



# Introducing aircraft engines as an asset class

Airline Economics Seoul, February 2017

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- Established in 1989 with “& Partners”
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# Introducing aircraft engines as an asset class

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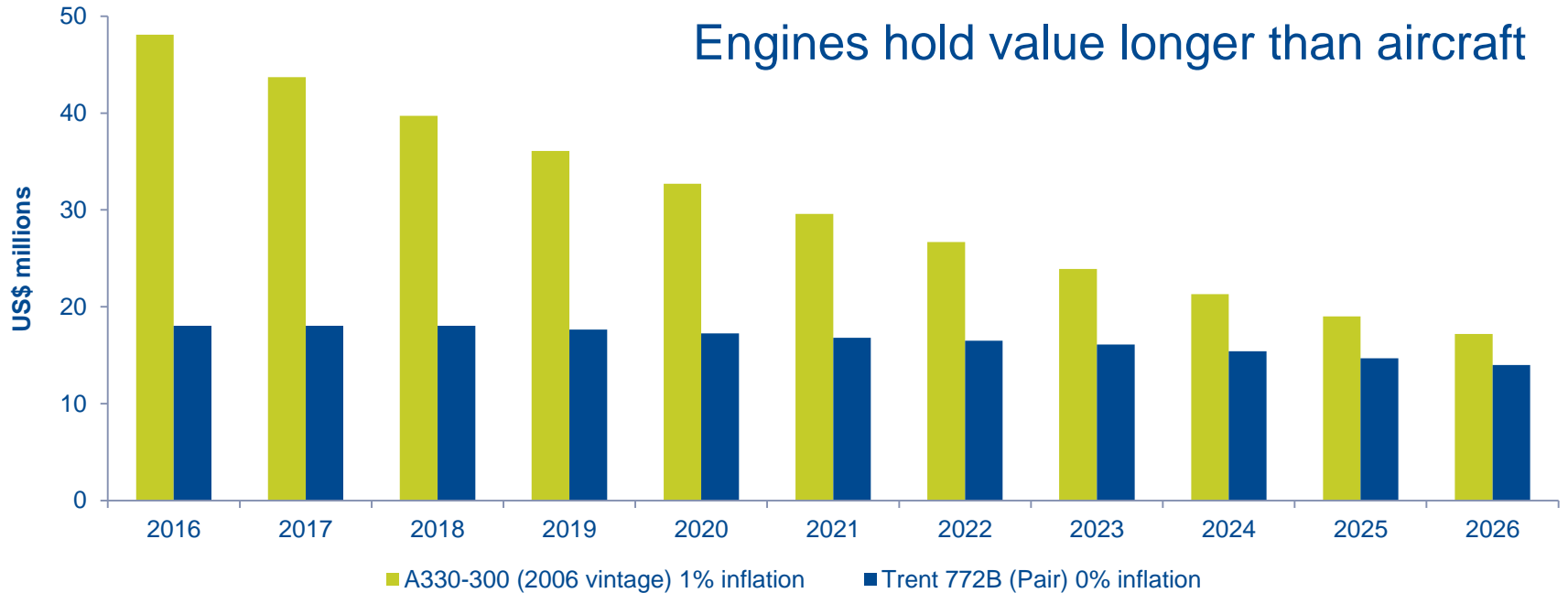


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# Agenda

- Why are engines great investments?
- How to invest in engines separate from aircraft?
- What is the scale of the opportunity?

