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Airlines

Global Corporate Travel Survey 2H21: Rebound in 2022, but not back to normal

2022 should herald the acceleration of corporate travel but budget expectations do appear to be falling. However passenger expectations are up and prices appear sticky, providing some support to airlines. The longer term threat of virtual meetings remains a concern.

We conducted an AlphaWise online survey between October 6th and October 27th with 170 travel managers at companies with international operations in Europe, the US and Asia.

Travel budgets rebound in 2022 but expectations fall vs prior surveys. Travel budgets are expected to be down at 50% of 2019 levels in 2021, rising to 78% in 2022. Despite this material increase, when comparing our latest survey responses to those from prior surveys, we can conclude that 2022 budget expectations have been trending downwards. The average fall in budgets expected vs 2019 has increased incrementally from -15.5% in March, to -17.5% in July and finally the latest value of -22.0%.

Passenger numbers and fare expectations are more supportive, likely pointing to stronger recovery in domestic and short haul trips. Despite the bearish outlook on budgets, it appears that passenger number expectations rose. In the latest survey, 27% of respondents expected airline bookings to increase vs 2019, compared to just 14% in July and 16% in March. On average bookings are expected to be down 5.2% vs pre-Covid in our latest survey, a material improvement from -18.4% in March. Similarly airfares are increasingly expected to be in line with 2019 with 43% expecting no change from 2019. At the averages, a small increase of 1.9% is expected, less than the 2.8% expected in July. We think this disconnect between travel budgets and passengers figures can be explained by the slower recovery in long haul travel (higher cost per passenger). We note that 43% of respondents expected a full recovery by end of 2022, well before most airline expectations, while 27% do not expect travel to ever go back to the pre Covid level.

Smaller enterprises appear to lead the travel recovery. 29% of companies with revenues under $1bn reported that they expected budgets to either increase or the stay the same. This compared favorably with +$16bn revenue companies (27%), and even more favorably with the $1bn-$16bn revenue companies (16%).

Virtual meetings still expected to impact corporate travel. The expectation is for an average 29% shift of 2022 travel volumes to virtual, up slightly from July estimates. Despite a further decline to 19% in 2023, this remains a very material proportion. Virus concerns were the primary reason cited for using virtual meeting but that will likely fade with time. However, cost reduction, use of employee time and environmental concerns may continue to keep virtual meetings competitive.

Conclusions for European Airlines: We think business travel in Europe will now begin to pick up as the US has re-opened to the continent and as high vaccination rates lead to more seamless travel intra Europe. Nevertheless, we still expect progress to be gradual, and likely to lag the US on greater environmental concerns among European corporates. We do not see expect a full recovery before 2023/24 for Europe, in line with most of those surveyed. Longer term, we see the shift to virtual meetings as a sticky headwind that will negatively affect legacy carriers in particular. We continue to prefer the more leisure-exposed Ryanair and easyJet (Overweight), over corporate-exposed Lufthansa and AF-KLM.

Conclusions for US Airlines: Despite the letdown that came when the Delta-variant pushed out the expected post-Labor-Day reopening, US airlines continue to remain very optimistic/bullish on a corporate travel rebound – and we agree. While the real ramp should come in Jan 2022 – as it represents a new year and most companies have formal return-to-work dates in early 2022 – airlines are already seeing a pick-up in corporate travel (many airlines noted that corporate traffic has been the highest since the pandemic in recent weeks on 3Q earnings calls). We acknowledge that the situation remains fluid and opaque – but that applies on both sides and we believe it is possible that corporate travel managers who currently have bearish views on the rebound of corporate travel in 2022/23 are likely to change their minds if the economy remains strong and their competitors return to the air. We expect significant pent-up demand in corporate (esp. in international corporate) in 2022. This will be particularly strong for the Legacy carriers (DAL. UAL, AAL) who benefit from corporate and international the most, as well as LCC names like LUV (given their recent GDS integration) and ALK/JBLU (given their new AAL alliance and JBLU's new London service).

Private jet use momentum to continue in 2022 vs 2021. It has been well reported that private jet use has increased during the pandemic and our survey suggests this is likely to continue. 11% of respondents stated their companies were becoming more liberal with private aircraft use in 2022 vs 2021 compared with 6% expecting more stringency. This suggests that at the margin, there is an expected increase of private jet use next year among our respondents. This trend is positive for bizjet manufacturers, Overweight-rated Textron (TXT) and Underweight-rated General Dynamics (GD). We see more upside to earnings for TXT due to its exposure to light- and medium-sized business jets and its positive correlation to US capex spending, while GD's current development cycle for new planes limits margin expansion in the near-term. See Another Good Day for Textron Aviation and GD: A Solid 3Q with G400 and G800 in View.

Survey Results in Detail – Airlines

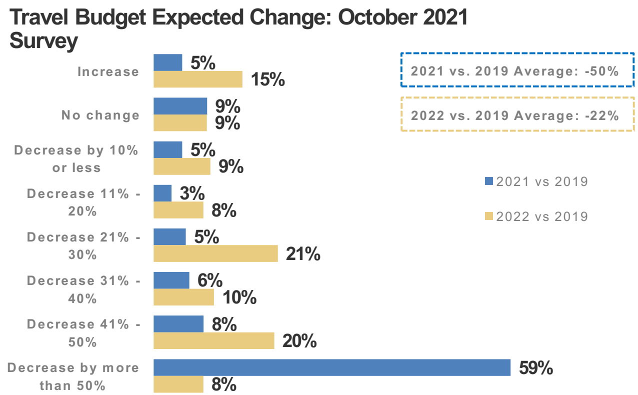
We conducted an AlphaWise online survey between October 6th and October 27th with 170 travel managers at companies with international operations in Europe, the US and Asia. The largest industry areas covered by respondents were Financial Services, Consumer Products, Technology/Telecom and Pharma. Most companies had a revenue base of up to US$15 billion (68% of respondents).

