AIRFINANCE JOURNAL EVENTS

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DAE eyes $2bn in annual portfolio growth

Dubai Aerospace Enterprise (DAE) will grow the platform beyond the AWAS acquisition as it looks to increase its fleet to 700 units.

"The ideal range is somewhere between 400 and 700 assets. This is where we feel that our platform can perform at its peak potential," says Firoz Tarapore, chief executive officer of DAE.

"Our teams on the commercial side are properly aligned to handle somewhere between 400 and 700 aircraft. If we want to go beyond, we have to think about a Version 2 of the platform."

DAE acquired the Irish lessor to build its presence and gain the scale it needs to further grow the business.

Tarapore says the AWAS acquisition ticked all the boxes, in terms of assets, platform and culture.

"It transformed the company into a solid platform that we can you use to further accelerate the long term business we are building," says Tarapore.

"Our mandate in the near term is clear. We are looking to put on the book about $2 billion worth of assets over the next few years," he adds.

"This translates into financing steps for us: we are likely going back to the 144A market for a transaction, Islamic financing and we will probably back in the market for a revolving credit facility this year. All in the scale of $2 billion growth a year and our commitment to the OEMs."

Tarapore says DAE would like to return to the ABS market but this market continues to evolve. "We are equity sold transactions, not equity repayment transactions. That requires more planning."

"We want to do a transaction regularly in a foreseeable future, whether that means once a year or more than that. But ultimately we will be driven by the demand and pricing in the market."

Firoz Tarapore, chief executive officer of DAE

Banks and smart investors can see past HNA noise: **Slattery**

Domhnal Slattery, the chief executive officer of Avolon, seemed unfazed by claims that his lessor's bond rates were not 'not competitive' and 'unsustainable', saying that aviation banking community, along with smart, long-term bond investors, fully understand "the HNA noise".

"It was a really important week for us this week to reset the narrative a little bit," he told *Airfinance Journal*. "There was a lot of noise in the last day or two about Avolon's bonds, bonds this and bonds that."

"I looked at the numbers this morning, so we have several bonds issued by our benchmark is a five-year, which is a 2022 expiry. It's quite liquid."

The price of the bond has tightened by 13% and the yield on the bond has tightened by 22% in the last five trading days.

"That tells me as the chief executive of the business is that the bond market can be quite volatile and reactive to headline news and over the last couple of days we have been working very hard to get out the facts of the situation, the credit metrics of Avolon, the fact that Avolon has access to multiple markets."

Domhnal Slattery, chief executive officer, Avolon

He points out that the company's balance sheet is leveraged at just over two to one, saying it was "significantly over equitised", compared with Avolon's peers. The company has around $5 billion of liquidity between cash and undrawn lines at the end of September.

"You have the bonds, people have woken up to say 'this thing was trading single B', it's got 'BBB' credit metrics, so if anyone bought the bond last Wednesday, you should be buying me dinner tonight."

"When you put all that into a pot and put away the speculation and the noise, I can't control the HNA noise, but I don't think that's going away anytime soon, by the way. What I control is Avolon and what is happening [there]. I think the smart savvy investors get that and frankly I think the bank market that have supporting us for many years fully get it and I think the bond investors, the serious long-term investors get it."

He adds: "The volatilities are around the edge of the marginal players. But in the world of social media, all this stuff takes on classic disproportions. We will never react in a knee jerk way to bonds widening out, if the franchise was in trouble we would have a totally different situation. The franchise is exactly where I expect it to be, in line with investment grade credit metrics and let the numbers speak for themselves."

Speaking at *Airfinance Journal*'s Investor Day at the 20th Annual Global Airfinance Conference in Dublin on 23 January, Mark Streeter said Avolon's bonds are at "5.5 to 6% levels" because of concerns with HNA.

"They need competitive bond market access and at the moment their rates are not competitive given the problems with HNA," he said.

"That is unsustainable where those bond levels are right now."

