ASCEND Aviation Insight

AEROSPACE
INFORMATION
REDEFINED

AIC-Aircraft and Engine Finance and Leasing Conference-October 2008

What Deals are Being Done?

Les Weal-Head of Valuations

The Financial Institutions are more than just a sector, they are the backbone of the world's economy.

Have we got a slip disc or a fractured spine?

THE LEAD UP TO THIS CRISIS…

- February 2006: Dollar begins to weaken
- March 2006: Anaemic freight growth
- October 2006: Run up in oil price begins
- Early 2007: Increasing fuel surcharges absorbed by consumers
- Summer/Fall 2007: Credit Crunch Round 1- (Capital markets shut up shop)
- December 2007: Airline failures begin in earnest
- May 2008: Capacity cut announcements begin as oil tops $130
- ***June 2008:Ascend alludes to problems ahead!***
- July 2008: $150 barrel oil peak shock
- August 2008: Strengthening dollar, sliding commodities, slowing demand
- September 2008: Credit Crunch Round 2
- October 2008 : Banking Market Collapses-Government Intervention-Recession looms in all major economies

A GRIM BUSINESS ENVIRONMENT?

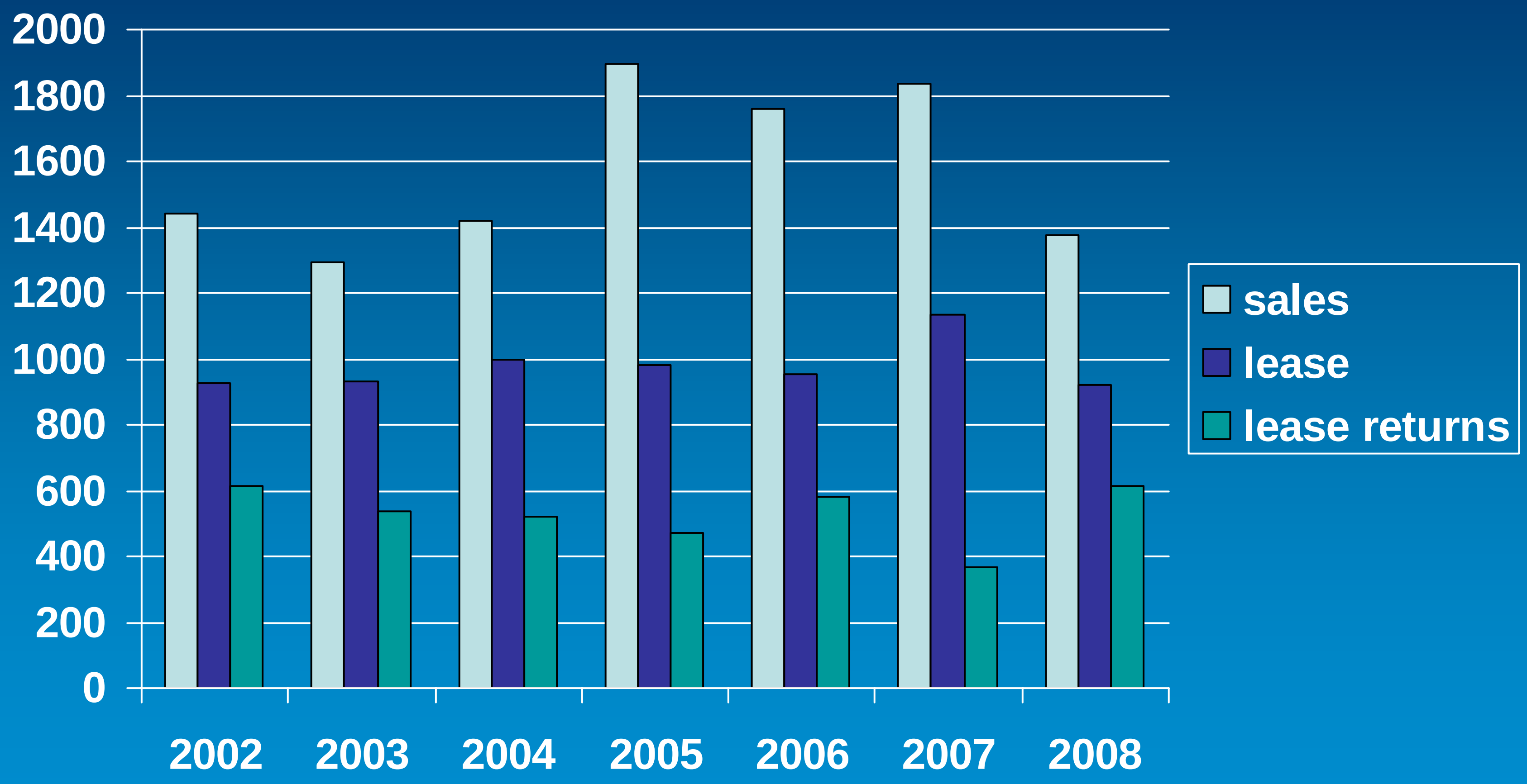
"We are about to enter phase two of the crisis when demand will start to Collapse"

