

ASCEND BUSINESS BRIEFING

Dealing in a market under pressure

Thursday 10 July 2008

Welcome

Gehan Talwatte, Managing Director

Presentations from the Ascend team

- Gauging the market cycle
- Outlook for aircraft and engine values
- Managing risk in turbulent times
- Question and answer session

George Dimitroff, Senior Aviation Analyst

Sandeep Saujani, Head of Ascend USA

Anna Karin Bjorkland, Account Manager West Coast

Question and Answer session

START- UP BUSINESS ADVISORY SERVICES

Japan

Confidential

‘Large conglomerate expanding into the aircraft and engine leasing market’

ASCEND

Middle East



Maximus Air Cargo

‘Delivering launch strategy for new-start-up cargo airline’

ASCEND

China

CDB Leasing

‘Delivery of business and operations plan to become top-tier lessor’

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START- UP AIRLINES

Maldives



Island Aviation Services Limited

‘Sourcing and acquiring aircraft advisory services’

ASCEND

DUE DILIGENCE

Middle East

Confidential

‘Due diligence for the sale of a Middle Eastern carrier’

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COMPLIANCE


UK

Confidential

‘Financial, actuarial and CFA capability to verify a leading bank’s lease model and ensuring Basel II compliance.’

ASCEND

NEW ASCEND ONLINE V1



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Show Context

- [-] Aircraft Values
 - Portfolios
 - Data Matrices
 - Specific A/C Valuation
 - Generic A/C Valuation
- [-] Engine Values
 - Engine Portfolio
 - Generic Engine Valuation
- [-] Publications
 - Market Commenta
 - Business Jet Com
 - Liquidity Overviews
 - Jet Programmes
- [-] Individual Aircraft
 - Technical Specification
 - Quarterly Utilisation
- [-] Fleet
 - Order Backlog
 - Current Fleet
 - Historical Fleet
 - Freight Conversions

Search Type:
Search Name:

Manufacturer	Boeing	*	<input type="checkbox"/>	1000 US Gallon Tank	<input type="checkbox"/>	Dual HF
Aircraft Type	737 (CFM)	*	<input type="checkbox"/>	3rd VHF Com	<input type="checkbox"/>	ETOPS - Full
Aircraft Variant	400 series	*	<input type="checkbox"/>	500 US Gallon Tank	<input type="checkbox"/>	Forward Airstair
Year of Build	1996	*	<input type="checkbox"/>	Cat 3A	<input type="checkbox"/>	No TCAS
Engine Type	CFM56		<input type="checkbox"/>	Dual FMC	<input type="checkbox"/>	Non-EFIS
Engine Variant	3B1					One 3B2 engine
MTOW (lb)	250,258					

Go

Improved look and feel

V1 unified with Ascend Online Fleets data (CASE)

Hide Search Export XL PDF

	Airbus Industrie
	A320
	100
Engine Manufacturer	CFM International
Engine Type	CFM56-5A1
Year Of Build	1987
MTOW	149914 lb
Sticker Price (1987)	n/a
Specification details	Non-EFIS

Current Values (in US\$ millions)


ASCEND ONLINE V1- Specific Aircraft Valuations

Values	Values Charts	Current	Technical Data	Event History	Utilisation	Export XL	PDF
Aircraft Details							
Manufacturer	Boeing						
Type	737 (CFMI)						
Variant	300 Series						
Minor Variant	3TD						
Engine Manufacturer	CFM International						
Engine Type	CFM56						
Engine Variant	3B1						
MTOW	135000 lb						
Year of Build	1986						
Sticker Price (1996)	42.00 (US\$ Millions)						
Current Values (in US\$ millions)							
	Half Life Value		Full Life Value				
Base Value	\$7.14m		\$8.57m				
Market Value	\$6.64m		\$7.97m				
Base Monthly Lease Rate	\$0.094m						
Market Monthly Lease Rate	\$0.125m						
Forecast Values (in US\$ millions)							
Sustained Inflation Rate Assumption: 2.5 % p.a.							
Year	Half Life Base Value		Half Life Soft Market Value		Full Life Base Value		Monthly Base Lease
	Uninflated	Inflated	Uninflated	Inflated	Uninflated	Inflated	Nominal
2007	\$6.50m	\$6.67m	\$6.03m	\$6.19m	\$7.24m	\$7.43m	\$0.090m
2008	\$5.90m	\$6.21m	\$5.07m	\$5.34m	\$6.08m	\$6.41m	\$0.086m
2009	\$5.34m	\$5.77m	\$4.26m	\$4.60m	\$5.11m	\$5.52m	\$0.082m

