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# Avolon sees further M&A activity

There will be more merger and acquisition (M&A) activity in the future, according to the chief executive officer of Avolon.

Addressing delegates at the 18th Asia Pacific Airfinance conference in Hong Kong, Domhnal Slattery says M&A activity in not a new thing.

"There has been various M&A transactions since the 1980s, but the 'big bang' transaction was the GPA acquisition by GECAS in November 1993. This is because GECAS acquired a business with an amazing franchise and a broken balance sheet and that suited their model at the time," says Slattery.

"We are in Hong Kong and 10 years ago, there were no Asian-owned lessors in the top 10 leasing companies. Today there are four," says Slattery, adding that three leasing companies have been building their way up by acquiring western businesses with Chinese and Japanese capital.

"Only one leasing company, ICBC Leasing, has grown organically and that tells you about how difficult it is to grow organically. Therefore there will be more M&A activity in the future."

Slattery questions how difficult it is to get the scale in this industry.

"The last 15 years have seen a huge growth with new entrants. The consolidation that has occurred has not in effect created a less fragmented industry. It has neutralised it.

"Consolidation should reduce the number of participants in the industry, but in fact with so many new entrants nipping away and attacking the incumbents, it has been neutralised."

He adds: "What that tells you strategically is that there is going to me more consolidation. But consolidation to drive scale is even more difficult."

He says Avolon has been the only player that has gone from "zero" to being a top three player in the last 15 years.

"We were lucky, our timing was right and we had the right capital structure, but nevertheless, no matter how hard you try, you need to do a lot of transactions to get into the top three," Slattery says.

He adds: "In 2001, deals in the scale of $5 billion were big deals. Today, $5 billion won't get you out of bed. We do $5 billion of business a year now. So scale in this industry has moved from $5 billion to $15 to 20 billion."

He says the M&A activity is broken into two separate categories: "strategic" and "stress".

"Over the years, there has been plenty of activity, but the really big deals were in the 'stress' category," he says.

"Several years ago Gus Kelly at Aercap engineered a 'transformative play transaction' for the AerCap shareholders with the acquisition of ILFC from AIG," he says.

On the 'strategic' side, he points out the recent acquisition of AWAS by DAE Aerospace, a deal that allows the Dubai-based operating lessor to grow while in


the meantime there was a need by the AWAS owners, mainly private equities, to sell the platform.

Slattery highlights the benefits of pursuing deals with the main objective being the economies of scale.

"Unquestionably, this is the objective for many lessors as the leasing markets continues to grow," he says.

This correlates with providing more purchasing power with the OEMs.

"Unfortunately for the OEMs, a better buying power allows lessors to drive better deals and at Avolon we intend to be Airbus and Boeing's single largest customer. We already are GE engines' biggest customer in the world."

According to Slattery, M&A allows more diversification in the number of airline clients.

"I now have 151 conversations compared with 80 conversations prior to the CIT acquisition," he says.

# Airbus/CSeries 'not a done deal': lessors

Airbus' decision to secure a majority stake in Bombardier's CSeries is viewed as a positive one, but it is premature to view the move as a done deal, according to lessors.

"It is a memorandum of understanding and it still subject to regulatory approval in Europe, the US and Canada," said Air Lease's Steven Udvar-Hazy, adding: "There are parties that are not interested in a positive outcome. We expect a lot of activity in the legal and regulatory space in the next 12 months...We still have the US Department of Commerce that has to deal with this and there will be objections from various parties that rather not see this transaction take place."

Macquarie Bank's global head of transportation, Stephen Cook, echoed this view: "It is not a done deal yet and a lot still needs to happen."

The lessor is one of three leasing companies with orders for the aircraft, according to Airfinance Journal's Fleet Tracker. Ilyushin Finance Corporation and Lease Corporation International are the others.

"We signed for 40 aircraft in 2014 and we did it off of the belief that it is a good aircraft," says Cook, adding: "But obviously, it has been slow to develop, a bit slower than we like, so the recent announcement with Airbus stepping in is positive." Cook indicates "Airbus could do a lot with the programme".

Udvar-Hazy believes the agreement was implemented by the Canadian government to "ensure that Bombardier has a future."

Assuming the transaction does go ahead, Udvar-Hazy believes cost is key concern for the programme.

"Can Airbus and Bombardier reduce the cost of this aircraft as cost and pricing have been impediments to a large customer base development. Only two recent transaction of scale have been done. One with Delta, and we all know that was done at an unusual pricing point, and one with Air Canada," he says, adding: "So, there haven't been a lot of other marketing successes for the airplane, not because of the airplane but because of the concern for the future of Bombardier. The global customer base of the airplane needs to be strengthened and, of course, Airbus brings a lot of value in order to accomplish that."

Airbus would use its factory in Alabama to help with production for the CSeries programme, a move that could help skirt the 300% tariff that is being touted on aircraft sold to US customers.


