

Ishka Aviation India – Leasing 101 Academy: Aircraft as an Asset Class

**Mukund Santhanam
Airborne Capital Ltd**






New Delhi - June 2024

Airborne at a Glance

Airborne Capital Overview

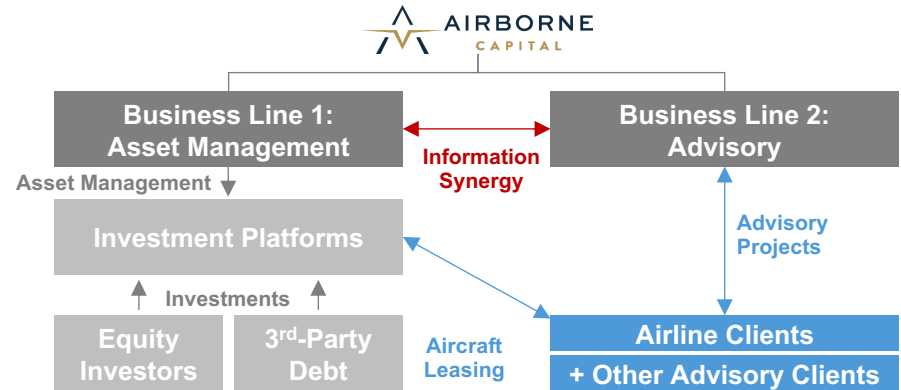
- Airborne is a **specialist aviation asset manager and advisory expert**
- Founded in 2017, Airborne is a **fast-growing aviation asset manager servicing a global set of investors**, including credit / hedge funds
- Airborne is a majority management-owned company, and has built a reputation to be a **trusted asset manager with aligned interests**
- Airborne has a **highly experienced and well-connected team** with a 15+ year track record of managing 3rd-party capital in aviation
- **Developed a highly profitable advisory business line** that complements the company's asset management activities

Representative Transactions

<p>Asset Management 2019</p>  <p>TAILWIND 2019-1 Servicer for \$600m rated public bond issuance for Elliott's 17 aircraft</p>	<p>Asset Management 2021</p>  <p>Ellington / CoVenture Sourced \$150m of equity during COVID-19 to acquire 14 aircraft</p>	<p>Asset Management 2021 (ongoing)</p>  <p>MAST 2022-1 Sourced \$150m of equity during COVID-19 to acquire 15 aircraft</p>
<p>Asset Management 2022</p>  <p>Mercuria / Airborne JV Formed a Japanese equity fund to acquire 4-5 aircraft (first close)</p>	<p>Advisory 2021</p>  <p>Avianca Renegotiated Airbus purchase agreements for Avianca's Chapter 11</p>	<p>Advisory 2021 (ongoing)</p> <p>Ongoing P2F Lead manager for a passenger to freighter project for APAC carrier</p>

- (1) Includes all on-book, managed, and mandated aircraft
 (2) By units of aircraft managed, Ishka's Aircraft Asset Managers Update
 (3) Average of 3 x appraisers (IBA, MBA, Avitas) HLBV appraisals

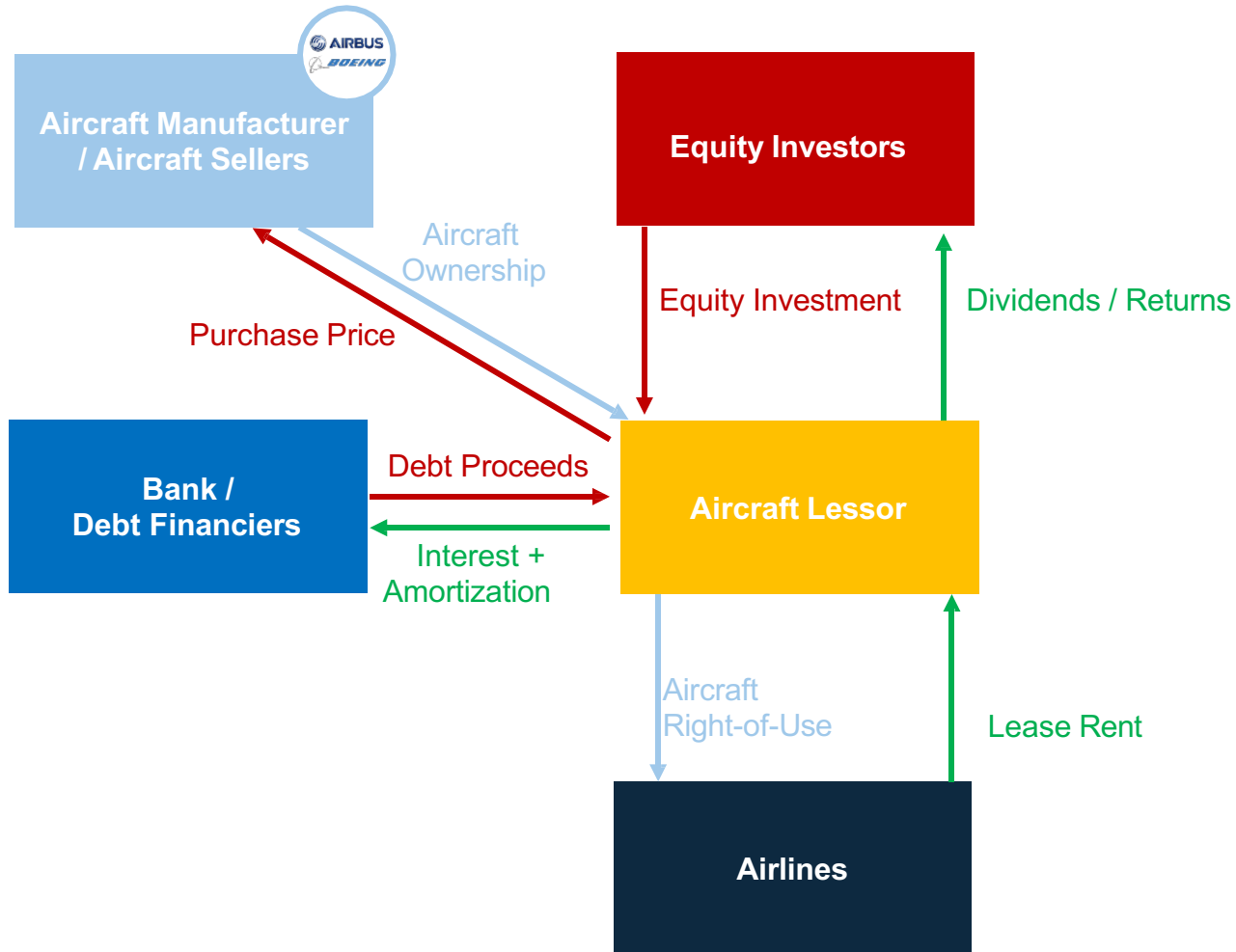
A Management-Owned Asset Manager and Advisor