Link through from values to fleet data, event history and utilisation

Full life values as well as half life values

ASCEND ONLINE V1- Portfolio Valuations



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 - Market Commentaries
 - Business Jet Commentaries
 - Liquidity Overviews
 - Jet Programmes

Search Type: ▼ Search Name: ▼ Go


Portfolio List		Current Values			Current Market		Current Base		Current Market
	Serial No.	Regn	YoB	Seats	Half Life	Half Life	Full Life	Full Life	Monthly Lease
🔗	34689	D-ATUH	2006	189	45.42	45.02	54.02	64.83	4.50
🔗	30593	D-AHFR	2000	189	35.6	31.95	38.34	46.01	3.20
🔗	34685	D-ATUD	2006	189	45.42	45.02	54.02	64.83	4.50
🔗	34684	D-ATUC	2006	189	45.42	45.02	54.02	64.83	4.50
🔗	34686	D-ATUE	2006	189	45.42	45.02	54.02	64.83	4.50
🔗	34687	D-ATUF	2006	189	45.42	45.02	54.02	64.83	4.50
🔗	34688	D-ATUG	2006	189	45.42	45.02	54.02	64.83	4.50
🔗	30417	D-AH FY	2001	189	36.6	33.2			3.32
🔗	30413	D-AHET	2000	189	35.67	32.02			3.20
🔗				189	35.67	32.02			3.20
🔗	30			189	35.67	32.02			3.20

Full life values as well as half life values

Indications of movement up/ down

Link through to specific valuations

ASCEND ONLINE V1- Data Matrices



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Search Type:
Search Name:
Data Matrices

Aircraft Manuf	Boeing	*	Engine Manuf	CFM Inter.
Aircraft Type	737 (CFM)	*	Engine Type	CFM56
Aircraft Variant	400 series	*	Weight	101654
Value Type	Base Value	*	Production Status	Out of production
Future or Past	Past	*	Go	

Detail
Chart
Export XL
PDF

Year of Value	Quarter	YoB 1998	YoB 1999	YoB 2000	YoB 2001	YoB 2005
1992						
1993						
1994						
1995				Base Rate		
1996				OR		
1997				Market Rate		
1998				OR		
1999				Lease Rate		
2000				OR		
2001				Full Life Value		
2002						

Automated
instant access to
data matrices/
historical values

1 BALANCING ACT
Delivering sustainability's bottom line

2 BALANCE SHEET
Profitably negotiating the aviation cycle

3 UNCERTAIN SCIENCE
Handling the unexpected

4 CHANGING FORTUNES
Evolving markets, innovating business models

5 SIZE MATTERS
The next generation of aircraft take flight

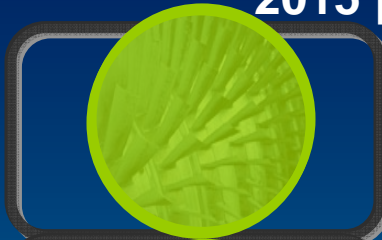
2008 |

2010 |

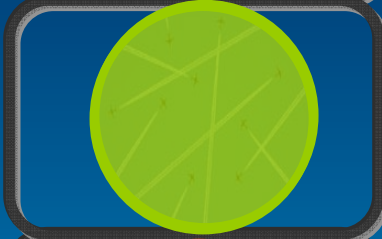
2015 |

2020

BALANCING ACT



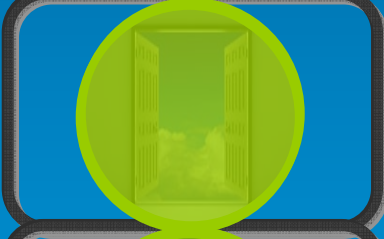
BALANCE SHEET



UNCERTAIN SCIENCE



CHANGING FORTUNES



SIZE MATTERS



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George Dimitroff, Senior Aviation Analyst

Question and Answer session

GAUGING THE MARKET CYCLE

MOVEMENTS AND CHANGES

GAUGING THE MARKET CYCLE

- Overview and discussion
- How are airlines affected?
- What action are they taking?
- The US scene
- Europe, Asia, Rest of the world
- Is Business/Corporate Aviation affected?

A CHANGING BUSINESS ENVIRONMENT

Soaring oil prices

- Crude at \$145 a barrel
- Jet A1 at \$4.30 per gallon
- Up by 200-220% on last year

Falling demand

- US Q1 2008 Load Factors down 3% on previous year
- Resilience intra-EU but weakening long haul traffic
- Asia traffic slowing down
- Summer loads high due to advance bookings
- What happens from October onwards?

