



Aircraft Values and their Volatility

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What do we do?

Asset Valuation and Analysis

Technical Due Diligence and Inspection

Industry Investment Advisory

Securitization Analysis and Modeling

Restructuring Assistance

Aircraft Re-marketing



Who do we do this for?

Banks

Lessors

Institutional Investors

Alternative Investors

Governments

Airlines

Credit Committees

Law Firms

Outline



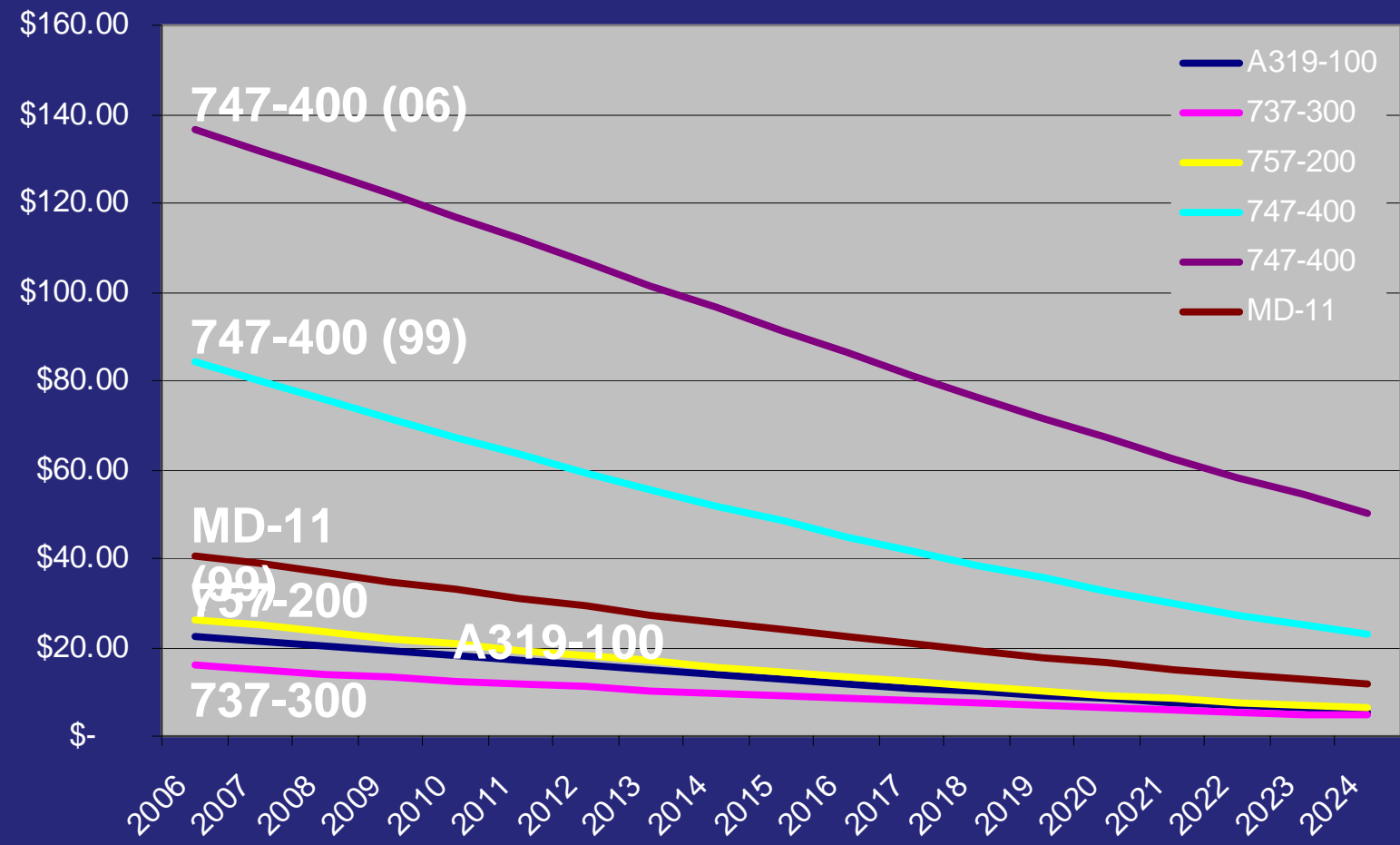
- Aircraft value depreciation
- Establishing values
- Current value trends
- Investing in aircraft – good and bad

