Impact of the Corona crisis on the aviation asset class – “Aviation …. From dusk till dawn?”

BAI Webinar

20. April 2020

Diversifikation zählt.

Within a few weeks the Corona crisis has caused nearly a full-stop of the worldwide air traffic

Daily Number of Departures (January vs. April 2020)

NORTH AMERICA

-85%

EUROPE

-96%

MIDDLE EAST

-96%

SOUTH AMERICA

-99%

AFRICA

-96%

ASIA PACIFIC

-94%

*Source: ICAO Global COVID-19 Airport Status

Travel bans and lack of bookings have moved many major airlines to fully stop operations or to reduce the schedule up to 95%

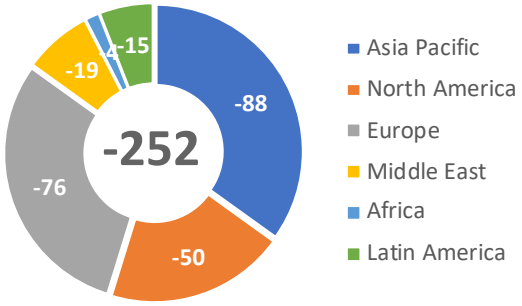
Airlines commercial impact

Estimated Commercial Impact

- **Change in RPK's 2020 % yoy**

Asia Pacific	-37%
North America	-27%
Europe	-46&
Middle East	-39%
Africa	-32%
Latin America	-41%

- **Pax revenue 2020 vs 2019 (in billion $)**



Airline operating status (End of March 2020)

Airline	Region	Type	FLEET	WB	NB	Status	Reduction by	Restart
American Airlines	USA	HUB	947	149	798	Operating	IK 80% | DO 30%	
United Airlines	USA	HUB	801	201	600	Operating	IK 75% | DO 40%	
Delta Air Lines	USA	HUB	913	155	758	Operating	IK 70% | DO 40%	
Southwest	USA	LCC	742	0	742	Operating	40%	
JetBlue	USA	LCC	263	0	263	Operating	70%	
Spirit Airlines	USA	LCC	150	0	150	Operating	90%	
Lufthansa	Europa	HUB	346	110	236	Operating	95%	
Air France	Europa	HUB	225	109	116	Operating	90%	
British Airways	Europa	HUB	280	136	144	Operating	80%	
Ryanair	Europa	LCC	309	0	309	Operating	99%	
easyjet	Europa	LCC	337	0	337	GROUNDED	100%	OPEN
Wizzair	Europa	LCC	121	0	121	Operating	30%	
Emirates	MEA	HUB	269	268	1	GROUNDED	100%	OPEN
Etihad Airways	MEA	HUB	102	73	29	GROUNDED	100%	OPEN
Qatar Airways	MEA	HUB	241	204	37	Operating	70%	
Pegasus Airlines	MEA	LCC	82	0	82	Operating	70%	OPEN
flydubai	MEA	LCC	53	0	53	GROUNDED	100%	OPEN
Air Arabia	MEA	LCC	56	0	56	GROUNDED	100%	OPEN
China Southern	APAC	HUB	622	111	511	Operating	IK 95% | DO 0%	
China Eastern	APAC	HUB	566	83	483	Operating	IK 95% | DO 0%	
Air China	APAC	HUB	429	120	309	Operating	IK 95% | DO 0%	
Air Asia	APAC	LCC	190	24	214	GROUNDED	100%	14. April?
Lion Air	APAC	LCC	119	8	111	GROUNDED	100%	OPEN
Indigo	APAC	LCC	259	0	259	GROUNDED	100%	OPEN
Cathay Pacific	APAC	HUB	152	152	0	Operating	96%	

*Source: IATA Economics Financial Impact Assessment, M2P Analysis

The economic recovery of the COVID-19 crisis depends on the effectiveness of the public health and economic policy response

Possible global recovery scenarios

Virus Spread and Public Health Response

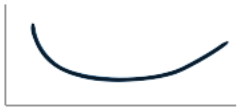
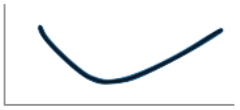
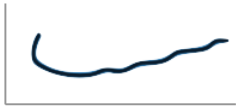
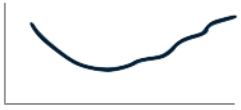
Rapid and effective control of virus spread

Strong public health response succeeds in controlling spread in each country within 2-3 months

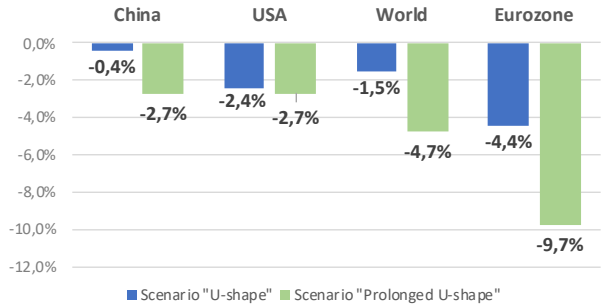
Effective response, but regional virus resurgence

Public health response initially succeeds but measures are not sufficient to prevent viral resurgence so social distancing continues (regionally) for several months

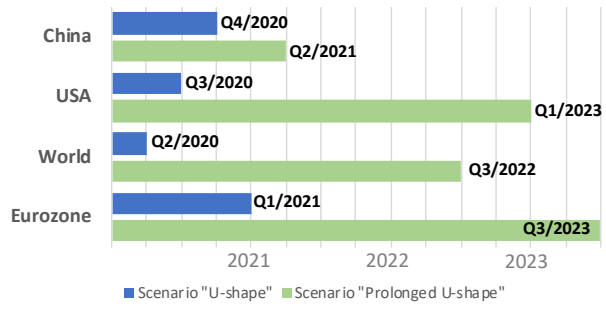
Knock-on effects and economic policy response

1  Slow recovery - **"U-shape"**	**2**  Rapid bounce back - **"V-shape"**
3  Slow long-term recovery **"prolonged U-shape"**	**4**  Double-dip recovery **"W-shape"**
Partially Effective Interventions Policy responses partially offset economic damage; banking crisis is avoided; recovery levels muted	**Highly Effective Interventions** Strong policy responses prevent structural damage; recovery to pre-crisis fundamentals and momentum

2020 GDP Growth Change (in %)



Time to Return to Pre-Crisis (Quarter)



*Source: McKinsey & Company - Safeguarding our lives and our live hoods

Assuming a sustainable economic recovery the “realistic” scenario expects a significant impact on the future airline demand

