

AerFin[®]

BEYOND SUPPORT



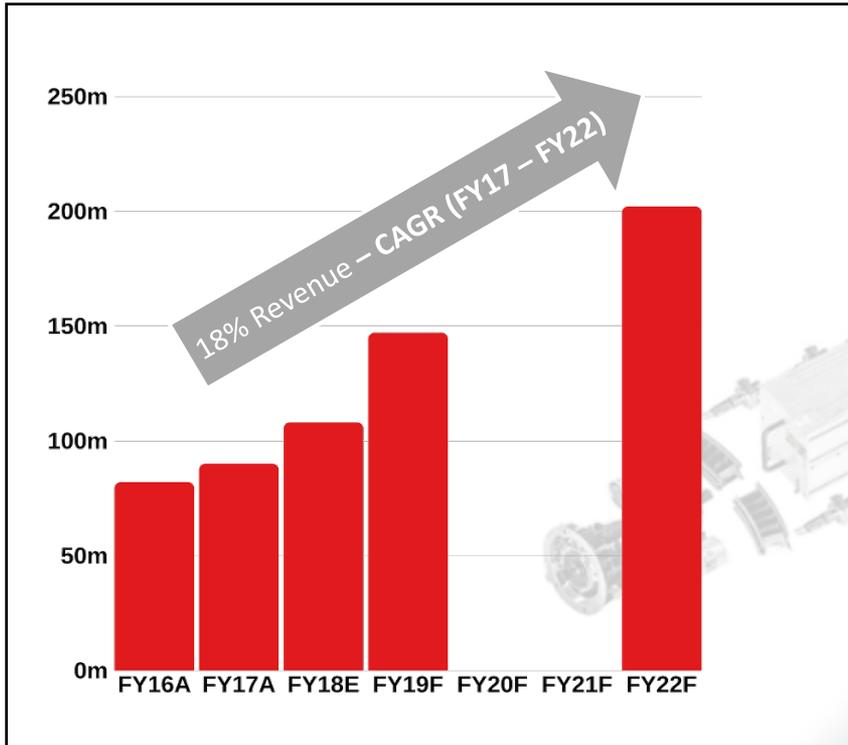
 ***Airline Economics***

6th December 2018

London

Growth despite the challenges

A strong financially stable aftermarket services provider



Europe's fastest growing Aerospace company in 2018

A highly experience leadership team



Bob James, OBE
Founder Shareholder
& Managing Director



James Bennett
Director Engine
Services



Steven Ades
Financial Director



Toby Clouston
Legal Council



Auvinash Narayen
Head of Acquisition
& Leasing



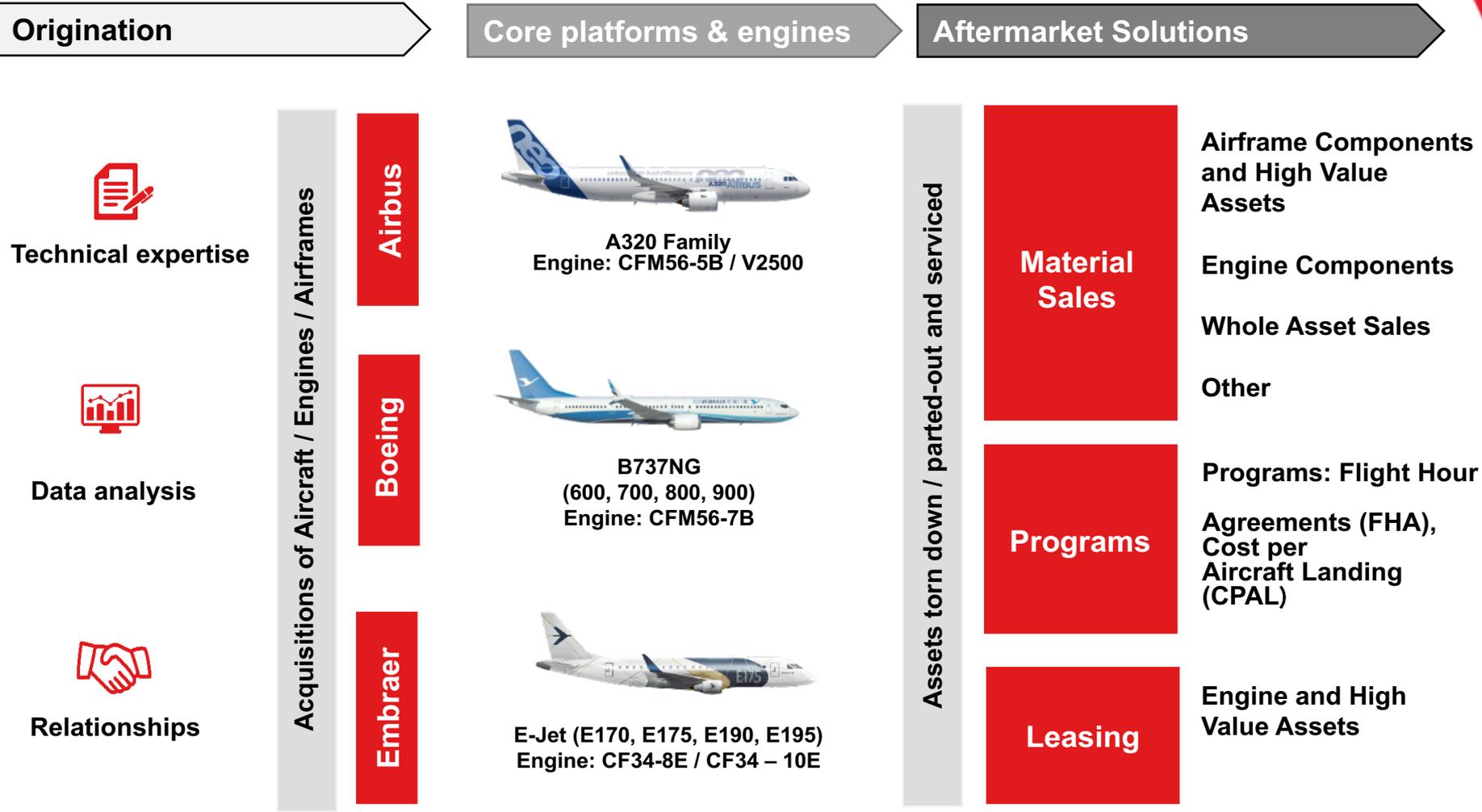
Chris Hooley
Director Airframe
Division



Nick Filce
Director Asset Sales
& MRO

- ▶ **Extensive industry experience** within the aviation aftermarket sector
- ▶ **Proven track record of growth**
- ▶ **Highly focused on technical excellence**
- ▶ **Supported by engineering heritage and skill set**
- ▶ **Highly collaborative team culture** across all business streams

Focused in what we do



AerFin – a leading aftermarket services provider



A leading technical team with strong **airline, MRO, lessor** and **Original Equipment Manufacturer (OEM)** relationships.



Strengths in inventory management systems, technical expertise and Big Data driving Investment decision making.



Supplier of **Used Serviceable Material (USM)** providing **cost-effective aftermarket solutions**.



Focussed on **narrow-body** and regional jets with long lives and high utilisation driving **long-term demand for cost-effective spares**.



An approved supplier to over **300 airline operators** globally 415 customers across 62 countries.

Consolidation and OEM aftermarket

- Evidence that a number of well established organisations are struggling and either have, or will go out of business or be sold off / bought out.
- Many larger (>\$150m) parts entities have all acquired or developed an associated MRO subsidiary to broaden and diversify their investment as well as having secured lower cost funding typically through new shareholder structures.
- OEM aftermarket share and product life cycle programs are increasing (not just engines) – Honeywell, Moog, Rockwell Collins, Thales, Leibherr Messier Bugatti, Embraer, all very active in developing after market services and access to used serviceable material.
- Major MROs very active in the aftermarket acquiring engines for rebuild, teardown or lease; DMS, Lufthansa, MTU AFI/KLM
- Consolidation / M&A activity, CALC acquiring UAM, ELFC acquiring Industry Navigation, Kellstrom, GA Telesis, AAR all considering acquisitions
- UTC acquires Rockwell and Boeing acquires KLX in \$3.2Bn deal

“We continue to see global services as our biggest market growth opportunity”

