



Norse Atlantic Airways

Company Presentation 31 May 2023

 [First quarter 2023 report](#)

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PART 1

Norse at a Glance

Norse Atlantic Airways – The Explorers' Airline

A low-cost, long-haul transatlantic airline

- Established and founded in March 2021 by Bjørn Tore Larsen, CEO and major shareholder
 - All aircraft in operation from 1 July 2023
- Point-to-point transatlantic flights at affordable fares
 - London, New York and Paris will be biggest part of the network
- 15 Boeing 787 Dreamliners on favourable long-term leases
 - Average ~11 years remaining at fixed lease rates which are approx. half of current market rate
- Offices in Arendal, Norway, London Gatwick, Fort Lauderdale & Paris

Ready for peak summer 2023

Building a leading low-cost transatlantic airline in two years: all aircraft in production from 1st July

Ready to go

- All regulatory approvals and necessary airport slots secured
- Organization, including people and systems, in place

Increasing capacity

- Bringing new aircraft into production to double Norse seat capacity ahead of peak S23 season
- Key London market coming; Norse becomes largest transatlantic operator at London Gatwick

Strong forward bookings

- Selling more tickets and further in advance and at higher fares than ever before
- Yields expected to increase during remaining booking window

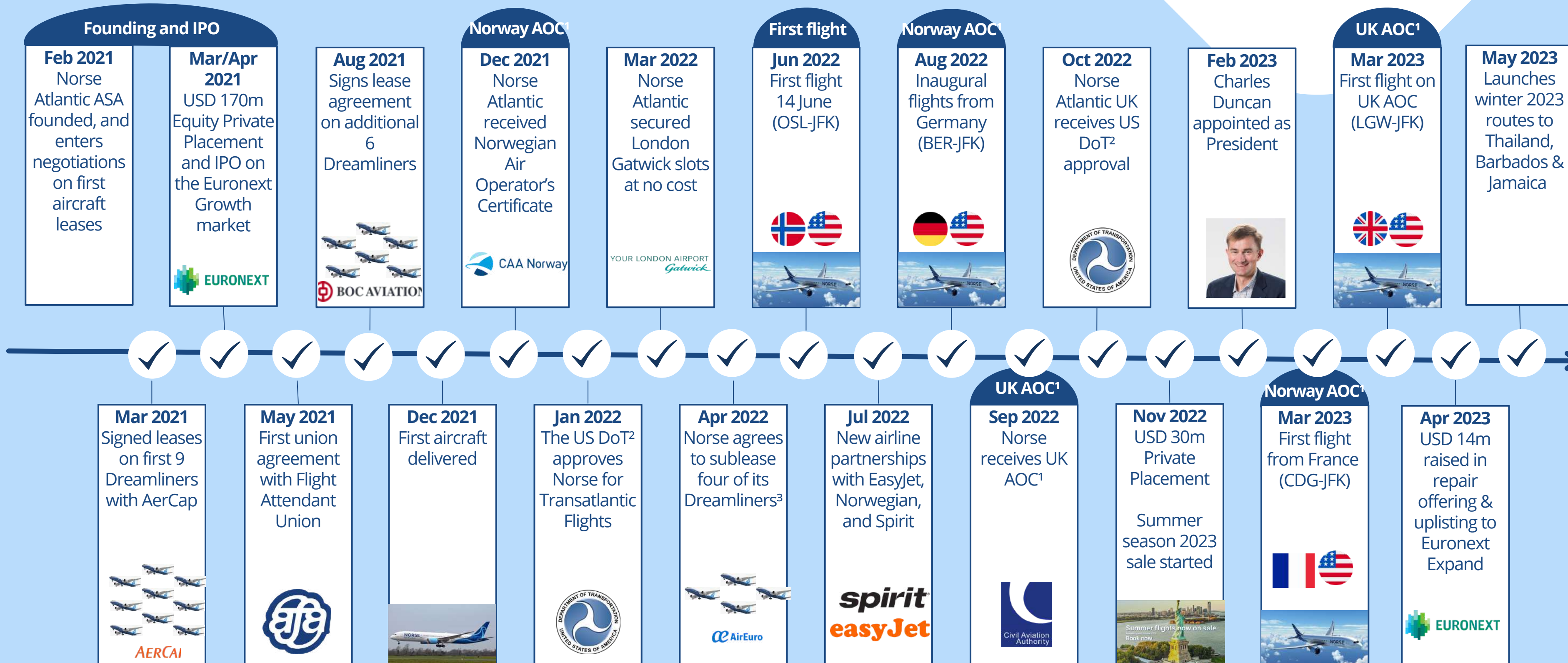
Ancillary revenue building

- Ancillary revenue per passengers increasing
- Adding additional ancillary revenue streams

Road to profits

- Norse is fully financed, 100% by equity and no debt
- Q3 2023 expected to be first financial period of profits

We've been busy, but we're only just getting started...



Note: 1) Air Operator Certificate
 2) Department of Transportation
 3) Four aircraft subleased initially and delivered around end June 2022; a fifth added end December 2022

Significant value created since inception

Early investments are paying off

- Unique in the industry: a fully-fledged, low-cost long-haul operation
- Brand recognition is positive and spreading
- The organization is ready: IT, operations and marketing near fully scaled to a 15-aircraft operation

Established UK subsidiary is a game changer

- Secured 5 valuable slots at LGW and JFK
- Allows Norse to serve large and highly attractive UK-US market
- Norse will be largest transatlantic airline ex-LGW
- First flight 26 Mar 2023

Significant value created through aircraft leases

- 15¹ modern 787 Dreamliners on long-term leases well below market creates a sustainable cost advantage
- Opportunity to profitably sublease excess aircraft

| | | |
|---------------------------------------|--------------------------|-------------------------------------------------|
| ~900 employees | 15 aircraft | ~11 years Avg. remaining lease period |
| 16² destinations | 15% lower opex | USD >370m NPV of lease advantage |

