



Embraer expects JV approval in second quarter

Embraer president and chief executive officer John Slattery is targeting the second quarter of this year for antitrust approval from the European Union (EU) regarding the Brazilian manufacturer's tie-up with Boeing.

"We will be ready by the end of this month," he told delegates at the *Airfinance Journal Dublin 2020* conference.

The Brazilian manufacturer is about to obtain its ninth approval for the partnership with Boeing, and has one outstanding approval to secure from the EU.

"We want to be respectful of the authorities and don't want to put a timeline, but it feels like the second quarter of this year. We are doing anything to accelerate this," he says.

"We have been working on this transaction over the past 12 months. The operators are feeling the pain and want the transaction to close."

He adds: "The JV is a big mandate to execute. It is one of the largest deals in the commercial aviation industry."

Slattery says he will be proud to be part of the Boeing company. "We will try to add some value, one of which is to maintain the culture of Brazil. We want to protect that."

He adds that the Embraer-Boeing partnership is one of the priorities of Boeing's new chief executive officer, David Calhoun. "Dave has a profound experience of the industry and knows Boeing inside-out. We are not talking about a honeymoon of 100 days with him." ▲



“The JV is a big mandate to execute. It is one of the largest deals in the commercial aviation industry.”

John Slattery, president and chief executive officer, Embraer

The best of times, the worst of times

At first glance these appear to be good times for the airlines. Speaking on a panel at *Airfinance Journal Dublin 2020*, Andrew Matters, deputy chief economist, IATA went so far as to say there has never been a better period for airlines. But look a little closer and the picture is more mixed. The profitability of the airline industry is being driven by the top 20 to 30 airlines and outside of that echelon the performance is much more mixed, as witnessed by the record number of airline bankruptcies in 2019.

There are also significant variations between regions, notably with the USA performing

much better than Europe. Jonathan Root, senior vice-president, Moody's Investor Services, confirmed that yields were lower in Europe for a diverse array of reasons.

Following a theme developed by Phillipp Goedeking, managing partner, Avinomics, on airline stress and overcapacity, the panel discussed the situation in Europe, where airlines have been much less successful in managing supply than their counterparts in the USA. There was agreement that further airline consolidation of European airlines would help the situation, but would not

be a panacea. Helene Spro, director aviation finance, Scope Ratings, suggested that such consolidation would not be as deep as in the USA.

Despite general agreement that overcapacity in Europe was an issue, the panel did not expect much progress in the short term. Daniel Roeska, vice-president and senior analyst, Sanford C Bernstein, suggested that, given the manufacturers' planned delivery schedules, an increase in capacity looked inevitable. IATA's Matters confirmed to *Airfinance Journal* that the organisation was predicting a 3.7% increase in European capacity for 2020.

Panel chairman Nick Swinburne, a partner at Milbank, raised the issue of the environment and the panel were unanimous in acknowledging its importance to growth rates, noting that investors were becoming increasingly exercised by the topic. Root noted that the industry was exploring various solutions and suggested that sustainable fuels were perhaps the most promising development. Goedeking, however, pointed to the possibility that predicted growth rates might outstrip anything the industry could do to mitigate its environmental impact. ▲

Airlines must vacate polluters' 'naughty step': IAG

The airline industry must get off the "naughty step" and promote its environmental credentials or risk being in a "world of tax pain", Steve Gunning, chief financial officer (CFO) of International Airlines Group (IAG), has warned.

Speaking at *Airfinance Journal* Dublin 2020, Gunning says that the industry must "get on the front foot" rather than be in "denial and pretend it's not happening".

He points out IAG was the first airline to declare its intention to be carbon neutral by 2050 and says the group is taking the issue "very seriously".

He says the industry can tackle the issue through a variety of means, including the deployment of new-generation aircraft, efficiency savings, sustainably sourced biofuel

and, ultimately, through the EU Emissions Trading Scheme or ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSA).

But unless the sector can get this message across it will continue to be perceived as a bad polluter.

"The harsh reality is that we are seen to be the bad-boy industry across the world, particularly in Europe," he says.