Reaction by other manufacturers, such as Embraer, "will be interesting to watch", Cook adds.

Udvar-Hazy anticipates production of the Airbus A319 programme "would be phased out" if the agreement goes ahead.

"In this segment, there is tremendous market competition," he says, adding: "We have seen lease rates on the Embraer and Canadian jets come down in the past 24 months, so it is a competitive market and it will be very interesting to watch how this Airbus and Bombardier relationship evolves. Does this mean Boeing and Embraer have a future? Again, time will tell."

Fitch Ratings believes the CSeries success could pressure valuations for existing collateral in the market, including some Embraer E-Jets, Boeing 737-700 and Airbus A318 and A319 aircraft.

Bombardier has secured orders for 360 CSeries units. Delta Air Lines is the CSeries' biggest customer with 75 units, followed by Air Canada and Republic Airways with 45 aircraft on order each.

Under the terms of the deal, Airbus will take a 50.01% interest in the CSeries, while Bombardier and Investissement Quebec will own about 31% and 19%, respectively. Airbus will contribute no cash for its majority stake.

Currently Bombardier owns 62% of the partnership and investissement Quebec owns 38%.

Airbus has a call option to acquire all of Bombardier's CSeries interest after seven-and-a-half-years. Bombardier, at the same time, has a put option allowing it to require Airbus to purchase the shares.

# Udvar-Hazy says widebody market 'alive and kicking'

The customer base for widebodies is still "alive and kicking", the executive chairman of the board of Air Lease (ALC) has said.

Steven Udvar-Hazy says people should not generalise the whole widebody market as being "X or Y", but rather one has to look at individual aircraft types and segments.

Udvar-Hazy says that the widebodies need to be broken down into three segments: the used market; smaller widebodies like the 787-8, 787-9, A330neo, A350-900; and 777X-9 and longer range 777-8, A350-1000, A380 and 747-8 Intercontinental aircraft.

"What we've seen in the last 12 months is the larger end of that segment has been very difficult and there have been very few sales in that segment," he says.

He notes how several airlines have modified their orders from larger to smaller variant widebodies.

Airfinance Journal reported on 9 October that figures published by Airbus in September showed more customers transferred A350-1000 to the -900 smaller variant. In early September, United Airlines ordered 10 extra A350s and swapped its existing order from the largest model, the A350-1000, to the smaller A350-900 unit.

That segment of the market is really suffering because airlines are finding the smaller medium sized widebodies a lot more flexible and add a lot of adaptability to their network," Udvar-Hazy says, adding that the larger variants are limited to fewer city pairs.

"Overall there is liquidity in the market place. Banks are willing to finance widebodies," he says, though admits the advance rates may be lower than for single-aisle aircraft.

**Capital markets**

Udvar-Hazy also discussed how a successful lessor needs to have "depth" in its access to the capital markets.

"One of the things we did at ALC is we overfunded the company with equity in the beginning. We raised well over a billion dollars to get the company started even before we got our first airplane," he says.

"Our belief is a strong lessor with a significant market presence has to have investment grade quality credit ratings because the capital markets can be very unforgiving if there is a liquidity squeeze. It's the unrated lessors that will get hit first and the markets will dry up and the cost of financing will go up tremendously.

"Having a strong balance sheet and track record and a very strong financial foundation is critical in the long term to be a successful and competitive lessor. The stronger your capital structure is, the lower your cost of financing. Your two most important expenses are depreciation of aircraft which's based on your acquisition cost and cost of financing."


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The data you need already exists in your systems. But it is useless unless you can readily access it and present it in a meaningful way. Your data may be current, but it may be kept in multiple systems, making it difficult to bring everything together in one simple report. Having accurate and reliable data for making instant or long-term business decisions is a crucial tool.

**Reporting and Analytics**

Operational and management reporting, along with business analytics, enable you to predict what will likely happen by combining current and historical asset data with information from other internal and external sources. These sources of data include: contractual obligations, reserve balances, cash flow and payment history, operator-specific maintenance programmes, maintenance, reconfiguration and asset return/delivery costs. It may also include data sets such as operator fleet profiles and credit assessments with new aircraft specification costs.

With enhanced reporting and data repositories you can have information that is:

- ***specific*** to your business issues;
- ***easily accessible***, and available in an array of ***formats***;
- ***organized*** to simplify reporting;
- ***timely and reliable***, consistent across your enterprise; and
- ***integrated*** with other relevant data.

