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Aviation Working Group

Aircraft Appraising:
Challenges and Issues

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Overview



What is the IAP?



Today's challenges



What triggers us



What are the issues going forward?



Learning from the past



Forecasting through obstacles



Aviation Finance Advisory



The ISTAT Appraisers Program...what we are, what we are not.



- We are the “**gold standard**” for commercial aircraft/asset valuations
- We certify appraisers, we do not train
- Our candidates come to our program with industry experience: aircraft valuation/trading/financing/analysis
- We represent a broad cross-section of the industry: OEMs, leasing companies, banks, investors, ratings agencies and service providers
- We do not ascribe a specific methodology, we are guided by our definitions

Let's start with the big picture.

Global Recovery

Following the strong global recovery in 2021, when GDP rebounded by 6%, the IMF1 expects slower growth of 3.2% in 2022, impacted by the war in Ukraine and its wider ramifications. A number of advanced economies will fall into recession during 2023



Lending

Traditional aviation bank lenders continued to scale up their commitments during 2022 as confidence in the recovery increased and the need to deploy balance sheets broadened the previously conservative list of bankable counterparties.



COVID

The relaxation or removal of Covid-related travel restrictions across much of the globe generated a surge of advance bookings and passenger travel throughout 2022, with VFR and leisure travel showing particular strength across Europe and the Americas.



OEMs

Orders and deliveries both saw material increases over 2021, up by 40% and 20% respectively. However, only one part of last year's split prediction was realised, with orders at their highest level since 2014.



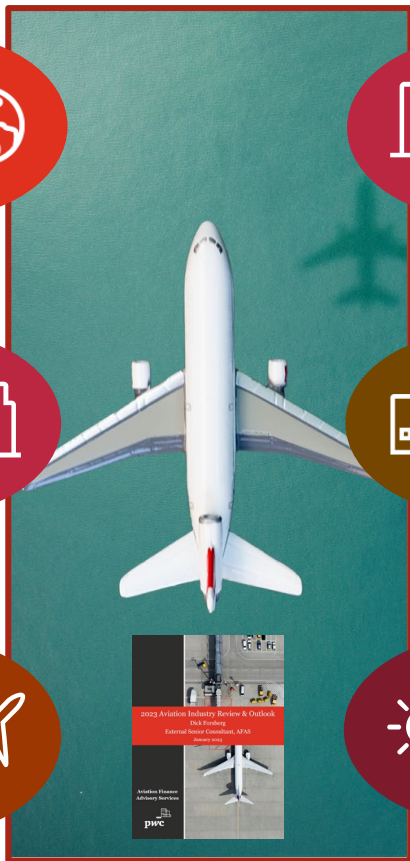
Leasing

Lessors entered 2022 with the majority of their lease restructurings completed. As most airlines' revenue streams are now back on track, delinquency levels for the revised lease obligations have been low through the year and lessor profitability has been largely restored.











ESG

Sustainability and ESG issues continued to raise their profile during 2022, with a number of industry initiatives designed to tackle the challenges and tasks that lie ahead for lessors, lenders and investors in aircraft.



The big picture requires a clear focus on unique near term challenges.

1		Maintenance Costs
2		Escalation and Inflation
3		Market for transition
4		Lease Rates vs Current Market Value
5		Aftermarket Support Programs
6		Ownership Challenges (Lessor vs Operator)
7		Valuing “restructured” leases
8		Jurisdictional issues

