

Small Meeting: SMBC Aviation Capital
Chief Executive Officer: Peter Barrett

February 2018

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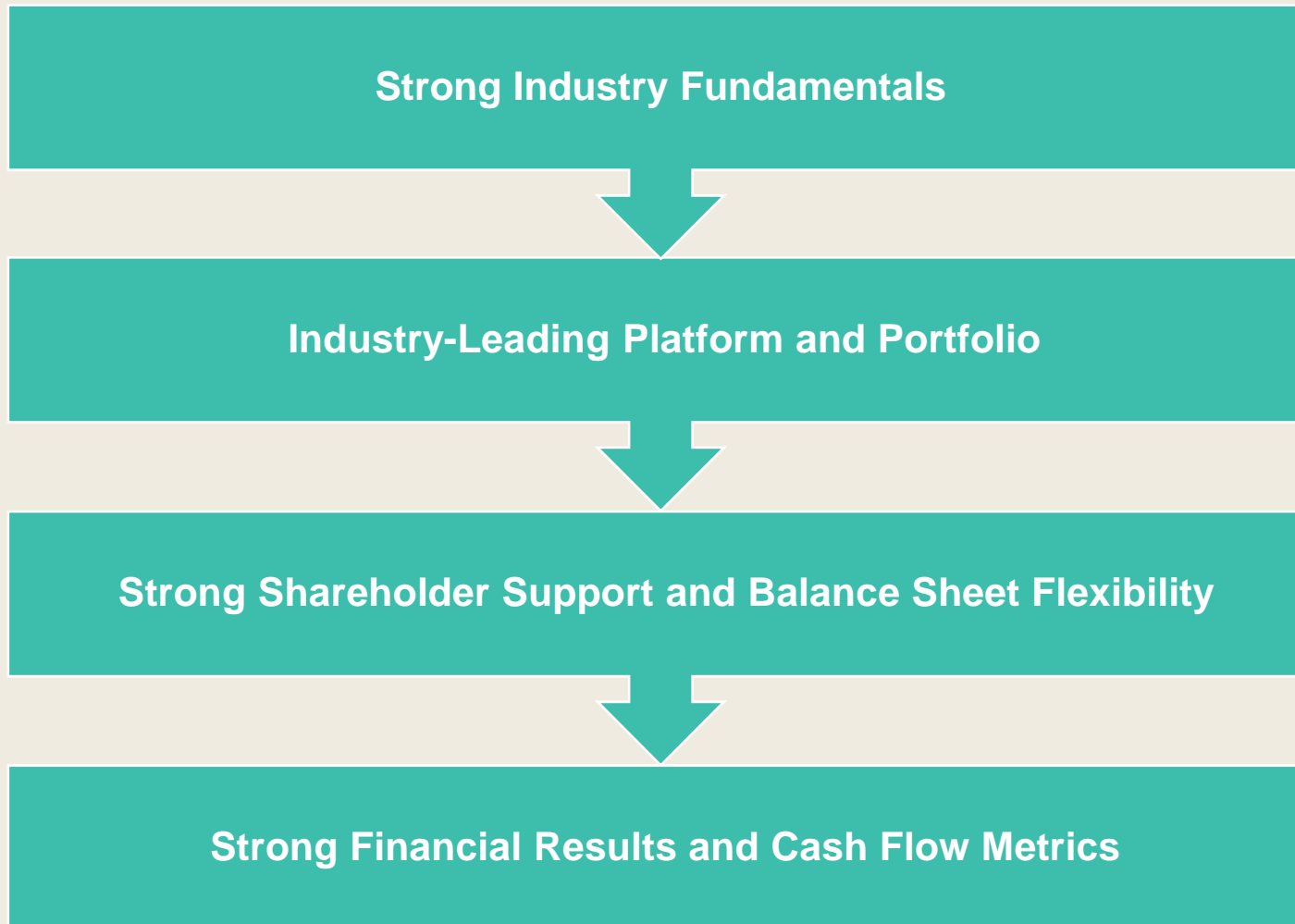
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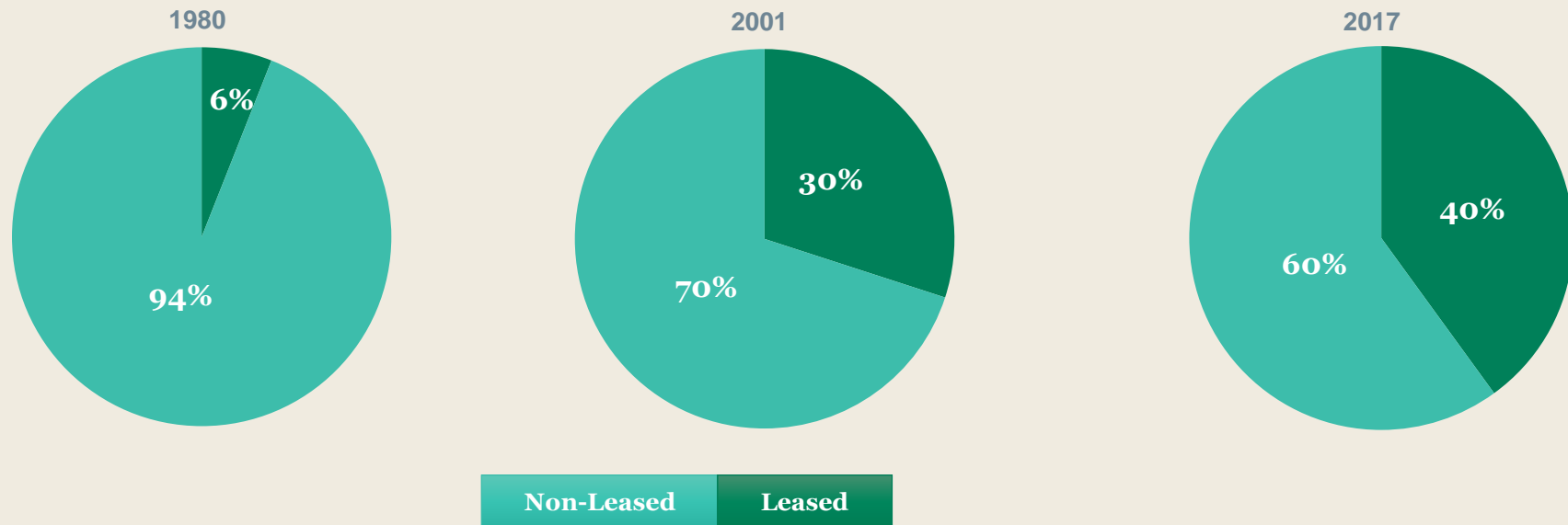