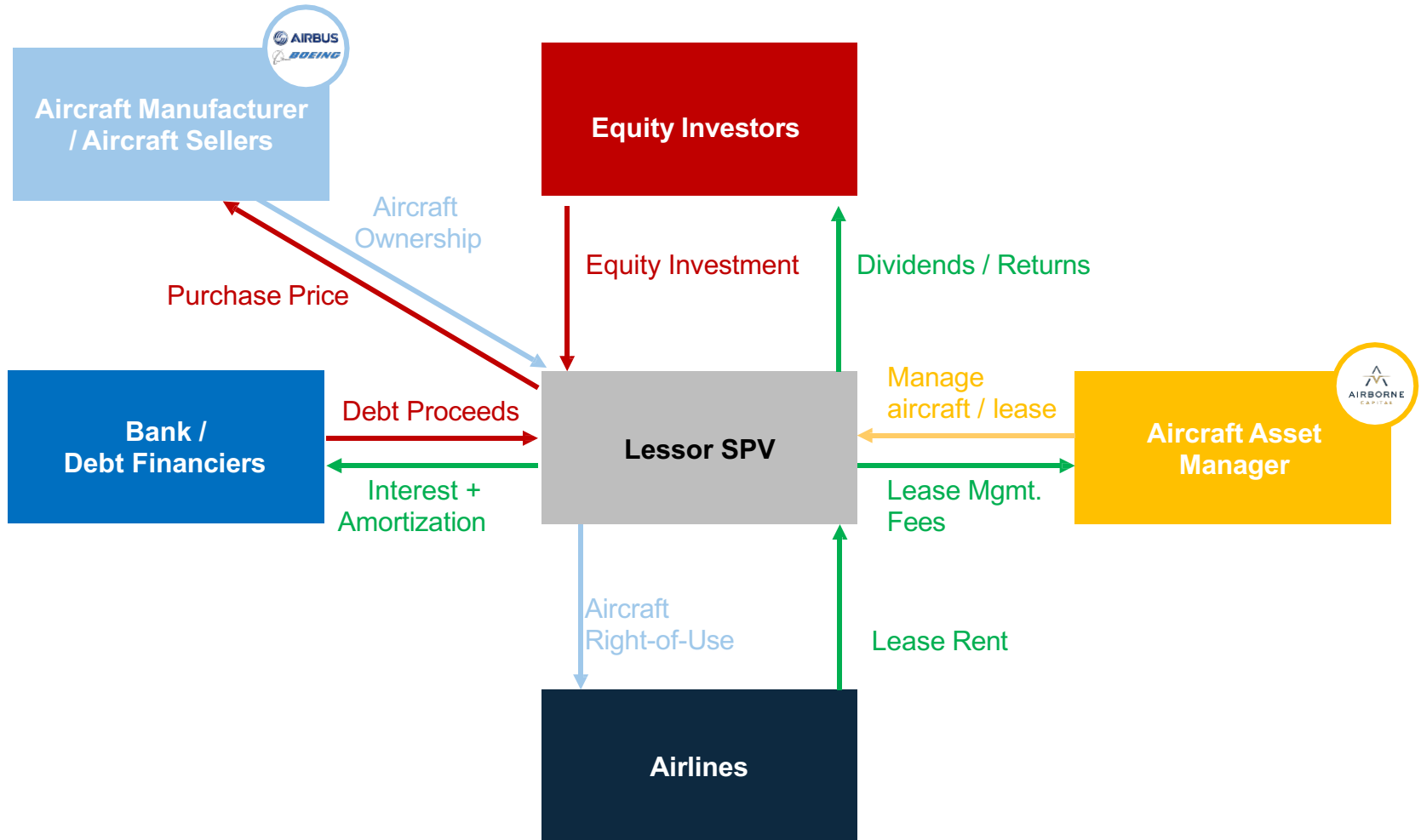
Key Milestones

<p>AUM of: 60 aircraft⁽¹⁾</p>	<ul style="list-style-type: none"> ▶ Ranks top 10-15 of aircraft asset managers⁽²⁾ ▶ Appraised value of \$2.2 billion⁽³⁾ ▶ Covers 24 lessees across 20 geographies
<p>Combined 500+ years of experience</p>	<ul style="list-style-type: none"> ▶ Global team of 29 staff represented in 6 locations ▶ Hails from all parts of the aviation value chain: OEM's, lessors / banks, and airlines
<p>Managing assets for: 20+ investors</p>	<ul style="list-style-type: none"> ▶ 6 equity investors contracted + servicing 14+ debt / institutional investors (deal rated by S&P / Kroll) ▶ Diversified both in geography (Japan, Korea, UK, US), and nature (hedge funds, banks)
<p>Generated: \$2.8bn of advisory savings</p>	<ul style="list-style-type: none"> ▶ 6 key mandates over 2020 to 2021 ▶ Savings across a broad spectrum of projects, including original orders, renegotiations, bankruptcy / restructurings, etc.