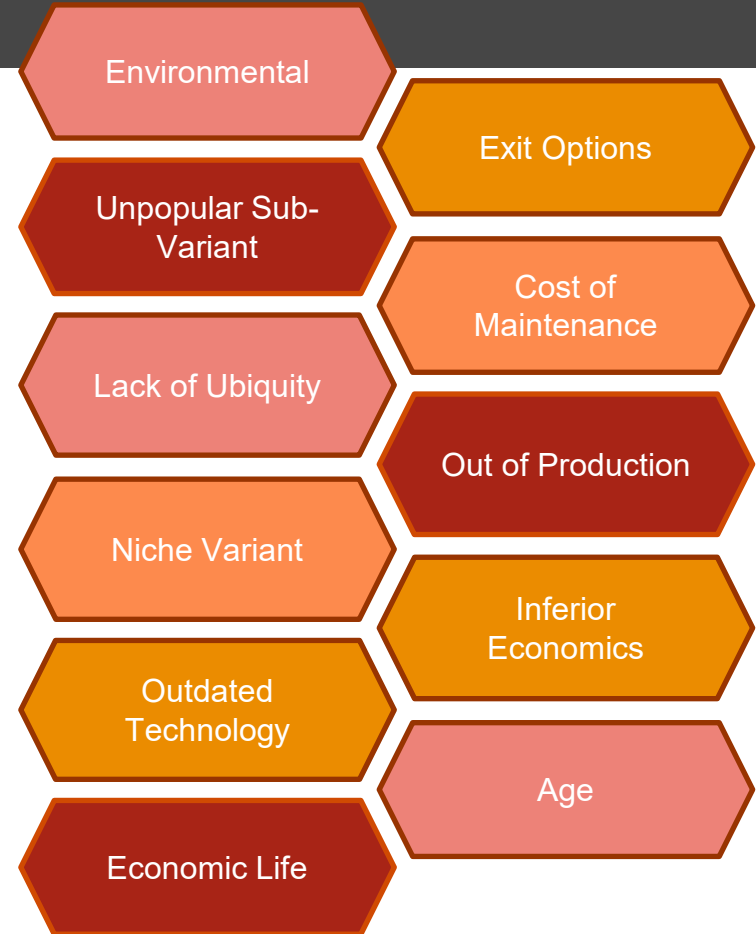


What triggers us...



Base Values are the long-term intrinsic value

- COVID challenged conversations around “permanent” value damage
- Similar trends after 9-11
- Economic lives
- Premature retirements
- Matching the definition with observed data points



Looking backwards helps us to look forward.

Stage 4 vs ESG

- Similarities in eventual regulatory oversight
- Removal of non-compliant types
- Uncertainty of market
- First movers



New Aircraft Types

- Alignment with success/failure of similar models/markets
- What segment is being filled/replaced
- Movement of the market
- Economics



“Bubbles”

- Intense market fluctuations
- Short-term externalities
- Asymmetric valuation curves
- Potential for rapid value degradation



Depreciation/Forecasting

- Understanding value trends by market segment and age, help aid future projections
- Curves tend to be unique to the type/segment



Regulatory

- Artificial markets (scope clauses)
- Airworthiness Directives
- Age limitations
- Sanctions
- ESG/SAF