Industry Overview

Why Lease Aircraft?

- Fleet flexibility
- Remove residual value risk
- Conserve liquidity and debt capacity
- Faster access to aircraft

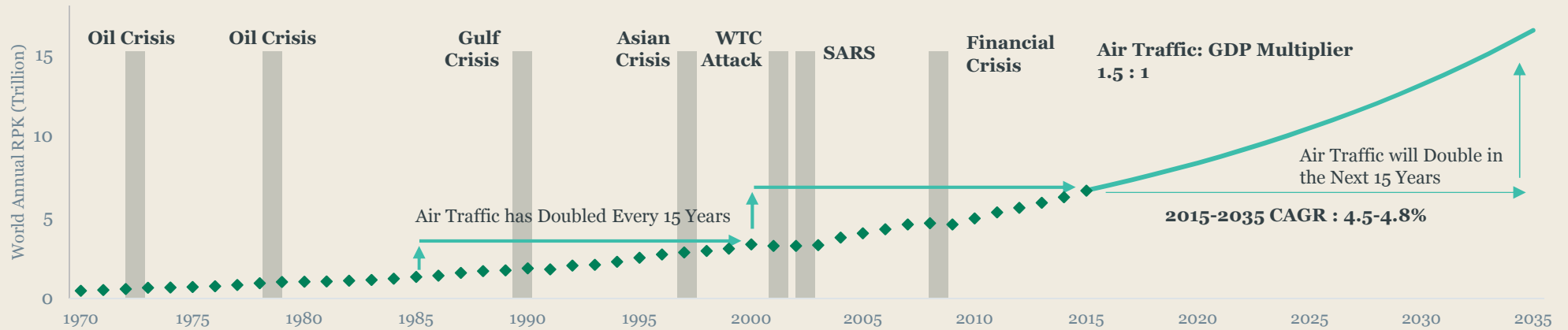
Lessor Share of World Fleet¹



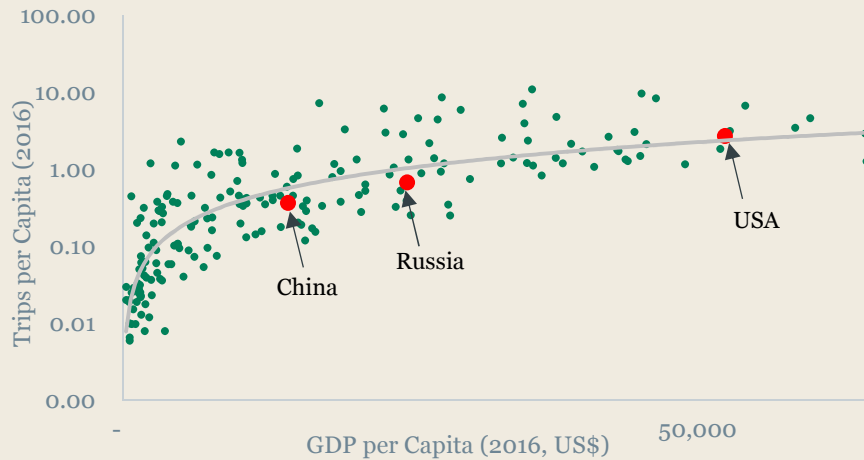
¹Ascend FlightFleets Analyzer (Western Built Jets, Regional Jets & Turboprops).

