

Fly Play hf.: Financial Results Q3 2024

- **PLAY airlines carried 521 thousand passengers in Q3 2024 and the load factor was 89%.**
- **On-time performance reached 89%, improving from 85% last year, making PLAY the most punctual airline at Keflavík International Airport.**
- **PLAY turned a USD 3.5 million profit in Q3 2024.**
- **Load factor increased and ancillary yield remained stable in Q3, however, ASK decreased by 5%, and airfare yield fell by 9% due to the challenging transatlantic market. As a result, total revenue for Q3 decreased from USD 110.2 million to USD 100.5 million, or 8.8%.**
- **Cash position improved slightly to USD 39.8 million, with a USD 0.6 million year-on-year increase. Lease payments on PLAY's aircraft are now set up in such a way that they are higher during the summer months and lower during winter. The effect is a USD 4.3 million lower payments for the winter 2024/2025 compared to last winter.**
- **CASK stayed at 5.3 US cents, with CASK ex-fuel rising to 3.5 cents from 3.4 cents due to capacity changes and personnel costs.**
- **EBIT was USD 9.6 million, USD 3.7 million lower than Q3 2023, affected by increased capacity and competition in the transatlantic market.**
- **PLAY's EBIT for the full year 2024 is now expected to fall below last year's results. The increase in capacity across the Atlantic in spring and summer 2024 had a greater negative impact than anticipated.**
- **PLAY is implementing a major change to its business model. PLAY will scale down its loss-making hub-and-spoke operations and focus on its profit-making point-to-point leisure network, from Iceland to Southern Europe, North Africa and Asia.**
- **At the same time the airline is expanding into charter/ACMI operations.**
- **A full transition to the new business model is expected to take place over the next 12-18 months. After the changes, leisure travel will be around 35%, up from 25% of PLAY's business, charter/ACMI operations will be around 35% and the hub-and-spoke network will be around 30%, down from 75%.**
- **The airline's financial position remains secure and stronger than at the same time last year. However, PLAY will consider getting additional capital this coming winter or spring in connection with a modified business model and its new AOC.**

Einar Örn Ólafsson, CEO

“PLAY announces its intention to substantially alter its business model in that it will significantly downscale its hub-and-spoke network operated out of Keflavik Airport. More of the airline’s capacity will instead be directed towards the Mediterranean and other leisure destinations. Additionally, PLAY will offer third-party operators approx. one-third of its fleet. After having seen an improvement in our financial performance year-on-year in almost all of our markets, this development took a turn for the worse in 2024. With highly increased capacity from competitors on our transatlantic markets this summer, we experienced reduced airfares and RASK on this part of our network. Although our analysis shows that this capacity increase is unlikely to be repeated next year, meaning market conditions should improve in 2025, PLAY has concluded that this part of its network is unlikely to become adequately profitable in the near future with the current operational structure. At the same time, our point-to-point network, mostly catering to leisure passengers, has been financially very successful from the beginning. Operating margins have been stable while capacity has been increased and this shows no signs of tapering off. The change of approach we are now introducing to the market is thus very straightforward. The point-to-point leisure market will not, however, be able to accommodate our entire fleet. PLAY will, therefore, continue to operate a smaller scale hub-and-spoke system. Additionally, we will offer some of our capacity elsewhere in the world, through our Maltese AOC, expected to be granted in the spring. Despite these changes, PLAY continues to be an Icelandic company with headquarters and its core operations in Iceland and we pride ourselves in being home to an extraordinary team of aviation professionals. We are confident that these changes will be a financial success, and I look forward to giving our investors and our diligent employees better yields and our loyal passengers an even sunnier disposition.”