Tony Tyler, Cathay Pacific CEO

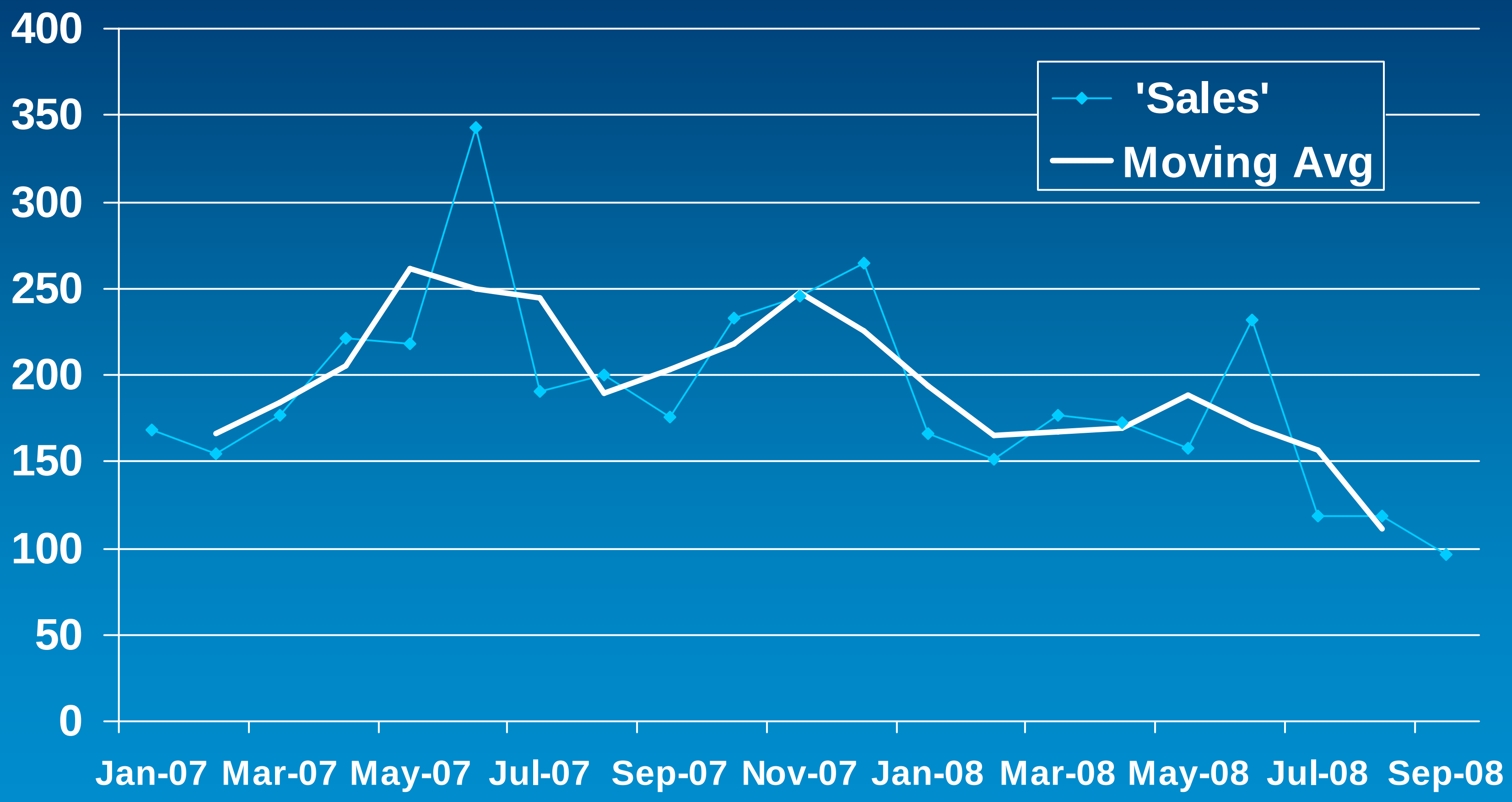
"Its going to get worse before it gets bad"

