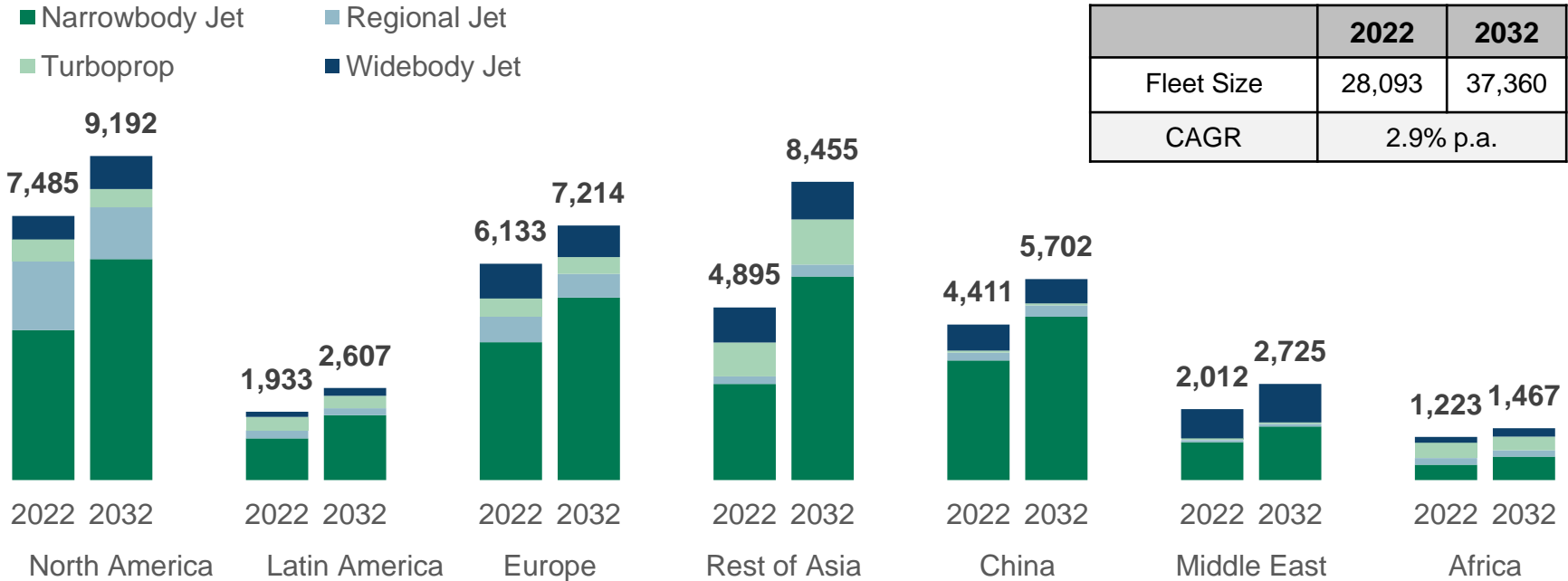
Note: Selected new airlines; 1/ Aircraft expected to join the fleet in the future, 2/ US DoT denied Airbahn's request for fitness to engage certification extension in Aug 2022, 3/ Brazil ANAC permanently revoked Itapemirim's AOC in May 2022

Source: CAPA Fleet Database, Alton analysis

2. GLOBAL FLEET & MRO FORECAST

Alton's global and regional fleet forecast; widebody aircraft orders could use a vaccination booster...

GLOBAL COMMERCIAL AIRCRAFT FLEET FORECAST BY REGION



| | 2022 | 2032 |
|------------|-----------|--------|
| Fleet Size | 28,093 | 37,360 |
| CAGR | 2.9% p.a. | |

