AIRFINANCE JOURNAL EVENTS

DAY 2
Webnesday
1st Nov 2017

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Qantas aircraft switching loan offers ‘best of both worlds’

Qantas’ A$350 million ($268 million) loan that allows it to switch the types of aircraft used as collateral delivers the “best of both worlds”, the company’s treasurer risk management has said.

Speaking at *Airfinance Journal*’s Pre-Conference Airline Briefing & Networking Day in Hong Kong, Cecilia Ho says the facility has a pricing and tenor more aligned to a traditional secured loan, while also having “operational flexibility” aligned to an unsecured loan.

“We have a refinancing task of $442 million in financial year 2018. In approaching this, we want to target longer tenor given our debt maturity profile targeting financial year 2025 and 2026 seems to make sense for that maturity,” Ho says.

“We also want to maintain diversified funding portfolio and at the same time we want to optimise our liquidity settings by reducing our cash further. To do this, we need to be able to re-gear our older assets and...refresh our pool with younger and more valuable aircraft.”

Airfinance Journal reported on 10 October that Qantas’ loan is the first in a series under a loan facility programme. The security for each loan includes a pool of Qantas aircraft that have not been pledged as capital, including Airbus A320 family and Boeing 737 narrowbodies, as well as A330 and 787 widebodies.

BNP Paribas is the sole structuring bank and, with National Australia Bank, is the joint mandated lead arranger and bookrunner.

Ho says the deal attracted about $700 million worth of bids, but Qantas settled on $350 million as this “settled on a large portion of our refinancing task”.

She adds the deal should be considered a “hybrid” between a traditional secured and unsecured facility.

“It’s set up as a programme where individual future series can be issued on common terms ensuring speed to market,” she says.

Maintaining profitability

This aircraft switching loan is part of a wider strategy by Qantas to maintain profitability following launch of its turnaround programme in 2014.

“The group’s international airlines Qantas and Jetstar International have delivered resilient performance in what has been a very competitive market,” Ho said, adding that profitability in the domestic market has improved.

“Together the integrated portfolio of businesses that make up the Qantas group delivers robust earnings and stable cash flows which in turn drives long term shareholder value.”

Dreamliner financing

Qantas is taking delivery of eight Boeing 787s between now and 2018. *Airfinance Journal* reported on 18 October that the airline added the first of these (MSN 39038) to its fleet. The 787s will enable the retirement of five of Qantas’ 747s.

Asked how Qantas will finance these aircraft, Ho says the airline will “remain open to all funding sources”, but it “really will depend on our liquidity and framework settings at the time”.

Responding to a follow-up question about whether Japanese operating lease with call option (Jolco) would be considered, Ho says: “Yes, it will be assessed and we will run through the economics of that and, most importantly, it’s our financial framework settings that really guide us as to which is the best tool to use.”

777X versus A350

The airline has not decided on whether to use the Boeing 777X or Airbus A350 on its long-haul routes to Europe.

“There’s still a lot of work to be done there. I think we’re talking to both manufacturers,” she says, adding that since Qantas is based in the relatively isolated island nation of Australia it is “best placed to really understand what long haul travel is like”.

Top deal structures and arrangers – September YTD

Airfinance Journal's Deal Tracker captured 547 deals globally as of 30 September 2017.

This number is expected to significantly increase as banks and law firms contribute to one of Airfinance Journal's deal surveys in the first quarter of 2018. Nevertheless, the data is a good indicator of the types of deals done and the identity of this year's leading arrangers so far.

Figure 1 shows the global position and a breakdown of structures. As is evident, operating leases and the commercial loan and capital markets dominated the structures employed. The small contribution by those historically active sources, export credit and tax lease, is very apparent. Structured operating leases include Japanese and German operating leases and Ijarahs. Aviation funds include those arranged by Castlelake and BBAM for their clients in search of yield.

Figure 1 – Global – All Structures

Product category	Number of Deals	%
Operating lease	315	57.6%
Commercial loan	114	20.8%
Capital Markets	75	13.7%
Structured operating lease	26	4.8%
Aviation Fund	10	1.8%
Export credit	6	1.1%
Tax Lease	1	0.2%

Source: AFJ Fleet Tracker, year to date 30 September 2017

The top arrangers for September year to date (all structures except Operating Lease) are shown in Figure 2. This shows Credit Agricole-CIB (CA-CIB) retaining their lead position from 2016 but we are sure the others have not given up on closing the current gap.

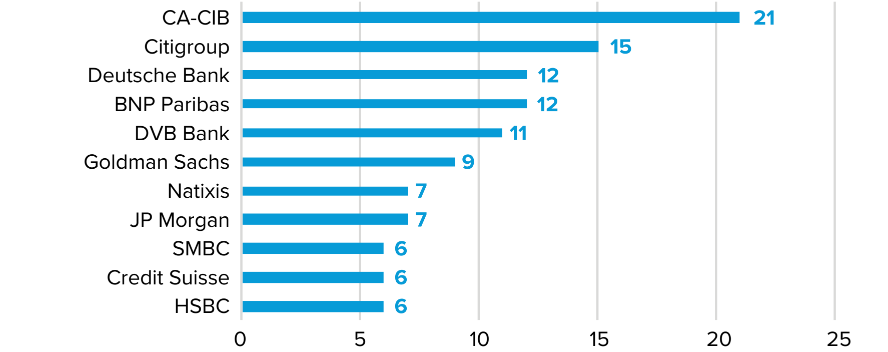
CA-CIB's and BNPP's deals covered the whole spectrum of structures while Citigroup, Deutsche Bank, Goldman Sachs and JP Morgan were more concentrated on capital markets. DVB with its narrower product offering is running in a commendable fifth place.

