

# Aircraft Valuation Outlook “Skeptical Optimism”

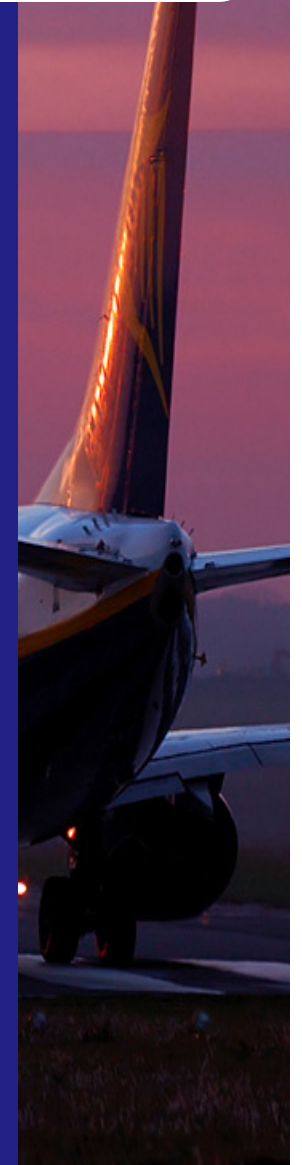
Bryson P. Monteleone  
Morten Beyer & Agnew  
March 21, 2007

