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Lessors need deeper bond market for purchases

Capital markets need to prepare for aircraft lessor bond demand that is set to double in size, cautions Mark Streeter, JP Morgan managing director airline aircraft credit research.

According to him, aircraft-related lessor purchase obligations total over $100 billion, much of which will need to be funded by bonds.

"Air Lease has projected spend over the next few years at $27 billion, while AerCap spend totals $20 billion," he says.

He estimates GECAS has a $20 billion orderbook in real dollars. "That GECAS order book may be to be financed on a standalone basis, but including it we are looking at a $120 billion orderbook from operating lessors that needs to be funded with debt."

Streeter says at least half of that amount will have to come from the bond market because this is how lessors have raised financing.

He estimates the universe of the rated US dollar bonds outstanding at $55 billion.

"This is where all the focus needs to be right now, because this is the future. This $120 billion orderbook needs to be funded and there's only $55 billion of leasing bonds outstanding.

So that's already the double the size of the EETC market [around $32 billion] and the market needs to double again."

Streeter says the pressing concern is whether capital markets are deep enough to handle what is coming from the lessors.

"Air Lease has projected spend over the next few years at $27 billion, while AerCap spend totals $20 billion."

Mark Streeter, managing director airline aircraft credit research, JP Morgan

"I have been encouraging the rating agencies and the OEMs that the market needs to be focused on educating what is going [to come] from the operating lessors," he says.

Lessor repossession becomes growing headache

Lessors with aircraft at financially-challenged lessees will have a much tougher time repossessing and remarketing them as the airline cycle deteriorates, according to Michael Duff, managing director at *The Airline Analyst*.

The lessors with the most aircraft with financially-challenging lessees are GECAS, Aircastle, ACG and Nordic Aviation Capital, according to data from *Airfinance Journal*'s Fleet Tracker. GECAS has over 35 aircraft, while Aircastle and AerCap have just under 30, Fleet Tracker shows.

"For the challenged airlines, we've identified from our Fleet Tracker database these have a total 377 leased aircraft. GECAS is the largest lessor and with Aircastle we've read about the difficulties that they're having in extracting their aircraft from Avianca Brasil.

"I think these lessors, depending on how many challenged airlines become insolvent airlines, are facing much bigger challenges for repossession and remarketing that they've had for a long time."

Duff also pointed out that there are a number of financially-challenged airlines, such as Jet Airways, Hong Kong Airlines and Norwegian, that have large orders with the OEMs. Jet and Norwegian both have over 100 aircraft on order with Boeing, according to Fleet Tracker data. Norwegian has 93 Airbus aircraft on order, the data indicates.

"The challenged airlines also have significant numbers of orders with Airbus or Boeing, about 360 aircraft on aggregate and that is going to be no small headache for the OEMs," adds Duff.

Duff adds that there are a lot of vulnerable airlines in 2019.

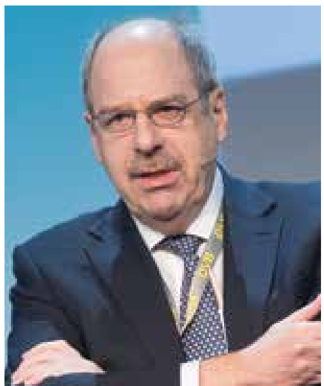
Over the past 12 months, airlines' financial median rating has dropped from B+ to B.

Duff says approximately 80 airlines have less than 1.2 months' worth of liquidity.

A few notable examples of airlines in distress include Norwegian, Interjet, Jet Airways and Hong Kong Airlines.

"Challenged airlines" have 377 aircraft under leases and 360 firm orders.

Low-cost carriers (LCCs) show the healthiest ratings, demonstrated by strong improvements at Frontier and Wizz Air. "I think the LCC segment will continue to outperform," Duff says.



Michael Duff, managing director, The Airline Analyst

Investors unfazed by European insolvencies

The slew of airline failures across Europe in recent years will have positive repercussions, suggest several analysts."The bankruptcies we saw in 2017 and 2018 weren't just negative for the industry. Everything went smoothly and that created investor confidence," says Scope Ratings associate director Helene Johansen.

"The magnitude of problems for leasing companies was less in 2018 than 2017," agrees Kroll Bond Ratings Agency (KBRA) senior managing director Marjan Riggi. "There's been a lot of rationalisation in Europe. It's a good thing, cleaning up the market. The free market is functioning. There remains huge competition within LCCs. We definitely expect more bankruptcies in Europe this year," adds Riggi.

Europe is not the only market in motion. "There's a possibility we'll see some shakeout among the weaker Asian airlines this year," says Moody's Investors Service senior vice-president Jonathan Root. Investors are relatively unfazed by these developments because it has become easier to recover their assets when things go awry.

"It's gotten easier to retrieve aircraft, they spend less time on the ground. The internationalisation of the process of recovering aircraft has made things easier, instilling investor confidence," says Riggi, pointing to the liquidations of airberlin and Alitalia. "The insolvencies of airberlin and Alitalia were handled well: aircraft market values weren't being impacted," she adds.

"For most aircraft in the market now the market value is higher than the base value," says Moody's Root. "The market is getting stronger, there's rationalisation," he adds.

Trent 1000 improvements expected in H1

Fixes from Rolls-Royce on its engine that powers the Boeing 787, the Trent 1000, will mean that there will be less aircraft on the ground (AOG) during the first half of this year, according Richard Goodhead, senior vice president marketing, civil aerospace, at the UK manufacturer.

"The problems we've had on the Trent 1000 are not atypical of new engines going into service and indeed there are other examples across the rest of the industry." Goodhead said. Last June, Rolls-Royce identified a durability issue on the intermediate pressure compressor on the Package B version.

