

MARKET OUTLOOK

ASA ANNUAL CONFERENCE

26-28 JUNE, 2016

LAS VEGAS



OUTLINE

We will cover a brief synopsis of select Narrowbody, Widebody and Regional Jet Aircraft.

Not intended to be an exhaustive review but rather to identify market issues and trends.

- Global Fleet
- Values/Trends
- Stored Aircraft
- Fleet Age
- Takeaway Thoughts

GLOBAL FLEET: SUPPLY AND DEMAND

Mainline 450+ Seats

Mainline 350-450 Seats

Mainline 230-350 Seats

Mainline 180-230 Seats

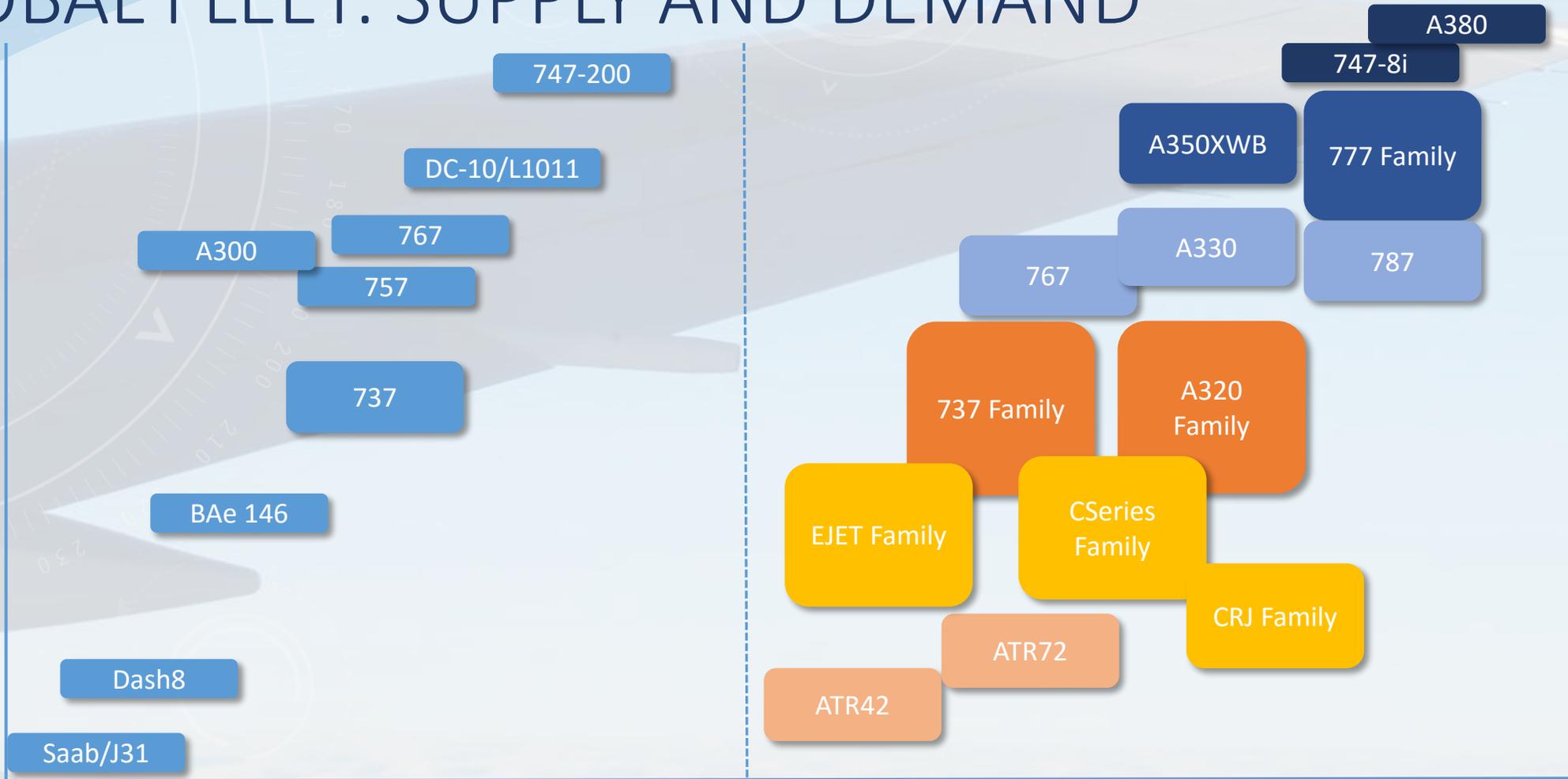
Mainline 130-180 Seats

Regional 90-130 Seats

Regional 50-90 Seats

Regional 30-50 Seats

Regional <30 Seats



THEN – 1980s

NOW



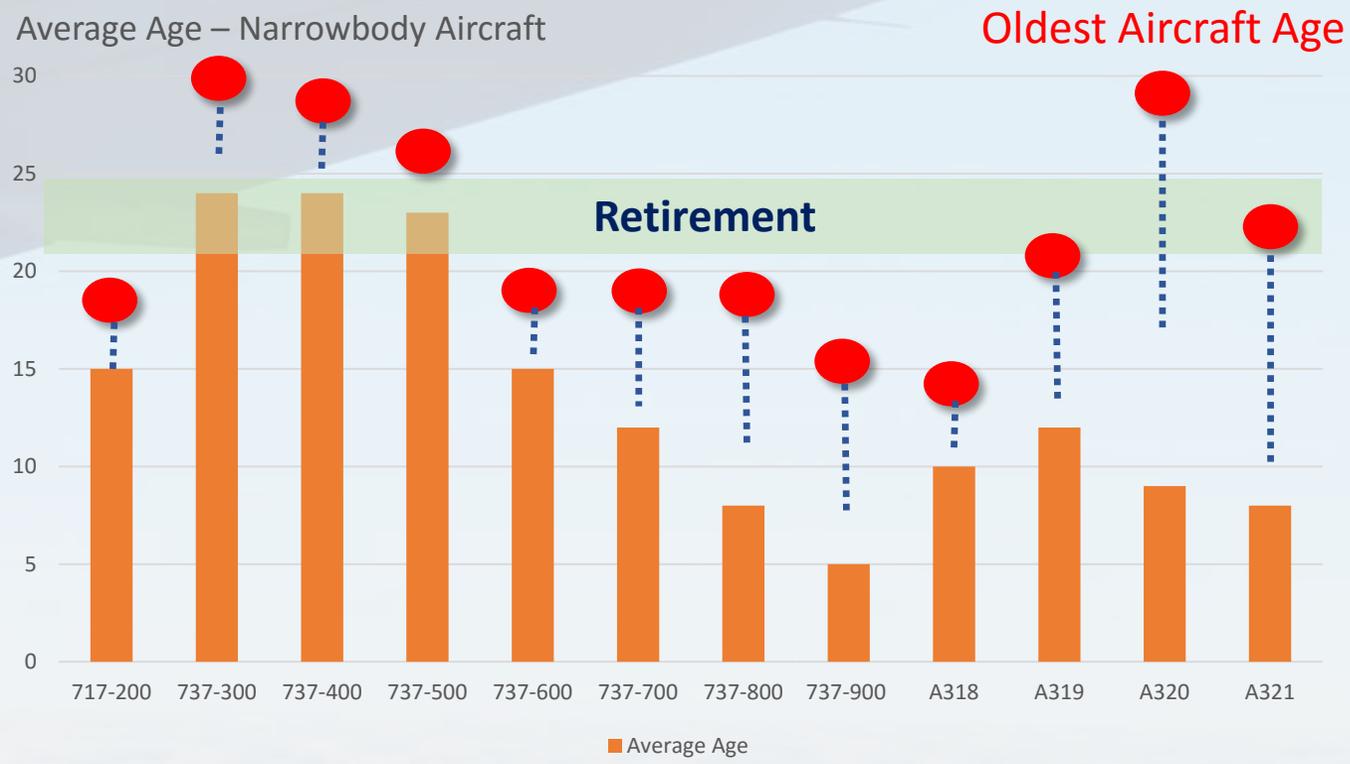
NARROWBODY AIRCRAFT AVERAGE AGE

Aircraft ownership (lessor vs operator) will stress economic life models

Airlines extending leases of older aircraft