JP Morgan  
Aviation and Transportation Conference



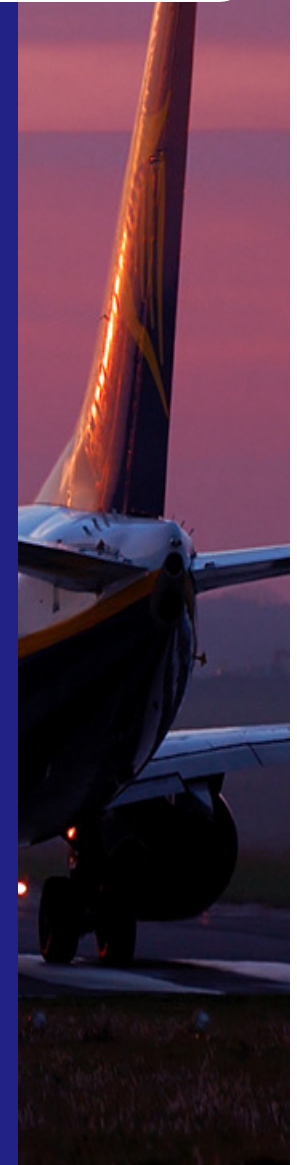
# Outline

- The Big Picture
- Key Markets
- Lease Rates/Values
- Outlook

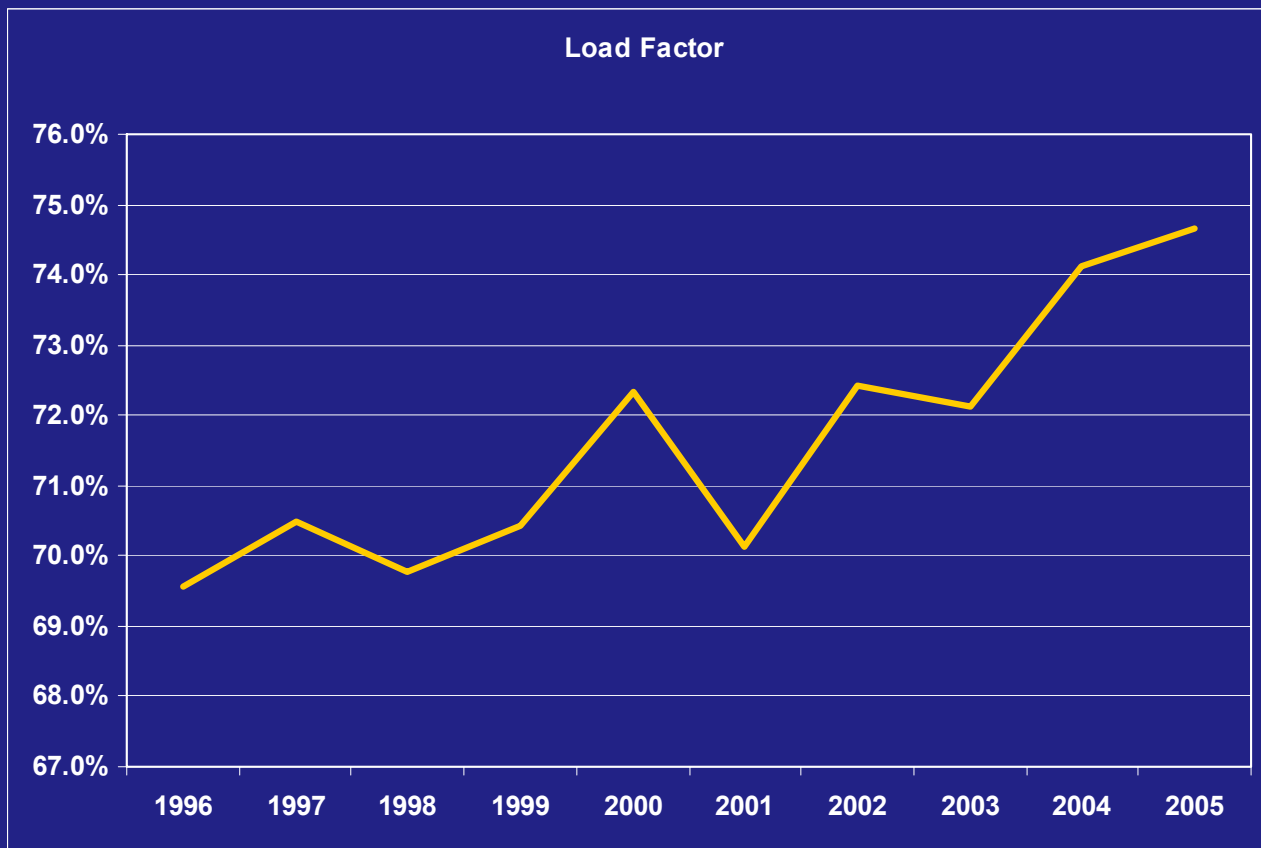


# The Big Picture

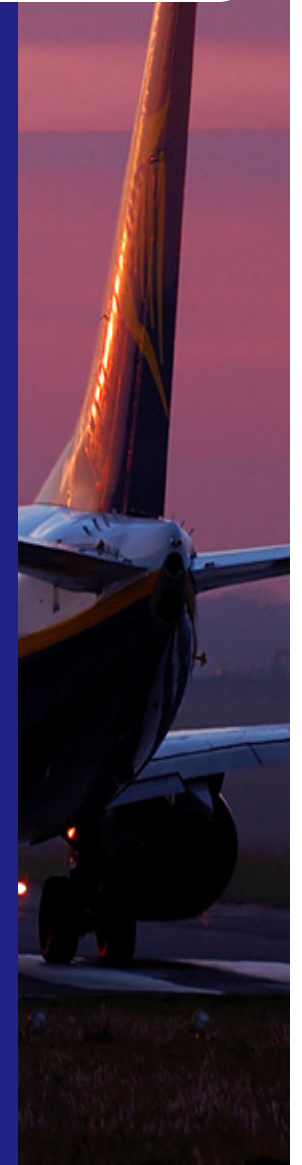
- The Cycle: Who to believe?
  - Manufacturers?
  - Industry Experts/Analysts
  - Who is buying, who is selling....
- Measurable Parameters
  - Airline performance
    - Yields
    - Load Factors
    - Profits
  - Orders vs. Deliveries
  - Aircraft values/lease rates
  - Stored aircraft



