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Equity Research Division

Air Lease Corp.

US-based B2B Aircraft Lessor

Target Price: \$ 61.51

Current Price: \$ 47.29

Upside Potential: 30.06%

Recommendation: BUY

Investment Horizon: 1 Year

Vienna, June 10th, 2021

Team Overview

Equity Research



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▪ BSc. (WU)



▪ MSc. – 3rd Sem.



▪ LLB. (WU) – 2nd Sem.



▪ BSc.



▪ BSc. (WU)



▪ BSc. (WU) – 6th Sem.

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Share Price Performance

After a harsh impact from the pandemic AL has already reached new heights



Share price – Major Events

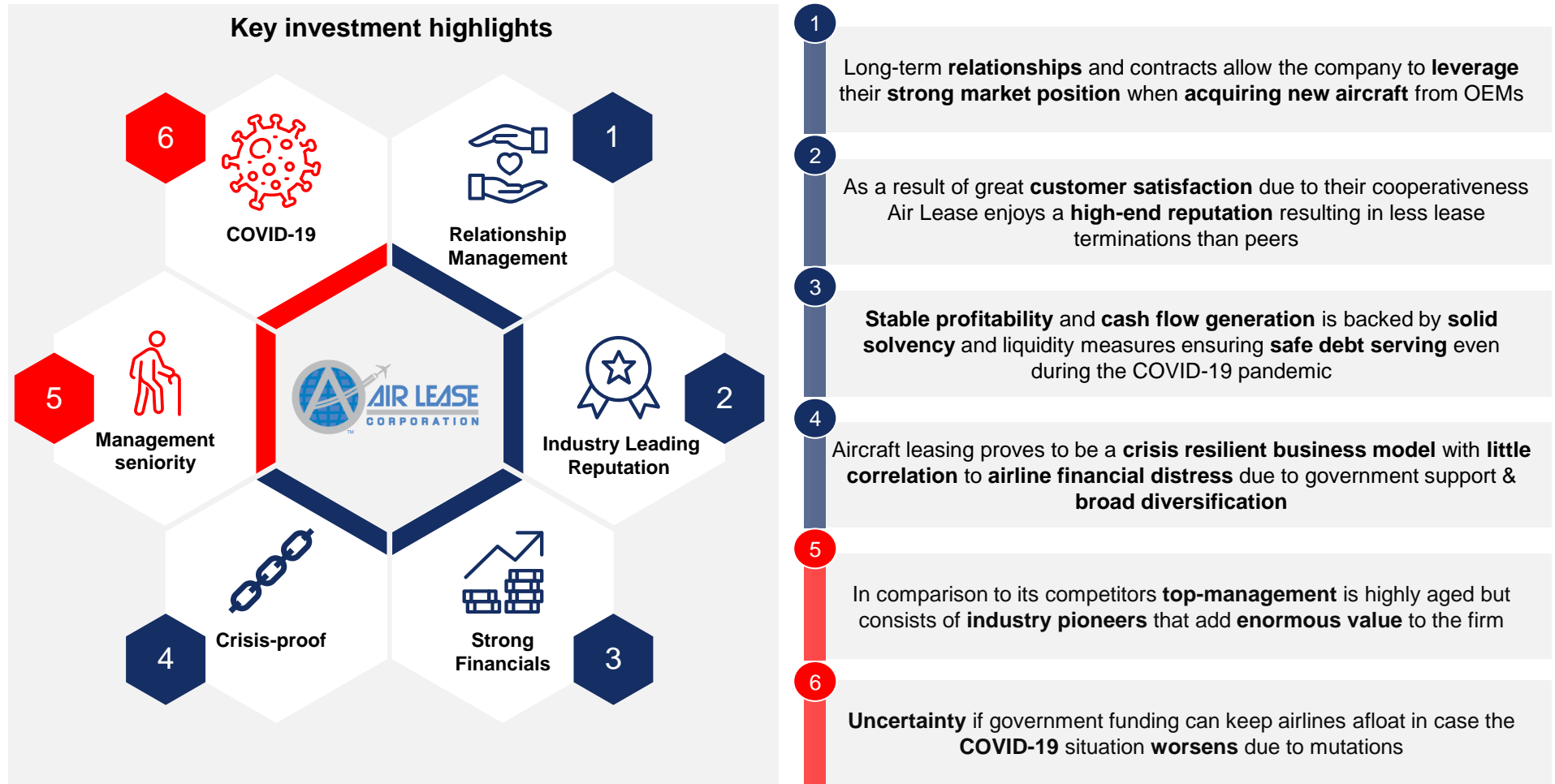
- [1] 09.11.2017 (+4%) – Published Q3 Earnings Report: 19.6% increase in revenue
- [2] 08.11.2018 (-5%) – Published Q3 Earnings Report: Decrease of fleet size
- [3] 13.03.2019 (-7%) – Grounding of Boeing 737 MAX as a result of two tragic crashes
- [4] 11.03.2020 (-73%) – COVID-19 market crash
- [5] 15.05.2020 (+43%) – Massive market correction, as well as multiple airline bailouts
- [6] 18.11.2020 (+12%) – FAA repeal the grounding of Boeing 737 MAX
- [7] 11.03.2021 (+7%) – New all time high stock price at \$51.85

Key Stats

- **IPO** in 2011 at \$ 28.16
- Quickest company to go from foundation to IPO to be listed on NYSE
- **Close** 08.06.2021: \$47.29
- **Price Range** since IPO: \$8.41 – \$51.85
- 52 Week **Price Range**: \$25.44 – \$51.85
- **Market Capitalization**: \$5 397 million

Investment Thesis

A “family-owned business” with a \$25 B balance sheet





Business Overview

Company Overview I

Air Lease is an established business with industry shaping management

Business description

- American **aircraft leasing company** with over **113 customers** in 70 countries
- Air Lease **purchases planes directly from manufacturers** and, **opportunistically, on the secondary market** and **leases** these planes **to clients worldwide**
- Revenue is also generated from selling the planes and fleet management**



Headquarters: Los Angeles, Unites States



Established: 2010



Employees: approx. 120 employees as of the end of 2020

Financials

M USD	2017	2018	2019	2020
Revenue	1,516	1,679	2,016	2,015
Revenue Growth (%)	6.9%	10.8%	20.1%	(0.1%)
Depreciation	508	582	703	781
Depreciation (%)	34%	35%	35%	39%
Cost of funds	3.42%	3.46%	3.34%	3.13%
Leverage	2.35x	2.40x	2.41x	2.73x
EBIT	897	983	1,170	1,121
Net Income	756	510	587	516

Management team



Steven Udvar-Házy (75), *Founder and Executive Chairman*

- Executive CoB since July 2016, CEO beforehand
- Industry pioneer with experience since the 1970s
- Self-made billionaire from prior ventures & licensed pilot



John L. Plueger (66), *CEO and President*

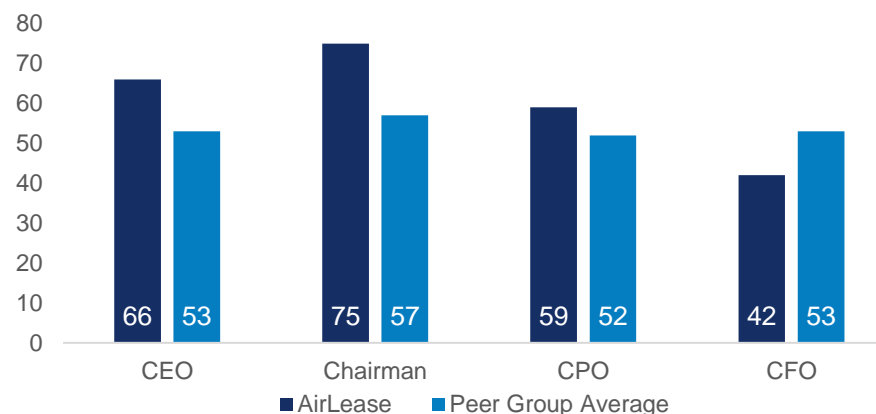
- Co-founder of Air Lease
- 35+ years of industry experience
- CPA and licensed pilot



Gregory Willis (42), *CFO and VP*

- Joined Air Lease in 2010 as CFO
- Prior experience at ILFC, Mellon Financial & PWC
- CPA

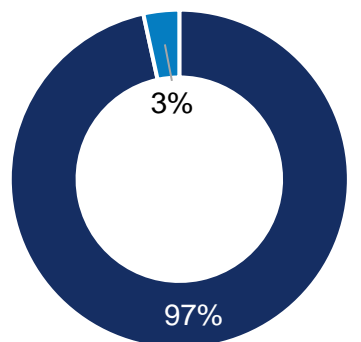
Age distribution of management¹ in comparison to competitors



Company Overview II

Air Lease is well diversified in terms of customers and geography

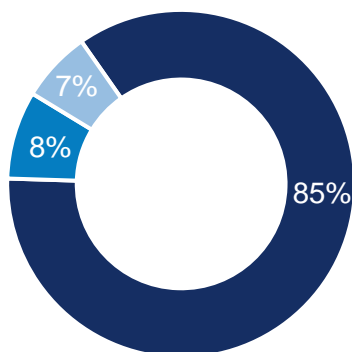
Revenue split per segment



■ Rentals ■ Sales and others

Sales usually make up between 3 – 7% of total revenue

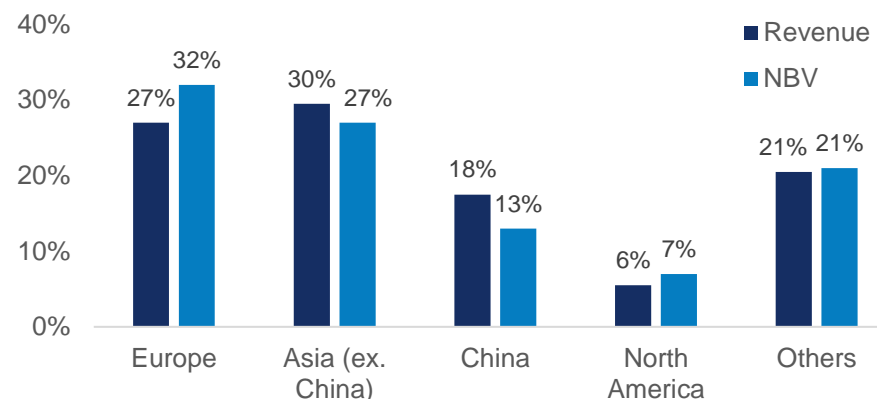
Shareholder structure



■ Institutions ■ Hedge Funds ■ Insiders

Udvar-Házy is the largest non-institutional individual shareholder with a 5% stake in AL

Revenue & fleet net book value¹ – regional split



Customers



- Largest customer makes up ~7% of Air Lease' revenue
- Around 73% of Air Lease' fleet is leased to national flag carriers or airlines with government ownership

Strategy Overview

Air Lease has built its strategy on three pillars



Revenue

- Air Lease **purchases aircraft** from **Airbus** and **Boeing** and leases these aircraft to airlines worldwide
- **Higher margins** through discounts from bulk / early orders and long-lasting relationships
- **Manages fleets** from investment vehicles for a management fee
- **Sells aircraft** once they reached approx. **one third of their useful life**



Financing

- Aircraft leasing is a **capital-intensive** industry
- Cost of debt is therefore **crucial** for the bottom line of Air Lease
- **Cost of debt** in Q1 of 2021 was 3.02%
- **D/E target ratio** is around 2.5
- **Interest rate** on latest debt issuance for
Short-term debt: 3M Libor + 0.35% (=0.49%) (0.6B USD, 1.5Y maturity)
Medium-term debt: 1.875% (1.2B USD, 5Y)



Sustainability

- Sustainability on the **product** as well as the **growth side**
- **Young and fuel-efficient fleet** keeps carbon footprint of customers at a minimum, while providing flexibility
- **Actively** contributing to the design and layout of Airbus & Boeing airplanes, thereby pushing to **reduce emissions**
- **Natural internal growth** of company rather than aggressive expansion

Air Lease leverages the spread between lease rates and costs of borrowing to acquire planes directly from OEMs thereby leveraging bulk orders and deep relationships to fuel growth by providing airlines with new, ESG-friendly planes

Revenue Generation

Air Lease directly owns most of their leased-out fleet but also offers management services

Sources of rental revenue



Ownership

- **Lower purchase prices** as a result of long-term connections with suppliers lead to a higher profitability
- Due to **highly experienced** management Air Lease can offer more flexibility for customers
- Generally, planes get leased on a **long-term contract** to airlines
- **Sale** of aircraft **after** approx. **eight years** to minimize the residual value¹ risk and to keep fleet young, fuel efficient and ESG-friendly



Management

- Air Lease generates **additional revenue** through management fees
- **Services** include key operating tasks to run an aircraft
- Allows customers to **maximize efficiency** and offers **more flexibility** for Air Lease' existing customers
- Enables Air Lease to **expand** its **customer base**
- Additional revenue stream generates a broader fleet with **lower risk** for Air Lease

Rental process


Due diligence

- **Competitive positioning** of potential customer
- **Management** team
- **Financial** performance
- Customer **may be required to obtain guarantees** (government, financial sponsors, etc.)