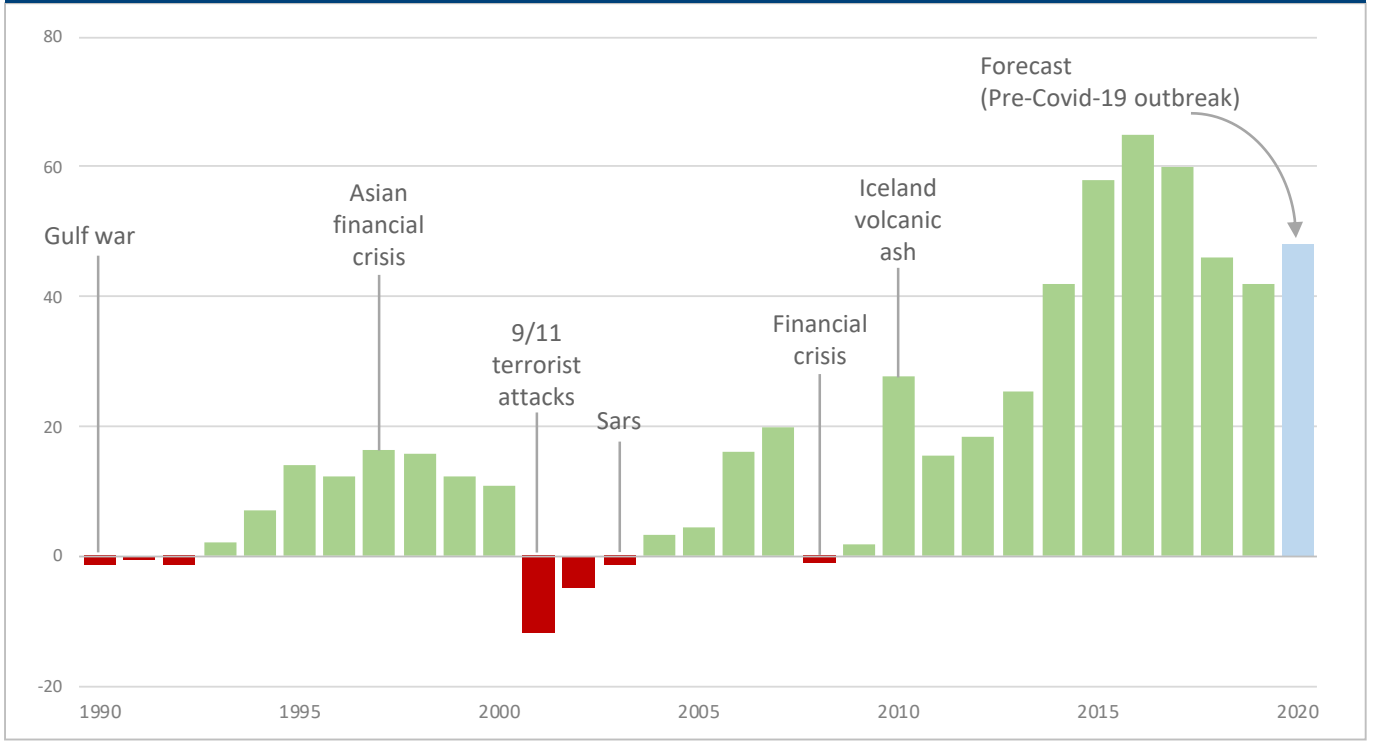
Recovery Scenarios and impact to Aviation

Government travel restrictions	Limited / no entry; Additional quarantine requirements
Revised public health policies	Capacity restrictions because of public health policies
Demand ramp up	Travel demand from business, leisure and VFR passengers
Lasting travel behaviour changes	Reduced need for travel as part of personal lifestyle
Yield stimulation	Level of yield stimulation required to support demand

Global economic events had a significant impact on the airline industry financial performance of the past years

Global Airline Earnings

Airline Operating Profits and global economic events 1990 – 2020 (in $bn)



Comments

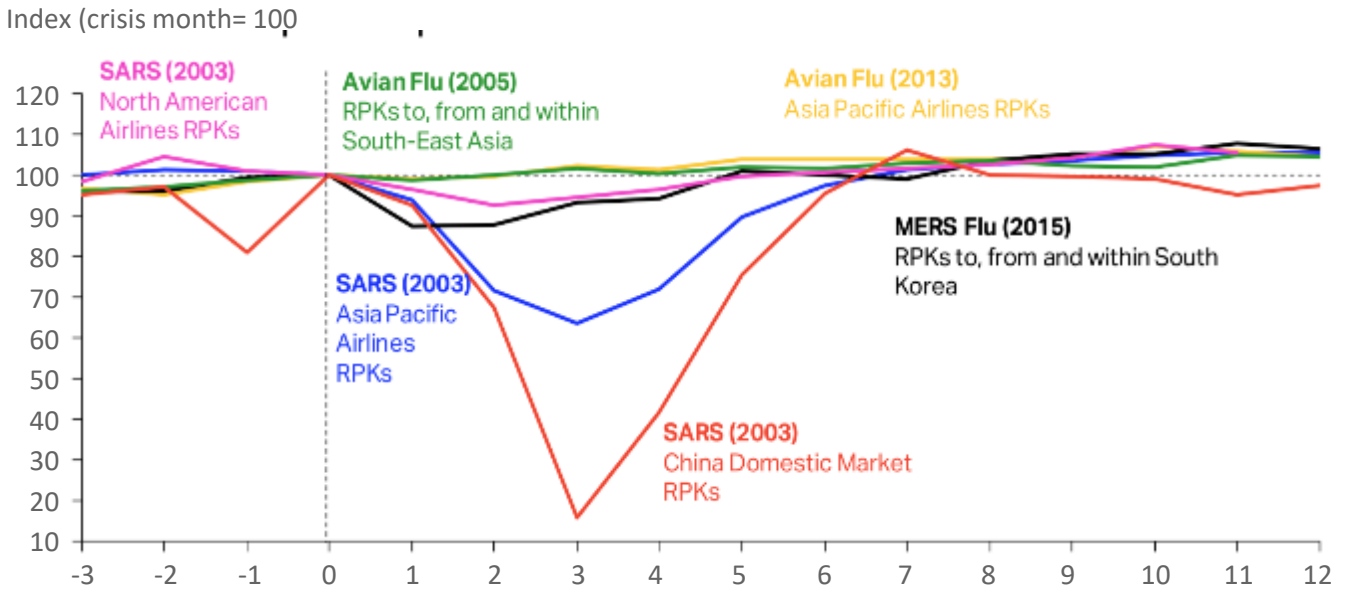
- Operating profits of the global airline industry reached their peak in 2016 and were already on decline before the corona crisis
- Taking past major events into consideration the operating profit analysis shows that the airline industry requires at least 12 month to recover from such a major disruption
- On the long-term the analysis confirms the opportunity for a steady growth of airlines profits also for the near future
- In the last 50 years airline industry doubled its revenues every 10 years.