Iain Wetherall CFO of Wizz Air, said the low-cost carrier was "leading the charge" on environmental sustainability, and was investing \$20 billion in new-technology aircraft.

But he questioned the value of government taxation of aviation on environmental grounds.

"The green taxes are a nonsense. The fact is next year we will be paying over €100



L/R: Steve Gunning, chief financial officer, International Airlines Group, Raffael Quintas Alves, chief financial officer, TAP Air Portugal, Iain Wetherall, chief financial officer, Wizz Air, Torbjorn Wist, chief financial officer, SAS Airlines

million (\$110 million) in carbon [taxes]; where is this money going? It's going into the pot of the European Commission," he says.

Torbjorn Wist, CFO of SAS Airlines, described sustainable air travel as an "existential issue" for the sector.

But he says that further reduction of emissions is being held back both by antiquated

air traffic control systems and a fragmented airspace, but also by governments' lack of commitment to support a "green switch" for the industry.

"The problem right now is all the responsibility for a green switch within the airline industry is pushed onto the operators and there is an unwillingness of governments to facilitate this change," he says. ▲

Gol eyes return to US Ex-Im financing

Gol will tap the US Ex-Im bank to finance a portion of its future Boeing 737 Max deliveries as part of a number of other financial sources, which may include Japanese operating lease with call option (Jolco), chief financial officer Richard Lark has disclosed.

In a presentation at the *Airfinance Journal* Dublin 2020 conference, Lark said the Brazilian carrier plans to take delivery of 69 Max aircraft between 2020 and 2024.

Of these the airline expects to finance these through finance leases with operating leases making up the remainder.

While the Ex-Im Bank will play a part in this now it is "back in the game" following its re-authorisation, Lark says the carrier has plans to source funding through insurance products, "potentially" EETCs and a "large chunk" with leasing firms.

Lark said Gol has no immediate plans for an EETC "part of the reason is the loan-to-value on those is low so

therefore it has a higher cost for us, but I think at some point over the next couple of years we will evaluate that".

Sale and leasebacks will form the biggest part of the portfolio.

All of these plans are to some extent predicated on the 737 Max being recertified and returning to service this year, Lark says.

The airline is also looking at other sources like insurance-backed products like AFIC and AFS and Jolcos.

"We are a much larger credit now we can also tap markets that we couldn't do previously, like the Jolco market...So we have other alternatives that we are pursuing," he says.

Lark says Gol has a strategy of developing a diversified liability portfolio.

Separately, Lark tells *Airfinance Journal* that Gol plans to sell its remaining 11 737 NGs in the next three months.

He does not disclose the identity of the potential seller but said the process was delayed by the Max grounding. ▲

Embraer plans new turboprop

John Slattery, president and chief executive officer, Embraer Commercial Aircraft has said the Brazilian manufacturer's development of a new turboprop is contingent on the completion of its joint venture with Boeing, which is still subject to approval from European competition authorities.

In an exclusive interview with *Airfinance Journal*, he observes that ATR has an effective monopoly on the turboprop market, which is stifling competition and innovation.

In support of his claim, Slattery suggests that the De Havilland of Canada Dash 8 is becoming increasingly irrelevant, with very few sales, and to "customers I've never heard of". He says that ATR's ability to obtain the highest gross margins of any commercial aircraft OEM is an indicator of the European manufacturer's dominant position. Asked why Embraer needs the joint venture before it can go ahead with development, Slattery says it is

a matter of funding and that the cost of developing an all-new aircraft would be too high for Embraer to bear alone. "I can do this turboprop through the JV, but I can't do it without it".

Slattery says there would likely be two models, which would be slightly smaller than the E-Jet family, implying that the aircraft would be in the same size range or slightly larger than the 70-seat ATR72.

Slattery believes there is strong demand for a clean-sheet design that brought significant reductions in emissions. Slattery suggests, however, that a hybrid electric aircraft is still some way off and that a fully electric aircraft lies even further in the future – probably not before the second half of the 2030s.