Information should be simplified, standardised, and easily understood. The information you extract from your systems must be consistently classified and clearly presented across the organisation. This requires that:

- Maintenance events are tracked and classified properly;
- Specification data is standardised and current;
- The provisions of the aircraft and engine lease agreements are managed with clear visibility of the rights and responsibilities of the company;
- Lessor and lessee commitments and contributions, component swaps/exchanges, escalations and reconciliations are clearly visible and concisely executed at the asset, lease and maintenance reserve fund levels;
- New aircraft/engine specification costs are captured effectively;
- Project budgets align with outgoing purchase orders and incoming invoices;
- Project tracking consistency (e.g., estimated dates, repossession classification details, project notes, assigned resources) is ensured across all projects; and
- Deal tracking or market and global intelligence is captured consistently across all customers.

**Making it happen - fast**

Timeliness is essential – you don't have six weeks or more to wait for a report to be created. Your internal requests for information need to be met in real time. Flexibility is also key – the underlying data needs to be easily organized in different ways. Ad hoc requests for information should be easily met, giving management a direct line of sight into business drivers and their impacts.

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- Advanced Analytics - From technology evaluation through implementation, we can help you select the right tools or technology for your solution architecture. We are a vendor-neutral solution provider with proven experience and expertise in implementing business intelligence BI and reporting solutions; and
- Transaction Reporting - If your information needs are primarily operational and require data from one single place or from multiple places, we can help you define and implement effective reporting processes without building a data warehouse. Our extensive experience with best-in-class reporting tools, and leading practices around their implementation, gets the data you need, when you need it - fast.

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# New developments for lessors in Tianjin


Tianjin Dongjiang Free Trade Port (DFTP) hosted a conference in late September. *Airfinance Journal* attended to discuss the latest developments for aircraft lessors in the free trade zone.

"There are two recent developments to point out," TMF China's commercial manager, Fabian Knopf, tells AFJ.

"The first is the extension of the current policy of Tianjin's municipal government on returning a higher than usual share of taxes it collects back to the DFTP. This policy enables the DFTP to grant beneficial tax rebates to special purpose vehicles (SPVs) that are registered in its area. The policy has been extended until 2030. It was due to expire in 2020. This gives leasing companies a better foundation to forecast their operations.

"The second recent development is the formalisation of the pilot program by the State Administration of Foreign Exchange (SAFE) that allows for leasing revenues to be received in foreign currency, i.e. non-CNY, for operating leases under some conditions. The formal policy has been effective since August 2017 without a forecasted end date and thus gives companies more certainty in their treasury and foreign exchange administration and planning."

The point of the conference, Knopf says, was for companies new to the DFTP to understand how SPVs operate in the area. It was also for local government listen to businesses and providing the certainty that they need to make long-term decisions.

"The key challenge is tailoring a leasing company's business model to DFTP's policy right from the beginning," says TMF China's head of North China, Derek Ng.

"There are a few special issues that need to be taken into consideration that are largely related to foreign exchange control, which then has an effect on liquidity management of the SPV. To give an example, security deposits and maintenance reserves from domestic airlines to SPVs must be paid in Renminbi (RMB). In some cases, the airline will pay the head lessor their deposit in foreign currency directly, not to the SPV. Security deposits are one-off payments, whereas maintenance reserves are paid periodically; how frequently is to be determined by the agreement between the leasing company and the DFTP."

In addition, leasing revenues received in foreign currency cannot be exchanged to RMB. They can, however, be used to repay some foreign debt. On the other hand, leasing revenue in RMB can be used for operational needs and be repatriated as dividends, but may bear a foreign currency exchange risk.

"Because of the above, foreign leasing companies should consider a proper capitalisation and practise conservative cash-flow planning as delays in receivables may occur," says Ng.

"Other challenges to consider are the unique invoicing system that China uses, which comes with strict requirements around issuing such invoices, and the customs systems to import or recognise assets in China, which requires a high level of detail for leasing assets."

Ng also notes that each investment agreement is between a lessor and the DFTP, and will include a tax rebate and other commercial terms.

While the main benefit of the DFTP is its tax rebate, there are also reduced taxes on imports and stamp duty, plus beneficial policies for depreciation of fixed assets and increasingly favourable foreign exchange policies.

"Foreign companies who provide leasing services to Chinese domestic airlines are still interested in setting up in the DFTP and they will continue to benefit from its incentive policies. In fact, several Chinese financial institutions have incorporated leasing companies overseas and these companies can also benefit from DFTP's policies," says Ng.

Of course, the free trade zone faces competition, such as from Hong Kong, which has recently approved a new tax policy for lessors

"From our current understanding, Hong Kong could be both a competitor and complement to Tianjin," says Ng.

"A big difference between both jurisdictions is that Hong Kong's reform is recent so it will need some time to become stable and predictable, though the policy is comparatively transparent. However, this is not the case in Tianjin, where a key part to economic viability of an SPV, i.e. the tax rebate rate, is only discussed case-by-case with the relevant leasing companies. There are no indications this will change anytime soon.