Note this is an update of our mid year corporate travel survey (July edition here). This report covers the conclusion for airlines; for conclusions for hotels, please click here.

Travel budgets to materially improve in 2022 ... Results from our latest survey show that while travel budgets in 2021 will continue to be weak, 2022 should herald the start of the true recovery in business travel. The clearest data point to demonstrate this is the proportion of respondents who expect travel budgets to be more than 50% lower than 2019 (Exhibit 1). For 2021, a huge 59% expect travel budgets to be down over 50% vs 2019, but in 2022, this falls to a meagre 8%. The 2022 expected recovery is also evident at the averages, with an average decline of 22% expected for 2022 compared to 50% for 2021. Despite the improvement, the vast bulk of respondents (77%) still expect budgets to be down vs 2019. Only 15% expected an increased budget in 2022.

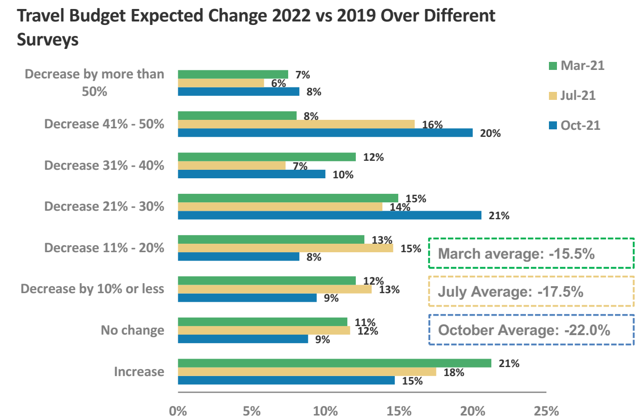
... but expectations fall further vs prior surveys. Comparing our latest survey responses to those from prior surveys conducted in March and July this year, we can conclude that 2022 budget expectations have been trending downwards, despite the improvement vs 2021. As shown below in Exhibit 2, the average fall in budgets expected vs 2019 has increased incrementally from -15.5% in March, to -17.5% in July and finally the latest value of -22.0% (Exhibit 2). When focussing on the most bearish respondents, i.e. those expecting a fall of greater than 40%, the proportion has risen by 13%pts from 15% in March to 28% in October (for July it was 22%). The trend is similarly downbeat at the more optimistic end of the scale. Only 15% of respondents expect budgets to increase vs 2019, compared to 18% in July and 21% in April.

Exhibit 1: 2022 is expected to show material improvement vs 2021 on travel budgets ...



Source: AlphaWise, Morgan Stanley Research

Exhibit 2: ... but our latest survey shows a drop in expected 2022 budgets compared to prior iterations

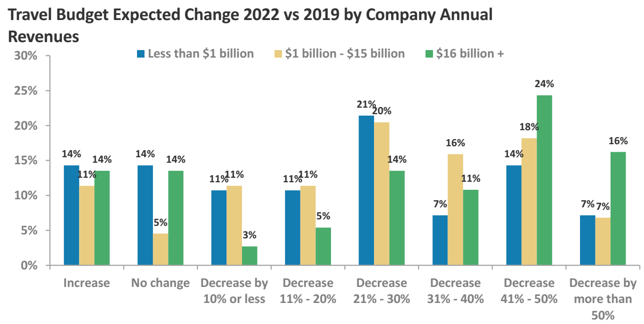


Source: AlphaWise, Morgan Stanley Research

Smaller enterprises appear to recover more quickly on travel. We have increasingly been hearing from the airlines in our coverage that smaller and medium sized enterprises were quicker off the mark in returning to business travel. The findings from this survey do appear to give some credence to this thesis. Among companies with annual revenues of less than US$1bn, 21% expected a fall in travel budget vs 2019 of greater than 40% (Exhibit 3). While this is not an insignificant proportion, it is nevertheless around half the proportion that enterprises with revenues over US$16bn reported (41%). 29% of companies with revenues under US$1bn reported that they expected budgets to either increase or the stay the same. Again this compared favorably with +US$16bn revenue companies (27%), and even more favorably with the US$1bn-US$16bn revenue companies (16%).

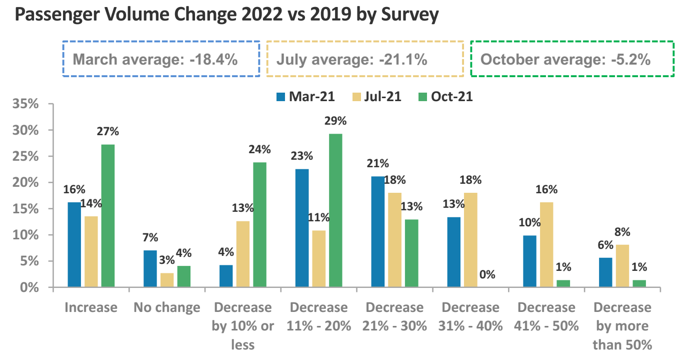
Passenger volumes expectations contrast significantly with budgets, and we think focus on domestic and short haul trips versus long haul may explain the discrepancy. As discussed above, the trends for budgets appear bearish from an airline perspective, but when looking at responses for the percentage change of airline bookings (passenger volume) in 2022 vs. 2019, the numbers appear more encouraging. In the latest survey, 27% of respondents expected airline bookings to increase vs 2019, compared to just 14% in July and 16% in March. On average bookings were expected to be down 5.2% vs pre-Covid in our latest survey. This is a material improvement from prior surveys (-21.1% in July and -18.4% in March). We assume this difference could be explained by lower ticket trips, typically domestic and short haul, as long haul travel is still relatively restricted due to testing requirements and entry restrictions to some countries.