Strong Air Traffic Growth Underpins Demand for Aircraft

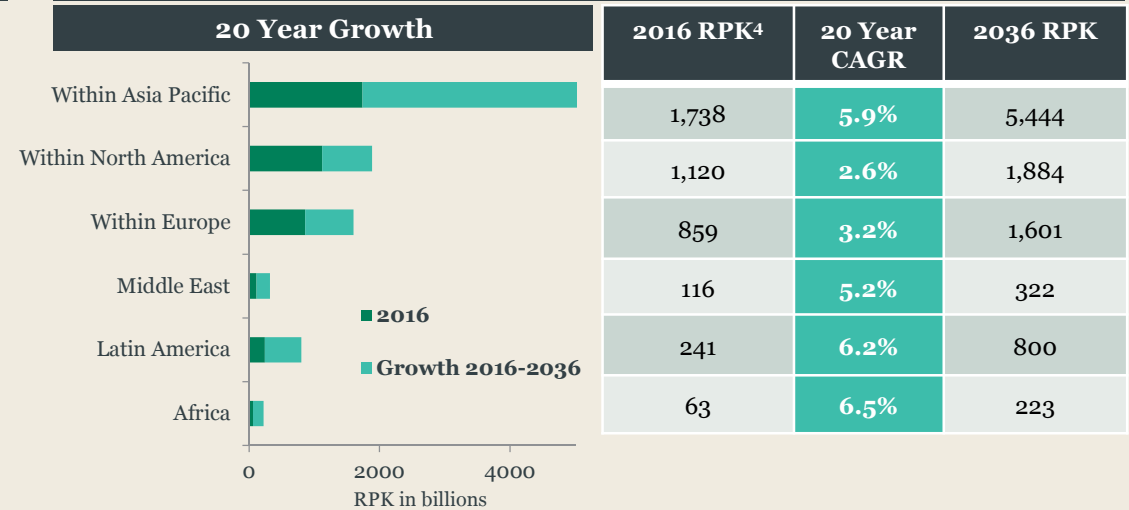
Annual Passenger Traffic¹



Increasing Wealth Drives Traffic Demand²

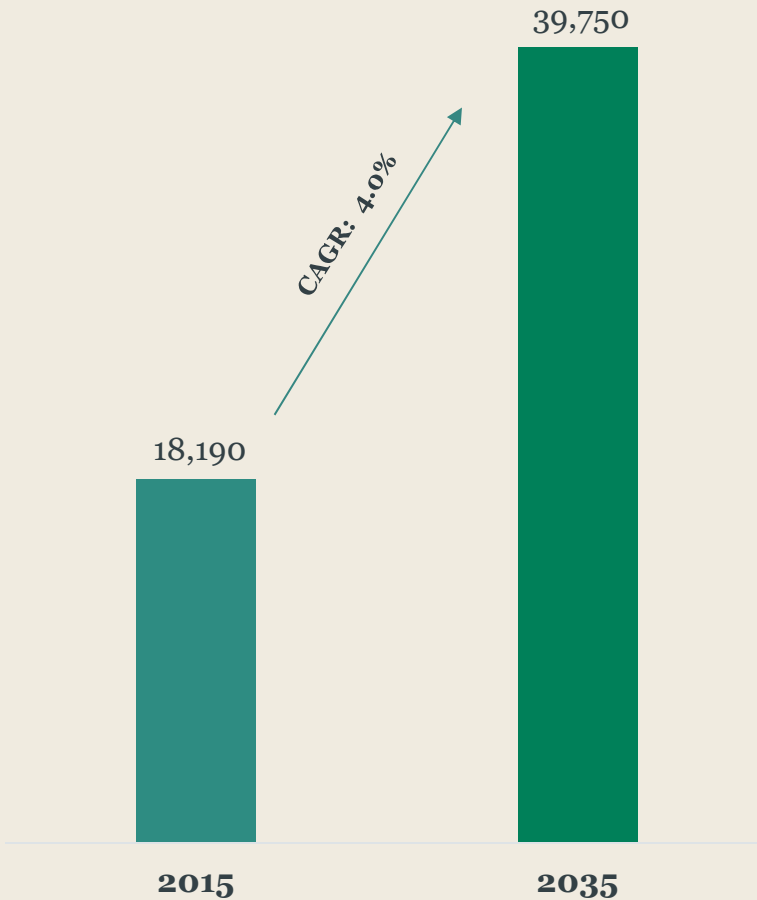


Traffic by Market³

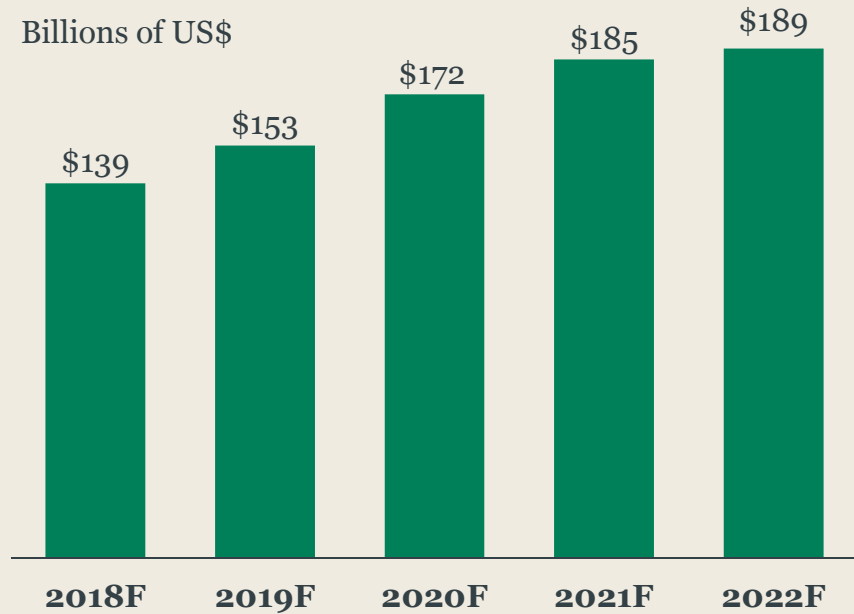


¹ Airbus Global Market Forecast 2016, ² Airbus Global Market Forecast 2017, ³ Boeing Current Market Outlook 2017, ⁴ RPK: Revenue Passenger Kilometres in billions

Narrowbody¹ and Widebody Passenger Fleet Evolution²



Financing Forecast for Global Commercial Aircraft³



~40% of the global fleet is owned by aircraft lessors⁴

¹Single aisle aircraft type excluding regional jets. ²Boeing Current Market Outlook 2016. ³Boeing Capital Corporation – relates to New Deliveries. ⁴Ascend.



