

Puerto Rico Air Cargo Trends

Annual Air Cargo Market Update

2 July 2024



Puerto Rico's air cargo community continues to drive improvements

Recent progress with key strategic recommendations¹

Year-on-year growth (%)²

Objectives	Increase life sciences exports	Attract additional capacity to Europe	Grow commercial capacity	Lower dependence on integrators
Progress	+8% Growing life-sciences exports; steady 2% growth in overall exports	+22% Increase in direct capacity to Europe, driven by Emirates and Iberia	+7% Increase in commercial capacity, driven by United and Air Canada	64% Share of integrators (vs. 66% in 2023), while capacity remains stable

1) As outlined in strategy engagement with Rotata; 2) Based on Jan-May 2024 vs. 2023 for capacity and Jan-Apr 2024 for exports
Source: Puerto Rico Life Sciences Dashboard



Agenda

Global Market Update

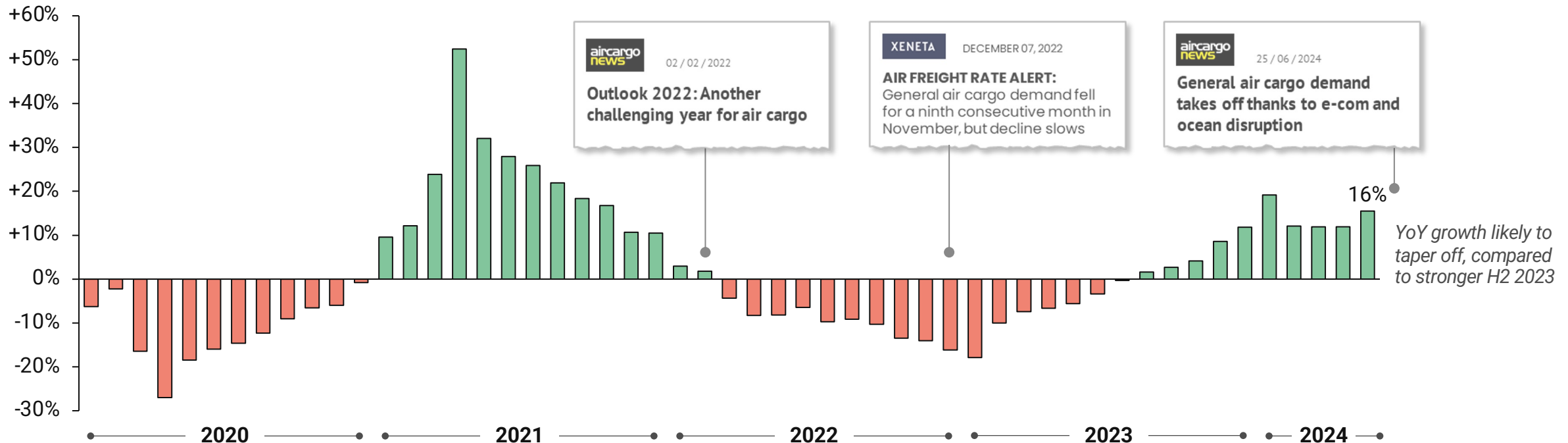
Puerto Rico Air Cargo Trends



Demand sees double-digit growth as market recovers from weak 2023 and ecommerce peak continues