Leasing contract

- Leasing agreements are entered **18 – 36 months in advance**
- Contract is structured as operating lease with **fixed rates and terms and required cash deposits** for unexpected events
- **Lessees** are **responsible** for operating costs, taxes, insurance and maintenance costs

Sale

- **Sale to own investment vehicles or directly to customers**

- **Customers** consist of **financial institutions, airlines and investors**
- Additionally, AL may buy and **sell aircraft for trading purposes**

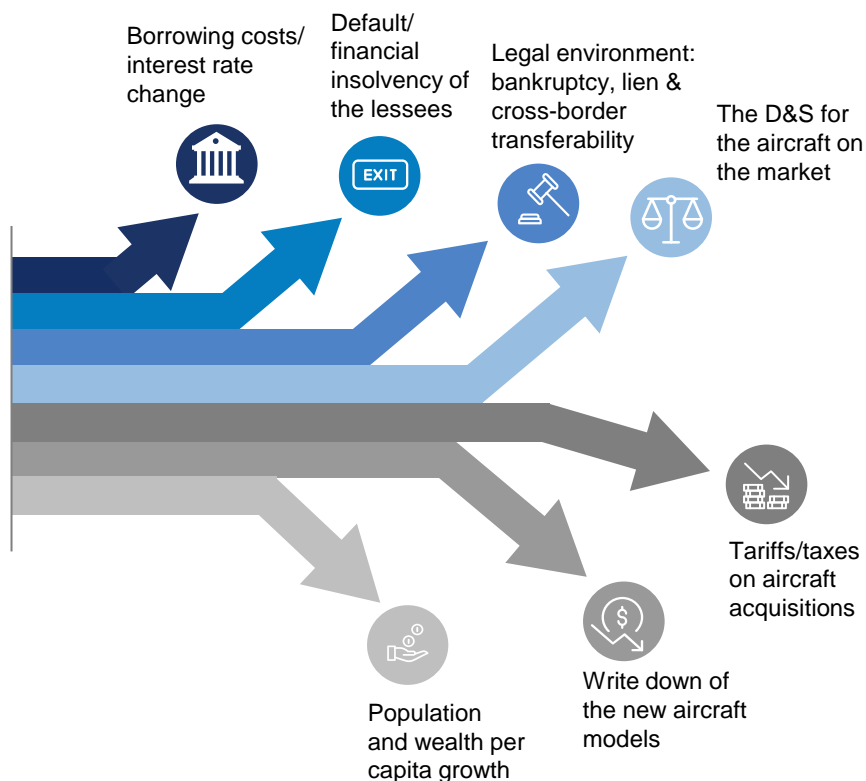


Market and Industry Overview

Market Drivers & Trends

The post COVID-19 leasing aircraft industry and its prospects

Market drivers & inhibitors



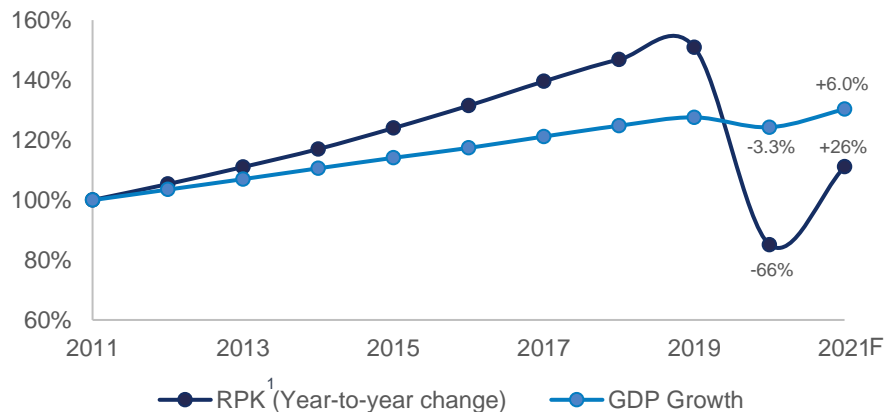
Current & future industry trends

- Airlines are kept on life-support**
Despite having secured gov. support in 2020 & 2021, multiple airlines are expected to file for bankruptcy in the next years
- Lease restructuring**
COVID-19 has pushed for more flexible lease structures (duration, price) that might ultimately impact the future revenue
- Regional travel recovery**
Long distance travel is expected to deteriorate in favor of regional travel, thus benefiting geographically substantial markets
- Reduced demand for wide-body aircraft¹**
As a result of the pandemic and of low international travel, the demand for wide-body aircraft is decreasing (thus their value)
- The redefinition of the economic life of an aircraft**
The replacement cycle of aging aircraft has been accelerated during the pandemic as airlines adapt to lower levels of passenger traffic
- CO2 emission tariffs**
The primary aim of the aviation industry is the reduction of the CO2 emissions, thus additional taxes & tariffs will be levied

Industry Overview I – The Procyclicality of Civil Aviation

The macroeconomic demand drivers for aircraft leasing industry amid the pandemic

The changes in passenger traffic & GDP (2011-2021F)



Current market landscape



The industry is less cyclical: It is characterized by substantially less earning volatility than the rest of the sub industries in the aviation industry (e.g. airlines)

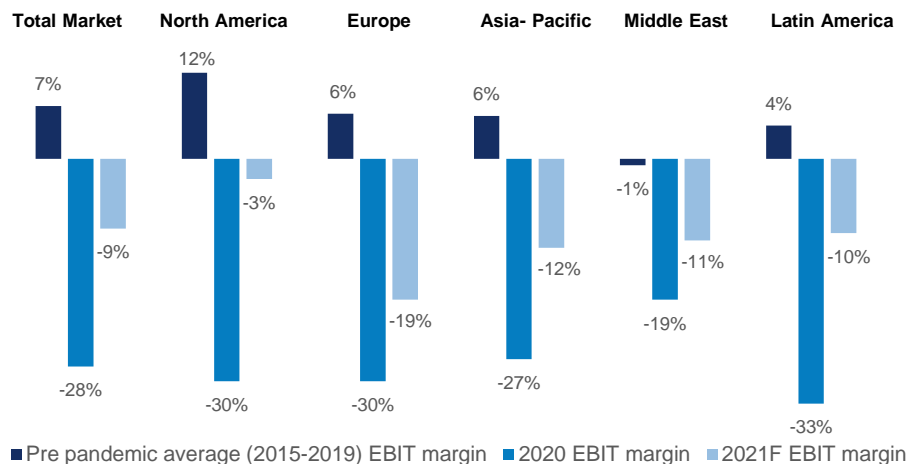


COVID-19 lead to the widening of credit spreads and closure of capital markets to aviation: As the crisis continued to unfold, lessors provided sale-leaseback liquidity and worked with airlines on payment deferrals

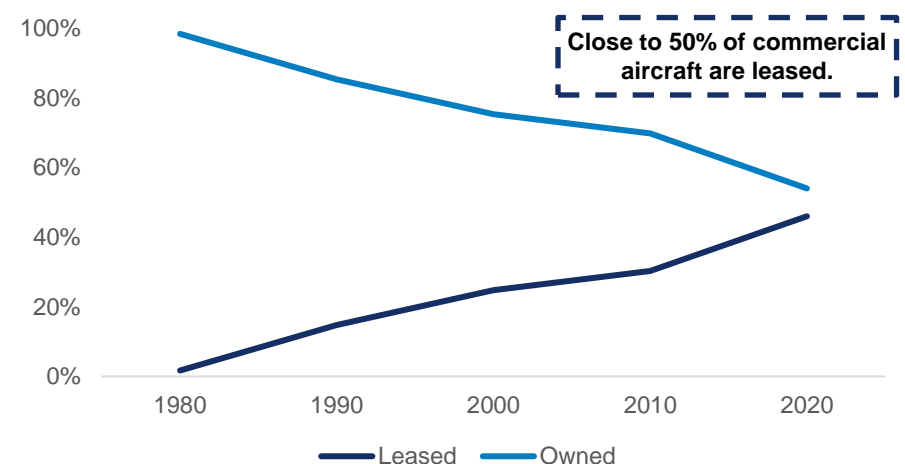


Increased dependency on leasing aircraft: Fleet planning processes have shrunk from a 12 to 18-month horizon to less than four weeks in some cases. Thus, lessees are looking for flexible options

COVID's impact on EBIT margins across the globe



Share of leased aircraft in the aviation industry from 1980 to 2020

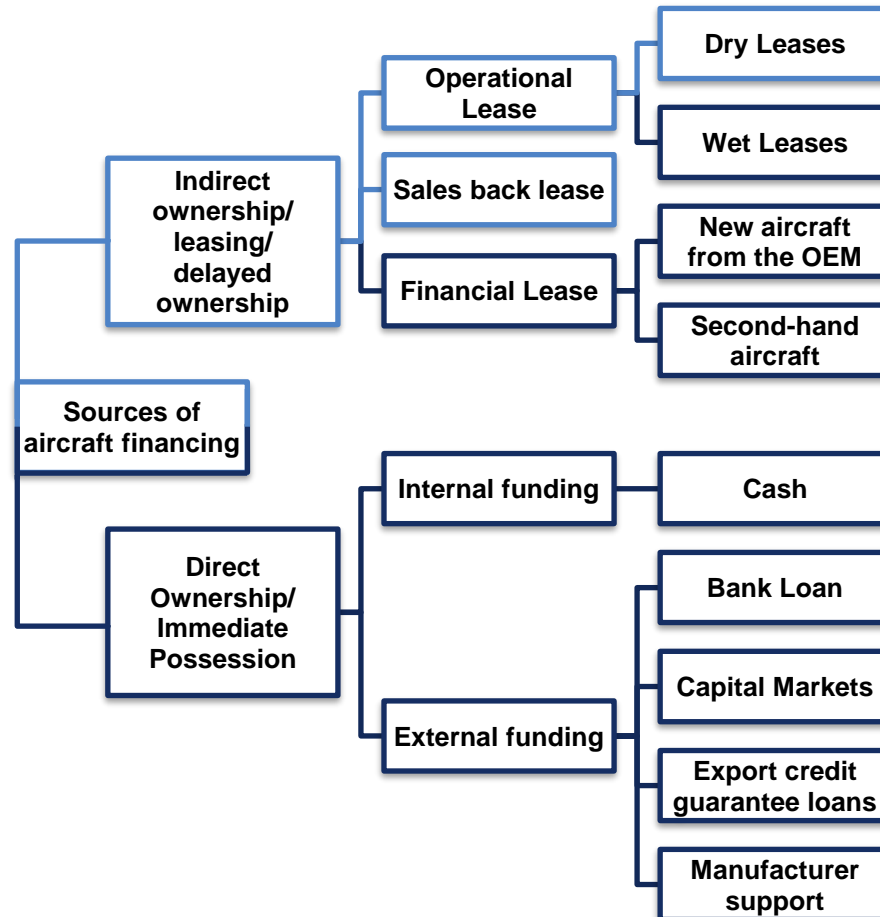


Close to 50% of commercial aircraft are leased.

Industry Overview II - Sources of Aircraft Financing

The economies of aviation financing & niche positioning among financial institutions

Sources of aircraft financing



Competitors' overview

1st Tier competitors – core group



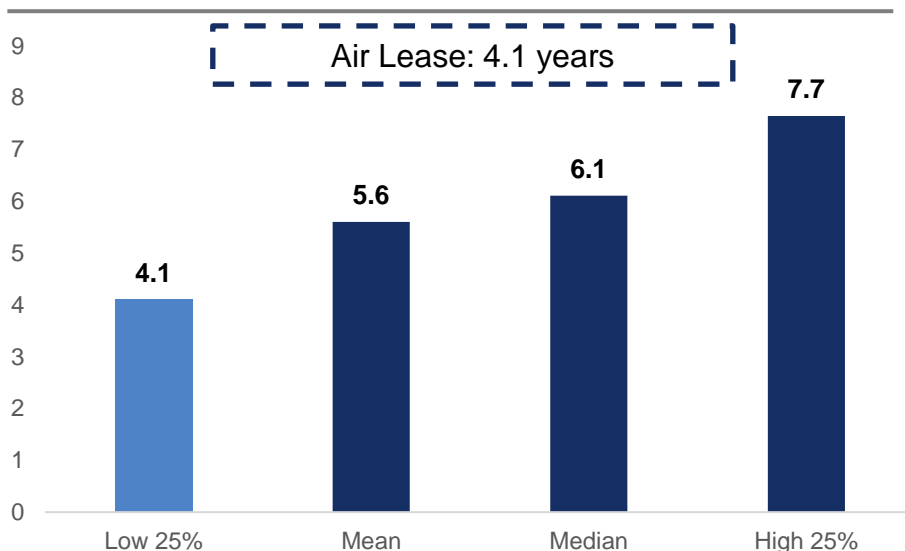
2nd Tier competitors– extended group



Peer Group Analysis I

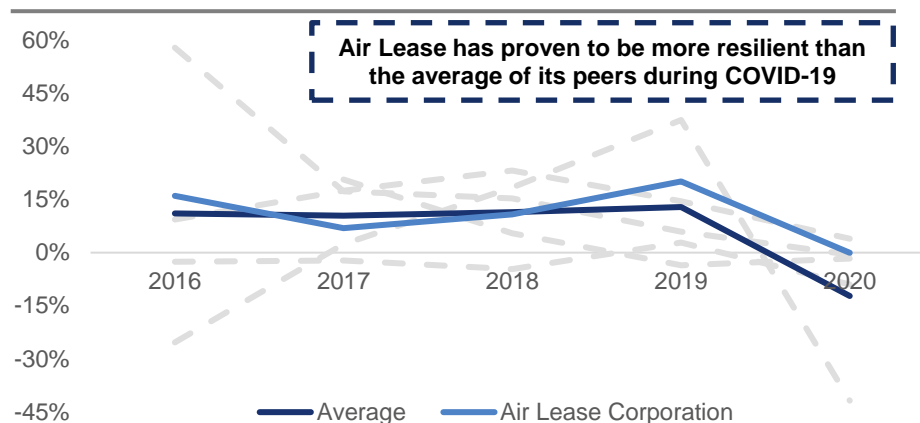
Air Lease has shown consistent EBT margins in 2020, along with a young and modern fleet

One of the youngest average fleet ages in the industry

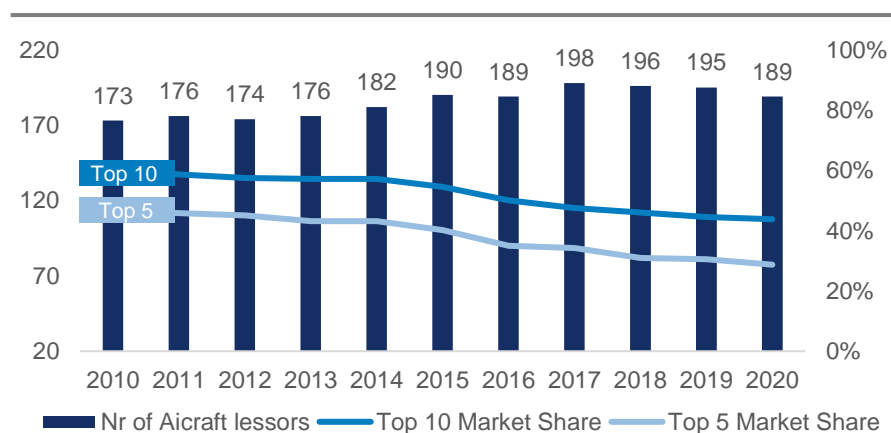


Air Lease is highly focused on acquiring aircraft primarily from OEMs. This allows them to maintain one of the youngest fleets in the industry with a current average age of 4.1 years as of FY20

The resilience of the peers' revenue (2016-2020)