Economic life assumption is around 20-22 years

Higher fuel prices will push less efficient aircraft to retirement



STORED NARROWBODY AIRCRAFT

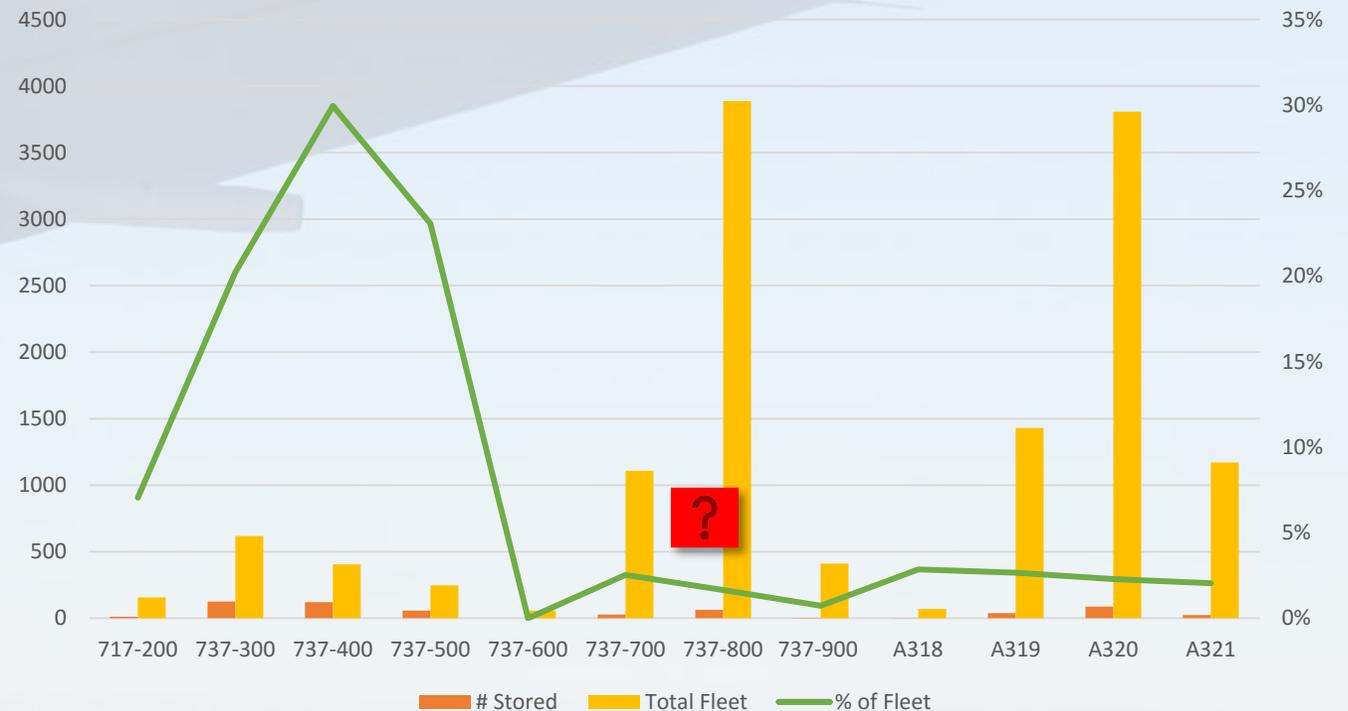
High concentration of 737 Classics

Lower concentrations of Current Generation aircraft compared to previous years

Older aircraft continuing on in-service until next large maintenance event or structural AD

