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# AVIATION FINANCE AND LEASING

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**T**he aviation industry is rapidly evolving. Increasing demand for air travel globally combined with historically low fuel prices make this currently one of the most exciting sectors to be in. New players with different business plans are entering the market – manufacturers, low cost carriers, finance houses, operating lessors. This is a time of change and growth. With over \$150 bn worth of new jet aircraft delivered every year, the opportunities are great - but so are the risks.

# THE OPPORTUNITY TO INVEST

**Aviation financing offers potential investors absolute returns backed by hard assets...**

The next few years will be crucial for aviation financing as new aircraft deliveries peak at a time when many of the traditional commercial banks remain under pressure.

New investors are already entering this space as aviation finance is an asset class which can offer attractive returns which are secured against an underlying asset.

The general consensus amongst the experts we interviewed was that the industry needs to do more to ensure that potential investors understand it better.

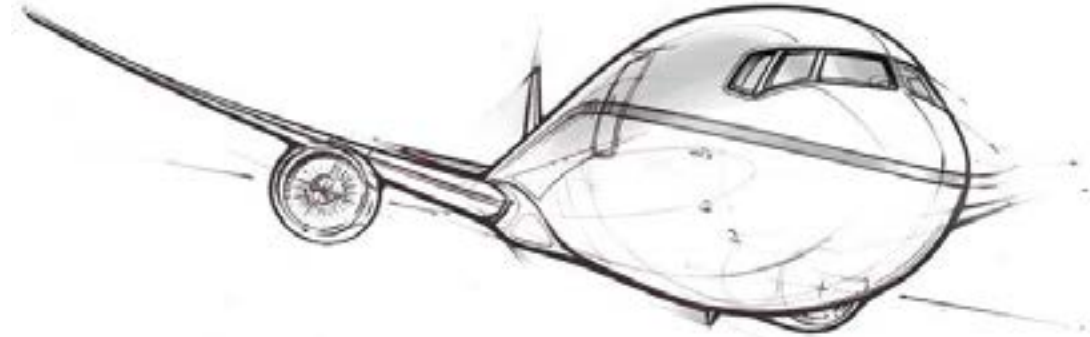
All key players such as airlines, banks, leasing companies will have to work harder to attract new investors to the sector and create innovative products which can broaden the investor pool.

**Industry view: 'We expect Japanese banks to be active in this market' Garry Burke, Global Head Structured Finance, -Standard Chartered Bank**

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**Aviation financing sector exhibits the sort of characteristics that would attract institutional investors such as sovereign wealth funds, insurance companies, pension funds and certain private equity funds**



**Air travel has Grown over 5% per annum for over 30 years  
As a result of sustain growth, world air travel doubling every 15 years and will double again in next 20 years**