# Why are engines great investments?



# Engines stay younger for longer compared to aircraft



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# Engines move faster than aircraft



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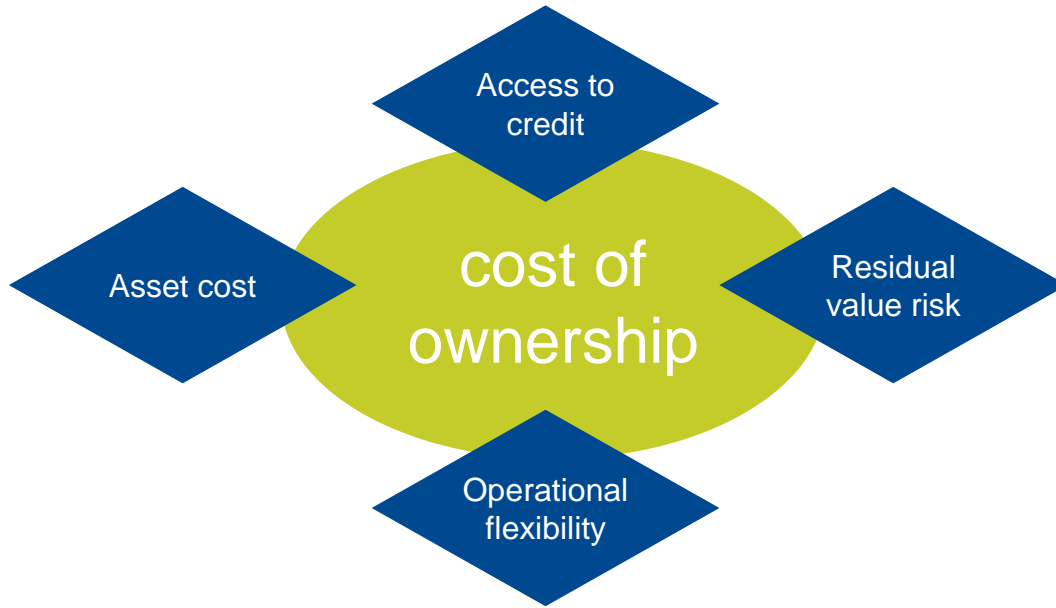
# How to invest in engines separate from aircraft?

- The asset class is **spare engines**
- Engine repairs can take several months
- Airlines need spare engines to keep aircraft flying





# Airline decision factors for financing spare engines



# Spare engines are protected under Cape Town

- Convention on International Interests in Mobile Equipment and the related Aircraft Protocol (the “Cape Town Convention”) signed in 2001
- Ownership of engines can be registered same way as aircraft
- Same expedited local processes apply to engines as aircraft