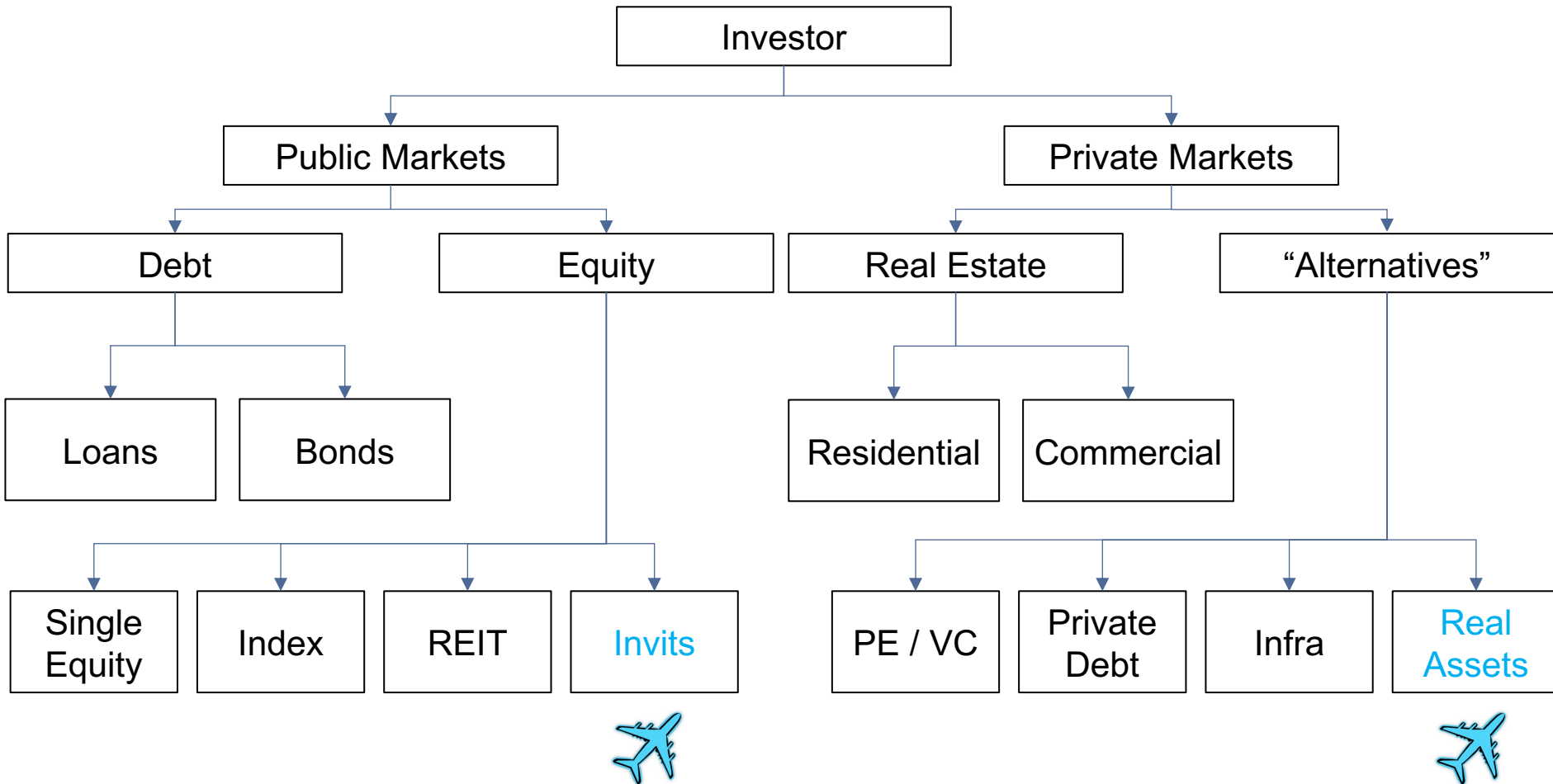
Typical Operating Lessor



Airborne: Aircraft Asset Manager



Aircraft as an Asset Class



Key Drivers of Aircraft Values

Macroeconomic

Economic Cycle

During economic growth: stronger business activities, higher consumer spending / confidence, will generate higher levels of air travel and demand for aircraft

Oil / Fuel Price

Lower levels of fuel prices will boost airline profitability, reduce travel costs (and increase travel demand), and increase demand for aircraft. Low cost fuel will also favor less efficient aircraft

Interest Rates

Lower levels of interest rates will reduce the cost of financing aircraft and increase demand for aircraft assets (especially when sources of capital moves into space for yield)

Inflation

Higher levels of inflation may drive up values of new aircraft (prices are pegged to inflation), which in turn will also increase value of existing aircraft

Aircraft Type

Production Cycle

Aircraft close to the end-of-production cycle will be impacted negatively due to understanding of no additional liquidity will be added

Number of Units

Higher numbers of units will increase the value of an aircraft due to increased tradability and more supportive technical ecosystem

Number of Operators

Higher number of operators will increase the value of an aircraft due to increased tradability

Tech. Options / Support

Increased number of technical options and general support for technical aspects (e.g. engine maintenance) will increase aircraft values

Supply / Manufacturing

Duopoly

It is within Airbus and Boeing's interest and capability to smooth supply to ensure no dramatic changes of aircraft values

Availability

Larger number of an aircraft that are coming off-lease within a certain period, or have 'spares' in-storage on the ground will lower aircraft values

Production Schedule

Higher levels of delivery (relative to size of existing fleet) may lead to over-supply and reduce aircraft values. Production delays may also lead to temporary scarcity

Regulatory

Regulatory requirements on aircraft (e.g. airworthiness directives) may impact popularity of certain aircraft types