Slattery suggests that Embraer going ahead with its proposed turboprop would force ATR to respond with its own new aircraft. He concludes that if Embraer built a state-of-the-art disruptive aircraft with environmental benefits; "who would not want us to do it?" ▲

Appraisers sees 'bloody' market for A330-300 leases

A glut of Airbus A330-300s returning from their first leases is creating a "bloody" market and depressing lease rates and values for the type, appraisers believe.

Speaking at *Airfinance Journal* Dublin 2020 on, Olga Razzhivina, senior ISTAT appraiser at Oriol, noted that following high levels of production of the A330-300 to fill a gap in Boeing 787 output, the "fallout" of aircraft returning from first leases was "creating a bloody market".

"Given the production rate of new aircraft types I don't see that dissipating anytime in the future," she warns.

Mike Yeomans, head of valuations, IBA Group said that lease rates for the type had come down "significantly" over the last year or two.

"We think a lot of that is the function of the delivery stream of the aircraft because before the global

financial crisis the [A330]-200 accounted for more of the delivery stream. After the financial crisis, we saw that flick over to the -300 so we have started to see those aircraft coming back," he says.

"We have seen quite young aircraft coming out of Singapore on six-year leases, those aircraft were sold at relatively low prices as well so we have seen that put pressure on the market as well as some of the excess supply."

For 10- to 12-year-old aircraft, IBA has encountered lease rates below \$200,000 per month going to good credit airlines and with lease-end compensation.

While it is still possible to achieve rates above \$200,000, Yeomans says that these are under pressure. As a result, IBA has had to adjust down its market value and



L/R: Olga Razzhivina, Oriol, Mike Yeomans, head of valuations, IBA

lease outlook for the type. Robb Watts, vice-president advisory, ACC Aviation, said that a majority of the airlines which failed in 2019 had A330s in their fleet, which was putting further pressure on the -300.

"We have seen A330s, relatively young ones, going to credits that we would otherwise not expect them to go due to the need to place them," he says.

Razzhivina says one "silver lining" for the type is that there is demand for freighter conversions. "The one saving grace for the A330-300 - not in the sense of leasing but considering its future - is the fact that it makes a much better freighter in conversion, but really the prices have to go down to very low double figures or even single figures to justify the price of the conversion," she says. ▲

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ABS market needs more secondary trading

The commercial aircraft ABS market is growing. Last year *Airfinance Journal* recorded 17 transactions worth \$8.8 billion, up from \$7.3 billion the previous year.

But aircraft still account for a small part of the overall ABS market.

"The league tables in ABS highlight the fact that aircraft leasing is a niche market," said Mark Streeter, managing director of airline/aircraft credit research for JP Morgan, at the *Airfinance Journal* Dublin conference.

"The consumer ABS market was \$103 billion last year while ABS credit cards totalled \$24 billion," he notes.

Streeter adds that in the commercial aviation ABS market there is about \$27 billion of outstanding debt. This compares with \$750 billion outstanding in the whole ABS market. "The good news is an increasing volume of ABS issuance has led to tightening in pricing."

However, Streeter points to relatively low appetite for secondary trading in the aircraft ABS market.

"[In the] secondary market in terms of liquidity, ABS aircraft versus credit cards, you get a sense on some of the ABS [that the] aviation sector is lagging."



L/R: Johann Juan, director, non-bank financial institutions, Fitch Ratings
Kristine Liwag, vice-president, Bank of America Merrill Lynch Global Research

"Even if triggering-in activity is up, turnover is still less than any other sectors."

Drew Fine, a partner at Milbank, highlighted that ABS transactions are important for leasing companies. "It is a way to sell aircraft and distribute which was not necessarily available before," he says.

"There should be a good level of ABS activity in 2020. The first quarter seems to be booming with deals that will be announced over the next few weeks," he predicts.

"Years ago, ABS were [just for] aircraft; now we have engines, turboprops, cargo, loans, finance leases. More things can be securitised so long as you can demonstrate reliable sources of funding. People always look at what can be mixed and matched. Last year there was an ABS transaction combined with Japanese leases. There

have been a couple of deals matching ABS with equity."

He sees further efforts to mix and match various products going forward.