GECAS targets $6-7bn in 2018

GECAS is looking to deploy $6-7 billion in capital during the 12 months and is open to acquiring other portfolios, said its chief Alex Burger.

"I think in terms of our target, or $6-7 billion, that is a big number, so you need to have some transactions of scale, but we would absolutely look at other portfolios, sure."

However, in terms of growth via new aircraft orders, Burger indicates he "feels great about the skyline" at GECAS.

"If you look over our last orders, we have put in significant orders for the new 737 Maxs and new A320neos, so we feel great about that. For the widebody aircraft, we ultimately would be looking at sale and leasebacks on those, as we still have quite a widebody presence."

GECAS will end the year 2017 with a $43 billion portfolio, he says. Burger envisions growing the fleet to $44-45 billion in 2018. "That would be a great place to end up."

Regarding the new tax code under the Trump administration, Burger adds the move is "net positive" for GECAS on deals in the USA. "It is a slight pick for us regarding US carriers, but no impact for carriers based around the world."

Burger notes the sentiment at this year's Global Airfinance event "is as positive" as he has ever seen in his three-year's of attendance.

"I think the airlines across the board look really good and the demand for aircraft is really strong. I will come away from here feeling solid as the energy and overall sentiment is really strong."

Appraisers say **communication can be sporadic**

Appraisers indicate aircraft disparity in ABS transaction can be due to a lack of information provided by the arrangers.

"We get asked to value a portfolio of 35-aircraft," said Rikard de Jounge vice president – asset valuations at Avitas.

"No one tells you that the valuation is for an ABS transaction. They just ask for market and base values," he adds.

Stuart Hatcher, head of intelligence at IBA Group, said it is still a "secretive market".

"Providing that we are dealing with sellers, the information is generally good. The issue we tend to find is with the arrangers. And the communication can be quite sporadic," he says.

The other issue is how much you are including into a valuation for a lease-attached aircraft.

There is reticence in the market to not provide lease-unencumbered values for ABS transactions and it's a standard ISTAT-defined term. We have the same methodology but ultimately we share different views of the market."

De Jounge disagrees: "We follow the ISTAT definitions but we may not have the same data and the same methodology. Methodology is up to yourself, as long as you can justify and show your work, and have an acceptable methodology, that's fine with ISTAT."

He adds: "Some variation in values should be a level of comfort. If we were all at $0.5 million for the same aircraft, that would be a source of concern. We provide an opinion, the data – and the world in which we operate is very opaque."

ISTAT definitions are more than 20 years old and Hatcher believes they are "quite archaic". About 25 years ago, the leasing market was small and back then aircraft were trading as naked aircraft, he says.

"You constantly have to make adjustments. Base values are a long-term trend rather than a market value, which is an evolving point at a point in time," he recalls.

De Jounge agrees: "The business has changed. We do not only trade naked aircraft. Aircraft are now financial instruments with cash flows and future residuals, and that is a completely different analysis."

Rising interest rates top **SMBC's list of concerns**

SMBC Aviation Capital highlights a changing interest-rate environment as one of its biggest medium-term concerns.

When asked what was SMBC's greatest concern in the current climate, chief executive officer Peter Barrett said: "Interest rates top my list. The interest rate-environment is going to be more of a thing in our market and the global economy. It is not just interest-rates, but the impact they will have on actual exchange rates and how this impacts the airlines in the next 12-36 months."

In regards to merger and acquisition activity, Barrett says the market needs to "look at the motivation of the parents to understand the behaviour of the sellers". He adds: "But that has always been the case,so this isn't anything new."

Barrett reiterated SMBC Aviation Capital is due to receive a shareholder capital injection of up to $1 billion by 31 March 2019.

Its shareholders Sumitomo Mitsui Financial and Sumitomo have agreed to advance the equity, which will support SMBC AC's growth plans, including the funding of new aircraft delivered from 2019. Barrett adds that the shareholders are taking a "long-term view of the market".