Note: the above league tables are based on deals recorded year to date 30 September 2017 in Airfinance Journal Deal Tracker. In order to get your deals counted, please submit deal particulars at any time to jackdutton@airfinancejournal.com.

For trials of Deal Tracker please contact Harry Sakhrani in Asia-Pacific at hsakhrani@theairlineanalyst.com or Chris Welding for the rest of the world at chris.welding@airfinancejournal.com.

Figure 2 – Global – Overall Arrangers – All Structures except Operating Leases

Top arrangers by number of deals globally*



Source: AFJ Fleet Tracker, year to date 30 September 2017 – *Full credit to all arrangers

Figure 3 shows the data for Asia-Pacific issuers only.

A total of 174 deals have been recorded year to date in this region. Again the breakdown of structures favours operating leases and the commercial loan and capital markets.

Figure 3 – Asia Pacific – All Structures

Product category	Number of Deals	%
Operating lease	315	57.6%
Commercial loan	114	20.8%
Capital Markets	75	13.7%
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Aviation Fund	10	1.8%
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Tax Lease	1	0.2%

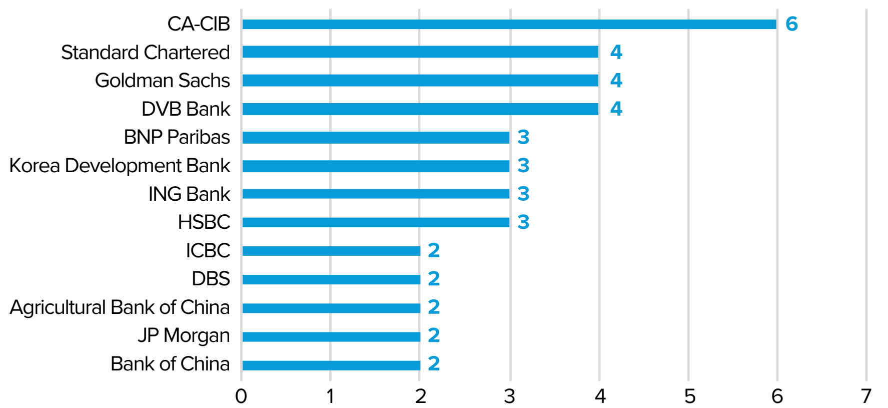
Source: AFJ Fleet Tracker, year to date 30 September 2017

The top arrangers in Asia-Pacific are shown in Figure 4.

CA-CIB leads in this region also but it is interesting to see the level of activity by some of the regional banks (including regional focused HSBC and Standard Chartered). ING's activity includes its insurance backed issuance for Korean Air Lines for which it has been the pioneer. But perhaps surprising is the complete absence of Japanese banks from the list.

Figure 4

Top arrangers by number of deals in Asia-Pacific*



Source: AFJ Fleet Tracker, year to date 30 September 2017 – *Full credit to all arrangers

Aircraft trading activity

Aircraft trading between lessors is an active component of portfolio management. This is one reason why many lessors prefer to invest in widely-used, liquid aircraft types like the Boeing 737-800 and Airbus A320.

Using data from *Airfinance Journal*'s Fleet Tracker we have counted all trades between lessors from 30 September 2016 to 30 September 2017. In that time there were 152 Boeing trades (*Figure 1*) and 191 Airbus trades (*Figure 2*).

Figure 1

Boeing Trades

Type	Model	Number
Boeing 737	800	77
	700	17
	900/900ER	8
Boeing 737 Classic		22
Boeing 777	200/300ER	11
Boeing 767	300ER	7
Boeing 747	400/400F	4
Boeing 757	200	4
Boeing 787	8	2
Grand Total		**152**

Source: Fleet Tracker – 30 Sep 2016-30 Sep 2017

Figure 2

Airbus Trades

Type	Model	Number
Airbus A320	200/neo	88
Airbus A319	100	36
Airbus A321	100	26
Airbus A330	200/300	41
Grand Total		**191**