"There will also be a desire to put more flexibility into ABS transactions and maybe move stuff in and out. There will be loans and leases mixed together."

For Kristine Liwag, vice-president, Bank of America Merrill Lynch Global Research, the industry will be looking at secondary trading volumes.

"There is appetite for issuances, but investors are also looking at how they can trade in the secondary market. Will there be enough liquidity beyond the initial issuances?" she asks.

"In 2019, there was an increase in the number in terms of volume and an increased number of investors. Secondary trading is something the market will be keeping an eye on."

Panellists at the *Airfinance Journal* Dublin 2020 conference have all called for more consideration of the underlying assets in ABS deals.

"The industry needs to have a look more at the underlying assets," says Liwag, adding: "Who are the issuers and what experience do they have in the industry to navigate through a downturn? We have seen some bankruptcies but this is very small piece of the overall in-service fleet. Lessors may repossess aircraft and place them in a few months, but that is not a downturn."

She adds: "With these papers you have to understand what you own because you

have different ABS that may look similar on paper, but can perform differently over time.

"We are trying to standardise contracts in an industry that is naturally very customised. You have custom agreements with airlines, custom terms, you have different terms on returned conditions, different power-by-the-hour agreements... You have so many things to factor in and you try to standardise this all into ABS structures."

She adds: "You need to look at not only the values but actually at the underlying assets. I started in the industry during the financial crisis. I think about mortgage-backed

securities and how we got there. I don't think we are at that point but the mistake was to not look at the underlying assets."

Fellow panellist Johann Juan, director, non-bank financial institutions, Fitch Ratings, observed that new entrants had not operated through the cycle.

"They may come from CIT or GECAS or a large shop, but as a standalone entity they have not done it through a cycle. It is unclear what type of behaviour or discipline these firms will be maintaining in terms of aircraft repossession or maintaining residual values on behalf of a trust." ▲

ICBC Leasing considers portfolio sale

ICBC Leasing aims to sell more aircraft in 2020.

Airfinance Journal understands that the Chinese lessor is looking to sell mid-life aircraft with leases attached to different carriers, but is still to approach the market with a request for proposals (RFP).

Last year ICBC Leasing offered a portfolio of approximately 40 aircraft for sale, comprising widebodies and narrowbodies. The aircraft in that portfolio ranged from three to eight years of age.

ICBC Leasing had considered performing an asset-backed securitisation (ABS) of that portfolio, before deciding it was not US-centric enough to do so successfully, according to sources.

The lessor eventually sold 35 of the aircraft, *Airfinance Journal* understands.

This year's portfolio will be smaller, according to one source.

In 2019, Chinese lessor Bocomm Leasing also approached the market regarding aircraft sales.

The Shanghai-based lessor issued an RFP for a portfolio numbering "around 20 aircraft" composed of widebodies and narrowbodies. The lessor added that the average age of the portfolio was "approximately five years". ▲

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Newly rated TAP matches debt to aircraft deliveries

TAP will continue extending its debt profile to match its investments.

TAP Air Portugal (TAP) has been rated for the first time by international credit agencies, reflecting the earnings recovery trend observed in the second and third quarters of 2019.

The Portuguese flag carrier said the ratings are a key element in continuing the process of extending debt maturity, enabling it to solidify its financial strength.

Standard & Poor's was the first agency to rate the carrier. It assigned a BB- rating, three levels off investment grade, with a stable outlook. The rating is identical to that of American Airlines, above the ratings of Turkish Airlines and SAS, and a notch below Air France's BB.

Moody's Investors Service assessment of TAP's was a B2 rating, the fifth level of speculative investment, with a stable outlook. Its corporate family rating is derived from a b3 Baseline Credit Assessment and one notch uplift from the Portuguese State support under its Government-related issuers methodology.

TAP is not vying for an investment grade, but the ratings will give the carrier a benchmark should it proceed with an initial public offering (IPO).

While an IPO could be next on its agenda, the carrier has embarked on a fleet renewal programme both on the narrowbody and widebody sides.