Note: 1) 5 aircraft are currently subleased

2) 12 destinations by mid-summer 2023 season, 16 destinations by winter 2023 season

Norse's path to a winning business model



Market leading aircraft cost

High utilization

Single fleet type

Lowest CASK in transatlantic market

Collaborations for in-house flight school

Harmonious labour relations

Cargo revenues

Connecting major markets and focus on primary airports

Two cabin classes for post-Covid demand

PART 2

Fleet and Network



Modern and more environmentally friendly aircraft



Modern and homogenous fleet

- Homogenous fleet of modern 787-9s and -8s
- Freshly checked aircraft – more than 2 years until next service



Superior environmental performance

- 25% lower CO2 emissions 50% quieter than the previous generation of aircraft still in operation with many major airlines globally
- Lowest carbon emissions per passenger



Superior passenger comfort and experience

- More comfortable cabin altitude with cleaner air and better humidity
- The largest windows on any jet worldwide

Lease contracts increasing in value

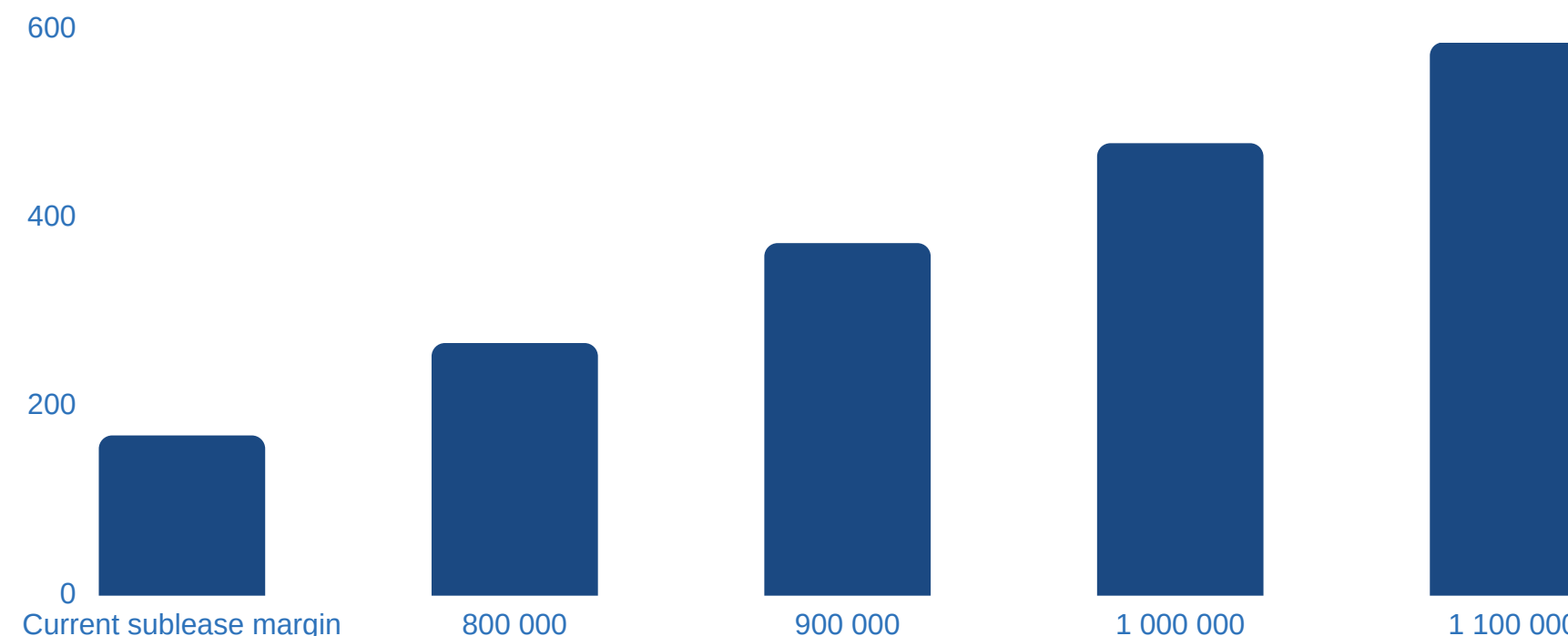
Shortage of supply of Boeing Dreamliners

Timing is everything:

- Norse lease rates are capped at approximately 50% of historical cost
- Current lease rates for 787-9s USD 865 to 1,050¹
- The present value of the difference between Norse's lease cost and current market lease is estimated at USD ~370m
 - At 10% WACC and est. current rates of USD 900k/mo.
- The fleet will be fully employed in Norse's operations by 2024, and these numbers are thus to be seen as an indication of the additional earnings potential created by the timing of Norse's market entry