Exhibit 3: Larger enterprises appear more likely to cut their travel budgets



Source: AlphaWise, Morgan Stanley Research

Exhibit 4: 2022 airline passenger outlook contrasts with budgets and appears to improve vs prior surveys

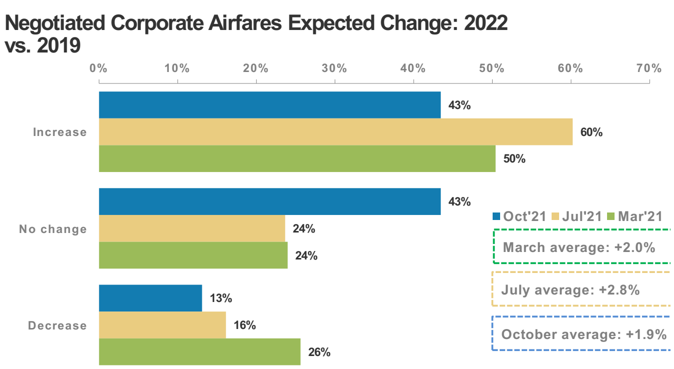


Source: AlphaWise, Morgan Stanley Research

Airfares increasingly expected to be in line with 2019 . As shown below in Exhibit 5, there appears to have been an increased expectation for corporate airfares to remain in line with 2019 in the latest survey. 43% expect no change from 2019, compared with only 24% back in March and July. At the averages level, a small increase of 1.9% is expected, less than the 2.8% expected in July.

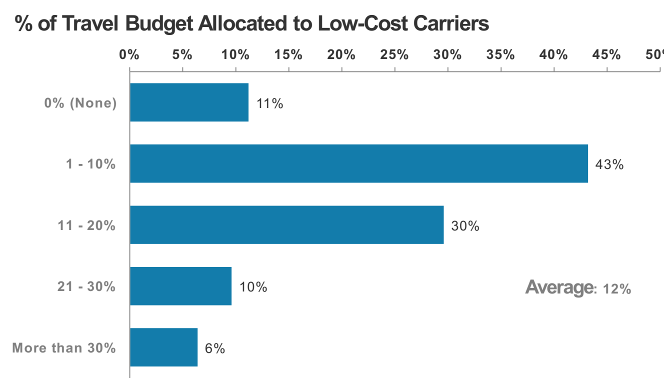
Corporate travel continues to rely on legacy carriers. LCCs still only account for 12% of budgets on average, suggesting that legacy carriers have kept hold of their grip on corporate travel budgets (Exhibit 6).

Exhibit 5: Lower airfares could explain why budgets are decreasing but passengers are increasing



Source: AlphaWise, Morgan Stanley Research

Exhibit 6: LCCs still only account for a very small proportion of business budgets

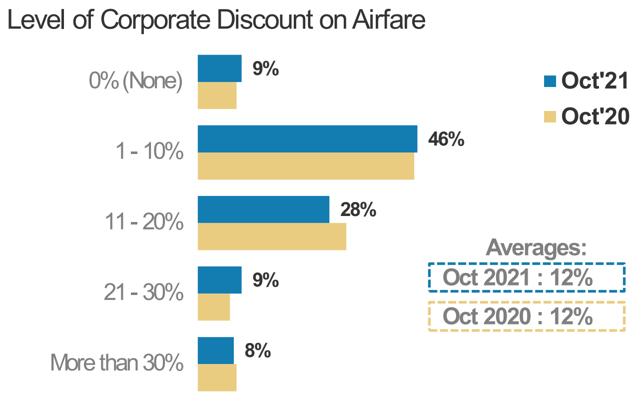


Source: AlphaWise, Morgan Stanley Research

Actual corporate discounts tend to be minimal. According to our latest survey data, the actual discount that corporates receive on airfares is on average 12%, unchanged from last year (Exhibit 7). Only 17% receive more than 20% discounts. There is no evidence here that the pandemic has led to an increase in the bargaining power of corporates vs airlines.

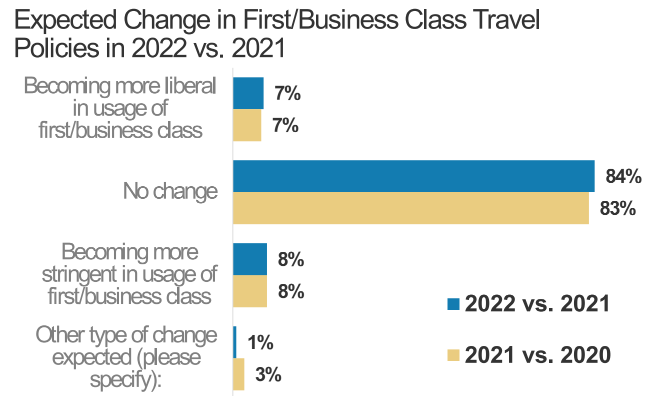
Little expected change in first/business class travel. As with minimal change in discounts, there is also little change in our surveyed companies' first class/business class policies. 84% say that there will be no change in 2021 policy vs 2020. Last year 83% said the same about 2021 vs 2020 suggesting again that premium class demand is sticky with corporate travellers.