It has signed purchase commitments to acquire 53 Airbus aircraft (39 A320neo family and 14 A330neo) for delivery between 2018 and 2025. It expects capital expenditures associated with its fleet transformation and renewal programme of approximately €3.5 billion (\$3.85 billion), of which €1.5 billion had been deployed as of 30 September 2019.

As of 30 September, 2019, its cash and cash equivalents totalled €245 million, compared with €218 million a year earlier.

To finance its fleet, TAP has turned initially to the lessor



market, selling nine A330-900 and eight A320neo deliveries.

It recently completed a €375 million senior bond issuance with a five-year term. The senior notes issuance was upsized from its initial €300 million target.

The coupon is 5.625% and proceeds from the unsecured offering to institutional investors will be used for repayment of certain loans under the carrier's existing liabilities and to extend their average maturity, to pay commissions and expenses related to the offering of the bonds and to finance needs arising from the normal activity of the company.

The goal is to finance the renewal of the fleet of aircraft and the bond issuance will give a long-term structure to TAP's debt in line with the profile of its cash flows.

With this transaction, TAP has also been able to extend debt maturities to five years, an essential profile for aligning financing costs with operating results as new aircraft come on stream.

TAP's average debt maturity was 2.8 years when it was partly privatised in December 2015.

Average debt maturity was 2.5 years at the end of 2018, but it had reached 3.8 years at the end of the third quarter of 2019.

Net debt totalled €786 million at 30 September 2019. This was up from €425 million a year earlier.

The €375 million issuance followed TAP's inaugural offering in the Portuguese bond market in June.

The Portuguese flag carrier quadrupled the initial amount of its ongoing debenture loan to

€200 million. The 4.375% bond matures on 23 June 2023.

Haitong Bank was the global co-ordinator of the issuance with ActivoBank, Banco Best, Banco Carregosa, Banco Montepio, Bankinter, CaixaBI, CCCAM, CGD, Haitong Bank, Millennium BCP and Novo Banco acting as the underwriters.

The transaction was the largest public bond offer by a Portuguese corporate issuer in the Portuguese capital market since 2012. More than 6,000 investors (retail and institutional) participated in the offering.

The carrier also closed a private bond offering in January. The €137 million of debt, which matures in 2034, was arranged and underwritten by Australian investment bank Macquarie.

Debt facilities

Historically TAP has relied more on conventional debt.

Last year, TAP entered into a €70 million credit facility agreement with Banco do Brasil. During the period, it refinanced the terms of six aircraft. The loan has a three-year term to 25 June 2021.

Also last year the carrier closed two financings of €20 million each with other international banks.

The previous year it entered into multiple debt agreements with different lenders, which had participated in the 2015 re-privatisation of the TAP Group. The loans granted under the Portuguese banks loan agreement mature in November 2022. As of 30 September 2019, the amount outstanding under the Portuguese banks loan agreement was €377 million.

In 2016, the carrier raised €100 million through two facilities: It entered into a credit facility agreement with a Portuguese bank for €75 million with final maturity in October 2028. In February that year, it borrowed €25 million under a facility agreement with a Luxembourg financial institution. That facility matures in February 2023.

Challenges

TAP reported a €111 million net loss the nine months to 30 September 2019. Net income was largely impacted by the decrease in revenues from the Brazilian market as a result of the continuation of the political and economic instability that began in the second half of 2018.

In its report Moody's highlighted the company's increased focus on operational profitability since privatisation and both the support of the Portuguese government and the importance of TAP for the Portuguese economy and tourism.

But TAP's rating is constrained by the small size of the carrier and concentration of its network, as well as the volatility of performance and "still low" profitability since privatisation.

Its leverage, with a debt-to-EBITDA ratio of seven times, combined with the "weak" credit profile of the parent company also weighed on the valuation.

"The stable outlook reflects our view that TAP SA and TAP SGPS will be able to translate the reduction in CASK and fuel costs into stronger profitability and a deleveraging path at the end of 2019," said Moody's, adding that it anticipated "the maintenance of an adequate liquidity profile".

