



## Lessors dismiss downturn worries

Concerns are exaggerated about the market entering a downturn due to increased fuel prices and falling non-US dollar currencies, said operating lessors at *Airfinance Journal's* Hong Kong Airfinance event on 31 October.

There will be no significant downturn in the aviation finance market over the next five years, says Philip Bolger special advisor to the chairman at Nordic Aviation Capital. Although there is a "confluence of negative sentiment around fuel, interest rates and the US dollar", Bolger does not see any significant downturn in the market over the next five years that would lead to "a kind of 2008 situation".

He adds that the strength of the market in the Asia-Pacific region is palpable.

"The long-term prospects for the industry are excellent, and I think when we come here to Asia, in particular, we actually see it and feel it. The dynamics here are fantastic. We come from the old world and we're coming to the new world," he says.

John Higgins, president and chief commercial officer at Avolon, says the industry is in "good health".

"But on a 12-month basis, there are headwinds we will all deal with...the airlines are facing a market with fluctuating currencies...higher oil, maybe tensions in global trade. That's a difficult backdrop for them to navigate," he says.

Higgins adds: "Undoubtedly, there are players in the lessor space who've come in through this latest very positive upturn... who will need to navigate a different environment for the next 12-24 months. That will be new to them and some of them will manage that well and some not so well. In any market, there needs to be that correction where capital flows in and maybe decides it hasn't found a permanent home. That doesn't mean the industry is in crisis."

He says this is just the normal "ebb and flow" of the market.



"Some airlines will fail, some succeed. Some lessors continue to grow and some will exit the space."

Firoz Tarapore, chief executive officer of DAE Capital, says the industry is "blessed by very, very favourable long-term growth dynamics".

Tarapore, who in a November 2017 interview with *Airfinance Journal* also expressed his optimism that the scale of the top 10 lessors will grow, acknowledges that "there are always going to be things that drive uncertainty in today's environment", such as fuel prices and the strength of the US dollar.

However, the airline industry will remain "fairly resilient" and market participants will "continue to work in an industry that is relatively blessed".

"Our balance sheet is strong enough to withstand any of the hiccups that will come around – we just don't know what kind. We are in an environment conducive to investment over a very long period of time," he says.

"For us that's a very encouraging way to continue to think very long-term and continue to put money to work in this particular business," he adds. ^

## Orix deal 'transformation step in journey to investment grade'

HNA-Group owned lessor Avolon's sale of a 30% equity stake to Japanese-controlled Orix is the "transformation step in the journey to investment grade", Avolon's president and chief commercial officer has said.

"That's allowing the rating agencies to focus simply on the credit metrics of the business rather than looking further up in our group," says John Higgins.

Higgins, who was responding to a question from moderator Killian Croke, partner, head of aviation finance audit at KPMG, about investment grade ratings, says he does not see a downside

to having one.

He adds: "What you want to have when you're taking about an industry where the capital flows are significant – there are risks out there – you want to have access to the deepest and most constant pools of capital out there...but you also want to have good diversity...and not be wholly reliant on building financing.

"Even if you're investment grade you ...want to be accessing other forms of capital, be that on the equity side or other forms of debt capital. I'd be interested if there's anyone in the room that thinks investment grade brings risk to your business." ^

# ABS activity on course to surpass last year's record

The market for asset-backed securitisations (ABS) remains very active and rating agencies believe this year may surpass last year's record number of issuances.

According to *Airfinance Journal's* Fleet Tracker, eight transactions totalling more than \$4.4 billion were completed as by 28 September.

*Airfinance Journal* understands that three ABS transactions are in the pipeline, from operating lessors, with completion planned by the end of this year.

Two issuances are repeat transactions for a lessor while another one will be the first ABS transaction.

More mid-life lessors have tapped the secured markets – notably the asset-backed securities (ABS) market – both as a refinancing tool and to facilitate portfolio sales.

This year's activity includes six issuances from mid-life lessors such as Apollo Aviation, Castlake and Merx totalling \$1.86 billion while Avolon, GECAS and Air Lease have also tapped the ABS market for a combined \$1.8 billion.

