

THE IBS PSS DEAL WITH SUNEXPRESS IS SIGNIFICANT

First View: Rapid analysis of breaking news, providing perspective

THE FACTS

On 22 January 2016, IBS announced the signature of a multi-year contract to supply a passenger servicing system (PSS) to SunExpress. No date was provided in the press release for the planned migration. SunExpress are currently using Hitit as their PSS solution.

THE ANALYSIS

Consider the following:

Whilst the volume of passengers boarded, estimated by T2RL at 7.3 million for 2014 will not change global market shares significantly the deal is important. Despite some challenges in the past with other PSS projects, IBS have continued to maintain and invest and develop their PSS solutions.

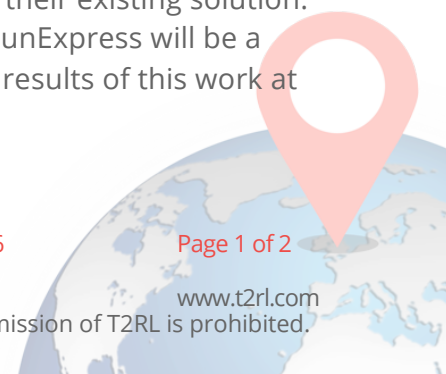
T2RL see the deal with SunExpress as a significant and high profile win for IBS PLC.

SunExpress is a joint venture between Lufthansa and Turkish Airlines, run by Jaan Albrecht. Prior to his appointment in June 2015 Albrecht was the CEO of Austrian Airlines from November 2011, and before that the CEO of Star Alliance for 10 years. Therefore, Albrecht has a high profile within the Lufthansa Group and a personal relationship with the Lufthansa Executive Board member and Chief Officer Group Airlines, Harry Hohmeister.

Lufthansa's relationship with their current PSS and GDS provider, Amadeus, must be very challenging given Lufthansa's determination to pass on GDS booking fees to those customers that choose to book through a GDS with the 16 Euro surcharge.

T2RL's research suggests that Lufthansa are considering their long-term e-commerce and merchandising solution strategy. It is T2RL's view that this is likely to favour vendors such as Datalex, Farelogix or Vayant rather than increase dependency on Amadeus, given Amadeus' acquisition of Navitaire.

IBS' solution has been built on modern technology and needs smaller customers to operationalize and deploy the solution to scale. T2RL's view is that IBS currently have a modern, flexible and scalable architecture that will allow them to develop quickly and efficiently any major functional gaps necessary for SunExpress with their existing solution. IBS also have significant development and deployment resources. SunExpress will be a good proving ground for IBS and Lufthansa will see the system and results of this work at first hand.



SunExpress is an unusual airline in that it operates multiple business models and currently two AOCs. For its size it is likely to be one of the most complex airlines in the World to supply. T2RL believe that SunExpress will need all of the complexity and functionality of a Lufthansa combined with that of a charter airline operating for commercial third-parties such as tour operators. This will require all of the advanced commercial airline functionality such as codeshare and interline, together with electronic ticketing and electronic miscellaneous documents, charter flight and inventory block booking and support for direct channels such as web, mobile and APIs together with complex revenue management support (such as O&D in the longer term) and GDS distribution.

It is also common knowledge that Turkish Airlines are also considering their long-term options with respect to PSS solutions. Today they have three options, Amadeus, Sabre and their own in-house solutions with partners like IBM. SunExpress' choice of the IBS solution will also provide Turkish with insight and perspectives for the longer-term. Turkish Airlines are considered the largest current addressable market opportunity and prize in the PSS market today and Amadeus and Sabre will undoubtedly compete vigorously to win this business.

THE SPECULATION

IBS' success in the provision of multi-million dollar projects to deliver platforms has been proven with their work on cargo for Lufthansa and others. Whilst large scale projects are always challenging, Lufthansa would be unlikely to take significant risks in supply of mission critical applications. T2RL see SunExpress as the proving ground for their PSS capabilities and both Lufthansa and Turkish will have access to the implementation process and outcomes. Ultimately it will be a project that IBS can not afford to see fail, even if the revenue is not significant, and the share is almost irrelevant in the PSS market place.

Despite the loss of business from SunExpress, Hitit will not disappear. T2RL's research suggests that they have secured a number of customers that will compensate for the loss of volume from SunExpress including Air Namibia, Turkmenistan Airlines and Nouvelair from Tunisia.

Ultimately if the functional gap proves too challenging, IBS and their new partners Blackstone always have the option to try and purchase Hitit. Indeed, it may make even more sense for IBS if they have any longer-term designs on Turkish Airlines.



T2RL is an independent research and consulting company that specialises in the market place for airline IT systems. Based on data gathered and analysed since the year 2000 it has defined and tracked classifications of airlines and their IT providers. Its research is used extensively by airlines to enable them to make informed choices for systems and vendors and by the vendors to help them develop products that best meet the current and future needs of the airline industry. For further information, visit our website at www.t2rl.com.