NPV of remaining lease advantage

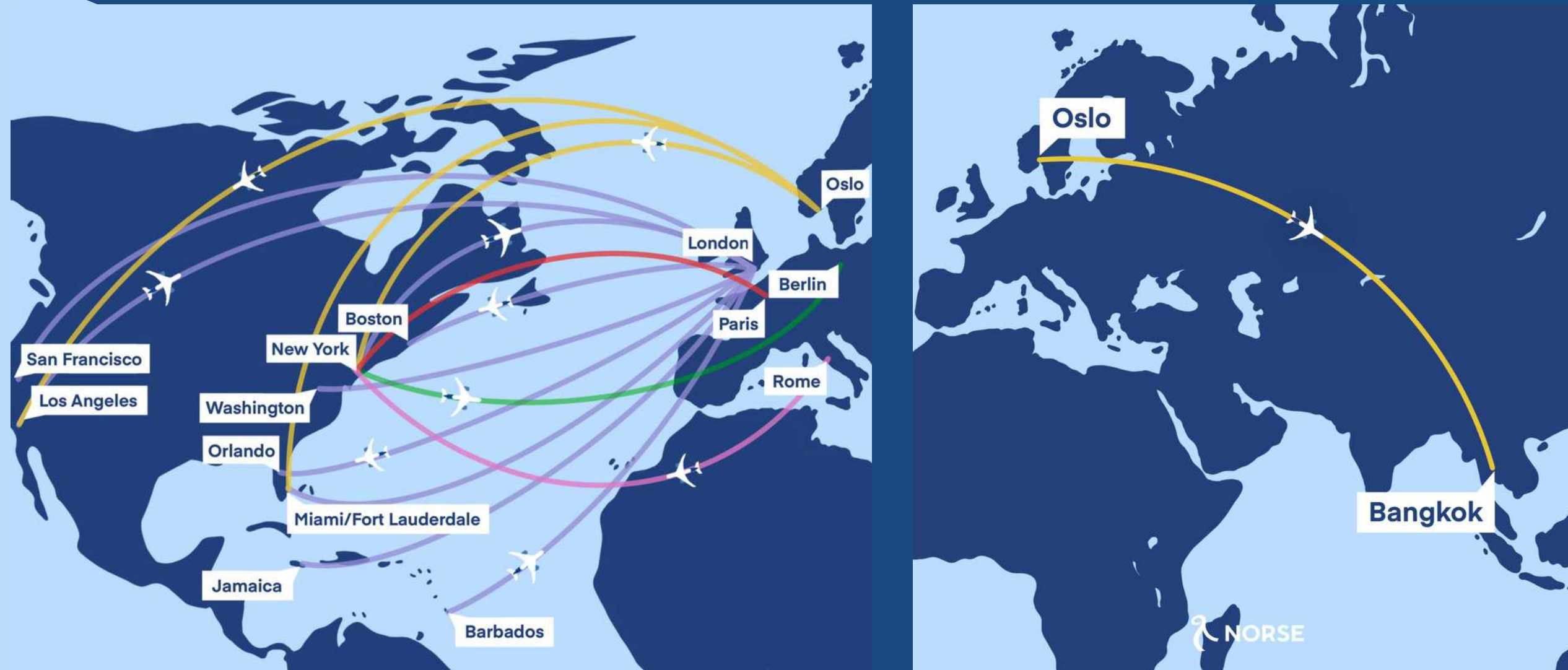
NPV at various rates and WACC = 10%, USDm



| Rate (USD/month) | WACC | | |
|-------------------------|------|------------|-------|
| | 7.5% | 10.0% | 12.5% |
| Current sublease margin | 190 | 169 | 151 |
| 800 000 | 301 | 267 | 238 |
| 900 000 | 421 | 373 | 333 |
| 1 000 000 | 542 | 479 | 427 |
| 1 100 000 | 663 | 586 | 522 |

