

Agreement between AF-KLM and CMA-CGM



| Air France-KLM Administrator's Newsletter

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Representative of the employees and former employees shareholders PS and PNC

N°96, May 19, 2022

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News of the day



> CMA CGM and Air France-KLM form a capital alliance to create a global freight champion

(source Les Echos) May 18 - **The world's third largest shipping company and the airline have signed an exclusive ten-year partnership to pool their cargo aircraft networks, with CMA CGM taking a stake of up to 9% in Air France-KLM.** Exclusive interview with Rodolphe Saadé and Ben Smith.

Insatiable Rodolphe Saadé! Not content with having more than doubled the size of CMA CGM since he took the helm of the world's third largest shipping company in 2017, the CEO of the family-owned group is taking it into a new dimension, that of a global logistics operator operating on the seas, on land and in the air.

Barely a year after launching its own airline in the air freight market, CMA CGM becomes the exclusive partner of one of the most powerful players in the market, Air France-KLM. But also one of its future reference shareholders, with a stake of 9% of the capital, which will take shape during the imminent recapitalization of Air France-KLM.

For both Rodolphe Saadé and Air France-KLM CEO Ben Smith, the signing of this exclusive ten-year partnership, negotiated over several months in the greatest secrecy, has all the hallmarks of a genuine "win-win" agreement. With this agreement, which still has to be validated by the European Commission, **the Marseille-based shipowner and the Air France-KLM group will give birth to a new global freight champion**

"In Europe, we will already be number one and number four in the world in terms of network and capacity," says Rodolphe Saadé. "We will also be number one on the North Atlantic, ahead of Lufthansa," adds Ben Smith

The new group will have a fleet of 10 all-cargo aircraft - four from CMA CGM and six from Air France-KLM - from the start, rising to 22 aircraft in 2027 with orders for Airbus A350s and Boeing 777Fs placed by Air France-KLM and CMA CGM. "In addition, the bunkers of 160 long-haul aircraft belonging to Air France and KLM are also included in the agreement," says Benjamin Smith.

The two airlines will be based together at Roissy-CDG, the Air France hub, where the first CMA CGM Boeing 777F is due to arrive in June. Regardless of our discussions with Air France-KLM, we had planned to leave Liège for Roissy-CDG," says Rodolphe Saadé. However, we do not exclude operating some aircraft in Amsterdam-Schiphol. According to the CMA CGM CEO, "the consolidation of our resources at Roissy-CDG will generate significant synergies. Together, we will be able to offer our customers a global network, with the possibility of serving the main ports and airports in the world. This will enable us to develop new markets and be more resilient in the face of possible crises.

In addition to its network, Air France-KLM will also provide the transport and logistics group with the benefit of its air freight know-how. In particular, we will enable CMA CGM to benefit from our tools and expertise in revenue optimization," explains Benjamin Smith. This is a know-how that requires many years of experience

This will not be a merger of companies," says the Air France-KLM CEO, "but a commercial partnership, which will take the form of a virtual joint venture, similar to the one already established with Delta and Virgin Atlantic, as well as with China Eastern in China. These two strategic partners are also key shareholders in Air France-KLM - China Eastern holds 9.6% and Delta 5.8% - as will soon be the case with CMA CGM, which holds 9%.

For Air France-KLM, which still needs to raise some 4 billion euros to restore its balance sheet and repay its state aid, the arrival of a global shipping and logistics giant in its round table is of obvious interest on the eve of a second recapitalization operation. The entry of CMA CGM will certainly send a strong signal to the market," says Ben Smith. It should make things easier for our recapitalization. "

The fact that **CMA CGM will** become a reference shareholder of Air France-KLM will certainly weigh heavily", also estimates Rodolphe Saadé. But this acquisition will also make our exclusive partnership even stronger," he adds. **We will be the only major shipping group to have a partnership of this scale with a major air transport group,** which is a reference in its field. This is consistent with our strategy to become a global integrator."

However, **neither the amount of CMA CGM's investment in Air France-KLM, which is expected to be in the hundreds of millions of euros, nor the launch date of the recapitalization have been set yet.** "We would like to do it as soon as possible," admits Ben Smith. "But we don't want to rush it either, because Air France-KLM does not have a cash flow problem and we want to seize the best moment for this operation," he adds.

The reaction of the stock market to the announcement of this alliance will probably contribute to accelerate, or not, the calendar. This Wednesday, this reaction was rather in the right direction, with Air France-KLM shares up 4.87% at the close, at 4.15 euros, close to its highest level for a year. This would be in favor of a rapid launch of the recapitalization, around the general meeting of shareholders on May 24.

The only certainty is that **the next known step will necessarily be the vote by Air France-KLM shareholders at the May 24 AGM on a resolution to appoint a CMA CGM representative to the group's board of directors, who will be none other than Rodolphe Saadé himself.**

Rodolphe Saadé's interest in air transport does not seem to be limited to his freight partnership with Air France-KLM. Now we have to make this

partnership work," he explains. But I have high hopes that we can develop it, make it grow and, who knows, maybe help consolidate the air transport market.

My comment: *The proposed agreement between Air France-KLM and CMA-CGM demonstrates the renewed attractiveness of the Franco-Dutch group.*

When the deal was announced, Air France-KLM's share price rose by more than 5%, reaching €4.22 at the time of writing.

The deal has two equally important components: a 10-year commercial partnership and a maximum 9% stake for CMA-CGM in the Air France-KLM group, making it the group's second largest shareholder at this stage.

From a commercial point of view, this is a winning agreement combining Air France-KLM's experience and know-how in air transport with CMA CGM's industrial tool and expertise in global logistics chains. Air France-KLM and CMA CGM will jointly market their airfreight capacities, thus offering customers more options for their transportation needs.

The project is in no way similar to the alliance between the Lufthansa Group and the Italian-Swiss cargo and cruise giant MSC, an alliance of circumstance in an attempt to buy ITA Airways.

In short:

CMA-CGM is a global leader in container shipping.

At the end of 2020, CMA CGM had announced its intention to take a 30% stake in the aeronautical branch of the Dubreuil group (Air Caraïbes and French Bee). The project was abandoned in February 2021.

In 2021, CMA-CGM's net profit reached the impressive level of \$17.9 billion for a turnover of \$55.98 billion.

End of the Flash

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| François Robardet

**Director of Air France-KLM representing the employees and former employees shareholders of PNC and PS.
You can find me on my twitter account @FrRobardet**

When I was elected, I received the support of the CFDT and the UNPNC. This message deals with subjects related to the Air France-KLM shareholding.

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