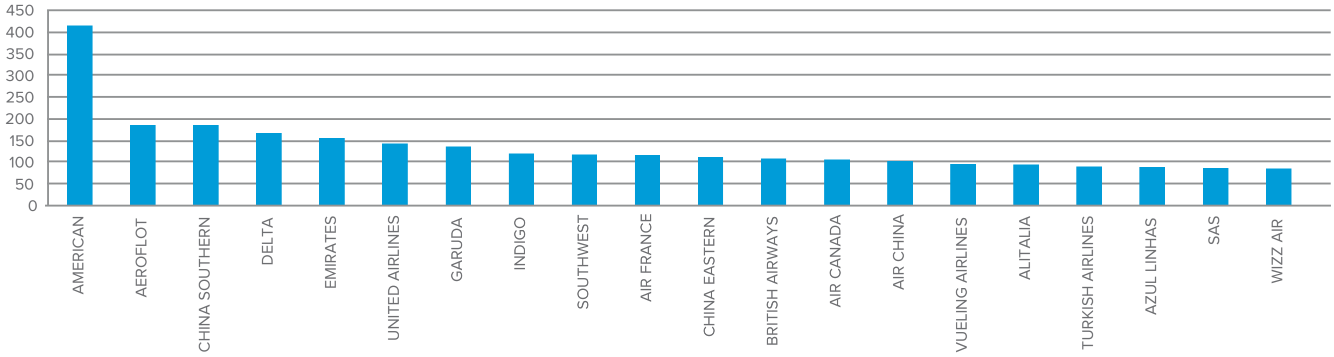
"The fact that Chinese airlines tend to prefer to receive invoices from a company registered in China and avoid overseas payments that may require a higher level of administration, may favour Tianjin over Hong Kong.

"From legal and tax advisors of the industry, we have seen business structures that show Tianjin and Hong Kong as rather complementary – with an SPV in Hong Kong as the head lessor, while the sub-lease sits with an SPV in Tianjin."

# Analysis of the **global leased fleet**

Figure 1: Biggest lessees by number of aircraft

Source: *Airfiance Journal*'s Fleet Tracker




*Airfinance Journal*'s Fleet Tracker database includes 10,586 aircraft, leased by 122 commercial lessors with at least 10 aircraft to 765 airlines in 146 countries (data as of end August 2017). Aircraft leased by "captive" lessors such as Synergy and Aircraft Purchase Fleet and by the OEMs are excluded. Aggregate orders by the commercial lessors total 3,206 aircraft. The average age of the existing leased fleet is 11.1 years and 713 aircraft (6.4%) are reported as being in storage.

The industry is heavily concentrated. The top 10 lessors account for 48% of the total fleet count and 60.3% by value (top 10 value – $181.3 billion). Nevertheless, the smaller lessors provide value to the market place in dealing with older or more specialised aircraft. They also may be prepared to do business with some of the more challenging regions of the world or have leading positions in their niche markets.

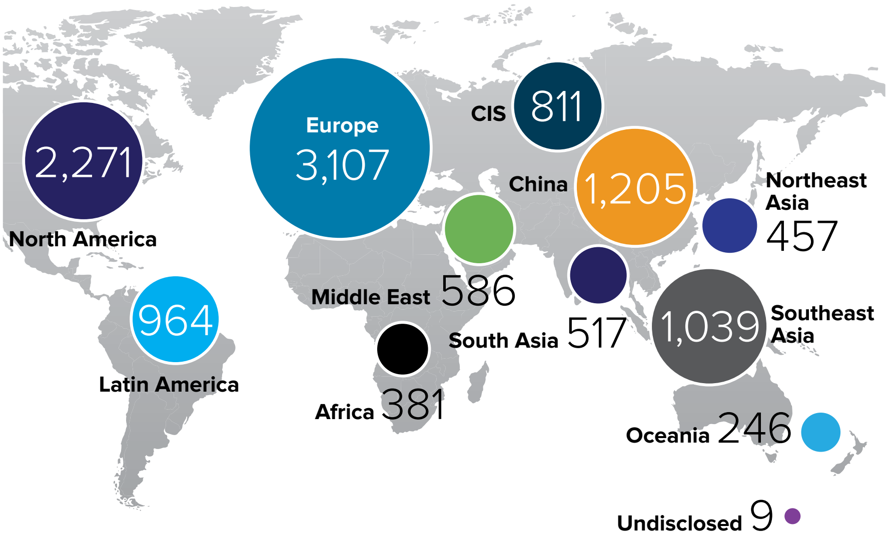
**Airlines with the most leased aircraft**

Figure 1 shows the top 20 lessee groups by number of aircraft. Just as the leasing industry is heavily concentrated in a relatively small number of players, the airlines to whom they are leasing are forming increasingly concentrated groups. Such concentration could reduce the ability of the lessors to diversify their portfolio risks due to concentrations of exposure. Restructurings, such as at Air Berlin, can lead to reductions in fleet sizes which can cause severe lessor pain. Other examples include the restructurings at Alitalia and GOL.