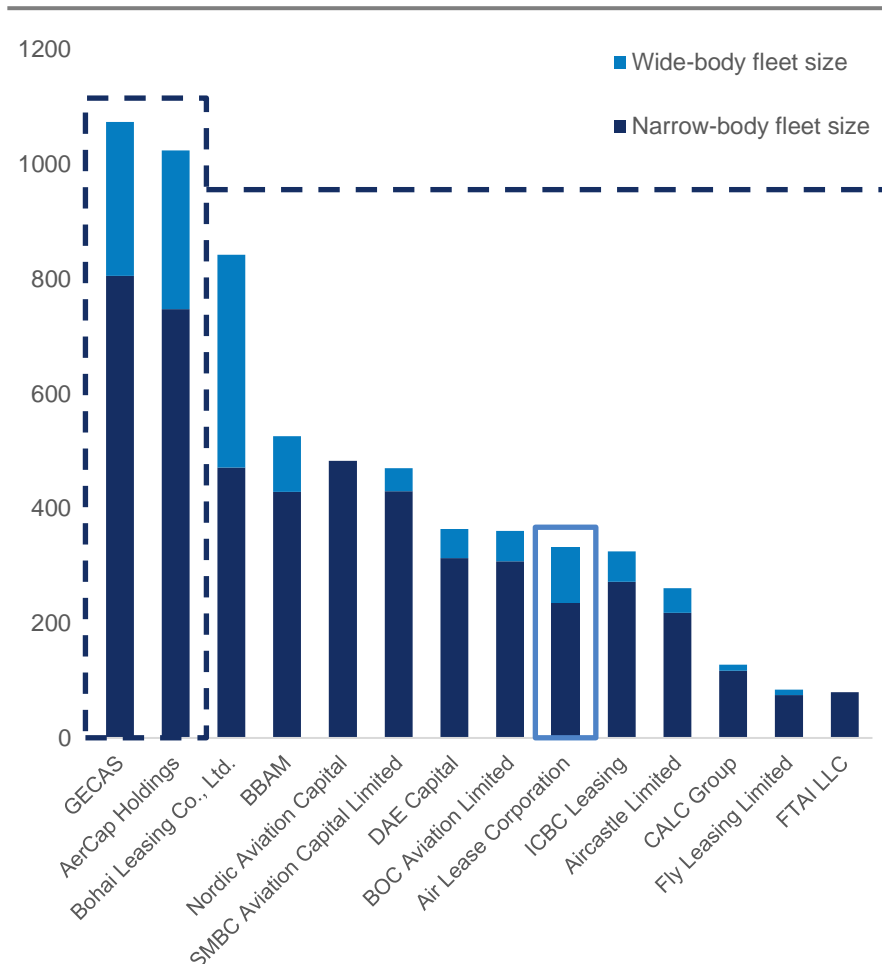
Number of aircraft lessors and market share



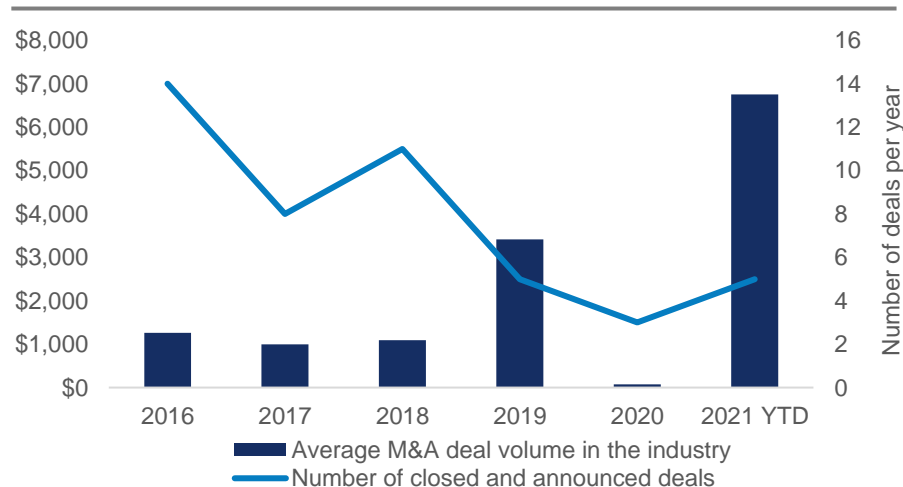
Peer Group Analysis II

The industry is consolidating in 2021 after facing the largest merger in its history

Air Lease is among the largest companies in terms of owned fleet size



Average yearly deal size (M USD) and number of deals per year



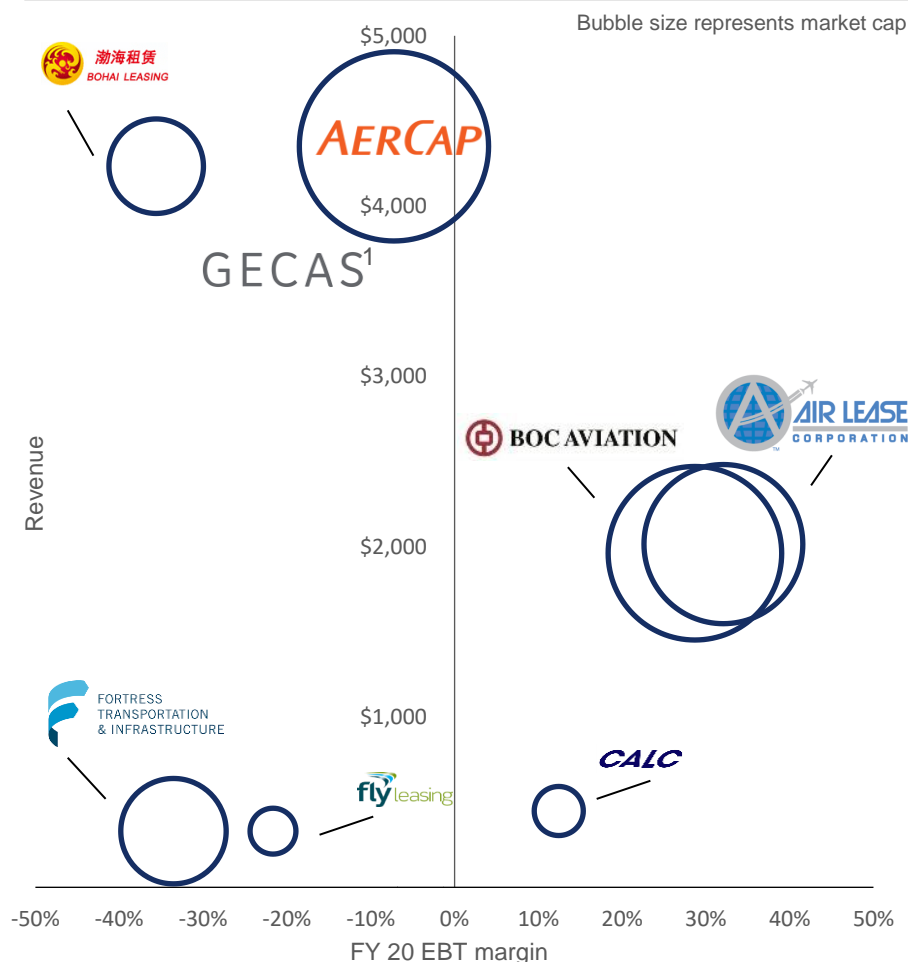
Large deals announced in 2021 after a slow 2020

- **AerCap Holdings - GECAS** merger in the largest consolidation in the industry, involving the two largest players
Deal volume: 31.1 B USD
 >40.0 B USD expected value before the pandemic
Combined fleet of >2000 aircraft, which is expected to decrease, given the advanced age of GECAS aircraft (average fleet age: 12.3 years)
- Another notable deal in 2021:
Carlyle Aviation Partners Ltd. buying Fly Leasing Limited
Deal volume: 2.5 B USD

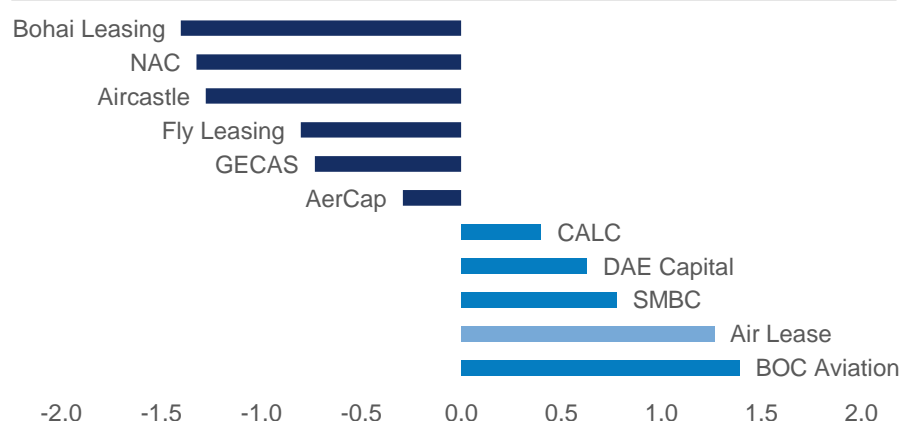
Peer Group Analysis III

Air Lease has shown consistent EBT margins in 2020, along with a young and modern fleet

FY 20 EBT margins / revenue / market cap matrix



Net income per airplane for FY 20 (in M USD)



Gross cost of debt/ D/E ratio peer benchmarking



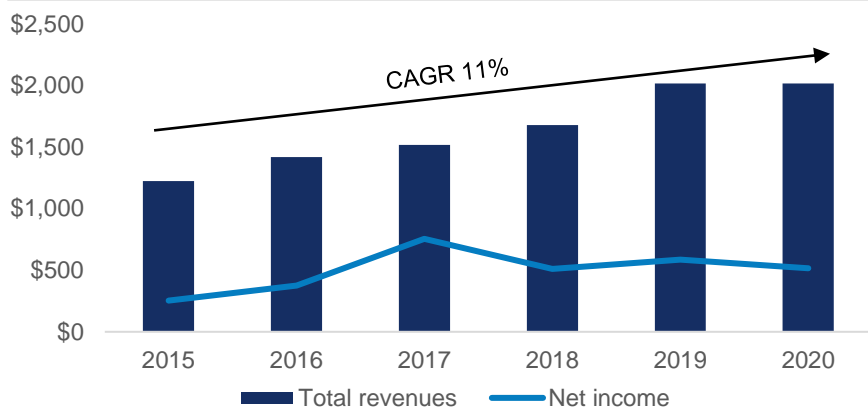


Financial Analysis & Valuation

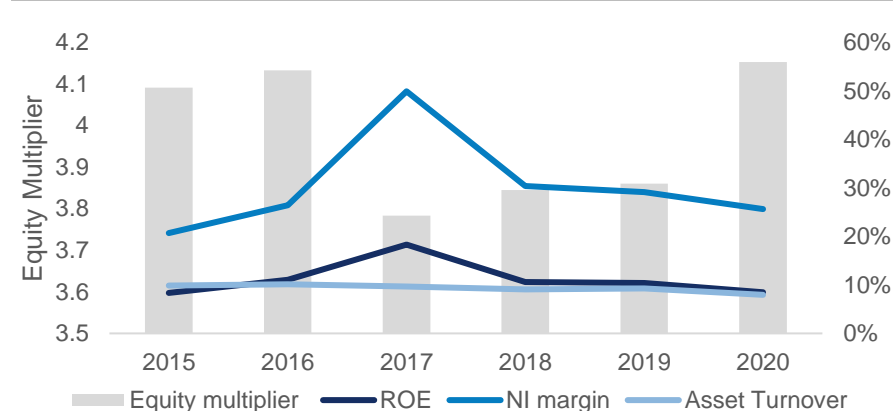
Financials / KPI's

Air Lease' current valuation is supported by strong historical financials

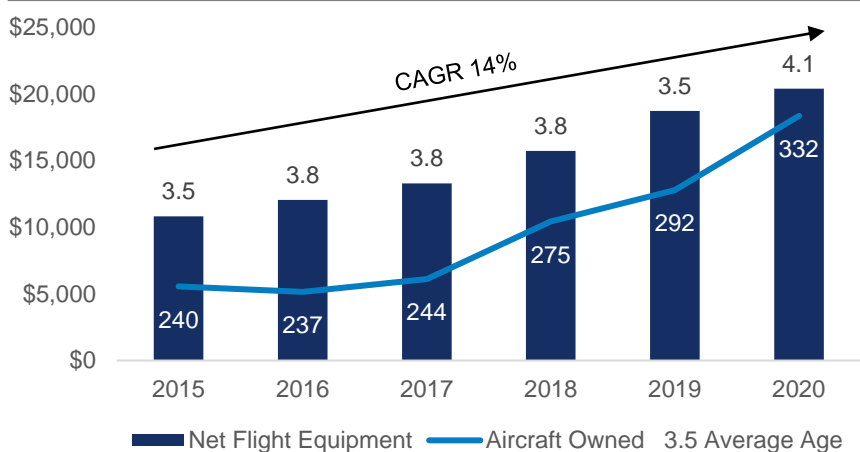
Revenue and net income development (in M USD)



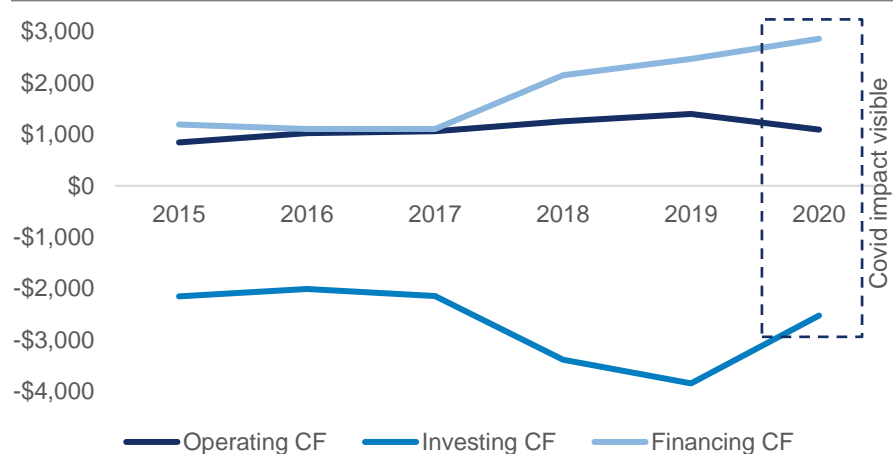
DuPont analysis of RoE



Fleet age & size and net flight equipment overview (in M USD)