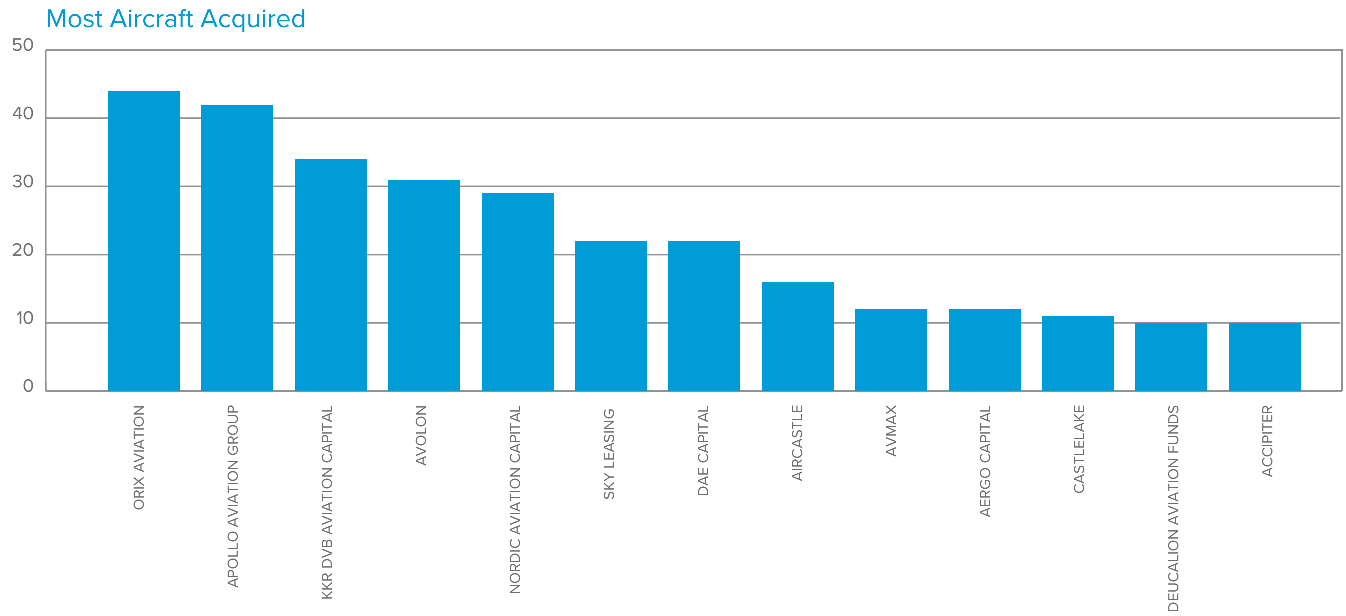
Source: Fleet Tracker – 30 Sep 2016-30 Sep 2017

As expected, Boeing trading activity is heavily focused on the 737-800, while Airbus trades are more broadly distributed among the A319, A320 and A321. There was a meaningful number of 777 trades but these were outnumbered almost 4:1 by A330-200/300 transactions. A number of older Boeing types were also traded for purposes of part-out.

New investors

Figure 3 identifies the new investors in these transactions. The list is headed by Orix Aviation, which acquired approximately 20 aircraft through a 50/50 joint venture with Merx Aviation. Apollo Aviation was also a large investor, followed closely by the KKR-DVB joint venture, KDAC.