Norse serves 16 destinations

Summer '23 and Winter '23 destinations currently on sale

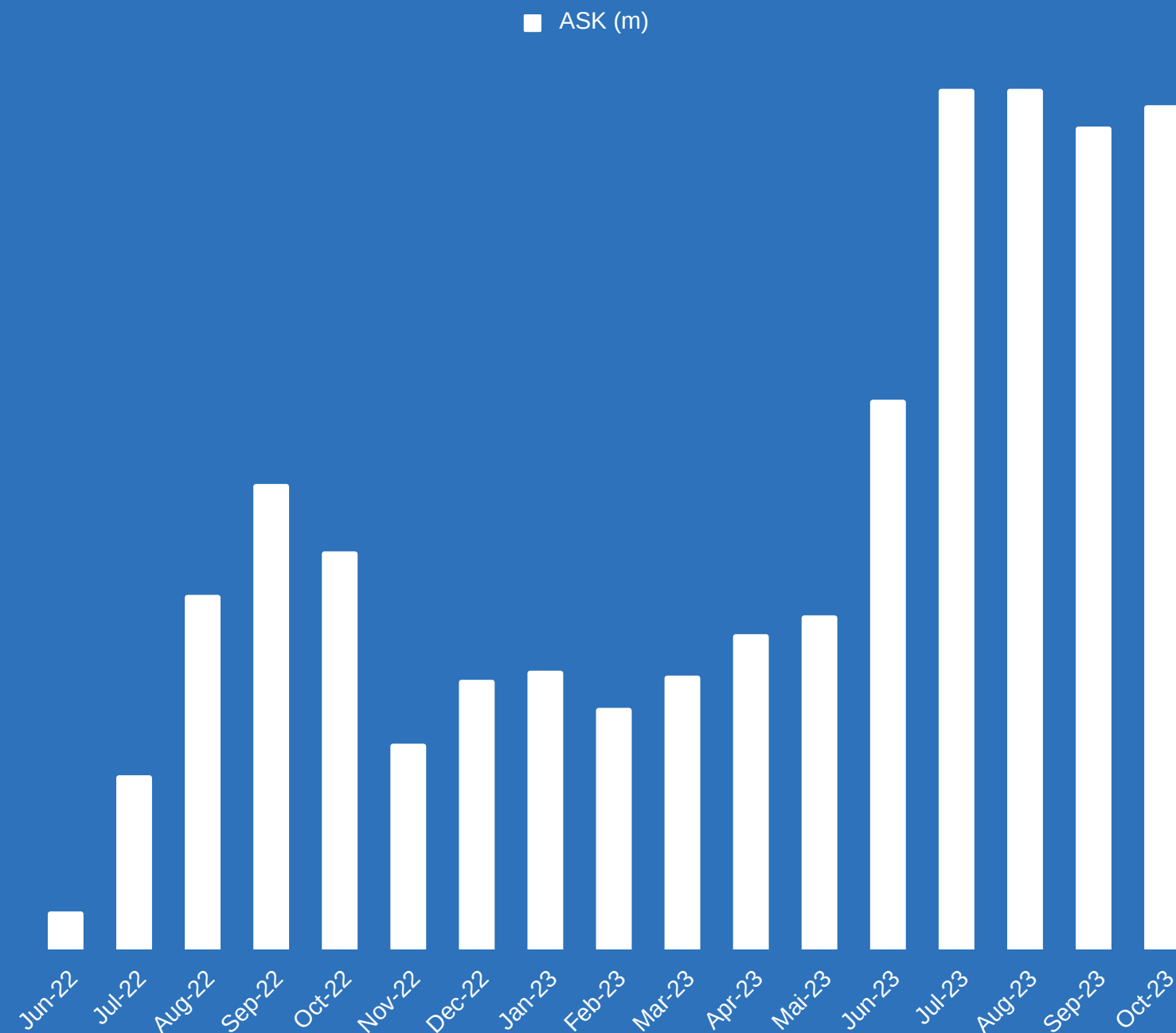


* Some routes are seasonal

- Rapidly increasing available seats for sale
- Summer '23 network is Europe-US only
- Winter '23 includes routes to Caribbean and Thailand

Increasing production at the right time

All aircraft generating revenue from 1 July 2023

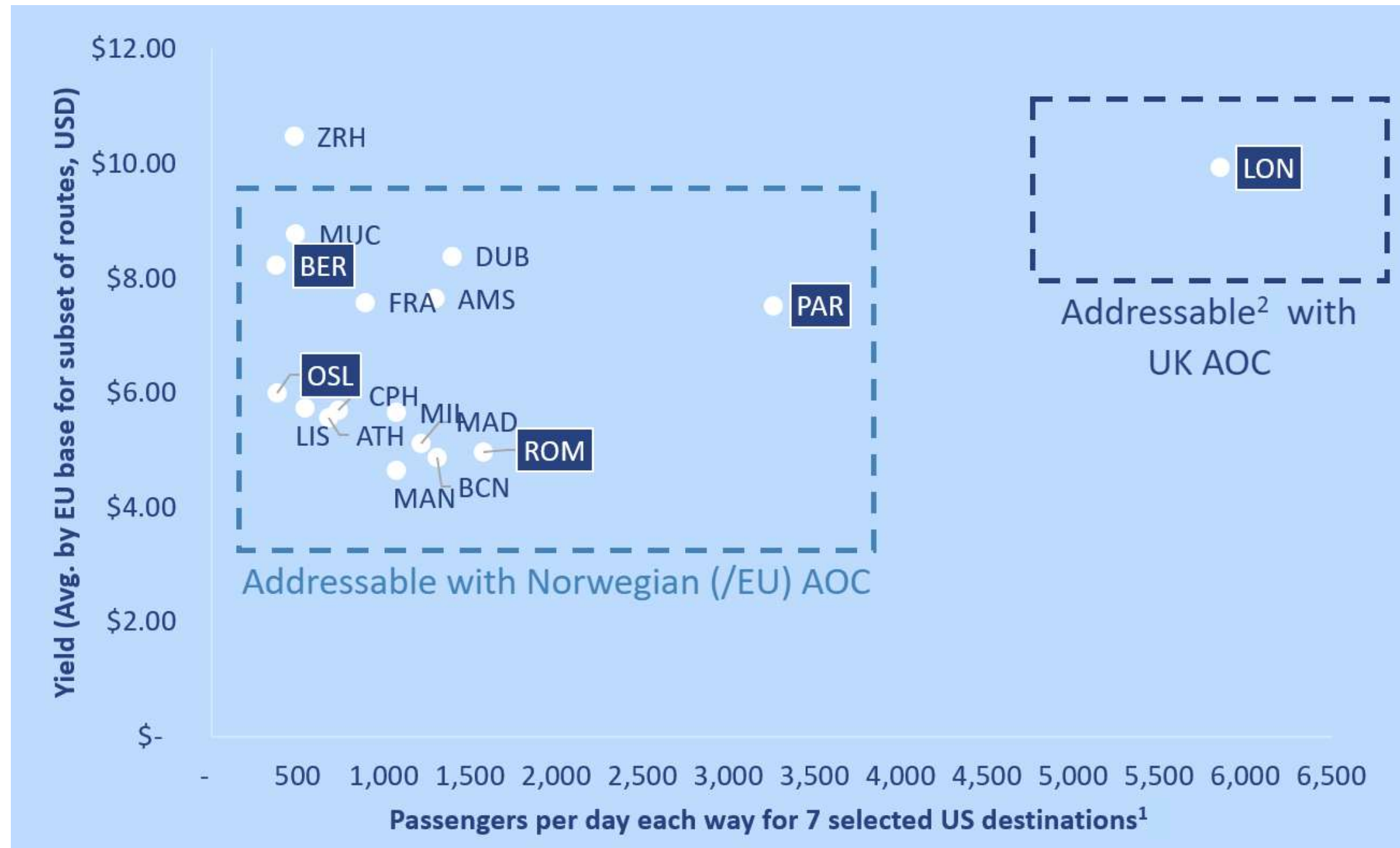


Note: ASK = Available Seat Kilometers
S23 = Summer 2023 season
W23 = Winter 2023 season

- Norse bringing additional aircraft online ahead of peak S23 season
- New routes scheduled for S23:
 - 25 May London to Orlando
 - 26 May London to Fort Lauderdale/Miami
 - 1 June London to Washington DC
 - 20 June New York to Rome
 - 30 June London to Los Angeles
 - 1 July London to San Francisco
 - 2 September London to Boston
- Additional winter season routes on-sale for W23

