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cargo facts UPDATE

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EFW redelivers first A330-200P2F to EgyptAir Cargo. On 3 August, EgyptAir Cargo took redelivery of the first passenger-to-freighter converted A330-200 from EFW, the MRO and conversion joint venture of ST Aerospace Engineering and Airbus [FAT 004616].

EgyptAir initially signed on as EFW's launch customer with an order for two of the converted freighters in late 2014 and has since confirmed an order for a third, and an option for a fourth. The first aircraft (600) was inducted for conversion in April 2017, and completed conversion in 2Q18. EFW then received supplemental type certification (STC) for the -200P2F conversion from the European Aviation Safety Agency (EASA) last month.

Following this redelivery, EgyptAir has two additional A330-200P2F conversions on order with EFW, and an option for another.

Alongside its -200P2F program, EFW also certified and redelivered the first freighter-converted A330-300F to that program's launch customer, DHL, late last year. While DHL and EgyptAir both have more upcoming deliveries of their respective conversion orders scheduled, there are no additional orders scheduled. At the same time, several airlines that at one point operated the A330-200 production freighter (including Etihad Cargo, Qatar Airways and MASkargo) have moved away from the use of A330Fs, leaving some doubt over the viability of the A330 platform outside of niche roles.

Still, the conversion programs are in early stages, and comments made during this earnings season indicate that the A330F conversions may yet find more operators. Atlas Air Worldwide Holdings' CEO, Bill Flynn, said during the company's second-quarter earnings call that the conversion programs offer "a growing opportunity and a good opportunity" for the air cargo industry, particularly given the ready availability of passenger aircraft available for conversion.

ATSG's appetite for 767Fs to persist beyond 2019. Air Transport Services Group (ATSG) doubled-down on its commitment to the 767 platform through 2019 and beyond, signaling that it will add between six and ten of the type in 2019, and likely more in 2020 and 2021. This year, ATSG, through its Cargo Aircraft Management (CAM) leasing subsidiary, plans to convert and deliver a total of nine 767F-300Fs and one 737-400F. Four 767-300Fs were added to CAM's portfolio during the first half of the year, two aircraft currently undergoing conversion are slated for redelivery this quarter, and four additional units are due in 4Q18.

Turning to the company's 2Q18 results, net revenue from customers rose 6% year-over-year to $203.6 million driven by higher earnings from ATSG's leasing subsidiary. Net income swung from a loss of $48.4 million the year prior, to earnings of $22.8 million. For more on ATSG's second quarter, visit CargoFacts.com **here**.

Walmart, JD.com invest $500 million in Chinese online delivery company. The company, Dada-JD Daojia, was formed from the merger of JD.com's JD Daojia online-to-offline business and Dada Nexus, the crowd-sourced delivery company. JD Daojia partners with retail stores to provide one-hour delivery services for groceries and other items, and *Reuters* estimates JD Daojia has about 20 million active users per month.

In related news, **Walmart's proposed acquisition of Indian e-commerce giant Flipkart** received approval from the Competition Commission of India this week. Walmart announced it would acquire a roughly 77% stake in Flipkart for about US$16 billion in May.

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Rapid growth of China's express market continues into 1H18. During the first half of this year, China's domestic express delivery sector delivered 22.08 billion parcels, an increase of 27.5% y-o-y from 1H17. International cross-border deliveries, which include parcels moving between mainland China, Taiwan and Hong Kong and Macau, increased by 43.1% during the same period, to 520 million parcels, according to statistics from the China Express Association.

Chinese provinces with the fastest growing express markets during 1H18		
Province	Region	Annual Growth
Hebei	Central	49.4%
Ningxia	West	48.5%
Inner Mongolia	Central	44.5%
Shandong	East	44.5%

Demand for express services continues to be heavily lopsided, with 80.3% of the demand stemming from provinces along the wealthier, and more developed east coast of the country. Even though the express market in central and western China is outpacing market growth in eastern China, the regions represent just 12%, and 7.7% of overall delivery volumes. Through the first six-months of 2018, the provinces with the fastest growing express markets were mostly located in west and central China.

DP-DHL 2Q marked by post, parcel pains. While Deutsche Post-DHL Group posted operating profit (EBIT) gains in the Express, Global Forwarding and Freight, and Supply Chain segments, a year-over-year decrease of 58.5% in second quarter EBIT for the Post-eCommerce-Parcel (PeP) division weighed on the Group's overall EBIT for the quarter, which declined by 11.2% y-o-y to €747 million. The Group's revenue increased 1.4% y-o-y to €15.03 billion, and net profit declined 14.3% to €516 million.

DP-DHL's first quarter results for the year also suffered from challenges in the PeP division from higher costs and capital expenditures. The past quarter was also marked by a 44.4% y-o-y decline in EBIT for the Group's Supply Chain division, which has since turned around, with the division posting a 3.2% y-o-y increase to €128 million during the second quarter. A more thorough analysis of the second quarter results is available **here**.

Volga-Dnepr, Henan Province partner on Belt and Road initiative. Russia-based Volga-Dnepr Group signed an agreement with Henan Airport Group and Zhongyuan Asset Management to form a "trans-Siberian air bridge" as part of China's Belt and Road initiative, aimed at redeveloping the ancient Silk Road route between Europe and Asia. The partnership will focus on the Zhengzhou Airport (CGO) and the Zhengzhou Airport Economic Comprehensive Experimental Zone, an expansive industrial zone pilot built around an airport-based economy.

Airport operator Fraport sells its stake in Hannover Airport. Fraport sold its 30% stake in Flughafen Hannover-Langenhagen (FHLG), the operating company of Hannover Airport (HAJ), to iCON Infrastructure Group for €109.2 million. Fraport had initially acquired a 20% stake in FHLG in 1998, followed by another 10% five years later. Fraport expects the deal will be complete within the next two months, and that it will have a positive impact of about €77 million on Fraport's net profit for 2018 after deduction of related income tax liabilities.

Turkish Cargo reported cargo revenues up 35% y-o-y in 1H18, to US $784 million. During the same period cargo volumes increased by 27.7%, to 660 thousand tonnes. Since the first half of 2017, Turkish has added two 777Fs to its eighteen-unit freighter fleet.

Recent freighter aircraft transactions:

FedEx took delivery of a 767-300F (62500) from Boeing [FAT 004617]. FedEx now operates sixty-one 767-300Fs and has sixty-five more on order.

A 767-300ER (35156, ex-Shanghai Airlines) was ferried to Taipei (TPE) for conversion into freighter configuration by Boeing at the EGAC facility [FAT 004618]. SF Airlines is confirmed as the conversion customer, and the aircraft's sister ship (35155, also ex-Shanghai Airlines), which is currently in storage at Marana (MZJ), will also be converted for SF.

US-based Kalitta Charters II took redelivery of a 737-400F (25407) from Aeronautical Engineers, Inc., following conversion to freighter configuration [FAT 004619].


FREIGHTER FORECAST
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