Moody's considers TAP's liquidity to be adequate mainly supported by around €450 million cash and marketable securities expected on the issuer's balance sheet at the end of this year. ▲



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Pratt & Whitney continues to see strong orders and a growing network of customers for its revolutionary Geared Turbofan™ (GTF) engine family. Recent wins add to the GTF orderbook, which now totals more than 10,000 engine orders and commitments with more than 80 customers. Several of these airlines have also signed multi-year contracts for Pratt & Whitney's EngineWise® Comprehensive service agreements, 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.

"2019 was a strong year for Pratt & Whitney and we look to continue that momentum in 2020," said Carroll Lane, president, commercial engines at Pratt & Whitney. "The efficiency of our GTF engine makes it the engine of choice for airlines looking to replace or grow their single-aisle fleets. The GTF enables operators to extend routes, open new markets and make more point-to-point destinations available to the flying public."

The most recent deliveries continue to add to the ever-growing commercial fleet, which now totals more than 680 GTF-powered aircraft across nearly 50 operators since the engine entered service in 2016. Recent

deliveries have included the first Embraer E195-E2 aircraft to Azul Brazilian Airlines through a lease agreement with AerCap and Air Canada's first GTF-powered Airbus A220 aircraft.

GTF orders during the last 12 months include GoAir's selection of the GTF engine for its second order of 72 A320neo family aircraft; JetSMART's selection of the GTF engine for its order of 85 A320neo family aircraft; E195-E2 orders from KLM Cityhopper (up to 35), exclusively powered by the GTF engine; Delta Air Lines' additional order for a total of 95 exclusively GTF-powered A220 aircraft; A220 orders from Air France-KLM (60), SMBC Aviation Capital's order of 20 additional GTF-powered A320neo family aircraft and Aviation Capital Group's order of up to 20 additional GTF-powered A320neo family aircraft.

Aircraft powered by GTF engines were delivered on six continents during 2019, including the first A220 aircraft to African operators Air Tanzania and Egyptair; the first A321neo aircraft to Hungarian carrier Wizz Air, Vietnam Airlines and Philippines-based Cebu Pacific; the first A320neo aircraft to Chinese airline Air Macau, leased through BOC Aviation; the first A320neo aircraft to Chilean operator Jetsmart; the first A321neoLR aircraft to Canadian airline Air Transat,



"This next-step technology aircraft will enable us to become a greener airline while lowering our operating costs."

Jozsef Varadi, CEO, Wizz Air

leased through AerCap; and the first Airbus A220 and A321neo aircraft to US operators Delta Air Lines and Jetblue Airways, respectively.

"We are proud to welcome our first GTF-powered A321neo aircraft to our growing fleet," said Wizz Air's chief executive officer Jozsef Varadi. "We are convinced that the A321neo will be a game-changing aircraft for Wizz Air as we continue to grow and expand our market reach across and beyond Europe. This next-step technology aircraft will enable us to become a greener airline while lowering our operating costs."

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 4.8 million engine revenue hours and demonstrated an ability to reduce fuel burn by 16 to 20%, saving customers a staggering 260 million gallons of fuel, totalling more than \$500 million in savings to date.

The GTF also significantly reduces regulated emissions,

which has led to 2.5 million metric tonnes of carbon emissions avoided so far, and lowers the noise footprint by 75%. Engines in service are saving approximately 100 gallons of fuel and reducing CO2 emissions by one metric tonne per flight hour.

Game-changing technologies set the GTF apart from its competition. The engine's revolutionary architecture allows for further evolution and performance enhancements.

The company invested more than 20 years and \$10 billion in the engine, maturing new technologies that enable its impressive results. To meet the production demands of a historic engine ramp, Pratt & Whitney has invested in its 21st century, global production facilities to deliver its products quicker and with the highest quality. Along with its MRO network partners, the company is investing millions to increase maintenance capability to support the in-service fleet.

Find out more about Pratt & Whitney's GTF engines at <https://pwgtf.com/>.



Fitch warns of lessors ABS ‘tests’

Airline credit risk and heated competition in the leasing industry will test aircraft lessors’ ability to adequately service asset-backed securities (ABS) in 2020, says rating agency Fitch Ratings.

This will include repossessing, remarketing activities and placing aircraft back on lease while managing ABS cash flows and containing expenses.