In late September new platform Zephyrus Aviation Capital launched a \$336 million ABS deal secured by a collateral of aircraft acquired from Avolon.

The non-aircraft ABS that hit the market earlier this year was completed by Willis Lease Finance (WLFC). It featured 55 engines and one Boeing 737-800 airframe as collateral. WEST IV represented WLFC's fifth securitisation and the second rated by KBRA.

Willis retained the equity in WEST IV \$373.4 million transaction as in its previous securitisations. The year 2017 was described as a record year for aircraft ABS issuance, with 12 transactions totalling more than \$6.5 billion completed.

The average size of a securitisation in 2017 was \$550 million. The average size of this year's issuances through 28 September was \$575 million.

Credit rating agency KBRA anticipates the ABS market will be at least equal to 2017, or may even exceed 2017 by "a few" deals.

"The market for aircraft ABS continues to be very robust and there is growing investor appetite in the space. There continues to be a need for some lessors to access the market for permanent

financings of the fleet or for fleet sales as they manage portfolio concentration risks," says Kroll Bond Rating Agency's senior managing director, ABS commercial Tony Nocera.

## Volume

As at the end of September, KBRA had rated 10 ABS transactions worth \$5.6 billion, including the \$373.4 million Willis engine transaction and the \$1.2 billion Business Jet Securities deal.

In terms of commercial aircraft ABS, the agency rated seven transactions totalling approximately \$4.5 billion.

"Our belief is that there will be a few more deals coming to market during 2018," he says, adding that the trend has been moving towards mid-life aircraft over the past few years. "To some degree that will likely continue, especially for portfolio sale transactions. Mid-life aircraft deals have become established and have received investors' acceptance. Many portfolio sales financed with ABS have been comprised of mid-life aircraft," he says.

KBRA also believes that the landscape of issuers is evolving.

"We see all types of lessors and asset managers accessing the markets from the large entities to the companies that operate in the mid-life sector, to the very new platforms like Wings, Aergen and Zephyrus Aviation Capital. There are all types of issuers and sponsors accessing the ABS markets."

The ratings agency is comfortable with new issuers such as Zephyrus Aviation Capital.

"We perform our review with the management teams who typically employ technical management that handle asset management responsibilities for the transaction. One of the positives is the fact that Zephyrus Aviation Capital is formed with ex-CIT Aerospace personnel and they know the asset very well. New, smaller platforms are a bit more challenging than large lessors though," adds the ratings agency.

The rising rate environment influences the pricing of transactions but KBRA's head of structured finance research Brian Ford believes it does not necessarily change the economics.

"Rates have certainly been rising," Ford says and although most ABS transactions are priced to the swap rates, a rise in

interest rates is certainly influencing pricing.

"All-in yields are rising across all capital markets, but at the same time spreads on aircraft ABS deals have tightened in, so you might have been pricing a transaction at 350 basis points (bps) over swaps two years ago, but today deals are pricing inside of swaps +200 bps. As a result, the total interest paid by the issuer has risen only marginally," he says.

## Liquidity

In terms of liquidity, one can look at total turnover, so the amount outstanding versus the amount traded. Another way to look at liquidity is the bid-ask spread.

"In general, liquidity has increased in the space and you see more trading in the secondary market, but there have been more issuances," Ford notes.

"The asset class is very lumpy in terms of the amount of trading. When a deal comes to market, trading picks up because some investors rotate out of older deals that have been paying down and increase duration by buying the new deals coming to market," he adds.

But all is relative. Ford says that in the ABS scale of most liquid to least liquid, aircraft ABS will be at the lower end of the liquidity spectrum.

"Liquidity has improved but it is still a rather illiquid asset class relative to other securitised products. The relative lack of liquidity has to do with the complexity of the asset, as well as the fact that the investor base is much smaller than it is for autos, credit cards or student loans. It is a much clubbier type of asset class with maybe 15 to 20 dedicated investors playing in the space as opposed to hundreds of investors for auto ABS," he says.

"An investor isn't typically going to buy a deal in the secondary market unless they bought it in the primary market. There is a lot of work in terms of underwriting these deals so it is harder to find a buyer who understands the collateral and has underwritten that particular deal before."