The shareholders have also agreed that the primary leasing vehicle between both companies, Sumitomo Mitsui Finance and Leasing (SMFL), will become a 50:50 joint venture.

Air Baltic to order more CSeries

Air Baltic will "most likely" order more CSeries this year, the carrier's chief financial officer has said.

Speaking at the 20th Annual Global Airfinance Conference Dublin on 24 January, Vitolds Jakovlevs said that last year his airline changed its strategy to become an all-CSeries operator.

"On top of our order now, most likely we will order more in the coming months," he says. Jakovlevs says that historically Air Baltic has focused on Riga and Latvia, but that the carrier feels a need to expand in other Baltic countries.

"We also feel that the CSeries, with the 150-seat capacity, is actually a perfect aircraft for that region for the thin routes between the capitals and these Nordic and eastern European cities," he says.

"Part of our strategy is to make more point-to-point connections. Following the lead of the low-cost providers, but maybe connecting some of the main airports and having higher frequency."

Jakovlevs adds: "Having a uniform fleet, going 100% CSeries, with subsequent savings on operational cost, maintenance, pilot, etc. – that would be a big part of this strategy."

Airfinance Journal reported on 15 November that Air Baltic has tapped EDC financing for its eighth CS300. The first seven were delivered from December 2016 and were financed by EDC.


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Lessors play down **IFRS 16 impact**

Aircraft lessors appear relatively unconcerned about the impact of IFRS 16, despite wider industry sentiment that the new accounting standard will change standard terms in lease contracts.

By showing lease payments as liabilities, IFRS 16 could incentivise airlines to seek shorter lease terms to improve debt-related financial metrics.

Although IFRS 16 becomes effective in less than a year, from 1 January 2019, some lessors report little reaction from their customers.

"We haven't had conversations with the airlines to date about changing terms of the lease contract or adding incentives for shorter leases or breaks within the lease," says David Breen, head of finance for Dublin-based lessor Avolon.

Nonetheless, out of a survey of almost 400 air finance executives by *Euromoney Thought Leadership*, 79% predict existing leases will be renegotiated and standard terms for new leases will change to minimise the impact of IFRS 16

The aspects deemed most likely to change are the duration of leases, lease rates and security deposits.

Lease currency denominations may also be up for review since dollar lease liabilities would have to be converted to the local currency of airlines, pushing additional foreign exchange volatility through profit and loss statements.

Breen, though, warns that lessors will resist any attempt to switch currencies.

"We don't see a change in terms of the lease negotiations and pulling that extra foreign exchange risk that was already inherent in a lease back to a lessor due to a change in the [accounting] standard."

In respect to currency, a mitigating factor for some large international airlines is their dollar revenues from US operations, which act as a natural hedge against foreign exchange volatility. Thus, as far as possible dollar revenues are used to meet dollar liabilities.

A potentially graver concern for lessors is if airlines respond to IFRS 16 by leasing fewer aircraft.

However, less than half the survey believe this will occur, and lessors appear confident that leasing's benefits will outweigh any misgivings about its new accounting treatment.

"[By leasing] you are reducing your residual exposure and getting another source of financing as a way to get aircraft quickly – those factors will be more important to airlines than anything IFRS 16 will do to them," says Colm Barrington, chief executive officer of Fly Leasing.

It is also the case that most analysts already adjust current (pre-IFRS 16) airline balance sheets to include lease payments. And while IFRS 16's uses a distinct methodology for capitalising lease payments, the difference is not significant enough for airlines to change fleet acquisition strategies, thinks Barry Flannery, chief financial officer of SMBC Aviation Capital.

"It appears that leases offer limited "balance sheet benefit" for airlines who either borrow in the public markets or deal with specialist financiers," he says.

"Airlines will continue to choose leasing for reasons such as price, advance rate, term and availability."

For full coverage of aviation's response to IFRS 16, see the Euromoney Thought Leadership report, '*Balancing the Books*'.