UK market is key to transatlantic travel

London twice the size market as any other; Paris a clear second with twice the size of the next (Rome)



London by far the largest European hub for US traffic, and also has among the highest yields

Large and high yield market creates opportunity to carve out demand, in addition to demand created through market stimulation

Serving the market with flights terminating in the UK requires UK AOC

Note: 1) Top-15 EU bases for EU-US traffic + LON, OSL & BER based on routes to/from NYC, LAX, SFO, WAS, BOS, MIA, and ORL. 2019 data

2) With routes terminating in the UK – may also be served with non-UK AOCs as stop-over





PART 3

Commercial Strategy and Bookings

The 5 pillars of Norse commercial strategy

1

Unbundled low fare structure

Unlocking new areas of demand through low-cost stimulation in high-density markets

2

Ancillary Services

Gives flexibility to travellers and extra revenue from third-party providers

Norse aims to be the #1 ancillary revenue/pax airline globally

3

Norse Premium Class

Targeting cost-conscious business travellers and premium leisure traffic

4

Best-in-class cargo product

Wide-body aircraft flying direct to key cargo gateways

5

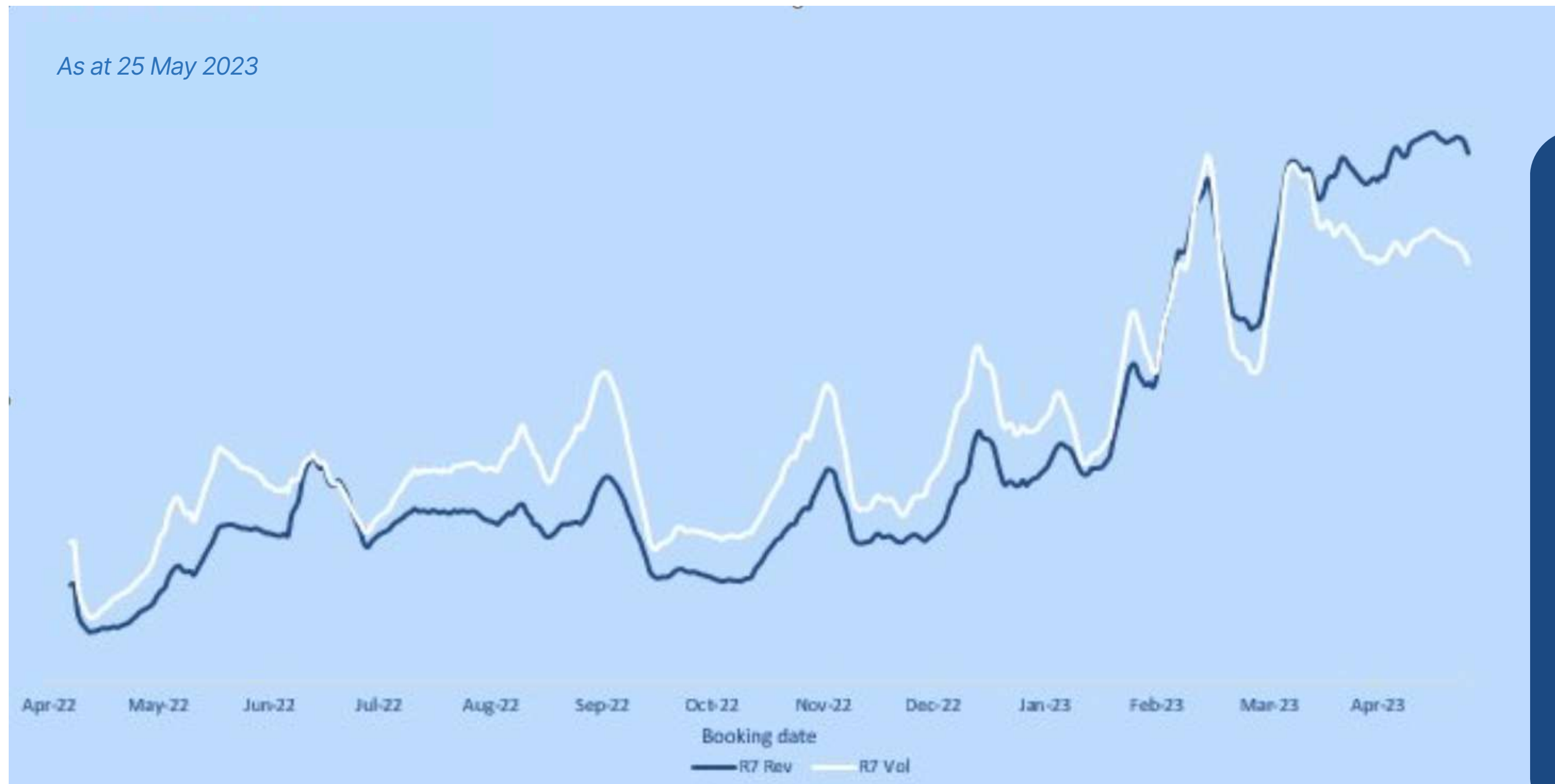
Revenue from leases and charter

Attractive lease-in rates and seasonal variations enable profits

Simplicity is key to cost control

Forward bookings increase as network expands

Rolling seven days bookings in USDm and number of passengers by booking date



Increasing selling windows allows for higher yields:

- S22 season on sale ~3 months in advance
- W22 season on sale ~4 months in advance
- S23 on sale ~5 months in advance
- W23 on sale ~7 months in advance
- S24 expected on sale ~9 months in advance