*Source: ICAO , Air Transport Statistical Results

Analysis of previous pandemic outbreaks showed a V-shaped impact on the aviation industry, but there was no global economic recession

Impact of past pandemic outbreaks on aviation

Past pandemic events between 2003– 2015 and impact on Airline RPK



Comments

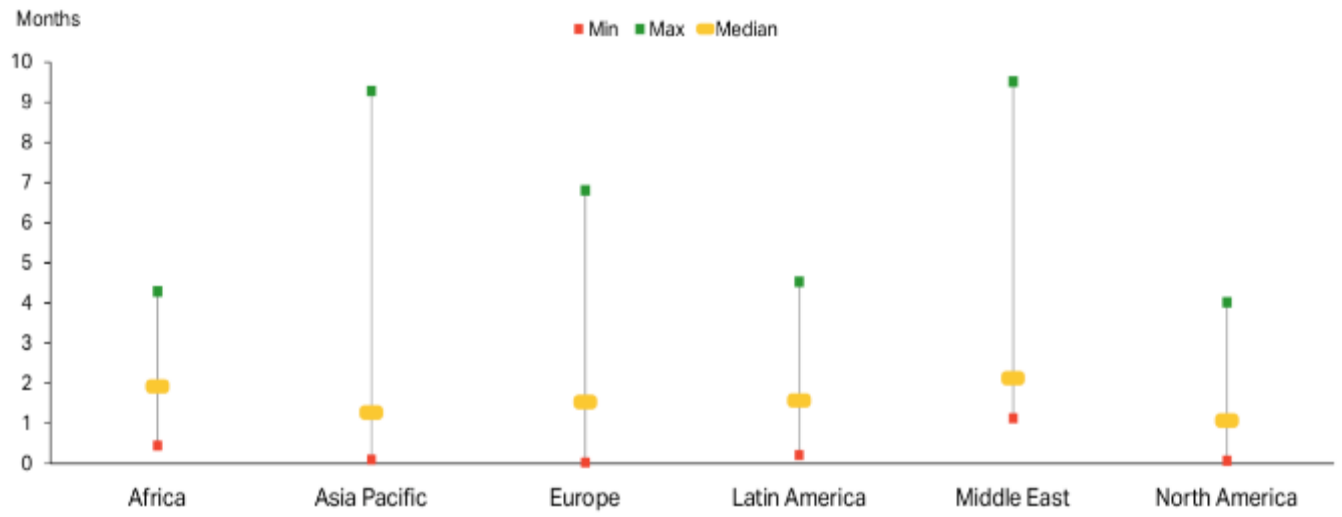
- History shows that most pandemics caused a V-shaped impact on the industry with SARS in 2003 had the most serious impact on traffic.
- At the height of the SARS outbreak (May 2003) monthly RPK's of Asia-Pacific airlines were 35% lower compared to the pre-crisis level.
- Overall in 2003, Asia-Pacific airlines lost 8% of annual RPKs and $6 billion of revenues.

*Source: IATA Economics, Third Impact Assessment

Financial analysis shows that the airlines in average do have a liquidity to cover 2 to 3 month of zero-capacity operations

Airline Liquidity Analysis per Region

Balance Sheet Liquidity (Cash and Equivalents Coverage of Revenues)



Comments

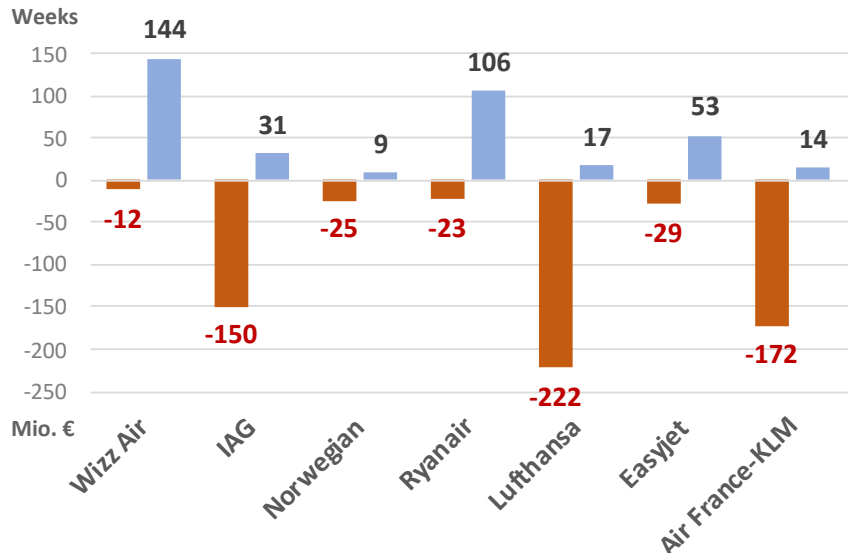
- The ”typical” airline had two months of cash available at the start of the year.
- From a liquidity point of view selected airlines in the Middle East and Asia Pacific do have the highest cash reserves.
- Given the fact that most airlines have currently no revenues most airlines might survive Q2/20 but do not have enough financial reserves to properly manage the restart.

*Source: IATA Economics using the Airline Analyst

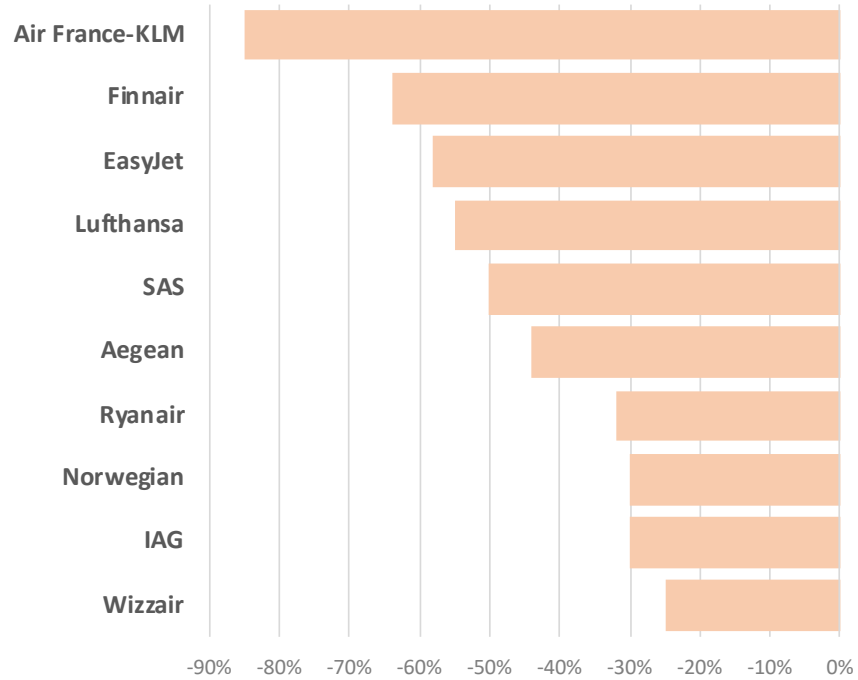
Hub airlines face much higher liquidity issues than LCCs due to higher fix costs mostly for aircrafts, facilities and workforce

Liquidity and fallout in earnings for selected European airlines

Weekly liquidity demand vs. weeks covered by existing liquidity



Estimated impact on 2020 profits (in %)