In November 2018, the European Aviation Safety Agency said that cracking had been discovered in the Trent 1000s with the Pack C performance enhancement measures. Rolls-Royce then issued a bulletin to instruct inspections of the compressors rotor sections.

"What has given us the big challenge on the Trent 1000 is that several of those problems have occurred at the same time.

That said, the four issues that were causing that disruption around 2018, three of them definitely sorted and fix's new parts are being flown into the fleet and we're about three quarters of the way in terms of getting those new blades on the IP turbine and the HP turbine."

Rolls-Royce obtained certification at the end of September for another problem on the intermediate pressure compressor, just before the Federal Aviation Administration shut down.

"This will lead to an improvement in AOGs throughout the first half of 2019 and we can get back to a more normal level," he adds.

CDB Aviation not seeking to emulate Avolon growth

In its bid to become a 'Top 10' lessor, CDB Aviation is targeting organic growth rather than the Avolon model of platform and lessor acquisitions, the Chinese lessor's chief executive officer, Peter Chang, has told *Airfinance Journal*

"We are close to being a Top 10 lessor. The critical mass issue is very important in our industry. But being number one is not the objective for CDB Aviation: being the best is."

He adds: "CDB Aviation does not necessarily have to be the flashiest, nor the biggest but we better be the best. Being the best means doing business in the most respectable, honourable and old-fashioned way."

Chang says CDB Aviation is doing portfolio acquisitions and sales and leasebacks to develop new business.

The lessor recently signed purchase-and-leaseback agreements for eight new Airbus A330-300s with HNA Group airlines Hainan Airlines and Lucky Air. Some aircraft were delivered in December while others fall in the first quarter of this year.

It also signed an agreement to acquire a portfolio of 12 aircraft, including five Airbus A320s, two A321s and five Boeing 737-800s, from Pembroke Capital. The portfolio will be transferred to CDB Aviation before the end of March 2019.

"We will continue to do 'thin' deals because we want to maintain their sense of relevance and grow our customer base."

Chang expects consolidation activity going forward, especially within the Chinese lessor community. Outside China, though, he sees fewer opportunities.

"If you take GECAS and Avolon aside, there aren't any obvious candidates for merger and acquisition activity."

In the meantime, he observes a reasonable level of activity in the portfolio trading part of the industry. "There is activity on the portfolio purchase side of the business that feature 30 to 40 aircraft."

Chang says CDB Aviation will "look at all opportunities, as we are very fortunate to have the significant financial resources of China Development Bank".

He adds: "We will be ready when the opportunities arise meeting our criteria – and we will pull the trigger."

Chang also points out that the former gush of Chinese investment has become a "trickle".

"Certainly, there is a temporary slowdown in foreign investment, which is understandable for several reasons, including global trade uncertainty. A good deal of Chinese investment to date has been in debt markets. Once consolidation occurs and with the ongoing sophistication of aviation infrastructure, this investment will pick up and the impact will be significant."

Chang says new Chinese lessors may have difficulties when the market changes. "They have not had the time and the resources to built platforms that will be able to cope with the environment. About 80% of those guys have never been through hard times. So when it comes, they won't have the team to translate records into English, transitioning and repossessing aircraft. They won't have the legal team and remarketing team to place aircraft."

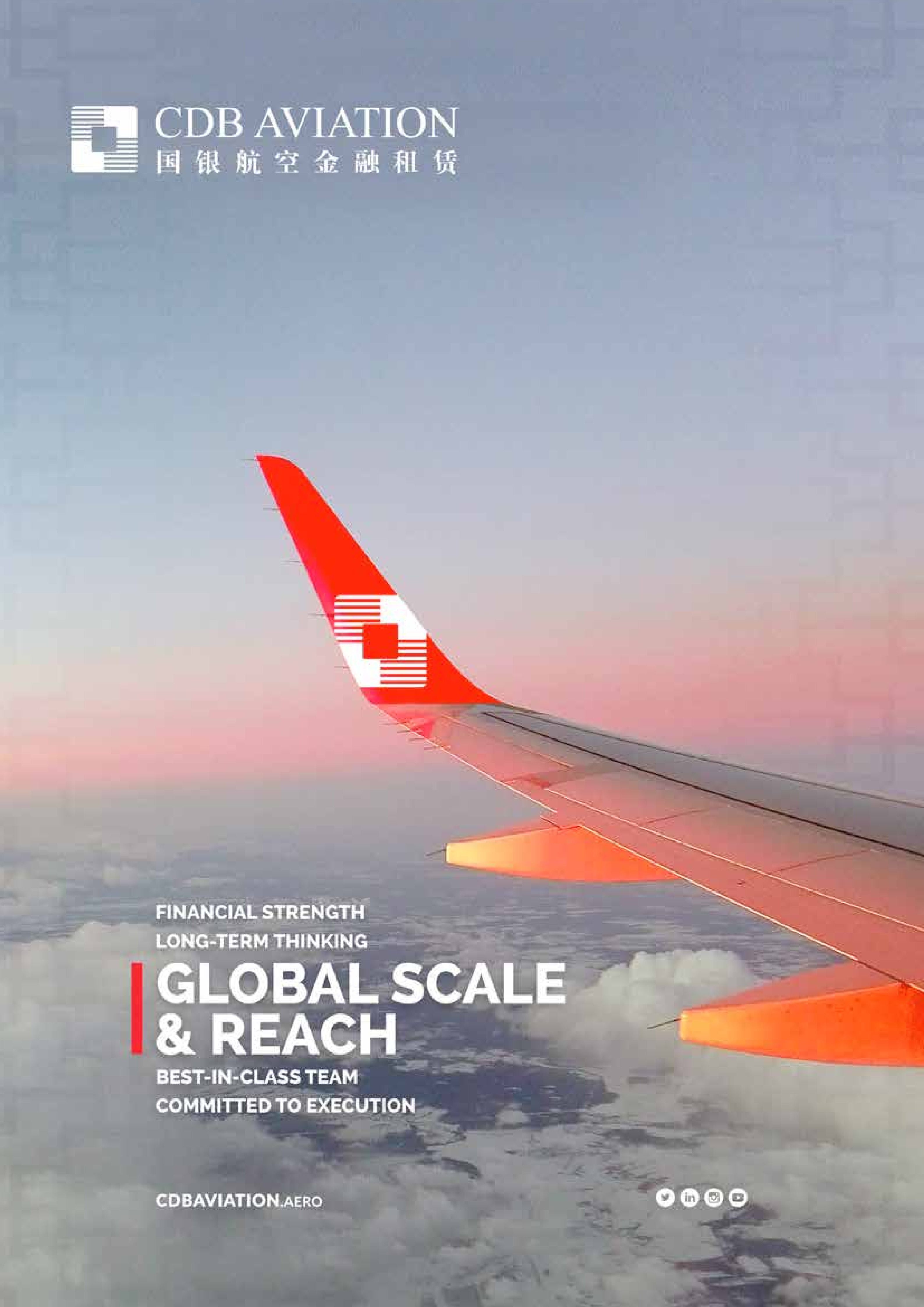
Chang says CDB Aviation is ready to open its arms to other Chinese lessors.