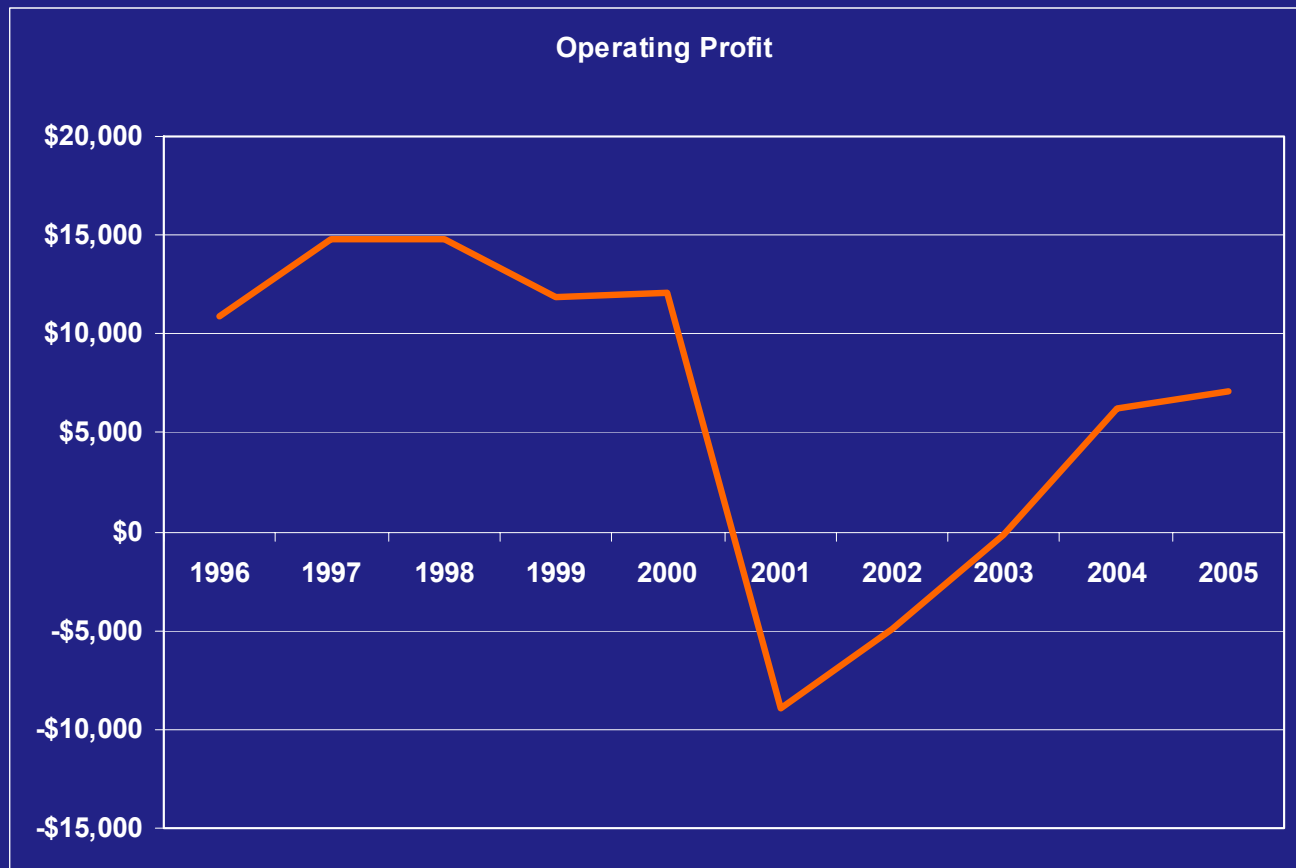
# Industry Load Factor



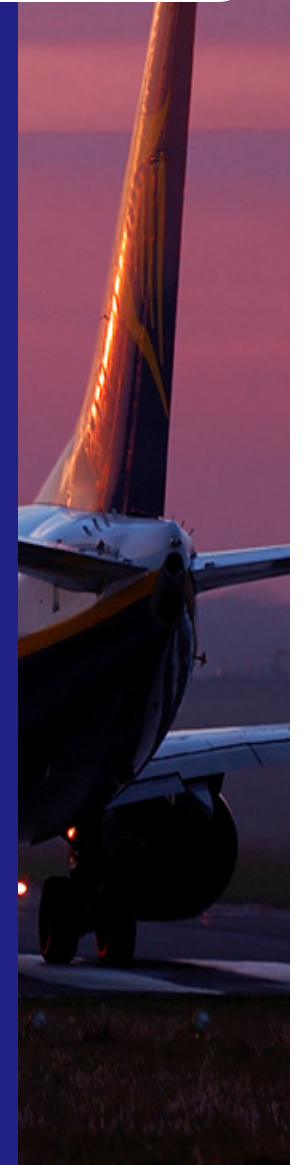
Source: Airline Monitor October 2006



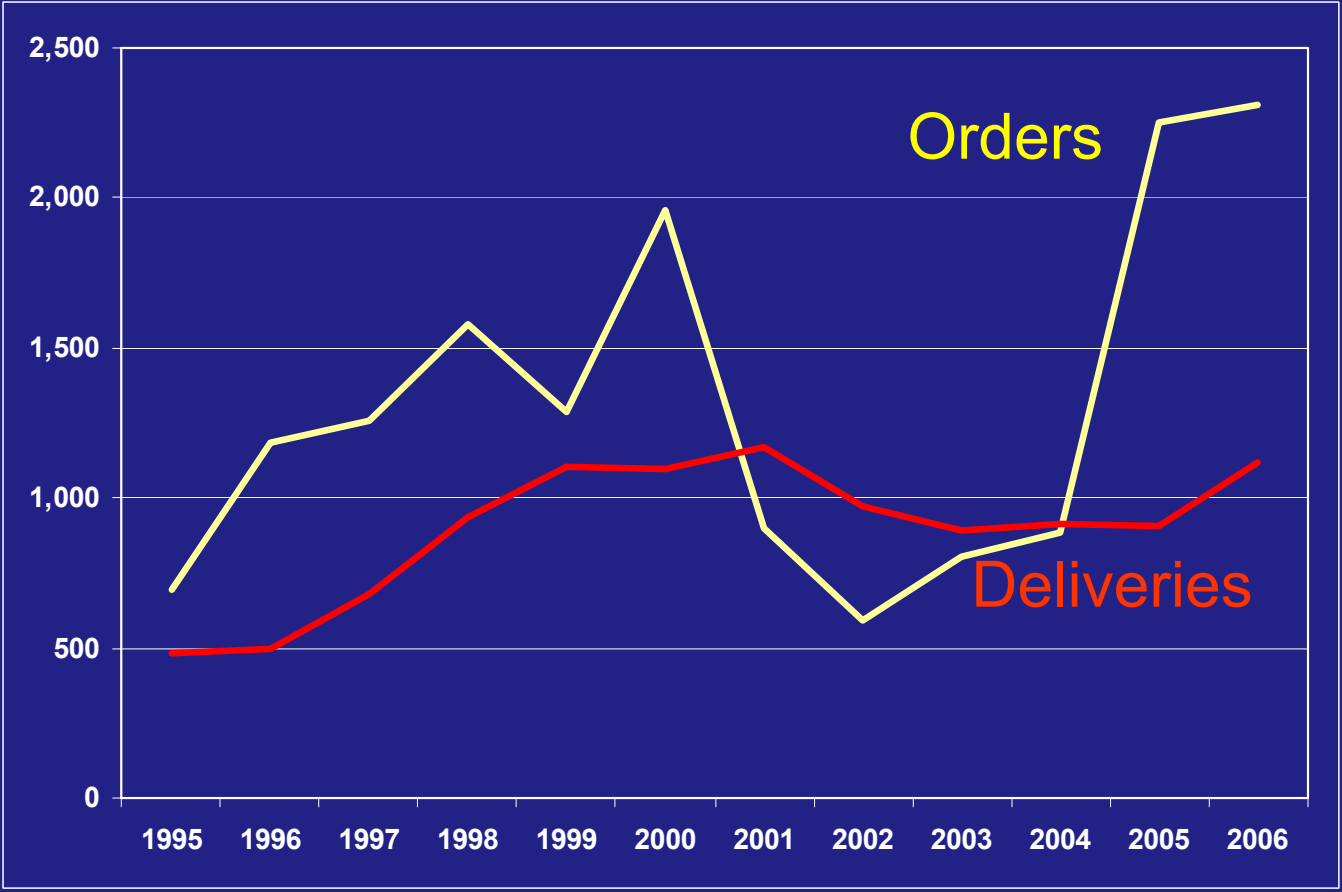