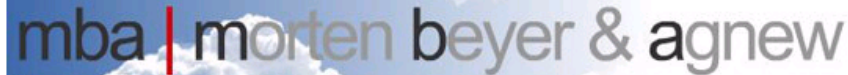
Value Depreciation



- Things to consider:
 - Narrowbody vs Widebody
 - In/out of operation
 - Age of aircraft
 - Aircraft position in manufacture cycle
 - Is the aircraft part of a family
 - Aircraft built for a specific purpose
 - Scope clauses, niche network
 - Afterlife...

Value Depreciation





mba homepage >>>

base value / current market price

Airbus Industrie A320-200

(Choose a different aircraft)

[Back to main menu](#)

[Graph current market price](#) | [Graph base value](#)

Show build years: from through
 Show base value for years: from 2006 through
 Book values inflation rate: %

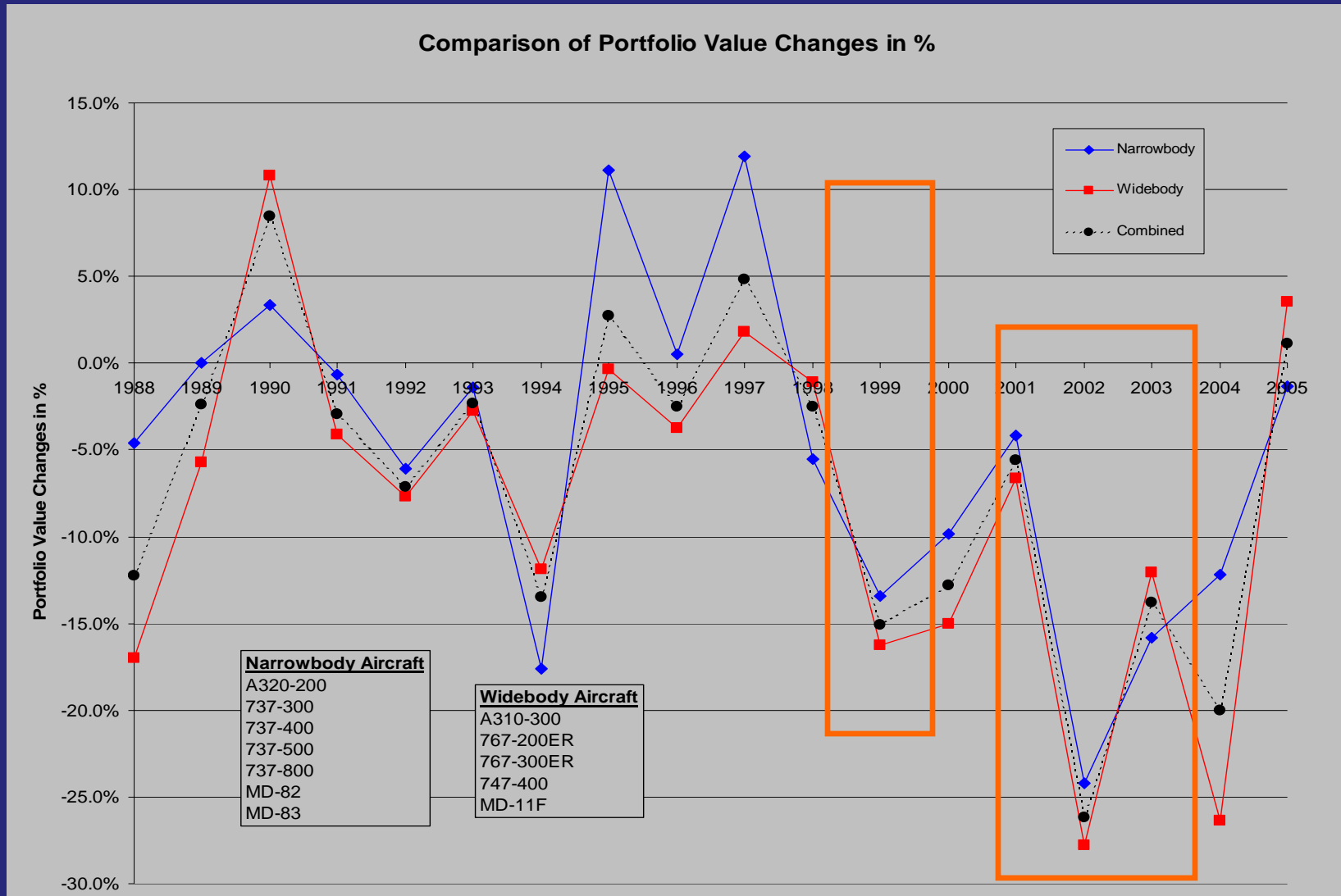
	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Select a build year below and enter a base value to calculate future values <input type="text" value="1988"/> Inflation: <input type="text" value="2"/> %
current market price (millions)																						
2006	12.00	12.76	13.56	14.41	15.32	16.28	17.29	19.02	20.46	22.01	23.68	25.48	27.41	29.71	32.08	34.44	37.05	39.86	42.90			