*Source: Bernstein Research / HSBC

Most likely business and VFR travelers will be back first after the current crisis -leisure travel will lag behind

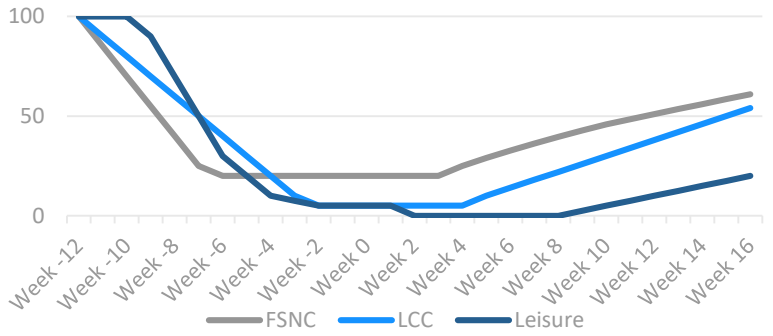
Likely scenarios to restart operations

Likely Recovery scenario per carrier type

- Business travelers typically book between 0-15 days in advance, VFR / city travelers between 2-12 weeks, holiday bookings between 1-9 months
- Hub carriers still operate a reduced schedule, while other types of carriers need to restart completely

Recovery scenario per carrier type

Illustrative



*Indexed to pre-crisis activity

Regional Differences exist

Minimum service during crisis

- Asia/Pacific: Major hubs remain connected, strategic connections pushed by governments
- Europe/US: Minimum service remains throughout crisis in many countries, market driven
- Domestic traffic to rebound generally faster than international travel, giving an advantage to airlines in large countries (especially US, China)

Bankruptcy cases

- Asia/Pacific: Majority of airlines government-owned
  -> Less bankruptcies
- Europe/US: Major airlines “too big to fail”, smaller airlines less resilient
  -> Takeovers possible (e.g. US Airways/America West)
  -> State aid for airlines which had a healthy business model before corona crisis had begun

*Source: M2P Analysis

Assuming that most airlines have put their aircrafts in long-term storage reactivation could lead up to 3 weeks per aircraft

Aircraft Storage Types and Back-to-Service Efforts

	Short Term Storage (up to 4 weeks out of service)			**Long Term Storage** (More than 4 weeks out of service)		
	Prepare for storage	**Maintain in storage**	**Bring back to service**	**Prepare for storage**	**Maintain in storage**	**Bring back to service**
Activities	▪ Park the aircraft ▪ Cover engines (optional)	▪ Weekly engine start-up ▪ Daily / weekly checks ▪ Ongoing CAMO back-office activities ▪ …	▪ Standard checks according to manual	▪ Replace oil / hydraulics with preservatives ▪ Seal engines, wheels and brakes airframe ▪ Disconnect batteries ▪ …	▪ Regular APU run to dehumidify the cabin	▪ Undo all preparation tasks ▪ Execution of due MPD tasks ▪ Replacement / overhaul of due HTC and OCCM parts
Efforts	**VERY LOW** Minimal efforts required, close to standard night stop	**HIGH** Maintenance efforts (and costs) close to standard operations	**LOW** Minimal checks required, few hours up to **1 day work** required	**HIGH** Special preparation work order needs to be performed	**VERY LOW** Minimal efforts (e.g. weekly cabin visit)	**VERY HIGH** Very high work-load, minimal time **1 up to 3 weeks** to complete

*Source: M2P Database

The grounded flight crew drives a challenge for airline recovery due to license expiry and additional simulator training demand

Airline Flight Crew License Requirements and Recovery Risks

operational risk

Overview license parts*	Risks (and likelihood)	Proposed Mitigation
Commercial operating license	**HIGH** ▪ License loss through missing line training ▪ High Simulator demand to renew license ❯ After 1 month of fleet grounding 20% of crew per month needs sim session = min. 500.000€ per month**	▪ Proactive steering of renewal of 3 starts/landings within rolling 90 days ▪ Strict prioritize flight crew with close expiry dates and high qualification (e.g. trainer) ▪ Reserve simulator slots proactively and risk no-show fees
Type rating	**LOW** ▪ Missing yearly renewal session through closed Simulators	▪ Many aviation authorities already extended expiry deadlines of >4 months
Special Airport qualification	**LOW** ▪ Loss of special airport qualification through reduced flight program	▪ Prioritize Simulator Slots ▪ Inform commercial planning
Medical check, Emergency Training, CRM Training	**LOW** ▪ Loss of qualification through missing yearly trainings	▪ Adapt set-up of training ▪ Provide virtual training

*simplified worldwide view ** Airline with 50 A/C and cost rate based on project experience incl. sim rental, labor and overhead

Key Conclusions

- The most likely global economic recovery scenario is the so-called “prolonged U-shape” scenario with a gradual recovery stretching beyond 2021. In addition to the return of the global economy the recovery of the aviation industry will be dominated by travel restrictions, revised public health policies and lasting changes of traveller behaviour.
- The full stop of airline operation and the resulting lack of incoming revenues causes a very high economical stress level and will consume the available cash buffers in a very short time frame.
- The financial pressure on hub carriers is higher compared to LCC as the fixed costs for aircraft fleet and crew are comparable higher. Looking forward to the upcoming recovery period again hub carriers having a disadvantage as they are commercially dependent on long-haul routes and the respective feeding traffic that requires higher flight activities.
- Additionally all operators will have to cover the costs of reactivating aircrafts and crews while not reaching the necessary load factor to be profitable.

About M2P Consulting

M2P Consulting GmbH

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M2P Consulting GmbH is a boutique management consulting firm based in Frankfurt/Main, Germany and having offices in the US, Middle East and Asia with a strong footprint in the aviation industry.

Making companies fit for the future requires more than reshuffling strategies or business processes – M2P offers a holistic approach where new concepts are based on analytical evidence, technology insights, and proven change methods.