International air trade growth, 2020 - May 2024

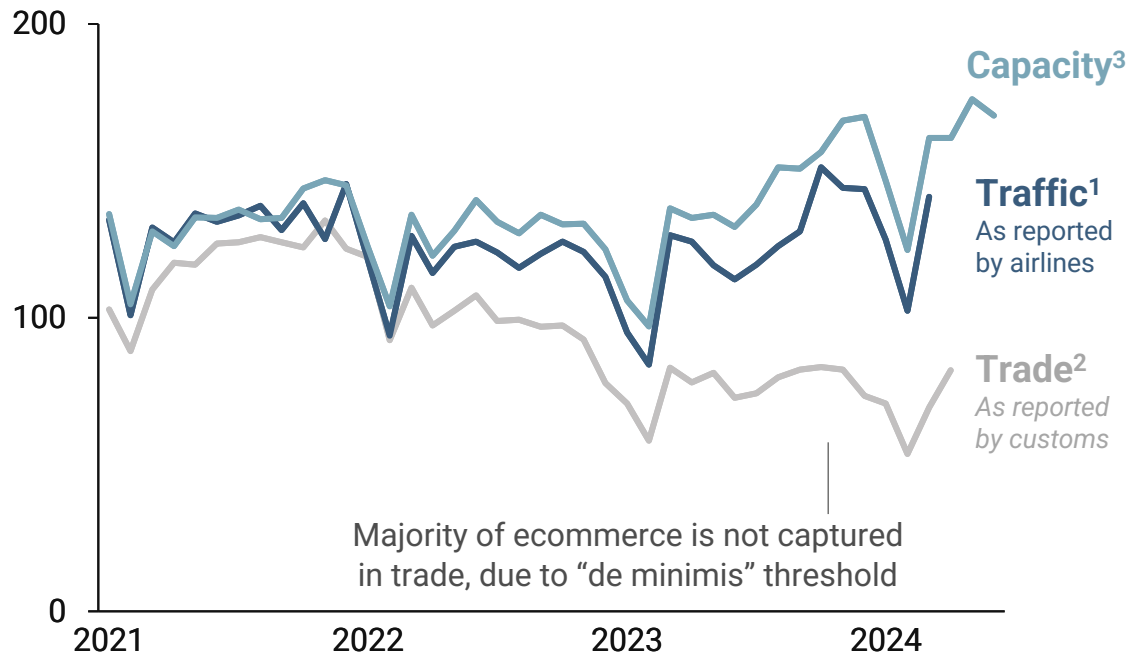
% year-over-year growth of FTKs



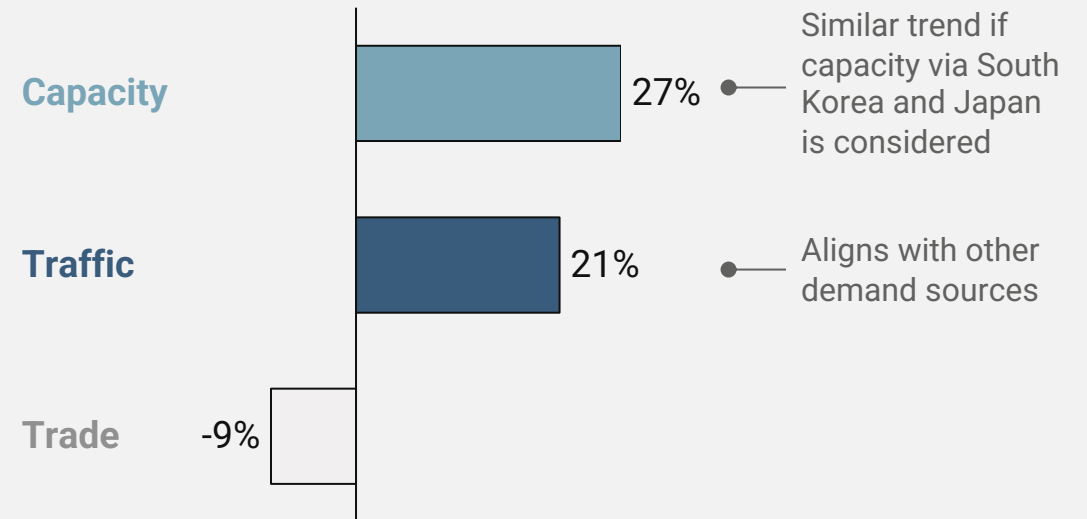
E-commerce causes US trade data be out of sync with traffic...

... with capacity data better reflecting Transpacific demand

China-to-US air trade vs. traffic, Jan 2021 – June 2024
 Thousand tonnes per month



China-US air cargo growth, Q1 2024
 YoY % growth



! Demand data in the Puerto Rico dashboard is not impacted, as it is augmented with traffic data

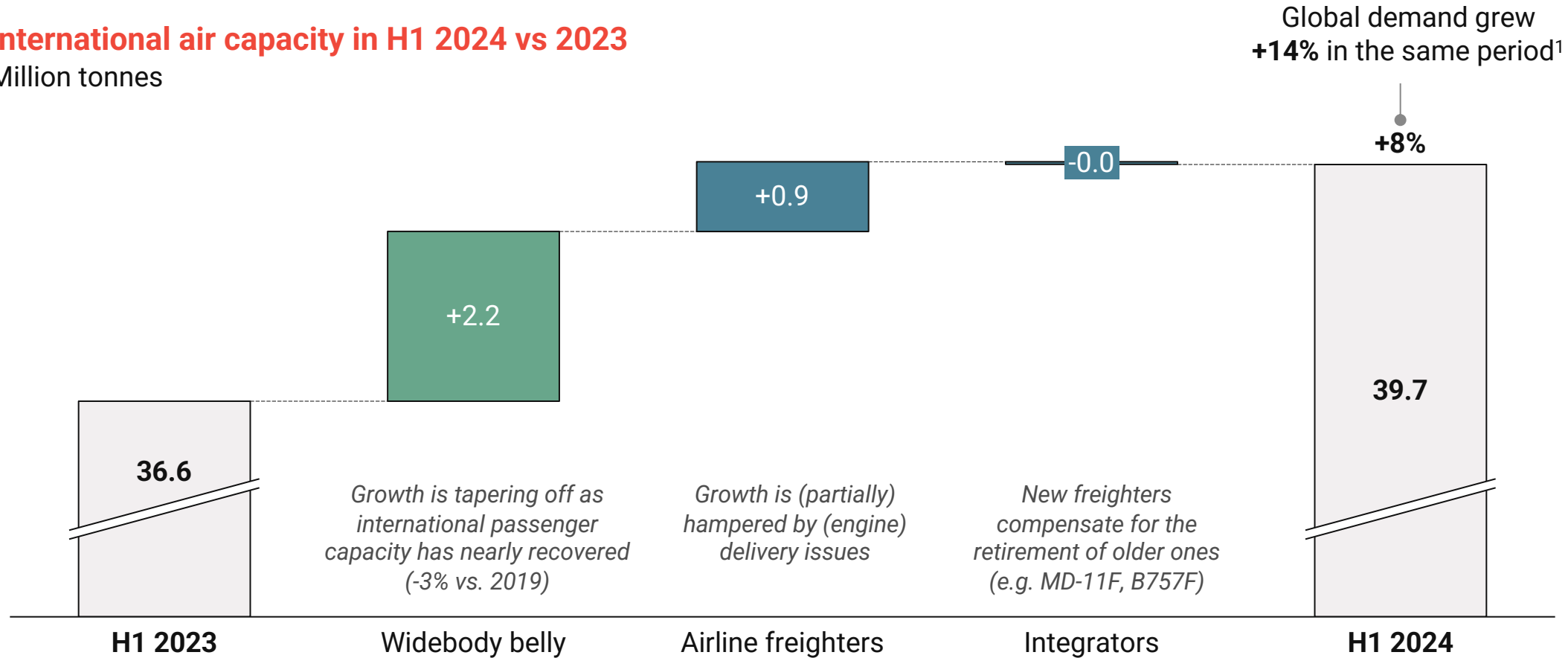
Notes: 1) Freight carried between China/Hong Kong to the USA, according to BTS; 2) Imports from China, Hong Kong, valued above \$800, according to US customs; 3) Direct freighter and belly capacity from China/Hong Kong to the USA; Source: US Census (latest = Apr'24), BTS traffic (latest = Mar'24), Rotate Live Capacity, Rotate analysis (July 2024)