Strategy Overview



**Leading
Market
Position**



**Focus on
Liquid Assets**



**Focus
on Risk
Management**



**Trading
through the
cycle**



4th
Largest Lessor
Globally¹



428
Owned and
Managed Aircraft
235 Committed
Aircraft



\$16bn
Aircraft Assets
(Owned and
Managed)



c.100
Airline Customers in
more than **40**
Countries



131

Aircraft managed
for Japanese
Investors

32 JOLCOs²
financing
\$2.4 billion
of Aircraft
FY 2016 / 17

\$ 1.6 billion³

Commercial
Debt Arranged
FY 2016 / 17

31

Aircraft sales
into Japan since
2012

¹ As measured by number of western-built jet aircraft owned and managed, in service and in storage at 31 December 2017.² Japanese Operating Lease with a Call Option (JOLCOs) are used to finance new aircraft.³ For the 18 month period to 30 September 2017. All other values are as at 31 December 2017.
Source: SMBC Aviation Capital



Aircraft Type	# of aircraft in our portfolio ¹	# of aircraft in Service ²	# of aircraft in Storage ²	# of aircraft on order ²	# of operators* ²	# of countries* ²
A320 Family	105	6,799	237	386	284	107
A320-NEO Family	9	251	3	5,699	127	82
A350-900	2	142	3	531	41	30
B737-800	109	4,613	49	342	183	75
B787-8	8	339	3	71	42	36

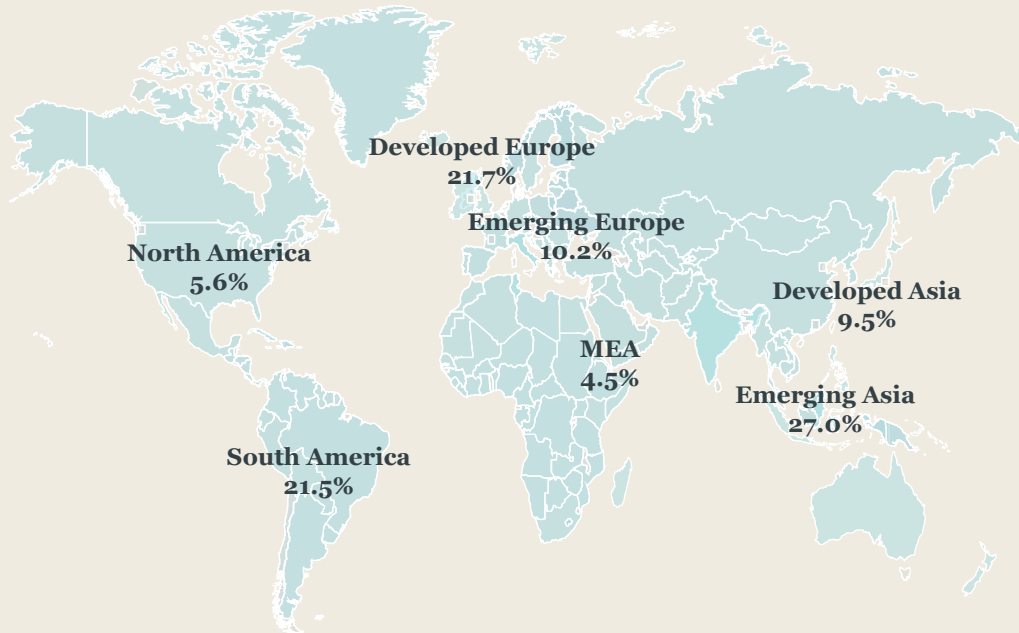
Considerations when determining aircraft liquidity:

- Consistency of cashflows
- Number of operators
- Geographical spread of operators