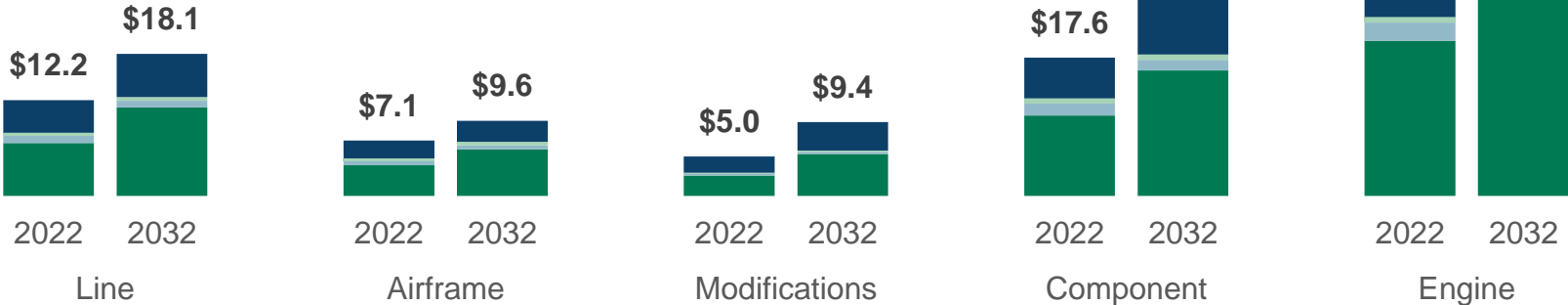
| | | | | | | | |
|----------------------------|--------|------|--------|--------|--------|--------|------|
| 2022-2032 Net Fleet Growth | +1,707 | +674 | +1,080 | +3,560 | +1,291 | +1,690 | +243 |
| Annual Growth Rate | 2.1% | 3.0% | 1.6% | 5.6% | 2.6% | 6.8% | 1.8% |

Alton's global commercial MRO demand forecast; while the modifications segment is the fastest growing, engine MRO continues to consume an ever-increasing share of total spend

GLOBAL COMMERCIAL MRO DEMAND FORECAST BY SEGMENT (\$USD BILLIONS)

| | 2022 | 2032 |
|-----------|-----------|--------|
| MRO Spend | \$78B | \$120B |
| CAGR | 4.4% p.a. | |