## Why invest in aviation financing?

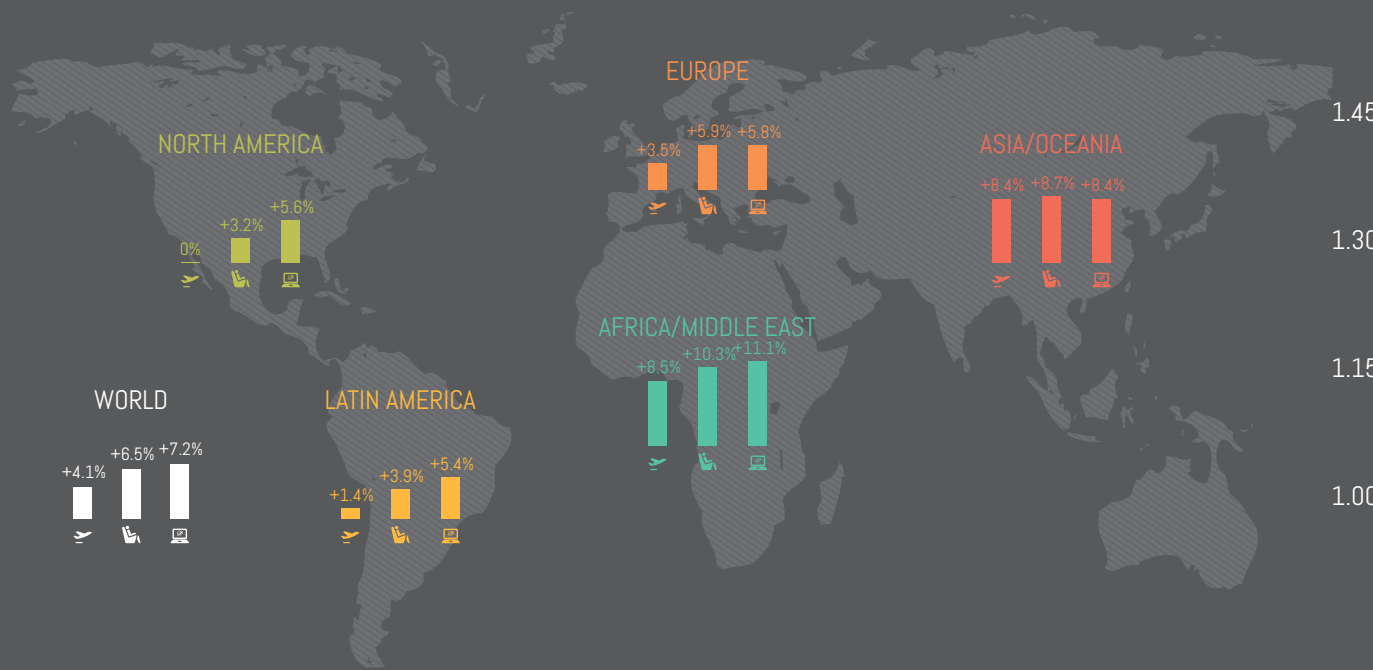
- ✓ Deploys large amounts of capital efficiently.
- ✓ Relatively predictable returns although residual values, especially for older aircraft, can be volatile.
- ✓ Aircraft – the underlying asset – is truly global in its recognition and usage. Investment typically secured by a 'hard asset', supported by International regulations such as the Cape Town Treaty.
- ✓ Highly mobile asset – helps with reclaiming and redeploying the asset in case of a default.

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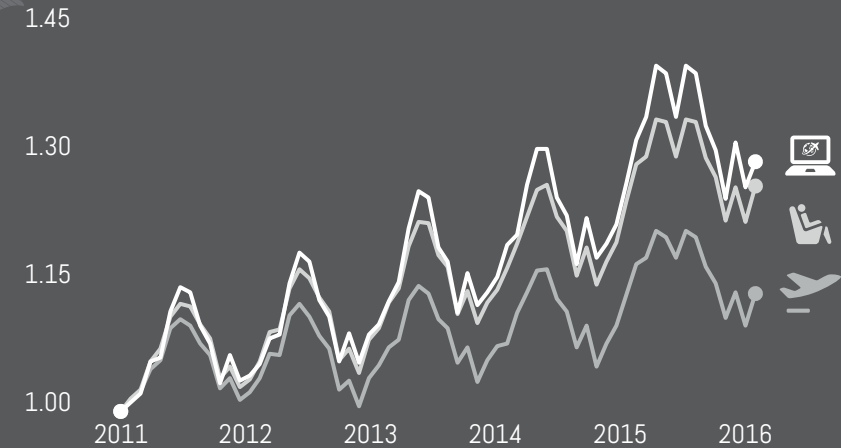
# AVIATION GROWTH PATTERNS AROUND THE WORLD

