

# Jet Vibes

Vol. 11 • NO 1  
Spring 2013

The Newsletter for Employees & Friends of Cargojet



After a very slow start to 2012, we ended the year strong with some noticeable increases in volume and revenue particularly in the last half of the year. The enhancement and expansion of our domestic network in Eastern Canada that began in July, has resulted in better than expected volume and revenue growth that continue into this year. We are now providing additional capacity and better connectivity to our overnight customers to/from the Maritimes and have become the dominant carrier of seafood from of the Maritimes to both domestic and international destinations.

Additionally we continue to position ourselves as a dominant global air cargo charter operator and we experienced significant growth in this sector last year. Infact it was one of our best years ever as we were able to compete effectively with many global airlines as we strived to find solutions for our customers.

Consistent operational performance and safety continue to be the priority and Cargojet achieved over 98% on-time arrival within fifteen minutes of scheduled arrival time on almost 7,000 flight legs operated during the year.

While we continue to remain somewhat uncertain and cautious on the economic recovery in Canada, we are proud of Cargojet's ability to provide scalable solutions for our customers. We have an excellent track record of responding to any challenge that we face and to continue to operate the business profitably and with strong cash flows. Our customers and our shareholders appreciate the consistency that Cargojet steadily provides in terms of both our operational and financial performance.

This year is shaping up to be a very exciting one for Cargojet. Although the year is young we are very excited about some of the opportunities we are pursuing, as you will read further in this issue.

As we have said many times before, we could not do this without the dedication, hard work and loyalty of every single member of the Cargojet Team! This year we will be working hard at developing new business and focusing our efforts at growing our overall revenue base and we are counting on you for your support. It is always an exciting time for Cargojet as we continue to prove everyday that we are the best and most dominant air cargo carrier in Canada today!

My best,



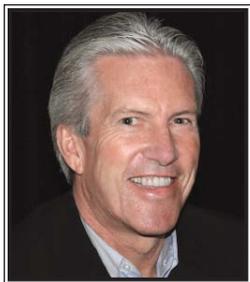
Dr. Ajay K. Virmani  
President & CEO



**CARGOJET**



## “CARGOJET SALES OVERVIEW”



Although all businesses including Cargojet are very complex entities, there are really only two basic fundamental parts to any business. One part is the cost or expense side and the other of course is the revenue side of the business.

Cargojet has historically done a very good job of managing both parts of its business. We are very prudent and detail oriented in managing our costs and we make the sometimes hard decisions whenever and wherever they need to be made to ensure the future viability and growth of our company.

We maintain excellent and long-term relationships with all of our customers, most of whom have been with Cargojet since its inception and even prior. After several years of focusing on cost controls, this year our priority focus is on enhancing and growing our revenue base across all segments of our business.

We continue to grow our dedicated sales team across the country and charge them with the responsibility of seeking out new sources of revenue for Cargojet. This includes new and existing air cargo customers for our domestic overnight network and looking for additional revenue streams such as air cargo charters, network expansion both domestic and international and looking at developing new air cargo products and services for our customer base.

We have grown from our humble beginnings over ten years ago and with less than \$25M in annual sales revenue to become Canada's largest and only air cargo public company with sales approaching \$200M annually. It continues to be an exciting time for Cargojet and hopefully this issue of Jetvibes will give you a little more insight and perspective into the sales team and the exciting new sales initiatives that we are working in the coming year.

Jamie Porteous  
Executive Vice-President





## “INTERNATIONAL SALES”



Cargojet's growth internationally over the last 8 years has come from a variety of areas. As our fleet continues to expand and modernize and as our brand becomes more globally recognized, the activity levels have increased dramatically. Infact 2012 was a record year for international activity at Cargojet.

Our first international expansion point was Hamilton, Bermuda in November of 2005. By placing a 727-200 freighter aircraft in Newark, New Jersey we adopted a similar business model as we do in Canada. Ironically we are doing business with the same companies as we do domestically. These customers traditionally ran their own fleet of aircraft to BDA and by co-loading onto 1 jet departure per day, not only were they able to save them time and money these customers were able to grow their business in a variable cost environment. Bermuda continues to grow with an expanded customer base and we have become a vital economic link.

Our interline business has become an important part of our international expansion and growth strategy. The bulk of this business has been transiting our YVR hub for beyond service to all bonded bases across Canada. This service has become a critical part of our Asian Carriers extended route network who have come to rely on Cargojet to extend their brand and presence across Canada. With over 44 of the world's leading carriers, Cargojet has become the largest Canadian interline carrier for the 3rd consecutive year. In addition to this we have opened GSA offices in

Hong Kong and Korea and this year we are planning to open China and register our AWB's in this market. Leveraging relationships with our Asian airline partners, we have been able to secure lift to YVR for beyond carriage in Canada. This further allows Cargojet to expand our brand and target light flight segments in our network.

