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## BUSINESS

# Airbus, Boeing Land More Than \$75 Billion in Plane Orders

Deals for single-aisle planes disclosed at Dubai Airshow come amid growth in low-cost airlines



A Boeing 737 Max 8 aircraft, operated by Flydubai, at the Dubai Airshow PHOTO: NATALIE NACCACHE/BLOOMBERG NEWS

*By Doug Cameron and Robert Wall*

Updated Nov. 15, 2017 2:40 p.m. ET

Airbus SE and Boeing Co. BA -0.49% ▼ landed aircraft deals with a headline value of more than \$75 billion, demonstrating unrelenting appetite for their most popular planes from discount carriers looking to lock in deals to support growth for years to come.

Airbus on Wednesday disclosed one of the biggest aircraft commitments on record with a 430-jet agreement with airlines linked to Indigo Partners LLC, a U.S. private-equity group with stakes in some of the fastest-growing low-cost carriers on three continents.

The proposed deal announced at the Dubai Airshow would more than triple the size of Denver-based Frontier Airlines and fuel the rapid expansion of carriers in Hungary, Mexico and Chile. It is a rare example of carriers clubbing together to secure better prices.

The jets carry a sticker price of almost \$49.5 billion before the customary discounts that can reduce the true value by 50% or more, and helps Airbus narrow the gap with Boeing in new orders this year and adds to backlogs at the European manufacturer representing five years or more of production.

Boeing followed shortly after with a deal to sell budget carrier Flydubai as many as 225 of its 737 Max planes, including the newest and largest version, the Max 10. The deal encompasses 175 firm commitments and purchase rights for more, Boeing said, with a combined list price of \$27 billion.

Airbus and Boeing are pushing production of single-aisle planes to satisfy demand, with executives at both manufacturers in recent months saying they could build more planes. Demand is there, they say, though there are concerns suppliers may struggle to keep pace with the torrid pace of production.

Boeing recently raised annual production of the 737 to 564 aircraft and plans to boost the rate by another 60 in each of the next two years. Airbus aims to increase annual output of its A320 planes to 690 in 2019—and has considered going as high as 725.

Even with higher production, new customers will have to wait. The four Indigo-linked carriers' deliveries stretch from 2021 to 2026, with Flydubai's running until 2029



An Airbus A321neo performs a flight display at Le Bourget airport at the International Paris Air Show on June 19. PHOTO: ERIC PIERMONT/AGENCE FRANCE-PRESSE/GETTY IMAGES

Phoenix-based Indigo, which is led by industry veteran Bill Franke, is best known for helping launch Spirit Airlines before selling out to acquire Frontier, as well as Hungary's Wizz Air Holdings PLC and Mexico's Volaris Aviation Holding Co. It also backed JetSmart, a Chilean carrier that launched this year.

The preliminary agreement with Airbus covers 430 planes—273 A320neos and 157 of the larger A321neo model—doubling potential orders placed for the four Indigo-linked airlines.

Frontier plans to take 134 jets, with Wizz receiving 146 planes pending shareholder backing. Volaris would receive 80, with 70 for JetSmart.

It is not unprecedented for airlines to order aircraft jointly. Emirates Airline and Qatar Airways cooperated as launch customers for the Boeing 777X at the 2013 Dubai Airshow. Abu Dhabi-based Etihad Airways also combined an order for Boeing 787 Dreamliners with one from now defunct Air Berlin , in which it held a minority stake.

Budget airlines tend to place massive plane orders at once to get bigger discounts from plane makers. The big commitments allow the manufacturers to lower costs by building planes more efficiently and extracting discounts from their own suppliers.

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For Airbus, the deal is a bit of good news amid several headwinds. Regulators in the U.S. and Europe are

scrutinizing sales by the European company for alleged wrongdoing. Airbus said it had alerted regulators to the possible ethical missteps by middlemen was cooperating with the investigations.

Emirates Airline, the world’s largest by international traffic, on Sunday snubbed the plane maker on a roughly \$15 billion A380 superjumbo order, refusing to finalize the deal unless Airbus promised to build the plane for at least another decade.

The European manufacturer has trailed Boeing in securing new orders this year, garnering more than 300 before Wednesday’s announcement, compared with more than 600 for its U.S. rival. Airbus officials hope to finalize the deals by the end of the year.

The Dubai Airshow can be a hotbed for plane deals. Four years ago, Boeing snagged a \$76 billion deal from Emirates Airline for the 777X. The carrier at the same event ordered 50 A380 superjumbos valued at around \$22 billion at today’s list price. A decade ago, Dubai Aerospace Enterprise drew attention with a 200-plane deal split equally between Airbus and Boeing for different plane models. DAE was forced to cancel the \$27 billion in plane orders—considered massive at the time—when the jet-leasing firm ran into financial trouble.

However, analysts are cautious on whether some of the big customers will take all of their planned jets on schedule, particularly if an economic downturn slows traffic growth.

Gus Kelly, chief executive of aircraft lessor AerCap Holdings NV, said this

week that placing aircraft orders often represents a career highlight for some airline CEOs. Speaking at an investor conference, Mr. Kelly said some of these orders had served only to benefit the shareholders of Airbus and Boeing.

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*Appeared in the November 16, 2017, print edition as 'Budget Carriers Gird for Growth.'*

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