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## Norwegian updates market and raises new equity

The company will shortly announce a contemplated private placement of shares with gross proceeds of up to NOK 1,300 million by issuing new ordinary shares in the Company. In connection with the contemplated private placement, Norwegian is providing the following update to the market. Additional capital will boost competitiveness and protect existing and future investments in a market characterized by higher oil prices and fluctuating currencies. The company is now positioning itself for the final stages of a strong growth period that has lasted for several years and will reach its peak by the second quarter of 2018.

### Update summary

- Strong presales
- Currency and fuel price effects challenging in Q1 2018
- Full-year unit cost guidance excl fuel and depreciation unchanged
- Full-year unit cost guidance incl fuel and depreciation increased by NOK 0.01 due to higher than expected fuel price
- Aircraft sales with positive equity impact
- Initiating strategic review of Norwegian Reward
- LOI signed for financing six 787-9 aircraft delivering in 2018 and 2019; no additional funding need for working capital or PDPs

### Demand and earnings

In the first quarter of 2018 Norwegian has as expected experienced stable

demand despite record high growth in production driven by new intercontinental wide-body routes. Capacity adjusted forward bookings are currently well ahead of last year, with stable prices.

Estimated earnings for Q1 2018:

Revenue NOK 7.1 bn (Q1 2017: NOK 5.4 bn)

EBITDA\* NOK -2.0 bn (Q1 2017: NOK -1.3 bn)

EBIT\* NOK -2.3 bn (Q1 2017: NOK -1.7 bn)

EBT\* NOK -2.6 bn (Q1 2017: NOK -1.8 bn)

\*Including other losses/gains related to hedging and currency

### **External cost factors**

Higher fuel prices and a stronger Euro have had a negative impact on cost. The average price for jet fuel in Q1 2018 is so far 12 % higher than the assumption in the company's current guidance, and the Euro is 8 % stronger than anticipated. Operations have also suffered from somewhat challenging weather conditions. For the first quarter the P&L deviation to the company guidance is mainly explained by the higher fuel cost.

### **Full-year ASK and unit cost expectations**

The expected production growth of ASK for 2018 is unchanged at 40%. Based on updated currency rate estimates for 2018\*\*, Norwegian expects the unit cost excluding fuel and depreciation to be in the range of 0.29 to 0.295 for the full year (unchanged from previous guiding). Due to the higher than expected fuel price Norwegian expects the unit cost including depreciation for the full year 2018 to be in the range of NOK 0.415 to 0.42 (changed from previous guidance of NOK 0.405 to 0.41).

**\*\*USD/NOK = 7.71; EUR/NOK = 9.65; GBP/NOK = 10.74**

## **Fleet expansion**

During the first half of 2018 Norwegian is taking delivery of nine 787 Dreamliners, and expects to operate a fleet of 30 787s by summer. Demand is strong and the growth in sales for the intercontinental routes is higher than the capacity growth.

In H2 2018, the capacity growth rate for Norwegian's intercontinental operations will slow as only two new 787s are scheduled for delivery in the second half of 2018. The growth rate in Dreamliner deliveries will decline further in 2019, and the final delivery of the current order is in 2020.

Norwegian has a strong market position in the European short-haul market and sees stable demand growth. Going forward Norwegian expects single digit growth rates in the European short-haul network.

## **Capital and financing issues**

The fleet Norwegian currently operates consists of 150 aircraft, of which 125 Boeing 737s and 25 Boeing 787 Dreamliners. Norwegian will continue to renew the fleet and maintain its internationally leading position with regards to aircraft quality and average age. Superfluous aircraft may thus be sold. Norwegian are in discussions to sell up to five Airbus 320neos, currently leased to HK Express with an estimated gain of USD 15-20 million. Following sale of aircraft Norwegian estimates a net capex of USD 1.0-1.5bn for 2018 (gross: USD 1.9bn).

Norwegian currently holds orders for 65 Airbus 320neos, 30 Airbus 321LRs, 104 Boeing 737 MAXs and 17 787-9 Dreamliners.

Norwegian has initiated a review of strategic options for Norwegian Reward, including its incorporation and possibly its ownership. Norwegian Reward

currently has more than 7 million members, expected to grow to 9 million by the end of 2018.

Norwegian's subsidiary Arctic Aviation Assets has signed an LOI for PDP financing with back stop sale and leaseback of six (6) Boeing 787-9s. The facility covers financing for aircraft delivering in 2018 and 2019, and will improve the Group's liquidity with approximately USD 250 million. This is part of Arctic Aviation Asset's continuously ongoing activities for financing of the direct-buy aircraft delivering in the period 2018 to 2022.

The liquidity is satisfactory and net cash is increasing driven by the strong presales. Hence, Norwegian sees no need for additional funding of working capital or PDPs.

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