Nocera sees an increase in terms of investors base over the past four years and that will continue as investors get more comfortable with the assets and the structures. "Having completed due diligence on one transaction, investors want to leverage this knowledge into more deals." ▲

## CDB Aviation focuses on narrowbody fleet

Chinese lessor CDB Aviation will place more emphasis on narrowbody aircraft acquisitions in the future, the company's chief executive officer has said.

The lessor converted eight Boeing 787-9 orders in the summer to 22 Max 8s. In an on stage interview with *Airfinance Journal* on 31 October, Peter Chang says he is comfortable with the move.

"Widebody aircraft are scary business. Over the past 10 years, the risk factors have increased. The manufacturers have done a good job but it is difficult to place a 787 aircraft at the moment," Chang says.

"The way the OEMs and supplier organises the deliveries also has a risk factor for the lessors. In addition, the configuration is 24 months."

He adds: "Widebodies have another level of risk that we had not seen."

CDB Aviation has 190 aircraft in its orderbook with manufacturers. This includes 58 Airbus A320neo aircraft, along with 32 A321neo aircraft. On the Boeing side, it has 68 Max 8s and 10 Max 10s, but its exposure to widebodies is limited to 10 787-9 aircraft.

Chang says CDB Leasing could have

an interest in the New Midsize Airplane when it hits the market.

"It is always exciting that OEMs come up with new aircraft," he says, but he also argues that a new family of aircraft would add volume in the product range.

Chang says funding the lessor's growth is based on the unsecured side, but the lessor has a \$3 billion medium term notes programme.

"We have on shore and off shore financings," he says, adding that CDB Aviation will widen its relationships with the banking community.

"We want to build a core of relationships with bankers," he says, adding that CDB Aviation's funding requirements this year will reach \$4 billion.

"Next year we are looking at \$5 billion in funding requirements," he adds.

CDB Aviation has also refinanced its existing fleet with secured portfolio facilities. The lessor recently closed a \$700 million refinancing facility covering a fleet of 19 aircraft. This was on top of a \$491 million similar transaction last year for 17 aircraft.

Chang says CDB Aviation will consider the capital markets in the future and may do some ABS deals. ▲

## CMB Financial Leasing eyes order to expand

Chinese lessor CMB Financial Leasing is looking to hire more executives as it ponders an aircraft order to grow the business, which has just entered its 10th year in operation.

Speaking at *Airfinance Journal's* Hong Kong Airfinance event, Fang Shuhua, managing director, CMB Financial said: "We are a 10th leasing company...so we are looking at ways to develop, stabilise and expand. We are looking at an order and other asset purchases to expand the scale of the business."

She says the lessor is also looking to expand with more human capital. "We need more professionals to develop and expand the portfolio."

Earlier this year, the lessor concluded a refinancing debt facility for six Airbus A320neo aircraft on operating leases with Indian airline Indigo.

The debt facility is coordinated by DVB Bank, who is also a lead arranger in the facility together with Landesbank Hessen-Thuringen (Helaba). Other lenders in the bank syndicate include Westpac and KfW IPEX-Bank. DVB also acted as agent and trustee for the facility. ▲

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# Top 50 Asia-Pacific airlines' orderbooks

Rank	Airline	No. of aircraft	Estimated Cost (\$m) <sup>1</sup>
1	Lion Air	369	\$24,799
2	Indigo	398	\$22,556
3	Airasia	336	\$21,182
4	Singapore Airlines	104	\$19,129
5	Airasia X	76	\$12,505
6	Vietjet	166	\$11,123
7	Cathay Pacific Airways	75	\$11,095
8	All Nippon Airways	82	\$10,974
9	Qantas	115	\$9,783
10	Spicejet	162	\$9,450
11	Jet Airways	118	\$8,838
12	Japan Airlines	73	\$8,050
13	Goair	122	\$7,421
14	China Southern	72	\$7,303
15	Asiana	49	\$6,213
16	Garuda Indonesia	68	\$5,591
17	Hainan Airlines	76	\$5,242
18	Korean Air	66	\$4,865
19	Spring Airlines	60	\$3,806
20	China Eastern	25	\$3,629
21	Eva Air	20	\$3,599
22	Hong Kong Airlines	22	\$3,577
23	Ruili Airlines	42	\$3,271
24	Virgin Australia	48	\$3,096
25	Cebu Pacific	40	\$2,472