- Narrowbody Jet
- Regional Jet
- Turboprop
- Widebody Jet

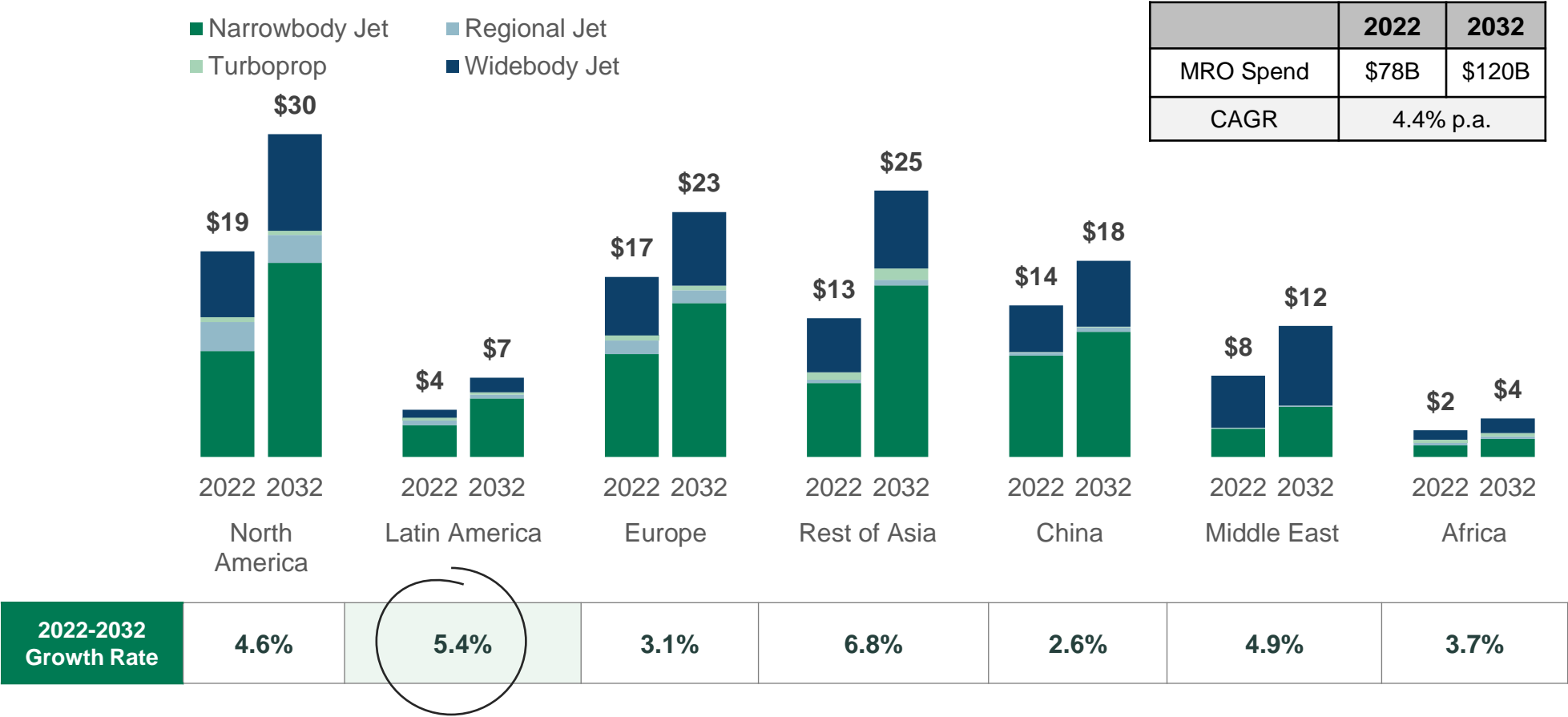


| 2022-2032 Growth Rate | 4.0% | 3.1% | 6.4% | 3.7% | 4.8% |
|-----------------------|------|------|------|------|------|
| | | | | | |

Source: CAPA, Alton analysis

Alton's global commercial MRO demand forecast; Latin American MRO spend will almost double over the next decade

GLOBAL COMMERCIAL MRO DEMAND FORECAST BY REGION (\$USD BILLIONS)