Dennis Muilenburg CEO Boeing May 2018

A diverse and quality customer base

Deep relationships across the supply chain

Airlines



MRO



OEMs Parts & Spares



Lessors / Investors



400+ customers



Across 60+ countries



Preferred supplier status

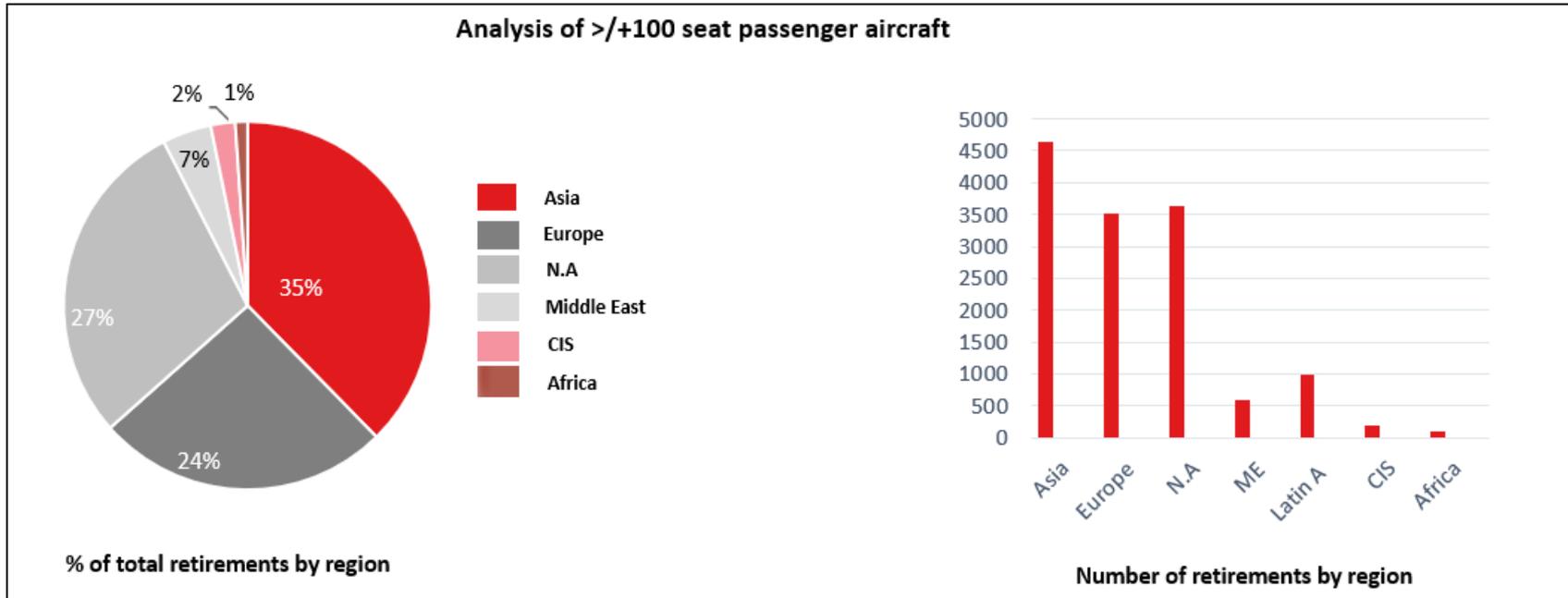


24/7 AOG support

Effective in maximizing our origination

Aircraft fleet retirements 2018 – 2037 (20yr)

13,000 passenger aircraft expected to be retired with a further 1,500 converted to freighter*



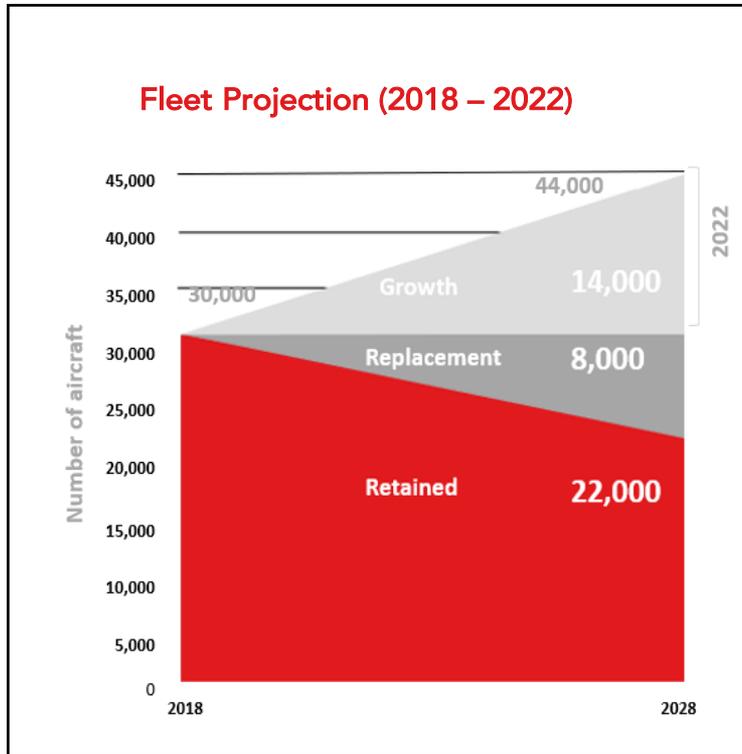
On average ~ 600 aircraft per annum are set to retire

Has this materialised in to opportunities?

Source: Averages of Airbus GMF2018 and Boeing CMO 2018*

Remaining competitive in an aggressive landscape

Peak retirements of 2007 – 2012 following the financial crisis driven by weaker demand environment, and higher fuel prices.



Source: Alton Consultancy

- The increase in aircraft retirements and low interest rates fostered a scramble of entrants to the teardown / part-out industry where barriers to entry were comparatively low for equity inventors.
- Lower fuel prices and a strong traffic growth environment contributed to slowdown in retirements rates.
- Infantile failures and new technology causing supply chain challenges on new aircraft deliveries (narrow-body and wide-body) have deferred retirements of many aircraft types.