Rank	Airline	No. of aircraft	Estimated Cost (\$m) <sup>1</sup>
26	Tigerair	39	\$2,372
27	Sichuan Airlines	30	\$2,296
28	Silkair	32	\$2,061
29	Donghai Airlines	25	\$1,681
29=	Malaysia Airlines	25	\$1,681
31	Citilink	25	\$1,521
31=	Okay Airways	30	\$1,521
33	Air China	13	\$1,514
34	Philippine Airlines	22	\$1,456
35	Henan Airlines	50	\$1,100
36	Air New Zealand	23	\$1,050
37	PIA	5	\$994
38	Peach Aviation	16	\$962
39	Juneyao Airlines	5	\$774
40	Srilankan Airlines	4	\$698
41	Genghis Khan Airlines	25	\$550
42	Chengdu Airlines	22	\$484
43	Air Calin	4	\$448
44	Biman Bangladesh	6	\$447
45	Transasia Airways <sup>2</sup>	7	\$438
46	Air Niugini	5	\$389
47	Vietnam Airlines	2	\$349
48	Joy Air	46	\$346
49	Air Tahiti Nui	2	\$310
49=	Scoot	2	\$310
<b>Total</b>		<b>2,719</b>	<b>\$208,993</b>

Source: AFJ Fleet Tracker, data as of 30 September, 2018

<sup>1</sup>estimated at 55% of 2018 list prices

<sup>2</sup>airline bankrupt but still features in manufacturers' orders

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# Pratt & Whitney accelerates orders and deliveries for GTF Engines

Pratt & Whitney continues to see broad excitement for its revolutionary Geared Turbofan™ (GTF) engine family. The company has seen a flurry of first deliveries and 2,000 new orders for aircraft powered by the GTF from airline customers around the globe over the past 12 months. 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 the GTF's already stout orders and commitments from more than 80 customers around the world. The most recent deliveries continue to add to the ever-growing commercial fleet, fast approaching 300 aircraft, since the engine entered service in 2016. Pratt & Whitney also delivered GTF engines for Embraer's E190-E2, which entered passenger service in April 2018 with Widerøe Airlines in Norway. Embraer E190-E2 is the third GTF-powered platform to enter service, it is performing well and the larger E195-E2 is slated to enter service in 2019. The Mitsubishi MRJ and Irkut MC-21, both GTF-powered, also will enter service over the next couple of years.

There have been many GTF orders during last 12 months. These include 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 US airline operator); Jetblue purchasing another 45 A320neo aircraft to add the previous 40 aircraft it purchased; Air China and Shenzhen Airlines selecting the engine to power 60 A320neos; Swiss International Air Lines ordering 15 total GTF-powered Airbus A320neo and A321neo aircraft; Vietnam Airlines ordering 20 GTF-powered A321neo aircraft; and Egyptair choosing the GTF to power up to 24 A220 aircraft.

Deliveries ranged from Hawaiian Airlines accepting its first Airbus A321neo aircraft late last year – the first GTF operator to utilise the aircraft's 180-minute Extended Range Operations (ETOPS) certification and the first US airline to fly the GTF-powered A321neo – to Korean Air receiving its first A220-300 aircraft, powered by the GTF, late last year.

Airline customers recently placing these



orders and accepting deliveries believe in the GTF. "Today we celebrate delivery of our first GTF-powered [A220] aircraft," said Soo-Keun Lee, chief technology officer at Korean Air at the time. "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 of the GTF to power new aircraft late 2017, 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 1,200,000 hours of passenger service and demonstrated an ability to reduce fuel burn by 16%, saving customers a staggering 70 million gallons of fuel, totaling an estimated \$130 million in savings. The GTF also reduces nitrogen oxide emissions by 50% to the regulatory standard, which has led to a savings of 660,000 metric tons of carbon emissions so far, and lowers the noise footprint by 75 percent.