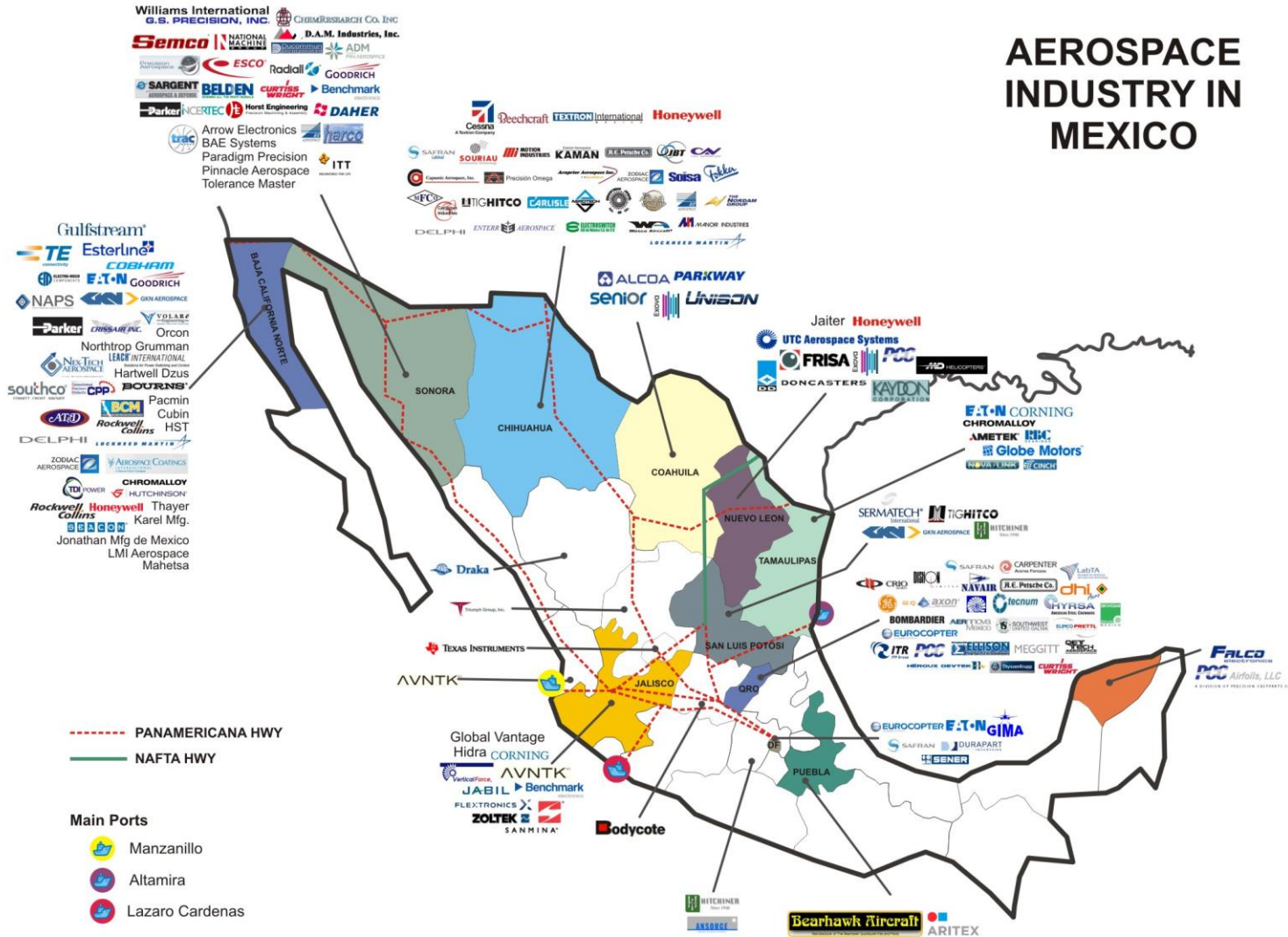
Source: CAPA, Alton analysis

3. MRO INDUSTRY TRENDS



The great global supply chain strategy reassessment; a very positive trend for Mexico...

AEROSPACE INDUSTRY IN MEXICO



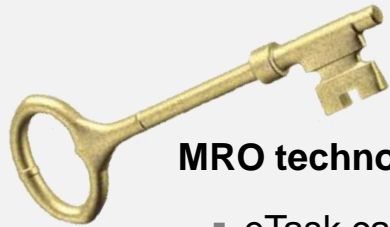
Alton Insight

- One of the many lessons learned exposed by the global pandemic was the fragility and vulnerability of the global supply chain
- Geopolitics, increased tariffs, and growing nationalism driving anti-globalization sentiment does not appear to be going away anytime soon
- As a result, Boardrooms of virtually every company in the world are currently reassessing their supply chain strategies



Aviation companies worldwide will seek to “near-shore” their supply chain in order to minimize risk

Labor, labor, labor...



Key to the Solution?

MRO technology-driven productivity:

- eTask cards & 5G mobile tablets
- Adoption of sensors and robotic inspections
- E-signatures & digital records
- Electronic aircraft log books / tech logs
- RFID & tooling / inventory integration
- Dynamic manpower planning & scheduling
- Real-time production control / critical path mgt
- Training leveraging virtual & augmented reality