HOW ARE AIRLINES BEING AFFECTED?

US carriers first and worst bitten

- Unhedged
- Ageing fleet
- High debt levels

Fuel price is impacting long haul travel, few have noticed

- Premium traffic falling – BA
- Fuel is “killing” longest sectors (12h plus)
- Europeans hedged – but for how long?

Cargo industry severely hit

- High fuel cost
- Weakened demand; goods sent by ship

HOW ARE AIRLINES RESPONDING?

Most US major carriers cutting at least 10% capacity

- Over 500 aircraft retirements announced YTD, mostly from the US

European carriers are parking aircraft, cutting routes

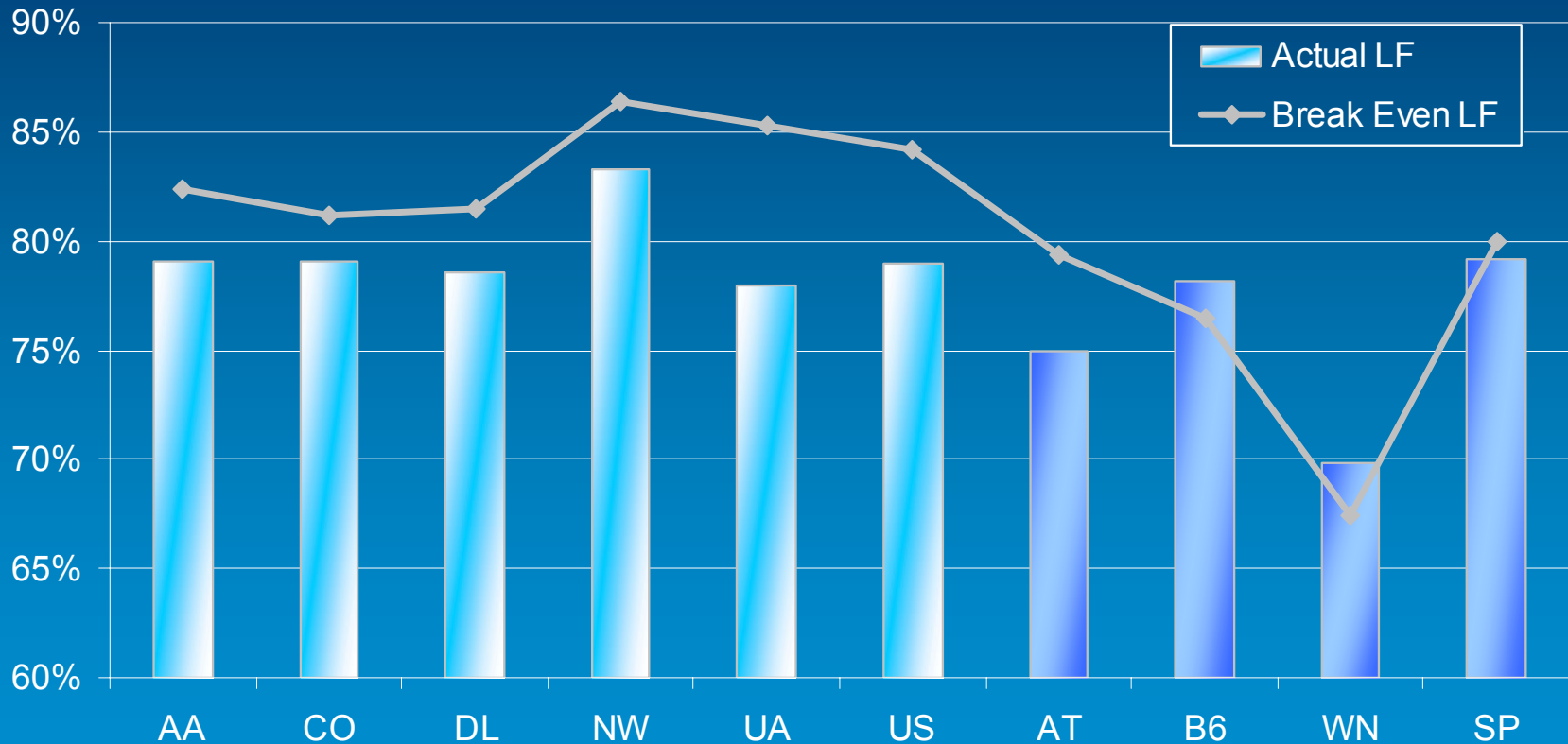
- BA – Ryanair – Germanwings – Airberlin – Finnair - Others