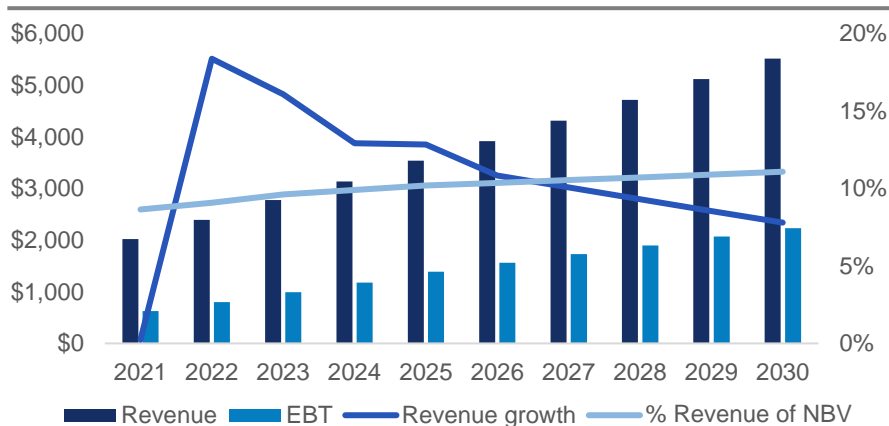
Cash flow analysis (in M USD)



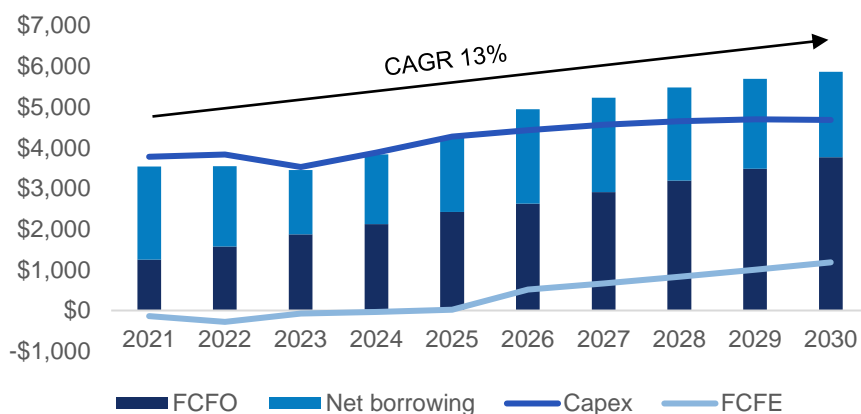
Valuation I

The model is driven by the net book value of the fleet financed by debt

Revenue and EBT forecast (in M USD)



FCF to equity breakdown (in M USD)



Operating assumptions



Revenue forecast:

Key driver of the revenue is the NBV of Air Lease' fleet. Starting off with 0.2% growth in 2021, spiking in 2022 and approaching 6.6% in 2030. 10y CAGR: 11.5%



Fleet value and Capex:

Capex projection for 1st stage based on Air Lease' orderbook with applied historical haircut. Capex/Depreciation: 2.125 in TV



Debt and Interest Expenses:

Internal D/E of 2.5 over whole forecasting period. Interest expenses are based on current and implied future CoD

Valuation assumptions



Terminal value

Sustainable growth rate: 4.6%
LT Equity reinvestment rate: 36%
LT ROE: 12.9%



Beta: 2.09

Vasicek method: weighting peer beta (1.62) and OLS beta (2.16) by standard errors



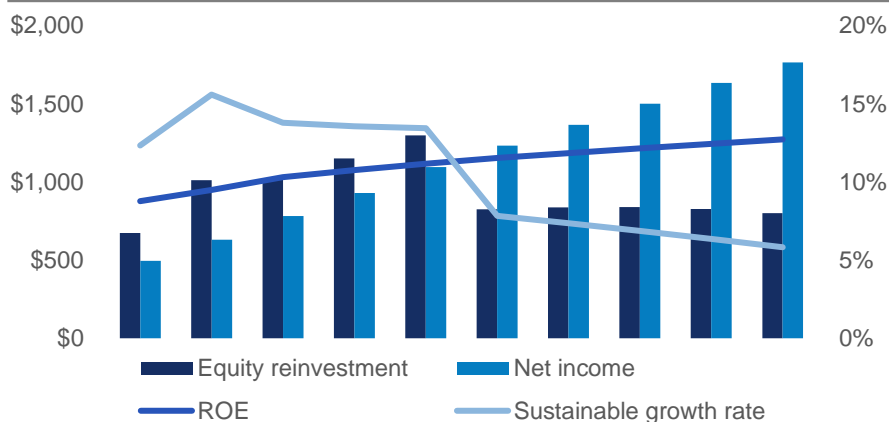
Discount factor

Cost of equity: 14.1%
Risk-free rate: 1.56%, Market risk premium: 6%

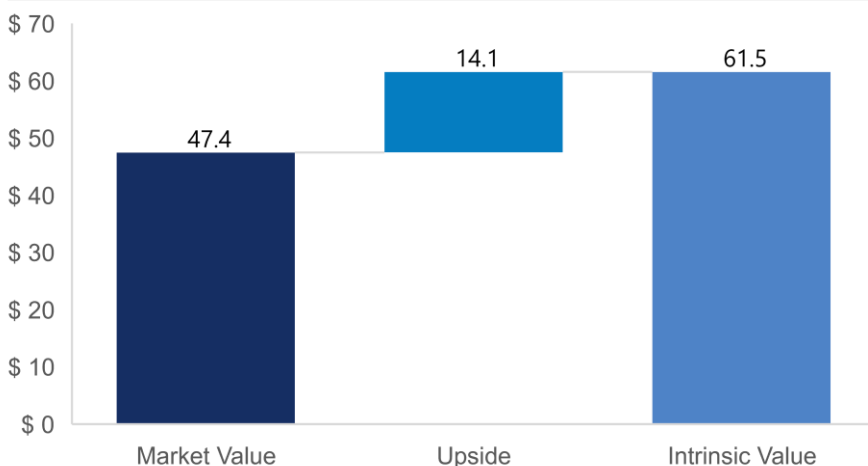
Valuation II

Base case represents a 30.1% upside even with our conservative forecast of AL' fleet

Sustainable growth drivers



Market value vs intrinsic value according to base scenario



Scenario analysis



+ 71.1%

The bullish case assumes a **strong trend towards aircraft leasing** as opposed to buying them driven by the increasing demand for travel. Active expansion of the fleet is reflected in the terminal **Capex/Dep. of 2.5**, which boosts revenue growth in future periods and is reflected in increased terminal value



+ 30.1%

Base case scenario relies on the shift towards leasing of aircraft and **replacement of old customer fleet** by the new one. Fleet value growth is moderate with **Capex/Dep. of 2.13**



- 3.8%

In the bearish scenario the revenue growth is lower caused by a **slower recovery from the COVID-19 crisis**. More conservative investing strategy with terminal **Capex/Dep. of 1.75** and conservative tax forecast with **28% corporate tax rate**

Multiple valuation

	P/E 2021	P/E 2022	P/B 2021	P/B 2022
AerCap	10.7	10.2	0.8	0.8
BOC Aviation	8.2	7.2	1.2	1.1
Fly Leasing	10.3	10.1	0.6	0.6
Fortress Transportation	31.6	10.1	2.7	2.3
China Aircraft Leasing	5.3	4.7	0.9	0.8
Air Lease	9.2	7.4	0.8	0.7
Median	53.40	64.84	56.48	55.51
Average	68.50	54.39	75.02	74.21

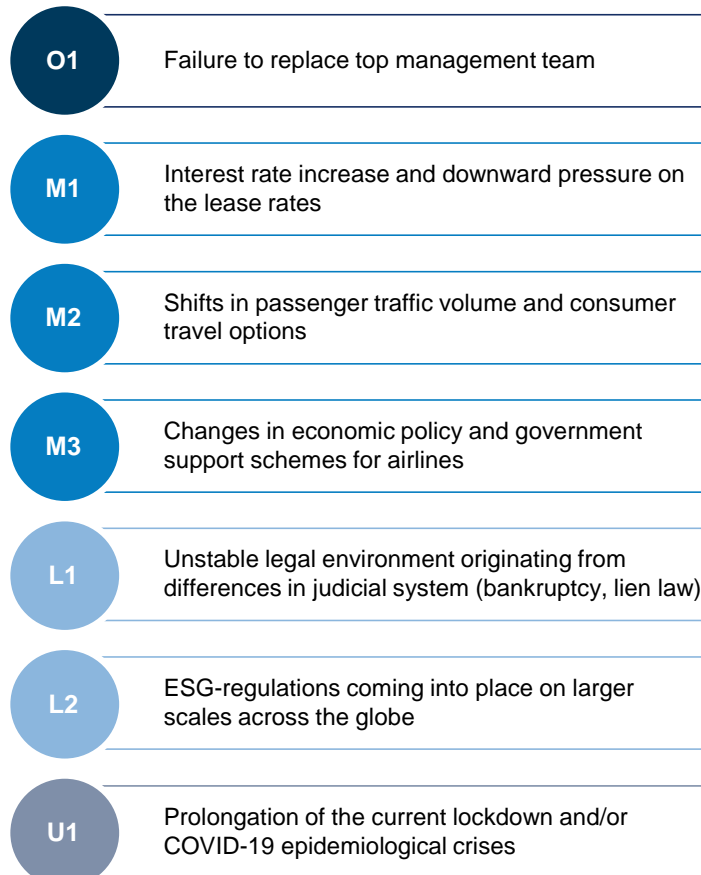
Implied share price (average of medians) 57.56



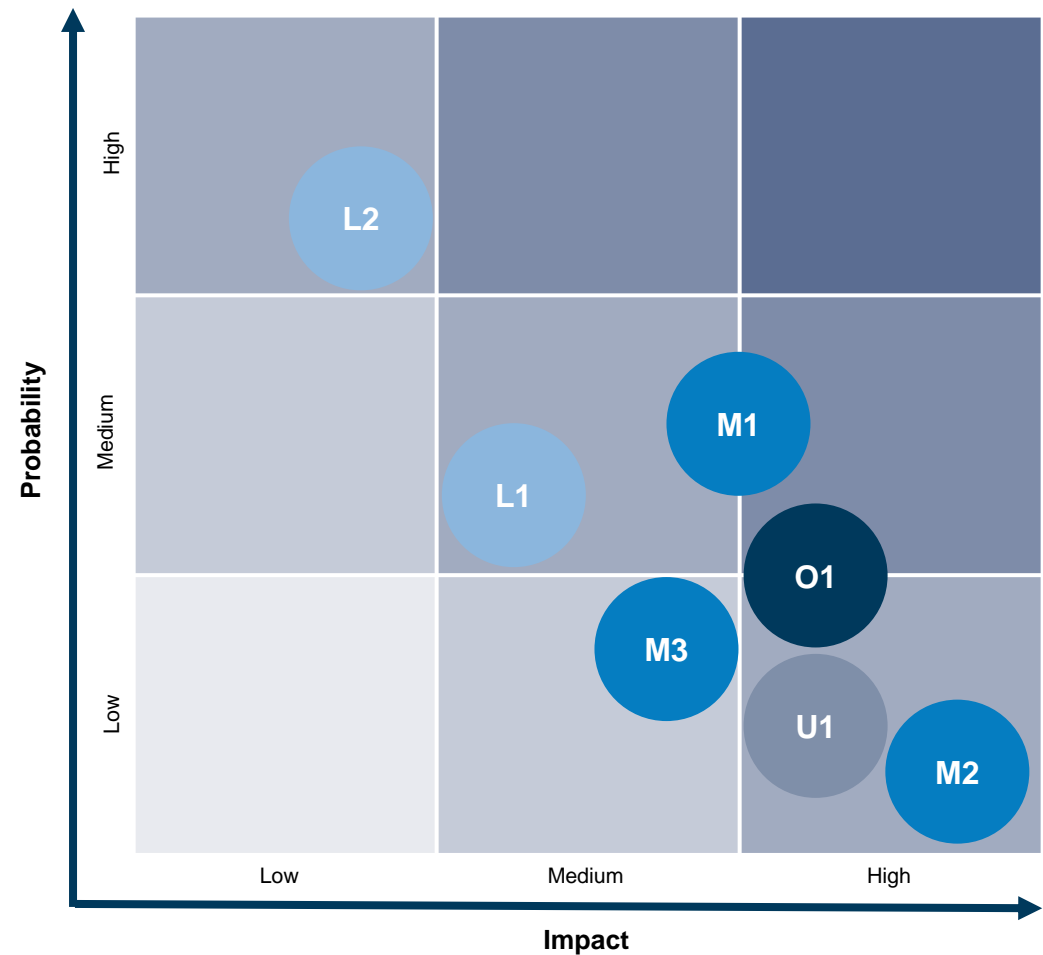
Risk Matrix

Company Specific Risks

Air Lease faces multiple risks with high potential impact but low probability



Operations (O) – Market (M) – Legislation (L) – Uncategorized (U)