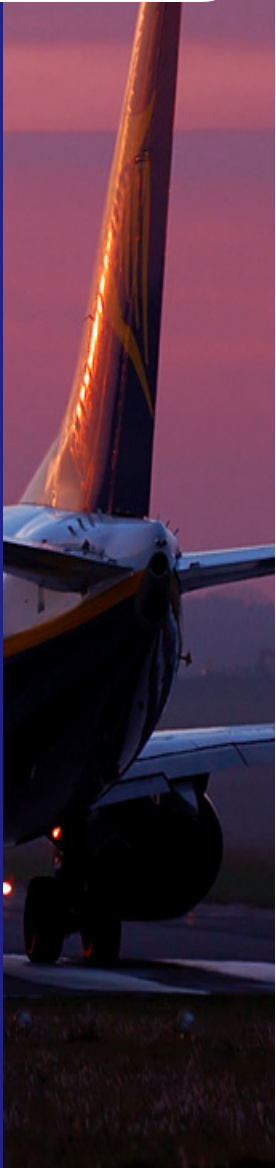
# Operating Profit (Loss)



Source: Airline Monitor October 2006



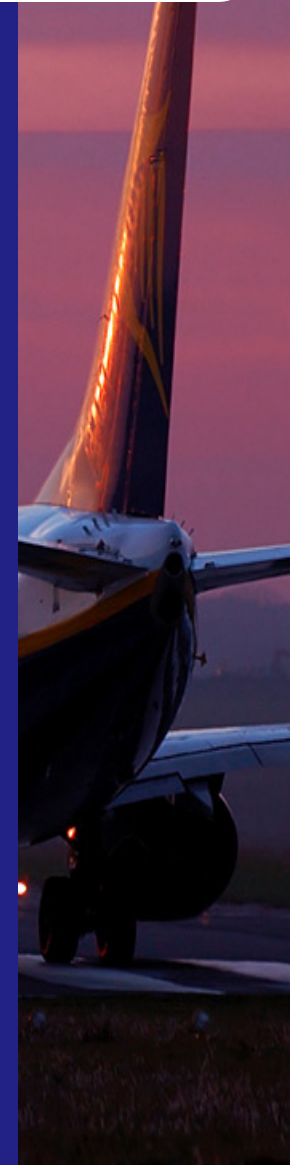
# Orders vs. Deliveries Industry (Boeing & Airbus)