Airframe/Engine maintenance will drive storage/retirement

Narrowbody Stored



NARROWBODY AIRCRAFT VALUES

Value recovery with lower fuel pricing and access to financing

Airlines extending leases of older aircraft

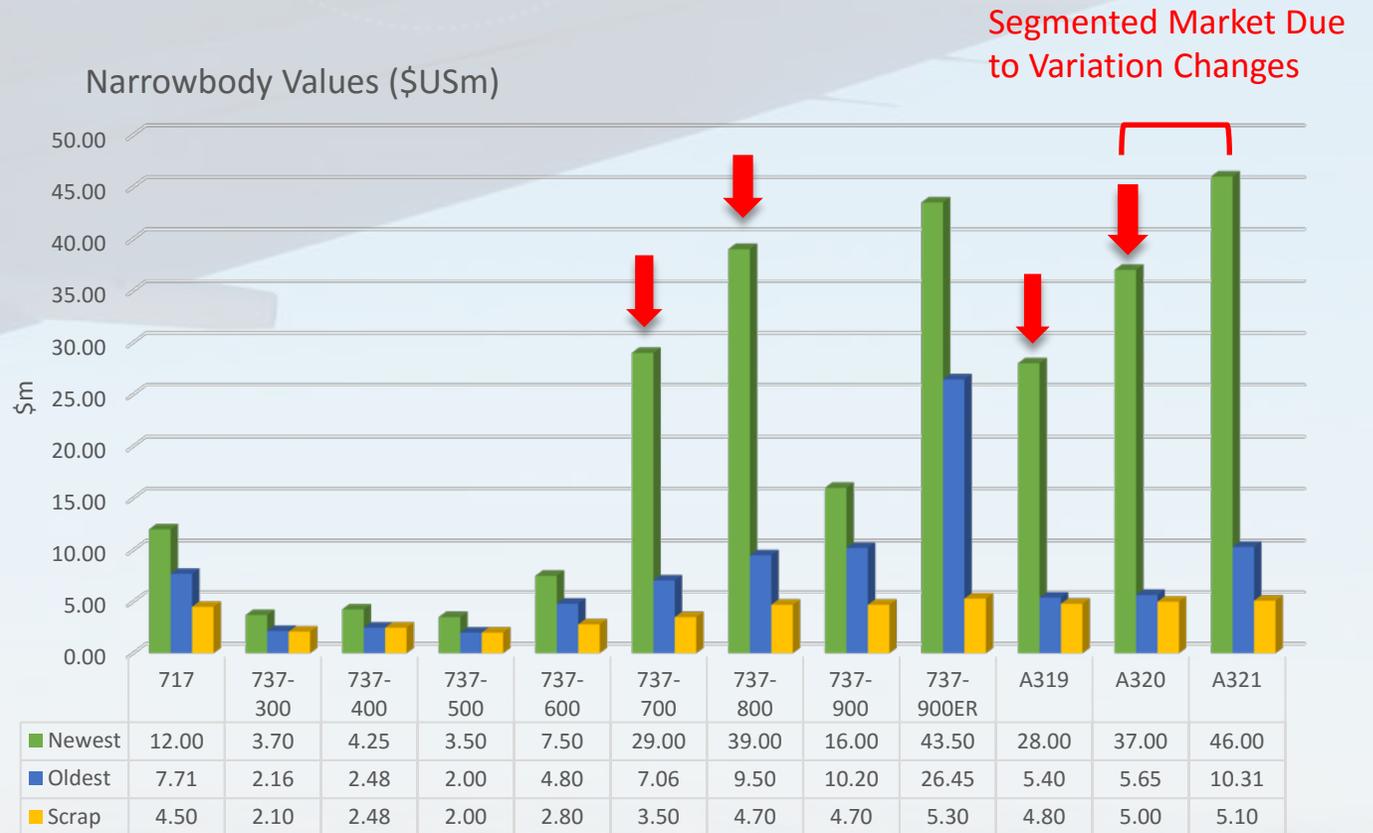
Some values boosted by shortage of engines (IAE)

Minor variant changes will segment values (A320/A321)

P2F Programs starting to help

Values of new aircraft for Current Generation (ceo/NG) will start to see downward pressure once deliveries get to critical mass