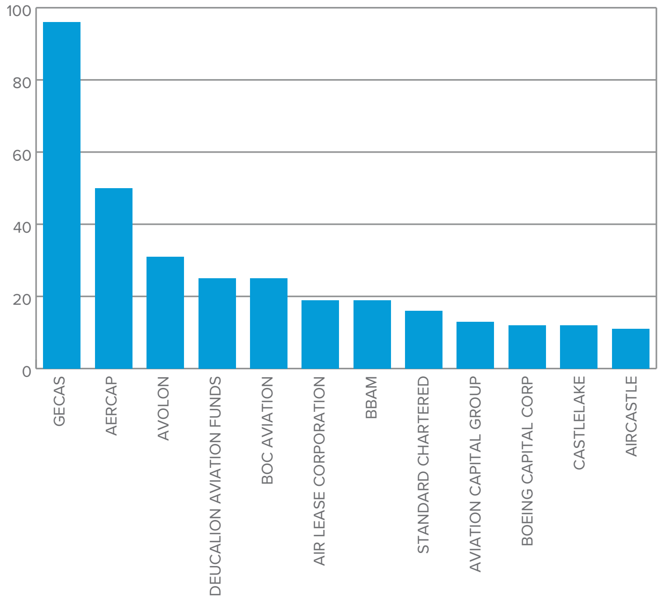
Figure 3



Source: Fleet Tracker – 30 Sep 2016-30 Sep 2017

Figure 4

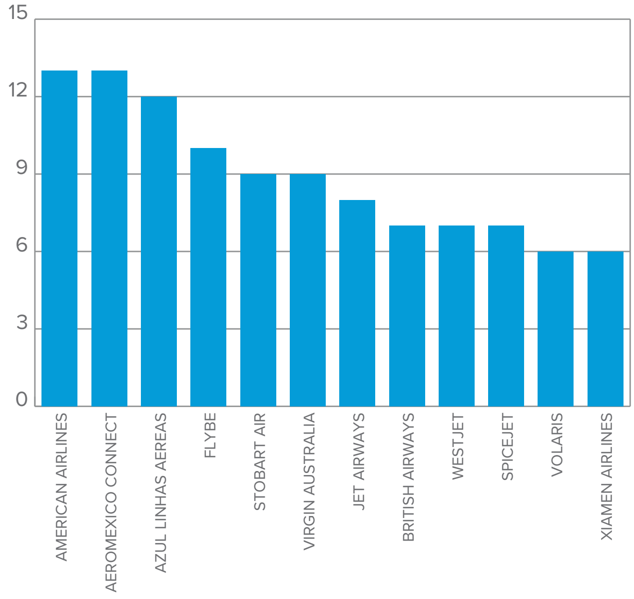
Most Aircraft Sold



Source: Fleet Tracker – 30 Sep 2016-30 Sep 2017

Figure 5

Most Traded Lessees



Source: Fleet Tracker – 30 Sep 2016-30 Sep 2017

The data in *Figure 4* ranks lessors by sales count. There are definitely no surprises with the first two places on the list. Lower down, Avolon features on both the "biggest buyer" and "biggest seller" lists. Other active managers of their portfolios are Deucalion, BOC Aviation, BBAM and Standard Chartered. Boeing Capital is the only OEM to feature on any of our lists as an active seller of aircraft into the market.

American Airlines Lead

Figure 5 shows the lessees most involved in trades, which is another indicator of liquidity. Therefore it is understandable to find American Airlines at the top of the list. Aeromexico and Azul may be less obvious candidates, as are Flybe and Stobart Air, though obviously these transactions would have been for much lower value.

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ATR 72-600

ATR 42-600

Choosing ATR's solutions generates $1 million of savings annually, per aircraft, compared to their direct competitors. This explains the vast success of the program and its leadership in terms of orders, deliveries, backlog, operator base, investor's opinion and residual value retention.

ATR

PROPELLING THE NEXT CONNECTION

Chorus backs integrated offer to scale leasing platform

Towards the end of 2016, Chorus Aviation group launched a new leasing subsidiary, Chorus Aviation Capital (CAC), aided by a C$200 million ($149 million) initial convertible private placement with insurer Fairfax Financial.

Since then its new leasing arm, Chorus Aviation Capital (CAC), has spent about half the money raised on 17 regional aircraft which are now under operating lease with six different operators.

The Canadian lessor also rents an additional 39 aircraft to Jazz Aviation under a capacity purchase agreement with Air Canada. Jazz, a Chorus subsidiary, flies for Air Canada as Air Canada express.

CAC plans to use the rest of its initial to double its third-party fleet of 17 aircraft – comprising ATR72, Bombardier CRJ and Q400, and Embraer 190 units – within the next 12 months.

"The regional market is relatively underserved from a leasing perspective," observes CAC president Steven Ridolfi, adding: "Historically that's been true because of a reliance on ECA debt financing."

For future acquisitions CAC will continue to explore the sale-leaseback market – which provided its launch deal for four CRJ1000s with Air Nostrum – and purchases from the portfolios of larger lessors.

"There are regional aircraft owned by traditional leasing companies that are potentially non-core to their fleets and those opportunities are very attractive to us," says Ridolfi.

Warehouse facility?

Average age of CAC's fleet is 2.7 years, and the lessor plans to keep this below five years after further acquisitions, which might include direct orders with manufacturers.

"Our acquisition targets are ideally new, or nearly-new aircraft, with longer-term leases to quality credits."

However, Ridolfi indicates that it is unlikely that the lessor will add new-generation aircraft such as the Embraer E2 or Bombardier CSeries within the next 18 months, although "we would not be shy about looking at opportunities in that space in the future".

While financing for CAC's deals thus far has been bilateral debt, Ridolfi says that the lessor "would look to a warehousing type facility as we grow and expand".

"We've been very pleased with the bank financing facilities that have been offered to us," he says.

"We have had many banks come forward to bid so I would say we have achieved market financing rates and I don't think we've been penalised for our nascent position in the marketplace," he adds.

When it comes to sourcing or disposing of aircraft, Ridolfi acknowledges that the regional market isn't as liquid as it is for narrowbodies, although he believes there is compensation in higher relative lease rates for regional aircraft.

This is partly down to a lack of supply in a market that has consolidated down to just four significant competitors to CAC: Singapore-based Avation; US-based GECAS; Irish lessor Elix Aviation Capital; and regional market leader Nordic Aviation Capital (NAC).

"There's a lot of business to go round in the regional aircraft side," says Ridolfi, adding: "Clearly, Nordic has done a great job growing and scaling their business…and we would like to follow in their footsteps."

NAC's portfolio comprises 411 regional aircraft, according to *Airfinance Journal's* Fleet Tracker.

While CAC can't compete with NAC on scale, it does seek to leverage the breadth of its offering, which includes airline, leasing and maintenance operations within its parent group.

"As an airline we understand an airline's needs and how to craft a deal to make it work for them," says Ridolfi.

It also has experience of modifying and maintaining regional aircraft via Chorus' JTS and Voyageur Aerotech MRO facilities.

"We've had experience in taking back aircraft and modifying them and putting them back into service, so from a lessor's perspective we have some built-in capacity that we find very attractive."

Those capabilities also help mitigate residual value risk, which CAC also seeks to manage by focusing on popular 70-135-seat aircraft from the three main manufacturers: ATR, Bombardier and Embraer.

Asked whether some more acquisitions might be announced in the very near future, Ridolfi says: "There might be indeed. We have a really strong pipeline of potential acquisitions."