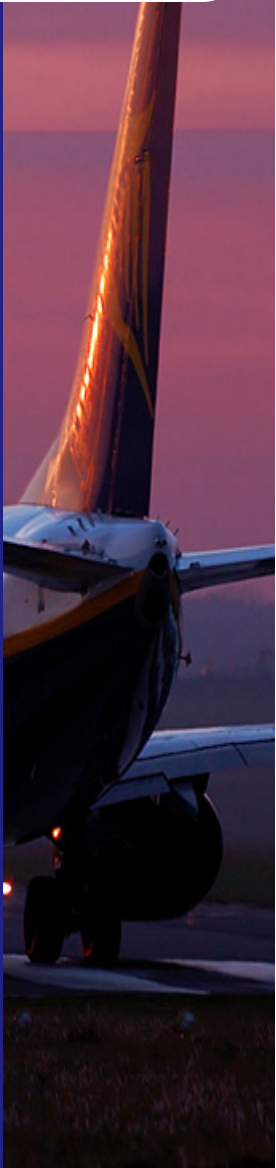
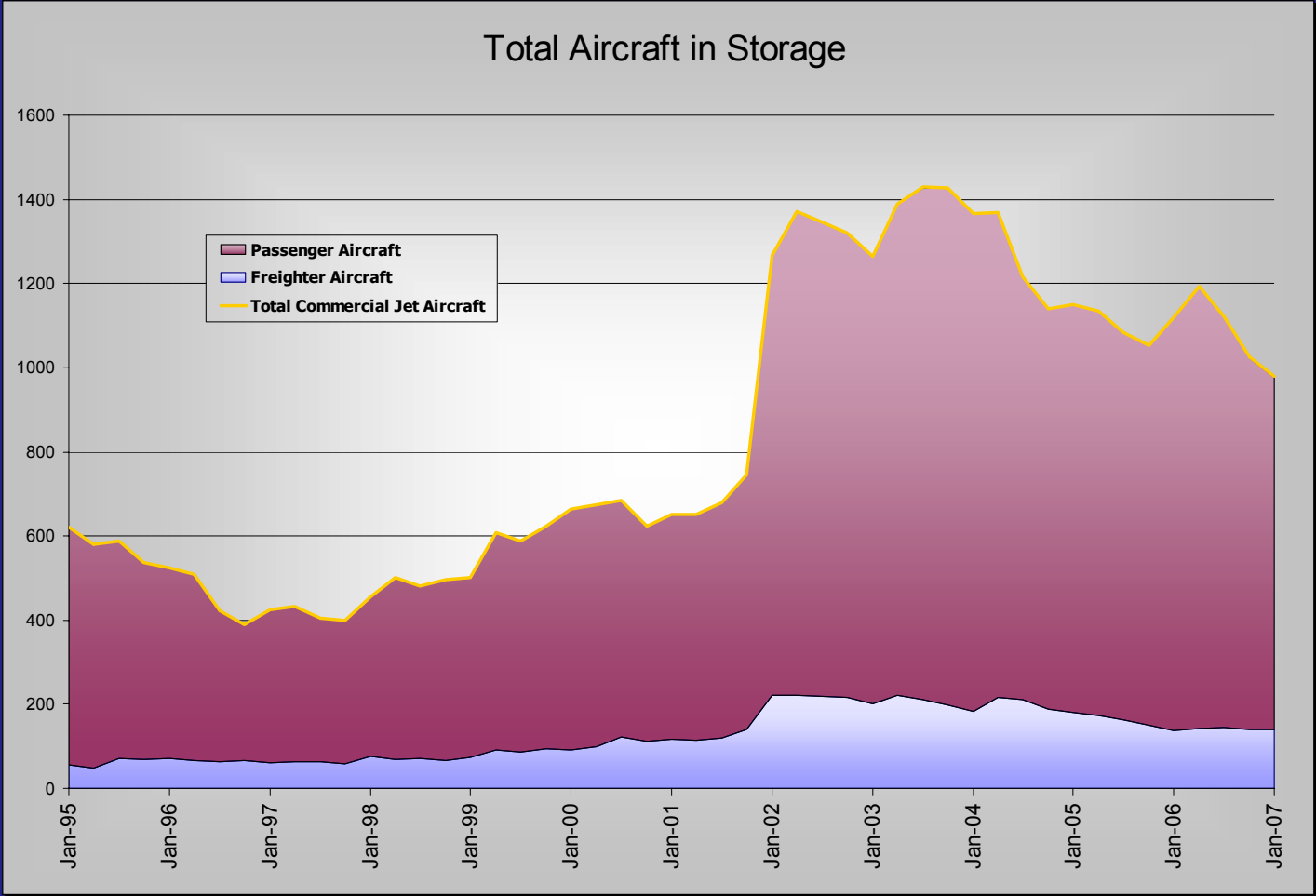
# Industry Yield