High exposure to lessors

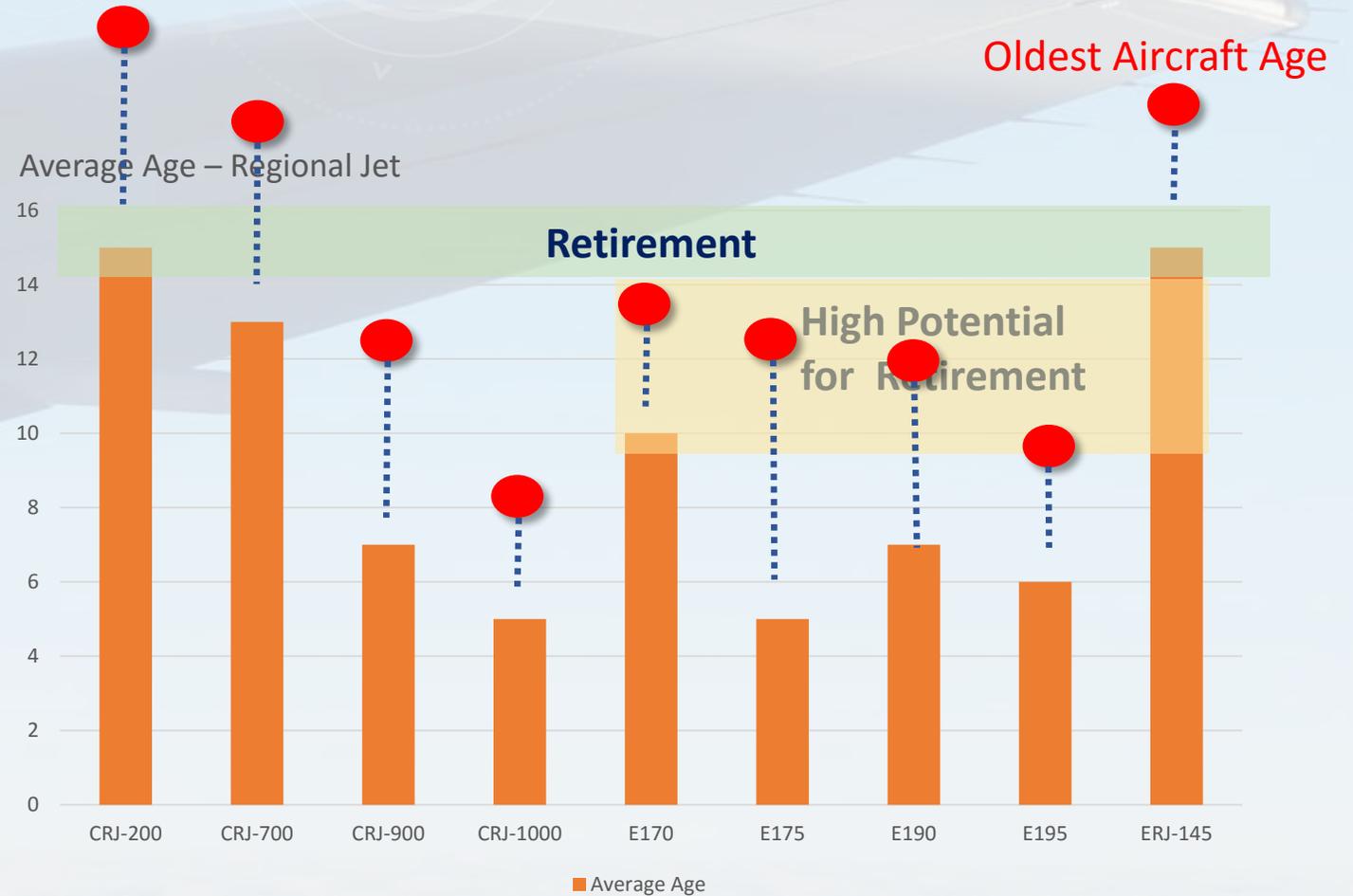


REGIONAL JETS AVERAGE AGE

Customarily a shorter economic life for Regional Jet Aircraft

Engine programs (TotalCare) and LLP replacement in some engines are prematurely retiring some aircraft

Aircraft ownership type will stress aircraft economic lives



STORED REGIONAL JETS

CRJ/ERJ regional jets retain high levels of storage

Smallest and Largest EJETS (E170/E195) are a bit of specialized aircraft and are holding higher storage levels