Customers and pilots alike are praising its performance. Currently being operated by 28 airlines, flying more than 250 flights per day, to more than 570 destinations on five continents and more than 100 countries, engines in service are saving approximately 100 gallons of fuel and reducing CO2 emissions by one metric ton 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 will allow operators to extend routes by using the same amount of fuel, creating options for routes that did not exist before and making point-to-point destinations more available to the flying public.

The industry-disrupting technologies set the GTF apart from its competition and allow its game-changing performance. The company invested more than 20 years in the engine, maturing new technologies that enable its impressive results. To meet the production demands of a historic engine ramp up, Pratt & Whitney has invested more than \$1.3 billion in its 21<sup>st</sup> 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 do not 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 CEO Ed Bastian in announcing his airline's order in December 2017. "This order for the state-of-the-art A321neo with Pratt & Whitney next-generation jet engines, [the Geared Turbofan], reflects our long-term commitment to these values for Delta people and all our constituents." ▲



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# Pricing will determine success

Boeing's much-mooted medium-sized jet will have a lot of ground to make up on its main competitor, the Airbus A321neo.



The price of Boeing's New Midsize Airplane (NMA) will be critical in determining whether it will receive strong appetite from potential buyers, several leasing executives tell *Airfinance Journal*.

The Boeing NMA was rumoured to be launched at the 2018 Farnborough air show in July, but market sources say the launch will likely be in 2019 or perhaps in 2020. However, other sources believe a launch announcement could come as early as the end of this year, if Boeing's studies on the proposed aircraft go well.

The aircraft would have 225- to 265-seats, according to Boeing. Although that niche is partly filled by the Airbus A321neo, the US original equipment manufacturer says that the NMA could open new routes because of its longer range and superior economics.

Commenting on the proposed aircraft, Declan Kelly, chief commercial officer of GECAS, says: "I think price is really going to drive the asset into the market. Can you build it at a price where people can make money from the aircraft? You're looking at who's going to power the aircraft – different variants of it."

He adds: "Something Boeing will have to bear very careful thought to is how many variants there are going to be and the range of the aircraft, because I don't think you can build an aircraft to suit everybody. That and the price you can sell it at need to be competitive. You've seen the A321 and what that's capable of doing

and every day I look at it, it seems to be able to do more."

The NMA's main competitor, the A321neo, has already received 1,942 orders since it launched with Virgin America in May 2017. *Leeham News* reported on 18 July that Boeing had shifted the target entry into service from 2024-2025 to 2025 in its first-quarter earnings call, indicating that the programme would have a lot of ground to make up on its Airbus competitor.

Air Lease (ALC) founder Steven Udvar-Hazy said at the 38th Annual North American Airfinance conference in Miami in mid-May that by the time the NMA enters service (which he sees as being in 2026-27), Airbus will have delivered 2,500 A321neo aircraft.

However, Brian Harvey, chief marketing officer at SMBC Aviation Capital, says that there is a motive for Boeing to build the aircraft.

"There's certainly a business case that supports the need for an aircraft of that size and if Boeing can get the operating economics and the cost of the aircraft right, then I think it will be a successful programme," he says.

Harvey adds that Boeing is looking to capture more of the income from services after selling the aircraft.

"They want to be in the services business and managing the aircraft and selling the spare parts for the aircraft,

which is currently not their model," he says. "Their model is to sell something and the third-party MRO [maintenance, repair and overhaul] market captures a lot of that business, so Boeing is looking at this on a different investment case."

Harvey adds that Boeing's new increased services offering with the NMA "is going to be an interesting business case to hear about".

John Plueger, chief executive officer of ALC, says the lessor is in discussions with Boeing about the aircraft. "We do see strong interest by a number of carriers globally for that aircraft, but the question is more whether or not Boeing can produce the business case, pricing that aircraft and offering enough value to make it work for them and for the customers."

He adds: "The NMA would fill a hole in the Boeing product line. Airlines are interested in it, but it has to be priced well and that's the part that Boeing is working on right now. In the meantime, you have the A321LR and now the proposed XLR, as well as the A330neo – and those are tough competitors – there is less of a product gap in the Airbus line-up."