Capacity growth (+8%) lags that of demand, leading to an improvement in market conditions

International air capacity in H1 2024 vs 2023

Million tonnes



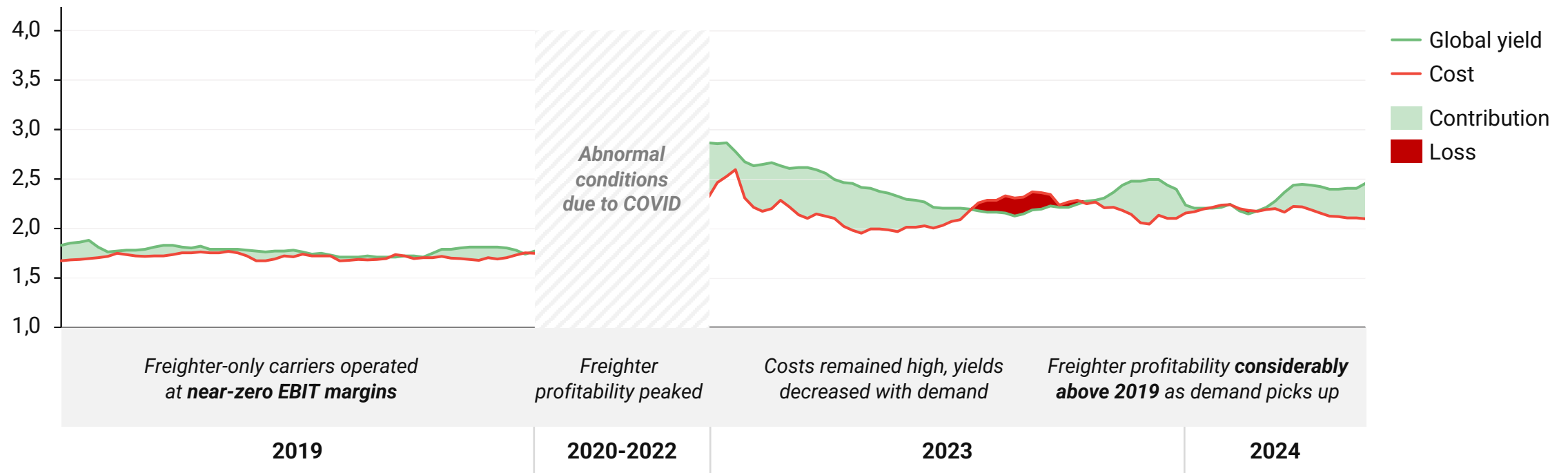
Notes: Analysis includes all freighters and widebody passenger aircraft only; "Integrator" category includes airlines operating for or on behalf of integrators FedEx, UPS, DHL, Amazon and SF Express; 1) FTK growth Jan-May 2024 vs. 2023; Source: Rotate Live Capacity data, IATA traffic statistics, Rotate analysis (July 2024)



Global market conditions have improved freighter profitability to levels usually seen in Q4 peak seasons