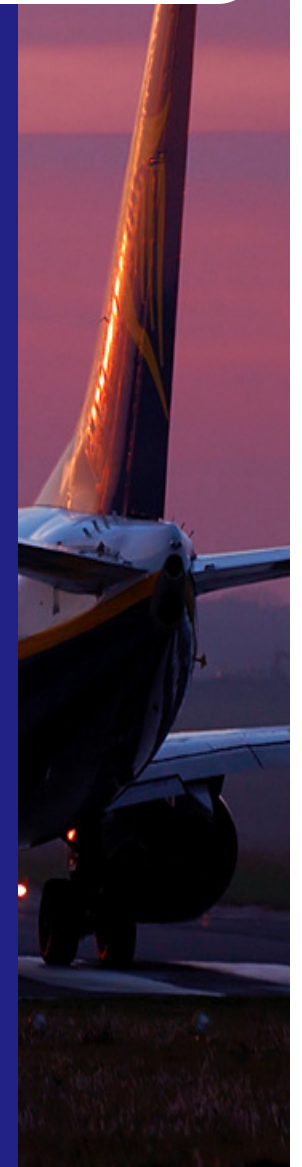
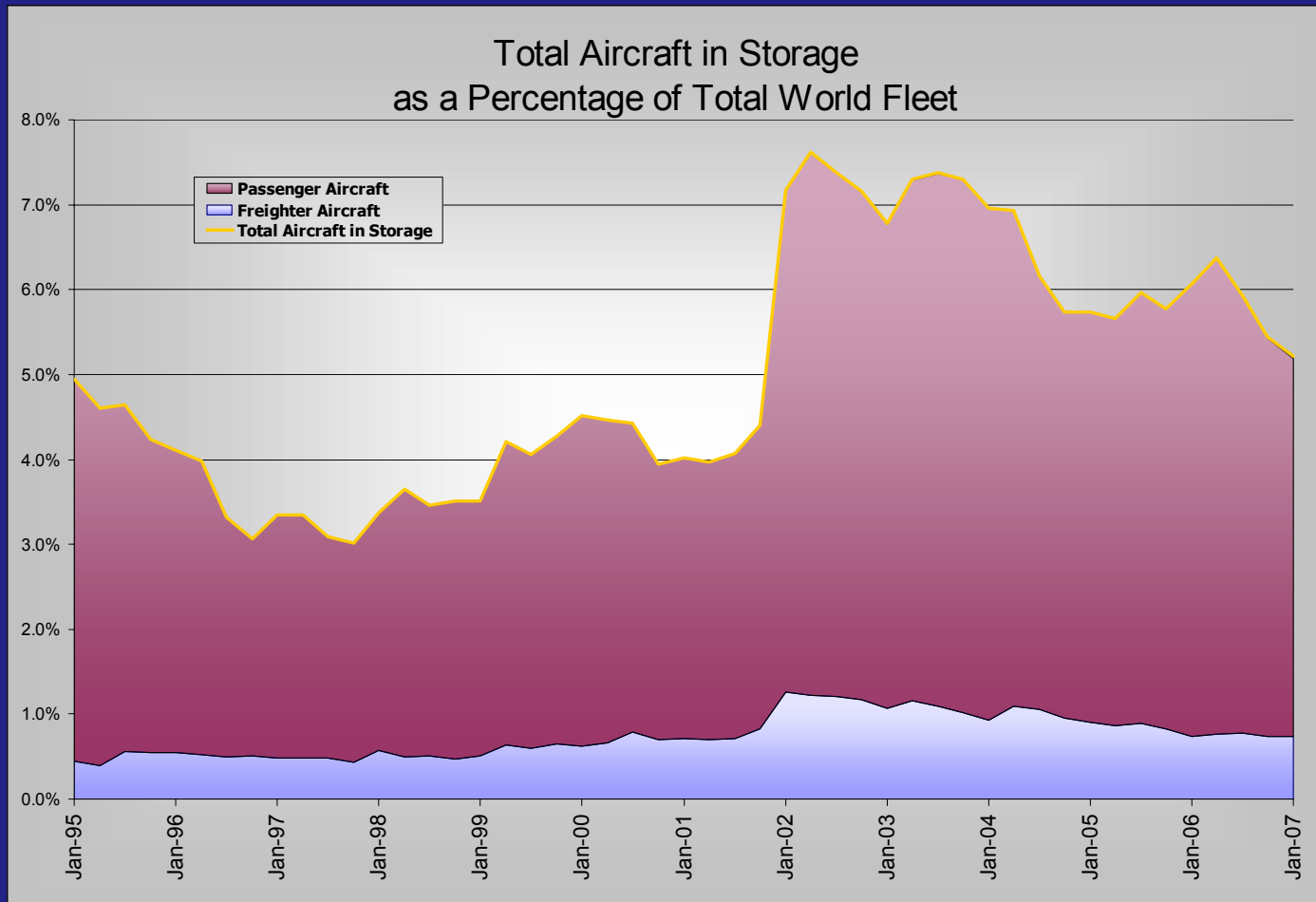
Source: Airline Monitor October 2006