Boeing is taking a look at the competitive considerations, he says, adding: "If Boeing can price it well and show a large value add without a lot of new technology risk, then I think that aircraft will do well and we'd be interested in it." ▲



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# Challenges for new ATR CEO

**A**TR named Stefano Bortoli as its new chief executive officer (CEO) last month, following the departure of Christian Scherer to Airbus.

Bortoli became the third CEO at ATR in four and a half years, which represents the normal term of a CEO mandate with the turboprop manufacturer.

His predecessors, Christian Scherer and Patrick de Castelbajac, both got the ATR top job coming from Airbus, where they had a long career. But none of them completed their four-year term, and they both re-joined Airbus.

Scherer re-joined Airbus as chief commercial officer replacing Eric Shultz who resigned from the position in September.

He was executive vice president and head of Airbus Group International before joining ATR in November 2016 replacing de Castelbajac. Before that, he was head of marketing and sales at Airbus Defence and Space.

Ironically, Scherer was in contention for the Airbus job a year ago but Schulz was named ahead of him.

The surprise resignation of Schulz re-opened the door for the man who joined Airbus in 1984 and had various roles at the Airbus group, including executive vice president and head of Airbus Group International.

De Castelbajac's move back to Airbus in November 2016, took him to the chief of staff and company secretary position, before becoming executive vice president of strategy and international in April 2017. He started his career at MBDA but joined Airbus in 2002 in the legal affairs department. Eight years later, he was the head of contracts negotiations.

Bortoli was president of the ATR board and senior vice-president of strategy and sales at the aircraft division of Leonardo, a co-owner of ATR with the Airbus Group, prior to joining ATR.

He will run the company for a four-year term in order to ensure continuity and his challenges may be similar to his predecessors: being able to control the supply chain and deliver between 75 and 80 aircraft a year and improve the ATR models, including certifications.

ATR has delivered 80 aircraft to customers over the past two years, and looks to have controlled the planned

ramp up, which was once forecasted at 100 deliveries a year.

Last year the Franco-Italian turboprop manufacturer booked firm orders for 113 aircraft, along with 40 options, achieving three times more sales than the previous year (36 firm orders), giving ATR a solid backlog representing three years of production.

In 2017, ATR sold aircraft in every region of the world and invested substantially in growing markets. Its 2017 total is its bestselling performance since 2014, when it sold 160 aircraft.

This year started with an additional order for four ATR72-600s from Bangkok Airways.

Since 2007, the number of ATRs operating in ASEAN (Association of Southeast Asian Nations) countries has multiplied by five, from 50 to nearly 250.

ATR also announced a batch of orders and commitments from five customers ahead of the Paris air show.

Air Botswana signed a firm order for two ATR72-600s while Druk Air ordered one ATR42-600 unit. It also announced

letters of intent/memorandum of understanding from Aurigny Airlines for three ATR72-600s, Air Saint-Pierre for an ATR42-600, Easyfly for five ATR42/72-600s, Hokkaido Air Systems for two ATR42-600s and EWA Air for two ATR72-600s.

On the commercial side, Bortoli will need to firm up those commitments by the end of this year as well as sell eight of the original 20 ATR72-600s that can no longer deliver due to sanctions.

In his new position, he will also have to watch the renewed interest in the Bombardier Q400 model, especially the extra capacity 90 seat model, which starts to sell well. ATR high capacity aircraft features 82 seats.

On the engineering and technology side, Bortoli will supervise the final touches on the certification of the ClearVision enhanced vision system, an upgrade for low visibility conditions.

Last, Bortoli may help ATR to seal a launch customer for a short takeoff and landing variant of the ATR42-600 series, for small islands and fjords applications. ▲

## Chinese conversions

**O**ne of the immediate jobs for newly appointed ATR CEO, Stefano Bortoli, would focus on the conversion of 13 ATR42-600s orders from China, once the type certificate is issued later this year by the Chinese authorities.