Jose Abramovici – Calyon

COMMERCIAL AIRCRAFT TRANSACTIONS: JAN-SEPT



DEALS DECLINING SINCE JANUARY 2007



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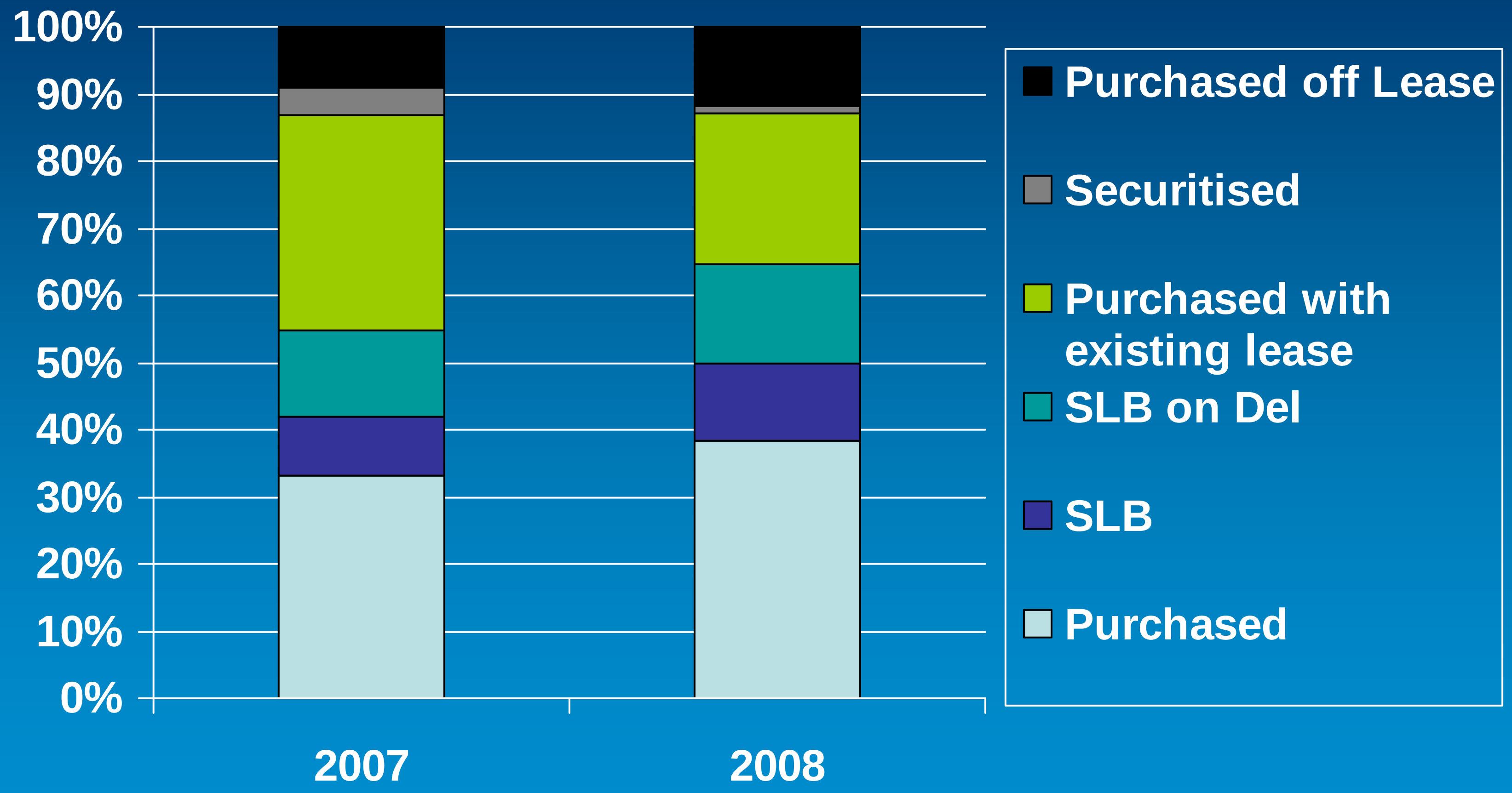
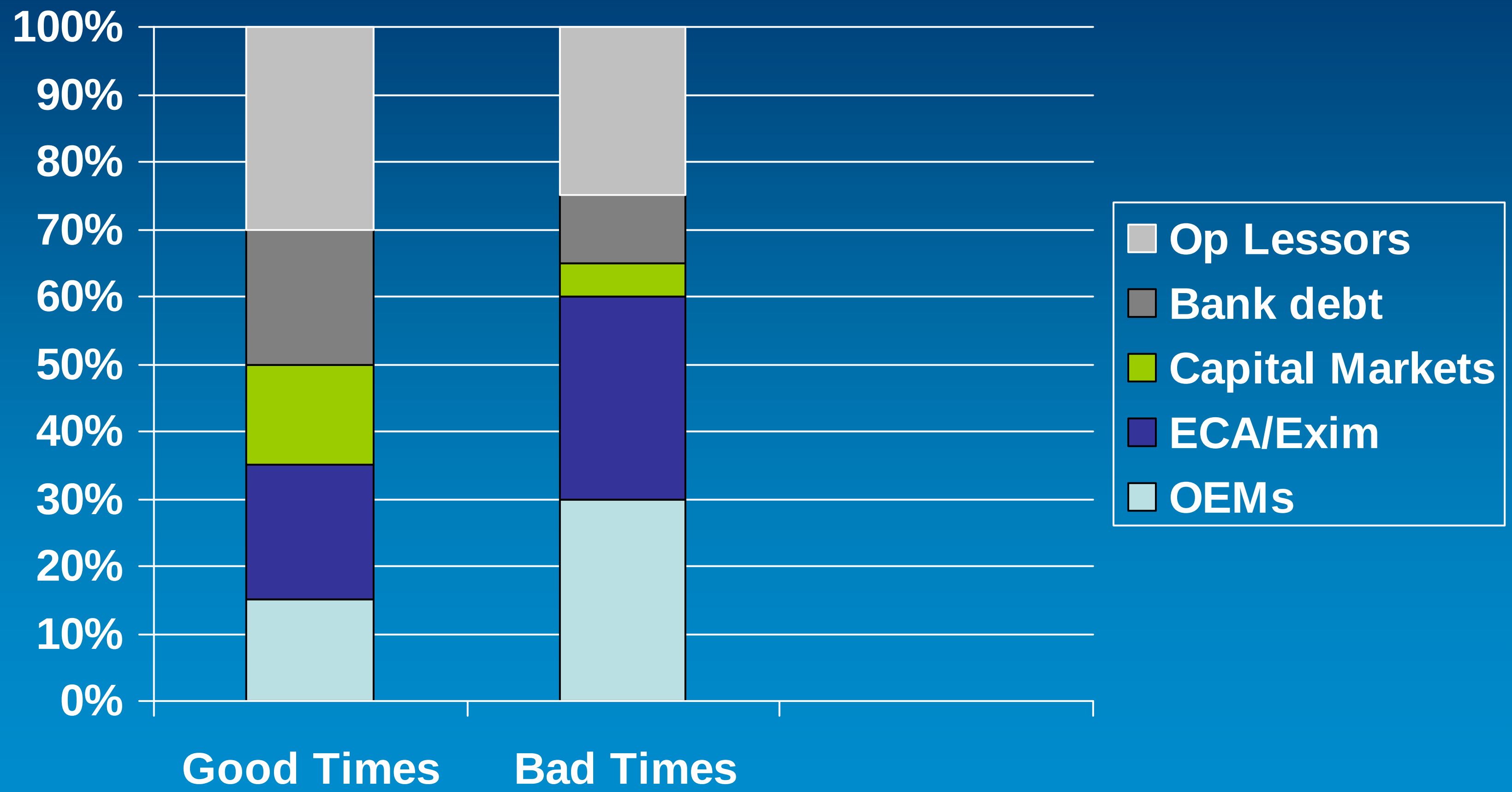
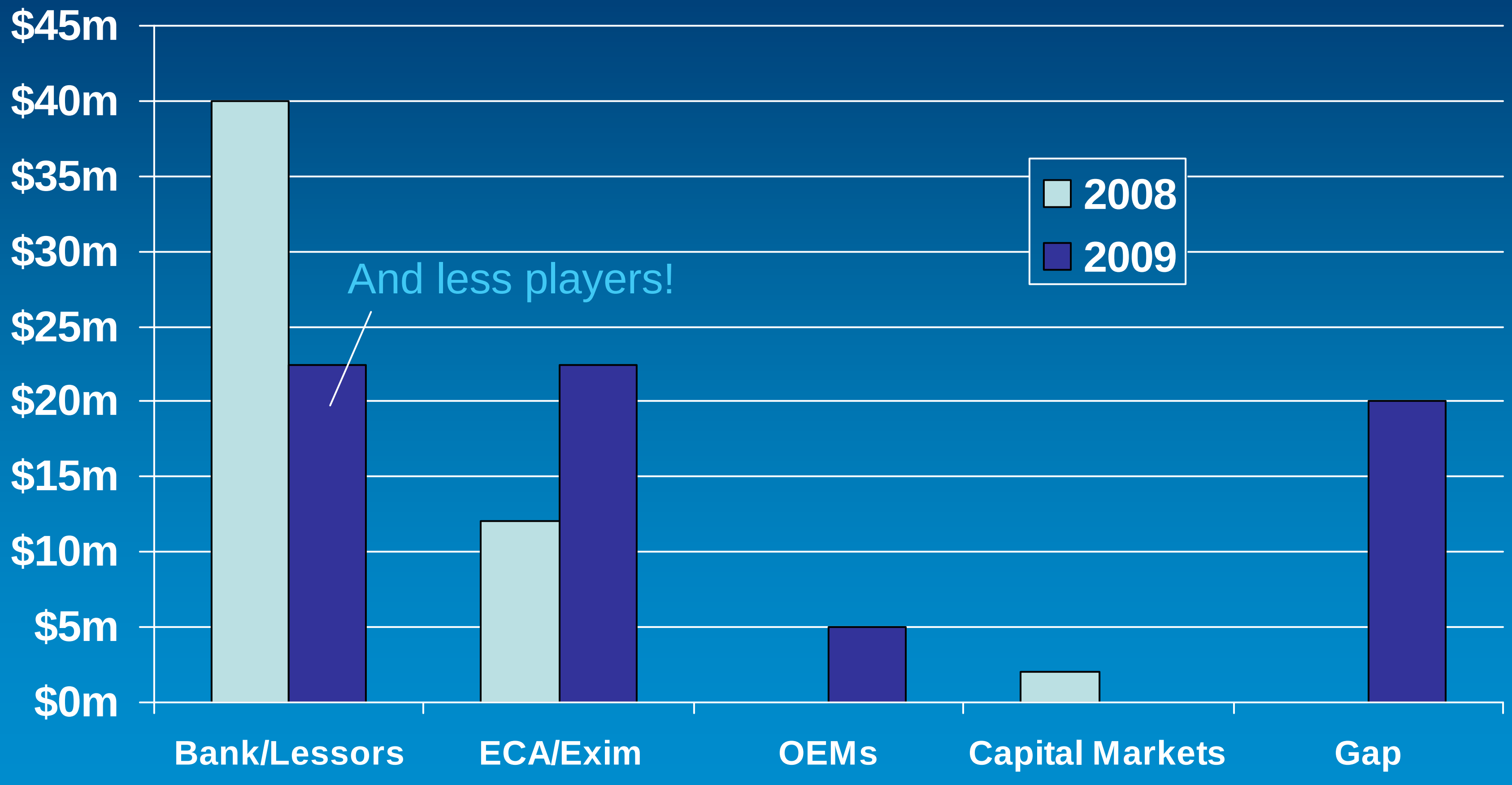
BREAKDOWN OF COMMERCIAL AIRCRAFT SALES