Global yield, freighter cost and profitability margin, Jan 2019 – 26 May 2024

USD/kg

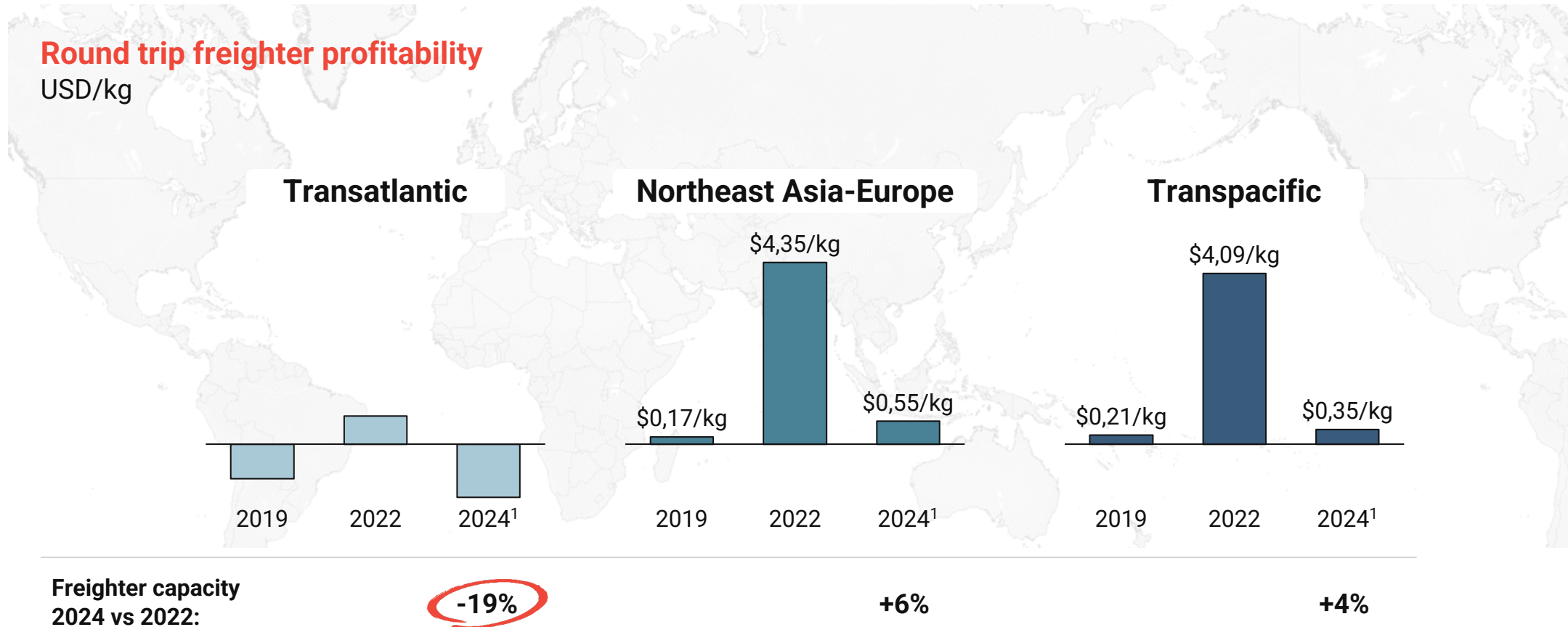


Notes: Figure estimates the profitability of an 8,800km flight, assuming 80% load factor and trucking cost for 20% of cargo on board; Contribution is based on the weighted average unit cost and revenue of key freighter types (weighted on global ATKs by aircraft type); Sources: Rotate Live Capacity, CH Aviation (aircraft cost), ICAO aircraft fuel burn curves, EIA (Jet-A spot fuel prices), US DOT (crew & maintenance cost trends), OECD (aggregate monthly inflation), Industry benchmark (handling, tracking, navigation and airport fees), Xeneta, Rotate analysis (June 2024)

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Strong differences in profitability across trade lanes is reflected in airlines' network decisions



Notes: Figure estimates the profitability as described in previous slide; 1) Figures compare full-year averages for 2019 and 2022 against the first 22 weeks of 2024 (Jan-May).
Sources: Rotata Live Capacity, CH Aviation (aircraft cost), ICAO aircraft fuel burn curves, EIA (Jet-A spot fuel prices), US DOT (crew & maintenance cost trends), OECD (aggregate monthly inflation), Industry benchmark (handling, tracking, navigation and airport fees), Xeneta, Rotata analysis (June 2024)

Outlook: there are limited reasons that the positive trend will reverse



Reasons to be continue to be optimistic about the air cargo market in 2024

Sticky eCommerce

+26%

HKG traffic growth¹

Freighter constraint

1%

WB freighter fleet growth²

Inflation normalized

2-3%

In large economies³

De minimis impact

~0

In the short-term⁴

Container prices

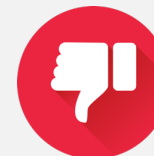
3x

Relative surge vs. air yields⁵

PMI indicator

>50

In the US⁶



Reasons to believe 2024 too may be tough for the air cargo market

Demand outside Asia

+4%

vs. +27% ex-Asia⁶

Further ecommerce import regulations



1) Jan-May 2024 vs. 2023 (Hong Kong Civil Aviation); 2) Widebody freighters growth (A330/B767 or larger) Jan-Jun 2024 vs 2023; 3) Inflation rate in the US (Federal Reserve) and EU27 (OECD); 4) Given no changes to de minimis have been implemented in the US; 5) Xeneta global air yield index; Freightos Baltic Index (FBI): Global container pricing index; 5) Global Purchasing Managers Index (JP Morgan) 6) Based on growth in chargeable weight, Jan-June (until Week 24), 2024 vs. 2023 (Xeneta market data); Rotata analysis (June 2024)