**Geographic distribution of leased aircraft**

The geographic distribution of leased aircraft is shown in Figure 2. While the chart shows Europe in the lead, this is because we split Asia-Pacific into sub regions given their varying dynamics. Hong Kong and Macau are included in the China segment. We also decided to show Russia and the CIS as a segment separate from Europe.

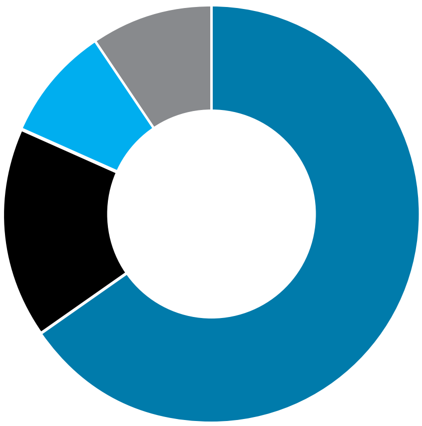
Figure 2: Geographic distribution of leased aircraft




Source: *Airfiance Journal*'s Fleet Tracker as of 31 August 2017

**Breakdown of Leased Fleet**
Figure 3 shows a breakdown of the leased fleet by body-type of aircraft. A full 66% of the leased fleet is in the narrow-body category split mostly between the A320 and 737 families. Only 16% is widebody, though in value terms their share would be much more significant, especially with the A350 and 787 finding a lot of favour among lessors.

Figure 3: Leased aircraft body type




**Regional jets**
The most significant development over the last year has been the reduction in size of the GECAS portfolio from 344 to 260. As can be seen, however, GECAS remains the largest player with NAC in second place, having increased its fleet from 99 to 141.

Castlelake has reduced its exposure to this market over the past 12 months while Regional One's fleet is now at 23 units.

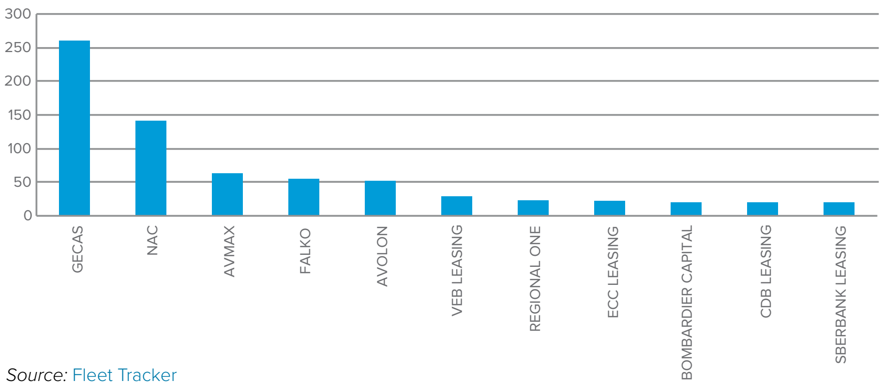
Avmax, Falko and Avolon (which absorbed the 33 aircraft that CIT Aerospace had at this time last year), are other significant lessors in this segment.

**Turboprops**
Turboprops are a significant niche market, dominated by one lessor, Nordic Aviation Capital. However, other lessors have a presence, as shown in Figure 5, attracted by high yields.

The biggest increase in 2016/17 has come from Avmax, up from 57 to 87 aircraft, taking second place from Elix Aviation Capital. Truenoord Capital backed by its new investors, Blackrock and Aberdeen Asset Management may also be expected to increase its exposure.

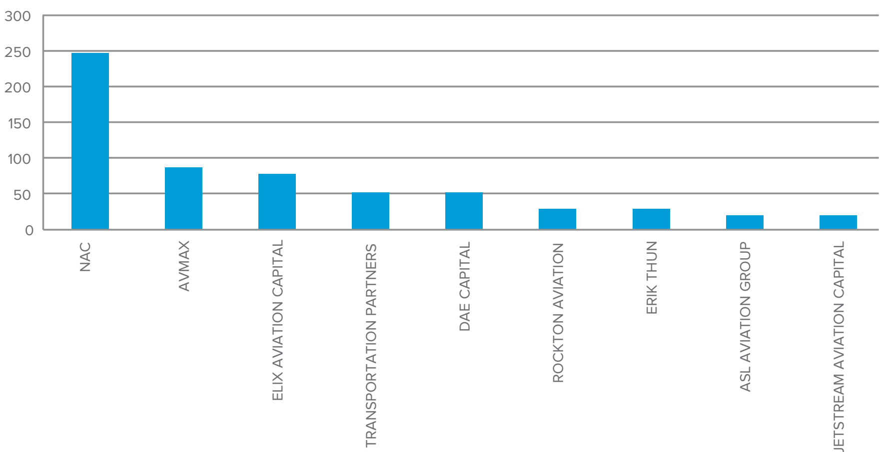
ALC exited the market with the 25-aircraft portfolio sale to NAC last year. Among other sellers are ASL Aviation Group, which reduced its fleet by almost a third.