# Stored Aircraft



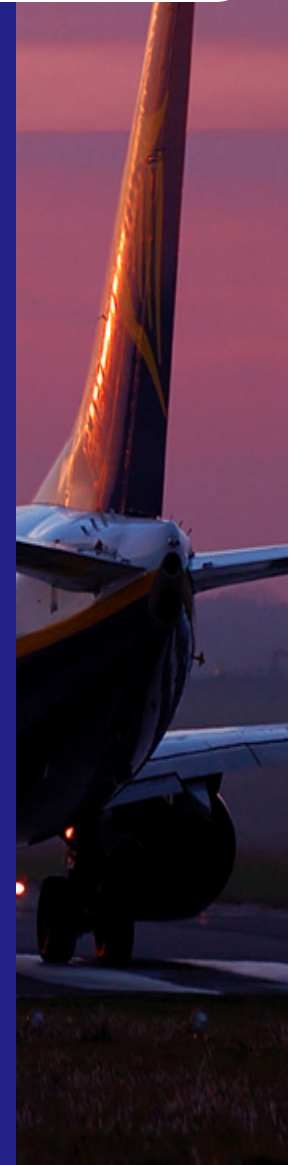
# Stored Aircraft



# What can we expect?

A few pages from our history books....

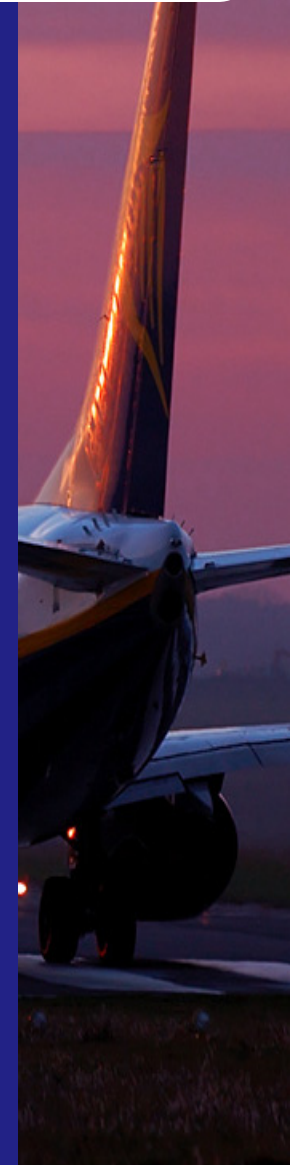
- Carriers emerging from Bankruptcy protection
- Aircraft being delivered in times of distress
- Overcapacity in the market, declining yields
  - Open Skies?
- Rush to liquidate portfolios, and sell aircraft
- Increase in parked/stored aircraft
- Exodus of funding sources – banks, capital markets
- De-rating of securitized portfolios by rating agencies
  
- Just to name a few....



# Key Aircraft Markets

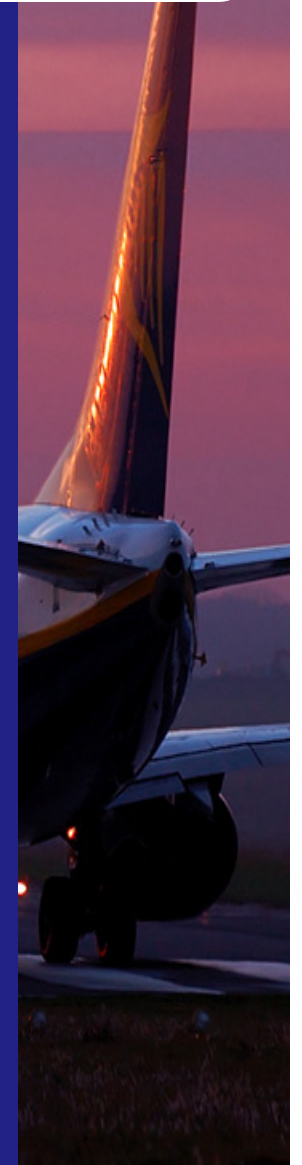
## New Aircraft Types

- Airbus
  - A380
  - A350XWB
  - The New Airbus Narrowbody...
- Boeing
  - 748-8i
  - 787 Dreamliner
  - The New Boeing Narrowbody
- Bombardier
  - CRJ-1000
  - C-Series, will it ever happen?
- Embraer
  - What is next?
- Cargo Aircraft
  - 777F
  - A330F
  - A380F



# Lease Rates/Values

- Increase in Market Values 3-6% for most aircraft types
- Widebodies seeing the biggest upside
- Narrowbody aircraft values strong, older aircraft continue to stabilize
- Some markets remain weird – 757s, 747s
- Missing market segments
  - Airbus: Larger Widebody
  - Boeing: Larger Narrowbody



# Lease Rates



## future lease rate calculator

Airbus Industrie A320-200

(Choose a different aircraft)

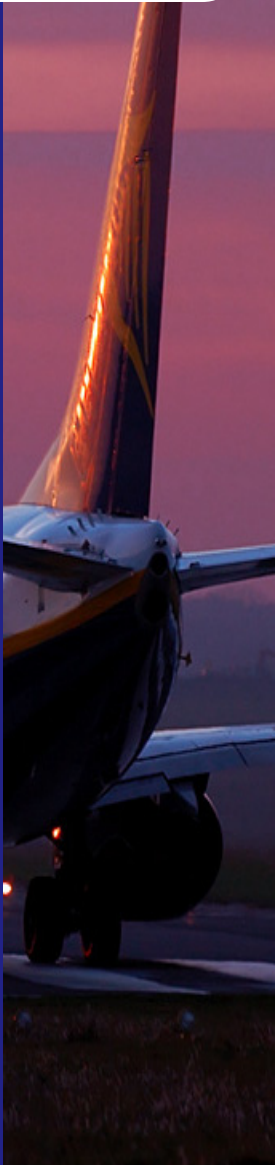
[Back to main menu](#)