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Tim Myers, president **Boeing Capital** on sources of financing in 2018

Boeing's Current Aircraft Finance Market Outlook (CAFMO) expects commercial bank debt to continue its resurgence in 2018 as new global banking regulations drift further into the future.

Bank debt emerging from Japanese banks is expected to show the largest increase next year.

"The growth in Japanese banks' role in aircraft finance is attributable to two factors: first Japanese regional banks are joining Japanese global banks in financing aircraft and second, year-over-year higher deliveries to Japanese airlines," explains Tim Myers, president of Boeing Capital (BCC) in an interview with *Airfinance Journal*.

"Japanese global banks like SMBC, DBJ and MUFG, along with BCC, helped develop interest in aircraft finance among Japanese regional banks, and this has allowed the global banks to originate more deals and then sell some of them down to regional banks. Regarding the second point, Japanese airlines use domestic banks as the primary funding source for their deliveries and last year, new aircraft deliveries to Japan were a bit higher than the previous year," he adds.

According to CAFMO, China's involvement is expected to reduce in terms of percentage points this year.

"Last year, Chinese airlines reduced their appetite for financing their deliveries in Reminbi and increased US dollar-denominated financing as a result of currency movements. This made Chinese banks' pricing more in line with other global banks and allowed more non-Chinese banks to participate in financing deliveries into China. We are still seeing a trend of 'China funding China' due to the interest in the market and growth of passenger travel in the region."

Commercial bank debt is likely to again finance the largest share of Boeing deliveries.

Boeing forecasts continued strong demand for new commercial aircraft in 2018, resulting in about $139 billion in deliveries by major manufacturers.

The annual aircraft financing requirements is expected to grow to $189 billion by 2022.

"Financiers and investors continue to be attracted to the aircraft market, and part of that appeal is because it's a growth business with stable returns," says Myers. "We've remained in a robust market for some time now along with consistently increasing growth in global diversity of passenger travel, and this has also spurred a steady increase in the number of lessors entering the industry worldwide."

Myers says that this growth in need for aircraft financing is expected to be met in a variety of ways.

"Looking ahead to 2018, traditional funding means like commercial banks and capital markets will continue to be the largest sources of financing," Myers says.

> *"Financiers and investors continue to be attracted to the aircraft market, and part of that appeal is because it's a growth business with stable returns"*

But capital markets saw an overall decline in activity in 2017, partly due to airlines deleveraging risk and greater access to bank debt. Lessors accounted for 70% of the volume as they accessed capital markets for unsecured debt and ABS issuances to finance their portfolios.

"Most of the decline in commercial markets was due to rapid expansion in banking liquidity. We believe that the bank market is not likely to continue to expand at the rate that we saw last year. Additionally, we are seeing a very rapid expansion of usage of commercials markets by lessors - secured, unsecured borrowing and use of ABS market for portfolio sell-down and financing," says Myers.

The US manufacturer anticipates that 2018 will see an upward trend in capital markets volume as lessors continue to use the space as their primary source of financing. "We expect new institutional investors entering the market to further stimulate the use of capital markets and EETCs."

Aircraft leasing continues to grow in absolute size while maintaining a 40% global market share.

Boeing expects lessors to sustain their growth throughout 2018 while taking advantage of record demand and strong liquidity.

"The ABS market remains an important alternative for lessors to sell and/or finance portfolios of aircraft; it has fostered innovative structures that help differentiate and manage risk profiles of all ages of aircraft. These structures are expected to facilitate portfolio liquidity and create more efficient risk management of aircraft residual values. This should allow lessors broader access to financing both in the secured and unsecured markets."

Tim Myers, President, Boeing Capital Corporation

Airlines participation in the capital markets is less anticipated.