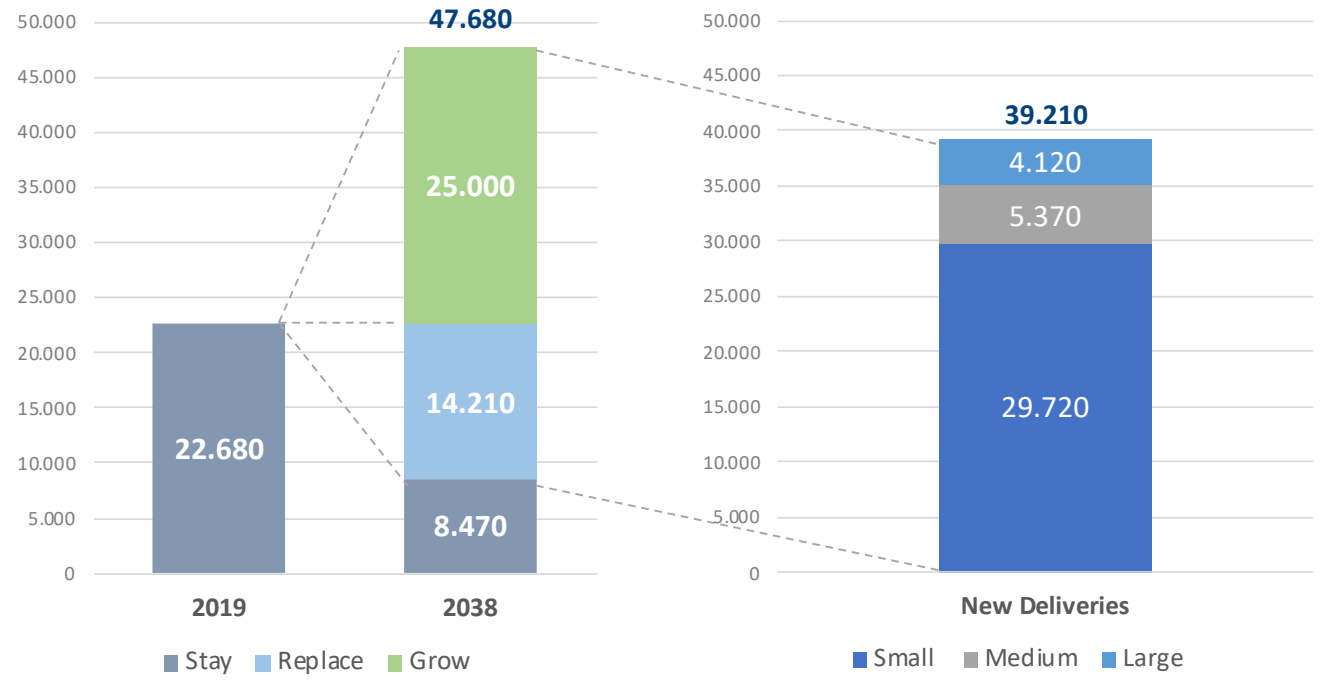
Our capabilities includes:

- **Analytics & Modelling** - Applying our analytical optimization and simulation expertise we help our clients to define and implement the appropriate intelligence to develop business strategies, manage complexity, as well as to increase efficiency.
- **Process Redesign** - Understanding the mechanics of business models and their respective processes is in the heart of every consulting service, we are familiar with the rules in our core industries and know the best practices in key functions.
- **Technology** – Operating elements of disruption and transforming demands of digitalization, we as M2P know which technologies our clients need to succeed in their vision.
- **Transformation** - Global transport companies often necessitating extensive efforts to successfully shape the visions of future transformation, we support our clients to define, realize, and exceed these visions within planned budget and time.

Before the crisis the aircraft market was estimated to double until 2038 with more than 80% growth in segment of single-isle aircraft

Aircraft Market Demand Forecast

Aircraft Demand Forecast 2019 - 2038



Comments

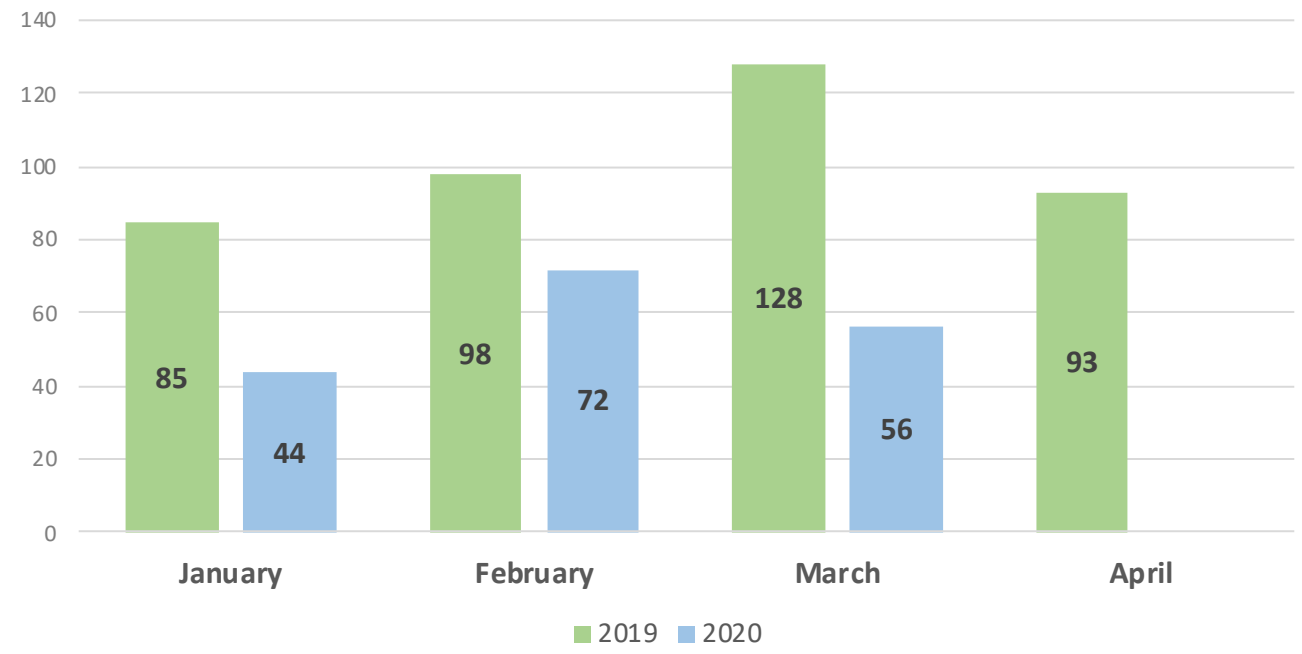
- According to Airbus the aircraft market will grow from today 22.680 aircrafts to 47.680 aircraft in 2038 which is a growth of approx. 110%.
- Assuming approx. 60% of the current aircraft fleet will be replaced the market for new deliveries is 39.210 aircraft.
- The new demand for wide-body aircrafts is between 10% - 24% assuming that new narrow-body aircrafts with extended range could serve destinations within a range up to 4.700nm.

*Source: Airbus GMF 2019 - 2038

Aircraft deliveries in 2020 are already behind schedule with further drop in March

New Aircraft Deliveries

New Deliveries (Airbus & Boeing 2019 / 2020)



Comments

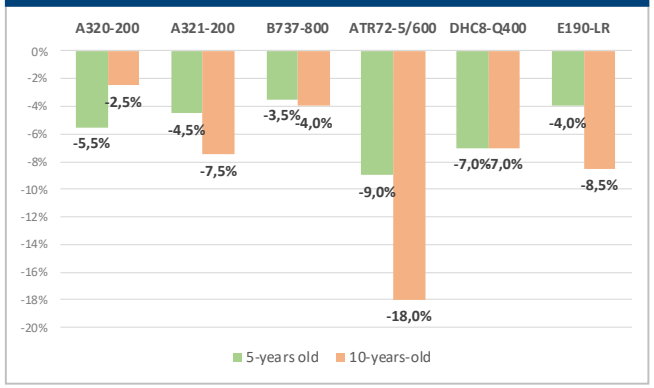
- January / February 2020 were behind the 2019 equivalent YoY mainly due to continued MAX grounding.
- February numbers are further compounded by the impact of corona.
- China took delivery of eight aircraft in January but none in February.
- March deliveries illustrate the impact on OEMs in terms of production problems and customer deferrals.
- For April further production cuts are already announced, Airbus plans to introduce short-time work.