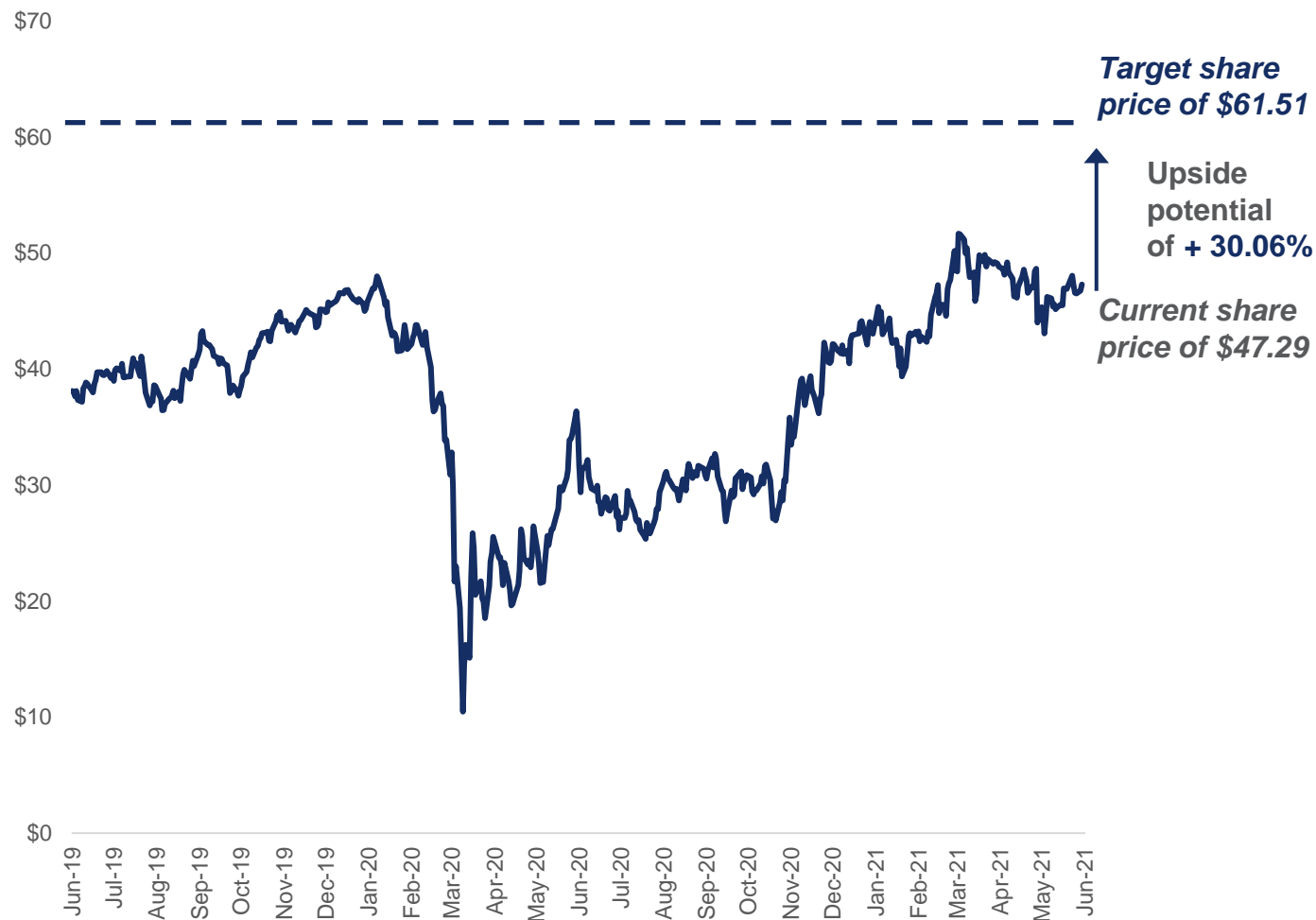
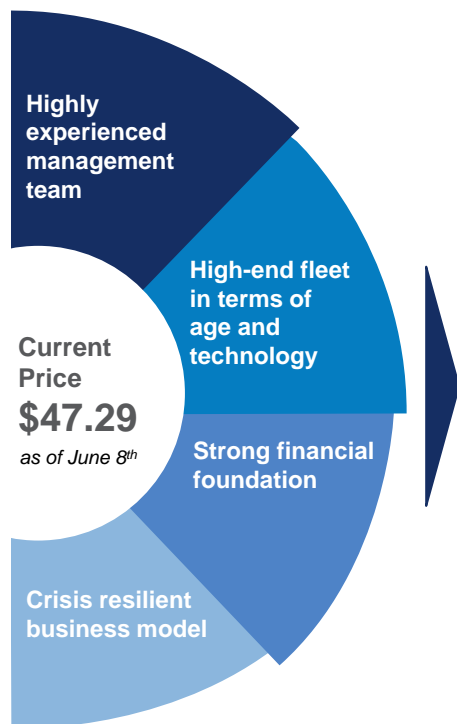




Conclusion

Conclusion – Buy

Air Lease' stock price is ready to take off according to our forecast



Appendix

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Appendix A: Fleet Overview I

Air Lease managed a fleet of 418 aircraft in total as of 31.12.2020

Single aisle aircraft



Twin aisle aircraft



Airbus

133

42

Boeing

92

69

Embraer

1

0

Blackbird

26¹

TBOLT

51¹

Investor

4¹

Managed Fleet

Although leasing is the primary business of Air Lease, they manage 81 aircraft for investment vehicles

Appendix A: Fleet Overview II

Air Lease owned a total of 226 single aisle aircraft as of 31.12.2020

Single aisle aircraft

Airbus A319



1x A319-100¹

- Launch year: 1995
- Capacity: ~140
- Range: 6 700 km
- Price: ~ \$ 92 million

Airbus A320



31x A320-200

- Launch year: 1988
- Capacity: ~170
- Range: 4 630 km
- Price: ~ \$ 93.9 million

20x A320neo

- Launch year: 2016
- Capacity: ~170
- Range: 6 300 km
- Price: ~ \$110.6 million

Airbus A321



28x A321-200

- Launch year: 1997
- Capacity: ~200
- Range: 5 100 km
- Price: ~ \$118.3 million

53x A321-200neo

- Launch year: 2015
- Capacity: ~200
- Range: 7 400 km
- Price: ~ \$129.5 million

Boeing 737



4x 737-700

- Launch year: 1993
- Capacity: ~ 135
- Range: 8 149 km
- Price: ~ \$ 89.1 million

88x 737-800

- Launch year: 1997
- Capacity: ~170
- Range: 7 408 km
- Price: ~ \$ 106.1 million

19x 737 MAX 8

- Launch year: 2017
- Capacity: ~ 200
- Range: 6 570 km
- Price: ~ \$ 121.6 million

Embraer E190



1x E190²

- Launch year: 2004
- Capacity: ~100
- Range: 3 390 km
- Price: ~ \$ 50.6 million

Appendix A: Fleet Overview III

Air Lease owned a total of 111 twin aisle aircraft as of 31.12.2020

Twin aisle aircraft

Airbus A330



13x A330-200

- Launch year: 1998
- Capacity: ~ 235
- Range: 13 450 km
- Price: ~ \$ 238.5 million

8x A330-300

- Launch year: 1994
- Capacity: ~275
- Range: 11 750 km
- Price: ~ \$ 264.2 million

8x A330-900neo

- Launch year: 2017
- Capacity: ~ 280
- Range: 13 334 km
- Price: ~ \$ 296.4 million

Airbus A350



11x A350-900

- Launch year: 2015
- Capacity: ~325
- Range: 15 000 km
- Price: ~ \$ 317.4 million

2x A350-1000

- Launch year: 2018
- Capacity: ~390
- Range: 16 100 km
- Price: ~ \$ 366.5 million

Boeing 777



1x 777-200ER

- Launch year: 2006
- Capacity: ~ 310
- Range: 15 843 km
- Price: ~ \$ 306.6 million

24x 777-300ER

- Launch year: 2004
- Capacity: ~ 380
- Range: 13 649 km
- Price: ~ \$ 375.5 million

Boeing 787



24x 787-9

- Launch year: 2014
- Capacity: ~ 290
- Range: 13 950 km
- Price: ~ \$ 248.3 million

6x 787-10

- Launch year: 2018
- Capacity: ~ 325
- Range: 11 750 km
- Price: ~ \$ 338.8 million

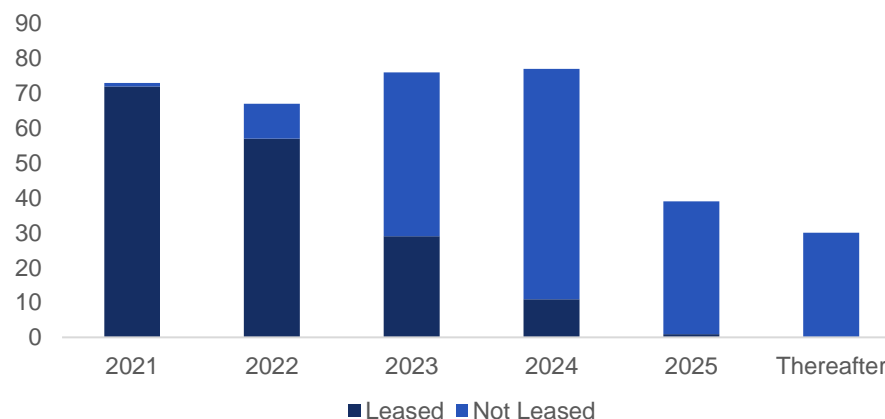
Appendix A: Fleet Overview IV

98.6% of the aircraft to be delivered in 2021 are already leased to customers

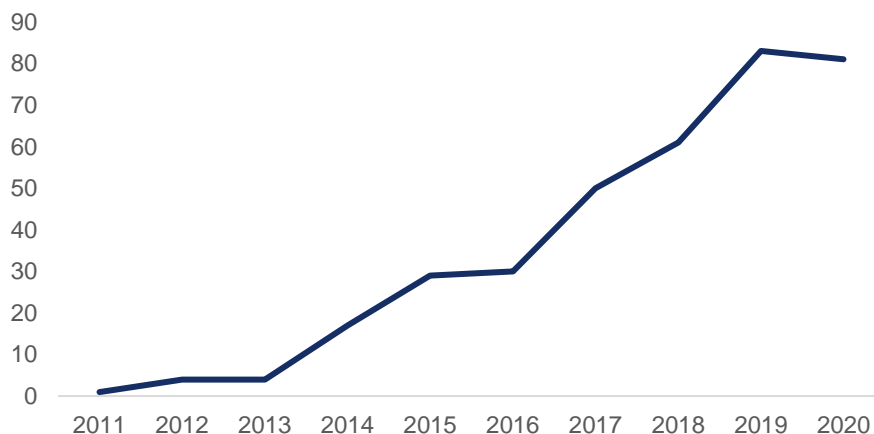
Fleet size over the years / split single aisle twin aisle



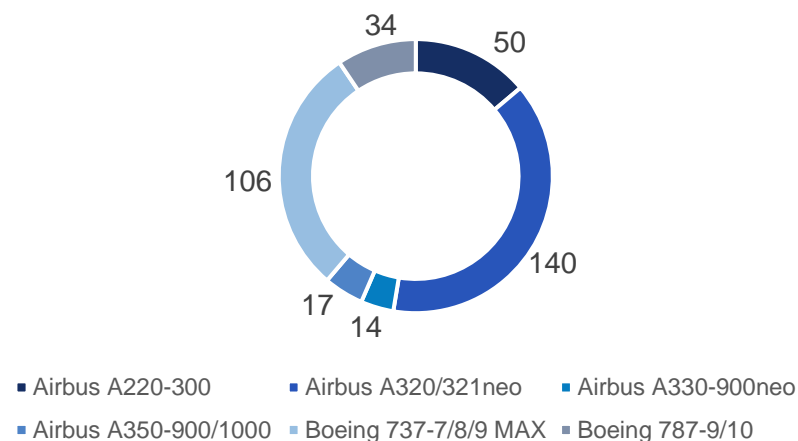
Number of aircraft pre-ordered already placed in leasing agreements



Managed aircraft over the years



Types of planes pre-ordered



Appendix A: Operational Life Cycle Stages of an Aircraft

Technical support services are crucial to guarantee an extended life cycle



Stage of operation

- Begins after initial installation of aircraft
- Main objective is to ensure that required parameters are fulfilled
- After 8 years of use first major obligatory service is scheduled



Stage of support

- Provide maintenance support after first major service
- General services and checks are conducted on a yearly basis
- Insurance of high reliability and long-term safety are key

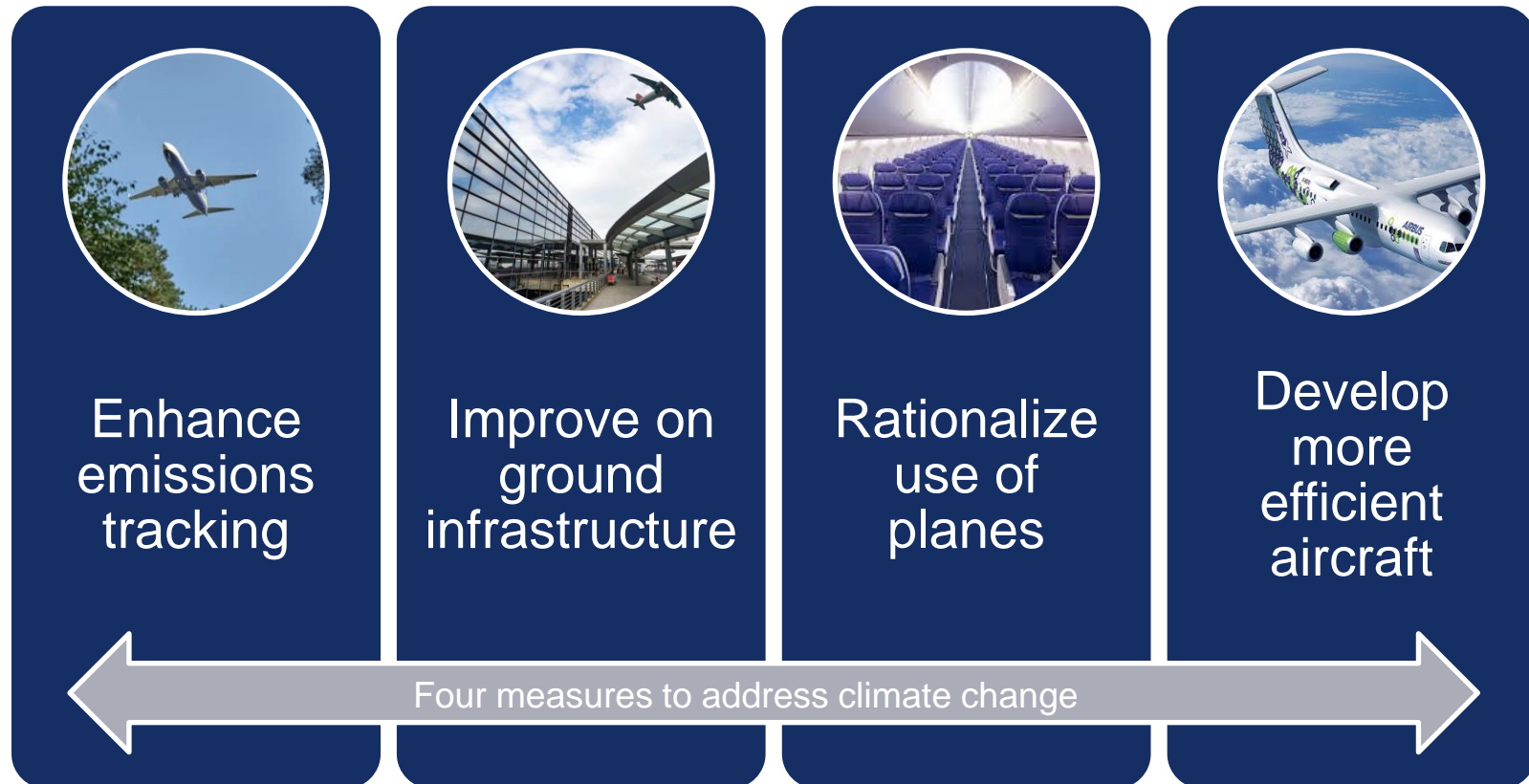


Stage of disposal or technical life extension

- At some point in time (usually at around 20-25 years of operation) planes become morally or physically obsolete
- Decision must be made regarding cost of operation, reliability and loss of value
- Alternatives are upgrading major parts (engines etc.), careful maintenance, sale of intact parts and scrapping