SOURCES OF FINANCE



THE MISSING BILLIONS WHO WILL PROVIDE THEM?



CUTTING CAPACITY

Announced Fleet Cuts to End 2009 incl. airline failures to date

	WB	NB	RJ	TP	TBD	Total
Fleet Cut	111	543	233	86	56	1,029
% of Global	0.5%	2.4%	1.0%	0.4%	0.3%	<5%
% of Category	3%	5%	7%	2%		
Seats Cut	24,131	68,062	11,030	3,560	7,460	114,243 (4.1%)

Regional	N.Am	Europe	Asia/P	Lat.Am	Afr/ME	Total
Fleet Cut	776	155	89	9	0	1,029
% of Region	9.3%	2.6%	1.9%	0.6%	0	<5%
Seats Cut	9.7%	2.5%	2.1%	1.4%	0	4.1%

OBSERVATIONS:

Over 50% are narrowbodies – but look at the RJs!

Its not just a US issue….but the Middle East follows another path…

Can also cut capacity another way – reduce utilisation

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MARKET TO BASE VALUE RELATIONSHIPS 1998 YOBS

THEIR SHOUD BE INVESTMENT OPPORTUNITIES?

- Distressed sellers
- Airlines boosting liquidity
- Sale leaseback opportunities
- Good Assets at knockdown prices?

- Will the lack of finance will stymie the industry in 2009?

THANK YOU

QUESTIONS?