Funding diversification

About 70-80% of the lessor's funding is unsecured lending. "We have on-shore and offshore financings. Half of our current portfolio is on-shore as we inherited that," he says.

"Under CDB Leasing 3.0, our finance team is expanding our reach and widening our relationships with the banking community."

"We have started thinking about leverage ratio, investment grade or doing an asset-backed securitisation [ABS] deal. We may do some ABS as we aim to build up our capabilities. It will be something to get off our balance sheet, more than anything else, but at this point in time the cost of ABS is higher on what we would do. In 2019 we would like to something equivalent on an ABS but on-shore financing in China. "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. "We are looking at $5 billion in funding requirements for 2019 and if things go bad we have contingency funds to the tune of $3 billion," he adds.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Ex-Wells Fargo banker establishes aviation finance firm

On 2 January Former Wells Fargo banker David O established Milton Harbor Capital, will provide financial advisory services for aviation businesses and help structure and arrange deals.

Milton Harbor Capital, which is headquartered in New York City, targets the smaller companies that may not have as much access to financing as the larger companies and which have new aircraft deliveries.

"We provide a wide variety of alternatives, including bank-funded structures and capital markets-funded structures. Many borrowers are very well served and I would argue that some of the markets are overserved and overbanked," says O, in an interview with *Airfinance Journal*. "However, there is a segment that has been left behind recently for a variety of different reasons. One of the big reasons is that the ECAs have been very inactive."

"Even when the ECAs return in full, they will have a very different approach to business, which creates an opportunity for an alternative source of financing like us to provide value to aircraft owning companies -- airlines and lessors."

As part of its offering, Milton Harbor provides advisory services for asset-backed securitisations (ABS), ECA and insurance guaranteed transactions, sale and leasebacks and pre-delivery payments (PDPs).

O sees opportunities in providing commercial bank financing for smaller airlines and lessors that are emerging.

"There are relatively new entrants, airlines and lessors in various markets and they are the ones that really need assistance as opposed to more established players in the aviation market, who don't necessarily need the help from firms like us."

He adds that Milton Harbor can also see opportunities to help out on transactions using more challenging capital structures.

For "the second phase" of the business, around 18 months after launch, he will target mid-life assets as well as new aircraft, and establish a fund that can provide mezzanine and subordinated debt.

Asked about deal volume he expects Milton Harbor Capital to close each year, O says: "I don't want to be too aggressive in estimating the business especially in the beginning, but in the first full year of operations, if we manage to get two or three deals done, it will be a good year for us as a start-up."

O previously worked as senior vice president – structured export finance at Wells Fargo for seven years and has also held senior roles at Citi, ING, Rabobank and Standard Chartered.

SkyWorks fund to include widebodies

Freshly funded with an equity commitment plus a $300 million loan facility from a syndicate of international banks, SkyWorks has launched an aircraft investment vehicle.

The new equity vehicle, Sierra Echo Aircraft Leasing (Sierra Echo), reinforces the company's commitment to its global aviation clients and enhances its service offering to create long-term risk-adjusted value for investors, according to SkyWorks' chairman Thomas Mahr.

SkyWorks has also established a dedicated aircraft servicing platform, SkyWorks Leasing (Ireland), in its Dublin Ireland offices, to act as origination agent, servicer and asset manager of Sierra Echo.

The fund launched during the second half of last year, and eight Airbus and Boeing aircraft on lease to five operators have already been acquired in four transactions. SkyWorks seeks to acquire 25 to 30 aircraft with its initial equity commitment and to grow the portfolio further with additional equity commitments and other sources of capital. The loan facility was led by Bank of America, which acted as structuring agent and joint lead arranger. BNP Paribas and Royal Bank of Canada are joint lead arrangers.

SkyWorks says the expectation is that widebodies will represent about 15-20% of the portfolio by value but this could vary depending on market conditions and risk-adjusted return opportunities.

Sierra Echo's anchor investor is a large institutional investor aiming to conservatively grow its investment in commercial aviation with the benefit of SkyWorks' origination, servicing, and analytical capabilities.

SkyWorks also says its advisory practice will be an area of continued growth, and that its clients consistently state they are frustrated by the opacity of the market and find value in SkyWorks' 360 degree view that comes from acting as both an advisor to airlines and an asset manager for investors.

The firm's portfolio of assets under management is now over 60 aircraft, after having sold more than 180 aircraft on behalf of clients in the past five years.