"Continued strong liquidity in the bank market and airlines' continued deleveraging will mean that we are not likely to see significant change in the scale of commercial markets usage by airlines. Airlines are seeing ample profitability levels and growth in many sectors, to include low-cost carriers. We are in year eight of above-trend traffic growth. For the past three years we have been anticipating return to trend, but demand continues to outpace our forecasts – when was the last time there was an empty seat next to you on a flight?," he asks.

"We believe it is sustainable for the foreseeable future. There's increasing global diversity of travel - emerging markets are emerging stronger than we anticipated and tailwinds of deregulation in Europe and parts of Asia are giving a stronger demand boost than what we expected.

By all objective measures we are in a very strong market. Aircraft utilisation and load factors are at historical highs and the parked fleet is stable. Demand growth is exceeding capacity growth, so at this point, we do not see any aviation fundamentals that pose risk to current market strength."

But Myers expects airlines to tap the private placement market as a toll to fund their growth.

"The private placement market is likely to continue to grow in usage by airlines because it is easier for airlines to access. It requires less structuring and it does not require rating agency involvement."

BCC has engaged in new market development to bring insurance risk capital to aircraft finance. BCC collaborated with Marsh to facilitate the creation of this new market in 2017.

Due to the strength of the insurance companies, AFIC is an efficient source of financing that complements other new aircraft funding markets for Boeing.

Myers anticipates AFIC non-payment insurance policy (ANPI) to increase its marketshare this year.

AFIC is an important new market that will be addressing a full range of our customers' financing requirements.

"About $1 billion in new deliveries were funded via AFIC in 2017, and it has the potential to at least double. Through AFIC, the insurance market's strong appetite for this kind of innovation is expanding its capacity and availability."

"To date, AFIC has done every product in our delivery stream – Boeing 737 Max, 787, 777 and 747 (passenger and freighter models), and we see that continuing in 2018 as the market gains even more traction.

"It is important to add that the entire premise behind the AFIC initiative was to create a market that is available through all phases of the cycle and I believe we have achieved that. Boeing Capital's charter is to innovate, and we've been doing that for 50 years so our customers have the financing they need and so that the market can keep adapting."

> *"About $1 billion in new deliveries were funded via AFIC in 2017, and it has the potential to at least double. Through AFIC, the insurance market's strong appetite for this kind of innovation is expanding its capacity and availability"*

Myers calls for the US Senate to fully restore Export-Import Bank operations.

"As we saw on 19 December, the U.S. Senate Banking Committee took major, bipartisan action by approving four qualified nominees to sit on the board of the Ex-Im Bank. The Ex-Im Bank is open, it just can't do deals greater than $10 million because of a lack of quorum. We urge the full Senate to take up these nominees as soon as possible to restore quorum and full operations of the bank."

He notes that markets have been extraordinarily healthy, specifically those for aircraft. "However, should there be a downturn, export credit remains a necessary tool. This is a competitive issue for Boeing and a practical one for our international customers who depend on the Ex-Im Bank."

GTF's Improving Performance Accelerates Orders and First Deliveries

Pratt & Whitney ended 2017 and began the new year on a high note with its revolutionary Geared Turbofan™ (GTF) engine family, due to a flurry of first deliveries and multiple new orders for Airbus A320neo and Bombardier CSeries aircraft powered by the GTF to airline customers around the globe. Several of the airlines also signed multi-year contracts for Pratt & Whitney's comprehensive EngineWise™ Fleet Management Programs, dedicated to sharing the company's engine expertise and fleet intelligence with customers so they can optimise engine performance and keep their operations running smoothly.

The recent wins add to a GTF backlog that totals more than 8,000 engine orders and commitments to more than 80 customers. The most recent deliveries continue to add to the ever-growing commercial fleet, fast approaching 150 aircraft, since the engine entered service in early 2016. Pratt & Whitney also is on schedule in developing and delivering GTF engines for Embraer's E190-E2, scheduled to enter customer service in April 2018 with Widerøe, and the E195-E2, slated to enter service in 2019. The Mitsubishi MRJ and Irkut MC-21, both GTF-powered, also will enter service over the next few years.