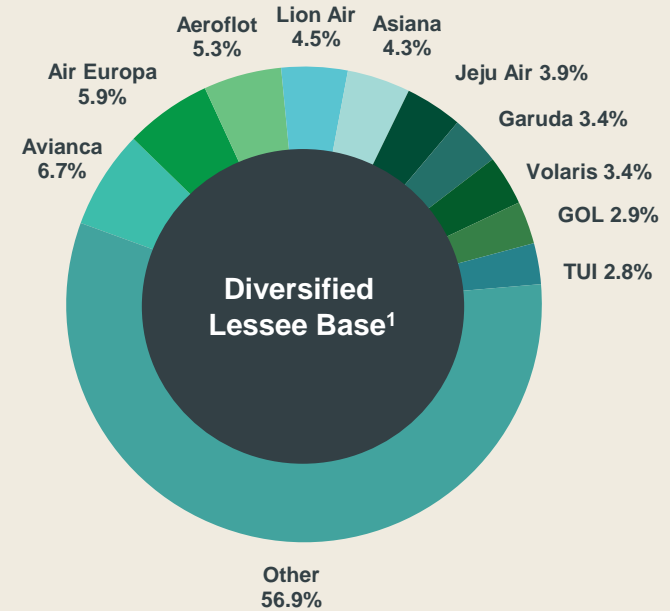
¹ Weighted by net book value (NBV) as at 31 December 2017.² Values per Ascend.

* Includes orders.

Regional Distribution of Lessee as % of NBV¹



Diversified Lessee Base as % of NBV¹



- Top 5 lessees lease 26.7% of portfolio NBV
- Top 10 lessees lease 43.1% of portfolio NBV

¹ Weighted by NBV as at December 31, 2017

Disciplined Asset
Focus

Credit and
Transaction
Analysis

Active Portfolio
Management

Prudent Liability
Management



Consistent Profitability and Stable Long-Term Returns

Operating Performance



39
Aircraft Sold
and another
11 planned
sales



43
Signed
Contracts /
LOIs for SLB
Aircraft



11
Aircraft
Deliveries



4.5
Average
Age¹



6.4
Lease Term
Remaining²

Financial Performance



\$10bn
Aircraft Assets
(including
PDPs³)



\$802m
Revenue and
Operating
Income



42.7%
Operating
Margin⁴



\$260m
Profit before
Tax



A-/BBB+
Credit Rating
from Fitch and
S&P

¹ Weighted average by Net Book Value (NBV) as at 31 December 2017. ² Weighted by NBV as at 31 December 2017. ³ Pre-Delivery Payments (PDPs) are payments made by the purchaser to the aircraft manufacturer in advance of delivery of the aircraft. ⁴ Defined as Lease Revenue less Depreciation less Finance Expense (excluding Break Costs) / Lease Revenue less Maintenance Income.

Appendix: Historic financial information

Consolidated Statement of Comprehensive Income (\$'000)

	Year ended March 31 (audited)				
	2017	2016	2015	2014	2013
Income					
Lease revenue	1,002,159	899,024	823,168	733,153	574,700
Other revenue	18,099	17,795	16,235	14,492	3,535
Revenue	1,020,258	916,819	839,403	747,645	578,235
Other operating income	70,312	57,661	40,450	24,307	48,677
	<u>1,090,570</u>	<u>974,480</u>	<u>879,853</u>	<u>771,952</u>	<u>626,912</u>
Expenses					
Depreciation	(347,736)	(320,967)	(285,801)	(250,384)	(163,077)
Impairment	(20,598)	(61,279)	(52,237)	(26,171)	(13,367)
Operating expenses	(109,252)	(118,027)	(103,653)	(84,848)	(84,560)
Net trading expense	398	(811)	2,356	(932)	(4,054)
Profit from operating activities	613,382	473,396	440,518	409,617	361,854
Finance costs					
Interest income	33,977	37,219	56,328	81,551	73,338
Interest expense	(315,689)	(292,050)	(296,487)	(275,784)	(234,135)
Break losses	(19,185)	(14,700)	(6,115)	(3,151)	¹ (321,093)
Net finance costs	(300,897)	(269,531)	(246,274)	(197,384)	(481,890)
Profit before taxation	312,485	203,865	194,244	212,233	(120,036)
Tax expense	(41,757)	(28,823)	(29,763)	(35,927)	(3,776)
Profit from continuing operations	270,728	175,042	164,481	176,306	(123,812)
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges	50,880	(30,258)	(7,813)	5,894	(11,541)
Movement in fair value of available for sale assets	-	-	(272)	272	-
Tax on other comprehensive income	(6,399)	3,784	1,047	(765)	1,443
Other comprehensive income, net of tax	44,481	(26,474)	(7,038)	5,401	(10,098)
Total comprehensive income	315,209	148,568	157,443	181,707	(133,910)