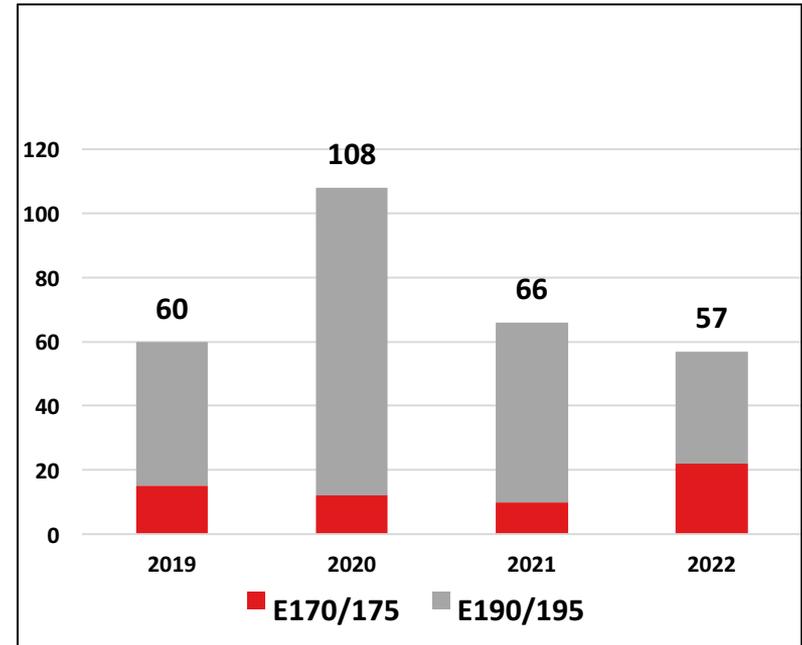
AerFin Origination – Summary 2018

- ▶ Effective origination is critical
- ▶ A need to “trawl” the market – ‘Dragnet fishing’ to find deals which fit the investment criteria, return requirements, key competencies and client base.
- ▶ Capital deployment to generate reasonable returns remains very challenging
- ▶ AerFin considered acquisition opportunities valued at \$2.8 Bn.
- ▶ £1.1Bn of transaction reviewed and modelled
- ▶ Transaction expected by year-end circa \$70m in FY 2018 – 2% Conversion Rate on our core products reflecting highly competitive landscape.

EJet - increasing market fragmentation

- Approx. 300 Embraer E-Jets scheduled transitions by 2022
- Various influencing factors:
- Next-Gen equipment (E2, A220, MRJ) starting to gain traction in the market.
- Airlines “Right-Sizing” aircraft to match route network requirements.
- Airlines looking to streamline fleets to manage operational costs.
- Ageing Fleet demographics, exacerbated by macro-economic issues (i.e. Fuel, FX, Yield Pressures)

Scheduled Embraer E170/190 E-Jet Transitions (2019 – 2022)



AerFin E170s “Right Sizing” the regional fleets

Positioning AerFin as the largest non OEM stockist of E-Jet inventory

- AerFin acquired a total quantity of x 15 E170 LR Aircraft – inclusive of 10 spare CF34-8 engines, CF34 engine facility tooling and equipment, test bed, all 170 line and base maintenance tooling and significant spares inventory spares.
- Technical records and logistics personnel located in Jeddah
- X 10 a/c flown out of country and a further x 5 a/c scheduled for disassembly in Jeddah
- Electronic records and documentation system implemented to manage aircraft record
- Extensive spares inventory being containerized.



AerFin well positioned to meet the needs to all EJet customers.

- EJet Components and APU Programs
- Wheels & Brakes, Nacelle Supply Programs
- Rotable Exchange Pool Access and Programs
- 24/7 access to Component Sale, Loan and Exchange Services
- Different pricing models (T&M, FHA, Fixed pricing, cost per Landing) available
- Placement of consignment stocks at Operational Maintenance Bases
- Repair cycle and vendor management
- Inventory planning and optimization
- Engineering services



BeyondPool™ Case Study

Pegas Fly (IKAR Airlines)

- ▶ IKAR launched its Embraer E190 operations in early 2018 to support its expanding network.
- ▶ Required a turn-key cost-effective component solution which could adequately support the operational requirements of its fleet of 7 x E190 aircraft.
- ▶ After a through tender process, IKAR selected AerFin's BeyondPool™ component program based on the quality and flexibility of service coupled with its cost-effective price point.
- ▶ IKAR Airlines now able to outsource its maintenance requirements at fixed-cost, ensuring predictable cashflow and alleviated resource constraints.





**Whenever and wherever you fly, our inventory will be there
to support you**