Specific Aircraft

Age

Aircraft value decreases as an aircraft ages. Newer aircraft will also benefit from reduced variability in value

Engine / Configurations

Engines with higher weight (maximum take-off weights) and thrust have higher values. Specific configurations (winglets, space-flex, crew rests, ETOPS) also adds value

Maintenance Condition

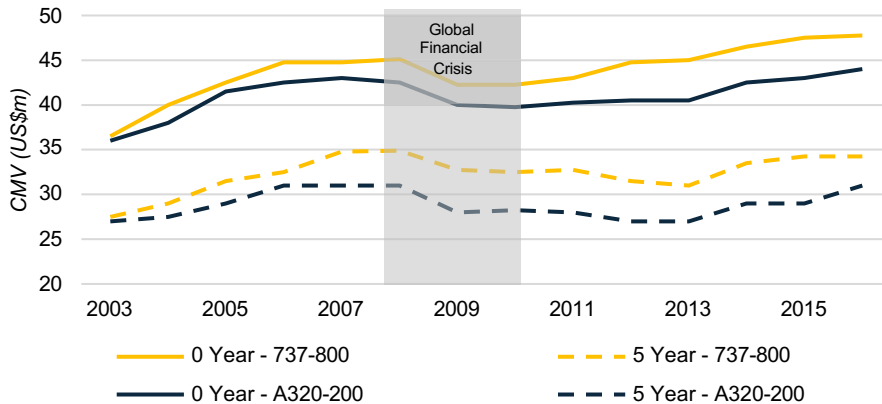
Maintenance condition (i.e. % life away from 100% Full Life) due to utilization and wear & tear will determine actual metal value of aircraft

Lease

For aircraft with leases attached, higher levels of lease rentals, availability of security (deposits, letter of credits, maintenance cash), correctly valued return conditions, good lessee credit will positively impact values

Aircraft: A Stable Investment Class

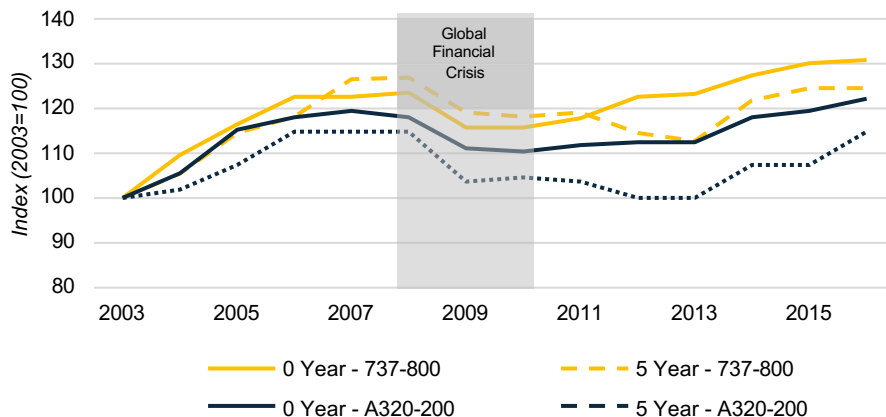
Aircraft values stability (absolute \$ value)



Sources: IBA

- Per IBA data, while aircraft values oscillate over the economic cycle, the volatility is normally a +/- 15% from median:
 - Given long-term supply (production schedules and technological advancement) and demand (airline and lessor orders) are known in advance, long-term value trends are generally predictable through the cycle
 - Considering the duopolistic nature of supply (Airbus and Boeing), it is in the interest and within the capability of the manufacturers to avoid large swings in values

Aircraft values stability (relative to appraised base values)



Sources: IBA

- Market values tend to fluctuate within the range of +/- 15.0% from the median across a cycle

Aircraft: A Stable Investment Class (cont.)

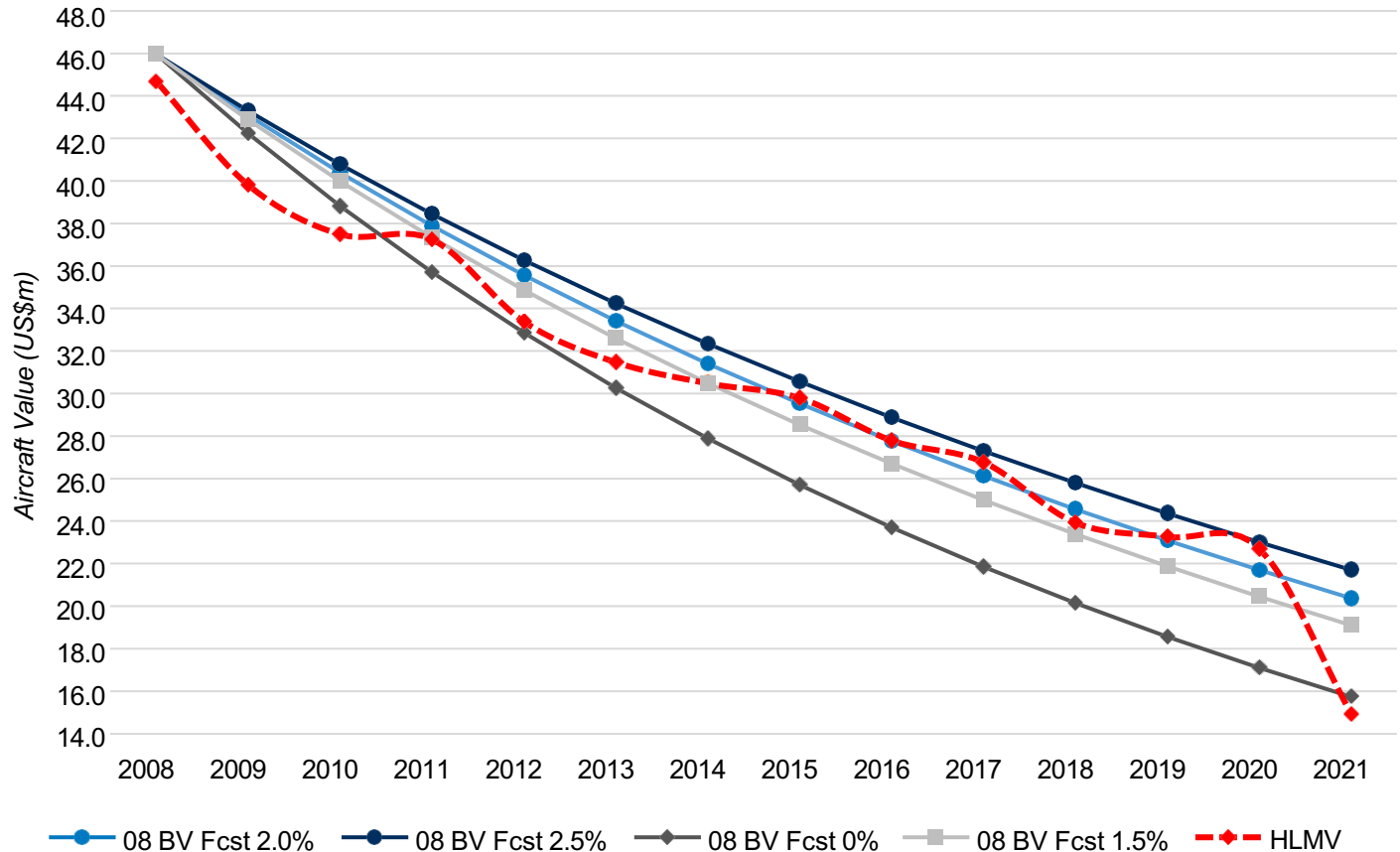
Appraisal values back-testing and resiliency