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Global Market Update

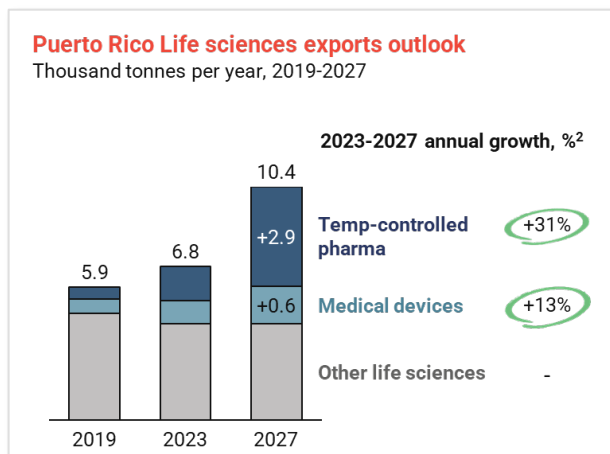
Puerto Rico Air Cargo Trends



Summary: Puerto Rico air freight trends

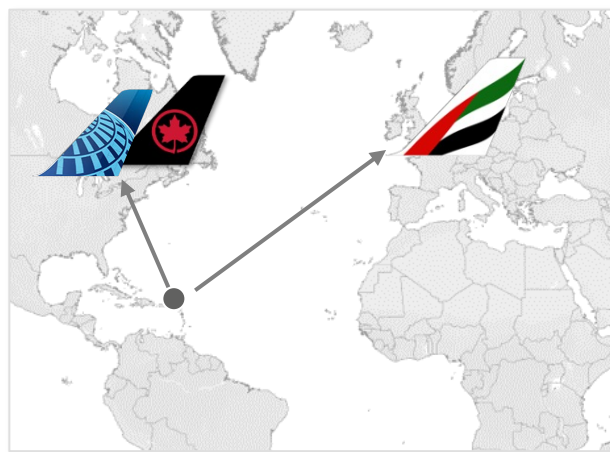
01

Pharma is growing faster than general exports



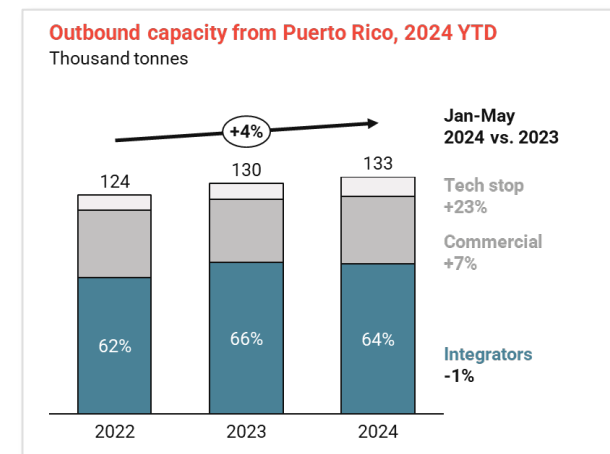
02

Capacity grew, driven by tech stops and commercial flights



03

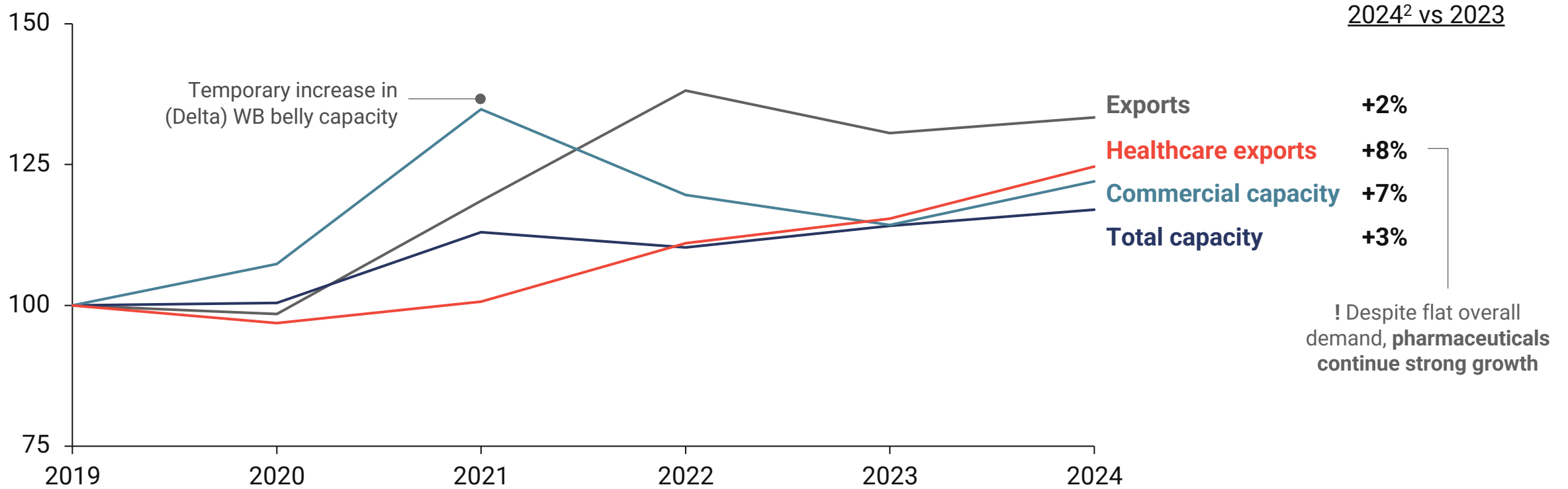
Integrator flights are stable despite FedEx & UPS slowdown



Puerto Rico: healthcare exports are up amidst commercial capacity growth

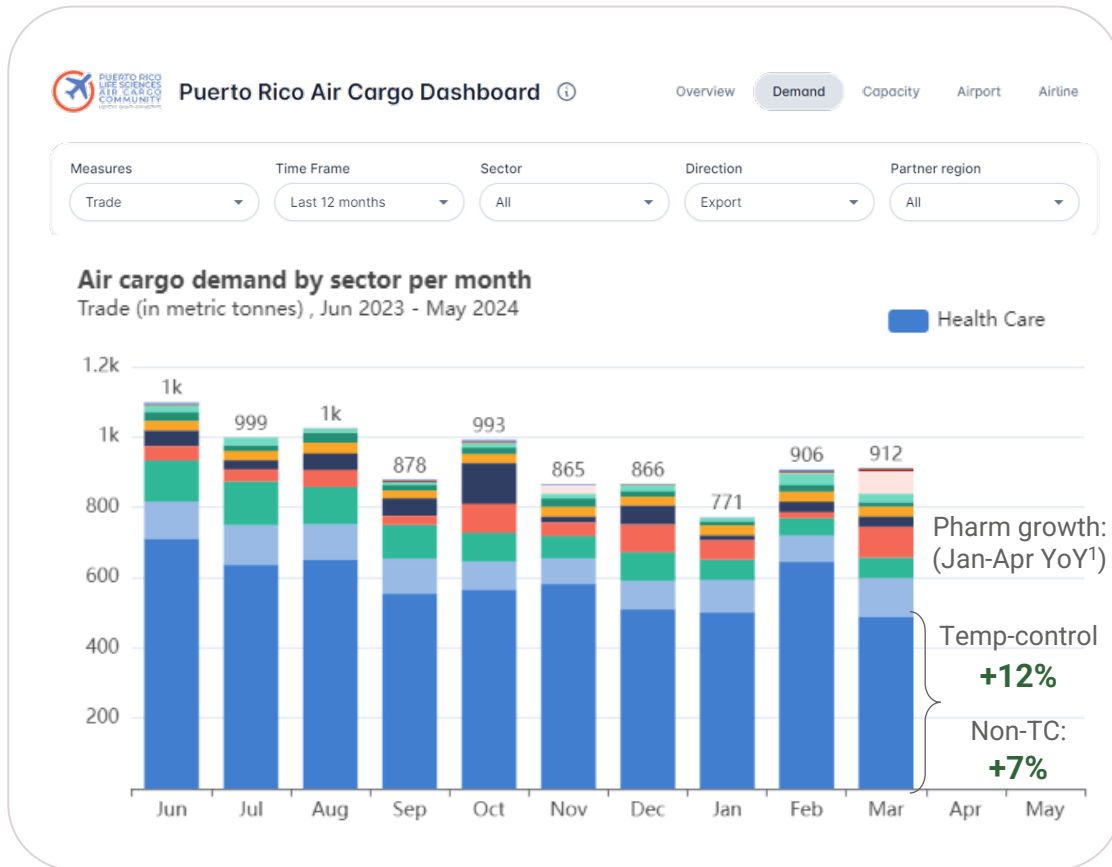
Trade (excl. US)¹ vs outbound capacity from Puerto Rico, 2019 - 2024²