Alton Insight

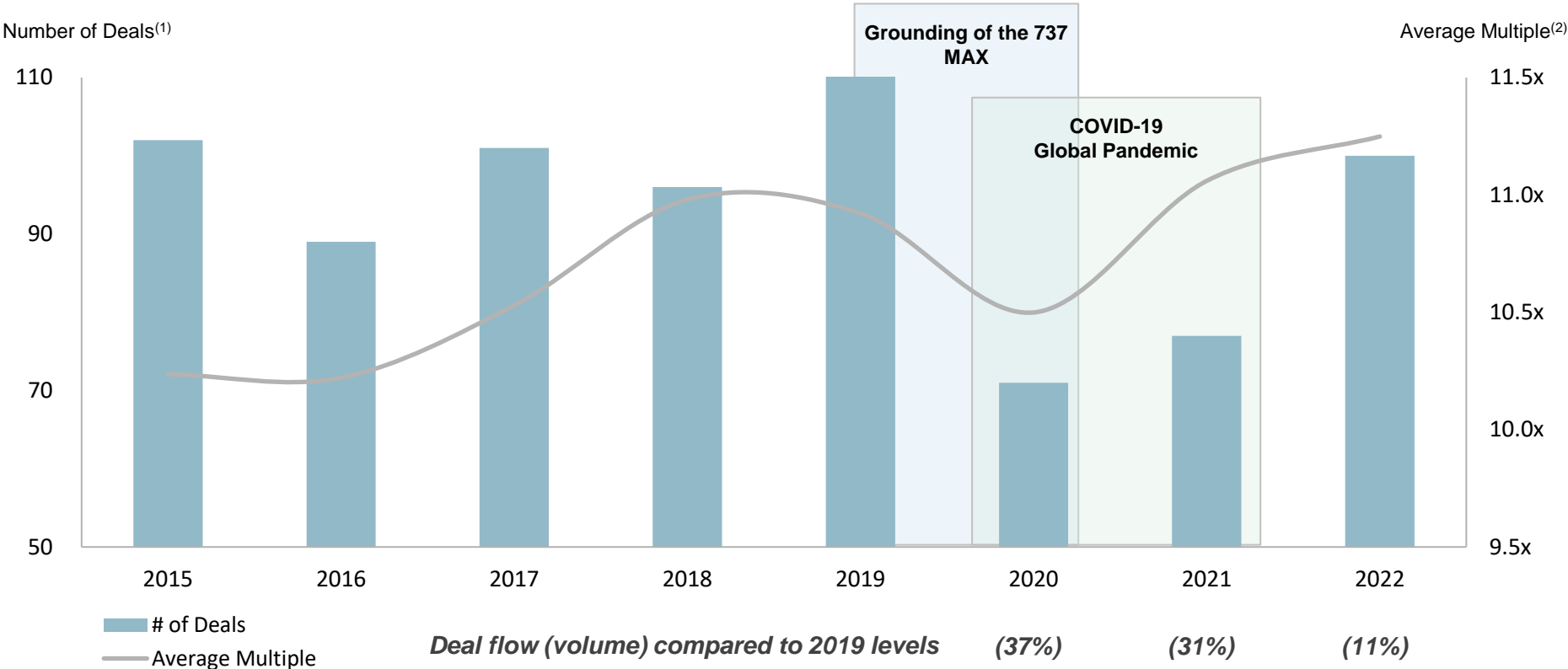
- During the pandemic, most airlines, OEMs, and MROs offered generous early retirement packages (and had very successful take-rates)
- The unintended consequences resulted in the single largest loss of institutional knowledge our industry has ever experienced (*and is a root cause for many airline operational issues and MRO TAT delays*)
- In order to retain existing employees and attract new recruits, salaries and benefits are rising
- The shortage of skilled labor, compounded by global supply chain challenges, has resulted in very long lead times for parts and much longer turn-around-times (TAT) for airframe, engine, and component maintenance



MRO cost inflation (material & labor)

With a proven track record for solid M&A activity, the Aerospace & MRO sector remains well positioned for further investment and market consolidation

RELEVANT AEROSPACE & MRO M&A TRANSACTION HISTORY



(1) Per Mergermarket. Reflects most relevant deals over the past several years. Limited to North America and Europe.
 (2) Jefferies

4. LATIN AMERICAN MRO TOP 10 LIST

Alton's annual Latin American MRO Top 10 List

#2 ABRA GROUP



#6

LATAM



Safety is always # 1 priority:
MRO is a team sport!

#7
VivaColombia

Bidding war between Avianca, LATAM, and jetSMART

#9



Mexican military to start new airline – pays \$42M for Nueva Mexicana brand

#5



AMLO by decree - Mexico City Airport closed for cargo – moved to Felipe Angeles airport

#4

Latin American MRO Leadership goes global!

Qatar Chief Technical Officer



Former head of Avianca Maintenance

Emirates SVP Maintenance



Former head of TAP M&E in Brazil

#1



#8

UNITED

Acquires former TAP M&E and VEM facility in Rio

#10

Azul

#1 in the world in on-time performance at 88.93%

#3



Democracy prevails!



5. 2023 MRO OUTLOOK



MRO 2023 – the year of “known unknowns”



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