Operating statistics		Q3 2024	Q3 2023	Change
Number of flights	no.	3,077	3,222	-145
Number of operating destinations	no.	32	33	-1
Number of aircraft in operation	no.	10	10	0
Percentage of arrivals on time (OTP)	%	89%	85%	3.9 ppt
Number of passengers	000s	521	540	-19
Available seat kilometers (ASK)	mill	1,725	1,821	-96
Revenue passenger kilometers (RPK)	mill	1,540	1,611	-71
Stage length (km)	no.	2,958	2,941	17
Load factor	%	89%	88%	0.8 ppt
Seats available	000s	584	619	-36
Income statement				
Operating revenue	USD mill	100.5	110.2	-9.7
Operating expenses	USD mill	75.3	81.9	-6.6
EBIT	USD mill	9.6	13.4	-3.7
EBIT margin	%	9.6%	12.1%	-2.8 ppt
Net operating results	USD mill	3.5	4.7	-1.2
Balance sheet				
Total assets	USD mill	458.9	493.8	-34.9
Total liabilities	USD mill	452.3	468.4	-16.1
Total shareholders' equity	USD mill	6.6	25.5	-18.9
Equity ratio	%	1.4%	5.2%	-3.7 ppt
Cash and cash equivalents (incl. restricted)	USD mill	39.8	39.2	0.6
Share information				
Share price at period-end	Per share	2.0	8.8	-6.8
Earnings per share	US cents	0.2	0.8	-0.6
Key statistics				
Airfare per passenger	USD	131	144	-12
Ancillary per passenger	USD	58	58	0
Yield per passenger	USD	189	201	-12
TRASK	US cents	5.8	6.1	-0.3
CASK (incl. fuel & emissions)	US cents	5.3	5.3	-0.1
CASK (excl. fuel & emissions)	US cents	3.5	3.4	0.1
Grams CO ₂ per RPK	gCO ₂ /RPK	56.2	56.9	-0.7
CO ₂ emissions from jet fuel	MT	86,466	91,578	-5,112

521 thousand Passengers, 89% Load Factor and Growing Customer Satisfaction

PLAY carried 521 thousand passengers in Q3 2024, and the load factor was 89% compared to 88% in Q3 2023. Q3 2024 was operationally successful with an 89% on-time performance, compared to 85% last year. PLAY was once again the most punctual airline operating flights from Keflavik International Airport. PLAY operated ten aircraft in the quarter to 32 destinations in Europe and North America. Four new destinations were announced in Q3 2024; Faro in Portugal, Pula in Croatia, Aalborg in Denmark and Valencia in Spain.

By partnering with Dohop Connect, a virtual interline platform, PLAY offers flights with other carriers, creating routes otherwise not available. In Q3, PLAY further enhanced the partnership by expanding the number of carriers including easyJet, adding 350 unique city pairs to the platform. Virtual interline revenue increased 150% from Q3 last year. PLAY has also partnered with Sabre Corporation, expanding the number of travel agencies with direct access to PLAY's inventory.

Customer satisfaction (NPS) has grown by 17% in the first nine months of 2024 compared to the same period in 2023, following PLAY's focus on customer engagement.

PLAY also received the sustainability award "Sjálfbærniásinn," a new metric based on the Qualtrics ESG solution, as the airline that Icelanders believe has the most positive impact on Icelandic society. In the overall ranking of all companies in Iceland, PLAY was in seventh place.

Financials

Total revenue for Q3 was USD 100.5 million compared to USD 110.2 million last year. At the same time, available seat kilometers (ASK) decreased by 5.2% year-on-year. PLAY's airfare revenue is down 11% year-on-year reflecting increased competition in the transatlantic market. Ancillary revenue totaled USD 30.1 million with a decrease of USD 1.8 million compared to last year. However, ancillary revenue decline aligns with the reduction in passenger numbers, as ancillary revenue per passenger in Q3 remained steady at USD 58.

Total revenue per available seat kilometer (TRASK) was 5.8 US cents, compared to 6.1 US cents in 2023. TRASK is down by 5% year-on-year due to overcapacity in the transatlantic markets with pressure on yields. Positive performance of PLAY's European routes did not offset the negative contribution of the North American routes. However, TRASK has improved by 14% from Q2 2024.