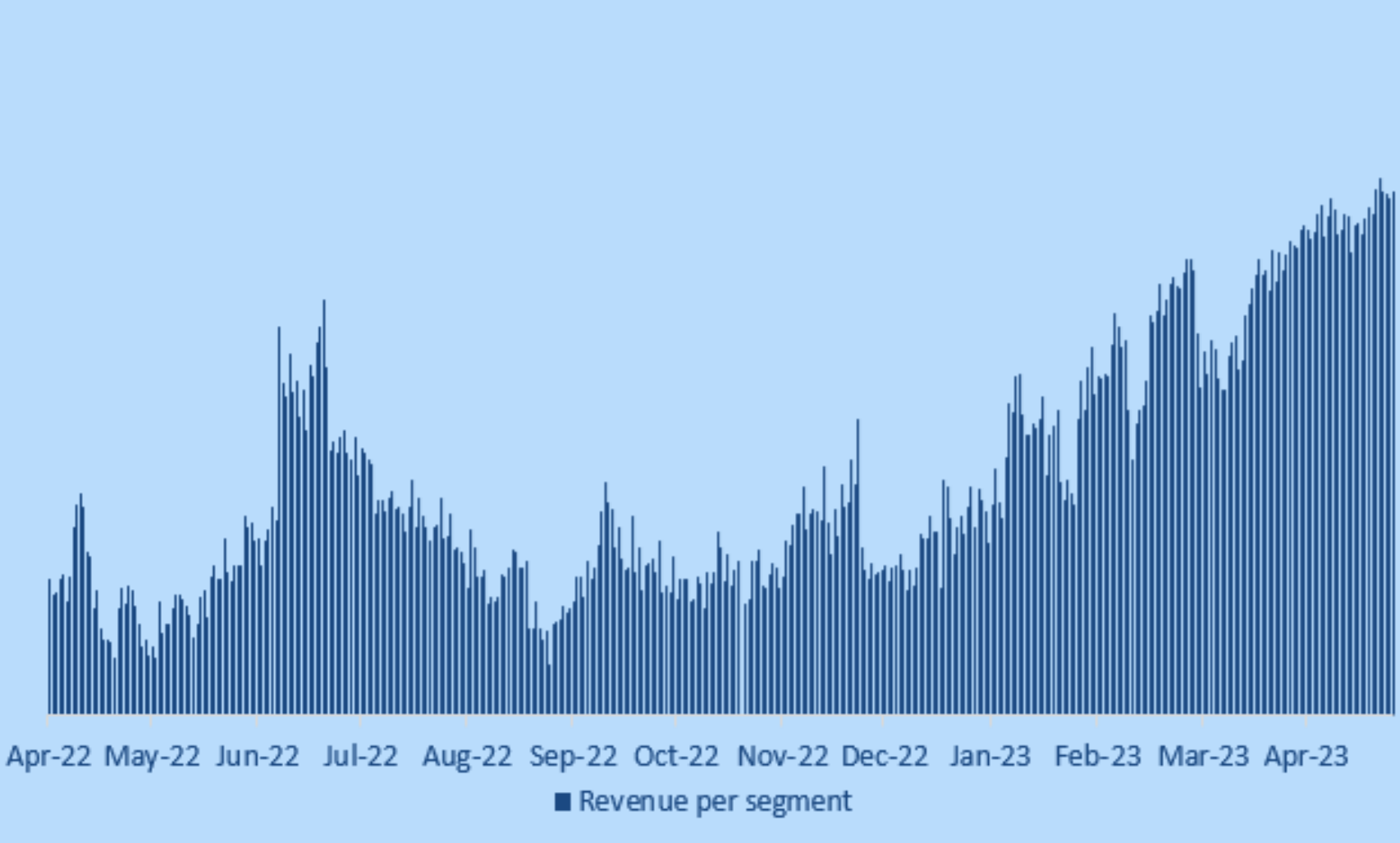
Note: R7 Rev = rolling 7-day average of bookings by aggregate value by booking date; R7 Vol = rolling 7-day average total segments sold by booking date