Appendix B: Sustainability Measures

A way to an ESG-friendly air-transportation sector



Appendix B: Leadership Team

A 30+ year partnership

Steven Udvar-Házy
Chairman of the Board &
Founder



- Steven Udvar-Házy was born in Hungary in 1926 and immigrated to the US as a child
- Founded an airline at first but decided that leasing was a better business model
- After founding ILFC in 1973 he sold the company to AIG in 1990
- Mr. Házy founded Air Lease in 2010 after leaving ILFC
- He was serving as CEO until 2016 and is since then Chairman of the Board

- With more than 40 years of experience in the sector his long-standing relationships with suppliers, customers and financiers he provides immense value to Air Lease
- His main focus lies in relationship management and as a driver for innovation in the aircraft sector

John L. Plueger
Chief Executive Officer &
President



- John L. Plueger graduated from UCLA and started his career at PWC
- After getting licensed as an accountant and gaining his flying license he joined Mr. Házy at ILFC
- Mr. Plueger serves as CEO since 2016 and co founded Air Lease with Mr. Házy in 2010, where he first acted as COO
- He is a regular expert witness for the US house of representatives and the European Commission

- Previously he acted as a board member, COO and CEO of ILFC where he worked closely with Mr. Házy
- He has more than 35 years of experience in the sector, 25 of which he spent at ILFC
- Furthermore, he is a member of the board Spirit AeroSystems which is a key supplier of major airlines

Appendix B: Strategy

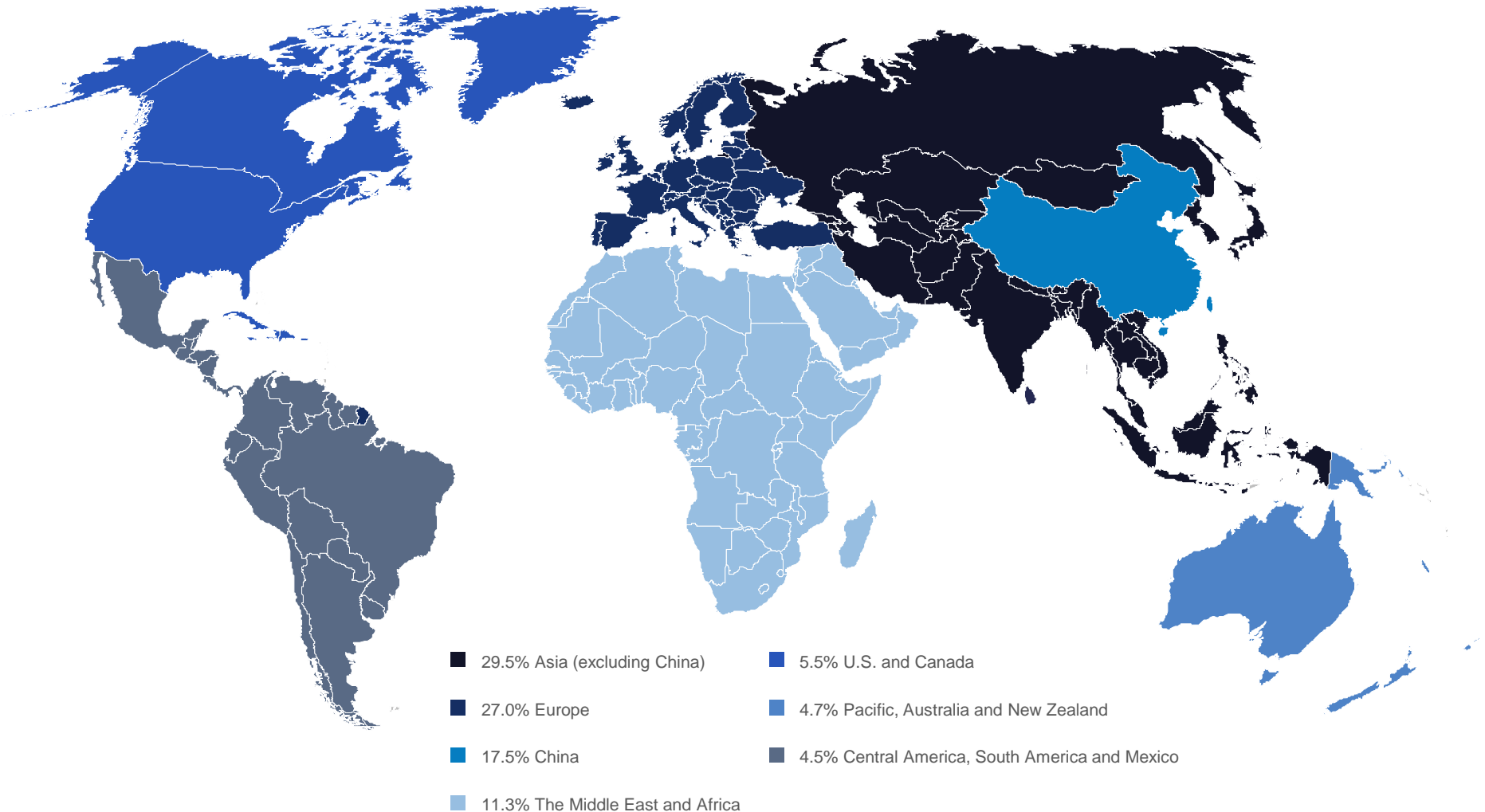
Aircraft <ul style="list-style-type: none"> Good relationships with manufacturers Part of design board Bulk buying from Boeing and Airbus Premium discounts >55% of list prices Delivery delays of air-planes occur regularly 	Owning and Leasing Planes <ul style="list-style-type: none"> Purchase of new aircraft Leasing agreements arranged beforehand with customers After approx. one third of the useful lifespan the aircraft get sold Current fleet size 342 72 new aircraft will be delivered 2021 	Sale of aircraft <ul style="list-style-type: none"> Net gains possible due to low purchasing prices ~3-7% of overall revenue 8 aircraft were sold during the FY 2020 Decrease of sales numbers due to COVID 30 aircraft were sold in the FY 2019 	Thunderbolt & Blackbird <ul style="list-style-type: none"> TBOLT: Investment vehicle to manage and sell aircraft 5% non-controlling interest Size of fleet: 51 BBIRD: Investment vehicle with Napier Park 9.5% non-controlling interest Size of fleet: 26 	Soon to be retired Aircraft <ul style="list-style-type: none"> No involvement in end-of-useful life aircraft Diminishes residual value risk for Air Lease Industry leading fleet in terms of fuel efficiency and age
--	--	--	--	--



Due Diligence <ul style="list-style-type: none"> Management team Financial performance Customer may be required to obtain guarantees (government, financial sponsors, etc.) 	Leasing Contracts <ul style="list-style-type: none"> Leasing agreements are entered 18 – 36 months in advance Fixed rates and terms, as well as required cash deposits for unexpected events Leases are responsible for operating costs, taxes, insurance and maintenance costs All lease payments were fulfilled during 2020, due to good CRM 	Sale Contracts <ul style="list-style-type: none"> Sale agreement signed during lease with a few years remaining on it in order to achieve best prices for sold aircraft Customers consist of financial institutions, airlines and investors 	Fleet management <ul style="list-style-type: none"> Allows Air Lease to manage residual value risk, while keeping their own fleet age down Air Lease can maintain relationships with airlines and further Air Lease is managing the fleet of several investment funds for a management fee
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Appendix B: Revenue Split per Region

In 2020 Asia overtook Europe as the region with the highest revenue for Air Lease



Appendix B: SWOT analysis

Strengths predominate weaknesses, fostering organic growth

STRENGTHS

- Industry leading knowledge in the management team
- Strong connections to key aircraft manufacturers
- Favorable financing terms due to trust of market in Air Lease
- Young & fuel-efficient fleet, in top quartile of industry benchmark
- Financial strength & revenue resilience amid the pandemic
- In-depth market knowledge about the current and future needs

OPPORTUNITIES

- Growth in airline traffic, especially in the Asian-Pacific region and international travel (due to the emergence of the new middle class, the wealth per capita growth and planned economy structure)
- Due to lower fleet planning time, there may be increased dependency and therefore market share of leased aircraft
- The redefinition of the economic life of aircraft might create additional demand for Air Lease' younger fleet



- Dependent on “veteran” management
- Highly leveraged industry and substantial debt level
- Dependency on interest rate changes
- Potential exposure to substantial wide-body aircraft fleet of which especially older - less fuel efficient - airplanes currently face increasingly lower demand on the market
- Not qualified for government support






WEAKNESSES

- The vulnerability of AL' customer base to the pandemic and the prolongation/ reintroduction of the lockdown (lack of gov. support)
- Chinese competitors skimming the market, lowering lease rates
- Changing legal environments worldwide and tariff systems concerning the aircraft purchases
- Lease restructurings due to COVID-19 might affect future earnings
- Surplus of aircraft on the market might diminish the fleet value

THREATS

Appendix C: Catalysts

Variety of events which might influence the share price of Air Lease

Catalyst	Type	Influenced factor	Estimated impact on share price
Uptick in airline start ups	Soft	<ul style="list-style-type: none"> Revenue Market dynamics 	<ul style="list-style-type: none"> Potential to acquire new customers with a high dependency on leased aircraft 
Key Manager decides to retire	Hard	<ul style="list-style-type: none"> CRM Operations 	<ul style="list-style-type: none"> Risk of losing established connections to competitors with experienced managers 
Bankruptcy of large customers	Hard	<ul style="list-style-type: none"> Profitability Image 	<ul style="list-style-type: none"> Further lockdowns which deepen the financial distress of airlines Loss of revenue, possibly aircraft and image 
Regulation on CO2 emissions	Soft	<ul style="list-style-type: none"> Market Costs 	<ul style="list-style-type: none"> Shift towards stricter ESG policies Insufficient demand of aircraft and additional costs 
Recovery of international travel	Soft	<ul style="list-style-type: none"> Revenue Growth 	<ul style="list-style-type: none"> Rapid increase in air traffic, as COVID restrictions are eased 

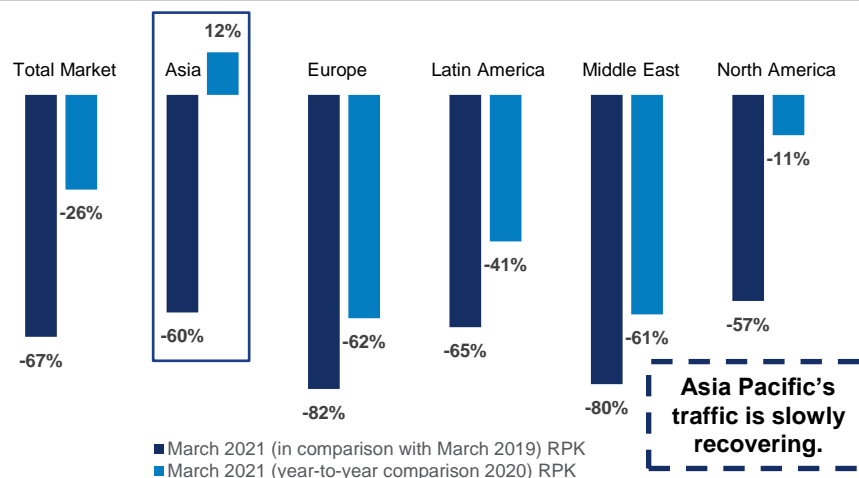
Appendix C: ICAO Definitions and Airline Metrics

Aviation metrics and impact of crude oil futures on Air Lease stock price

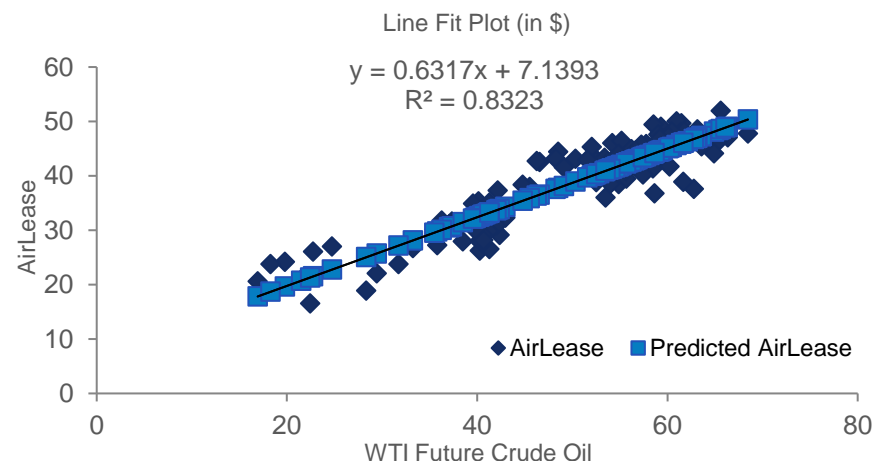
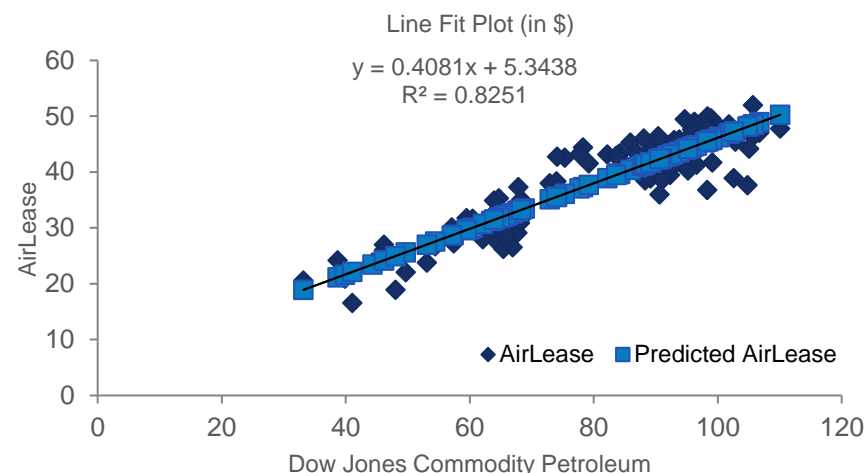
ICAO definitions

	RPK one revenue passenger-kilometer means that one passenger is carried on one kilometer
	ASK one available seat-kilometer means that one seat is flown on one kilometer.
	PLF the revenue passenger-kilometers as a percentage of the available seat-kilometers