No region is immune

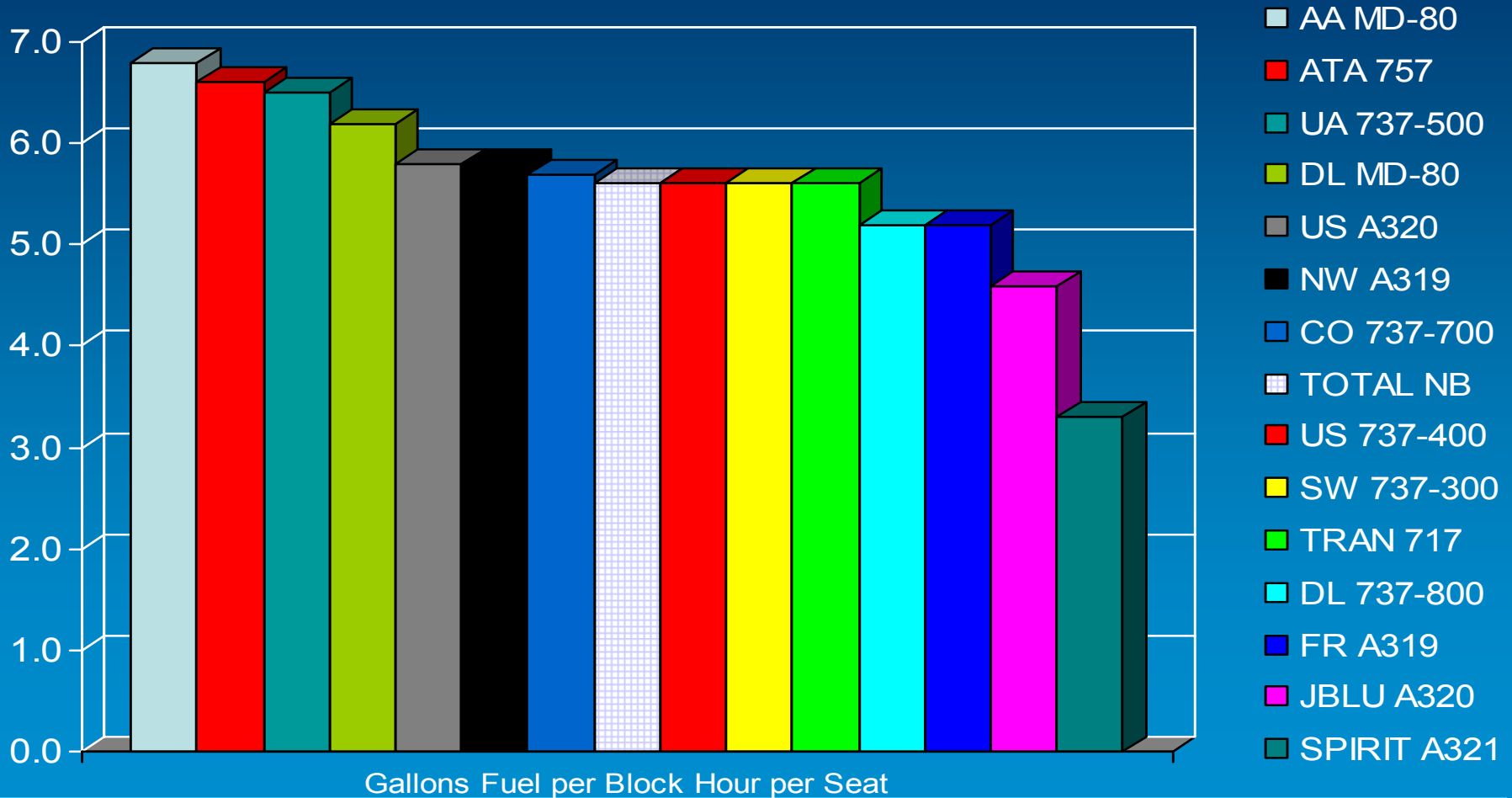
- China Southern cutting capacity on 20 international routes
- Emirates postponed launch of new routes and cancelled an existing one