Historical Appraisals

- **Historically-produced base values match future-produced market values with relative accuracy**
- Given base values fundamentally speaking assume a balanced market, there may be divergences due to ongoing supply / demand mismatch in the market

Inflation

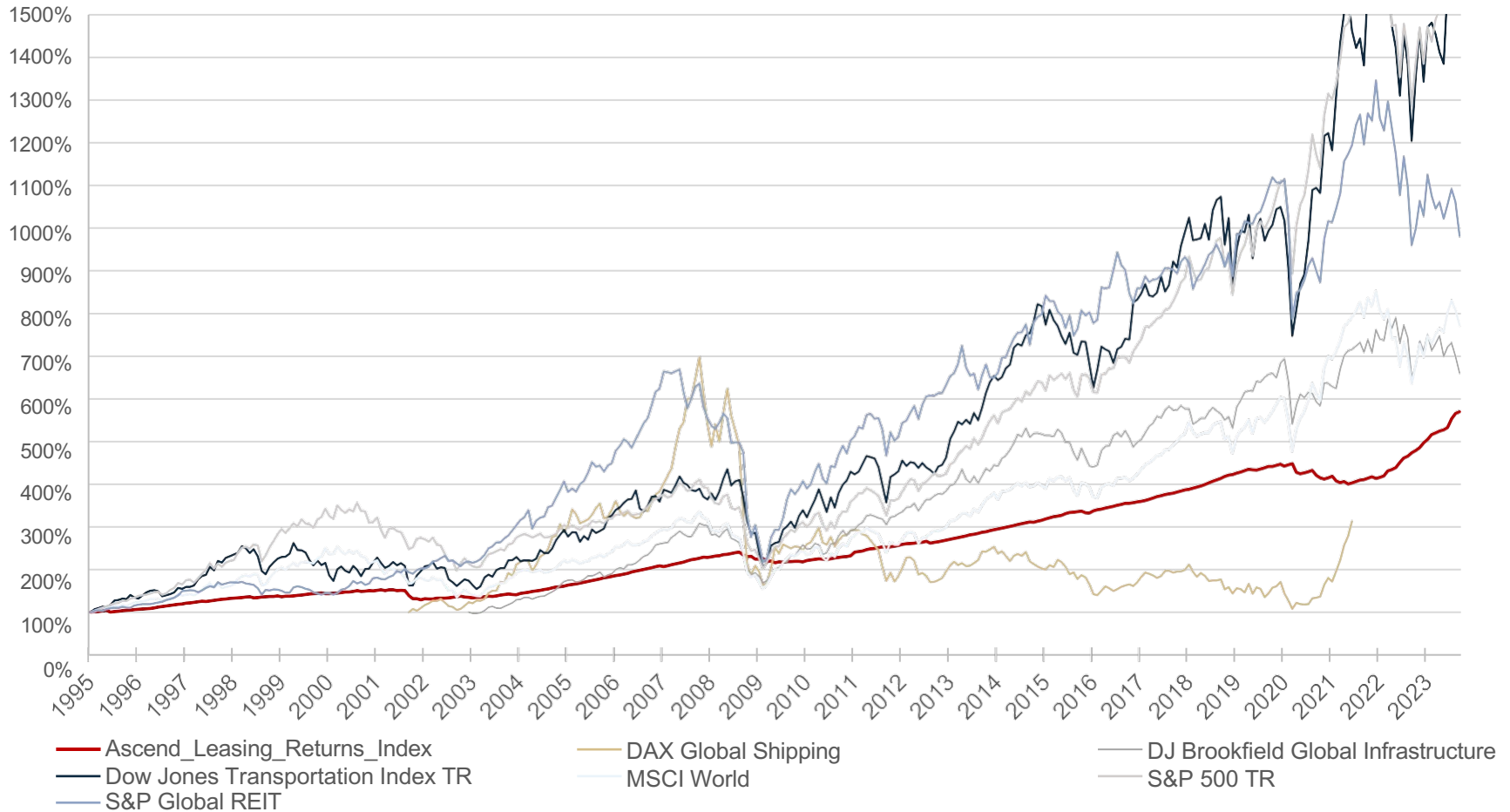
- Given the nature of lease and original equipment manufacturer contracts (i.e. where maintenance costs and purchase costs have inflation baked in), the cost of the underlying aircraft are expected to experience inflation as well
- **Market values achieved tend to revolve around the 2.0% inflation line**, and have in recent years stayed within the range of 1.5% and 2.5%



Aircraft: A Stable Investment Class (cont.)