WNG Capital closes $345m fund

Dallas and Dublin-based WNG Capital has closed a $345 million aircraft-leasing fund, called "WNG Aircraft Opportunities Fund II".

WNG targeted a $300 million fund raise to invest in late-life narrowbody aircraft and is oversubscribed with $345 million committed to-date.

A final closing for two additional investors is expected next month.

Fund II will primarily invest in mid-life to older narrowbody aircraft, says the lessor. It plans to acquire between 40 and 60 narrowbody aircraft with ages ranging from 15 to 20+ years and remaining lease terms of 12 to 48 months. Fund II is closing its first investment and has proposals outstanding for "a number of suitable aircraft".

Michael Gangemi, managing member at WNG Capital, says: "WNG is very satisfied with the size of Fund II and the timing of its closing."

"Many lessors are focused on acquiring younger and mid-life aircraft, but WNG sees continued opportunities to invest in older aircraft on shorter leases. We expect Fund II's capital will be complementary to other sources that airlines and lessors may have."

Al Nigro, managing member, adds: "This is a narrow asset class. Older aircraft on short leases require deep technical knowledge, detailed contracts experience and risk management skills. The team at WNG Capital has managed older aircraft through multiple market cycles. We have the performance record and committed capital to reassure lessors and airlines seeking high quality counterparties to purchase older aircraft from their portfolios."

Since WNG's formation in 2009, it has acquired 59 aircraft worth over $850 million. The company has leased aircraft to 43 airlines, sold 26 aircraft and extended numerous leases with existing airline customers.

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Freighter securitisation treads new ground

Vx Capital Partners' debut asset-backed securitisation (ABS) features many firsts.

A $189 million all-freighter aircraft ABS, Vx Cargo 2018-1, represents the latest development in the increasingly diverse lessor securitisation market

The transaction represents Vx Capital Partners' inaugural securitisation and the company will service Vx Cargo 2018-1 Trust via an affiliate, Vx Freighter Investment Management.

It is the first aircraft ABS transaction consisting solely of narrowbody freighter aircraft.

In Vx Cargo 2018-1, the loan amortisations of the A/B classes are nine years on a straight-line schedule and five years for the C classes, which is faster than many other ABS transactions.

Vx Capital Partners says the portfolio has approximately 12 years of remaining useful life, given an average age of 23 years and a freighter useful-life assumption of 35 years.

"The amortisation schedule was structured to fall conservatively below the remaining useful life assumption. Cargo 2018-1 also features higher lease rate factors than other portfolios, which allow for faster amortisation without sacrificing cash flow to equity," Vx Capital's founding partner, Bob Brown, tells *Airfinance Journal* in an interview.

The weighted average remaining lease term (about 4.3 years) is longer than comparable ABS deals in the mid-life market.

"Many aircraft in the portfolio are relatively fresh from conversion, which is the value-add proposition of our fund. In this segment, where new aircraft do not compete, newly converted aircraft are highly desirable. Our customers will often commit for between five and seven years. We also have the opportunity to lease to very strong credits such as TNT (now ASL) and DHL," says Brown.

Vx Capital Partners will retain the equity in the transaction via an affiliate company. "Cargo 2018-1 was not envisioned as a portfolio sale but instead as an attractive financing option for the fund. By retaining the equity, Vx has a more significant economic interest in the transaction, a feature which ABS investors viewed positively," he says.

In 2014, the company entered the narrowbody freighter market. Two years later, Vx Capital Partners launched a fund, Vx Freighter Investment Fund, to build a portfolio of mid-life narrowbody freighter aircraft.

It now owns and manages 44 freighters both in and outside the fund portfolio, but proceeds from Cargo 2018-1 are only for refinancing the fund portfolio, which consists of 33 737-400SFs and two 737-300SFs.

"The others [aircraft] are owned outside of the fund and therefore financed separately. ABS investors viewed this positively, as Vx Capital Partners has other financing options for its aircraft outside of Cargo 2018-1," says Brown.

Brown adds that Vx Capital originally intended to include the 757 model in its fund, but the leasing market did not develop as expected, due in part to the big three cargo operators (FedEx, UPS, DHL) purchasing many units. "On the other hand, the 737 Classic market has been very robust and the fund is almost fully invested at this point," he says.

Vx Capital initially entered the conversion business using a variety of ownership structures, which were not appropriate for a pooled financing transaction, says Brown. Raising a fund in 2016 allowed the company to start planning for a securitisation. "The lead-in time required to develop a viable, lessee-diverse ABS pool is longer for a freighter portfolio, particularly when the assets have gone through the conversion process," he adds.

Ratings agency KBRA, which rated the three-tranche transaction as 'A', 'BBB' and 'BB', views the freighter segment as more correlated with macro-economic factors that may impact business and consumer spending than it does global passenger air travel.

Vx Capital sees continued growth and stability in the express package segment as the world's burgeoning middle-class gains purchasing power and utilises e-commerce. Retiring older narrowbody freighter aircraft will create additional demand for Cargo 2018-1's equipment, says Brown.

This raises the question of whether Vx Capital would move in to newer-generation 737 models or stick with 'Classic' types?

Brown says the company has been actively pursuing 737NG feedstock aircraft for several years but pricing is still too high.

"While NG prices are falling now, they are still too high to generate investment returns (after conversion) at our targeted levels. We will continue to pursue the NG aircraft, along with the A320 family, but only expect to succeed when the economics improve, probably over the next few years." he says.

In the Cargo 2018-1 transaction, the $138.5 million class A loans, which have a 55.42% loan to value (LTV), priced at 5.438%. This corresponds to a 250-basis-point (bps)-spread over three-month Libor. The weighted average life is 3.5 years.