US Tax Leases (12-15 years) expiring

Lessors like NAC going long in this market

Regional Jets Stored



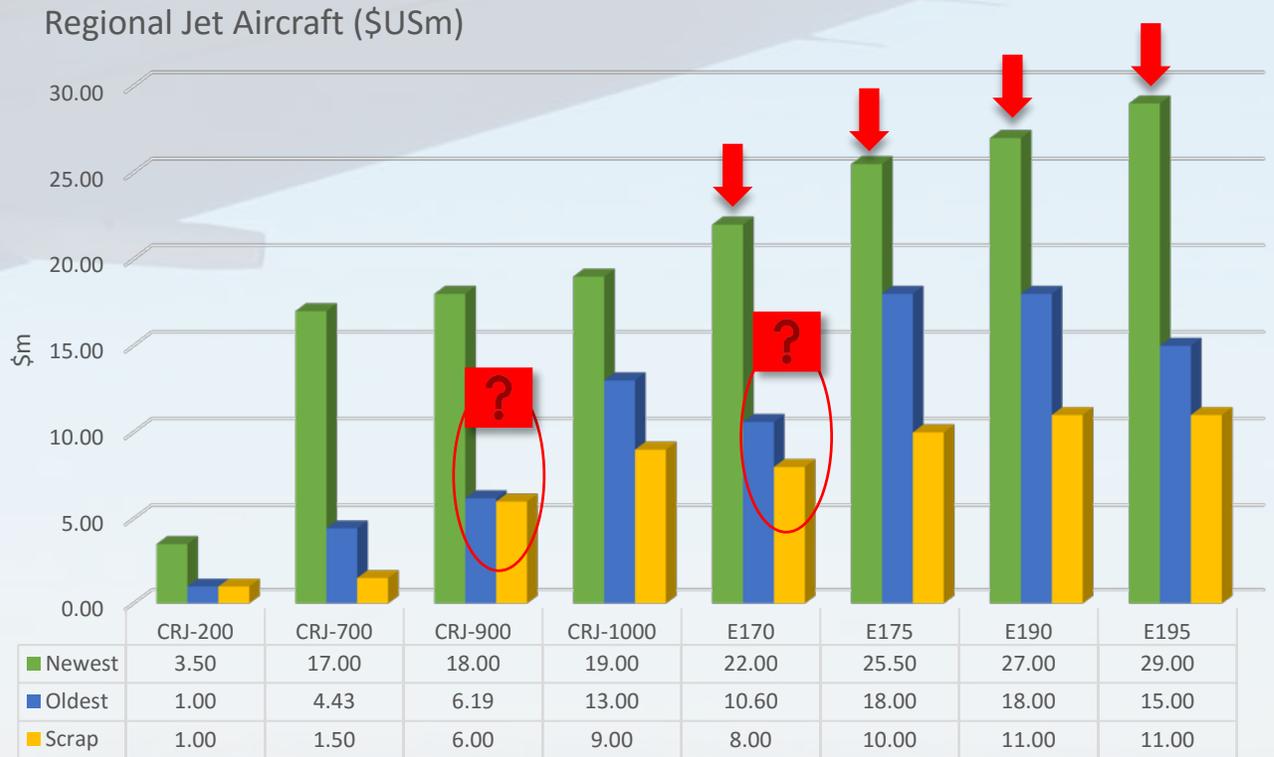
REGIONAL AIRCRAFT VALUES

EJET remains to be an untested market (unlike CRJ and ERJ)

New aircraft models (E2, SSJ, MRJ) will stress market values

Will always partially remain an artificially structured market with US scope clauses

New values for Current Generation Narrowbodies will start to compete with new Regional Jet products (737NG/E2/CSeries)





WIDEBODY AIRCRAFT AVERAGE AGE

Aircraft ownership (lessor vs operator) will stress economic life models

Highly segmented market

High cost of transition

Engine maintenance programs are stressing liquidity

Larger aircraft could end up only being with one operator (773ER)

Economic lives no longer propped up by P2F requirements, as much

Oldest Aircraft Age



STORED WIDEBODY AIRCRAFT

Stored aircraft likely to decrease as interim aircraft are needed while waiting for new deliveries

