

THE NEW EDITION!

ishikaVista

2019 Aviation Finance Market Forecast

Your indispensable guide to the
aviation finance market in 2019

Identify the markets, structured products
and assets offering the greatest return on
investment and best potential for growth

ishka Vista

We are delighted to introduce the latest version of **Ishka Vista: 2019 Aviation Finance Market Forecast**



Eddy Pieniazek
Head of
Ishka Advisory

The commercial aviation business continues on its optimistic path, where the requirement for new aircraft funding is increasing year on year and with close to 2,000 deliveries anticipated, is expected to reach US\$150 billion in 2019. Traffic growth is reassuringly expected to continue in line with GDP and a supportive macro-economic environment. The airline industry itself is in a better shape today, thanks to consolidation. The restructuring that occurred between 2008 and 2014 created a stronger set of airlines especially in the US, the largest market.

These preparations have been fortuitous and as this report will reveal, there are a growing number of factors that will test the delicate balance between profit and loss for most airlines and therefore, also for lessors and asset owners. One experienced observer recently reminded us of (a variation on) the Minsky Rule: *“Prolonged periods of stability lure investors and bankers into ever riskier behaviour that ultimately triggers a collapse.”*

So, with aircraft deliveries still at record levels, an active secondary market and bank liquidity still running at or near all-time highs, the aviation finance market maintains its buoyant appearance. Beneath the surface however, elements of uncertainty are growing, from fuel prices, through interest rates, to capacity issues.

As markets, traffic and travel patterns evolve, this leads to changes in demand for different types of aircraft; some market sectors are becoming riskier, politically and socio-economically and the competition to both acquire and place aircraft is driving aggressive transaction terms. When airlines also start showing signs of ‘over extending’, with costs rising faster than revenues, it becomes increasingly critical to be doing the right deals, with the right assets and airlines, at the right price.

In this second edition of **Ishka Vista**, we have considered all the signals, trends, events and supporting data, and addressed the critical issues impacting the investment landscape over the next 12-18 months, enabling investors, lessors and financiers to effectively compete in tomorrow’s markets.

2019 HIGHLIGHTS

A rise in the cost of fuel/oil will accelerate a reduction in A320ceo and 737-800 values and lease rates

Nearly 20% of the airlines tracked by Ishka are entering 2019 with a negative outlook on their financials

The main threat to the Airbus/Boeing duopoly are the OEMs themselves with their production and supplier issues

We may find that the peak of the market was early 2018

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2019 Aviation Finance Market Forecast

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Section One **Industry Signals at the End of 2018 and Into 2019**

Past the peak? A concise summary of the major themes and trends in the global aviation finance market in 2019

How did the Ishka View for 2018 stand up?

“The realities of a higher fuel price environment, higher interest rates and more intense competition to capture market share is beginning to bite hard in the airline world. 2019 looks a little fragile today.”

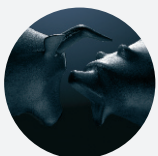


Section Two **External Factors Impacting Aviation Finance**

The Regulatory Landscape

Regional and Country Risk Review

“Country risk is rising, localised pressure points and hot spots will require more careful assessment and risk pricing in 2019, but there are jurisdictions that offer attractive opportunities.”



Section Three **The Environment for Airlines**

Spotlight on India: Why is everyone losing money?

Is Trouble Brewing in the Middle East?

Manufacturer Production Rates: Slowly does it

Analysis of the 'Ishka 80': Insight and commentary on the performance of 80 of the world's key airlines in 2018

Airline Failures: A precursor to double trouble ahead?

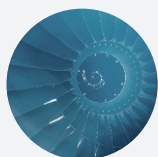
2019 Outlook – the 'Ishka 80' Airlines:
Who are the likely winners and losers in 2019?

“We have growth in capacity and growth in passenger traffic – but – is the growth profitable? Some markets are clearly stressed, even with full planes or order books.

A review of 80 key airlines highlights the critical issues and challenges the world's carriers are facing and the metrics that indicate 2019 will be testing weak and strong credits alike.”