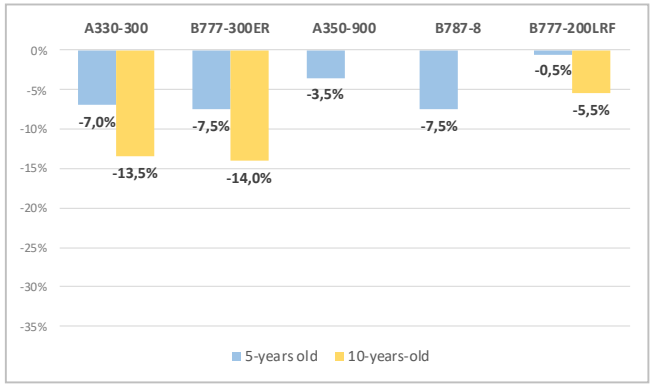
*Source: Airbus / Boeing Press Information

Even though we are still at the beginning of the crisis aircraft values and lease rates have already dropped significantly since January

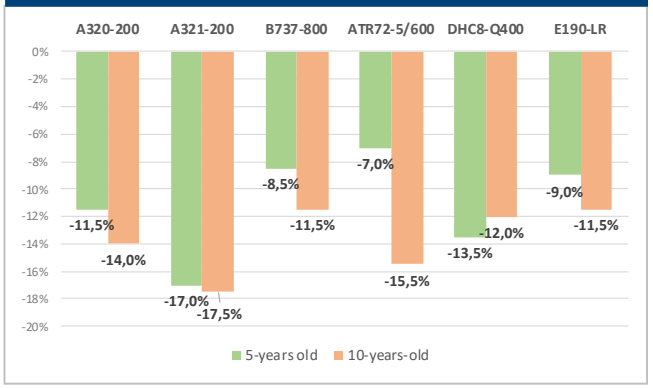
Aircraft Lease Market Changes JAN – APR 2020

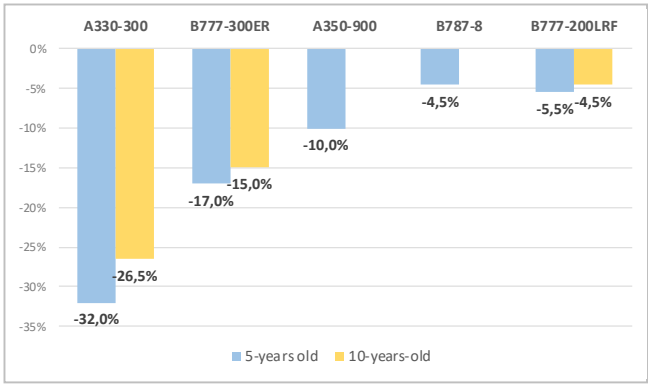
Market Value Changes (Jan – Apr 20)





Lease Rate Changes (Jan – Apr 20)





Comments

- Drop in NB market values below 10% for most a/c families, except ATR72.
- Leases rates have dropped up to 20% in the same aircraft categories.
- In the WB segment market values and leases rates have dropped sharply for older a/c families (e.g. A330-300 / B777-300ER) compared to the new a/c types with better fuel and cost performance.
- It is expected that the values / rates will drop further when the crisis will continue.

*Source: 360AF Market Data

On the long term the global aircraft demand will most probably get back on the projected growth part

High-Level Risks and likelihood of impact

	Short Term (< 6 month)	**Mid Term** (< 18 month)	**Long Term** (> 18 month)
Global Aircraft Demand The general aircraft demand will be negatively impacted	HIGH ▪ In short term the global aircraft demand will be significantly reduced ▪ Operators will park / decommission many aircrafts	MEDIUM ▪ The aircraft market will slowly recover ▪ Recovering demand could be easily covered by available (parked) aircrafts	LOW ▪ Despite the actual impact of the corona crisis the macro trend will stay and air-travel will continue to grow
New Aircraft Demand The demand for new aircrafts (deliveries) will be reduced	MEDIUM ▪ New aircrafts (already in fleet or to-be delivered (will be less impacted ▪ Still demand will be impacted by the overall travel demand	LOW ▪ New aircrafts (already in fleet or to-be delivered (will be less impacted	LOW ▪ Demand for new aircraft should be back on pre-crisis especially for new aircraft types
Wide-body Aircraft Demand Change in demand for high-density wide-body aircraft	HIGH ▪ Long-haul travel will be limited for the upcoming month because of travel restrictions ▪ Less wide-body aircraft required	HIGH ▪ Even when travel restrictions will be lifted demand for high-density long haul travel reduced ▪ Less wide-body required	MEDIUM ▪ Even when travel restrictions will be lifted demand for high-density long haul travel reduced ▪ Less wide-body required
Aircraft Cost Economics Low fuel price could compensate new a/c cost benefits	MEDIUM ▪ As the overall economy will be negatively impacted fuel prices will stay under pressure ▪ New aircraft cost efficiency might not be as strong	MEDIUM ▪ As the overall economy will be negatively impacted fuel prices will stay under pressure ▪ New aircraft cost efficiency might not be as strong	LOW ▪ GDP growth will be back at least within the coming 18 month. ▪ Fuel prices should be in a range that aircraft efficiency is beneficial

The current corona crisis will change the need / attractiveness of selected aircraft types

Aircraft Type Categories

Aircraft Type Categories – What's In / What's Out ?

1 Aircraft types that are the "Crisis Winner"

- Aircrafts still in pro-duction (Single isle and the best new twin-isle)
- Freighter (also pax with hold capacity)
- A220, A320/A321neo
- A350
- B737NG, B737MAX (if so …)

2 Aircraft types that are temporary "Out of Favour"

- Aircrafts types that are out of service but there is a likelihood for recovery
- A320/A321ceo (depending on age)
- B777-300ER
- Certain B787s, A330s

3 Aircraft types that might stay "Out of Favour"

- Diminution in value likely
- Will "three strikes and out" rule still apply
- B757, B767, B737 classic
- A340
- B777-200ER

4 Aircraft types that reaching a "Dead End"

- A380
- A319
- Dash8-Q400
- Embraer E1
- CRJs

The crisis will as well have a negative impact on the USM market; future opportunities are depended on specific aircraft types