Pratt & Whitney invests to meet market demands for game changing engine

Pratt & Whitney radically changed the architecture of a jet engine with the PurePower® Geared Turbofan™ (GTF) engine, and now the company is focused on changing the architecture of how engines are built and delivered.

[**The GTF Engine: A Modern Aviation Success Story**]

Game Changing Technology

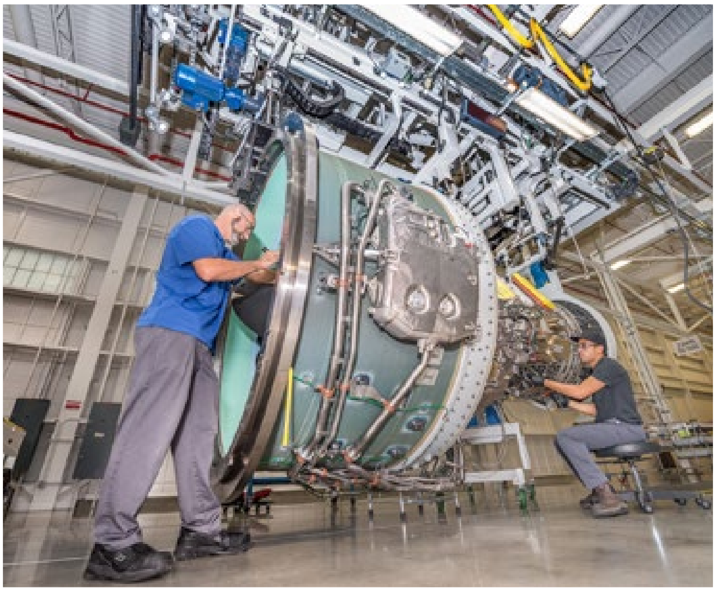
When first announced, the PurePower GTF platform's anticipated performance disrupted the aerospace industry, driving many air framers, propulsion suppliers and airlines to rethink propulsion strategy. It's a company success story, but also a success story for modern aviation.

Operators will have the ability to extend routes while using the same amount of fuel, creating route options that didn't exist before, and making point-to-point destinations more available to the flying public. The keen interest from customers in the GTF benefits mean the engine is now on five platforms, including the Airbus A320neo, the Bombardier CSeries, the Mitsubishi Regional Jet (MRJ), Irkut MC-21 and Embraer E-Jets E2.

Investment in Facilities, Supply Chain And Quality Systems

To ensure Pratt & Whitney meets it commitments for the unprecedented product demand – the company currently has a backlog of well over 8,000 firm and option engines on order – it continues to invest in ways that will help enable it to meet its delivery commitments.

Pratt & Whitney expects to hire thousands of people globally over the next decade. In fact, over the last 18 months alone, the company has hired some 5,000 employees. Moreover, the company is investing in additional assembly and test facilities to meet volume – spending more than **$1.3 billion in 21st century manufacturing technology** to transform its footprint worldwide.



Examples include:

- A $451 million investment to expand the Columbus, Georgia, facility.
- More than a $400 million expansion of the company's East Hartford and Middletown, Connecticut, facilities.
- A $140 million expansion at the company's Advanced Coatings facility in Wallkill, N.Y.
- A $125 million investment in our North Berwick, Maine, facility.
- A $110 million investment in Singapore to build a new 180,000-square-foot manufacturing facility that officially opened in Feb. 2016 and a new repair facility that opened in December 2013.
- A $97 million investment at the company's AutoAir facilility in Lansing, Michigan.
- A $63 million investment to expand the West Palm Beach, Florida, facility, which opened June 2014.

In addition, whereas traditionally Pratt & Whitney assembled the majority of its large commercial engines in its Middletown, Connecticut, assembly facility, it is establishing a global network of assembly sites that include: Middletown, Connecticut; North Berwick, Maine; West Palm Beach, Florida; Mirabel, Canada; a facility managed by Pratt & Whitney's collaborator, MTU in Germany; and a facility managed by Pratt & Whitney's collaborator MHIAEL in Japan. The facility in North Berwick, Maine, serves as a module assembly facility. These sites have either been built from the ground up or retooled and modernized. All of these sites are tooled to handle GTF engine assembly, and state-of-the-art horizontal assembly lines in **Middletown, West Palm Beach and Mirabel have the potential to yield up to 50% more productivity** versus traditional assembly-line arrangements.

The company is also investing in its supply base to ensure suppliers can meet quality, cost and schedule commitments. Pratt & Whitney's goal is to have no single point of failure in the supply chain. Pratt & Whitney has secured **more than $23 billion in long-term supplier agreements and is focusing on dual sourcing** for the GTF and other programs, while aggressively working with suppliers to ensure they are structured to meet the company's stringent quality requirements and schedule demands.

This investment also includes the Supplier Gold program - a supplier performance and recognition program established to facilitate and accelerate supplier performance improvements while recognizing superior performance. Some 300 Pratt & Whitney engineers and other professionals are assigned to work directly with suppliers, helping them build capacity and improve metrics. It's all part of a global spending strategy, with the Pratt & Whitney Operations Command Centers proactively tracking the supply chain.

Where to next?

