

Skytra obtains FCA approval for world's first Air Travel Price Indices enabling airlines to hedge volatile revenues

- *Approval from the UK financial regulator is a key milestone in Skytra's mission to develop the next generation of risk management tools for the air travel industry*
- *Skytra Price Indices enable airlines' revenue risk to be hedged for the first time, potentially helping them to achieve higher Ebit predictability, better credit ratings and cheaper access to capital.*
- *Independent reference price for air travel published on a daily basis opens up new applications such as new ways of negotiating and contracting for air travel*

11 January, 2020, London – Skytra, a wholly-owned subsidiary of Airbus, has obtained approval from the UK's Financial Conduct Authority (FCA) to be the regulated Benchmark Administrator (BA) for its Air Travel Price Indices. Regulatory approval marks a key milestone in Skytra's strategy of bringing to market the next generation of risk management tools allowing the air travel industry to manage air travel pricing risk for the first time.

Through building the world's largest air ticketing database, Skytra has developed a set of regulated benchmarks based on US\$ per Revenue Passenger Kilometre (\$/RPK). This represents the wholesale price of air travel per KM flown by an individual passenger in each of the six regions it represents. Marking the one-year anniversary of Skytra's launch, its BA status allows customers to use the benchmarks to price derivative contracts, providing an effective hedging solution to protect against revenue volatility. These contracts will initially be traded in Over-The-Counter (OTC) markets, facilitated by banks and inter-dealer brokers.

As revenue is a greater contributor to airline profitability than cost, Skytra believes that the introduction of financial instruments to manage this volatility for the first time will be a crucial part of their Covid-19 recovery toolkit. The provision of an independent benchmark and reference price for air travel acts as a universal language for buyers and sellers in contract discussions, and facilitates price negotiations at a regional level. Both benefits will empower the air travel industry as it begins its recovery from the pandemic and enters a new era.

Airlines are overexposed to revenue volatility, which can have adverse effects on their credit rating and so increase their cost of capital - a challenge magnified by COVID-19. Reducing this volatility could lead to multi-billion dollar savings in financing costs across the industry. While airlines can hedge currency, interest rates and fuel costs using derivative contracts, no comparable instruments allow them to manage the risk of falling or volatile revenues. Likewise, major corporates who buy air travel can hedge their travel budgets to avoid unexpected price swings. Though travel volumes are currently lower than usual, the extreme increase in ticket price volatility - expected to last for the next 2-3 years - increases the need to protect against this risk on both sides.

Beyond financial risk management, an independent reference price for air travel available for all major regions across the world - published on a daily basis - opens up opportunities such as new ways of negotiating and contracting for air travel between airlines and corporates.

Mark Howarth, Skytra CEO commented: *"Covid-19 has highlighted why it's imperative for airlines and other companies in air travel to be able to manage revenue risk. Had our risk tools been available before the pandemic and airlines had correctly hedged their exposure,*



the financial instruments would have mitigated the devastating impact on revenues of the travel bans and restrictions. We are currently observing that ticket price volatility has doubled in certain regions.”

“The FCA’s approval is a testament to three years of hard work in developing the indices with the air travel industry, ensuring they are robust and fit for purpose, and putting in place a rigorous governance framework to give users confidence in their quality and accuracy. We are now able to proceed in our mission to deliver new risk management tools to help the air travel industry build back better and stronger.”

Skytra’s ticketing database is fed daily by billions of transactions recorded by the International Air Travel Association (IATA) and matched by billions of offered ticket prices from online travel platform Kiwi.com. Overall, Skytra is collecting 83% of worldwide ticket sales by value* on a daily basis.

Leveraging the depth and breadth of the database, Skytra has continued to develop its proposition with the development of a new product offering in the domain of alternative data called Airtyx. Airtyx is a suite of business intelligence tools providing insight into the industry’s performance.

As part of its successful FCA application, Skytra established the Skytra Index Oversight Committee (SIOC), which forms one of three arms of governance for the indices, alongside Skytra’s Board and Executive Committee. Made up of external industry experts and Skytra team members, SIOC provides governance over the regulated indices, providing valuable insight and challenge to Skytra’s decisions that are made in relation to the regulated indices.

Gareth Parker, Executive Chairman and Chief Indexing Officer for Moorgate Benchmarks and Chairman of Skytra’s SIOC said: *“What Skytra has set out to achieve is revolutionary. The solutions it provides can impact the entire airline industry as well as airline ticket buyers and investors, which is a rare feat. There is no doubt that this is a huge undertaking, ingesting vast amounts of data and using algorithms to clean, analyse and create cutting-edge indices. It’s great to be a small part of that, working with a team that is committed to ensuring development of the best possible products.”*

Bruno Lecerf, SVP Finance & Treasury Air France: *“Having been involved throughout the process with Skytra on their new price indices, it is exciting to see that the regulatory approval by the UK’s FCA will enable Skytra to take the concept of airlines hedging revenue volatility to an actual reality. Greater financial predictability will have other positive knock-on effects on airlines’ balance sheets and will ease the travel industry’s recovery. Skytra Price Indices should become an important component of an airline’s risk management tool box.”*

- Ends -

The FCA approval covers all 12 of the Skytra Price Indices Series:

- Skytra - Asia Pacific/Asia Pacific - economy class Price index - daily
- Skytra - Asia Pacific/Asia Pacific - economy class Price index - 28 day moving average
- Skytra - North America/North America - economy class Price index - daily
- Skytra - North America/North America - economy class Price index - 28 day moving average
- Skytra - Europe/Europe - economy class Price index - daily
- Skytra - Europe/Europe - economy class Price index - 28 day moving average
- Skytra - Asia Pacific/Europe - economy class Price index - daily
- Skytra - Asia Pacific/Europe - economy class Price index - 28 day moving average
- Skytra - Asia Pacific/North America - economy class Price index - daily



Skytra - Asia Pacific/North America - economy class Price index - 28 day moving average
Skytra - North America/Europe - economy class Price index - daily
Skytra - North America/Europe - economy class Price index - 28 day moving average

*IATA / Skytra analysis

About Skytra

Skytra Ltd, a wholly-owned subsidiary of Airbus, was set-up to strengthen the aviation industry with two new resources: regulated financial risk management tools and unique data to support strategic decisions. Skytra manages the world's biggest ticketing database, covering 83% of global ticket sales by value and processing billions of data points daily. Skytra works in partnership with IATA, OTAs, airlines and financial market experts to produce its two flagship products: Skytra Price Indices and Airtyx Business Intelligence. The Skytra Price Indices represent the price of air travel across major geographic markets, enabling airlines to hedge revenues and travel buyers to hedge their travel spend, and Airtyx data provides unique insights into the industry's performance in terms of yields, volumes and revenues. To learn more, visit [Skytra.com](https://www.skytra.com) or follow us on [LinkedIn](#) and Twitter [@SkytraMarkets](#).

About Airbus

Airbus is a global leader in aeronautics, space and related services. In 2019, it generated revenues of € 70 billion and employed a workforce of around 135,000. Airbus offers the most comprehensive range of passenger airliners. Airbus is also a European leader providing tanker, combat, transport and mission aircraft, as well as one of the world's leading space companies. In helicopters, Airbus provides the most efficient civil and military rotorcraft solutions worldwide.

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