base value (millions) future values at 2% inflation																						
2006	12.00	12.88	13.82	14.84	15.93	17.09	18.35	19.69	21.14	22.69	24.35	26.14	28.06	30.11	32.32	34.69	37.24	39.97	42.90			
2007	11.02	11.87	12.77	13.75	14.81	15.94	17.16	18.47	19.89	21.41	23.05	24.81	26.71	28.75	30.95	33.32	35.87	38.62	41.57	43.76		
2008	10.10	10.90	11.77	12.71	13.72	14.82	16.00	17.27	18.65	20.14	21.74	23.48	25.35	27.37	29.55	31.91	34.46	37.20	40.17	42.41	44.63	
2009	9.22	9.98	10.81	11.71	12.68	13.73	14.87	16.10	17.44	18.89	20.45	22.15	23.99	25.98	28.14	30.47	33.00	35.73	38.70	40.97	43.25	
2010	8.39	9.12	9.90	10.76	11.68	12.69	13.78	14.97	16.26	17.66	19.18	20.84	22.63	24.59	26.70	29.01	31.51	34.22	37.17	39.47	41.79	
2011	7.62	8.30	9.04	9.85	10.73	11.69	12.74	13.88	15.12	16.47	17.94	19.54	21.29	23.20	25.27	27.53	29.99	32.67	35.60	37.91	40.26	
2012	6.89	7.53	8.23	8.99	9.83	10.74	11.73	12.82	14.01	15.31	16.73	18.28	19.97	21.82	23.84	26.05	28.47	31.10	33.99	36.31	38.67	