Fares increasing overall and on like-for-like basis

Based on booked fares as of 25 May 2023

Ticket revenue per segment

- Based on booking date
- Average fare continuing to increase



Net fare comparison

- Based on month of flight
- >35% higher fare for S23 bookings versus flown S22



Driving ancillary revenue

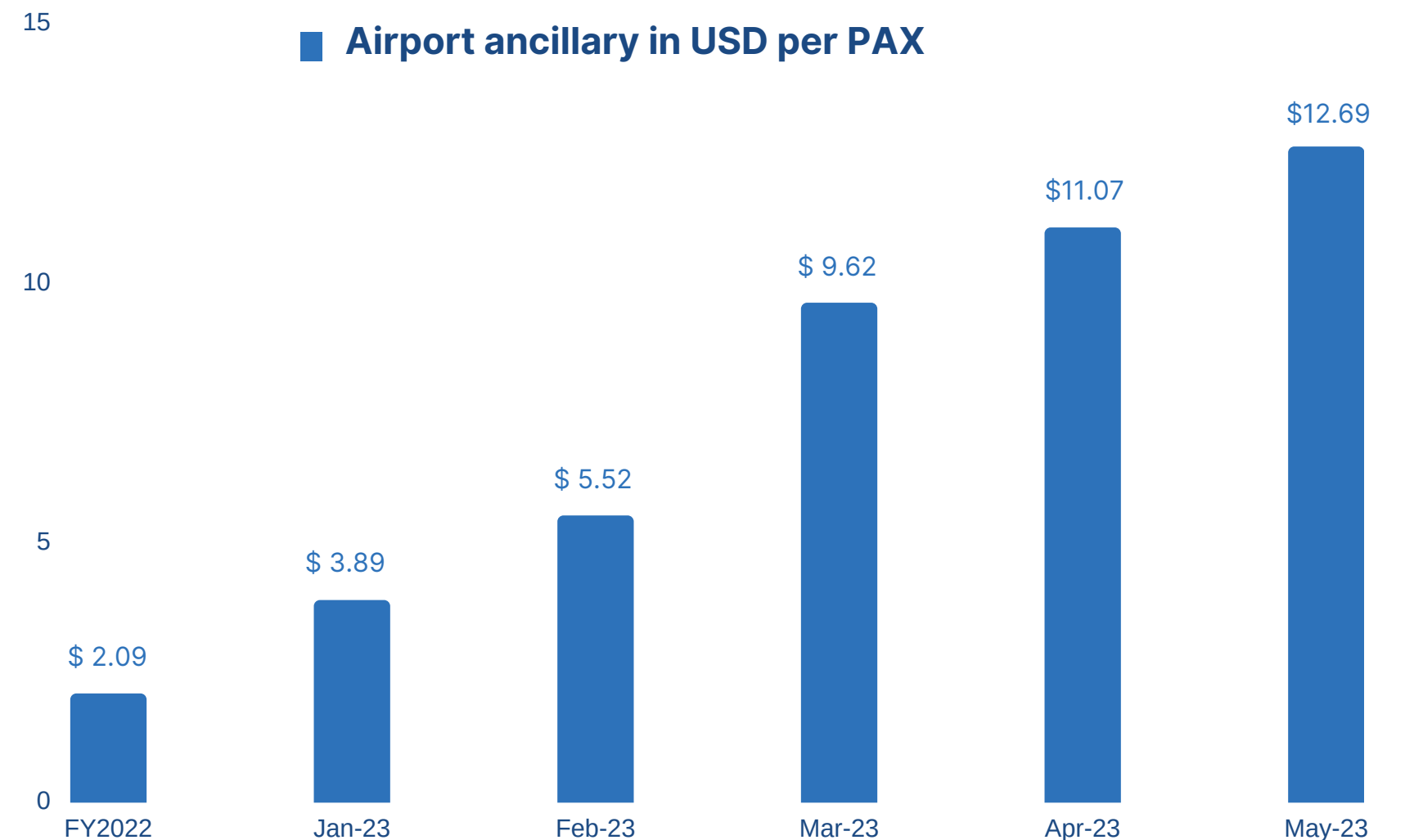
- Norse's fare model provide pricing flexibility to passengers
 - Passengers pays for what they choose while Norse can maximize revenue
- Ancillary revenue consists of:
 - Upgrades to Premium cabin
 - Extra baggage
 - Seat selection
 - Food and beverages
 - 3rd party sales commissions



Norse aims to be the number #1 airline for ancillary/pax revenue

Airport ancillary revenue

- Includes all ancillary sales done at check-in, such as upgrades and application of baggage policies
- >500% May-to date compared to actual 2022





PART 4

Q1 2023 Financials

Income statement

Low earnings due to limited production in the historical low season

| USD thousands | | 3 months Q1 2023 | 3 months Q4 2022 | 12 months FY 2022 |
|-----------------------------|--|---------------------|---------------------|----------------------|
| Revenue | | 39,757 | 46,428 | 104,269 |
| Personnel expenses | | 19,353 | 17,434 | 44,462 |
| Fuel, oil & emissions | | 21,896 | 27,002 | 61,793 |
| Other OPEX | | 24,121 | 22,346 | 42,706 |
| SG&A | | 7,314 | 5,751 | 15,630 |
| EBITDAR | | (32,926) | (26,103) | (60,323) |
| Variable aircraft rentals | | 8,725 | 13,180 | 27,263 |
| Depreciation & amortization | | 20,813 | 19,402 | 58,517 |
| EBIT | | (62,464) | (58,685) | (146,104) |
| Net financial items | | (8,408) | (8,378) | (28,871) |
| EBT | | (70,873) | (67,063) | (174,974) |

- Q1 2023 revenue down 14% versus prior quarter due to
 - 9% reduced capacity (ASK) and 7% lower revenue per passenger
 - 25% lower cargo revenues
 - Partially compensated by increase in sublease income and charter revenues
- Fuel cost down 19% due to lower unit cost and reduced production
- Variable aircraft rentals represents cash paid under PBH aircraft lease terms
- USD 19 million non-cash aircraft lease accounting cost

Balance sheet

Statement of financial position

| USD thousands | 31 Mar-23 | 31 Dec-22 |
|---------------------------------------|------------------|------------------|
| Non-current assets | 952,148 | 973,037 |
| Total current assets | 130,984 | 117,202 |
| Total assets | 1,083,132 | 1,090,239 |
| Total equity | (60,337) | 10,535 |
| Non-current liabilities | 965,875 | 971,284 |
| Current liabilities | 177,595 | 108,421 |
| Total equity & liabilities | 1,083,132 | 1,090,240 |
| <i>Number of aircraft received</i> | 15 | 15 |

- \$914 million aircraft right-of-use asset
 - 15 Boeing 787 Dreamliners on leases with average remaining life ~11 years
 - Corresponding lease liability of \$963 million
- \$20 million refundable aircraft lease deposits carried at \$16 million
- \$67 million receivables from credit card companies for booked tickets
- Value adjusted equity position in excess of USD 300 million, including NPV value of the aircraft leases