Index (2019 = 100)

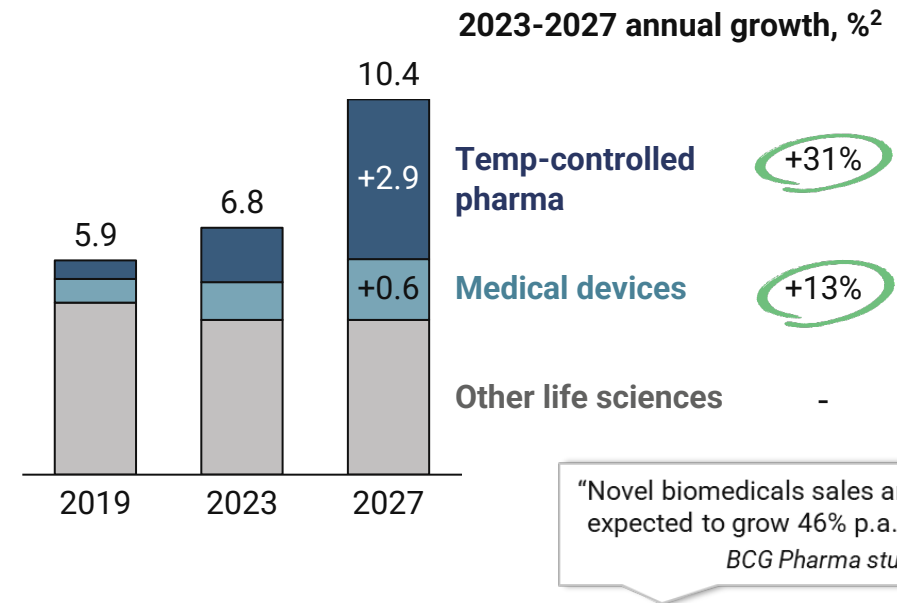


1) Excludes domestic trade with US, as well as "low value shipments", special categories and others 2) Extrapolated for full year based on Jan-May growth rate
 Source: Puerto Rico Life Sciences Dashboard based on Rotate Live Capacity and US Census (Trade data, latest = Apr 2024), Rotate analysis (June 2024)

Demand: temp-controlled pharma exports continue strong growth

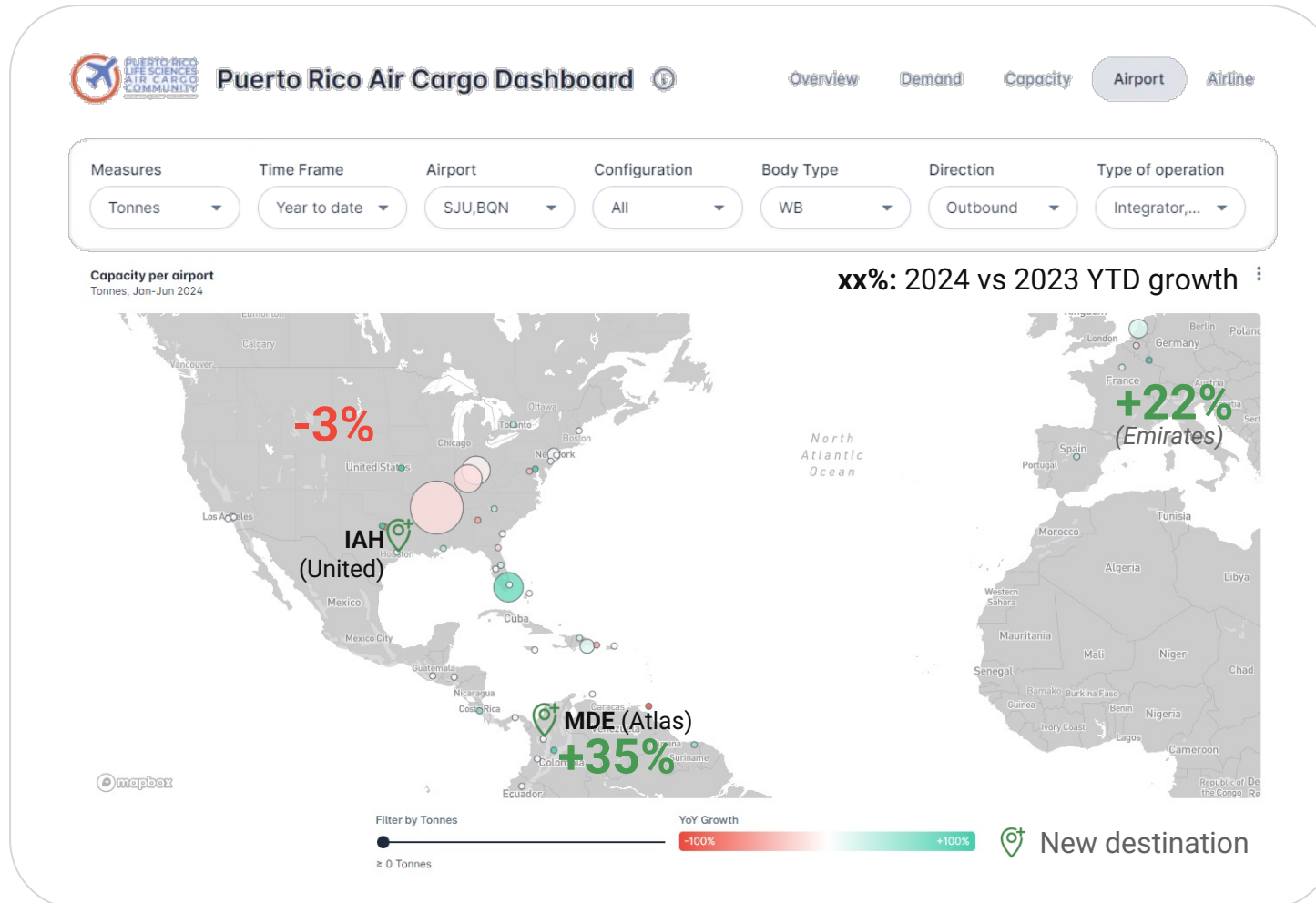


Reminder: Puerto Rico Life sciences exports outlook Thousand tonnes per year, 2019-2027