Pratt & Whitney was built on innovation and the company's game-changing GTF engines are a result of that tradition. Pratt & Whitney considers its employees a key advantage over its competition. Whether it's overcoming immense technical challenges to bring the Geared Turbofan™ architecture from theory to reality, or thinking outside the box to learn new and different ways to address manufacturing and supply chain needs, Pratt & Whitney's employees are at the root of the solutions. In the same way Pratt & Whitney changed how the industry looks at an engine through the PurePower® GTF; the investments in facilities, supply chain and quality systems will change the way the company delivers on its commitments.

Bombardier promises to open new Asian routes

Airfinance Journal talks to Bombardier Commercial Aircraft's senior vice-president commercial, Colin Bole, about the company's prospects.

A recent order for Bombardier Q400 aircraft from India's Spicejet has provided a welcome boost for the Canadian manufacturer in Asia-Pacific. Across the region, the Q400 is already flown by Qantas, Nok Air, All Nippon Airways, SpiceJet, Biman Bangladesh, PAL Express and, as a cargo-combi, by Ryukyu Air Commuter. Now Bombardier is seeking new customers.

"The recent launch of the 90-seat Q400 variant will further help the aircraft penetrate Asia. We see a shift in the marketplace whereby more and more airlines now want to operate their turboprop fleet in a fully integrated way with their jet fleet. Turboprops are no longer used in isolation of the rest of the fleet, to serve basic connecting needs," says Bole.

Bole adds that Spicejet is a good example of the evolution in turboprop operations, and that many other airlines are pursuing similar strategies.

"When you integrate turboprops into a jet fleet, many new requirements kick in: interchangeability of aircraft types; preservation of hub integrity; and seamless passenger experience. These define new characteristics for turboprops like being able to fit into a jet schedule, being capable to catch up with operational delays to preserve connections or being able to operate from jet-ways.

"The market is changing fast, and Asian carriers are very much leading that change."

CSeries

Bole is convinced that the Q400 will suit these emerging operational models, and is equally confident that the CSeries will find a home in Asia. He points out that the CSeries' airfield performance suits the many hot, high, short and challenging airports in the region, while its operating economics and cabin specifications will entice LCCs and budget and full-service carriers alike.

"Asian carriers have been busy exploiting the low-hanging fruits: all these routes which require larger single-aisles and even widebodies. But today, these routes are fully exploited, very competitive for the vast majority and many airlines are looking at the next level of growth in the region, tapping into smaller markets still showing very high growth potential. In these markets, operating an oversize narrowbody will lead to further profit dilution as airlines will be forced to drop their yields to fill the larger modules."

To right-size their aircraft for smaller routes, Bole believes carriers should adopt the CSeries to help open or commercially validate "thousands" of new routes.

"Opening up secondary and tertiary routes in Asia is a huge market opportunity that should provide tremendous growth in the region for the next 10 and more years. The first operator of the CSeries in Asia will be Korean Air, who will take delivery of their first CS300 later this year. Once in operation, the Korean Air CS300s will increase the awareness of this aircraft in the region and drive future campaigns."

The CSeries orderbook includes 80 orders (22%) from leasing companies out of 360 aircraft in total. Lessor orders include three CS100s and 17 CS300s for LCI; 40 CS300s for Macquarie Airfinance; and 20 CS300s for Ilyushin Finance.

Bole, however, is cool about the prospect of attracting further lessor commitments.

"Typically, lessor speculative orders comprise 20-25% of total backlog, and the CSeries has already achieved this level. If a higher portion of orders is through lessors, it creates intense market pressure on lease rates as there is too much lessor-versus-lessor competition to place these aircraft, as we see with the Airbus Neo and Boeing Max families today. This being the case, Bombardier's approach for 2018 is not to seek large speculative orders from lessors for the CSeries, and instead to focus on individual aircraft transactions at an airline level, where we work with specific lessors on a transaction that results in an order for the aircraft, but a new airline operator at the same time."

Export credit

Export Development Canada (EDC) has guaranteed financing on certain deliveries in the CSeries programme.

"As Canada's export credit agency, EDC's role is to facilitate Canadian export trade and we expect this mandate to continue in 2018. However, we encourage the development of a diverse source of financing for the aircraft in order to give our customers flexibility and enhance product acceptance by the financial community. CSeries customers will finalise aircraft financing arrangements including selection of financiers closer to the time for their 2018 deliveries," says Bole.

Stretch

Last year Bombardier was reportedly studying a CS500 stretched variant to compete with the core 160-180-seat versions of Boeing 737 and Airbus A320 aircraft. However, Bole says that Bombardier will focus on its existing products for now.

"We are not actively working on a bigger version of the CSeries," he says.

"We are focused on ramping up our CS100 and CS300 deliveries and ensuring flawless entry-into-service for each of our early customers. Our focus is to ensure that current CS100 and CS300 variants are established in the marketplace and deliver the maximum of their potential."

That potential was recently extended by an average 3% improvement to the in-service fuel burn level of the CSeries, following feedback from operators. This came from optimising speeds and flight profiles, as well as adjusting previously conservative modelling to real airline operations.

