

FLEET FINANCING STRATEGIES FOR AIRLINE & FLEET PLANNING



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FLEET FINANCING STRATEGIES

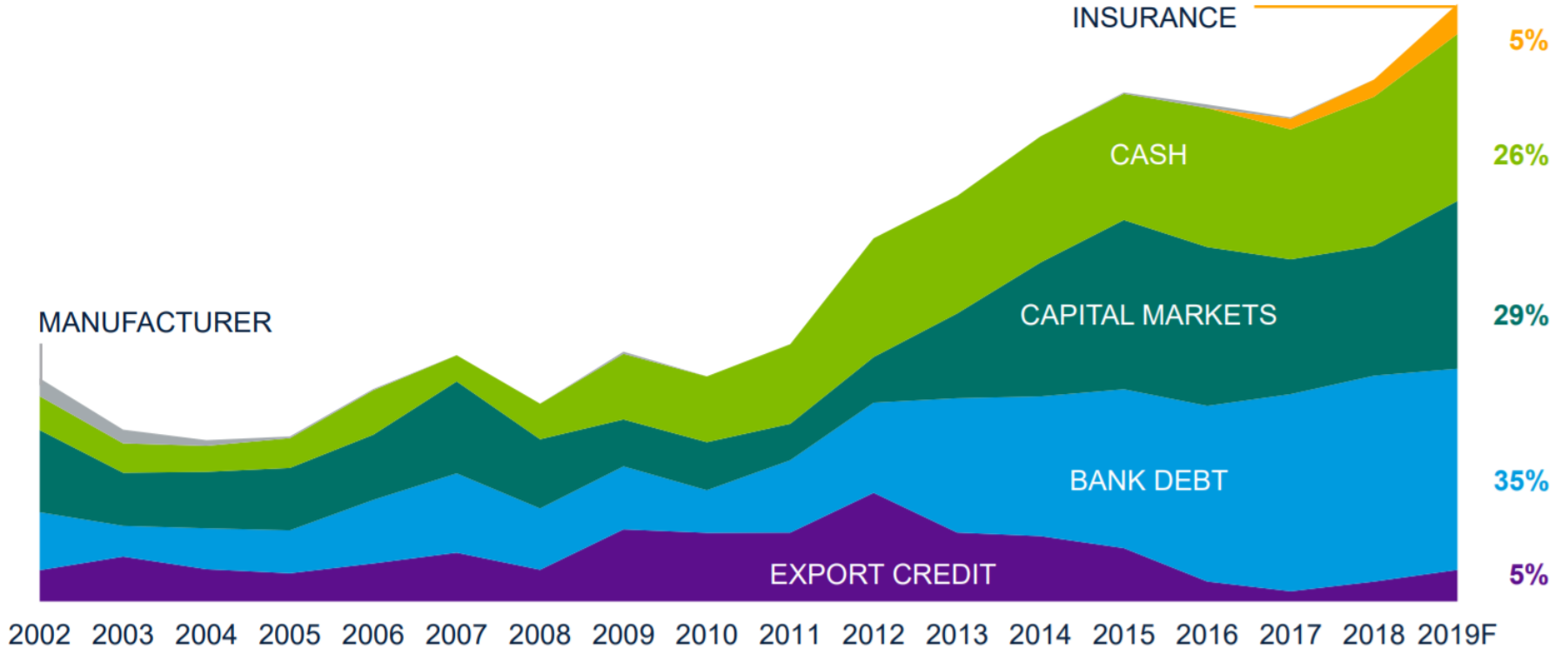
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An airlines' fleet expansion is often supported by a mix of capital markets and bank debt financings as well as lessor financings (sale and leaseback).