COVID's impact on passenger traffic (RPK) across regions

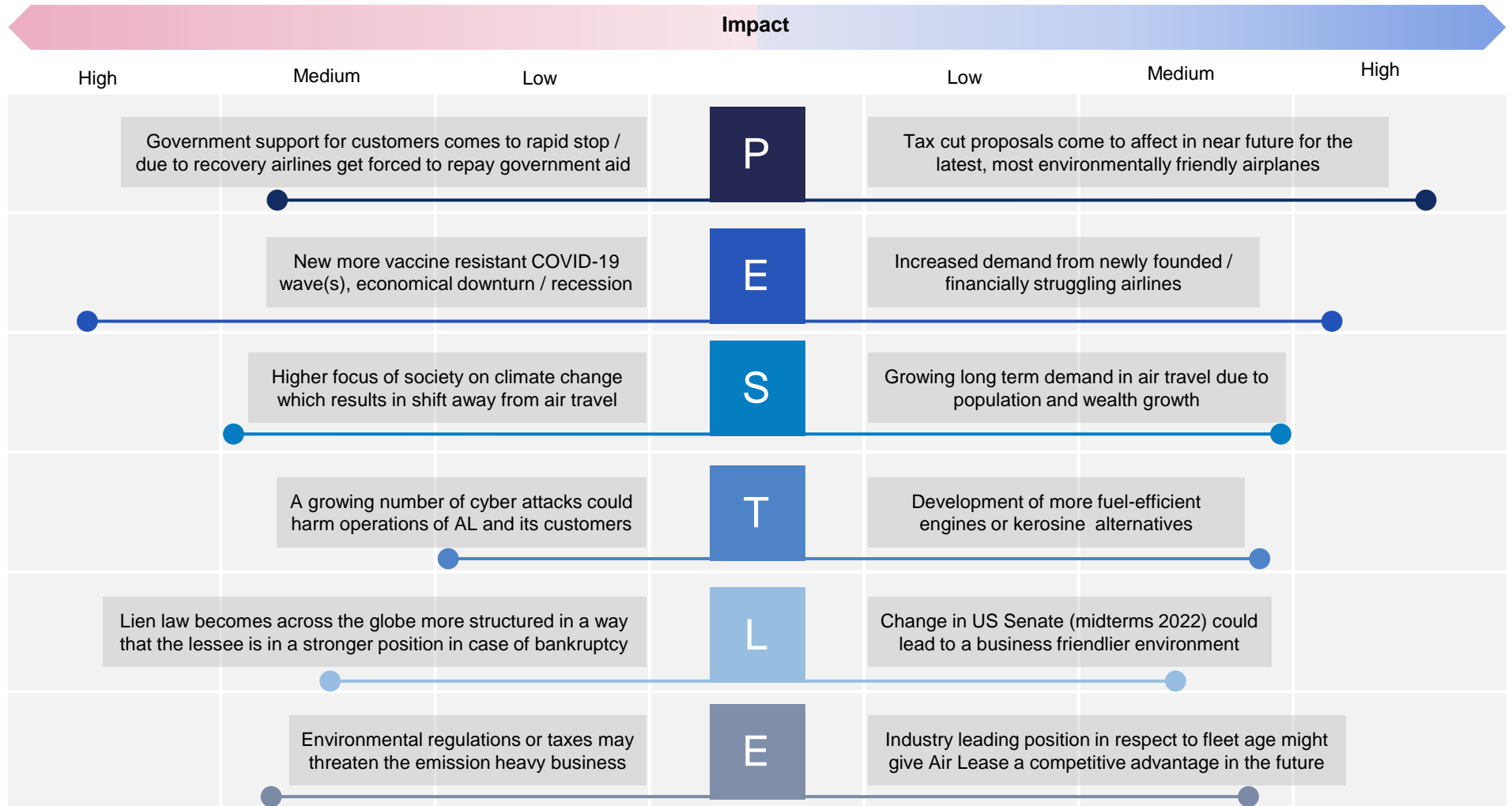


Relationship between crude oil futures and Air Lease share price



Appendix C: PESTLE Analysis

Air Lease finds itself faced by great risks and upsides in its environment



Appendix C: Porter's Five Forces

The aircraft leasing industry is characterized by a high rivalry among competitors

- Moderate switching costs that might imply penalties due to early cancellations
- The choice of financing: Highly dependent on the profile, credit rating of the airline (e.g. low-cost vs. high-cost)
- Multiple government backed financial institutions (ECA) might offer favorable financing terms if the purchase serves the political direction of the gov.

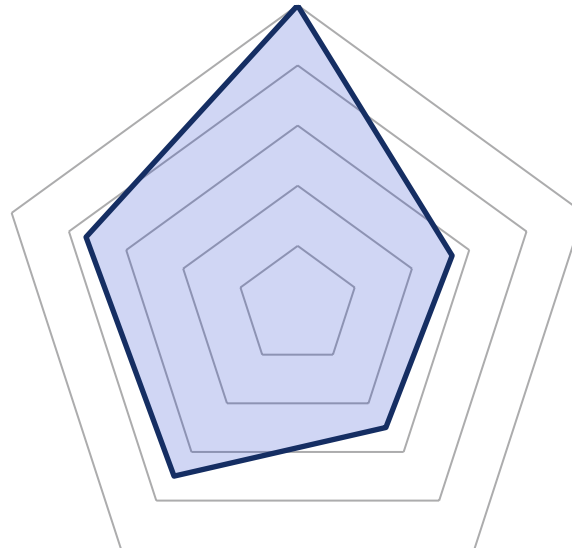
Moderate threat of substitutes

- Moderate as a result of long-standing relationship and prior agreements
- Due to the natural monopoly in the OEM/ suppliers' market, the choice for an alternative aircraft with similar features is limited
- The aircraft leasing labor force is not unionized in the US

Moderate bargaining power of suppliers

- Rivalry for the customer contracts and low product differentiation lead to intense competition in the field
- High exit barriers and a diversity of substitutes coming from other industries (banks, ECAs, OEMs) also contribute to the ecosystem
- The consolidation of the industry and its transformation into an oligopoly

High rivalry among competitors



- Initially, prior to the pandemic, new entrants were seen as a significant threat. Multiple financial institutions/ big companies /ECAs were interested in the niche due to a lack of sufficient capital on the aviation market
- Currently, the pandemic has risen the entry & exit barriers (e.g. participants have leveraged their credit lines)
- Hard to achieve economies of scale (asset intensive industry)

Low threat of new entrants

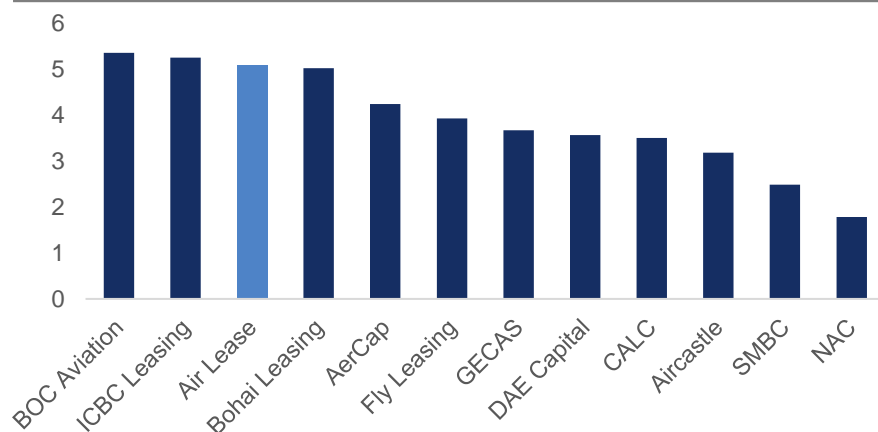
- Large customer base → not dependent on a few big airlines
- Moderate switching costs that might imply penalties due to early cancellations
- Leasing terms - Highly dependent on the profile & credit rating of the airline (e.g. low-cost vs. high-cost)
- As a result of the pandemic, several aircraft lessors have agreed to restructure the leases based on credit history and business relations

Low bargaining power of buyers

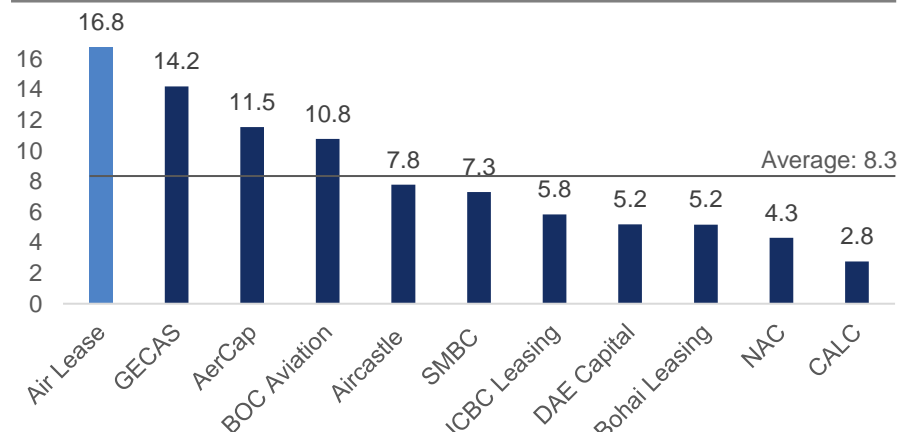
Appendix C: Peer Benchmarking I

Air Lease is among the top companies in terms of key revenue and fleet ratios

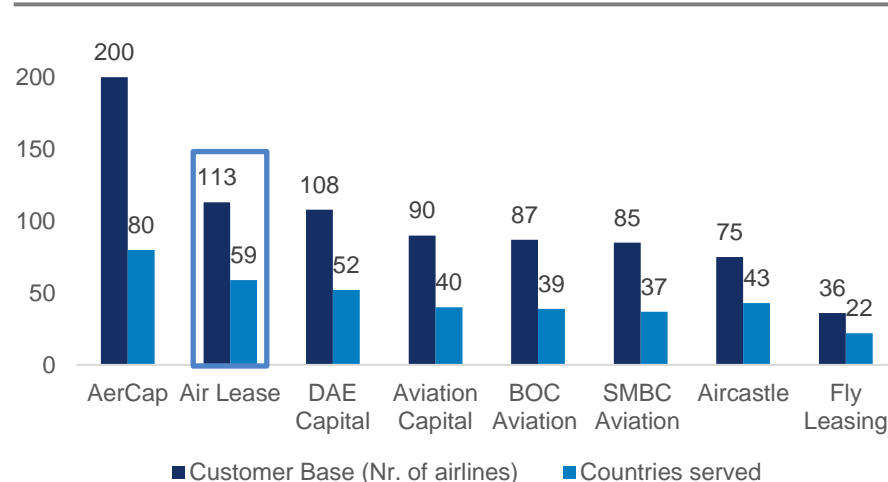
Revenue per airplane ratios – FY 20 (in M USD)



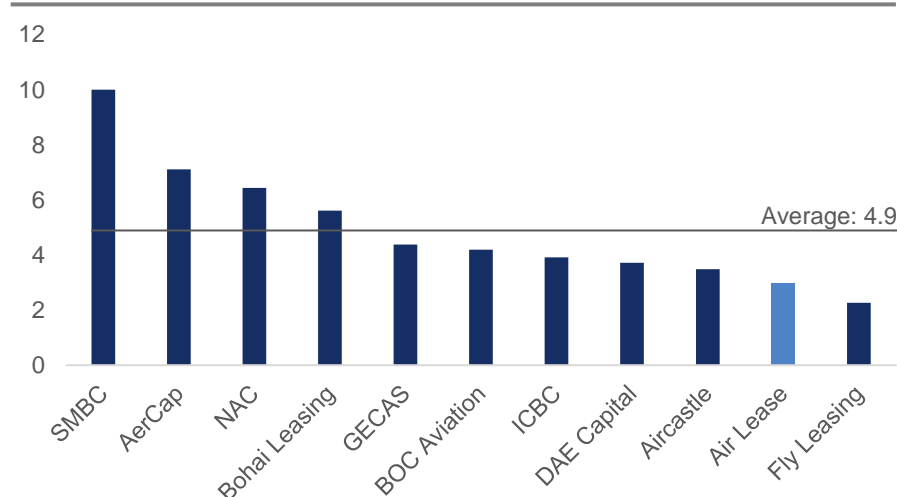
Revenue per employee ratios – FY 20 (in M USD)