In June 2017 ATR announced letters of intent (loI) with Shaanxi Tianju Investment Group and Xuzhou Hantong Aviation Development to develop commuter services in two Chinese provinces.

Shaanxi Tianju Investment Group signed a letter of intent for the acquisition of 10 ATR42-600s for commuter services development in the province of Xinjian.

Xuzhou Hantong Aviation Development signed a letter of intent to purchase three ATR42-600s to develop commuter services in the province of Jiangsu.

ATR is bullish about the growth potential of China's regional aircraft market, foreseeing demand for 300 new

turboprops, 70 of which in the 50-seat market, in the country by 2035.

The manufacturer says the regional market is at an early stage of development with an inefficient use of large capacity aircraft generating the extensive need for public subsidies.

There is significant potential to develop commuter services in China and to improve connectivity between smaller towns at the lowest operating costs. This is a key priority of the Chinese government, which has a new focus on the development of regional and general aviation in order to increase quick and efficient access to smaller areas across the country.

ATR said it aims to support China's effort to develop the rapidly growing general aviation market, especially in the area of commuter services. The 30-seat cabin class ATR42-600 fills the general aviation market with spacious seat layout, highest standards of cabin comfort, and cutting-edge technology. ▲

# Lessors migrate to new technology widebodies

Direct lessor deliveries for Airbus widebody aircraft have followed a different pattern from narrowbodies since the beginning of this year.

On the A330-200 model, they accounted for 17% of direct deliveries for the first nine months of this year, versus 0% last year, although Airbus delivered the same number of aircraft: 12.

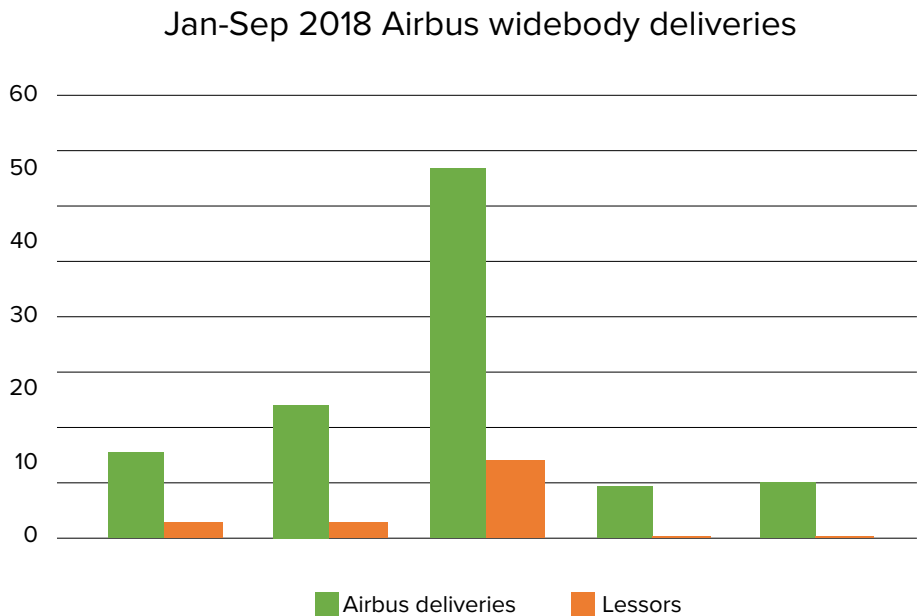
Lessors had 10 of the 32 new A330-300 deliveries last year but only two of the 19 deliveries this year.

Their emphasis is more on the new technology aircraft. Lessors represented 20% of the 54 new A350-900 deliveries for the January-September 2018 period. In comparison their market share was six units, out of 50 deliveries, during the same period last year.

Airbus has delivered seven A350-1000s since the beginning of the year, but none were attributed to lessors.

Overall their year-on-year market share for widebodies remained at 15%.

Data for the third quarter shows lessors increasing their market share for



widebodies to 22%, up from 19%.

They accounted for five of 17 new A350-900 deliveries compared with four out of 20 A350-900s between July and

September 2017.