GTF orders during this recent time period included Delta Air Lines choosing the engine to power 100 A321neo aircraft, with an option for up to 100 more (the largest A321neo aircraft order to date by a U.S. airline operator); Air China and Shenzhen Airlines selecting the engine to power 60 A320neos; Vietnam Airlines ordering 20 GTF-powered A321neo aircraft; and Egyptair choosing the GTF to power up to 24 Bombardier CS300 aircraft. With a business based on longstanding customer relationships, as far back as the middle of the last century Pratt & Whitney provided several of these airlines with P&W JT3D engines for their Boeing 707 aircraft. Its relationship with Delta dates to the 1930s.

"Delta, Airbus and Pratt & Whitney share the same commitment to safety, efficiency, innovation and continuously improving the customer experience"

Ed Bastian, *chief executive officer, Delta's*

Deliveries ranged from Hawaiian Airlines accepting its first Airbus A321neo aircraft on 17 November 2017 – the first GTF operator to utilize the aircraft's 180-minute Extended Range Operations (ETOPS) certification and the first U.S. carrier to fly the GTF-powered A321neo – to Korean Air receiving its first Bombardier CS300 aircraft, powered by the GTF, on 22 December.

Airline customers recently placing these orders and accepting deliveries believe in the GTF. "Today we celebrate delivery of our first GTF-powered CSeries aircraft," said Soo-Keun Lee, chief technology officer at Korean Air. "We are excited for the dramatic improvements in efficiency, emissions and noise that will enhance our operations and passenger experience." In announcing his airline's selection on 11 November of the GTF to power new aircraft, Vietjet vice president Dinh Viet Phuong said, "We are delighted to add 10 additional GTF-powered new aircraft to our fleet. We look forward to the proven performance and environmental benefits that they deliver."

Current in-service engine performance has more than lived up to the GTF's early promise. Since entering the market, GTF engines have compiled more than 500,000 hours of passenger service and demonstrated an ability to reduce fuel burn by 16%, saving customers a staggering 25 million gallons of fuel, totalling $45 million in savings. The GTF also reduces nitrogen oxide emissions by 50% to the regulatory standard, which has led to a savings of 264,000 tonnes of carbon emissions so far, and lowers the noise footprint by 75%.

Customers and pilots alike are praising its performance. Currently being operated by more than 20 airlines, flying more than 250 flights per day, to more than 500 destinations on five continents and 98 countries, engines in service are saving approximately 100 gallons of fuel and reducing CO_2 emissions by one metric tonne per flight hour.

The GTF's performance could have a significant impact on how and where airlines fly. For example, the engine's impressive reduction in the overall noise footprint could increase air travel at airports where noise regulations have limited the ability to fly at certain times of the day. And reduced fuel burn with allow operators the ability to extend routes by using the same amount of fuel, creating options for routes that didn't exist before and making point-to-point destinations more available to the flying public.

It's the industry-disrupting technologies that set the GTF apart from its competition and allow its game-changing performance. The company invested more than 20 years in the engine, maturing 48 new technologies that enable its impressive results. To meet the production demands of a historic engine ramp, Pratt & Whitney has invested more than $1.3 billion in its 21st century, global production facilities to deliver its products quicker and with the highest quality. Along with its MRO network partners, the company is investing millions to increase maintenance capability to support the in-service fleet. To support that growth, the company is actively expanding its workforce, with plans to hire approximately 25,000 skilled employees by 2026.

Clearly, the investment in infrastructure and people is paying off. Through its demonstrated performance in the field, the GTF is proving to be everything it promised to be. But don't take our word for it. Again, just ask our customers. "Delta, Airbus and Pratt & Whitney share the same commitment to safety, efficiency, innovation and continuously improving the customer experience," said Delta's chief executive officer Ed Bastian in announcing his airline's recent order. "This order for the state-of-the-art A321neo with Pratt's PurePower next-generation jet engines reflects our long-term commitment to these values for Delta people and all our constituents."