US SCENE – Q1 2008

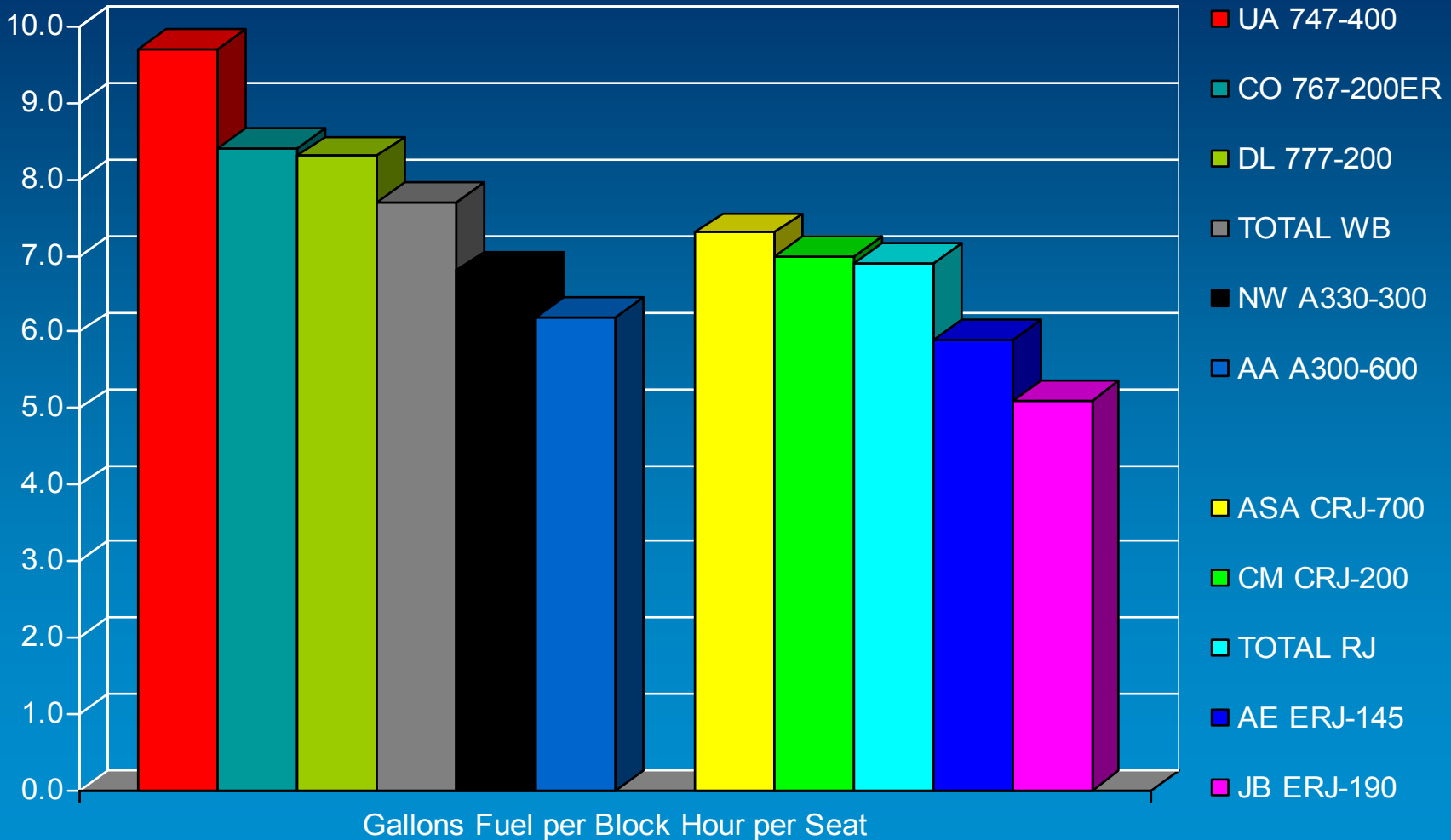
Break Even against Actual Load Factor Q1 2008



FUEL BURN – HIGH FUEL COST DEMONSTRATES THE BENEFITS OF YOUNG, EFFICIENT AIRCRAFT



WIDEBODY AND REGIONAL JET FUEL BURN



BUSINESS AVIATION IS ALSO AFFECTED

US orders are saturated

- International sales propping up manufacturer revenues
- Rule of thumb: when GDP growth > 3% demand soars
- Q1 2008 had 41% growth in order backlog

Utilization of business jets in the US is falling

- Example: Teterboro
 - From 450 movements a day down to around 350
 - From 2.5 down to 1.8 million gallons Jet A1 uplift

Helicopters

- Values strengthening even further – benefit from oil price
- Growing demand from oil industry for offshore support

OUTLOOK FOR AIRCRAFT AND ENGINE VALUES

WHATS COMING NEXT?