“Over the past two to three years, lessors have been able to repossess and redeploy aircraft with new lessees fairly easily, given the robust demand for aircraft partially driven by ongoing aircraft and engine production delays and the Boeing 737 Max grounding and subsequent production shutdown,” it writes.

The rating agency says robust competition, growing passenger volumes, strong demand for aircraft and increased adoption of leasing has driven asset values to peak

levels in the past few years. Furthermore, competition from new entrants in the lessor space has driven lease yields to unsustainable levels, particularly in the sale and leaseback market.

Fitch has been very selective regarding which lessor ABS platforms it rates, rating only 46% of the market transactions since 2013, the large majority issued by large, established investment-grade-rated lessors.

“We have rated only two new lessor platforms issuing ABS in 2017-19, both serviced by large investment-grade lessors. We believe these lessors can weather the highly cyclical aviation industry given their solid servicing capabilities to manage aircraft.”

The 13 large aircraft ABS lessor platforms rated by Fitch possess fully built-out servicing platforms in each leasing function, from aircraft acquisition to fleet management and servicing.

“These issuers typically have investment-grade credit profiles supported by their scale and franchise strengths, robust risk controls, consistent operating performance and cash flow generation through cycles, appropriate leverage and strong, experienced management teams.

The rating agency adds that those issuers mostly have strong liquidity profiles and solid funding flexibility, with access to the capital markets across secured and unsecured financing.

“ABS is typically used to diversify funding, and finance aircraft purchases or manage fleet concentrations. These issuers do not rely on ABS servicing fees, while mostly holding equity in transactions aligning interests with investors.”

The agency notes that riskier newly established, smaller lessors with less than five years of operating history have entered an already crowded

global aircraft lessor market in the last several years, including alternative investment managers.

“They have grown their portfolios, rapidly acquiring aircraft at inflated prices. Less established lessors are untested and could face operational challenges, including pressure to place defaulted aircraft back on lease in a downturn. These lessors have limited operating scale and fleet size and mostly rely on ABS for funding, leaving them overly exposed to market volatility.

“Additionally, the typically fixed-life nature of private equity ownership can increase long-term strategic and financial uncertainty for owned lessors, while the cyclical nature and sensitivity to exogenous shocks exposes sponsors to heightened execution risk surrounding investment realization. Ultimately, this could impair servicing abilities and practices and negatively affect ABS performance.” ▲

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2	AerCap	1,058	-	-	765	293
3	Avolon	532	-	49	402	81
4	Nordic Aviation Capital	422	269	153	-	-
5	DAE Capital	317	50	-	210	57
6	BOC Aviation	283	-	-	240	43
7	Air Lease	274	-	1	210	63
8	ICBC Leasing	267	-	5	231	31
9	NBB Leasing	265	-	2	178	85
10	Aviation Capital Group	252	-	-	243	9
11	SMBC Aviation Capital	249	-	-	234	15
12	Aircastle	228	-	5	191	32
13	ORIX Aviation ¹	202	-	-	179	23
14	Apollo Aviation Group	200	-	-	168	32
15	Macquarie AirFinance	195	-	3	181	11
16	CDB Leasing	190	-	20	143	27
17	Castlelake	179	14	14	123	28
18	Avmax	172	80	79	11	2
19	BOCOMM Leasing	150	-	5	126	19
20	Jackson Square Aviation	148	-	-	132	16
21	Standard Chartered Bank	126	-	-	115	11
22	China Aircraft Leasing	118	-	-	112	6
23	Goshawk ²	107	-	1	102	4
24	Deucalion Aviation Funds	104	-	-	83	21
25	Cargo Aircraft Management	93	-	-	9	84
26	Fly Leasing ³	85	-	-	74	11
27	CCB Leasing	76	-	2	62	12
27=	Elix Aviation Capital	76	76	-	-	-
29	Merx Aviation ¹	74	-	7	64	3
30	Transportation Partners	71	52	-	19	-
30=	Fortress Transportation	71	-	-	58	13
30=	VTB Leasing	71	-	7	54	10
33	Accipiter	67	1	-	64	2
33=	VEB Leasing	67	2	29	14	22
35	JP Lease Products & Services	65	-	-	47	18
36	State Transport Leasing	62	-	20	35	7
36=	Sberbank Leasing	62	-	20	36	6
38	SKY Aviation Leasing ²	61	-	-	50	11
39	ALAFCO	58	-	-	54	4
40	Vermillion Aviation	57	-	-	54	3
41	Fuyo General Lease	54	-	13	36	5
42	Aviation Finance & Leasing	53	-	-	53	-
42=	Minsheng Financial Leasing	53	-	11	41	1
44	GTLK Europe	52	-	10	38	4
45	IAFC	50	-	-	25	25
45=	Jetran	50	3	3	42	2
47	Tokyo Century Leasing	48	-	3	37	8
47=	Jet Midwest Group	48	10	-	22	16
47=	ACIA Aero	48	25	7	16	-
50	ASL Aviation Group	47	19	-	21	7
Total		8,833	621	709	6,161	1,342

