



STRATOS

Widebody Aircraft & Engine Remarketing Challenges

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Company Background

- Stratos specializes in aircraft financing, remarketing and portfolio servicing
 - represent investors on lease-related opportunities
 - identify the most efficient sources of finance and aircraft for airlines
- Presence in UK, Monaco, Ireland, Asia and USA
- Stratos has placed and sourced \$2.3bn worth of aircraft and financing
 - 53 large commercial aircraft, including 13 under lease management
 - widebodies, narrowbodies and turboprops: Boeing, Airbus and ATR
- Aircraft portfolio under management of more than US\$1bn
 - Boeing 777
 - Airbus A350, A330, A320 and A319



Global Widebody Fleet

Relatively Conservative Order Book:

Type	In Service	Backlog
747	464	25
767	734	60
777	1,377	420
787	644	653
Boeing sub-total	3,219	1,158
A330	1,232	308
A340	155	-
A350	155	696
A380	222	109
Airbus sub-total	1,764	1,113
TOTAL	4,983	2,271 (46%)
Narrowbody fleet	15,737	10,660 (68%)

Condensed Market:

In Service

Top 10 operate 1,487 aircraft (34%)

Top 20 operate 2,384 aircraft (55%)

Orders

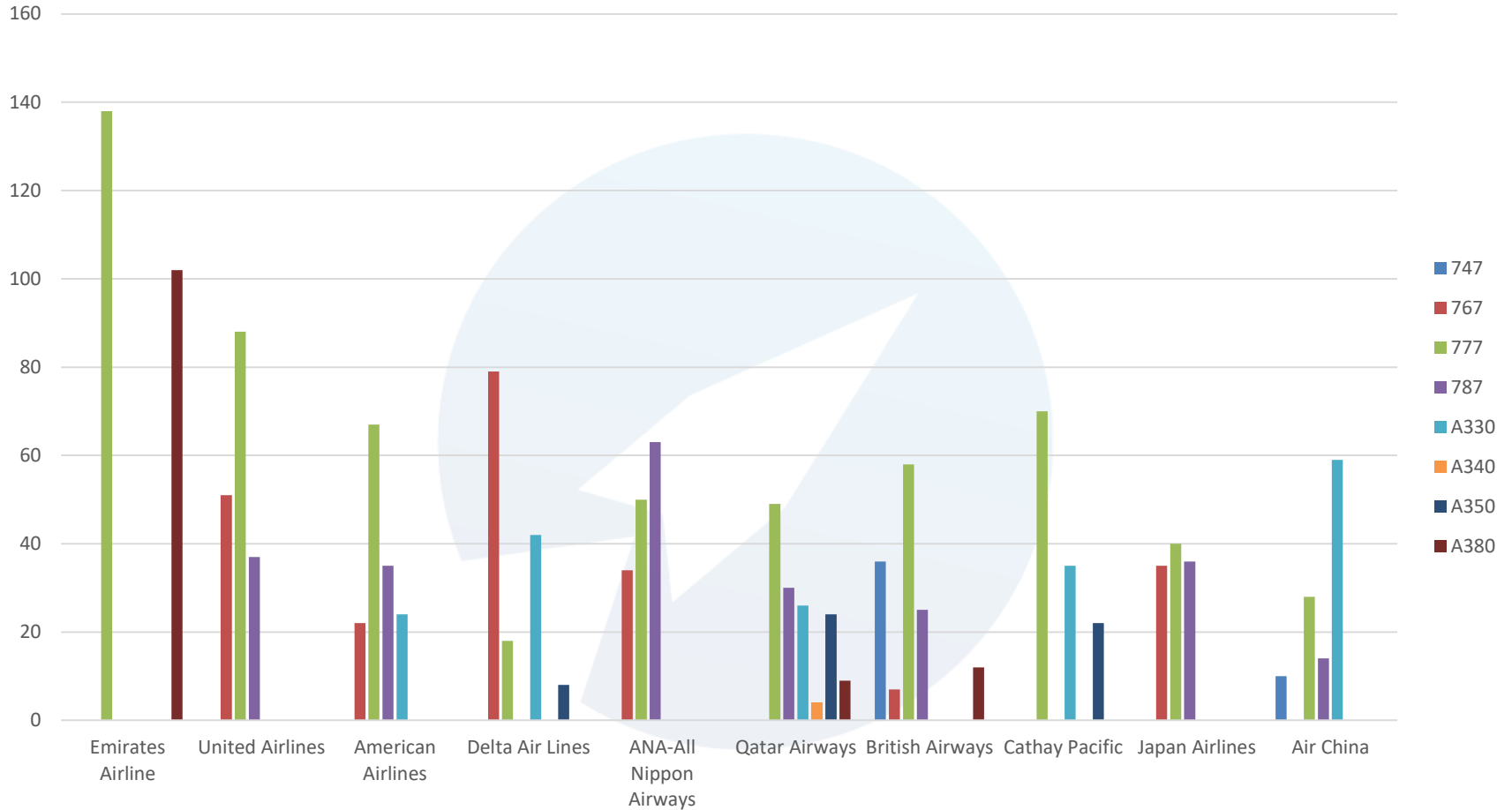
Top 10 ordered 1,000 aircraft (47%)

Top 20 ordered 1,401 aircraft (65%)

Source: Boeing & Airbus



Top 10 Widebody Operators (by type)





Factors affecting Secondary Widebody Market

- High production levels of new aircraft
 - Re-fleeting by many airlines
 - No shortage of supply from OEMs for new 787, A330 or A350 aircraft

- Cabin conversion
 - Premium carriers require cabins with unique specifications
 - Costs are punitive
 - Long lead times (mainly caused by seats & cabin furnishing leadtime)

- Engines
 - Condition upon transfer? Second decade of operations most expensive !
 - Aftermarket programmes? Transferrable, cash available?

- Maintenance
 - Reserves available and transferrable ?
 - Schedule of heavy airframe and component checks



Impact on Residual Values

- Major proportion of residual value in engines
 - From ~20% @ new to ~90% @ end of life
- Virtually no market for A340-500/600s after 12 years
- Relatively few 777s or A330s retiring from primary airlines (@12yr old) are finding new homes
- Limited buyers/operators taking in used widebodies
 - Some US majors : Delta and United
 - Charter airlines: HiFly, Omni, Privilege,



Impact on Lease Rates

- New Lease rates driven by combination of factors
 - Cost of capital (debt and equity)
 - Competition between financiers
 - Quality of airline credit
- New aircraft lease rate factors have been reducing
 - Lease rate factors (LRF) now as low as 0.6% for top credits
 - Knock-on effect for used aircraft
- Widebodies attractive to broad range of investors
 - Asian investors with relatively low return requirements are recently very active
 - Financial investors that are relying on credit standing of airlines
- Used rentals are under enormous pressure due to surplus availability, limited demand
 - 6-12Yr old A330-300s & 777-200s now leasing in the \$300-500k range



How can Redeployment Challenges be addressed?

- 🚀 From Investor perspective
 - Conservative investment approach: watch LRF & 'true' full life return conditions
 - Focus on more liquid (i.e. smaller) widebodies
 - Cabins which can be transitioned to second tier carriers (i.e. higher density)
 - Close look at engine programmes & whether cash can be recovered
- 🚀 From Engines perspective
 - Ensure programmes are on a 'life-based' rate (not term-based!)
 - Avoid engines on totally closed network aftermarket care (big liquidity risks)
- 🚀 From Airlines perspective
 - Fight against cabin designers to keep slightly more generic products!
 - Push OEMs to retain multiple cabin attachment points, seat rail combinations for quicker reconfig



THANK YOU