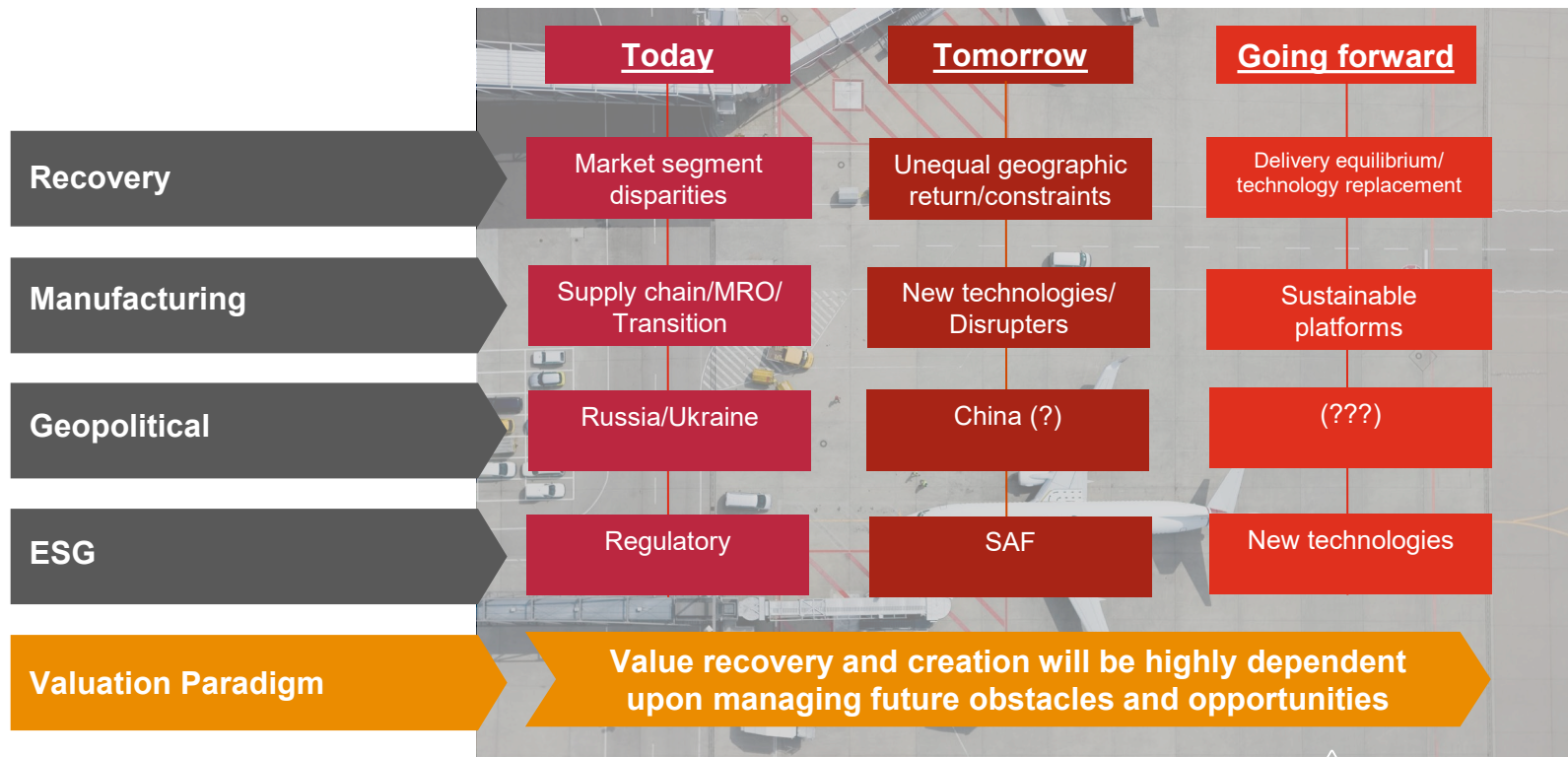


Technical vs Financial

- How does ownership affect economic life
- Lease terms
- “Full-life” return conditions



Appraisers look to forecast values amongst challenges and opportunities



The PwC Ireland Aviation Finance Advisory Services (AFAS) multifaceted team has been strategically developed to complement the global PwC aviation offering

Aviation Finance Support

- Platform strategy
- Portfolio strategy
- Identifying & screening opportunities
- Transaction structuring
- Execution strategy
- Arranging financing
- Credit risk analysis

M&A Support

- Deal origination
- Transaction evaluation & modelling
- Due diligence
- Valuation analysis
- Deal structuring
- Capital raising
- Negotiation & execution

Aviation Finance Advisory Services



Consulting



Deals



Tax & Accounting



Consulting Support

- Operating model design / optimisation
- Programme management
- ESG strategy & implementation
- Technology strategy design
- Policy & processes
- People & organisation advisory
- Executive search & 'Business As Usual' support

Tax & Accounting Support

- Optimal platform structure design
- Technical tax analysis & modelling
- Internal audit
- Risk assurance
- Ongoing tax support
 - Deal assessment
 - Jurisdictional analysis
 - Transaction documentation & reporting



100+ yrs of industry
experience



Global Network



Integrated Approach



ISTAT Certified



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Thank you

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