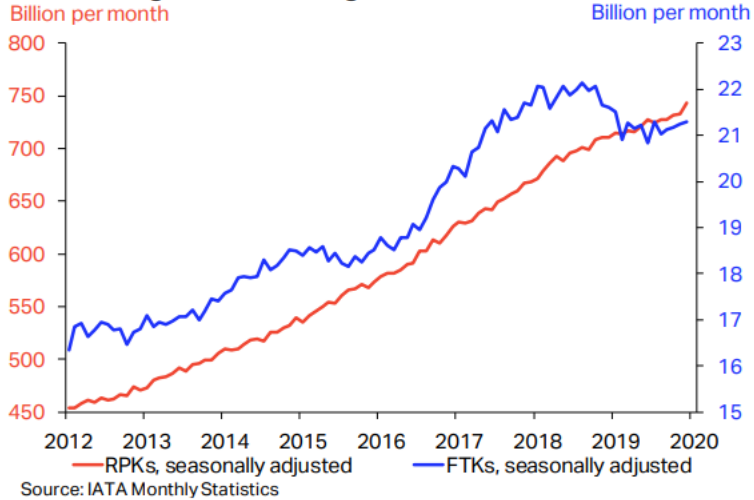


Investing in Aviation

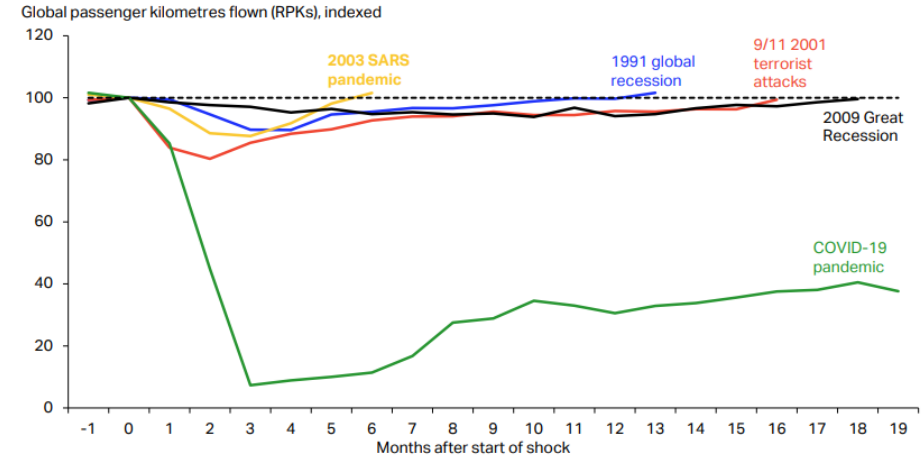
From sub-investment-grade equity to investment-grade cash flows

Aviation is a growing industry, but airlines are weak credits

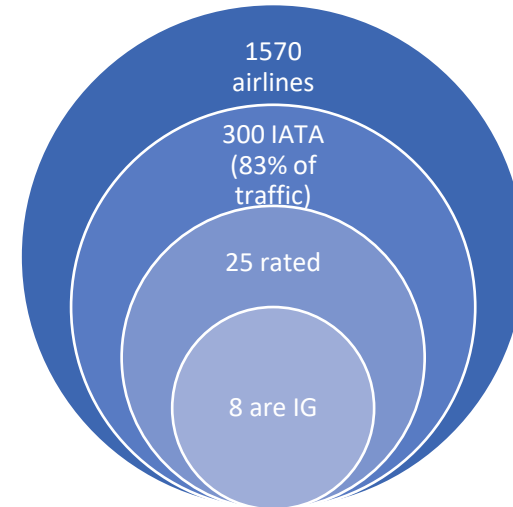
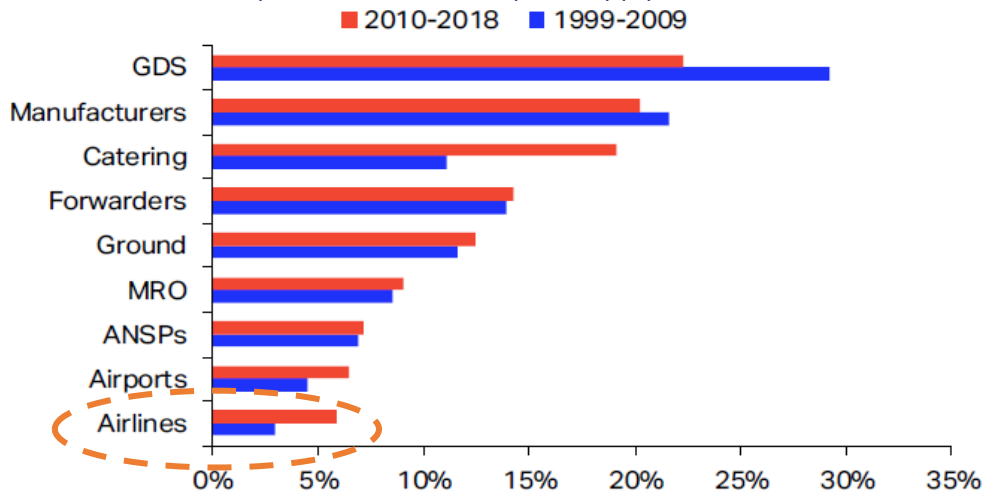
Air Passenger and Air Freight Volumes