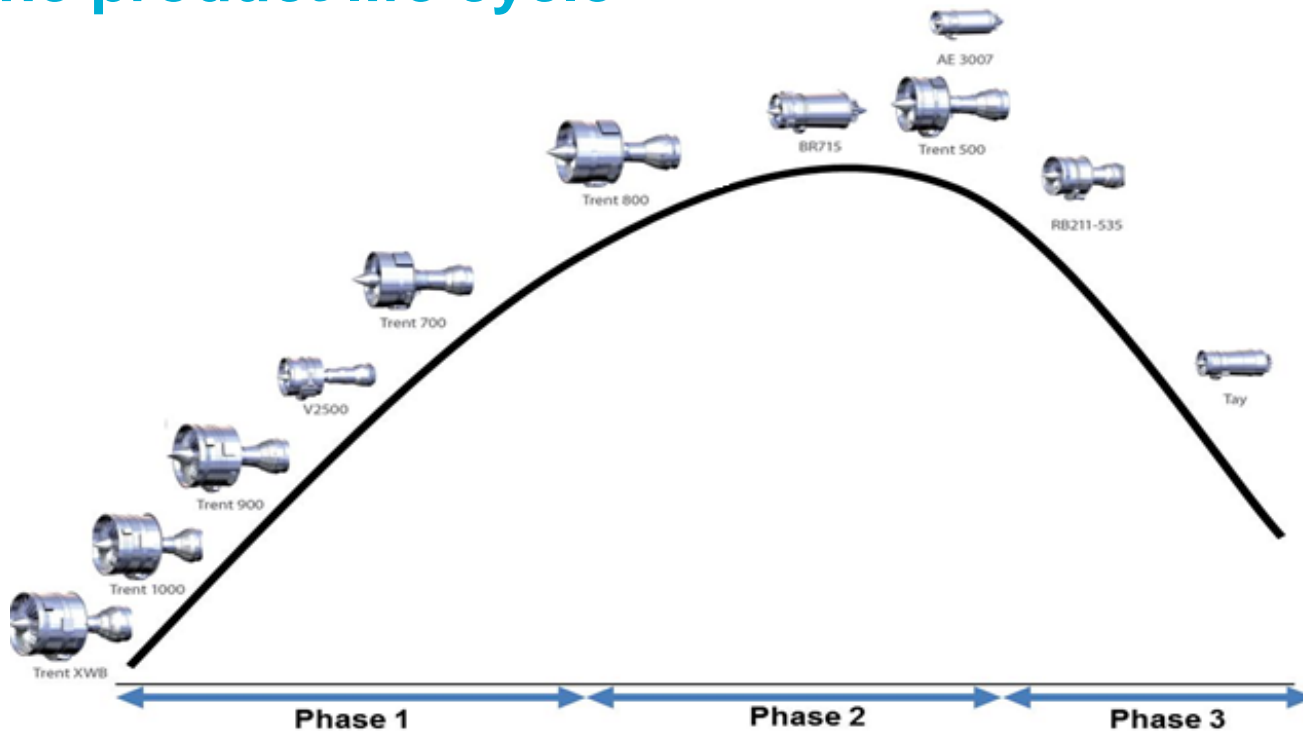


# What are the risks of investing in engines?

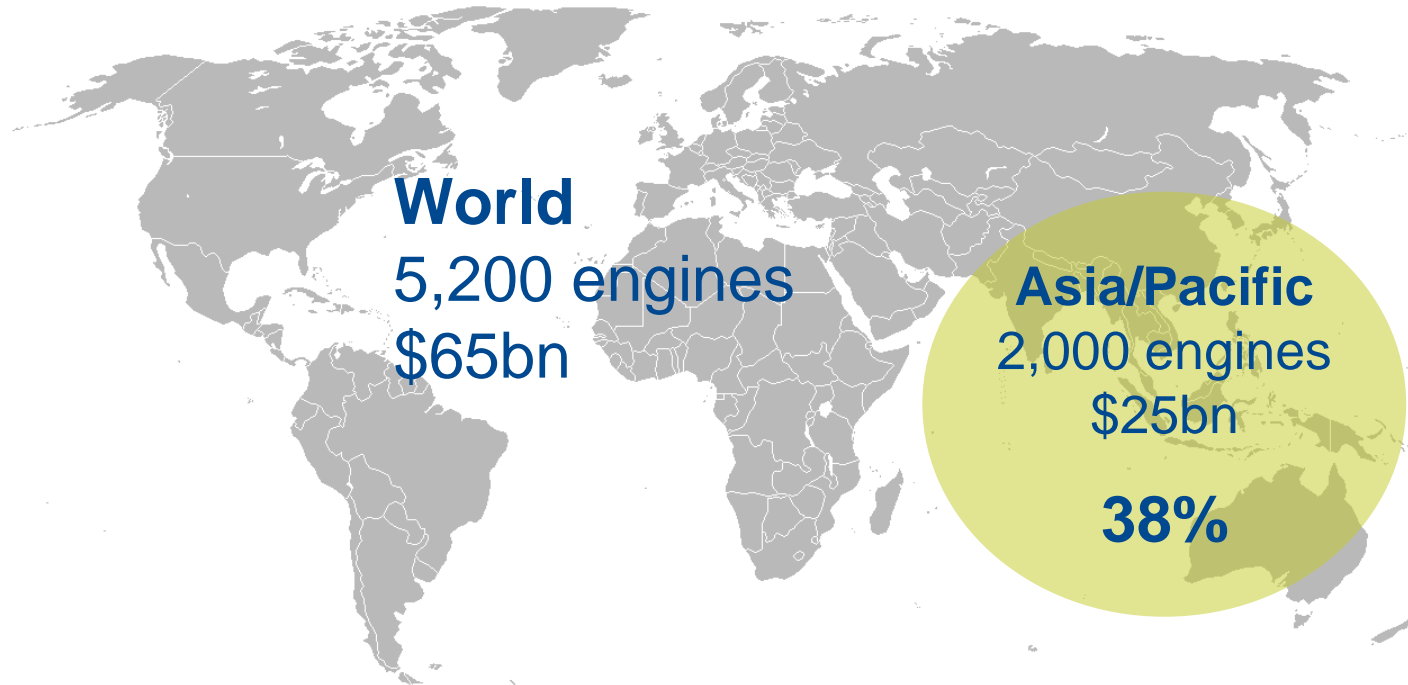
- Technical obsolescence on two levels
  - Airframe platform
  - Individual engine type/variant/mark/batch
- High quality technical management expertise is vital
- Important to understand the engine product life-cycle