Figure 4: Top regional jets lessors




Source: Fleet Tracker

Figure 5: Top turboprop lessors



# ACG reviews financing options

California-based lessor Aviation Capital Group (ACG) has been busy diversifying its funding streams over 2017.

In October, it priced $750 million senior notes at 3.5%. The unsecured transaction had a 10-year maturity to 1 November 2017.

JP Morgan, Mizuho Securities, MUFG, Wells Fargo Securities, Credit Agricole-CIB, Credit Suisse, Deutsche Bank Securities and Goldman Sachs are acting as joint book running managers of the offering.

Rating agency Fitch said on 11 October that it expects to assign a 'BBB' rating to the proposed notes.

Less than a month before, ACG announced that it would sell a 20% stake in the company to Japanese company Tokyo Century before the end of this year.

Tokyo Century made the agreement with parent company Pacific Life Insurance, which owns 100% of ACG, to purchase the stake for about 67 billion yen ($595 million).

In addition to this initial investment, Tokyo Century has agreed to provide additional capital to ACG to help accelerate ACG's business expansion and create incremental business opportunities.

Pacific Life will retain a controlling interest in ACG, which has a fleet of 274 aircraft, according to *Airfinance Journal's* Lessor Top 50 ranking.

"We are very happy to add an experienced investor in Tokyo Century as a minority shareholder who recognizes the value of the ACG platform and is committed to ACG's growth," says Khanh Tran, ACG's chief executive officer.

The transaction is expected to close in the fourth quarter of 2017.

Tokyo Century is publicly-held and listed on the Tokyo Stock Exchange. Its fleet totalled 49 aircraft at the end of the 2017 fiscal year. This represented three more aircraft than the previous year.

In October 2014, it established an aircraft leasing joint venture with CIT Group with 33 aircraft. However, earlier this year Tokyo Century acquired 30% of the joint venture from CIT, becoming the sole owner of the portfolio.

Robert Melson, head of K&L Gates' aircraft financing and leasing group, and his team of lawyers acted for Tokyo Century. IBA advised Tokyo Century on valuations. Morgan Stanley also advised Tokyo Century on the transaction.

ACG has also been looking at raising money through equity. In 2015, ACG's parent, Pacific Life, retained Goldman Sachs to look at strategic options, including an initial public offering, for its own operating lease business.

Speaking to *Airfinance Journal,* Tran says the lessor in no rush to launch its initial public offering (IPO) because it has several billion dollars' worth of debt capital to deploy for growth and believes the aircraft leasing industry is undervalued right now.

"We have the ability to take a longer-term view and for us, it's really about being able to deploy money smartly," says Tran in an interview with *Airfinance Journal.* «If you IPO today, there's probably two or three issues you need to consider. Where are you going to invest the money that comes in? We actually have more debt capacity today to be deployed, in the several billion dollar range."

Tran says that before you take a company to the public markets, you need to also consider the valuation of the business.

"I think overall, public companies in this sector - and you can certainly hear it from folks like Plueger, Hazy and Gus - valuation for lessors needs to be a more developed in terms of understanding our business."

He adds that when he was chief financial officer at Pacific Life, ACG's parent company, he worked on taking PIMCO public, a fixed income manager that was 100% owned by the US insurance company.

"We're an asset manager. There are many quality equity managers, fixed income managers, hedge fund managers, private equity managers and real estate managers. But there are very few that can manage real estate with wings."

Tran adds that the leasing industry should be accorded more valuation metrics that you'd typically find with those other industries, whether it's real estate or otherwise.


"For public company valuation, that's always something we always keep an eye out for. We want to make sure when the time comes to tap the market we get fair and full value for our platform. We don't really need to do anything right now because we have debt capacity to grow."

Tran declined to give a precise time as to when the company looks to tap the public markets, saying the lessor would do so "sometime in the future".

Speaking on how much of the company they are looking to float, Tran says that it is more about how fast they put the capital to work. "It's nice to have money but when you can't deploy its shareholders will suffer. We're more focused on finding an opportunity to deploy capital versus stating a target."

# Airbus takeover validates CSeries, say financiers

Airbus' surprise deal to secure a majority stake in Bombardier's CSeries instantly gave the struggling jet programme greater acceptance in the financial community, say aviation financiers.

Bombardier, halfway through a five-year turnaround plan after flirting with bankruptcy in 2015 and embroiled in a trade row with Boeing, has struck a deal that secures a lifeline for its newest programme. Airbus, meanwhile, has extended its single-aisle product line to 100 seats and taken out a potential competitor in a cashless deal.