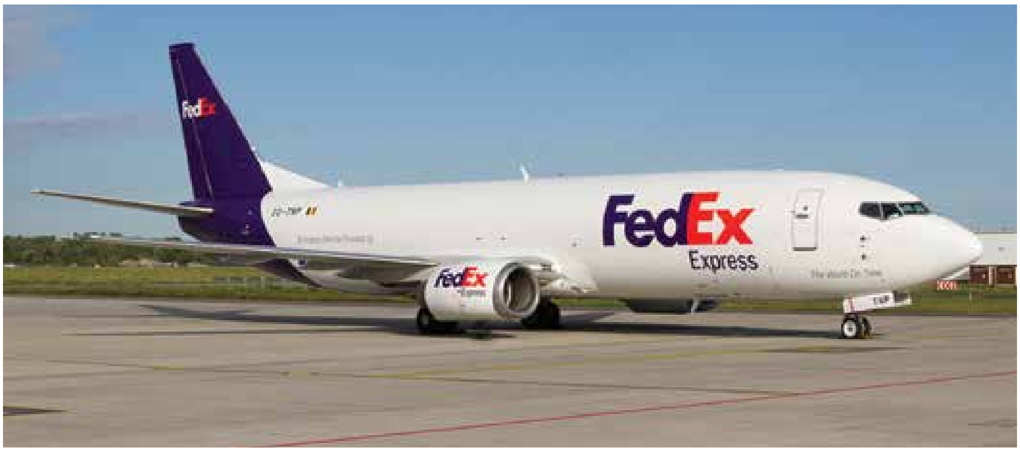
The $33.5 million class B loans priced at 6.535%, a 360-bps-spread over three-month Libor. The weighted average life is 3.5 years and the LTV is 69.62%.

The $15 million class C loans, which have a 75.63% loan to value, priced at 8.474%, or 560-bps-spread over three-month Libor. The weighted average life is 2.5 years.

BNP Paribas acted as sole structuring agent and lead arranger of the transaction. DVB Bank was the liquidity facility provider and UMB Bank was the trustee.

> *"Many aircraft in the portfolio are relatively fresh from conversion, which is the value-add proposition of our fund."*

Bob Brown, founding partner, Vx Capital



More clouds gathering but fundamentals are still there

But last year leasing companies continued to grow their businesses.

In 2015, there were approximately 33 companies with assets worth in excess of $1 billion and five companies with assets worth in excess of $10 billion, according to *Airfinance Journal*'s Leasing Top 50.

In 2018 the number of leasing companies with assets in excess of $1 billion stood at over 50 and the number of companies with assets in excess of $10 billion almost doubled.

The capital and banking markets remained very open with more investors and institutions coming into the sector searching for attractive and stable returns, leading to greater liquidity. Pricing of transactions has become incredibly tight indicating a maturing of the sector and the level of competition in the market.

The question still remains whether the industry can continue on this upward trajectory or whether we will see a correction or downcycle next.

In the past, the aviation business cycle lasted for eight or nine years from peak to peak. Industry economists have been expecting the top of this cycle since 2015 but the growth period has continued, supported by the ultra-low-interest rate environment and airlines stimulating demand for travel.

Every leasing platform is aware of the potential changes but they argue that aircraft demand continues to be being driven by growing passenger figures and healthier airline financials.

Air traffic numbers continue to be strong worldwide and in many highly populated emerging markets they are growing at double digit rates.

Profit forecasts for 2018 continue the upward trend.

Regional Outlook

All regions, except Africa, are expected to report profits in 2019. Carriers in North America continue to lead on financial performance, accounting for nearly half of the industry's total profits. Financial performance is expected to improve compared to 2018 in all regions except for Europe, where improvement has been delayed by the high degree of fuel hedging.

North American carriers are expected to deliver the strongest financial performance in 2019 with a $16.6 billion net profit (up from $14.7 billion in 2018). That is a 6% net margin and represents a net profit of $16.77 per passenger.

European carriers are expected to report a $7.4 billion net profit in 2019 says The International Air Transport Association (IATA), down slightly from $7.5 billion in 2018. Intense competition is keeping yields low and regulatory costs are high.

Asia-Pacific carriers are anticipated to post $10.4 billion in net profits this year, up from $9.6 billion in 2018. IATA says the region benefits from diverse markets, some of which are seeing strong growth from new low-cost carrier entrants while others are very dependent on outbound cargo from key manufacturing centres.

Middle Eastern carriers are expected to report an $800 million net profit in 2019, up from a weaker $600 million in 2018. The region has been challenged by the earlier impact of low oil revenues, conflict, competition from other 'super-connectors' and setbacks to particular business models, leading to a sharp slowdown in capacity growth (after more than a decade of double-digit growth, passenger capacity growth was halved to 6.7% in 2017). The region is expected to grow at 4.1% in 2019, down from 4.7% capacity growth in 2018.

Latin American carriers are anticipated to report a $700 million net profit in 2019, up from $400 million in 2018. IATA says economic conditions in local markets are only recovering slowly, as Brazil's economy emerges from recession, but Argentina faces renewed difficulties. The strength of the US dollar has added to airlines' challenges in the region by raising the local currency cost of key US dollar-denominated inputs such as oil and aircraft.

African carriers are expected to improve this year but still will be in the red with $300 million projected net losses, compared with $400 million in 2018. IATA expects losses to reduce as fuel prices decrease.

Slower growth

Demand remains strong but IATA anticipates a slower demand this year with a 6% growth in passenger traffic compared with 6.5% in 2018.

Still passenger traffic (RPKs) is expected to outpace the forecast capacity (ASKs) increase of 5.8%, and remains above the 20-year trend growth rate. This scenario will support an increase in load factors and an 1.4% increase in yields, which fell 0.9% in 2018). Passenger revenues, excluding ancillaries, are expected to reach $606 billion (up from $564 billion in 2018).