Lessors also had two A330-300 deliveries, out of nine, versus 25% in last year's corresponding period. [^](#)

## Where to find us

Conrad Hong Kong • Thursday 1<sup>st</sup> November 2018

[in](#) Airfinance Journal [#AFJHK](#)

### Airfinance Journal



**Laura Mueller**  
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## DAY TWO | Thursday 1<sup>st</sup> November

### 0850 Registration and networking breakfast

#### 0930 Chairman's opening remarks

Laura Mueller, Managing Director, **Airfinance Journal**

#### 0940 Airline presentation

Christine Rovelli, VP Group Treasurer, **Finnair**

#### 1000 On-stage interview: Airlines' credit worthiness

Michael Duff, Managing Director, **The Airline Analyst**

#### 1020 Airline presentation

Vipula Gunatilleka, Group Chief Operating & Financial Officer, **SriLankan Airlines**

### 1040 Networking coffee break

#### 1110 Interview: The growth potential for insurance-backed financing in Asia

Bob Morin, Managing Director, Transaction and Business Development Leader, Aircraft Finance Insurance Consortium, **Marsh USA**

Moderator: **Laura Mueller**, Managing Director, **Airfinance Journal**

#### 1130 Panel discussion: New innovative sources of aircraft financing

Ryan McKenna, Vice President, **Air Lease Corporation**

Bob Roy, Managing Director, Aircraft Financing Solutions Group, **Aviation Capital Group**

Vinodh Srinivasan, Managing Director, Co-Head Structured Credit Group, **Mizuho Securities USA**

Hani Kuzbari, Managing Director, **Novus Aviation Capital**

Moderator: **Laura Mueller**, Managing Director, **Airfinance Journal**

### 1215 Lunch

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#### 1340 In conversation: How will Ireland and Hong Kong co-exist in the future?

Barry Mok, Deputy Chief Executive Officer and Chief Financial Officer, **CALC**

Ireland team:

David Swan, Chair, **Aircraft Leasing Ireland**

Declan Kelly, Vice-Chair, **Aircraft Leasing Ireland** and Chief Commercial Officer, **GECAS**

Hong Kong team:

William Ho, Secretary, **Hong Kong Aircraft Leasing and Aviation Finance Association**

Clarence Leung, Treasurer, **Hong Kong Aircraft Leasing and Aviation Finance Association**

Moderator: **Dick Forsberg**, Head of Strategy, **Avolon**

#### 1440 Panel discussion: How will the international financiers react to the rising of domestic banks?

Pierre Briens, Head of Aviation, Transportation Sector, Investment Banking Asia Pacific, **BNP Paribas**

Benny Miao, Executive Vice President and Head of Corporate Finance, **Cathay United Bank**

Marilyn Gan, Managing Director, Aviation Finance, **DVB Bank**

Yu Kimura, Senior Vice President, Head of EMEA, Asia Pacific and Investment, **DBJ**

KJ Yang, Head of Project Finance Department I / Transportation Team 2 (Aviation Finance), **KDB**

Moderator: **Laura Mueller**, Managing Director, **Airfinance Journal**

#### 1520 China: How to sustain the growth of Chinese lessors?

Lune Wang, Director and Deputy General Manager, **Comsys (Tianjin) Leasing**

Ethan Guan, Chief Executive Officer, **HaoTong Aviation**

William Liu, Head of Asia Pacific Department, **ICBC Aviation Leasing**

Jerry Duan, Chief Operating Officer, **Xiamen Aircraft Leasing**

Moderator: **Paul Ng**, Partner, **Milbank**

#### 1600 Japan: How do Japanese investors see aircraft investment in the next 5 years?

Morio Nishida, Director, Structured Finance, **Mizuho Securities Asia**

Shin Watanabe, Managing Director, Head of Aviation & Maritime Business Division, **Sumitomo Mitsui Finance and Leasing**

Koguchi Mitsuru, General Manager, Structured Finance, **Sumitomo Mitsui Trust Bank**

Takamasa Marito, Joint General Manager and Global Head of Marketing, **Tokyo Century Corporation**

Moderator: **Michael Allen**, Asia Finance Editor, **Airfinance Journal**

### 1640 Chairman's closing remarks

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Dublin 2019**

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