Establishing Values

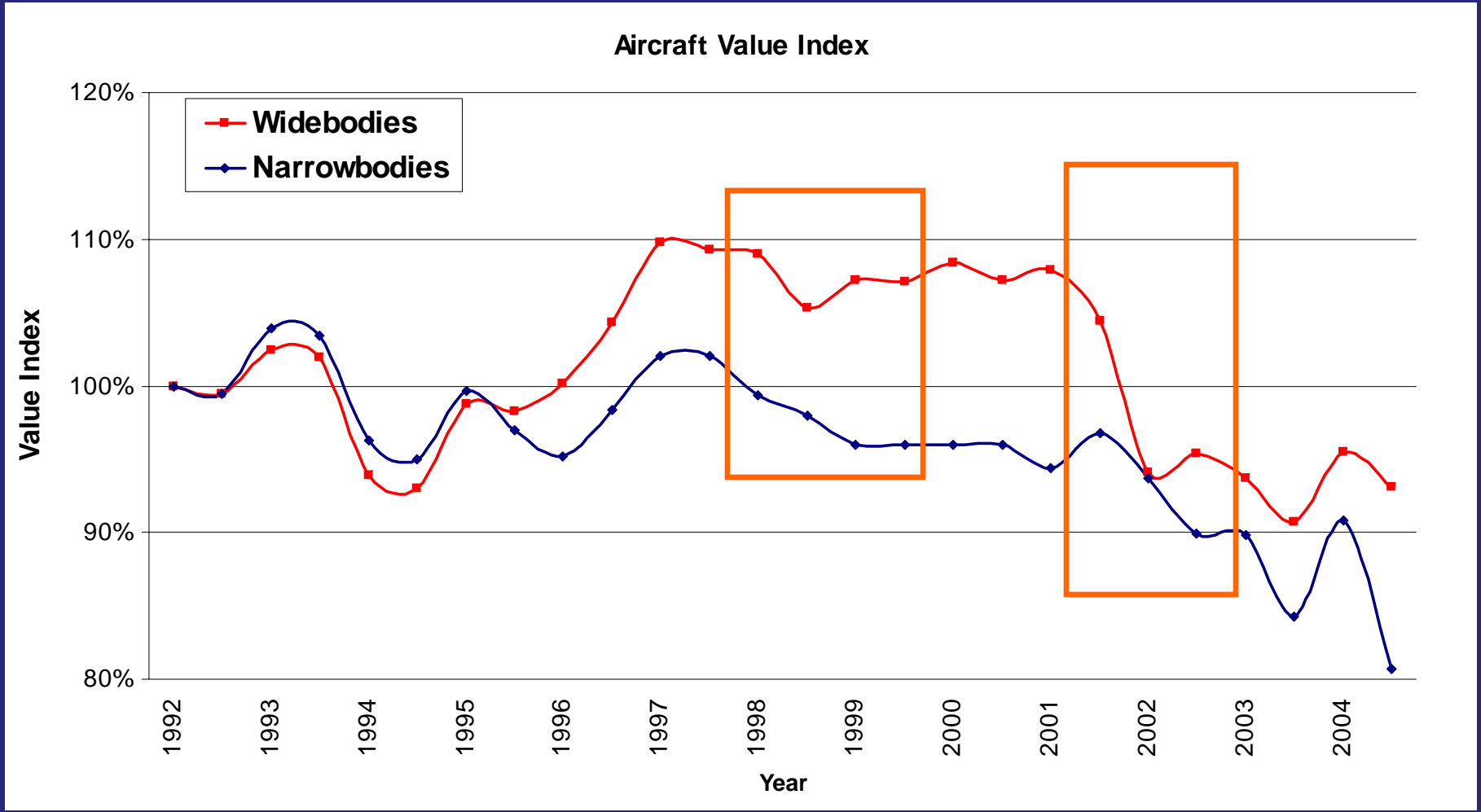
after a cataclysmic event



- Assessing the position of the cycle
- Historical values
- Position of the aircraft within its cycle
- Aircraft type
- Operator strategy
 - Accelerating retirements
 - Rationalizing fleet
- Geographical disparity
 - Europe/North America/Asia



Value Volatility



Source: MBA *Future Aircraft Values*

Current Trends



- Narrowbodies remain strong – but not all
- Intermediate widebodies continue to strengthen, lack of alternatives
- Large widebodies – small resurgence?
- Where is the Regional Jet?
- Turboprops?

Investing in Aircraft

Good and Bad



- Aircraft type -
Widebody/Narrowbody
- Number of engines/types
- In/out of production
- Future residual assumptions
- Operator
- Lease rental stream
- Current condition
- Older aircraft dependent on condition
- Who is managing this asset?

Investing in Aircraft

Good and Bad



- Is the aircraft at the bottom of the cycle? How low can it go?
- Lease market or a purchase market?
- Will it be obsolete in the short term?
 - Technically/Environmentally
- How is this aircraft used?
- Niche type?

Summary



- Values for aircraft do not all move in tandem
- Larger aircraft are more volatile
- Look for aircraft with the greatest amount of operational flexibility
- Know the bottom of the market
- Know your technical exposure

Thank You



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