Exhibit 7: Discount expectations remain in line with last year



Source: AlphaWise, Morgan Stanley Research

Exhibit 8: Little change in first/business class travel policy

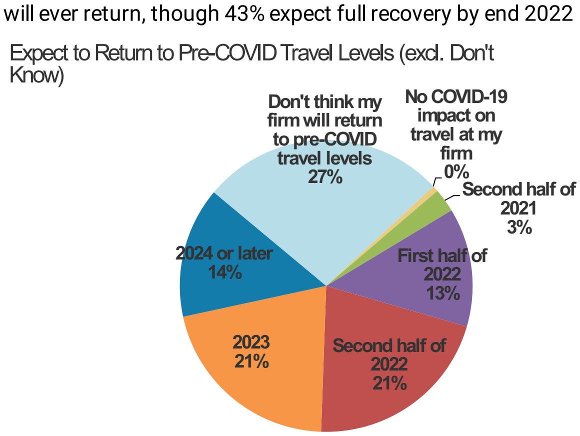


Source: AlphaWise, Morgan Stanley Research

~27% of respondents do not believe pre-Covid travel levels will ever return. There was a wide distribution on expectations for a return to pre-Covid travel levels. As shown in Exhibit 9, a significant 27% expect never to return to pre-Covid levels, up from 23% in July's survey (Exhibit 10). However it must be noted that there was an even greater 43% that expected a full recovery by end of 2022. The 2022 ramp up will likely benefit from the end of restrictions on "non-essential travel". 78% of respondents reported that they can only travel for essential business at present. This falls to 44% for 2022 expectations (Exhibit 12).

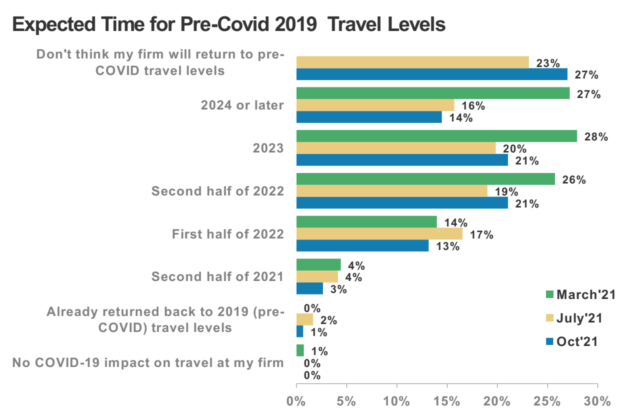
Larger companies are more pessimistic. 41% of respondents from companies with annual revenue of over US$16bn reported that they do not ever expect to return to pre-Covid travel levels. For companies below US$1bn, this was only 19%, further suggesting that smaller enterprises are likely to lead the business travel recovery.

Exhibit 9: 27% of respondents do not believe pre-Covid travel levels will ever return, though 43% expect full recovery by end 2022



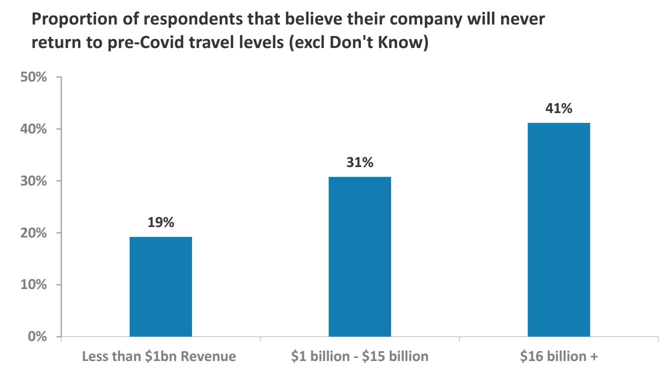
Source: AlphaWise, Morgan Stanley Research

Exhibit 10: The proportion expecting permanent loss of travel has increased vs July's survey



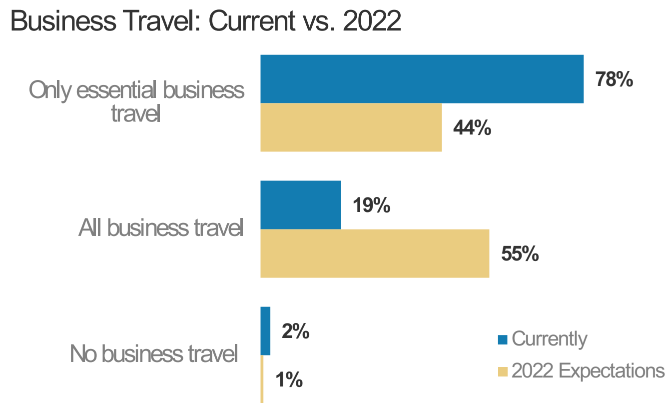
Source: AlphaWise, Morgan Stanley Research

Exhibit 11: Larger companies more pessimistic on travel return



Source: AlphaWise, Morgan Stanley Research

Exhibit 12: Non essential business travel to ramp up from next year

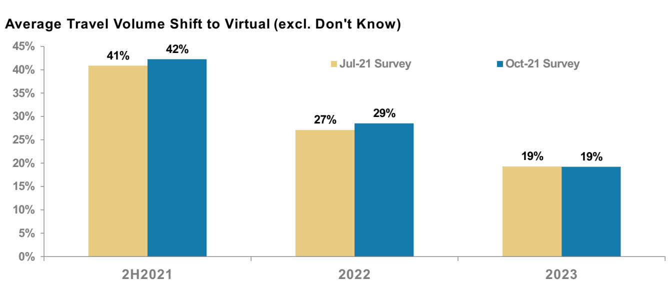


Source: AlphaWise, Morgan Stanley Research

The shift to virtual meetings trend seems to be stabilizing. The risk of increased utilisation of virtual technology is a key risk to corporate travel demand for airlines that does not appear to be fading. The expectation is for an average 42% shift of travel volumes to virtual for 2H21 and 29% in 2022, up slightly from July estimates (Exhibit 13). Despite a further decline to 19% in 2023, this remains a very material proportion. As is now a recurring theme, smaller enterprises are less likely to replace travel volume with virtual meetings. Only 33% of respondents expected a 30% or more replacement of travel with virtual in 2022 at smaller enterprises (Exhibit 14). Meanwhile at US$1bn-US$16bn and US$16bn+ companies, 66% and 56%, respectively, expected 30% or more volumes to be lost to virtual.