Trading Loyalty Point-Backed Securities electronically

By the second half of 2018, institutional investors will be able to create and trade securities based on loyalty point currencies such as frequent flyer, credit card points and other reward programmes, unlocking a new asset class worth over $1 trillion.

New York-based Affinity Capital Exchange (ACE) in collaboration with Nasdaq plans to launch an exchange that will allow airlines, banks and financial sponsors to electronically trade loyalty points that are packaged into Point-Backed Securities (PBS).

Over the past year ACE has been working side by side with Nasdaq to create a customized matching engine for PBS as part of an end-to-end trading services suite. According to the five-year technology and commercial partnership agreement between ACE and Nasdaq, market launch of the exchange is slated for mid-2018.

"Everything is on track on the technology side, which means our focus has shifted to the regulatory and commercial preparations for launch," says ACE's chief executive officer, Atanas Christov.

Christov says loyalty points represent close to $100 billion-worth of balance sheet value for airlines. "This is a conservative figure: the actual market value of airlines' loyalty points is several times higher, especially including points value as collateral for airline and fleet financing".

"We will focus on supporting issuances of loyalty points, packaged into tradable contracts

> *"Banks can use loyalty point bonuses to stimulate demand for new credit cards, and create brand new banking and card products"*
>
> **Atanas Christov**, *Chief executive officer, ACE*

for commercial partners and institutional investors, leaving the marketing side of the loyalty programs untouched.", adds Christov.

Banks buy points sold by loyalty programmes such as frequent flyer programmes as part of co-branded credit card portfolio deals.

Christov says point sales by airline exceed $50 billion a year, which come at a significant profit to the issuer, exceeding many fold operating profitability of the core business.

"Given that they control the redemption side and also the terms and conditions of the programme, it is an element of their books that can fetch 80% of pure profit, sometimes more."

Airlines use the revenue for different purposes. Some have pledged points, or even loyalty program itself as collateral for raising operating funds and financing fleet overhaul.

"We have seen examples where the loyalty programme is used as in-house financing for many airlines. Because they are able to generate revenues and profits at a significantly increased rate than they will normally get, multiple airlines have resorted to supplementing their revenues via loyalty programme," he adds.

Although some airlines have sold parts of their loyalty programme, Christov views an equity sale as giving up a "very valuable asset" which rarely makes sense in the long run.

"This is where ACE comes in. We are trying to help airlines monetise their loyalty currency without giving up equity ownership, giving issuers full leverage over an unencumbered asset while avoiding the long-term implication of equity stake sale," he explains.

ACE aims to provide a vehicle for institutional investors to gain exposure to the points market while expanding the market for issuers, says Christov.

Banks and credit card issuers are the biggest customers for loyalty point sales by airlines; credit cards benefit from unique motivational value of loyalty points, directly increasing customer lifetime value for the issuers.

"Banks can use loyalty point bonuses to stimulate demand for new credit cards, increase the spend of credit cards customers and create brand new banking and card products."

ACE will support initial offerings and secondary trading of PBS to authorised institutional buyers, utilising primary and secondary market venues to attract liquidity providers and new investors.

The exchange is also working on developing a blockchain application to eliminate post-trade inefficiencies and enhance the strategic value of the asset.

For hedge funds and private equity firms, the loyalty points backed security trading could form part of their diversification, hedging and quantitative strategy because of the risk element and the stable and uncorrelated nature between loyalty points and their parent programmes.

"It can become an element which they can arbitrage when comparing with multiple instruments across asset classes, sectors and geographies," says Christov.

He is confident that ACE will improve pricing of the assets and bringing it closer in the line with economic value - and at a time when traditional sources of liquidity are subject to regulatory and cyclical changes for the industry. ACE will enable new and existing liquidity providers to gain exposure to a valuable and currently untapped asset and help issuers unlock the economic value of loyalty currencies.