AIRLINES AROUND THE WORLD are growing, and they are doing so primarily by adding more seats and flying longer routes. Our latest research shows that year-over-year world growth in seats (6.5 percent) and available seat-miles (ASMs, 7.2 percent) is outpacing the increase in departures (4.1 percent). Each region presents a slightly different growth picture, however. In Asia, for example, now the largest aviation market in the world, departures, seats, and ASMs are all growing by more than 8 percent year-over-year, faster than world averages. Africa/Middle East, although a

small market overall, is seeing strong growth as well – into the double-digits for seats and seat-miles. Latin America and North America are demonstrating similar growth patterns at present: minimal to no growth in departures, a small upturn in seats, and steady growth in ASMs, which may be indicative of the impact of newer regional routes (see “Aviation’s Technology Nudge” in this issue). Europe, while a mature market, is nevertheless seeing interesting growth in capacity and miles.

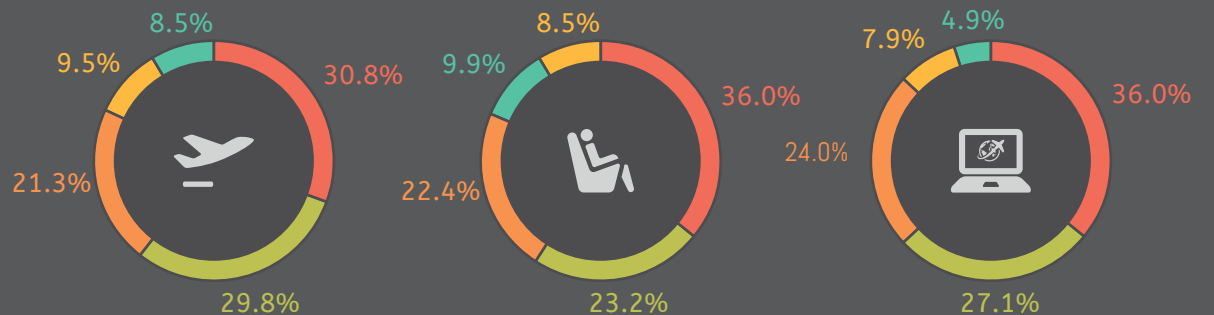


WORLD CAPACITY INDEX  
JANUARY 2011-FEBRUARY 2016



Departures Seats Available seat-miles

RELATIVE AVIATION MARKET SIZE BY WORLD REGION  
FEBRUARY 2016



Source PlaneStats.com by Oliver Wyman



# WORLD CLASS AVIATION FINANCE AND LEASING EXCELLENCE 2016

## 3 Day Master Class



16th to 18th November 2016



Kuala Lumpur, Malaysia

### OVERVIEW

The aviation industry is rapidly evolving. Increasing demand for air travel globally combined with historically low fuel prices make this currently one of the most exciting sectors to be in. New players with different business plans are entering the market – manufacturers, low cost carriers, finance houses, operating lessors. This is a time of change and growth. With over \$150 bn worth of new jet aircraft delivered every year, the opportunities are great - but so are the risks.

In this course, organised in association with course director Kenneth Gray, aims to provide an understanding of the key issues involved in aviation finance in order to identify and minimise the inherent risks and liabilities. Using case studies and workshops, the course will address the key issues in aviation finance and how to navigate the way around them.

### LEARNING OBJECTIVES

- ✓ The structures common in aircraft finance and why deals are put together the way they are
- ✓ Identifying risk elements and mitigating them
- ✓ The real commercial concerns of the parties to leasing and finance transactions and how they can be addressed
- ✓ What has gone wrong in the past and how to prevent it happening again

### COURSE LEADER



Kenneth Gray is a Consultant in the banking and finance department of Norton Rose Fulbright LLP and has over 30 years' experience of advising on banking and security law globally.

He joined Norton Rose Fulbright LLP in 1986, founded its Paris office in 1990 and became a Partner in 1993. He has been a Consultant to the practice since 2006. During his career, Kenneth has focused primarily on aircraft and other asset finance. His clients have included many leading banks and other financial institutions, airlines, leasing companies and export credit agencies.

### Quest Masterclass

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