IATA anticipates passenger numbers to reach 4.59 billion this year, up from 4.34 billion in 2018. Average net profit per departing passenger is $7.75, versus $7.45 in 2018.

Similarly cargo is expected to grow at 3.7% next year, down from 4.1% in 2018. The 3.7% annual increase in cargo tonnage to 65.9 million tonnes is the slowest pace since 2016, says IATA, reflecting the weak world trade environment impacted by increasing protectionism.

Oil prices remain in check

The industry continues to keep an eye on oil prices, which steadily increased up to the end of the third quarter and have been volatile since.

Oil prices fell to multi-month lows on 9 November as global supply increased and investors worried about the impact on fuel demand of lower economic growth and trade disputes.

At the time, industry sector's analysts says the market was officially in a bear market.

Oil peaked at the beginning of the fourth quarter on concerns that US sanctions on Iran would deprive the oil market of substantial volumes of crude, draining inventories and bringing shortages in some regions.

But other big producers, such as Saudi Arabia, Russia and shale companies in the United States, increased output steadily, more than compensating for lost Iranian barrels.

Volatility remained in December. Oil prices gained around 4% immediately after OPEC+ announced that it would slash output by 1.2 million barrels per day (mb/d) beginning in January 2019.

But a few days later prices right back to where they were before the agreement was announced as the market seems equally concerned about cracks in the global economy.

IATA says its 2019 industry outlook is based on an anticipated average oil price of $65 per barrel (Brent) which is lower than the $73 per barrel experienced in 2018, following the increase in US oil output and rising oil inventories.

This will be a welcome relief for airlines. Nonetheless, jet fuel prices are expected to average $81.3 per barrel in 2019, lower than the $87.6 per barrel average for 2018.

Still fuel will account for 24.2% of the average airline's operating costs (an increase from 23.5% forecast for 2018).

The organisation says that lower oil prices and solid economic growth (GDP is forecast to expand by 3.1% in 2019, marginally below the 3.2% expansion in 2018), are extending the run of profits for the global airline industry.

IATA anticipates 2019 will be the 10th year of profit and the fifth consecutive year where airlines deliver a return on capital that exceeds the industry's cost of capital.

It forecasts the global airline industry net profit to be $35.5 billion in 2019, slightly ahead of the $32.3 billion expected net profit in 2018 (revised down from $33.8 billion forecast in June).

The organisation expects return on invested capital to remain at 2018's levels, or 8.6%.

The margin on net post-tax profits is expected be 4% in 2019, unchanged from 2018.

This year, overall industry revenues are expected to reach $885 billion, which is a 7.7% increase on 2018's estimated revenues of $821 billion.

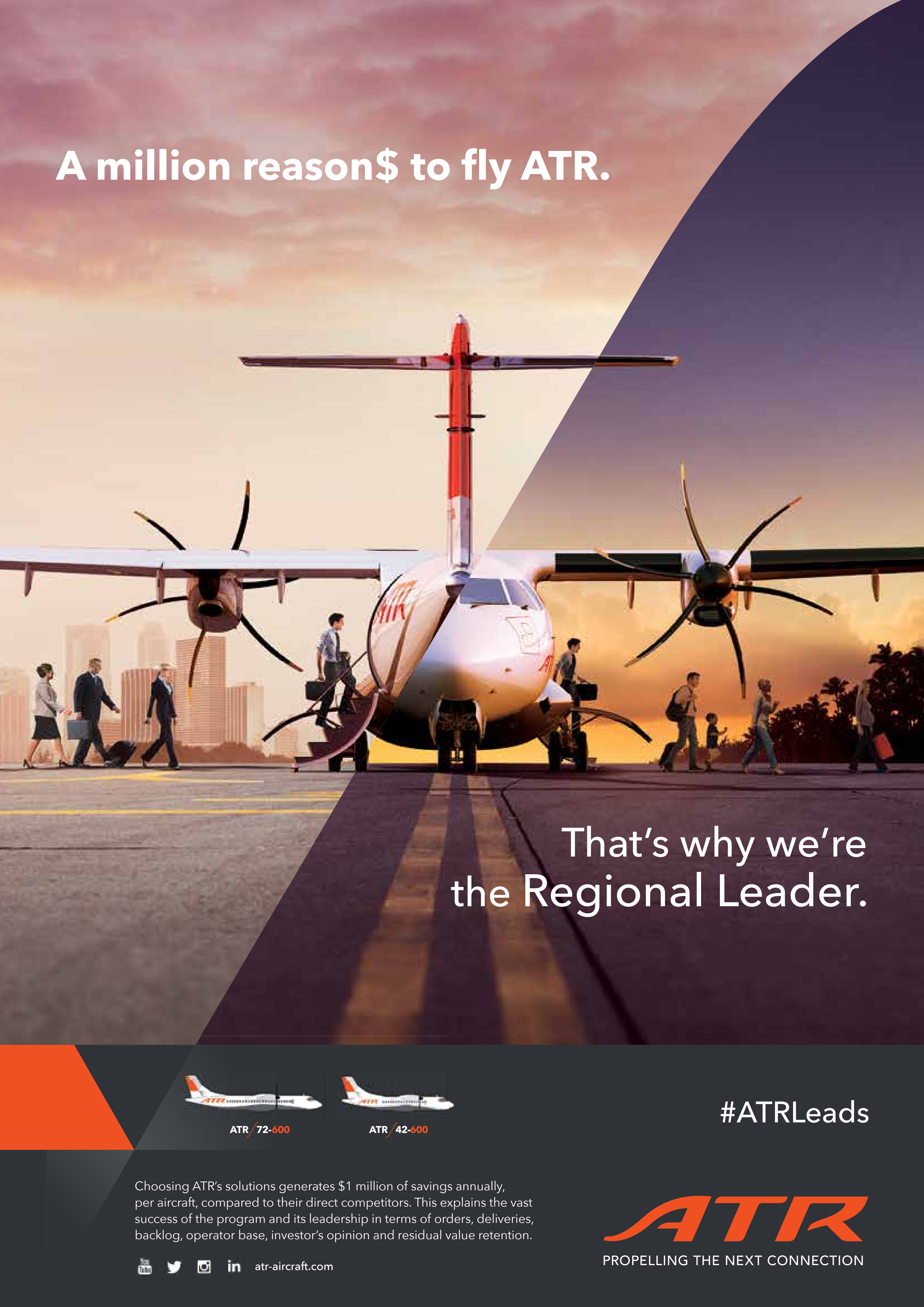
Top 50 **managers by number of aircraft**