1.1 Fleet Financing Strategies

Spectrum of financing options

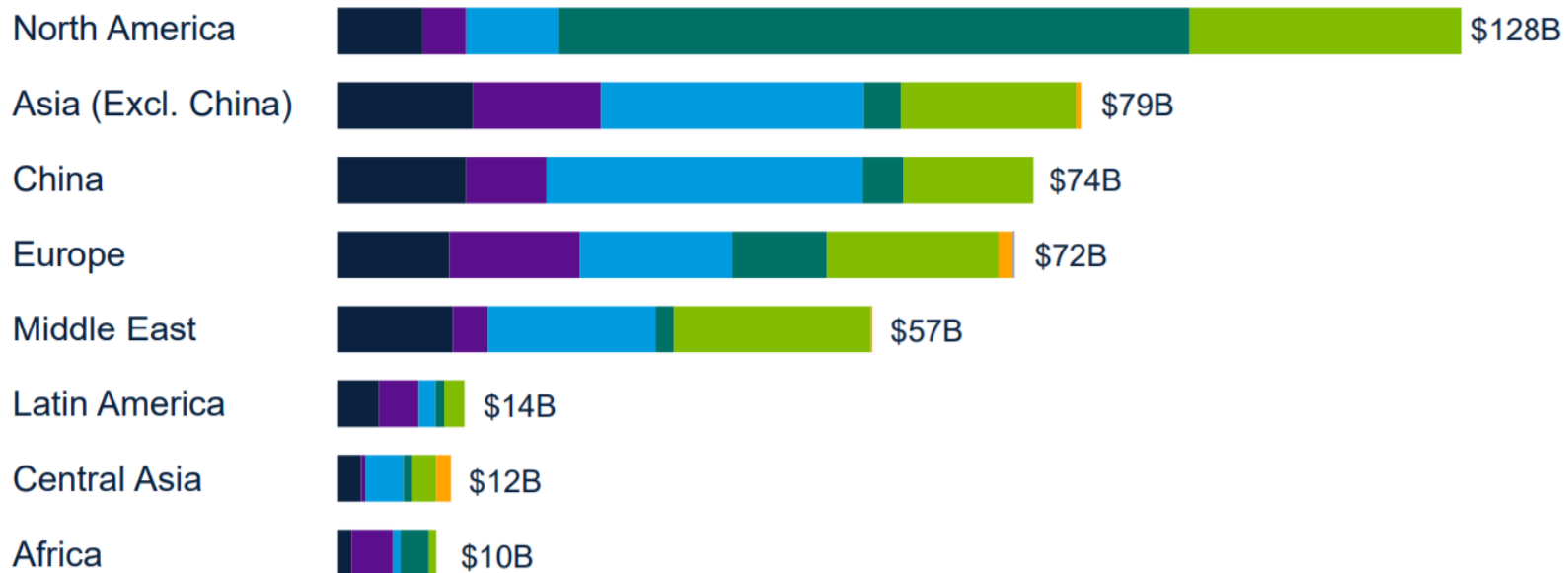
(Source: Boeing)



1.2 Fleet Financing Strategies

Funding distribution differs region to region

Boeing aircraft (2010-2018)



1.3 Fleet Financing Strategies

Capital Markets (Public and Private)

Why:

- Liquid and standardised
- Volume and tenors

How:

- Credit Rating
- Secured or Unsecured
- USD vs local currencies

When:

- Highly dependent to global economic environment

1.4 Fleet Financing Strategies

Bank Debt

Why:

- Relationship driven
- Tailored to needs (size and tenor)

How:

- Bilateral, Club or Book building
- Unsecured vs secured

When:

- Upon an aircraft delivery or later
- Refinancing of a single aircraft or a batch of multiple aircraft

1.5 Fleet Financing Strategies

Sale and Leaseback

Why:

- Sale of residual value
- Take advantage of competitive lease terms
- Maintain a young fleet
- Absorb a significant order book

How:

- Large RFP process
- Opportunistic discussions with investors

When:

- At or after delivery
- Prior to aircraft delivery (including PDP)



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FLEET PLANNING

Two decades ago, Airlines' credit profile use to define their fleet planning strategy. Is it still the case today?

2 | **Fleet Planning Strategies**

AirAsia vs Indigo vs Vietjet

AirAsia:

- Large order book >400 Airbus aircraft
- From an owned fleet to an asset light franchisor model

Indigo:

- Large order book of >400 A320neo
- 100% sale and leaseback with 6-8 year leases

Vietjet:

- Large order of >300 aircraft (Airbus and Boeing)
- Angelica leasing platform

CONCLUSION

What is the best fleet funding solution for airlines?

CONCLUSION

What is the best fleet funding mix for airlines?

Key drivers:

- Cost of fund
- Long term strategy
- Diversification of funding mix