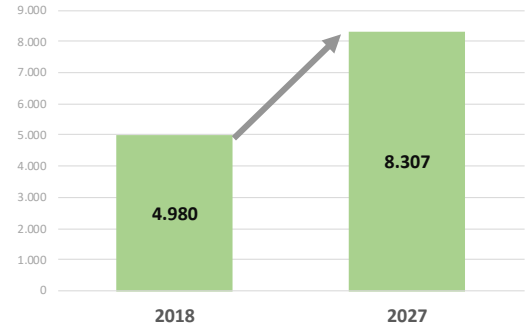
USM Parts Market Review

USM Market before the crisis

Growth Drivers:

- Huge aircraft fleet flying in 2nd life cycle (Maturation phase, 10 -25 years in service)
- Drives huge MRO activity and therefore drives the need for cost optimization by the operator
- Growing pains of new generation aircraft and engines keep current generation flying

USM Market Forecast:



CAGR +5,9%

Current Observations and impact

- USM providers have mainly stopped buying parts because of high number of grounded aircrafts and unclear market development
- Significant price pressure on existing USM parts / pools
- OEMs pushing parts / components for lower prices to the market
- Operators could utilize their ground aircraft fleet as a potential stock for required parts

→ **With the negative short- / mid-term impact on the aircraft market the USM market outlook is expected to stay volatile with a high pressure on prices for selected aircraft types**

Key Conclusions / Aviation Asset Investment – Impact on Equity

- Significant downturn in new aircraft deliveries in 2020.
- Approximately 1.000 new aircraft can't be placed into service by major lessors.
- More than 14.000 commercial aircraft are ground currently; 5.000 are put into storage programs.
- More than 80% of airlines are seeking for rent holidays.
- SLB transactions take place in limited number but are being carefully examined on a case-by-case basis.
- The actual chance to enter in attractive SLB's with "excellent" credits wasn't better during the last years because top airlines offer attractive parts of their aircraft portfolio.

About 360 AF GmbH

360 AF GmbH is an aviation asset management company based in Frankfurt and Berlin. We are offering a wide range of services building the bridge between commercial asset management and technical asset management. Our services include:

- Commercial, Technical and Legal Due Diligence of aviation transactions
- Implementation of ongoing management reporting for investors, banks and/or customers
- Risk management regarding financial, operational and technical reliability of operator
- Negotiation of lease amendments or restructurings (e.g. lease term optimization, MX optimization, change of operator, area of registration or subleasing)
- Monitoring of work scope & maintenance duties of aircraft operator
- Evaluation of technical data and specs as well as insurance status
- Inspections of aircraft on a regular basis as well as on-site inspections at the operator's premises
- Check of aircraft records and certificates to ensure a complete documentation
- Recommendation of service bulletins/mods to increase the residual value (e.g. corrosion prevention, fuel savings etc.) / maintenance reserve forecasting to optimize asset value
- and cashflow
- Valuation of aircraft, engines and spare parts
- Hand over to the next operator at the end of lease term

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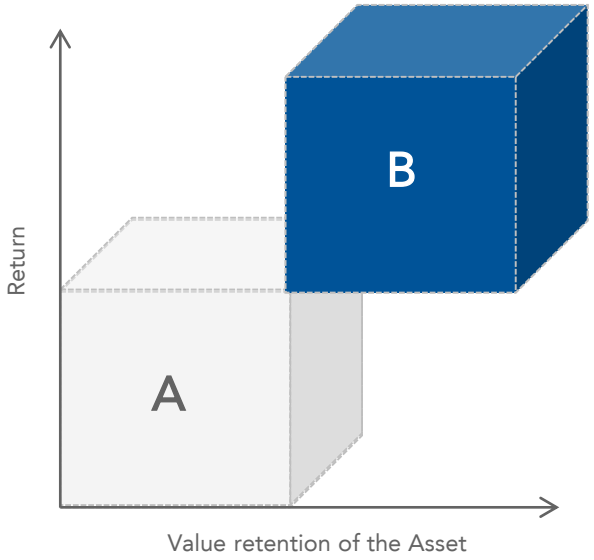
Aviation Debt / Pre-Crisis Investment Strategies

Trade-off between Credit and Collateral

Strategy A

- Focus on a strong, profitable airline
- Return and risk drivers:
- Established airlines with good credit rating
- Investment in regional jets, as well as narrow- and relatively illiquid wide-body aircraft of older vintage and freighter aircraft



Strategy B

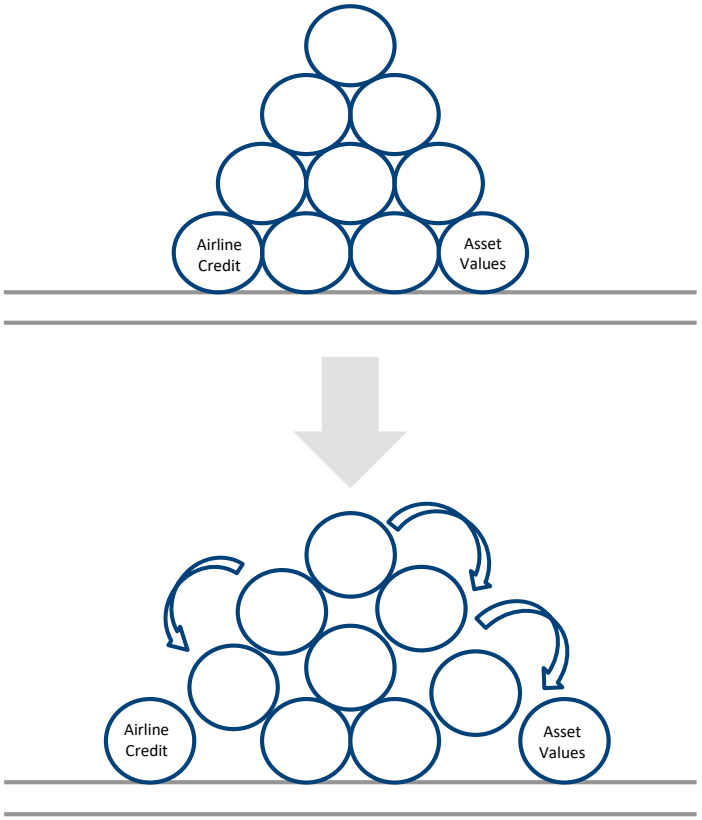
- Focus on the quality of the collateral
- Return and risk drivers:
- New, regional and weaker airlines
- Investment in common narrow body aircraft of the current generation
- Maintenance reserves, security deposits and/or End of Lease Compensation (EOL)

Comments

- The key risk drivers of individual loans are the probability of default of the lessee and the airlines and the expected loss conditional on the lessee defaulting
- A consistent credit risk strategy is either based on A) the strength of the airline or B) the quality of the collateral