COVID-19 is the biggest and longest shock to hit aviation
Previous shocks cut 5-20% from RPKs and recovered after 6-18 months



Return on Capital across Air Transport Supply Chain 1999-2018



Source: IATA, S&P, Moodys and Fitch, Sept 2022 / January 2023 Highest rating from 3 agencies used to determine ranking

February 1, 2023

VALUEx Klosters 2023
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Aircraft as the (underlying) asset

- As of 2019 there were +22,500 commercial aircraft in service (Ascend)
- Aircraft expected life is limited by maintenance and regulatory requirements, expected 25 years
- Expected demand for aircraft in the next 20 years is approx. 39,000 aircraft (Airbus, Boeing)
- In financing terms, the value of those aircraft is \$7.2 *trillion* (Boeing)
- How are airlines going to finance those aircraft considering their low ROIC?

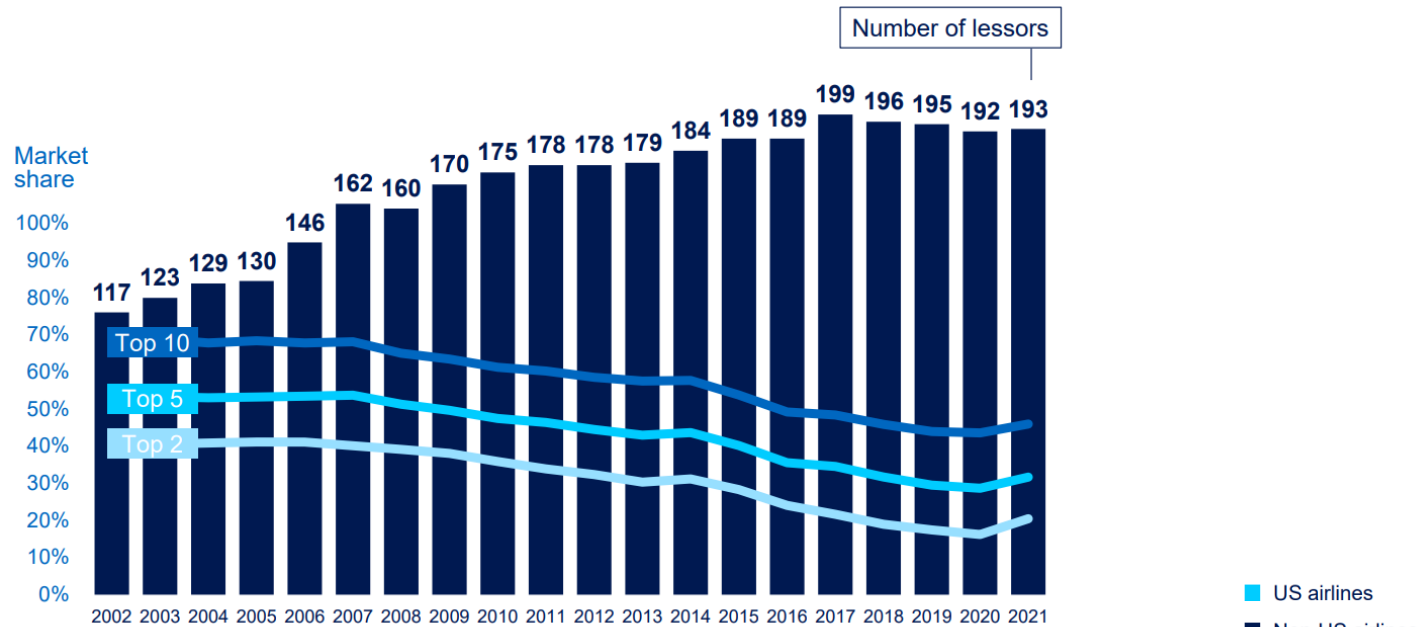
Sources of aircraft financing:

	2017	2018	2019	2020	2021
Credit Enhanced	1%	2%	2%	2%	1%
Manufacturer	1%	0%	1%	1%	0%
Sale Leaseback	20%	11%	24%	21%	29%
Cash	21%	23%	22%	29%	26%
Capital Markets	19%	25%	19%	16%	20%
Bank Debt	34%	35%	28%	20%	15%
Export Credit	4%	4%	4%	11%	9%
Total Revenue USD billions	\$122	\$126	\$98	\$59	\$64

Source: Boeing CAFMO 2020

Investment opportunities via capital markets

1. LEASING COMPANIES

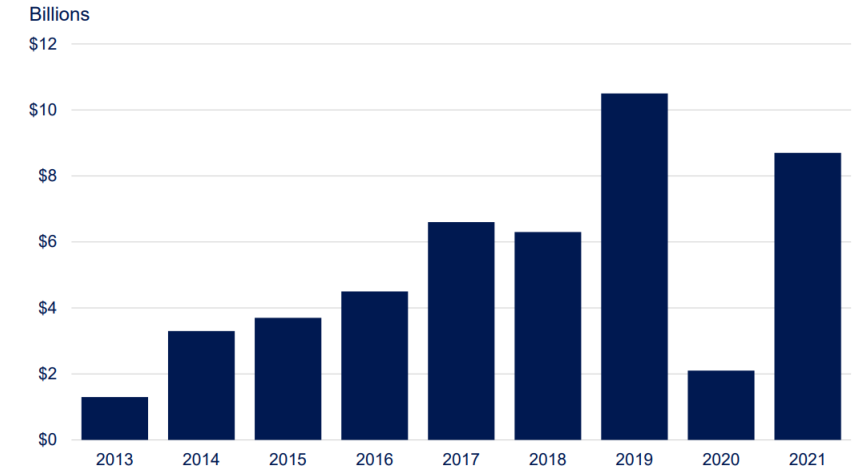


Source: Ascend, Boeing CAFMO 2020

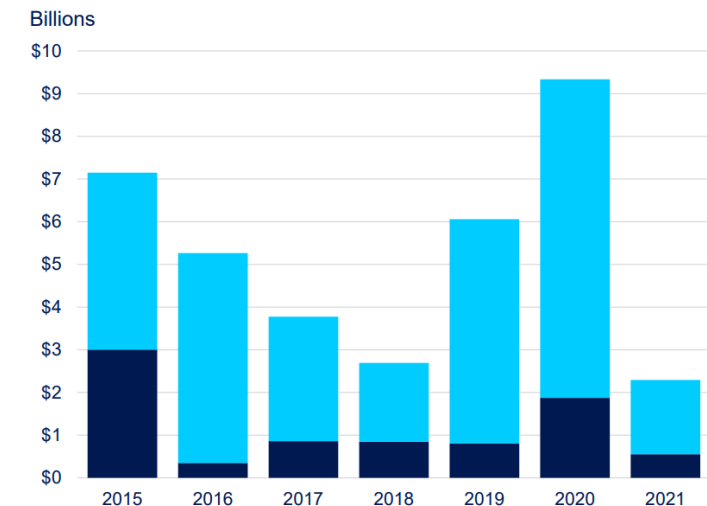
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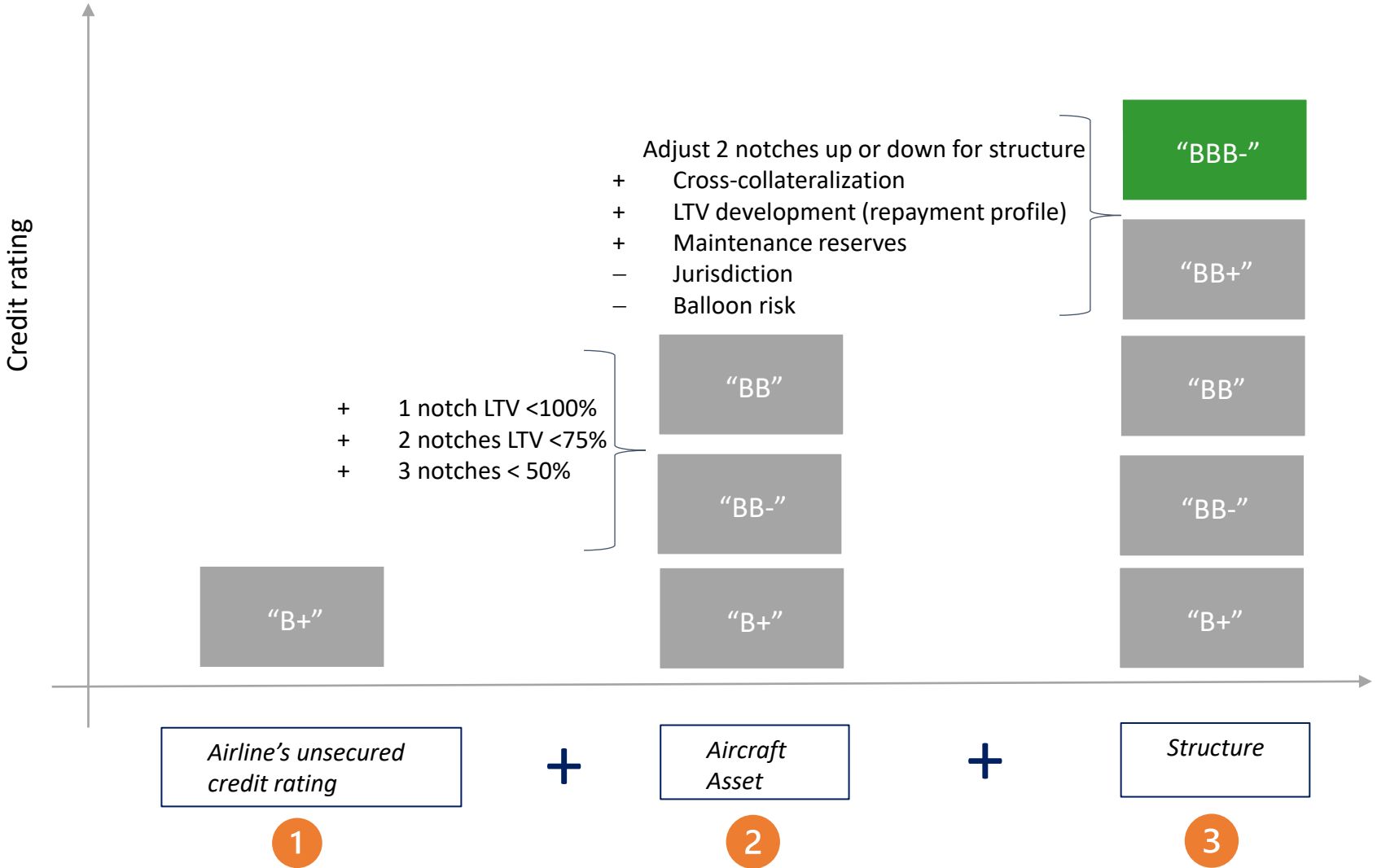
2. ABS (Aircraft Backed Securitisations)



3. EETC (Equipment Enhanced Trust Certificates)



Building up your margin of safety



Additional considerations and recap

	ABS	EETC
Issuer	Lessor	Airline
Nr of airlines	Several	One
Credit analysis	Complex (several)	One
Structure	Complex	Complex
Trading volume	Low-mid	Low
Issuer / investor alignment	Low	Mid-high

- Airlines are core to the aviation ecosystem but weak credits
- You can invest in the underlying asset (aircraft)
- Capital markets offer you both equity and debt asset types
- The best investment opportunities I have seen in aviation were distressed secured debt structures