VALUES OUTLOOK

- Current Market vs. Base Value differentials
- Aircraft types first affected
- Aircraft types potentially at risk
- Narrowbody, Widebody, RJ and Turboprop performance
- Value Trends
- Engine Values

MARKET : BASE – Narrowbodies

2nd QUARTER 2008

<u>NB TYPE / VINTAGE</u>	<u>MARKET : BASE VALUE</u>
Airbus A319-100 (2002)	+ 8%
Airbus A320-200 (2002)	+11%
Boeing 737-700 (2002)	+15%
Boeing 737-800 (2002)	+11%
<hr/>	
Boeing 737-300 (1992)	+ 6%
Boeing 737-300F (1992)	+23%
Boeing 757-200SF (1997)	+22%
MDC MD-82 (1997)	+10%

MARKET : BASE - Widebodies

2nd QUARTER 2008

WB TYPE / VINTAGE

MARKET : BASE VALUE

Airbus A330-200	(2002)	+14%
Boeing 767-300ER	(1997)	+12%
Boeing 777-200ER	(2002)	+12%
Boeing 747-400	(1997)	+20%

Airbus A300-600F	(2002)	+21%
Boeing 747-400F	(1997)	+21%
MDC MD-11F	(1997)	+23%

MARKET : BASE - Regional

2nd QUARTER 2008

TYPE / VINTAGE

MARKET : BASE VALUE

CRJ200ER	(2002)	- 15%
CRJ900	(2002)	+ 4%
ERJ145	(2002)	+ 1%
E170LR	(2002)	+ 2%

ATR72-500	(2002)	+13%
Dash 8-Q400	(2002)	+16%

THE USUAL SUSPECTS

First hit: older, inefficient equipment

- 737 Classics
- 747-200 Freighters
- 50 seat regional jets

Potentially at risk in near term

- 747-400 passenger version
- 757s (especially low weight, non ETOPS)
- 767-200ER
- Older A320s (1988-1994) CFM56-5A1 or V2500-A1 powered

WHAT ABOUT THE REST?

Narrowbodies

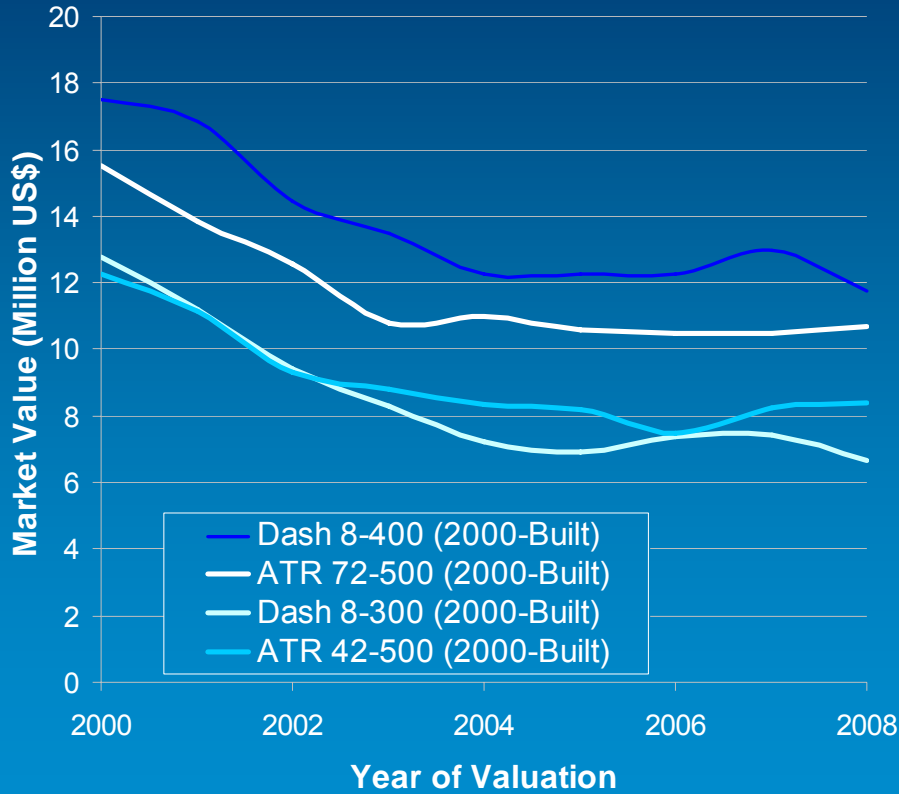
- A320 Family and 737NG holding out although signs show reducing MV premiums over BV