Build year:	<input type="text" value="2005"/>
Build month:	<input type="text" value="January"/>
Engine type:	<input type="text" value="CFM56-5B"/>
MGTOW (lbs):	<input type="text" value="165000"/>
Calculate lease rates for years through:	<input type="text" value="2027"/>
Inflation rate:	<input type="text" value="2"/> %
Lease Rate Type:	<input checked="" type="radio"/> Calculate lease rates using base values <input type="radio"/> Calculate lease rates using current market prices
Economic Cycle Settings:	<input checked="" type="radio"/> Don't use forecasted economic conditions to adjust lease rates <input type="radio"/> Adjust lease rates using economic cycle settings below
Economic Cycle Start Date:	<input type="text" value="January"/> <input type="text" value="2005"/>
Economic Cycle Initial State:	<input type="text" value="Improving"/>
Economic Cycle Duration:	<input type="text" value="10"/> years <small>This is the time it takes for the economy to progress through all 4 stages (peak, declining, trough, improving). Each stage will last for one quarter of the economic cycle duration.</small>
<b>Lease Collections Rate</b>	
Economic State	% of Total
Peak:	<input type="text" value="100"/> %
Improving/Declining:	<input type="text" value="95"/> %
Trough:	<input type="text" value="90"/> %

Please [read the disclaimer](#) below before using this tool.

[Adjust settings](#)

- Premium for leasing
- Avoiding residual value exposure
- Return of the Operating Lease
- Not always a connection to a “Market Value”



# Lease Rates/Values

## Narrowbodies

	Current Market Values (\$mm)	Current Monthly Lease Rates
Airbus A319-100	18.59 – 37.00	200-325k
Airbus A320-200	12.65 – 44.20	150-385k
Airbus A321-200	25.73 – 51.75	225-400k
<hr/>		
Boeing 737-700	25.07 – 39.15	275-400k
Boeing 737-800	30.36 – 46.35	285-425k
Boeing 737-900ER	54.00	n/a
Boeing 757-200*	5.80 – 38.66	100-450k

\* No longer in production



# Lease Rates/Values

## Widebodies

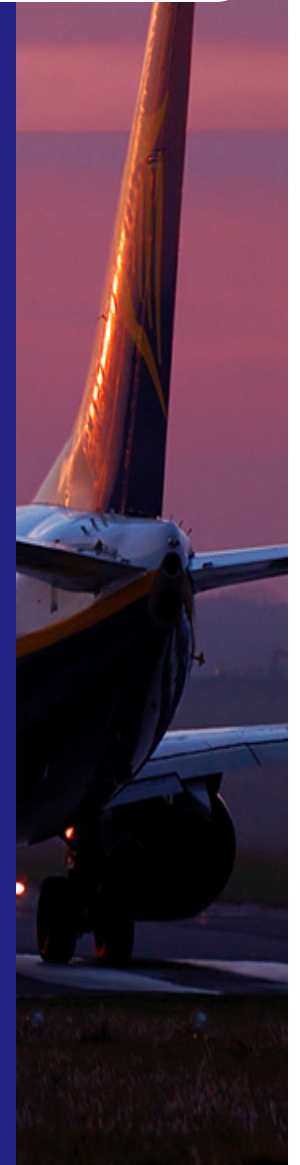
	Current Market Values (\$mm)	Current Lease Rates
Airbus A330-200	58.43 – 93.80	500-875k
Airbus A330-300	47.74 – 104.00	450-900k
Airbus A340-300	35.70 – 96.00	400-950k
<hr/>		
Boeing 747-400*	37.40 – 128.98	450-1,100k
Boeing 767-300ER	22.14 – 74.50	350-650k
Boeing 777-200ER	75.08 – 126.70	650-1,150k
Boeing 777-300ER	128.30 – 151.15	950-1,300k

\* No longer in production



# Outlook

- The cycle will continue in stable/growth mode for the next 1-2 years minimum
- Freighter market feedstock will continue to be stressed
- Boeing 787 deliveries will alleviate some of the pressure
- Capital markets will be saturated with securitizations and IPOs
- Continued investment through start-up carriers/new entrants
- Broad spectrum of “tried” business plans – (Intl Low Cost, all Business Class, etc)
- Requirement for fleet replacement (AA, NWA)
- Low Cost alliances?
- More consolidation?
- Irrational pricing behavior



Thank You.

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