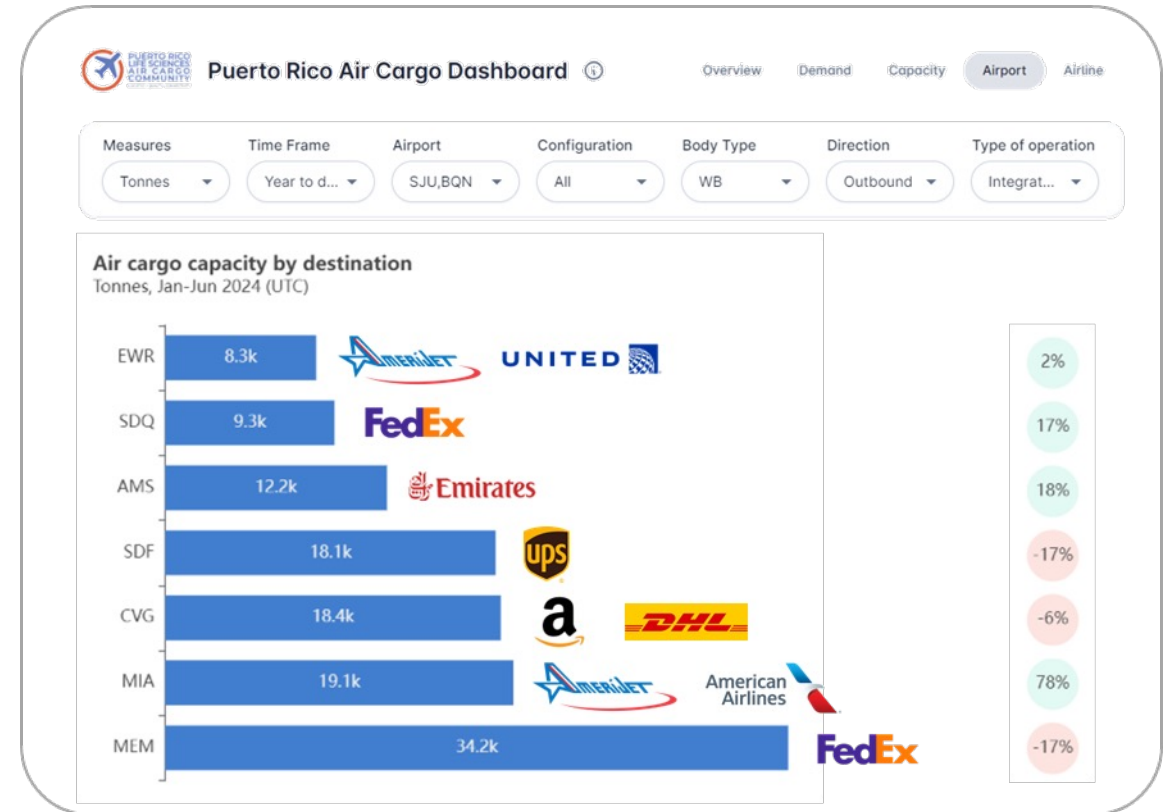
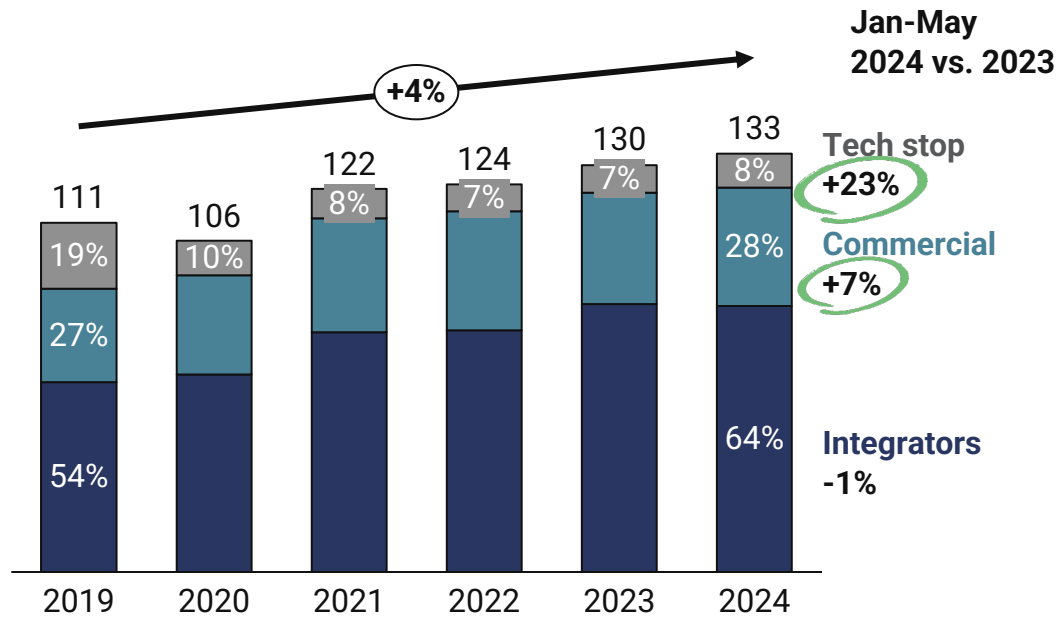
1) Jan-Apr, 2024 vs 2023, April will be available in the dashboard shortly; 2) Assuming continued growth
Source: Puerto Rico Air Cargo Dashboard, BCG Pharma Study, Rotate analysis (November 2023)