Rank	Lessor	Total	% change since last year		Turboprop	Regional jet	Narrowbody	Widebody
1	GECAS	**1,225**	↓	-3.8%	20	273	770	162
2	AerCap	**1,089**	↓	-2.9%	-	-	795	294
3	Avolon	**582**	↑	1.7%	-	52	437	93
4	BBAM[1]	**450**	↑	10.2%	-	2	327	121
5	Nordic Aviation Capital	**428**	↑	5.8%	264	157	7	-
6	SMBC Aviation Capital	**408**	↓	-7.1%	-	3	362	43
7	DAE Capital	**327**	↓	-2.1%	51	-	217	59
8	Air Lease	**323**	↑	13.9%	-	2	252	69
9	BOC Aviation	**297**	↓	-0.7%	-	-	246	51
10	Aviation Capital Group	**275**	↑	0.4%	-	-	265	10
11	ICBC Leasing	**267**	↑	6.4%	-	5	231	31
12	Aircastle	**240**	↑	10.8%	-	6	199	35
13	ORIX Aviation	**232**	↑	9.9%	-	-	207	25
14	Macquarie AirFinance	**195**	↓	-3.6%	-	3	181	11
15	Apollo Aviation Group	**192**	↑	22.9%	-	-	162	30
16	CDB Leasing	**190**	↑	5.8%	-	20	143	27
17	BOCOMM Leasing	**184**	↑	37.5%	-	10	151	23
18	Castlelake	**182**	↑	19.8%	14	14	126	28
19	Avmax	**172**	↑	9.3%	80	79	11	2
20	Jackson Square Aviation	**151**	↑	3.3%	-	-	133	18
21	Standard Chartered Bank	**135**	↑	1.5%	-	-	123	12
22	Deucalion Aviation Funds	**123**	↑	10.6%	-	-	94	29
23	Goshawk[2]	**115**	↑	26.1%	-	1	108	6
24	China Aircraft Leasing	**112**	↑	17.0%	-	-	106	6
25	Cargo Aircraft Management	**93**	↑	5.4%	-	-	9	84
26	Tokyo Century Leasing	**92**	↑	10.9%	-	6	67	19
27	CMB Financial Leasing	**79**	↑	59.5%	-	4	57	18
28	Elix Aviation Capital	**77**	↓	-2.6%	77	-	-	-
28=	Falko	**77**	↑	3.9%	17	56	4	-
30	CCB Leasing	**76**	↑	5.3%	-	2	62	12
30=	Aircraft Leasing & Management	**76**	↑	75.0%	-	15	51	10
32	FPG Amentum	**73**	↑	39.7%	4	-	50	19
33	Transportation Partners	**71**	→	0.0%	52	-	19	-
33=	VTB Leasing	**71**	↑	54.9%	-	7	54	10
35	MC Aviation Partners	**69**	↑	24.6%	-	-	65	4
36	VEB Leasing	**67**	↓	-22.4%	2	29	14	22
36=	Accipiter	**67**	↑	20.9%	1	-	64	2
38	Fortress Transportation	**65**	↑	38.5%	-	-	53	12
38=	GTLK Europe	**65**	↑	66.2%	-	12	48	5
40	Sky Aviation Leasing[2]	**63**	↑	9.5%	-	-	51	12
41	Sberbank Leasing	**62**	↑	9.7%	-	20	36	6
41=	State Transport Leasing	**62**	↑	16.1%	-	20	35	7
43	ALAFCO	**58**	↓	-12.1%	-	-	54	4
44	JP Lease Products & Services	**57**	↑	59.6%	-	-	44	13
45	Minsheng Financial Leasing	**56**	↓	-5.4%	-	11	41	4
45=	GOAL	**56**	↓	-7.1%	13	10	30	3
47	Merx Aviation	**54**	↓	-9.3%	-	3	48	3
48	Altavair Airfinance	**53**	↑	1.9%	-	-	21	32
48=	Aviation Finance & Leasing	**53**	↑	77.4%	-	-	53	-
50	Skyworks Leasing	**52**	↓	-44.2%	4	-	26	22
	Total	**9,638**	↑	**6.7%**	**599**	**822**	**6,709**	**1,508**

Source: Lessors and *Airfinance Journal*'s Fleet Tracker as of 30 June 2018

[1] *the table excludes the Airasia deal which started closing in August 2018*

[2] *the table excludes the Goshawk/Sky acquisition*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PROPELLING THE NEXT CONNECTION

Wednesday 23rd January 2019, CCD, Dublin

Day one

8.00 Registration & Morning refreshments

8.55 Chairperson's opening remarks

Gillian Kelly, Partner, **KPMG**

9.00 Will strong airline performance continue through a more challenging macro environment?

- How will airlines react to a shifting macro-economic environment featuring higher fuel prices & interest rates?
- Will we see increased fleet turnover as the economic case for mid-life assets deteriorate?
- How do airlines expect to develop their fleet planning over the next 10-15 years & what does that mean for delivery profiles?