¹ During the year ended March 31, 2013, one time charges of \$321.1 million were incurred on repayment of existing financing in connection with the sale of the business to our current shareholders

Consolidated Statement of Financial Position (\$'000)

	As of March 31 (audited)				
	2017	2016	2015	2014	2013
Non-current assets					
Property, plant and equipment	10,141,783	9,550,921	9,232,836	8,063,511	7,326,174
Goodwill and intangible assets	12,558	22,017	24,768	19,694	25,118
Loan receivables	-	-	78,524	80,088	121,812
Derivative financial instruments	16,339	420	2,947	7,102	426
Lease incentive assets	95,376	69,695	55,802	41,169	11,983
	<u>10,266,056</u>	<u>9,643,053</u>	<u>9,394,877</u>	<u>8,211,564</u>	<u>7,485,513</u>
Current assets					
Finance lease receivables	-	-	-	3,818	-
Loan receivables	-	-	1,564	1,564	2,041
Trade and other receivables	67,891	51,524	39,074	54,735	25,062
Cash and cash equivalents	278,393	204,737	255,859	397,523	188,287
Derivative financial instruments	6	235	2,199	-	-
Lease incentive assets	24,165	22,449	20,594	20,353	14,285
Available for sale assets	-	-	-	2,889	-
Total	<u>370,455</u>	<u>278,945</u>	<u>319,290</u>	<u>480,882</u>	<u>229,675</u>
Total assets	<u>10,636,511</u>	<u>9,921,998</u>	<u>9,714,167</u>	<u>8,692,446</u>	<u>7,715,188</u>
Equity					
Share capital	187,513	187,513	187,513	187,513	187,513
Other components of equity	215,725	171,244	197,718	204,756	199,355
Profit and loss account	1,383,035	1,112,307	937,265	772,784	596,478
Total equity	<u>1,786,273</u>	<u>1,471,064</u>	<u>1,322,496</u>	<u>1,165,053</u>	<u>983,346</u>
Non-current liabilities					
Trade and other payables	505,573	482,818	515,915	458,571	393,681
Obligations under finance leases	227,028	286,584	340,999	394,772	466,891
Borrowings	6,681,890	6,223,833	5,930,002	5,816,788	4,986,704
Deferred tax liabilities	294,198	259,902	236,997	214,842	184,196
Derivative financial instruments	21,320	43,799	17,183	13,756	14,851
	<u>7,730,009</u>	<u>7,296,936</u>	<u>7,041,096</u>	<u>6,898,729</u>	<u>6,046,323</u>
Current liabilities					
Trade and other payables	488,812	485,983	307,071	242,347	235,897
Obligations under finance leases	59,556	54,723	48,389	49,369	47,836
Borrowings	571,861	612,745	994,529	334,557	401,464
Derivative financial instruments	-	547	586	2,391	322
	<u>1,120,229</u>	<u>1,153,998</u>	<u>1,350,575</u>	<u>628,664</u>	<u>685,519</u>
Total liabilities	<u>8,850,238</u>	<u>8,450,934</u>	<u>8,391,671</u>	<u>7,527,393</u>	<u>6,731,842</u>
Total equity and liabilities	<u>10,636,511</u>	<u>9,921,998</u>	<u>9,714,167</u>	<u>8,692,446</u>	<u>7,715,188</u>