Airbus will use its factory in Alabama to help with production for the CSeries programme, a move that could help skirt the 300% tariff that is being touted on aircraft sold to US customers.

But that's not all. Airbus has a call option to acquire all of Bombardier's CSeries interest after seven-and-a-half-years. Bombardier, at the same time, has a put option allowing it to require Airbus to purchase the shares.

"The move unquestionably makes the CSeries more financially acceptable as it eliminates the corporate viability risk tied to the programme," says a US-based lessor, adding: "The second assembly line makes a realistic quantity of planes available. Airbus should be able to lower costs with superior deals in the supply base and its product support is a major positive."

Adam Pilarski, senior vice-president at Avitas, agrees, stressing that the partnership makes it more likely that a "much bigger number of CSeries will eventually be sold and delivered".

Christian McCormick, managing director of finance at CALC, echoes these views but adds that "more information and explanations" will be needed about the agreement.

"Most financiers are caught by surprise. Airbus will have to explain the strategy behind this move."

A banking source says "more sales are needed" before he can take a "rosy outlook on the agreement"; however, "there is little doubt that the move is positive one from a financial point of view".

A lessor source believes the move "definitely makes the CSeries more financeable", adding: "Airbus has a good-sized customer finance department, so it can also manipulate sales campaigns now."

A European banker expects the deal to "transform the perception of the CSeries in the market".

The banker adds: "There are deals and there are deals, but this ticks all the necessary boxes for both parties and more. But most importantly, it gives the CSeries what it deserves: a future, which is what financiers want to see."

Another European banker hails the move as "brilliant and strategic" but questions Airbus' ability to turn around the programme given its ongoing concerns, including the corruption probe.

"Does Airbus have the management resources to take this significant bet into a marketing success with no disruption to the current massive undertakings the EU plane maker has? The jury is out."

A lessor dismisses these concerns. "This is a sales exercise, pure and simple. Regardless of what else is boiling beneath the surface at Airbus, it just has to ramp up the sales efforts and sell the plane. Airbus' product support and cheaper supply chain are whistles and bells, but the sales support is key."

### Structure

Under the terms of the deal, Airbus will take a 50.01% interest in the CSeries, while Bombardier and Investissement Quebec will own about 31% and 19%, respectively. Airbus will contribute no cash for its majority stake.

Currently Bombardier owns 62% of the partnership and investissement Quebec owns 38%.

The transaction illustrates Bombardier's difficulties in winning CSeries orders, pressures on cash flows and trade pressures from the United States and Brazil, says Fitch Ratings in a research note.

Bombardier has secured orders for 360 CSeries units. Delta Air Lines is the CSeries' biggest customer with 75 units, followed by Air Canada and Republic Airways with 45 aircraft on order each. Operating lessor Macquarie AirFinance has 40 units on order.

At the same time, Airbus' agreement "highlights that the CSeries is a high-quality aircraft with very positive operational reports from initial customers," says the ratings agency.

From an aircraft finance perspective, Fitch Ratings "preliminarily pegged" the CSeries as a Tier 2 piece of collateral, with its performance advantages offset by a narrow customer base and concerns about the manufacturer's credit profile.

However, the Airbus agreement could lessen both concerns, "boosting the CSeries value as collateral, although most sales are likely to be financed by EDC or investment-grade airlines paying cash".

Fitch Ratings believes the CSeries success could pressure valuations for existing collateral in the market, including some Embraer E-Jets, Boeing 737-700 and Airbus A318 and A319 aircraft.

### Prior contact

One advantage of the deal is that the two companies are already familiar with one another, as Bombardier has added several ex-Airbus employees to its sales team in the past two years.

In 2016, Bombardier hired Francois Cognard from Airbus for the role of vice-president sales Southeast Asia. Cognard left Airbus after more than 20 years with the European manufacturer.

The appointment followed the manufacturer's reinforcement of its commercial sale team since the beginning of that year.

From Airbus Bombardier also recruited Patrick Baudis in January as its new vice-president of marketing. Baudis held various positions at Airbus in Toulouse. He was named vice-president of marketing for the Americas at Airbus in October 2013.

The Canadian manufacturer also appointed Chris Jones as vice-president sales North America, based in Washington. Jones had been with Airbus since 1998 working in the sales and marketing departments.

Jean-Paul Boutibou joined the manufacturer in April as vice-president sales of the Middle East and Africa, based in Dubai. Boutibou was the sales director for Airbus in the Middle East region between 1992 and 2003.