Stable returns relative to most alternative assets

Per Ascend's Aircraft Leasing Returns Index, compared to some other alternative investment opportunities, aircraft investments can experience a more stable growth across external shocks and economic cycles



Aircraft: Strong Relative Returns with Limited Correlation

Correlation with traditional / alternative asset classes

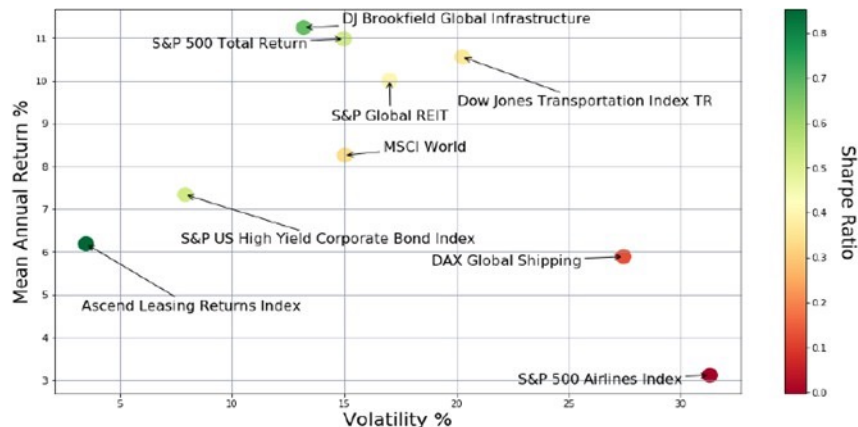
Correlations	Aircraft	MSCI World
Aircraft	-	0.02
Airlines	0.01	0.54
Infrastructure	0.00	0.83
MSCI World	0.02	-
REITs	0.00	0.62
Shipping	0.01	0.73

Source: Ascend

- Aircraft, relative to other alternative asset classes, has the lowest demonstrated correlation to MSCI World (a representation of the traditional equity asset class)
- Even amongst alternative assets, aircraft demonstrates a returns correlation at the 0.01-0.02 range (0 = no correlation / 1 = full correlation), so one can consider the asset class an 'alternative amongst alternatives'

Risk-return proposition

Risk-Return Profiles for the Different Asset Classes



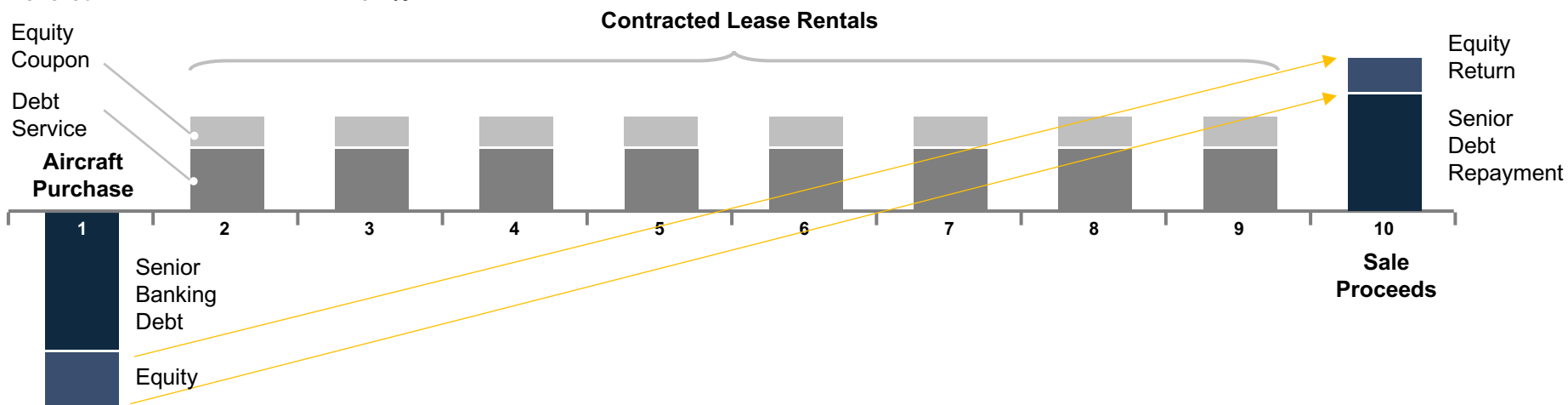
Source: Ascend

- Compared to some common equities and alternative asset classes, aircraft offers a strong risk-return proposition by demonstrating a relatively lower volatility for the same returns

Operating Leasing: Illustrative Economics

Aircraft: A320neo	Debt LTV: 70.0% (\$31.5m)	Residual Value: \$39.5m	} Unlevered IRR: 9.3%	
Purchase Price: US\$45m	Debt Balloon LTV: 40% (\$16.0m)	Appraiser: Ascend		Levered IRR: 15.2%
Lease: 0.8% LRF (\$360k); 10 yrs.	Debt Coupon: 5.5%			Equity Yield: 10.5%