Capacity: direct capacity to Europe and South America increased



Capacity: recent capacity growth is driven by commercial airlines and tech stops, integrators remain stable

Outbound cargo capacity from Puerto Rico, Jan-May, 2019 – 2024
Thousand tonnes



1) 2024 YTD includes up to May
Source: Puerto Rico Life Sciences Dashboard, Rotate analysis (June 2024)

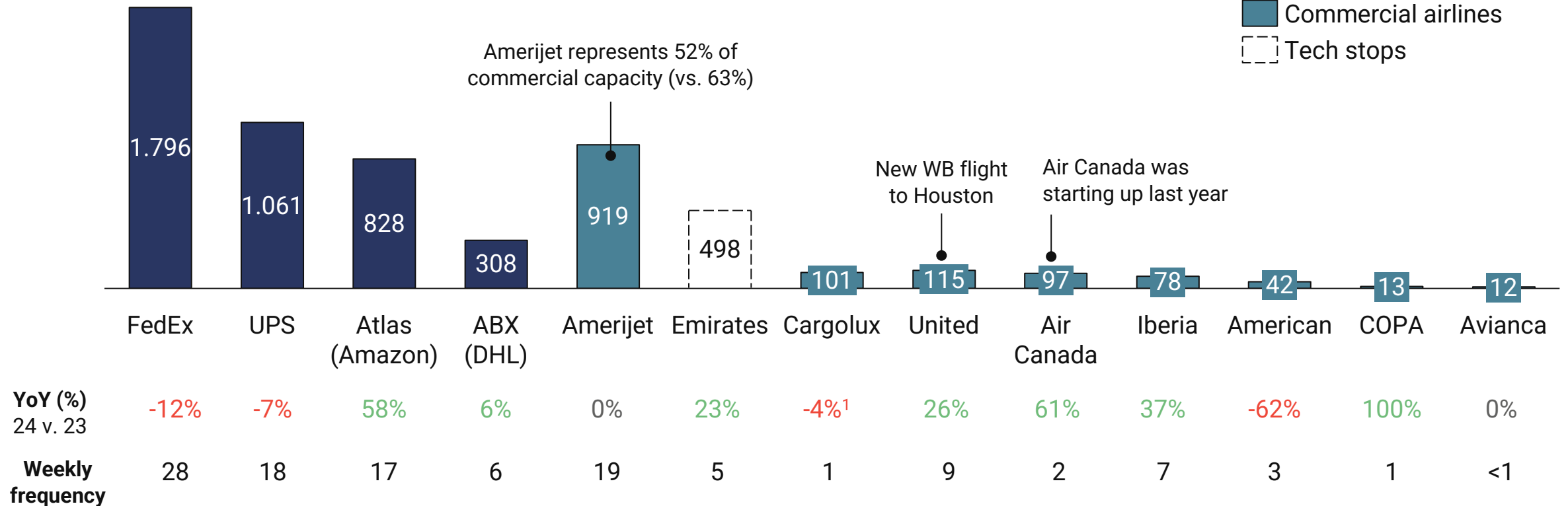
Airlines: Commercial capacity growth due to United, Air Canada, and Emirates, FedEx and UPS declined

Outbound capacity from Puerto Rico, Jan to May, 2024

Average tonnes per week

Capacity type:

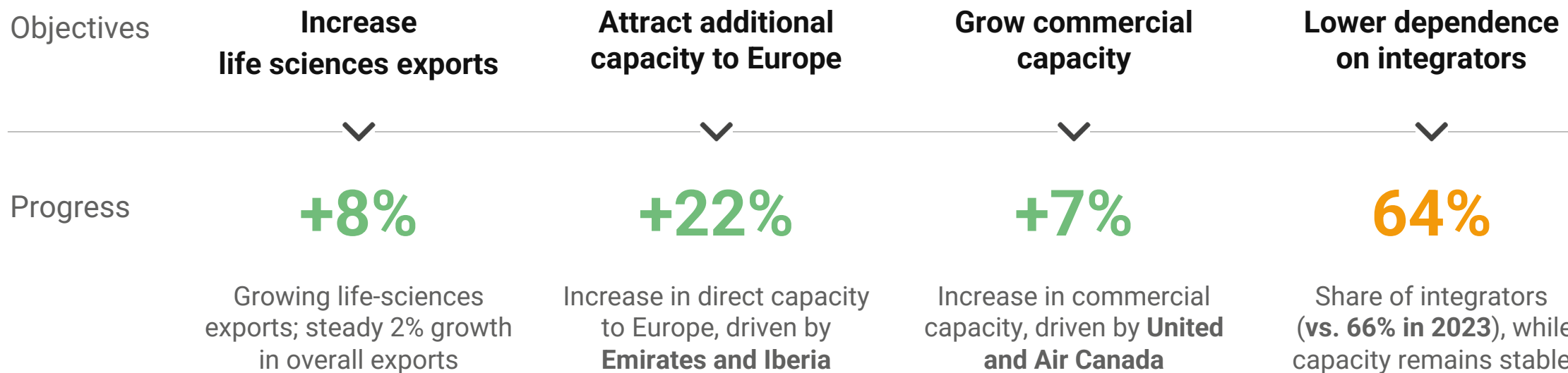
- Integrators
- Commercial airlines
- Tech stops



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Year-on-year growth (%)²



1) As outlined in strategy engagement with Rotata; 2) Based on Jan-May 2024 vs. 2023 for capacity and Jan-Apr 2024 for exports
Source: Puerto Rico Life Sciences Dashboard



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