"This is huge: airlines switch fleets for less than that [fuel burn gain]. And it came with absolutely no modification whatsoever on the aircraft. We know this platform has tremendous potential, and while other competitive platforms are probably close to the end of their story, we are at the beginning. Unleashing the potential that the CSeries has under the hood is our priority for the upcoming years."

United rethinks sale and leasebacks

United Airlines will revisit the sale and leaseback market, after more than a decade-long hiatus, for its upcoming Boeing 737 Max deliveries.

"We will take a serious look at the sale and leaseback market as we haven't been in that market for 11 or 12 years," said Gerry Laderman, senior-vice president, finance, procurement and treasurer of United Airlines, speaking at *Airfinance Journal*'s Airline Briefing Day.

However, Laderman maintains that the enhanced equipment trust certificate offering market is the "most efficient form of financing for US carriers".

At the Paris Air Show, United Airlines announced an agreement with Boeing to convert 100 of its current 737 Max orders into 737 Max 10s, becoming the largest single 737 Max 10 customer. United will take delivery of the 737 Max 10 in late 2020.

In September, United Airlines ordered 10 extra A350s, swapping its overall order from the largest model, the A350-1000, to the smaller A350-900 unit. The carrier will now take 45 A350-900s instead of 35 A350-1000s, he adds.

United also announced an order for four additional 777-300ERs at the air show. It has now ordered a total of 18 777-300ERs.

Brexit impact

Laderman says the United Kingdom's decision to leave the European Union in June 2016 has already started to impact the carrier.

The carrier scrapped flights to Manchester in northwest England from its Washington hub due to the route's "poor financial performance due a weak pound, which is impacting travel demand," says Laderman.

It also dumped flights to Newcastle in northeast England from its Newark hub.

American on the hunt for Boeing funding

American Airlines is looking to finance 16 aircraft deliveries due for delivery next year.

Those deliveries include 11 Boeing 737 Maxs and five 787-9 units, said Amelia Anderson managing director, assistant treasurer of American Airlines, speaking at Airfinance Journal's Airline Briefing Day in Hong Kong.

The airline has orders for 22 units in 2018, but has already financed six unit, she adds.

The carrier continues to evaluate its Airbus A350-900 order, she says.

American has twice deferred its A350 order. In April, It pushed its first deliveries back by two years to 2020, after a one year deferral to late 2018 in July 2016.

Roll-out economy fares

The carrier completed the roll-out of basic economy fares in September to its entire domestic network, says Anderson.

American is the last among the US mainline carriers to implement basic economy fares on domestic routes. Delta Air Lines was the first to offer the fares in 2015, while United Airlines completed its roll-out earlier this year.

Basic economy offers a lower fare with no upgrades, no advance seat assignment and one carry-on bag that fits under the seat. About 50% of travellers considering basic economy end up buying a higher-priced ticket, American says.

American posted net income of $624 million for the third quarter, a 15% drop compared with year-earlier period.

Its revenue per each seat grew 1.1% in the three months ended in September with even greater improvement expected in the fourth quarter, Anderson adds.

How Cebu finances its fleet

Philippine carrier Cebu Pacific has gone through several fleet renewals over the past few years and has financed new acquisitions through different sources of funding.

Cebu tapped financing from local banks earlier this year for its first owned Airbus A330-300. The all-peso loan facility was arranged by China Bank Capital, a wholly-owned subsidiary of China Banking. The PHP 4 billion ($80 million) 10-year secured term loan was the sixth aircraft financing that China Bank had done for Cebu Air.

Interest rates range from 2% to 4%.

The bank had previously financed another A330-300, in 2016, with a commercial loan for Cebu.

The carrier's other six A330-300s are on operating leases. Cebu entered into a lease agreement with CIT Aerospace (now Avolon) in 2012 for four A330-300s under 12-year terms.

Operating leases

In 2014 it entered 12-year operating lease agreements with Intrepid Aviation for two A330-300s.

Cebu's ATR72 fleet includes seven ATR72-500s financed using export credit agency (ECA)-guaranteed loans.

New ATR72-600 aircraft, which started to arrive in 2016, are financed using 10-year commercial loans with China Bank Capital.

In total the bank financed two deliveries last year and three deliveries in the first half of this year.

Cebu Pacific, which will take delivery of the ATR72-600 model through 2020, has yet to unveil more financing structures for its turboprop fleet. The Philippine carrier has ordered 16 ATR72-600s and optioned an additional 10 aircraft.

ECA facilities

The banking market has been its principal source of finance, especially via ECA-backed loan facilities.

Between 2005 and 2012, Cebu Pacific entered into ECA-backed loan facilities to partially finance the purchase of 10 Airbus A319s and 10 A320s, in addition to the seven ATR72-500s.

The ECA-backed facilities have 12-year terms for the Airbus narrowbody models and 10-year terms for the turboprop aircraft. Interest on loans from the ECA lenders are a mix of fixed and variable rates. Fixed annual interest rates range from 2% to 6% and variable rates are based on US dollar LIBOR plus margin.

Between 2017 and 2016 the company entered into a commercial loan facility to partially finance the purchase of 19 A320 aircraft. Interest on the 10-year loans are a mix of fixed and variable rates. Interest rates range from 1% to 6%.