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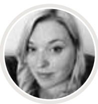

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Thursday 25th January 2018, CCD, Dublin

Day Two

08:00 Registration and morning refreshments

09:00 Chairperson's opening remarks
Christophe Schroeder*, Head of non-US Sales, Wilmington Trust*

09:10 Data zone: LIVE DEMO - Airline Credit Trends: An introduction to The Airline Analyst Data by *Airfinance Journal*

09:10 Primary sessions: On-Stage Interview with Boom Supersonic
Chris Eoyang*, Vice-President of Business Development and Global Projects, Boom Supersonic*
Interviewed by: Laura Mueller*, Managing Director, Airfinance Journal*

09:40 Data zone: LIVE DEMO - Global Fleet Insight: An introduction to The Fleet Tracker Data by *Airfinance Journal*

09:40 Primary sessions: Macro-economic risk demystified
Brian Pearce*, Chief Economist, IATA*

10:10 Data zone: The global aviation industry in numbers, trends & analysis
Michael Duff*, Managing Director, The Airline Analyst*

10.10 Primary sessions: How to run a successful airline in the Middle East
Stefan Pichler*, Chief Executive Officer, Royal Jordanian Airlines*

10:30 Networking break

11:00 Data zone: How to attract fixed income investors on a secured & unsecured basis?

11.00 Primary sessions: Ten golden rules for Asian lessors entering the aviation market
Gareth Delany*, Executive Director and Chief Technical Officer, Ping An Aircraft Leasing*
Mr. Xing Zhen*, Head of Sales & Trading, Aviation, Bocomm Leasing*
David Wang*, Managing Director, ICBC Financial Leasing Co.Ltd*
David Walton*, Chief Operating Officer BOC Aviation Limited*
Mr. Patrick Toner*, Chief Representative, Global HT AeroAsset and HaoTong AeroTech Limited (HaoTong Aviation Group)*
Moderated by: Geoffrey P. Burgess*, Partner, Debevoise & Plimpton*

11:40 Data zone: LIVE DEMO - Financial Structures & Sources Over-Time: An introduction to The Deal Tracker Data by *Airfinance Journal*

11.40 Primary sessions: What can we learn from the rise of LCCs & ULCCs in emerging markets?
Mike Powell*, Executive Chairman & Interim Chief Financial Officer, Flybondi*
Jose Dougnac*, Chief Financial Officer, Sky Airline*
Brian Mulvihill*, Associate, Irelandia*
Fernando Suarez Gerard*, Chief Financial Officer, Volaris*
Moderated by: Albert Muntane Casanova*, Senior Vice President, DVB Bank*

12:20 Data zone: How to minimise earnings volatility
Shane Matthews*, Head of Strategic and Market Analysis, SMBC Aviation Capital*

12.20 Primary sessions: AFIC - Insurance markets delivering new aircraft finance solutions
Robert Morin*, Managing Director – Transaction and Business Leader, Aircraft Finance Insurance Consortium (AFIC)*

12:50 Turkish Airlines keynote presentation
Murat Seker PhD*. Chief Financial Officer, Turkish Airlines*

13:20 A ten year journey & the future for Chinese lessors
Li Ling*, Managing Director, Aviation, Bank of Communications Financial Leasing Co. Ltd*

13:35 Chairperson's closing remarks
Christophe Schroeder*, Head of non-US Sales, Wilmington Trust*

13:40 Networking Lunch hosted by: Bocomm Leasing

14:50 NETWORKING – Open Lounge & Meeting Zones open for meetings
Our brand new meeting app allows you to pre-arrange meetings with registered delegates and assigns you a space to meet in our dedicated **Meeting Zones**. Alternatively, feel free to use our **Open Lounge** to meet with registered and non-registered peers alike in an informal setting. One-on-one meeting service available for institutional investors, Airlines and Lessors to connect (please contact us for details).

18:00 Close of Event