Cost per available seat kilometer (CASK) decreased by 1% year-on-year, from 5.32 US cents to 5.26 US cents. CASK excluding fuel (Ex-fuel CASK) is up by 4% between years, from 3.39 cents to 3.53 cents. Several factors contributed to the higher unit cost, the biggest ones being lower ASK and higher salary costs.

Earnings before interest and taxes (EBIT) were positive USD 9.6 million in Q3 2024, down USD 3.7 million from USD 13.4 million in Q3 2023. Load factor increased year-on-year, but lower yields per passenger on the North American routes had a negative impact, resulting in lower EBIT for 2024.

PLAY's cash position at the end of Q3 was USD 39.8 million, including restricted cash, which is USD 0.6 million better than the same period last year, ensuring a solid financial foundation before the winter season. Several factors contribute to a better outlook for the winter than last year: higher forward TRASK, lower oil prices, reasonable stability in the Reykjanes peninsula and a secured ACMI agreement. Additionally, PLAY will incur \$4.3m less lease payments during the coming winter compared with last winter, due to lease agreements now set up to include seasonally adjusted payments.

Outlook and PLAY's New Business Model

PLAY is implementing a major change to its business model. PLAY will scale down its loss-making hub-and-spoke operations and focus on its profit-making point-to-point leisure network, from Iceland to Southern Europe and to a lesser extent, North Africa and Asia. At the same time, the airline is expanding into charter/ACMI operations.

PLAY's yields on its hub-and-spoke business across the Atlantic have been disappointing, particularly in 2024. At the same time, the point-to-point part of PLAY's schedule, primarily flights between Iceland and Southern Europe, has been popular and profitable from the beginning.

The new business model assumes that the number of PLAY's destinations in North America and Northern Europe will decrease from mid-year 2025. Currently, the airline has five destinations in North America. Once the plan is fully implemented PLAY expects to operate two or three destinations daily in North America during summer and even less so in the winter months. After the changes, leisure travel will be around 35% of the business, up from 25%, charter/ACMI operations will be about 35% and the hub-and-spoke network will be around 30%, down from 75%.

With these changes, the airline is utilizing its capacity to profitably deploy part of its young and in-demand fleet outside of Iceland.

PLAY will therefore adapt to the changing market environment by entering a charter/ACMI segment. To support this strategy, PLAY has applied for an air operating license in Malta and expects to start operations under this license in spring 2025. By registering aircraft under a foreign AOC, PLAY removes capacity from the already saturated transatlantic market and utilizes it in projects around the world. PLAY has no plans to operate flights from or to Malta.

Aircraft registered in Malta will be assigned to long-term charter/ACMI projects with strategic partners. PLAY is already in discussions with multiple associates around the world who are interested in the aircraft and will mostly be operated outside of Iceland. The second AOC is necessary as these projects require locally based crews for cost-saving purposes, to make them profitable.

To sum up, PLAY's Icelandic AOC will operate six of its ten aircraft with just over half of the capacity being used for the point-to-point leisure market and the remainder for the hub-and-spoke network. During winter some of that capacity will be made

available for short-term ACMI projects abroad. On the Maltese AOC, PLAY will operate four aircraft; one based in Tenerife mostly expected to operate point-to-point to Reykjavik and Akureyri in Iceland and three in long-term projects outside of Iceland. A full transition to the new business model is expected to take place over the next 12-18 months.

The airline's financial position remains secure. However, PLAY is likely to get additional capital this coming winter or spring in connection with a modified business model. This capital can be in the form of debt or equity and based in different places in the organizational structure. PLAY's EBIT for the full year 2024 is now expected to fall below last year's results. The increase in capacity across the Atlantic in spring and summer 2024 had a greater negative impact than initially anticipated.

Further information

CEO Einar Örn Ólafsson will present the company's results on Thursday, October 24, at 16:00 (4 p.m.) in Sykursalur in Gróska. The presentation will also be streamed in English via webcast: <https://www.flyplay.com/en/financial-reports-and-presentations>.