The airline group also has six A320s under lease agreements expiring between February 2018 and October 2019.

A321neo next

Cebu Pacific has a backlog of 32 firm orders and 10 options for A321neo aircraft to be delivered from the start of 2018.

In June this year, the group placed an order with Airbus to purchase seven new A321s due for delivery starting next year.

As of 30 June 2017, Cebu Pacific's fleet totalled 61 aircraft.

DAY ONE : Wednesday 1st November 2017

0800 Registration

0900 Chairman welcoming remarks
Killian Croke, Partner, **KPMG Ireland**

Keynote sessions: Raise the curtain
0910 Have we reached the peak of the leasing cycle and when will we see the cyclical downturn?
Steven F. Udvar-Házy, Executive Chairman of the Board, **Air Lease Corporation**

0930 Lessors' M & A
Dómhnal Slattery, Chief Executive Officer, **Avolon**

0950 Presentation: New business opportunity for Chinese Lessors - Leasing of China-made commercial aircraft
James Lin, Managing Director, Aviation Finance, **ICBC Financial Leasing**

1010 Presentation: Assessing legal and tax efficiency in new tax regimes, tax reductions and double tax treaties for cross-border leasing
Joe O'Mara, Aviation Finance & Leasing, **KPMG**

1030 CEOs panel: Lessor strategies – looking ahead
Kieran Corr, Managing Director & Head – Aviation Finance, **Standard Chartered Bank**
Paul Sheridan, Chief Executive Officer, **Accipiter**
Robert Martin, Managing Director & Chief Executive Officer, **BOC Aviation**
Richard Wiley, Chief Executive Officer, **Sky Leasing**
Stephen Cook, Global Head of Transportation Finance, Executive Director, **Macquarie Bank**
Moderator: **Tom Woods**, Partner, **KPMG Ireland**

1120 Networking coffee & refreshment break

1150 Presentation: Key strategic options for aircraft lessor's growth
Pierre Briens, Head of Aviation, Transportation Sector, Investment Banking Asia Pacific, **BNP Paribas**

1210 Airlines' panel: Capacity management, own vs lease, new sources of capital, air traffic and competition
Filip Kidon, Treasurer Capital Markets, Qantas Airways
Nick Hardge, Manager, Leasing and Aircraft Trading, **Virgin Australia**
Nirmal Govinda das, Senior Vice President - Corporate Treasury, Emirates
Yasantha Dissanayake, Head of Financial Management, **SriLankan Airlines**
Moderator: LI Ling, Managing Director, Aviation, Bocomm Leasing

1300 Lunch sponsored by Everbright Financial Leasing

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1420 Lenders' panel: Credit fundamentals, demand for loans, pressure on pricing and opportunities for syndication with Asian banks
Laurent Delvart, Managing Director, Head of Asian Aviation Group, **CACIB**
Munawar Z. Noorani, Managing Director, Head of Aviation, EMEA & APAC, **Citi**
Marilyn Gan, Managing Director, Aviation Finance, **DVB Bank**
Pierre Briens, Head of Aviation, Transportation Sector, Investment Banking Asia Pacific, **BNP Paribas**
Rikan Miura, Head of Global Aviation Team, Deputy General Manager, Corporate Finance Department, Division IV, **Development Bank of Japan**
Moderator: **Paul Ng**, Partner, **Milbank**

1500 Korea: Channeling more institutional money investing in narrowbody portfolios and fund schemes
Se Won Huh, Deputy General Manager, Infrastructure Finance Department, Project Finance 2 Division, **Korea Investment & Securities**
Vinodh Srinivasan, Managing Director, Co-Head Structured Credit Group, **Mizuho Securities USA**
Youn Kwang Woo, Director, Investment Management, **Mirae Asset Securities (HK)**
Moderator: **Beng Kiat Seah**, SVP Trading and Portfolio Management, **GECAS**

1530 Lenders' panel: Appetite for syndication, risk exposures, cost of LCY for airlines and funding the lessors' M&A
KJ Yang, Head of Project Finance Department I / Transportation Team 2 (Aviation Finance), **Korea Development Bank**
Shin Watanabe, Executive Officer and General Manager, Global Aviation and Maritime Finance Department, **Sumitomo Mitsui Banking Corporation**
Yu Kimura, Senior Vice President, Head of EMEA, Asia Pacific and Investment, **Development Bank of Japan**
Moderator: **ZHU Limi**, Assistant General Manager, Financial Markets Department, **Minsheng Financial Leasing Co., Ltd**

1610 Networking coffee break

1640 Panel: Working with airlines on managing residual value, rate hike, lease returns and risk management strategies ahead
Brian Guan, Executive Director, Aviation Finance, **ICBC Financial Leasing**
David Swan, Chief Operating Officer, **SMBC Aviation Capital**
HUANG Bo, Chief Commercial Officer, **CMB Financial Leasing**
Li Liu, Executive Vice President, Greater China, **GECAS**
Paul Dwyer, Chief Risk Officer & Executive Vice President, **Jackson Square Aviation Capital**
Moderator: **Kevin Butler**, Managing Director**, TMF Management (Ireland)**

1730 Close of day one followed by KPMG cocktail reception