# Engine product life cycle

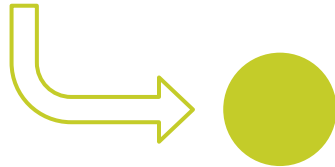


# Spare engine demand over next 20 years



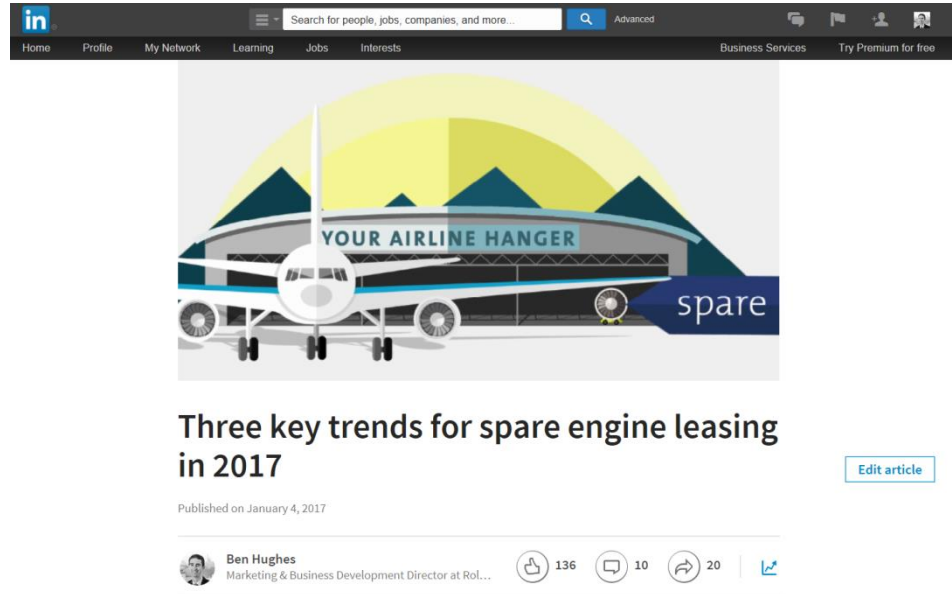
# Spare engine finance is a competitive niche market

\$3bn  
Engines  
need finance  
per year



\$127bn  
Aircraft  
needed finance in  
2016

# Spare engine finance market in 2017



The screenshot shows a LinkedIn article interface. At the top is the LinkedIn navigation bar with the logo and search bar. Below is a featured image of an airplane in a hanger with the text "YOUR AIRLINE HANGER" and "spare". The article title is "Three key trends for spare engine leasing in 2017", published on January 4, 2017, by Ben Hughes, Marketing & Business Development Director at Rolls-Royce. Engagement metrics show 136 likes, 10 comments, and 20 shares.

You can read more online at LinkedIn

<https://www.linkedin.com/pulse/three-key-trends-spare-engine-leasing-2017-ben-hughes>

# Summary

- Engines are great investments as they hold value longer than aircraft
- Spare engines are an established asset type for investors
- Technical expertise is paramount to manage risk
- Investment opportunities are probably with existing platforms