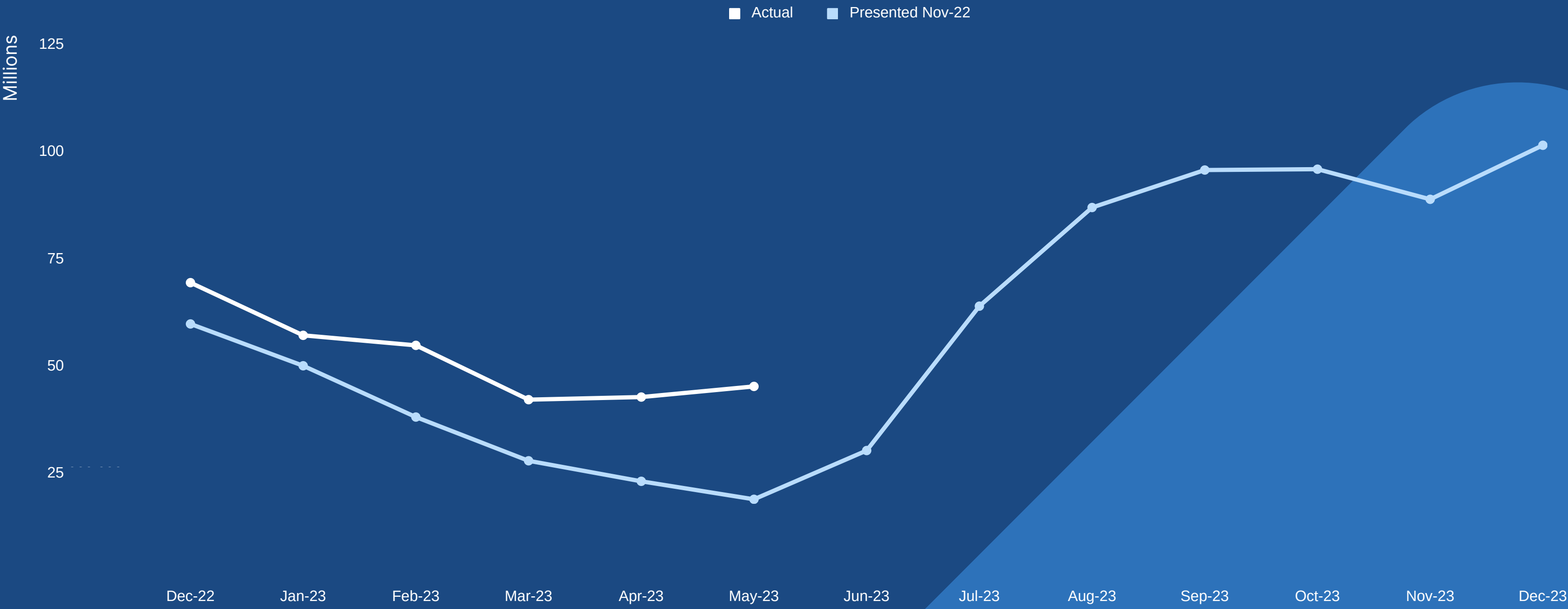
Cash flow statement

| <i>USD thousands</i> | 3 months Q1 2023 | 3 months Q4 2022 | 12 months FY 2022 |
|-----------------------------|---------------------|---------------------|----------------------|
| Operating cash flows | (20,773) | (13,264) | (68,639) |
| Investing cash flows | 1,256 | 7,921 | (24,956) |
| Financing cash flows | (8,529) | 27,928 | 22,589 |
| Forex | 366 | 1,463 | 1,463 |
| Net change in cash | (27,679) | 24,049 | (69,543) |
| Cash at period end | 37,030 | 64,709 | 64,709 |
| Restricted cash held | 5,000 | 5,000 | 5,000 |
| Total cash | 42,030 | 69,709 | 69,709 |

- Q1 2023 cash outflow \$28 million driven by:
 - \$21 million outflow from operations
 - \$8 million outflow from fixed aircraft lease payments
- \$42 million total cash held at end Q1 2023
- Subsequent equity offering as promised in connection with November 2022 private placement was completed in April 2023, raising net \$13 million
- \$50 million total cash held at end May 2023

Cash performance on-track

Cash flow actual versus projected in equity raise pitch presented Nov-22 (USD)



Actual includes USD 13 million net receipt from repair offering completed April 2023

Key operational numbers since first flight

14 June to 30 Apr 2023

| | Jun22 | Jul22 | Aug22 | Sep22 | Oct22 | Nov22 | Dec22 | Jan23 | Feb23 | Mar23 | Apr23 |
|-----------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Number of aircraft in fleet | 11 | 13 | 13 | 13 | 14 | 14 | 15 | 15 | 15 | 15 | 15 |
| Aircraft subleased out | 2 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 |
| ASK (millions) | 54 | 248 | 505 | 663 | 567 | 293 | 384 | 397 | 344 | 390 | 449 |
| RPK (millions) | 44 | 212 | 349 | 373 | 338 | 145 | 233 | 206 | 172 | 234 | 300 |
| Load factor | 82% | 86% | 69% | 56% | 60% | 50% | 61% | 52% | 50% | 60% | 67% |
| Number of passengers | 6,633 | 31,842 | 58,702 | 62,749 | 60,836 | 29,816 | 44,172 | 35,150 | 32,970 | 42,143 | 48,847 |
| Number of flights | 24 | 110 | 254 | 338 | 307 | 190 | 228 | 229 | 203 | 223 | 218 |



PART 5

Summary

Summary and outlook

Once in a lifetime opportunity to build a profitable long haul low cost transatlantic airline

Strategy and business case validated

- Unit costs in line with target (excl. fuel) and will further improve with increased scale
- Modern fuel-efficient fleet; lease contracts substantially in-the-money

Flexibility

- Sub-leasing of aircraft and seasonal charter work becomes part of the business model
- Pay-by-the-hour lease terms offer downside protection

Revenue growing

- Strong peak S23 bookings
- Aim to become number 1 ancillary airline in the world

Ramping-up

- Travel demand continues post-COVID recovery
- Scaling up from end May to start July to 10 aircraft under own operation; to 15 by mid-24

Profitability

- Target profitability from H2-2023

Norse will be...



The first truly low-cost sustainable transatlantic airline

The lowest unit cost airline amongst peers

The highest ancillary revenue per passenger in the industry

The lowest emissions per passenger versus long-haul peers

The most affordable and best value transatlantic product



NORSE

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