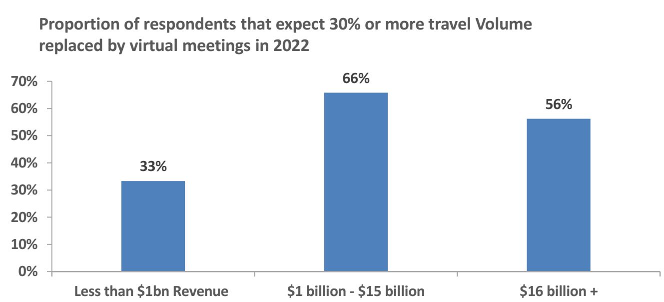
Virus concerns may fade but other concerns will likely remain. Virus concerns were the primary reason cited for using virtual meetings but these will likely fade with time, partly explaining the falling share of virtual in 2022 and 2023. However, cost reduction, use of employee time and environmental concerns may continue to keep virtual meetings competitive (Exhibit 14). Larger companies (+US$16bn) also appeared to care more about environmental concerns with 21% naming it as their top reason for avoiding travel compared to just 6% of other companies (Exhibit 16).

Exhibit 13: Proportion of travel volumes shifted to virtual has stabilised vs our prior survey



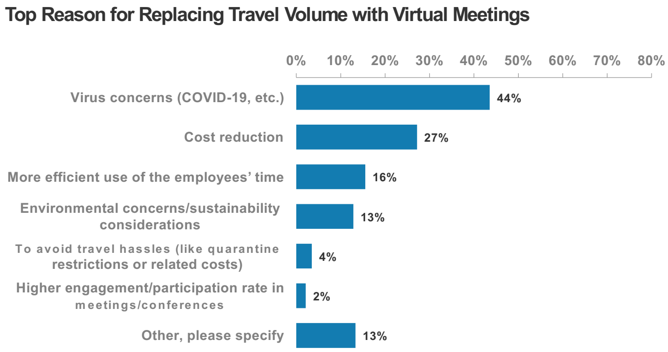
Source: AlphaWise, Morgan Stanley Research

Exhibit 14: Smaller enterprises less likely to use virtual to replace in-person meetings



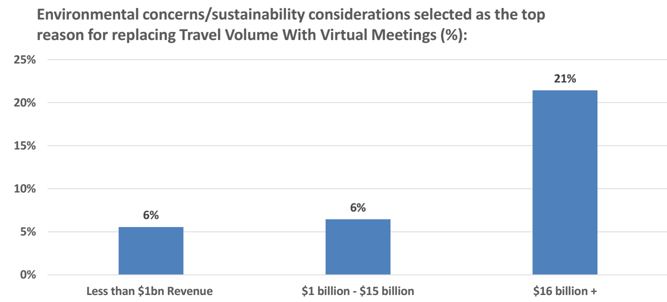
Source: AlphaWise, Morgan Stanley Research

Exhibit 15: Time and cost are the key issues cited for a switch to virtual



Source: AlphaWise, Morgan Stanley Research

Exhibit 16: Larger companies appear more concerned about travel impact on environment than smaller peers

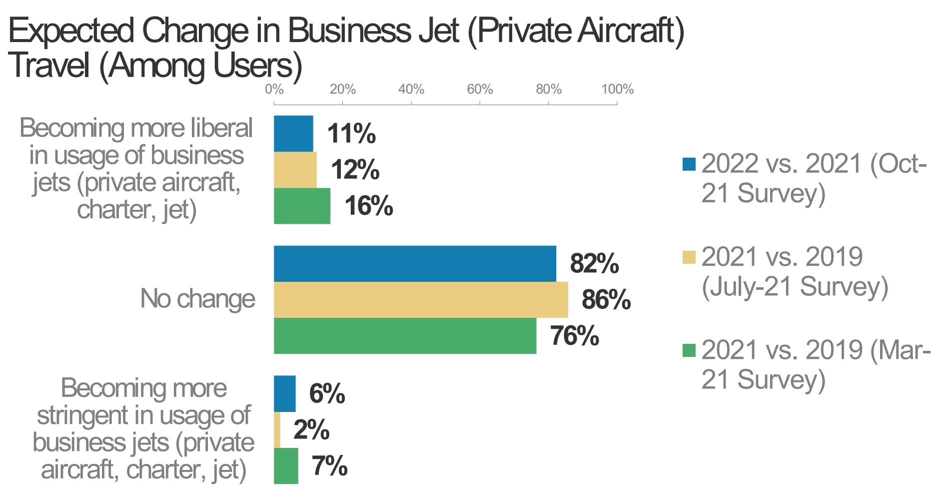


Source: AlphaWise, Morgan Stanley Research

Private jet use momentum to continue in 2022 vs 2021. It has been well reported that private jet use has increased during the pandemic and our survey suggests this is likely to continue. 11% of respondents stated their companies were becoming more liberal with private aircraft use in 2022 vs 2021. This compares to the 6% that said they were becoming more stringent. This suggests that at the margin, there is an expected increase of private jet use next year among our respondents.

This comes despite prior surveys suggesting that 2021 already saw increased usage vs 2019. In our July survey 12% had said their company was more liberal in 2021 vs 2019, while only 2% said they were more stringent.