Widebodies

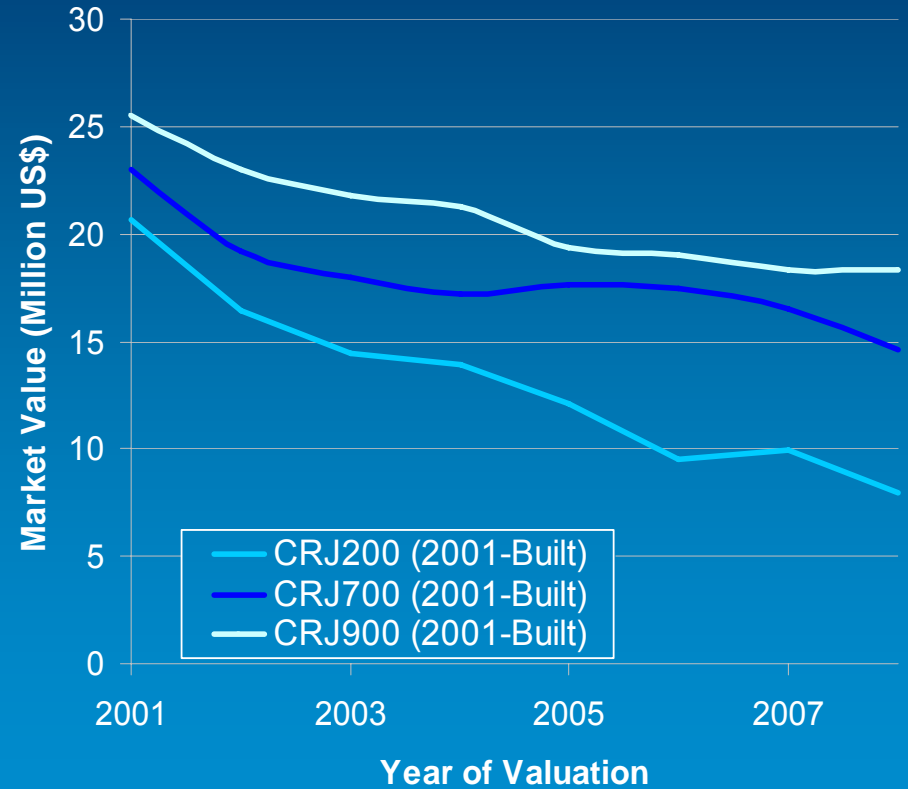
- 767-300ER 'saved' by 787 delays
- But will 'interim lift' still be needed as much if traffic falls and fuel remains at \$140?
- A330s and 777-300ER expected to ride out the storm well
- 777-200ER still in demand but can MV remain \$10m above BV?