(US\$m)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Aircraft Purchase	-	45.0	-	-	-	-	-	-	-	-
Lease Rental		4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Aircraft Sale		-	-	-	-	-	-	-	-	39.5
Unlevered Cashflow	-	40.7	4.3	4.3	4.3	4.3	4.3	4.3	4.3	43.8
Unlevered IRR		9.3%								
Debt (Open)		31.5	30.3	29.0	27.6	26.1	24.6	23.0	21.3	19.5
Interest (I)		1.6	1.6	1.6	1.5	1.4	1.3	1.2	1.1	1.0
Principal Amort. (P)		1.1	1.3	1.4	1.5	1.5	1.6	1.7	1.8	1.9
Debt (End)		30.4	29.1	27.7	26.2	24.7	23.0	21.3	19.5	17.6
Levered Cashflow	-	11.9	1.4	1.4	1.4	1.4	1.4	1.4	1.4	25.3
Levered IRR		15.2%								

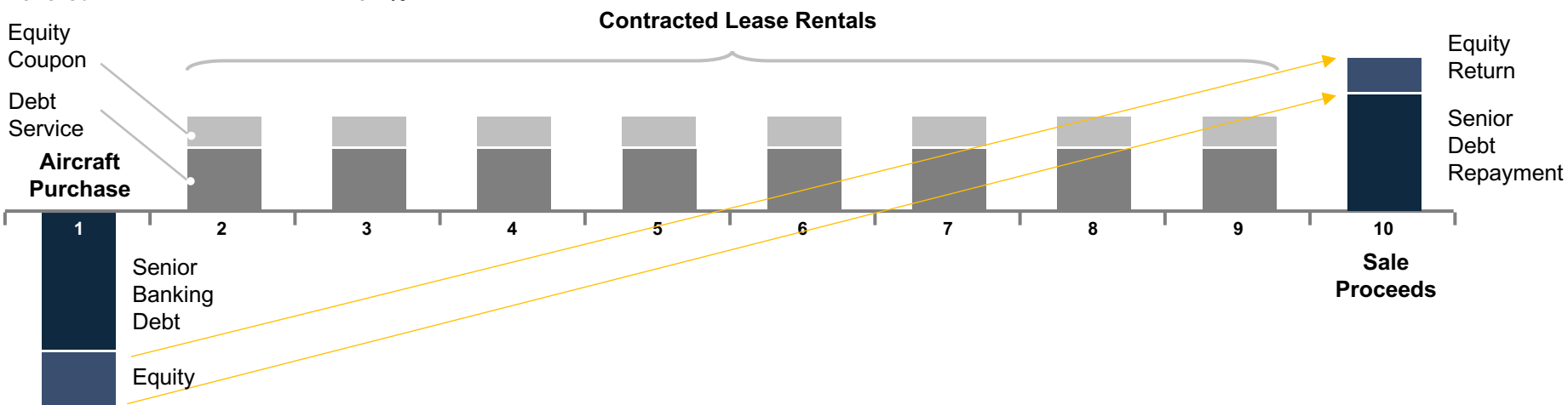


Operating Leasing: Illustrative Economics

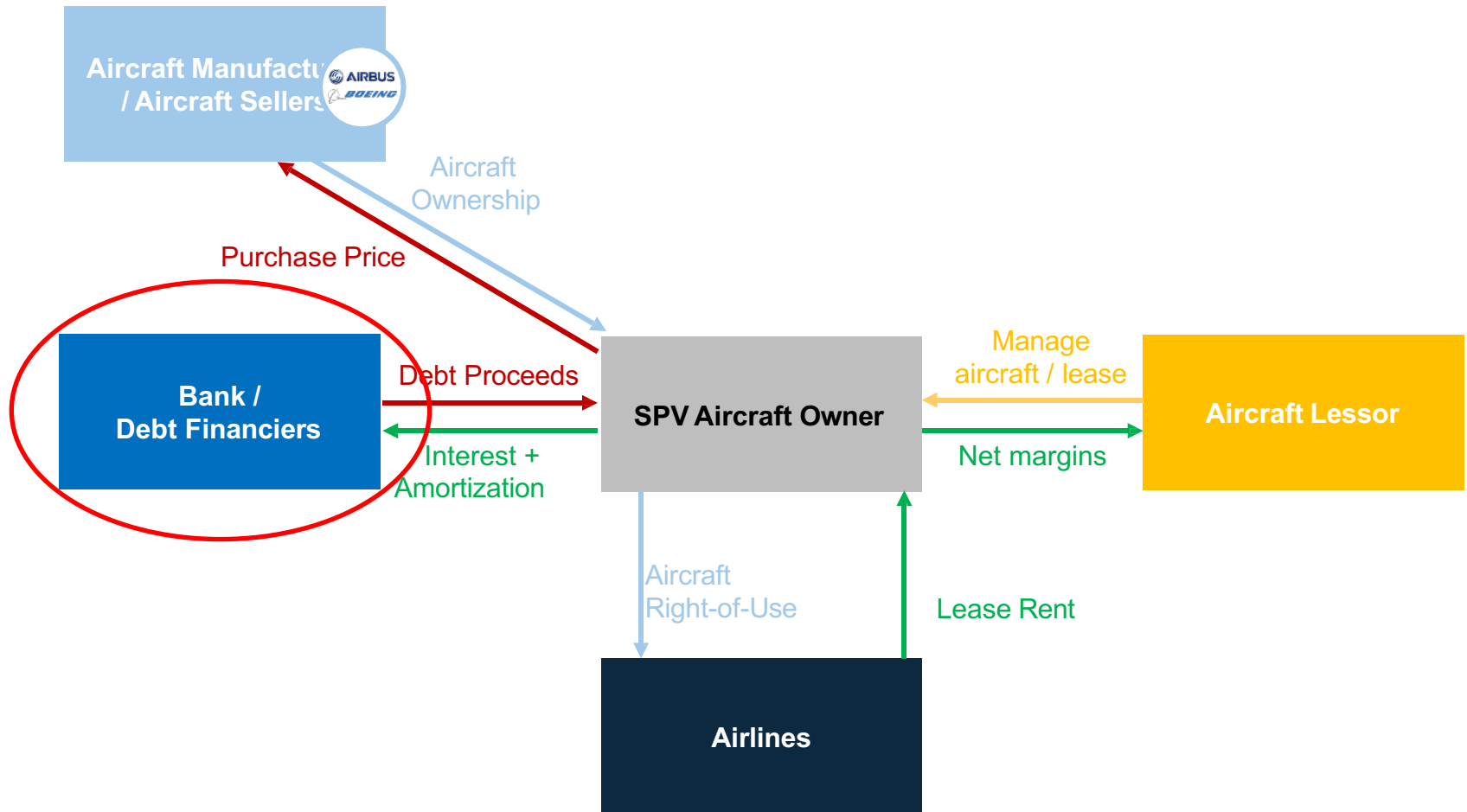
Aircraft: A320neo	Debt LTV: 70.0% (\$31.5m)	Residual Value: \$39.5m	} Unlevered IRR: 9.3%	
Purchase Price: US\$45m	Debt Balloon LTV: 40% (\$16.0m)	Appraiser: Ascend		Levered IRR: 15.2%
Lease: 0.8% LRF (\$360k); 10 yrs.	Debt Coupon: 5.5%			Equity Yield: 10.5%