# DAY TWO: Thursday 2nd November 2017

**0830 Registration**

**0900 Chairman's welcome remarks**
**Dick Forsberg**, Head of Strategy, **Avolon**

**0910 Panel: Funding sources in the regional aircraft market and opportunities in leasing and trading**
**Adam Young**, Marketing Director, **EMBRAER Asia Pacific**
**Greg Alberts**, SVP Global Finance and Lease, **Mitsubishi Aircraft Corporation America**
**Jeff Chatfield**, Executive Chairman, **Avation PLC**
**Jérôme Gabory**, Head of Leasing Markets, **ATR**
**Ross McKeand**, Head of Marketing for Asia Pacific and China, **Bombardier Commercial Aircraft**
Moderator: **Olivier Bonnassies**, Managing Director, **Airfinance Journal**

**0950 Panel: Geopolitical risk and hotspots - how may they impact the aviation industry?**
**Richard Finlayson**, Managing Director, Head of Asset Finance Asia, **Deutsche Bank**
**Thomas Kolberg**, Aircraft Head of Department, **Euler Hermes Aktiengesellschaft**
**Viren Joshi**, Global Accounts Director, **Export Development Canada**
**XING Zhen**, Director, **Bocomm Leasing**
Moderator: **Robert Quon**, Partner, **Dentons**

**1020 Engine OEMs & lessors' panel: Changing dynamics of engine leasing and new service packages for new engines**
**Akira Kaido**, Aero-Engine & Infrastructure Business Department, Aerospace Systems & Rail Leasing Division, **Mitsui & Co**
**David Li**, Marketing Director, **CFM**
**Rich Wilton**, Head of Marketing – Lessors, **Rolls-Royce plc**
Moderator: **Tom Slattery**, SVP and Manager of Powerplant, **GECAS**

**1100 Networking & refreshment**

**1130 Airbus & Boeing: New order book and production strategies**
**Mark Pearman-Wright**, Head of Leasing & Investor Marketing, **Airbus**
**Randy Tinseth**, Vice President, Marketing, **Boeing Commercial Airplanes**

**1200 Panel: How has the fuel environment changed the aircraft valuation and what aircraft models will remain popular in the market?**
**Bert van Leeuwen,** Global Head of Aviation Research, **DVB Bank SE**
**John Vitale**, President & Chief Executive Officer, **Avitas**
**Stuart Hatcher**, Chief Intelligence Officer, **IBA Group**
Moderator: **Dick Forsberg**, Head of Strategy**, Avolon**

**1240 Lunch sponsored by CMB Financial Leasing**

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**1400 Debate: Who do you trust to get it right more often, appraisers or lessors?**
Two propositions. Two teams. Enjoy as they argue for their respective value assumptions and methodologies in aircraft valuation. Will you change your position by the end of the debate? The team with the winning proposition (judged by the audience voting system) will claim the trophy.
**Lessors & Bankers' Team**
**Hani Kuzbari**, Managing Director, **Novus Aviation Capital**
**Jeff Chatfield**, Executive Chairman, **Avation PLC**
Team leader: **Bert van Leeuwen**, Global Head of Aviation Research, **DVB Bank SE**
**Appraisers' Team**
**Angus Mackay**, Principal, **ICF**
**Thomas Kaplan**, Senior Valuations Analyst, **Flight Ascend Consultancy**
Team leader: **Phil Seymour**, President and Chief Executive Officer, **IBA**
Moderator: **Jon Sharp**, Group President & CEO, **Engine Lease Finance Corporation**

**1510 Panel: Advantages to be a new lessor, fleet planning and budget for growth**
**James J.Z. HUANG**, Deputy General Manager, Aviation Division, **CSN International Financial Leasing**
**Li Peng**, General Manager, **CITICS Global Financial Leasing**
**LI Yuan**, Managing Director, Aviation Business Unit, **CYTS Financial Leasing Financial Leasing**
**Vincent Lu**, Director of Finance, **CMIG**
Moderator: **Mark Wasden**, Vice President – Senior Credit Officer, **Moody's Investors Service**

**1550 Presentation follow by Q & A: New source of aircraft financing to support the industry**
**Bob Morin**, Managing Director, Transaction and Business Development Leader, Aircraft Finance Insurance Consortium, **Marsh USA Inc**
Moderator: **Laura Mueller**, Managing Director, **Airfinance Journal**

**1610 Closing panel: With an abundance of liquidity in the market coupled with uncertainty over the future of the ECAs, what are the prospects for RVG and export credit financing?**
**Christin Lodberg**, VP Customer Finance, **Airbus**
**Eric AGOTE**, Head of Unit - Airbus Unconditional Guarantee, Export Insurance, **Bpifrance**
**Foster S. Arata**, Senior Vice President, Managing Director-Asia Pacific, China and India Region, **Boeing Capital Corporation**
**Paul Walsh**, Aerospace Manager, **UK Export Finance**
**Robert F.X. Roy, Jr**, Vice President – Transportation Division, **Export-Import Bank of the United States**
Moderator: **James Cameron**, Co-head, European Transportation and Space Practice, **Milbank**

**1700 Chairman's closing remarks and close of the conference**