Cargojet's success in the international arena can be directly tied to our unique and innovative core overnight domestic network. For the most part, the current domestic overnight network provides us with the ability to use these assets for other off-shore opportunities. By pursuing these opportunities, we can secure incremental revenue which off-sets lighter volumes in our network.

One of the fastest growing segments of our business today is our Adhoc Charter Sales. We have expanded our adhoc flying operations to such destinations as Mexico, Cuba, Brazil, Paraguay, UK, Norway, Sweden, Belgium, Germany, Poland, Ukraine and Russia just to mention a few. Carrying products such as Live Animals, Defense Equipment, Pharmaceuticals, mining equipment, auto parts and electronics. This was only possible with the introduction of the 767-200 and 757-200 aircraft which are both ETOPS equipped. This business segment will play an important part of our overall strategy to provide competitive pricing, superior service and a healthy return to our shareholders which ultimately benefits our employees and our customers.

2013 is shaping up to be an exciting year and we look forward to this challenge and doing our part to remain Canada's Cargo Airline.

Gordon Johnston  
VP International Strategic Development





## ***“CARGOJET’S SALES TEAM – INCLUDES ALL OF US”***



The domestic air cargo market and the overnight network have evolved rapidly over the last decade. Twelve years ago there was no dedicated sales representation and a much smaller network in place. For example there was only one B737-200F departing from Vancouver and another B737-200F departing Hamilton to the east coast. A total of only seven upper deck positions

available on this aircraft type. At one time these aircraft were passenger / cargo combi configurations being shared with the Royal Airlines / Canada 3000 passenger operation trying to perform dual roles; in the end doing neither one of them very well. Today we have the equivalent of 39 positions representing 160,000 lbs of available dedicated cargo lift departing Vancouver daily and it is quite common to be sold to over capacity forcing us to prioritize and defer traffic for the next operation. Similarly from Hamilton to the east is always a challenge trying to contain the load on the aircraft operating on the route.

Cargojet has domestic sales representation in Vancouver, Calgary / Edmonton combined, Winnipeg, Toronto, Montreal and Halifax. The sales team is not your traditional sales force out there in the marketplace with an assigned territory being measured on how many calls they make per week. Actually, our five dedicated sales reps supported by two General Managers and staffs in head office have dual roles of Sales & Service support.

In order not to conflict with our core domestic customers sales efforts to increase their market share our sales group seek out and focus on what we refer to as neutral ad-hoc business opportunities.

We look at our contract customers much larger dedicated sales forces as an extension of the Cargojet brand. They are out in the marketplace indirectly selling Cargojet as a key component of their own overnight product offerings.

Our core contract customer base has changed little over the years. There have been some consolidations, but overall we have the same loyal customers that have supported us since our inception. The 80 / 20 rule applies here where our top ten customers account for approximately 80% of our domestic overnight business.

It is the other 20% of revenues the sales representatives focus on and work to divert as much of their traffic as we can to our network. Not only does this additional ad hoc revenue allow us to lower our overall costs, it is quite often the difference between profit and loss for us.

This year we are embarking on a renewed sales focus by utilizing Management Reports (MI) to track these “other” customers. These reports will enable us to more fully understand not only their business but also the overall operating environment we find ourselves operating in better.

The information contained in the customized reports will allow us to collectively understand the market, our customers business, volume fluctuations, gather market intelligence and share this business development information amongst each region.

Each individual sales representative will be responsible for a list of ad hoc customers in their respective areas. By centering our efforts on these customers, following their traffic trends and visiting them regularly we will gain their loyalty, build and foster a business relationship with them, ultimately with the objective of obtaining a greater share of their business.

In addition to the focus on the “other” customers we will also be aggressively pursuing new business opportunities from new customers and introducing them to Cargojet’s comprehensive network and service offerings.

Any sales person will tell you that one of the easiest things about being in sales and promoting Cargojet is having the confidence in the service they are selling. After all we do not manufacture a product – we sell only one thing – SERVICE –!

Like our customer’s sales force can be viewed as an extension of our selling efforts so too are the dedicated operations staff, crews, maintenance and support personnel across the country who give us the confidence every night that we will service what they have sold and the service parameters they have committed to.

This confidence leads to increased and repeat sales allowing us to continue to grow the business to the benefit of our customer’s, our employees and our shareholders.

In 2013 we have many new sales business development opportunities we are actively and aggressively pursuing. These initiatives will build on the momentum created by our east coast expansion in 2012 and bring promise the future will be very exciting.

Thank you to all of you for being an integral part of the Cargojet sales team.

Roger Arbour  
VP National Accounts and Network Planning