71% of stored 777s – TRENT powered

43% of stored A330s – TRENT powered

230+ WB lease expirations over through 2019



Widebody Stored





WIDEBODY AIRCRAFT VALUES

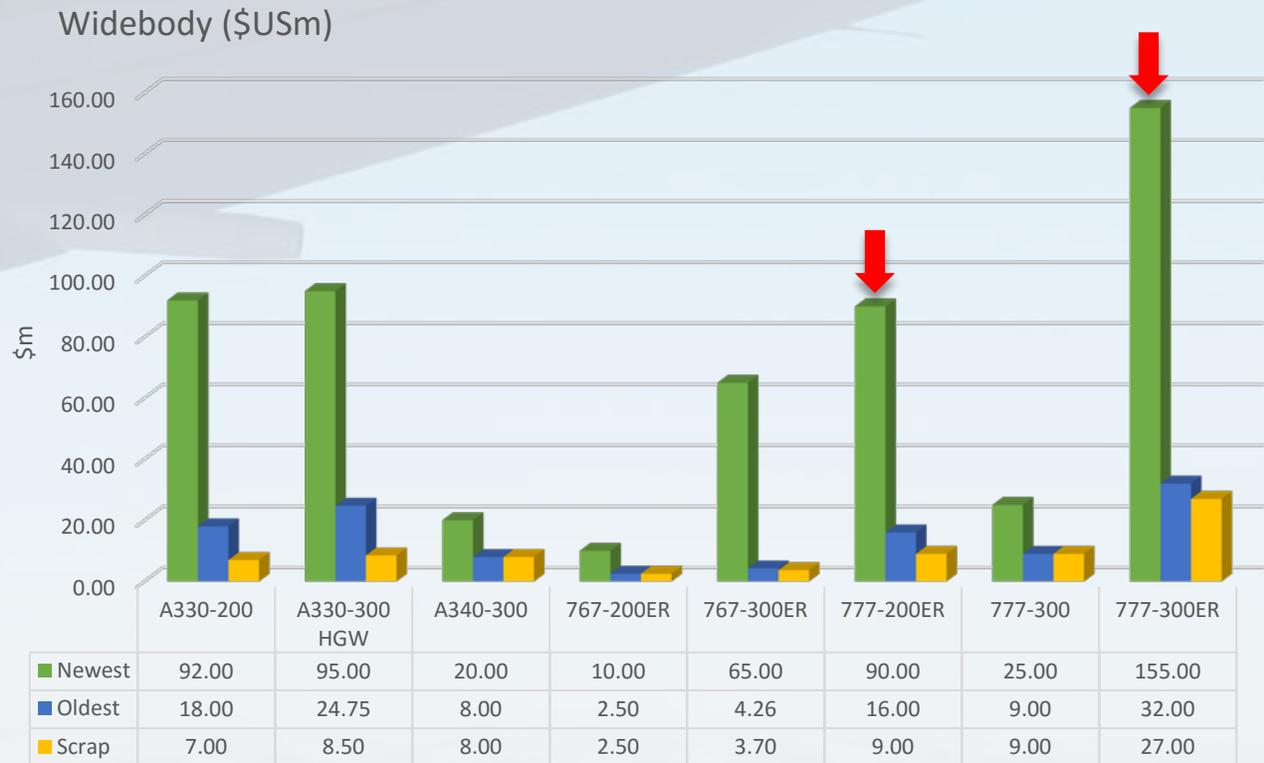
Highly segmented market

New widebodies (A350, 777X, A330neo) will continue to stress values

Older widebodies seeing resurgence in interest (airlines)

Engine programs (TotalCare) continue to undermine residuals

Larger belly capacity decreases the need for dedicated freighters, for now



TAKEAWAY THOUGHTS



- Older aircraft getting another chance, thanks to:
 - Financing opportunities
 - Fuel pricing
 - Highly segmented market
 - Engine life on wing can dictate aircraft economic lives
 - Watch credit quality
 - 50% leased aircraft might not be a good thing...
- Aircraft retirements:
 - Average age gradually decreasing
 - Dependent on ownership
 - Dependent on engine type
 - Specific mission requirements will dictate (amazon)
 - Potential oversupply of aircraft
 - Composite Aircraft
 - OEM involvement



THANK YOU

BRYSON MONTELEONE
TAILWIND CAPITAL PARTNERS
BRYSON@TAILWINDCAPITAL.NET