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

¹ Onix Aviation and Merx Aviation got credit for 50% each of the Kormestone aircraft

² the table excludes the Goshawk/Sky acquisition

³ the table excludes the Airasia deal which started closing in August 2018

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Thursday 23 January 2020, CCD, Dublin

Day two

8.00 Registration & Morning refreshments

09.05 Chairperson's opening remarks

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

09.10 Is the aircraft finance industry overfunded?

For a number of years now the amount of capital chasing deals in the aircraft finance space has been steadily increasing, along with the number of individual entities involved, and sources of capital. What impact has this had on the industry more broadly and what ought to be done about it?

Andy Cronin, Chief Financial Officer, **Avolon Keith Helming**, Senior Adviser, **BOCOMM Leasing**

Le Luo, Head of Sales, Ireland, **CMB Financial Leasing**

Andy Mansell, Co-Founder, **Split Rock Aviation**

Moderated by: Kieran O'Brien, Partner, **KPMG**

9.50 Volaris continues to bear the standard for Latin American LCCs

Hear Volaris' Chief Financial Officer, Sonia Jerez Burdeus, deliver a presentation about Volaris' financial strategy moving forward, which structures make sense to help fund new aircraft deliveries and where she sees the state of the Mexican market for airlines.

Sonia Jerez Burdeus, Executive Vice President & Chief Financial Officer, **Volaris**

10.20 Making the aviation industry environmentally sustainable

Phil Seymour, Chief Executive Officer, **IBA Aviation Group**

Paul Jebely, Partner, **Pillsbury, Winthrop & Shaw LLP**

Hugo Kanters, Managing Director, Global Head of Aviation Finance, Head of Transport Finance, **ING Wholesale Banking**

Moderated by: Andy Mansell, Co-Founder, **Split Rock Aviation**

11.00 Morning networking break & refreshments

11.20 Has the aircraft ABS product gone mainstream?

- Why has the proportion of E-notes in ABS deals increased and what are the implications for issuers and investors?
- How have issuers and arrangers managed to achieve increasingly investor friendly debt structures?
- How strongly has the secondary market developed and what is the outlook for 2020?

Radha Tilton, Managing Director, **Goldman Sachs**

Giyora Eiger, Vice President – Senior Credit Officer, **Moody's Investors Service**

Mary Kane, Managing Director, Head of ABS Research, **Citi**

Moderated by: Catherine Duffy, Partner, Finance, **A&L Goodbody**

12.00 Global Aircraft Trading System – preparing to go live

Daniel da Silva, Vice President, Strategic and Regulatory Policy, **Boeing Capital**

David Walton, Chief Operating Officer, **BOC Aviation**

Tom Woods, Partner, Head of Tax and Legal Services, **KPMG**

David Swan, Chief Operating Officer, **SMBC Aviation Capital**

Moderated by: Jeffrey Wool, Secretary General, **Aviation Working Group**

12.40 CFM Closing keynote

Christophe Poulain, Vice President, Commercial Strategy, **CFM**

13.10 Chairperson's closing remarks

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

13.15 Networking lunch and close of conference

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