Exhibit 17: Business Jet Travel Survey



Source: AlphaWise, Morgan Stanley Research

Valuation Comparables

Exhibit 18:

Company Name	Price (Local FX)	Mkt Cap ($ mn)	Stock Rating*	P/E			EV/EBITDAR			Net Debt (Cash)/EBITDAR			EBITDAR Margin (%)			EBIT Margin (%)			ROE (%)			RNOA, Reported (%)			FCF yield (%)			Dividend Yield (%)		
				2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Airlines																																	
Asia Pacific & Japan																																	
Air Asia	1.1	1,044	NC	-	-	13.9x	-	4.9x	4.2x	-40.1x	5.7x	4.5x	-9.9	27.2	24.1	-64.6	3.0	8.2	46.5	-9.7	11.0	-	-	-	-15.0	33.8	48.4	-	-	-
Air Asia X	0.0	45	NC	-	-	15.0x	-	4.8x	4.4x	3.8x	-1.1x	-1.1x	-23.8	30.9	32.1	-	-2.5	1.7	-	-	-	-	-	-	-	-	-	-	-	-
Air China	5.3	16,041	EW	-	27.7x	11.1x	-	-	-	-	-	-	-	-	-	-9.9	5.8	8.3	-13.8	3.3	7.8	-3.1	2.4	4.2	-8.6	-0.8	16.1	-	-	1.8
Air New Zealand	1.6	1,318	NC	-	-	-	-	-	-	-	-	-	-	-	-	-15.6	-3.3	-	-33.0	-16.2	-	9.4	22.1	-	-	-	-	-	1.2	-
ANA Holdings	2,702	11,389	EW	-	13.1x	-	-	-	-	-	-	-	-	-	-	0.3	8.3	-	-0.5	10.0	-	0.2	6.4	-	1.9	12.2	-	0.3	3.1	-
Asiana Airlines	21,750	1,379	NC	-	-	8.7x	6.3x	4.8x	3.2x	6.3x	4.2x	2.5x	25.0	24.5	23.7	0.2	7.8	12.4	-37.2	10.5	32.5	-	-	-	-	-	-	-	-	-
Bangkok Airways	11.4	732	NC	-	-	-	-	-	-	-	-	-	-7.6	5.5	9.0	-28.4	-17.1	-4.4	-8.1	-3.6	-2.8	-	-	-	-	-	-	-	-	-
Cathay Pacific Airways	7.2	5,892	OW	-	48.4x	9.1x	-	7.2x	5.6x	21.9x	4.4x	3.2x	9.1	27.1	25.8	-26.1	5.4	9.3	-17.4	1.5	7.8	-5.9	2.0	4.8	-11.6	9.2	13.6	-	1.0	5.5
Cebu Air	46.2	549	NC	-	11.9x	6.4x	-	3.3x	2.5x	-10.1x	1.4x	0.5x	-56.3	42.0	42.0	-	15.6	19.5	-127.5	21.3	18.7	-	-	-	-	-	-	-	-	5.4
China Eastern Airlines	2.9	10,276	EW	-	-	13.9x	16.5x	8.5x	7.5x	11.3x	5.3x	4.2x	18.0	26.7	27.0	-9.4	5.0	7.1	-18.7	0.7	5.7	-2.5	1.9	3.3	-21.3	7.9	12.1	-	-	-
China Southern Airlines	4.5	13,488	EW	-	52.2x	17.6x	8.2x	4.8x	4.1x	4.5x	2.8x	2.5x	14.9	20.6	21.0	-7.7	1.5	3.5	-11.2	1.9	5.5	-4.7	1.0	2.7	5.1	22.9	25.5	-	-	1.1
Interglobe Aviation	2,164	11,191	OW	-	86.9x	-	11.0x	5.3x	-	2.8x	1.3x	-	27.5	34.4	-	-12.8	8.3	-	-	-	-	-	-	-	-10.8	-0.1	-	-	-	-
Japan Airlines	2,505	9,627	++	91.6x	10.9x	-	-	-	-	-	-	-	-	-	-	2.1	10.7	-	1.4	10.6	-	1.5	11.0	-	22.1	15.0	-	1.0	3.2	-
Jeju Air	21,350	905	NC	-	-	17.8x	-	13.3x	6.0x	-2.9x	5.0x	2.4x	-54.6	10.4	14.6	-91.6	0.6	9.4	-143.7	15.1	43.6	-	-	-	-	-	-	-	-	-
Korean Air	30,200	8,978	NC	35.9x	27.5x	16.1x	-	-	-	-	-	-	-	-	-	9.1	7.5	9.5	5.4	7.1	10.0	-	-	-	-	-	-	-	-	0.1
Qantas Airways	5.6	7,948	NC	-	58.8x	-	-	-	-	-	-	-	-	-	-	-12.7	3.6	-	-189.5	-103.1	-	-	14.1	-	-	-	-	0.0	1.1	-
Singapore Airlines	5.2	11,497	EW	-	73.8x	-	10.4x	4.5x	-	7.9x	3.5x	-	19.4	26.3	-	-12.6	6.0	-	-12.2	2.5	-	-3.7	2.7	-	-6.6	2.6	-	-	-	-
Spring Airlines	56.2	8,031	OW	-	38.3x	19.3x	-	-	-	-	-	-	-	-	-	7.6	13.2	18.5	3.4	8.9	15.9	3.8	7.4	11.7	-3.6	-2.4	0.8	0.2	0.5	1.0
Thai Airways International	3.3	218	NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Virgin Australia	0.1	530	NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Median				**63.8x**	**38.3x**	**13.9x**	**10.4x**	**4.8x**	**4.3x**	**4.2x**	**3.9x**	**2.5x**	**9.1**	**26.7**	**24.1**	**-11.2**	**5.6**	**8.8**	**-13.0**	**2.9**	**10.0**	**-2.5**	**4.5**	**4.2**	**-7.6**	**8.6**	**14.8**	**0.2**	**1.2**	**1.5**
Europe & MENA																																	
Aegean Airlines	5.0	524	NC	-	14.8x	6.7x	2.8x	1.6x	1.3x	2.6x	1.4x	1.1x	17.3	20.7	21.8	-2.3	7.1	9.7	10.8	16.0	26.0	-	-	-	17.9	17.9	31.9	-	1.3	7.2
Aeroflot	68.0	2,275	OW	-	11.8x	4.3x	5.3x	3.4x	2.9x	5.5x	3.8x	2.9x	23.8	26.5	27.3	-0.6	8.2	10.6	-	-	-	-0.5	9.3	12.4	-	-	-	-	-	7.0
Air Arabia	1.5	1,919	NC	34.2x	11.8x	8.8x	9.9x	7.4x	6.4x	1.0x	0.2x	-0.3x	34.1	29.6	31.9	6.9	15.4	15.9	5.2	13.0	15.7	3.3	6.1	-	-	-	-	2.8	6.2	6.8
Air France KLM	4.3	3,165	UW	-	-	8.6x	-	4.0x	3.3x	198.9x	3.4x	2.6x	0.3	12.3	13.8	-15.9	2.0	4.1	-	-	-	-32.3	8.5	17.4	-	-39.0	-3.2	-	-	-
Dart Group	1,251	3,655	NC	-	-	-	-	-	-	-	-	-	-	-	-	-20.4	5.9	-	-31.2	11.1	-	-	-	-	-	-	-	-	0.0	-
Deutsche Lufthansa	6.3	4,360	UW	-	54.6x	6.5x	-	6.2x	4.3x	273.0x	5.4x	3.3x	0.4	11.5	13.7	-13.5	2.5	6.0	-80.7	3.6	25.3	-7.5	2.3	6.8	-15.3	13.1	27.5	-	-	-
easyJet	614	3,810	OW	-	8.5x	-	-	4.7x	-	-6.5x	2.0x	-		16.1	-	-31.8	8.4	-	-48.9	30.6	-	-21.0	13.6	-	-16.3	-0.4	-	-	3.5	-
Finnair	0.7	1,099	NC	-	-	13.5x	-	5.0x	3.7x	-22.8x	3.1x	2.1x	-8.9	20.4	21.8	-59.6	3.0	7.6	-93.2	-5.1	21.4	-	-	-	14.8	-22.2	-23.7	-	-	-