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Section Four **Supply of Finance in 2019**

NEW! AFIC and Balthazar: Helping hands

Forecast 2019: Financing trends

NEW! GATS the way to do it: Making progress in transaction efficiency?

Lessor consolidation – fake news?

“

Innovation and product development has been key to delivering efficiency in aviation finance and creating a platform for new sources of funding.

But – there is no substitute for doing your homework, regardless of how ‘easy’ it is to invest!

”



Section Five **Aircraft Values and Lease Rates**

NEW! Consensus Values* update and appraiser spreads

Which aircraft are under pressure? Why is there a 28% spread between appraisers on the current market value for a ten year old A320ceo?

“

The Consensus View now covers over 20 aircraft types and variants and delivers some remarkable and surprising results. The spread of views on certain types creates both confidence and uncertainty and requires more questions to be asked.

”



Section Six **The Ishka View on 2019**

The respected Ishka team delivers its trusted, objective, data-driven opinion on the outlook for the year ahead

“

Ishka believes the peak of the market was reached in early in 2018. With 2019 already programmed to receive close to 2,000 new deliveries into a sector already experiencing localised pressures, the areas of risk and opportunity are beginning to take shape.

”

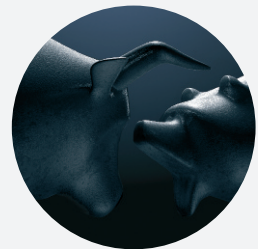
* Consensus Values – Ishka is working with a group of aircraft appraisers (who are either ISTAT accredited or with significant experience in the appraisal business) whose collective expertise enables the delivery of a ‘consensus view’ on aircraft values and lease rates

2019 Aviation Finance Market Forecast

Institutional Investors

You've heard from the sell side, now make sure you receive an independent and impartial view on the outlook for the aviation finance market in 2019 to:

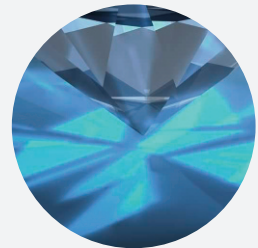
- Conduct due diligence with confidence with an enhanced understanding of the aviation finance landscape
- Recognise country risk, airline risk and aircraft risk with trusted analysis from Ishka's dedicated team of global analysts
- Plan where to focus your resources and make key strategic investments



Banks and Lessors

Leverage Ishka Vista's data, analysis and expert insight to:

- Highlight critical trends and issues which impact your deals and influence your investment decisions in 2019
- Credit and risk teams: complement your due diligence and historical data with additional valuable data points and projections
- Support, challenge and benchmark in-house views
- Underline opportunities and warning signs you may have missed



Airlines

Utilise Ishka expert analysis to discover and benchmark:

- Which markets are primed for growth and which are in decline
- The value and pricing of assets
- Competitor activity and intelligence gathering



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Ishka delivers data, analytics, advisory services and events to the global aviation finance community.

Ishka brings together the talent of some of the industry's leading players to provide a fresh and independent perspective on how investors, financiers, lessors and airlines can make money through the aviation cycle. Our trusted, experienced team has been responsible for supporting thousands of aviation finance transactions around the world.

Our services include:

Ishka Insights

Objective, data-driven opinion and analysis on the latest industry trends and emerging issues in aviation, delivered in four short form reports every week.

Ishka Airline Credit Profiles

Delivering a unique credit analysis of the world's airlines, Ishka's Airline Credit Profiles integrates a wealth of valuable data sources with indispensable analysis and commentary, providing the ultimate airline analysis resource.

Ishka Advisory

With over 35 years' experience advising leaders of the world's top aviation companies, our international advisory team delivers deep-domain expertise and expert consultancy services to financiers and investors, airlines and operators and new and seasoned lessors.

Ishka Events

Ishka challenges the status quo of conferences by creating innovative structures and interactive formats that deliver world-class content and networking in fun dynamic environments.

Contact us today to discuss how we can help inform your aviation investment strategy.

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