Declan Ryan, Executive Chairman, **Viva Air Group**
Ricardo Sanchez Baker, Chief Financial Officer, **Aeromexico**
Tewolde Gebremariam, Chief Executive Officer, **Ethiopian Airlines**
Antonoaldo Neves, Chief Executive Officer, **TAP Air Portugal**
Mike Powell, Executive Chairman, **FlyBondi**
Moderated by: Kieran O'Brien, Partner, KPMG

09:40 Headwinds facing airline treasuries

- How are airlines strengthening their position vis a vis rising interest rates?
- What fuel hedging strategies do airlines have in place in the face of rising fuel prices?
- Which financing structures are best suited to today's macro environment?
- Given the macro-economic environment airlines now find themselves, which assets are in demand?

Christine Rovelli, Treasurer, **Finnair**
Tamer Yuzuak, Senior Vice President, Fleet Management & Finance, **Pegasus Airlines**
Chris Monroe, Senior Vice President, Finance & Treasurer, **Southwest Airlines**
Marjan Riggi, Senior Managing Director, **Kroll Bond Ratings Agency**
Erlendur Svavarsson, Senior Vice President, **Loftledir Icelandic**
Moderated by: Steven Udvar-Hazy, Executive Chairman, **Air Lease Corporation**

10.20 Lessor CEO Interviews

Back by popular demand, hear the CEO's of the world's most influential leasing companies discuss what they see as the future of aviation finance and their strategies for achieving it.

Alec Burger, President & Chief Executive Officer, **GECAS**
Interviewed by: Greg Lee, Managing Director, **Goldman Sachs**
Domhnal Slattery, Chief Executive Officer, **Avolon**
Interviewed by: Bertrand Dehouck, Head of EMEA, **BNP Paribas**
Aengus Kelly, Chief Executive Officer, **AerCap**
Interviewed by: Olivier Bonnassies, Managing Director, ***Airfinance Journal***

11.30 Morning networking break & refreshments

11.50 Continued lessor CEO interviews

John Plueger, Chief Executive Officer & President, **Air Lease Corporation**
Interviewed by: Jack Dutton, Editor, ***Airfinance Journal***
Firoz Tarapore, Chief Executive Officer, **DAE Capital**
Interviewed by: Bertrand Dehouck, Head of EMEA, **BNP Paribas**
Patrick Hannigan, Chief Commercial Officer, **CDB Aviation**
Interviewed by: Jack Dutton, Editor, ***Airfinance Journal***
Norman Liu, Senior Adviser, **ICBC Leasing**
Interviewed by: Laura Mueller, Managing Director, ***Airfinance Journal***

13:05 Networking Lunch

14.10 Do we expect demand for cargo aircraft to continue to rise?

- What degree of cargo fleet renewal can we expect to see across the cargo market segment?
- When will the economic case for 700s & 800s make sense for cargo operators?
- How popular do we expect cargo conversions be for both operators & lessors?

Paul Rasquin, Director, Fleet Planning, **CargoLux**
Paul Nolan, Group Fleet Development Director, **Carlogic Management**
Ed McGarvey, Senior Vice President, Treasurer, **Atlas Air Worldwide**
Hugh Flynn, Group Chief Executive, **ASL Aviation Holdings**
Richard Greener, Senior Vice President, Manager, Cargo, **GECAS**
Moderated by: Russ Hubbard, Director – Aircraft Remarketing, **Air Partner**

14.50 Is a new wave of lessor consolidation upon us?

- In light of Goshawk's acquisition of Sky Leasing, can we expect more of this activity in 2019?
- Will the race to the bottom in the sale & leaseback market cause consolidation to proliferate?
- How sustainable is the growth of entrants from Asia?

Paul Sheridan, Chief Executive Officer, **Accipiter**
Tom Barrett, President & Chief Executive Officer, **Engine Lease Finance Corporation**
Li Ling, Global Head, Aviation, **BOCOMM Leasing**
Stephen Cook, Global Head of Transport, **Macquarie Group**
James Meyler, Chief Executive Officer, **Orix Aviation**
Moderated by: Doug Walker, Head of Global Coverage, **Seabury Consulting & Corporate Advisory**

15.20 Afternoon networking break & refreshments

16.00 Can we expect the frequency of ABS issuance to continue to rise in 2019?

- The level of aircraft ABS issuance set records in 2018, what is driving this market segment and what do investors need to know to utilise it?
- What impact can asset appraisers have on the overall value proposition of aircraft securitisations?
- What role do lessor "sidecars" or management vehicles play in the market today?

Keith Allman, Senior Securitised Asset Analyst, **Loomis Sayles**
Mary Kane, Managing Director, Head of ABS Research, **Citi**
Ryan McKenna, Vice President & Head of Strategic Planning, **Air Lease Corporation**
Radha Tilton, Managing Director, **Goldman Sachs**
Vinodh Srinivasan, Managing Director And Co-Head Of The Structured Credit Group, **Mizuho Securities USA**
Moderated by: Steve Gaal, Managing Partner & Co-Founder, **Skyworks Capital**

16.40 Pilarski says…Drink!

Back by ever popular demand, hear one of the industry's most prominent & respected economists give his forecast on the industry's future and what headwinds we ought to be cognisant of – in his trademark entertaining style.

Adam Pilarski PhD, Senior Vice President, **Avitas**

17.10 In conversation with John Leahy

Exclusively at *Airfinance Journal* Dublin 2019, hear John Leahy in his first public appearance since retirement giving his take on the future of the aviation industry in this free-ranging interview

John Leahy, Chief Operating Officer - Customers, Retired, **Airbus**
Interviewed by: Scott Hamilton, Managing Director, **Leeham Co.**

17.50 Chairperson's closing remarks

Gillian Kelly, Partner, **KPMG**

17.55 Sponsored drinks reception