FlyBe	1.0		NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IAG	2.0	10,857	++	-	18.8x	4.7x	-	5.5x	3.4x	-16.2x	3.8x	2.0x	-8.7	17.0	21.6	-29.1	6.6	12.8	-3649.6	-	-	-17.9	8.2	20.6	-37.7	-0.8	15.5	-	-	5.3
Jazeera Airways	1,284	879	NC	-	23.6x	16.7x	-	13.2x	7.4x	87.8x	4.3x	2.4x	2.8	27.1	37.8	-29.1	4.9	18.4	-232.8	-	58.1	-	-	-	-	-	-	-	1.8	3.8
Jet Airways	93.5	142	NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kenya Airways	3.8	200	NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Norwegian Air Shuttle	11.0	1,200	NC	-	-	-	-	-	-	-	-	-	-	-	-	-26.1	9.1	11.1	27.1	31.4	28.9	-	-	-	-	-	-	-	-	-
Pegasus Airlines	83.9	894	NC	-	8.8x	4.3x	5.9x	2.9x	2.1x	6.8x	4.9x	4.1x	25.0	31.9	36.0	-3.2	14.1	18.1	-17.5	22.6	25.8	-	-	-	-	-	-	-	-	-
Ryanair	17.5	22,688	OW	-	18.8x	-	24.3x	5.5x	-	4.5x	0.8x	-	10.9	25.1	-	-5.1	15.8	-	-6.7	19.7	-	-3.7	17.3	-	-1.2	1.9	-	-	-	-
SAS	1.6	1,341	NC	-	-	-	-	-	-	-	-	-	-	-	-	-28.2	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Thomas Cook	#N/A	#N/A	NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tui Travel	2.8	4,918	UW	-	-	-	-	3.8x	-	-12.0x	3.7x	-	-5.9	8.3	-	-17.1	2.7	-	-	-	-	-22.1	4.7	-	-	-3.9	-	-	-	-
Turkish Airlines	15.6	2,241	NC	7.7x	5.8x	3.6x	4.3x	3.4x	2.8x	7.0x	5.5x	4.5x	22.4	21.3	21.8	5.4	6.1	6.7	6.3	9.3	12.2	-	-	-	-8.8	-	2.7	-	-	-
Wizz Air	4,817	8,413	EW	-	42.8x	-	-	5.7x	-	15.7x	3.5x	-	8.0	23.4	-	-14.7	8.7	-	-31.5	19.5	-	-9.1	8.3	-	-4.6	1.3	-	-	-	-
Median				**21.0x**	**14.8x**	**6.6x**	**5.6x**	**4.8x**	**3.3x**	**5.0x**	**3.6x**	**2.5x**	**8.0**	**21.0**	**21.8**	**-15.9**	**6.6**	**10.6**	**-31.2**	**16.0**	**25.5**	**-9.1**	**8.3**	**14.9**	**-6.7**	**-0.4**	**9.1**	**2.8**	**1.8**	**6.8**
North & South America																																	
AIMIA	4.9	364	NC	-	-	61.1x	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.9	1.6	1.4	-	-	-
Alaska Air Group	55.9	6,932	OW	-	12.6x	7.1x	-	8.5x	6.0x	2.6x	0.5x	0.1x	5.6	17.0	22.0	-5.0	8.9	14.3	-8.2	14.9	23.5	-4.5	11.6	20.0	8.8	6.7	10.9	0.1	-	-
Allegiant Travel	184	2,972	OW	55.2x	10.2x	7.6x	11.1x	5.5x	4.5x	1.9x	0.7x	0.3x	20.2	31.5	34.4	8.4	21.9	25.7	6.6	25.9	26.6	6.8	22.3	26.0	2.5	2.5	7.6	-	-	-
American Airlines	20.6	9,983	UW	-	-	8.8x	-	11.1x	6.4x	-8.8x	5.7x	3.0x	-8.4	8.5	13.6	-19.7	1.4	6.8	-	-	-	-14.3	1.8	9.5	2.1	-16.6	7.4	-	0.5	0.5
Avianca		4	NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Copa Holdings	74.2	3,163	OW	-	16.5x	8.7x	21.5x	8.2x	6.0x	0.7x	0.5x	0.5x	16.0	25.1	27.2	-1.7	12.7	16.8	-5.6	15.4	24.4	-1.3	18.9	25.8	4.7	-3.9	-0.5	2.2	-	2.1
Delta Air Lines	41.2	26,287	OW	-	11.1x	5.9x	-	8.5x	6.0x	-63.3x	3.2x	2.1x	-1.2	14.9	18.4	-9.9	9.2	13.1	-204.1	91.7	78.0	-6.4	10.3	15.6	2.6	-0.3	7.3	-	-	2.0
GOL Airlines	6.3	1,178	UW	-	-	11.5x	-	9.0x	6.5x	-50.7x	4.2x	2.8x	-2.7	20.5	25.2	-18.5	15.6	18.5	-	-	-	21.5	-22.7	-54.9	-	-	-	-	-	-
Groupo Aeromexico	5.2	170	NC	-	-	-	6.1x	4.0x	-	6.6x	4.3x	-	21.7	27.9	-	-4.2	7.5	-	-59.0	0.0	-	-	-	-	-	-	-	-	-	-
Hawaiian Holdings	21.7	1,109	NC	-	-	9.0x	-	6.8x	4.8x	-5.7x	3.3x	2.1x	-12.1	13.9	17.5	-27.7	4.7	8.5	-45.1	5.8	25.4	-7.6	-	-	7.7	0.2	29.1	-	-	-
JetBlue	15.2	4,204	OW	-	17.1x	7.1x	-	6.3x	4.4x	-10.3x	2.1x	1.3x	-4.2	15.6	21.0	-15.6	7.2	12.9	-21.7	7.3	15.7	-8.3	5.5	10.0	1.0	-1.7	7.0	-	-	-
LATAM Airlines Group	72.1	991	UW	-	-	-	7.9x	7.2x	6.7x	6.0x	5.4x	5.0x	25.7	26.5	27.3	4.3	5.5	6.3	-102.6	-	-	2.0	2.8	3.6	0.7	1.4	1.5	1.3	0.2	0.2
Smiles	22.4	551	NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Southwest	49.5	28,543	OW	-	23.7x	11.9x	-	8.8x	5.9x	2.4x	-0.9x	-1.1x	-2.6	15.3	19.9	-10.9	9.4	14.7	-17.4	12.2	19.9	-17.1	19.8	34.7	-0.5	3.7	9.3	-	-	-
Spirit Airlines	24.0	2,596	NC	-	59.9x	8.3x	-	6.6x	4.6x	26.0x	3.9x	2.6x	3.8	17.2	20.8	-13.3	4.6	9.9	-21.4	2.8	14.3	-	-	-	-25.3	-17.5	-2.8	-	-	-
United Continental	49.1	15,883	NC	-	22.6x	6.4x	-	5.6x	4.0x	-22.0x	3.4x	2.6x	-3.9	14.6	17.9	-18.7	5.4	9.2	-78.5	16.7	38.1	-5.3	-	-	-5.5	2.2	-18.2	-	-	-
Volaris	17.5	2,036	OW	12.3x	12.6x	27.9x	1.6x	1.6x	1.3x	-0.5x	-0.5x	-0.3x	35.8	32.7	35.1	16.6	14.5	16.1	79.3	46.3	18.0	-	-	81.8	-	-	-	-	-	3.7
WestJet	31.0	2,725	NC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Median				**33.7x**	**16.5x**	**8.8x**	**7.9x**	**7.0x**	**5.9x**	**0.1x**	**3.2x**	**2.1x**	**1.3**	**17.1**	**21.0**	**-10.9**	**7.5**	**13.0**	**-21.7**	**13.5**	**23.9**	**-5.3**	**10.3**	**17.8**	**2.1**	**1.4**	**7.3**	**1.3**	**0.4**	**2.0**