(US\$m)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Aircraft Purchase	- 45.0	-	-	-	-	-	-	-	-	-
Lease Rental	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Aircraft Sale RISK!										39.5
Unlevered Cashflow	40.7	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	43.8
Unlevered IRR	9.3%									
Debt (Open)	31.5	30.3	29.0	27.6	26.1	24.6	23.0	21.3	19.5	17.7
Interest (I)	1.6	1.6	1.6	1.5	1.4	1.3	1.2	1.1	1.0	0.9
Principal Amort. (P)	1.1	1.3	1.4	1.5	1.5	1.6	1.7	1.8	1.9	17.6
Debt (End)	30.4	29.1	27.7	26.2	24.7	23.0	21.3	19.5	17.6	-

Levered Cashflow	- 11.9	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	25.3
Levered IRR	15.2%									



Leverage through single / multi tranche debt



Secured non-recourse financing through Acquisition Financing, refinanced by Bank Portfolio Financing or ABS Financing

Servicer Responsibilities – Technical & Asset Management

1 Asset Origination



ASSET ORIGINATION

Source a portfolio of diversified aircraft fitting investors' requirements



DOCUMENTATION

Alongside legal counsels, to negotiate, draft and execute full set of documentation



STRUCTURING

With advisor opinions, to determine efficient tax / legal structures suitable for acquiring / selling aircraft



DUE DILIGENCE

Alongside technical advisors, conduct physical asset and records due diligence

2 Technical and Lease Management



RENT + MAINTENANCE

Ensure proper receipt of rentals and mx reserves via lease management systems



TECHNICAL MGMT.

Alongside technical advisor, monitor aircraft utilization and ensure aircraft condition



LESSEE MGMT.

Manage lessee requests, monitor lessee credit, and conduct airline visits



FIRST CONTACT

Day-to-day management of aircraft issues and act as immediate point of contact

3 Sale and Remarketing



SALES

To source buyer for the aircraft 12-24 months ahead of end of lease



REMARKETING

If owner prefers to maintain ownership, to source lessee to extend lease with



INSURANCE EVENTS

In the event of an aircraft event / crash, to manage insurance proceeds process



REPOSSESSION

In the event of a lessee default, to manage aircraft repossession process

Q&A?

Thank You!

DISCLAIMER

This presentation and any attachments (including any e-mail that accompanies it) (together “this presentation”) is for general information only and is the property of Airborne Capital Limited (“Airborne”) and each of its affiliated entities and subsidiaries, or any of its, or their, respective subsidiaries, directors, officers, representatives, employees, advisers or agents (“Affiliates”). It is of a confidential nature and all information disclosed herein should be treated accordingly.

Making this presentation available in no circumstances whatsoever implies the existence of a commitment or contract by or with Airborne and/or any of its Affiliates for any purpose.

This presentation as well as any other related documents or information do not purport to be all inclusive or to contain all the information that you may need. There is no obligation of any kind on Airborne and/or its Affiliates to update this presentation. No representation or warranty, express or implied, is or will be made in relation to, and no responsibility or liability is or will be accepted by Airborne and/or its Affiliates as to, or in relation to, the accuracy, reliability, or completeness of any information contained in this presentation, and Airborne (for itself and on behalf of its Affiliates) hereby expressly disclaims any and all responsibility or liability (other than in respect of a fraudulent misrepresentation) for the accuracy, reliability and completeness of such information.

Any and all projections, estimations, forecasts, budgets and the like in this presentation are illustrative exercises involving significant elements of judgement and analysis and using the assumptions described herein, which assumptions, judgements and analyses may or may not prove to be correct. The actual outcome may be materially affected by changes in e.g. economic and/or other circumstances. Therefore, in particular, but without prejudice to the generality of the foregoing, no representation or warranty is given as to the achievability or reasonableness or any projection of the future, budgets, forecasts, management targets or estimates, prospects or returns.

You should not do anything (including entry into any transaction of any kind) or forebear to do anything on the basis of this presentation. Before entering into any arrangement, commitment or transaction you should take steps to ensure that you understand the transaction and have made an independent assessment of the appropriateness of the transaction in light of your own objectives and circumstances, including the possible risks and benefits of entering into such a transaction. No information, representations or opinions set out or expressed in this presentation will form the basis of any contract. You will have been required to acknowledge in an engagement letter, or will be required to acknowledge in any eventual engagement letter, (as applicable) that you have not relied on or been induced to enter into engaging Airborne and/or any of its Affiliates by any representation or warranty, except as expressly provided in such engagement letter. Airborne and/or any of its Affiliates expressly reserve the right, without giving reasons therefore, at any time and in any respect, to amend or terminate discussions with you without prior notice and disclaim hereby expressly any liability for any losses, costs or expenses incurred by that client.