REGIONAL AIRCRAFT – TRENDS

Turboprops

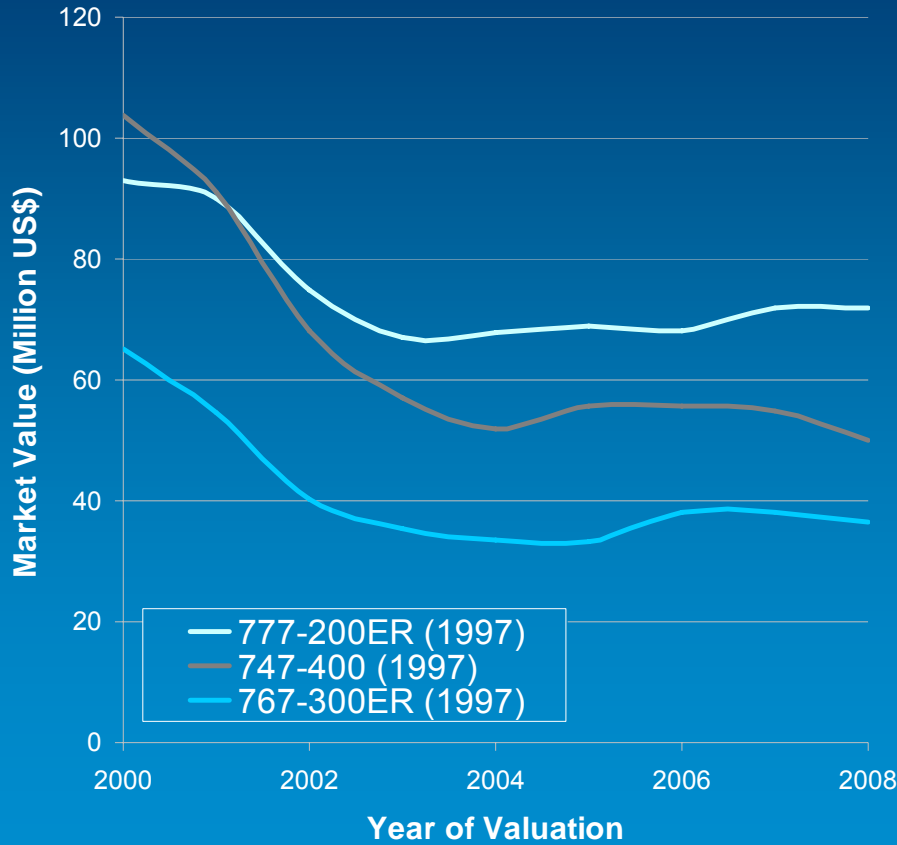


CRJ Family Market Values

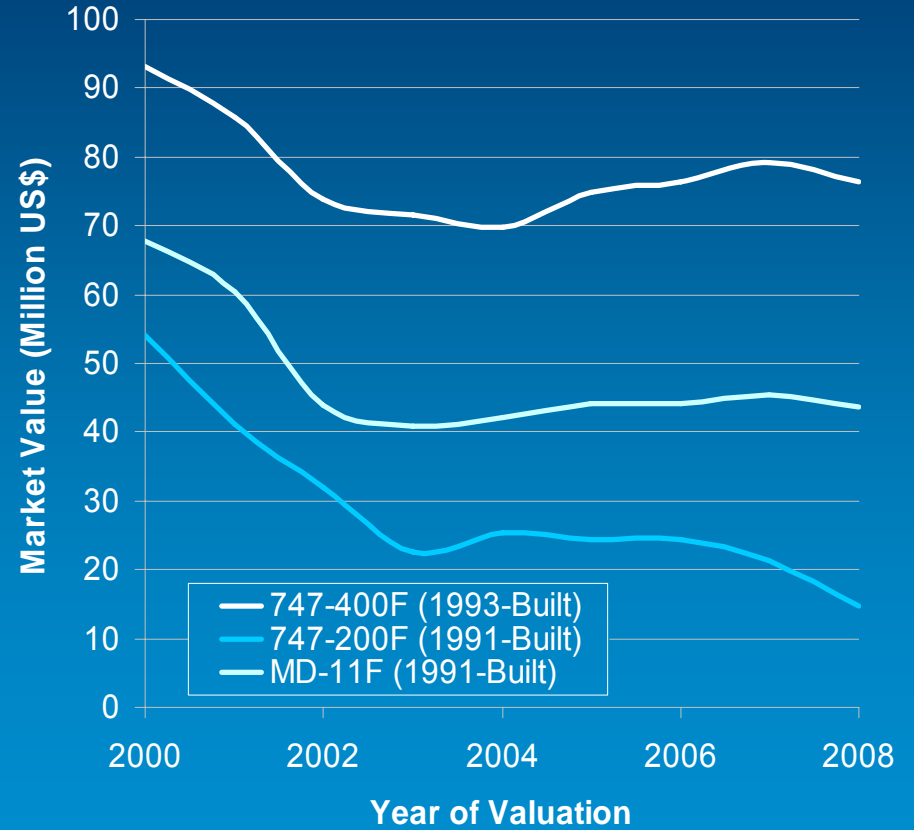


WIDEBODY AIRCRAFT - TRENDS

Boeing Widebody Market Values



Widebody Freighter Market Values



SPARE ENGINE VALUES

A lot more stable than aircraft

- Values go up as list price increases
- Value is in the maintenance – reserves are key
- There is still a spare engine shortage globally
- LLP pricing increases by around 5% p.a.



MANAGING RISK IN TURBULENT TIMES

AVOIDING THE TRAPS

Is it any different this time?...

**“We learn from History that
people don’t learn from
History”**

Warren Buffet

MANAGING RISK

Stick to the new stuff

- A320 Family, 737 NG
- A330, 777-300ER, A380
- 747-8 and 777-200LRF
- Embraer 190/195 and C-Series (?)
- ATR 72 and Q400

Pay the right price

- The market is changing
- Values could soften across the board
- Market Value premiums above Base will decrease
- Applies to the above types too!

MANAGING RISK

Know who you're dealing with

- Airline creditworthiness is critical
- Region of the world is important
- Type of carrier is important (low cost, flag carrier etc)
- Maintenance reserves: protect value

There could be bargains...

- 737 classics have good aftermarket in other regions (e.g. Russia)
- If acquired cheaply older builds make great part-out prospects
- A319 / 320 or 737-800 acquired from possible distress sales

Good Asset management...

**“...The aircraft is returned to its owner / manager,
ready for the next Operator”**



Poor Asset Management...

“...So where did you say we can collect our aircraft from?”



QUESTIONS AND ANSWERS TO THE ASCEND TEAM