Source: Company data, Morgan Stanley Research estimates. ++Ratings and price targets for these companies have been removed from consideration in this report because, under applicable law and/or Morgan Stanley policy, Morgan Stanley may be precluded from issuing such information with respect to this company at this time.

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	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
STOCK RATING CATEGORY	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	**1501**	**43%**	**411**	**47%**	**27%**	**670**	**43%**
Equal-weight/Hold	**1515**	**43%**	**392**	**45%**	**26%**	**682**	**44%**
Not-Rated/Hold	**0**	**0%**	**0**	**0%**	**0%**	**0**	**0%**
Underweight/Sell	**510**	**14%**	**77**	**9%**	**15%**	**197**	**13%**
TOTAL	**3,526**		**880**			**1549**	

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INDUSTRY COVERAGE: Airlines

COMPANY (TICKER)	RATING (AS OF)	PRICE* (11/04/2021)
Carolina Dores, CFA		
Air France-KLM (AIRF.PA)	U (04/23/2020)	€4.46
Deutsche Lufthansa AG (LHAG.DE)	U (09/18/2019)	€6.53
easyJet (EZJ.L)	O (07/12/2021)	620p
International Consolidated Airlines Grp (ICAG.MC)	++	€1.97
Ryanair (RYA.I)	O (04/23/2020)	€17.63
Wizz Air Holdings Plc (WIZZ.L)	E (07/12/2021)	4,720p
Regiane Yamanari		
Aeroflot PJSC (AFLT.MM)	O (12/18/2020)	RUB 68.02

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* Historical prices are not split adjusted.