Aviation Debt / Short Term Impact of Covid-19

Instability due to significantly decreased Demand

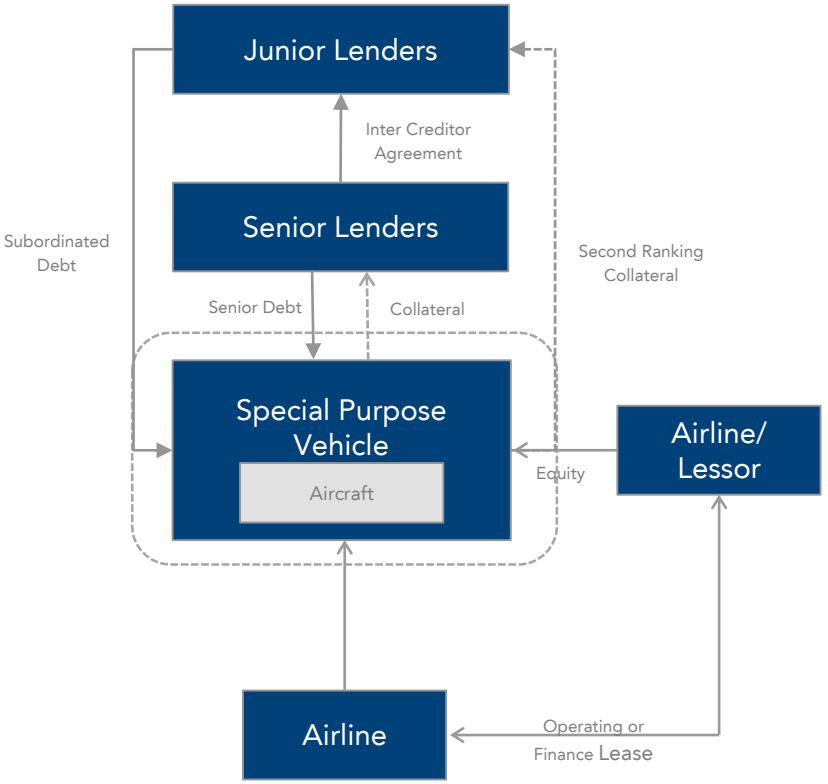


Comments

- Tier 2 or Tier 3 Airlines are vulnerable due to potentially lower liquidity.
- Government bailouts are more likely to reach larger national or flag carriers.
- Bailouts will likely have strings attached, i.e. payment deferrals for leases and debt service.
- The demand for aircraft is significantly reduced in the short term and thus prices of the collateral decrease in the short term as well.
- The debt position is less protected or even under-collateralized.
- The liquidity of airlines and leasing companies is central to decisions made on the debt level.
- The median liquidity of 2 to 3 months will likely trigger the first defaults in May this could lead to increased supply of aircraft.

Aviation Debt / Risk Distribution across the Deal Structure

Risk Distribution across the Deal Structure



Comments

- The airline will feel the first impact, as fleets are grounded and no revenue is earned. On the other hand the airline has to reimburse Passengers, who paid their tickets in advance for flights, that are now cancelled.
- In order maximize the liquidity, airlines will look to leasing companies (for Operating Leases) to forebear all or part of the lease rent for a certain period
- As leasing companies need a large portion of the lease rent to service the debt on the aircraft, they in turn also need to manage their liquidity. They have the option to cure the debt payments out of their pocket or to ask for debt service deferral.
- The lenders have to consider the airlines position, the lessor's position as well as the collateral to decide on any deferral request.

Aviation Debt / Considerations from a Lenders perspective

Deny, Defer or Default

Airline

- Liquidity: How much liquidity does the airline have, for how many months will it last and are there any sources of liquidity?
- Ownership of the Airline: Is the Airline government owned or has a strong parent company?
- Local Status: is the airline strategically important for the region, e.g. a flag carrier?
- Jurisdiction: Are there government support packages offered. What are the strings attached to these support packages for debt holders and equity providers?
- Route network: When will the airline be able to return to operating flights?
- Financing structure: are there any guarantees in place for the debt?

Collateral

- Current Liquidity: Can the aircraft be sold covering the debt nominal.
- Long term Liquidity: Will the aircraft be part of the global fleet after the crisis.
- Position within the current fleet: Will the airline need the aircraft going forward.
- Physical condition: Is the aircraft properly parked/ stored, are all records up to date?
- Location: Where is the aircraft currently located?
- Remarketing costs: How much needs to be invested to sell the aircraft?
- Lease: is the lease still performing or likely to continue to perform after the crisis?

Lessor

- Financing structure: is there recourse to the leasing companies or guarantees e.g. for Maintenance reserves?
- Liquidity: does the leasing company have enough liquidity to cure lease payments or to post additional collateral?
- Management: How does the leasing company manage its portfolio and how does it negotiate with the airlines?
- Commitment: is there any commitment provided by the shareholders to continue operations?
- Portfolio: how much is the leasing company affected by lease

Aviation Debt / Current Aviation Debt Opportunities

"Flight" to safety

Indicative Deal Terms	
LTV	**LTV's on most deals have significantly decreased to below 70%**
Balloon	Balloons have been reduced to 20% or even full amortization
Maturity	Maturities are typically now between 3 to 5 years
Margin	Margins have increased to levels between 200 and 300 for Tier 1 airlines
Prepayment Protection	Prepayment protection has been weakened or is left out completely

Current Market Environment

- The deal activity has increased after an initially halt in the middle of March.
- Deals can be categorized in three categories:
- Unsecured funding (often government backed)
- Lessor bridge financing
- Sale and Lease Backs or Finance Leases for major airlines with good credit
- Deal terms have significantly improved compared to pre-crisis levels.
- The secondary market has not reacted yet, very few distressed sellers.

Medium Term Strategy

- Going forward the focus needs to be on the airline credit as well as on the collateral.
- There has to be a sufficient probability, that the airline will manage to emerge from the crisis.
- The collateral either needs to be revalued at current levels – which is theoretical – or has to withstand short term price shocks. This will likely be true for young, new generation narrow- and widebodies, as well as for some regional jets

Aviation Equity / Current Aviation Equity Opportunities

"Flight" to safety

Current Market Environment

- Covid 19 seems to be what investors fear the most: an exogenous shock that involves the asset class aviation equity in its entirety.
- Investors will remain cautious until there is certain evidence in which way the airline industry is passing this test.
- Already engaged investors need to get the current investment evaluated before entering into new commitments.
- Interesting opportunities are given in the market for investors with an opportunistic approach. Chances are mainly used by investors with direct access to equity or debt capital markets so that time consuming investment approval processes or financing negotiations can be avoided.

Opportunistic approach for aviation equity

- Focus on funding a transaction with 100% equity while having two different approaches:
- SLB of old aircraft with good credits and taking it to end of life without balloon, which allows a satisfactory return without any asset risk at the back end of the transaction
- SLB of new or young - for example A320neo aircraft - with a medium to long term for interesting market adjusted purchase prices while keeping upside potential at the term end by selling such a matured aircraft in a recovered market environment

Way going forward

- Both approaches are workable with good airline credits, which will be much more open to it given the liquidity needs in and after the crisis
- Good elements to get it embedded into an adjusted fleet strategy of an airline for either getting aircraft phased out with proper financing support or having long term support while getting new/newer equipment properly financed

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