Total number of airlines & countries served as of FY 20



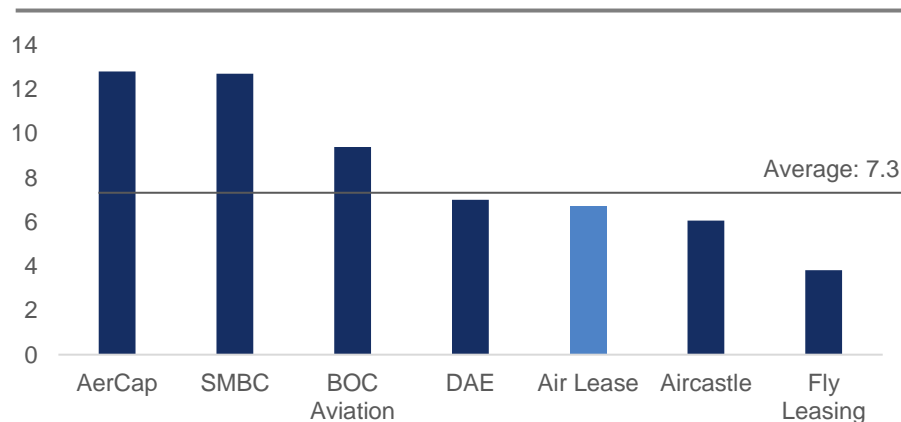
Number of aircraft per customer – FY 20



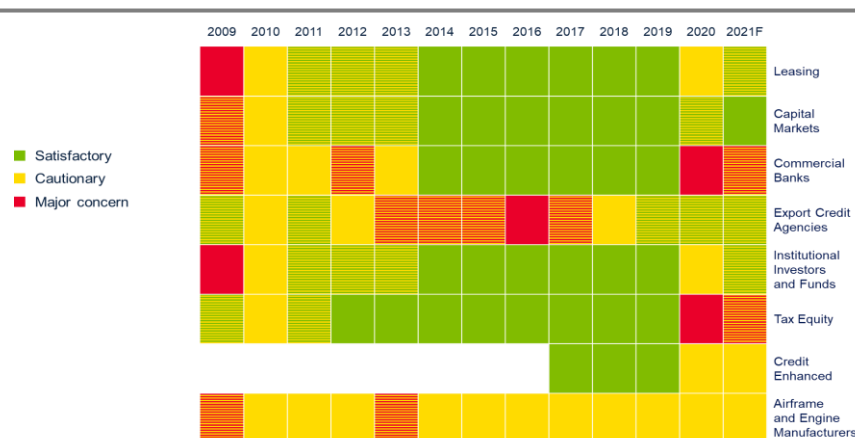
Appendix C: Peer Benchmarking II

Air Lease has well diversified revenue across regions and customers

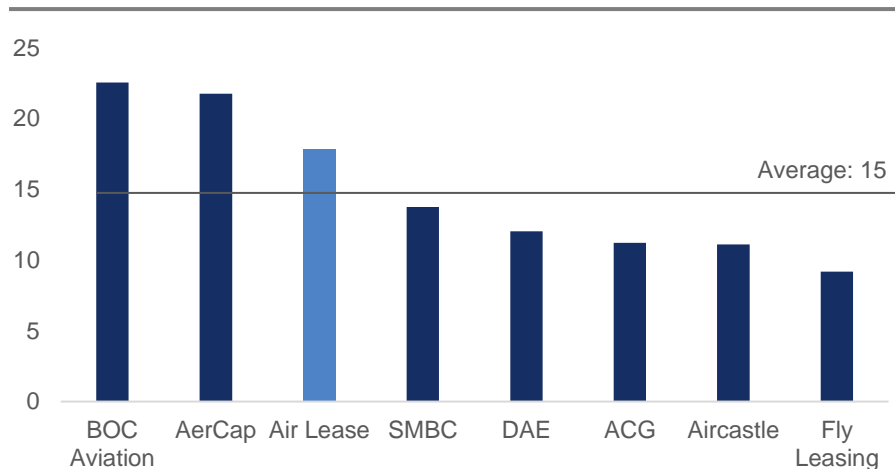
Number of aircraft per country – FY 20



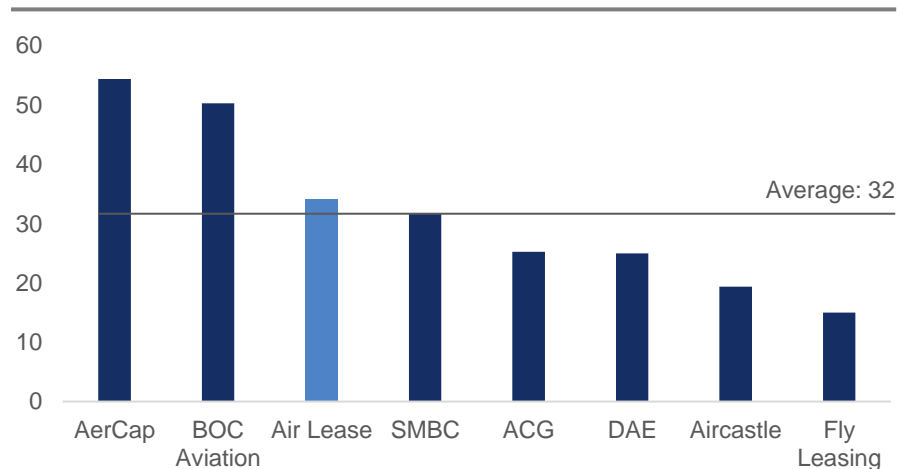
Aircraft financing environment¹ 2009 – 2021F



Revenue per airline – FY 20 (in M USD)



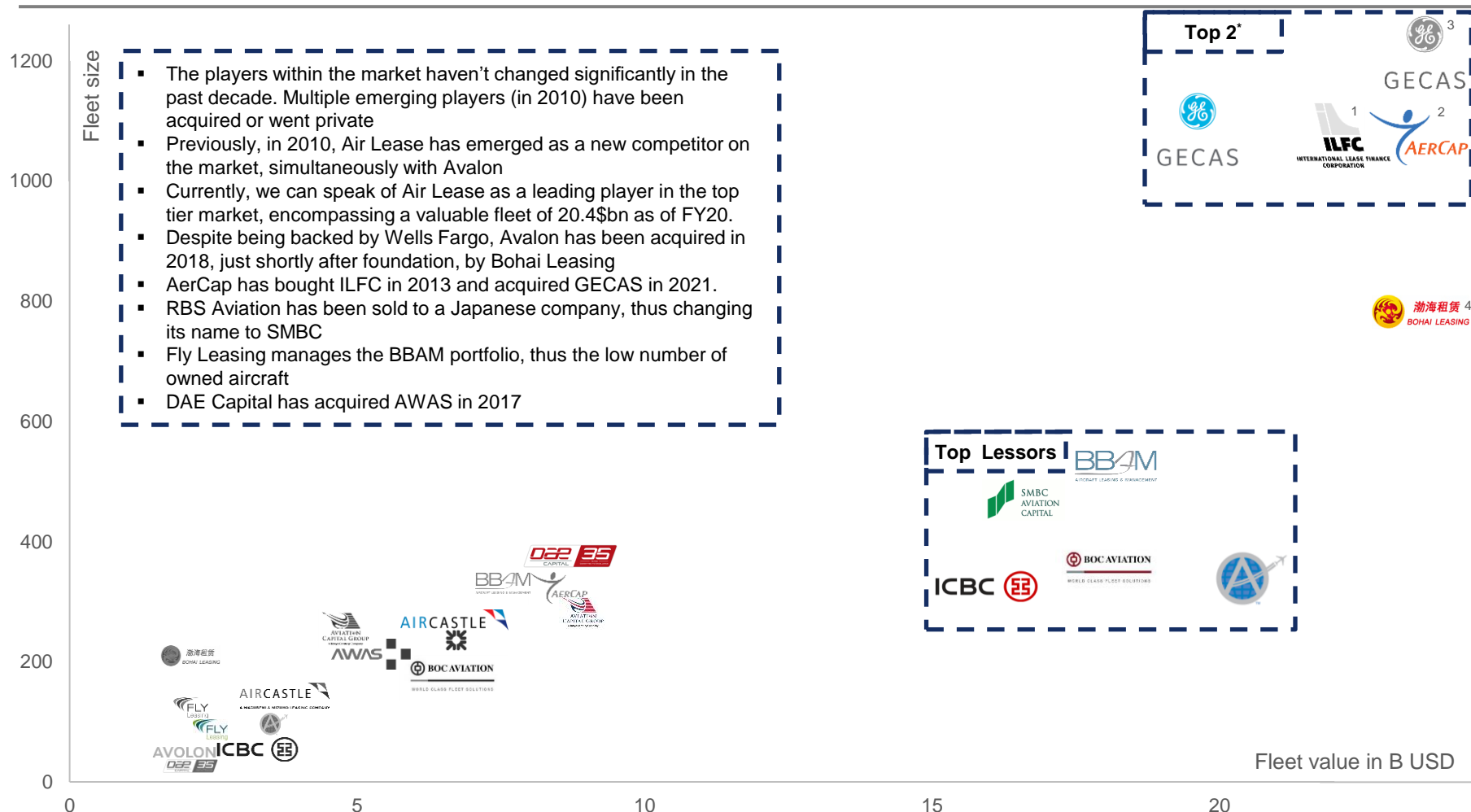
Revenue per country – FY 20 (in M USD)



Appendix C: Industry Development

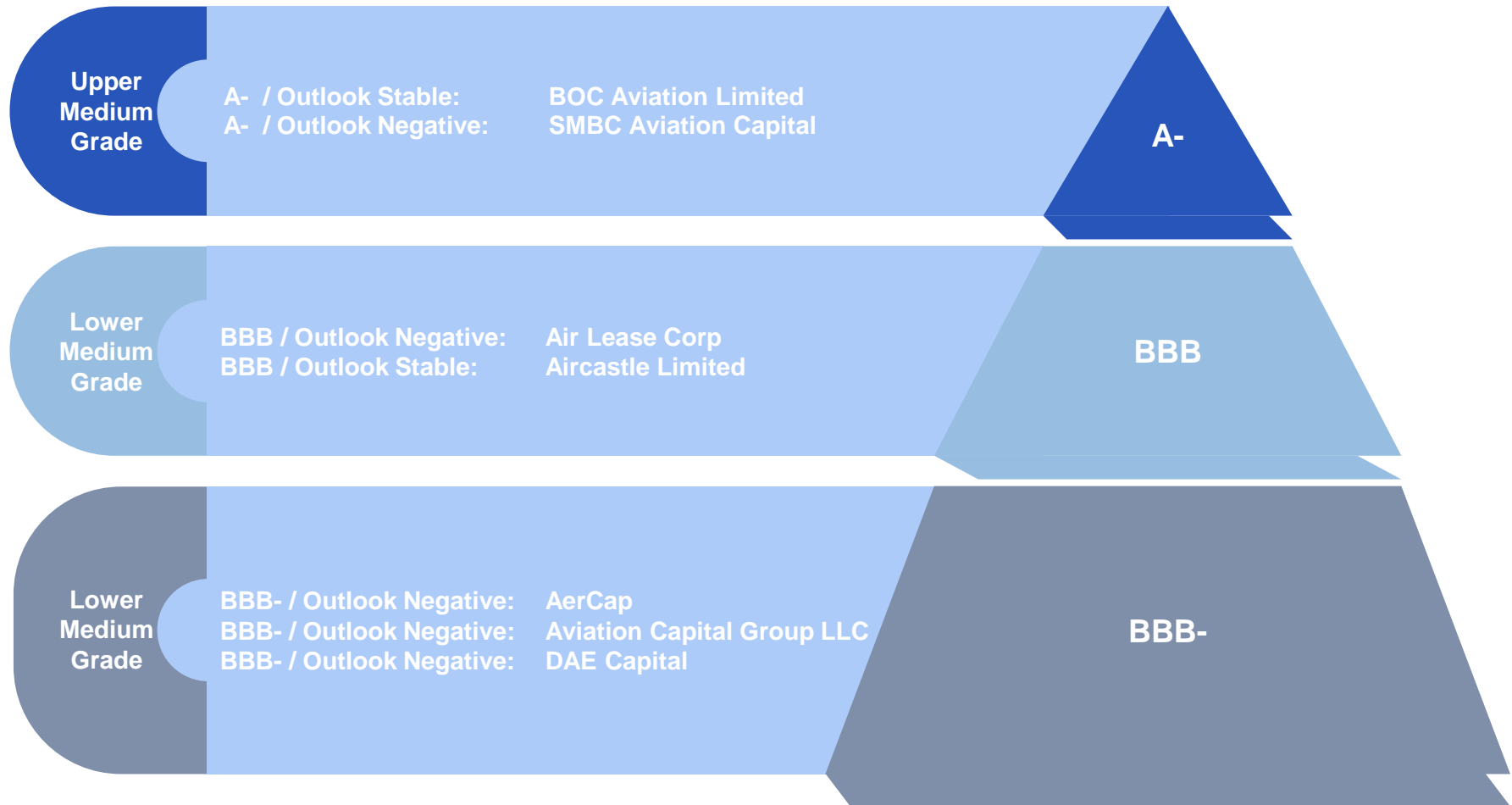
Comparing 2010's landscape to 2020's

Competitive landscape matrix in 2010 (grey logos) vs 2020 (colored logos)



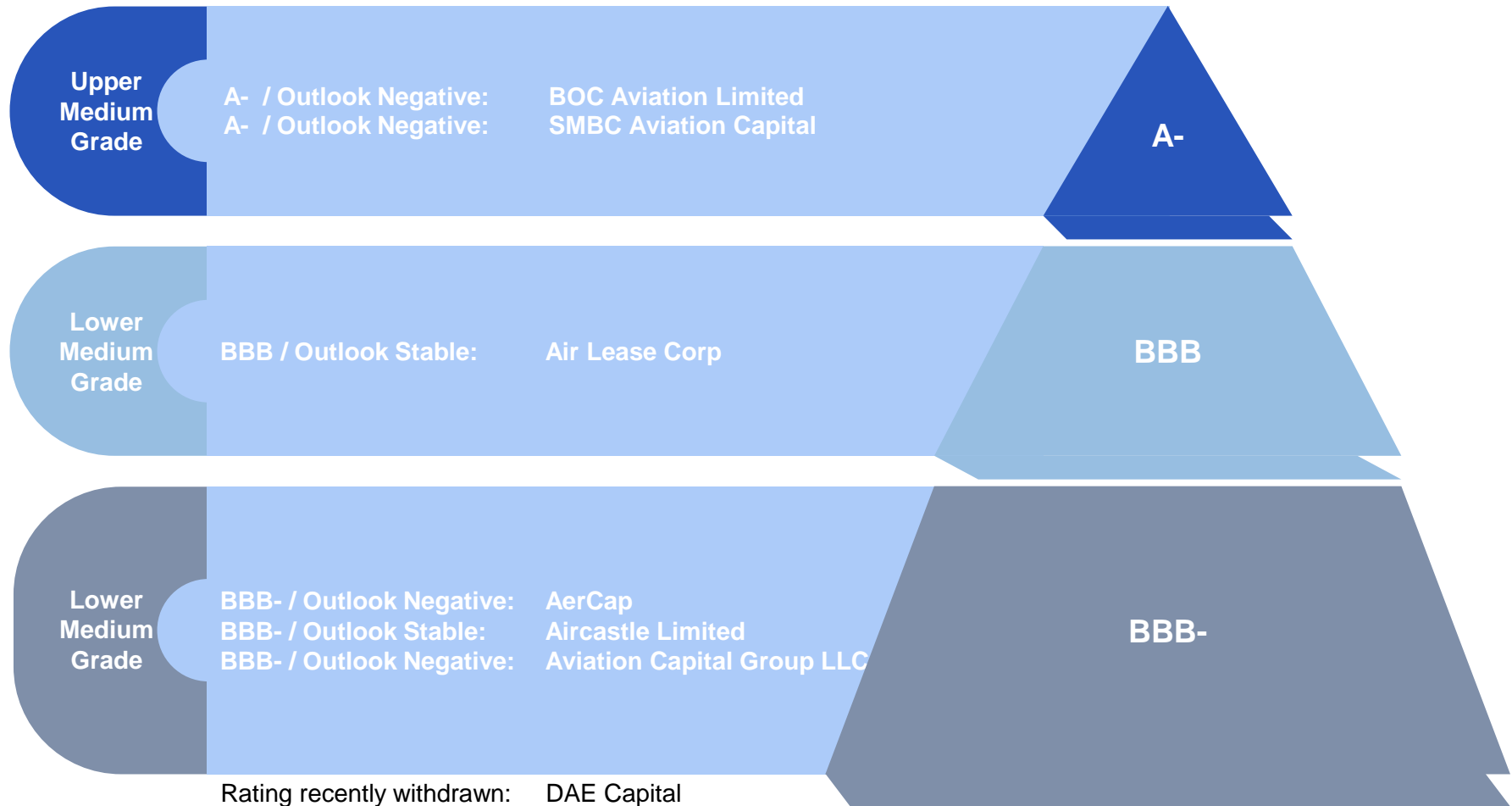
Appendix C: Fitch Credit Rating – Peer Review

Air Lease is rated in the top half of peers by Fitch with a BBB rating



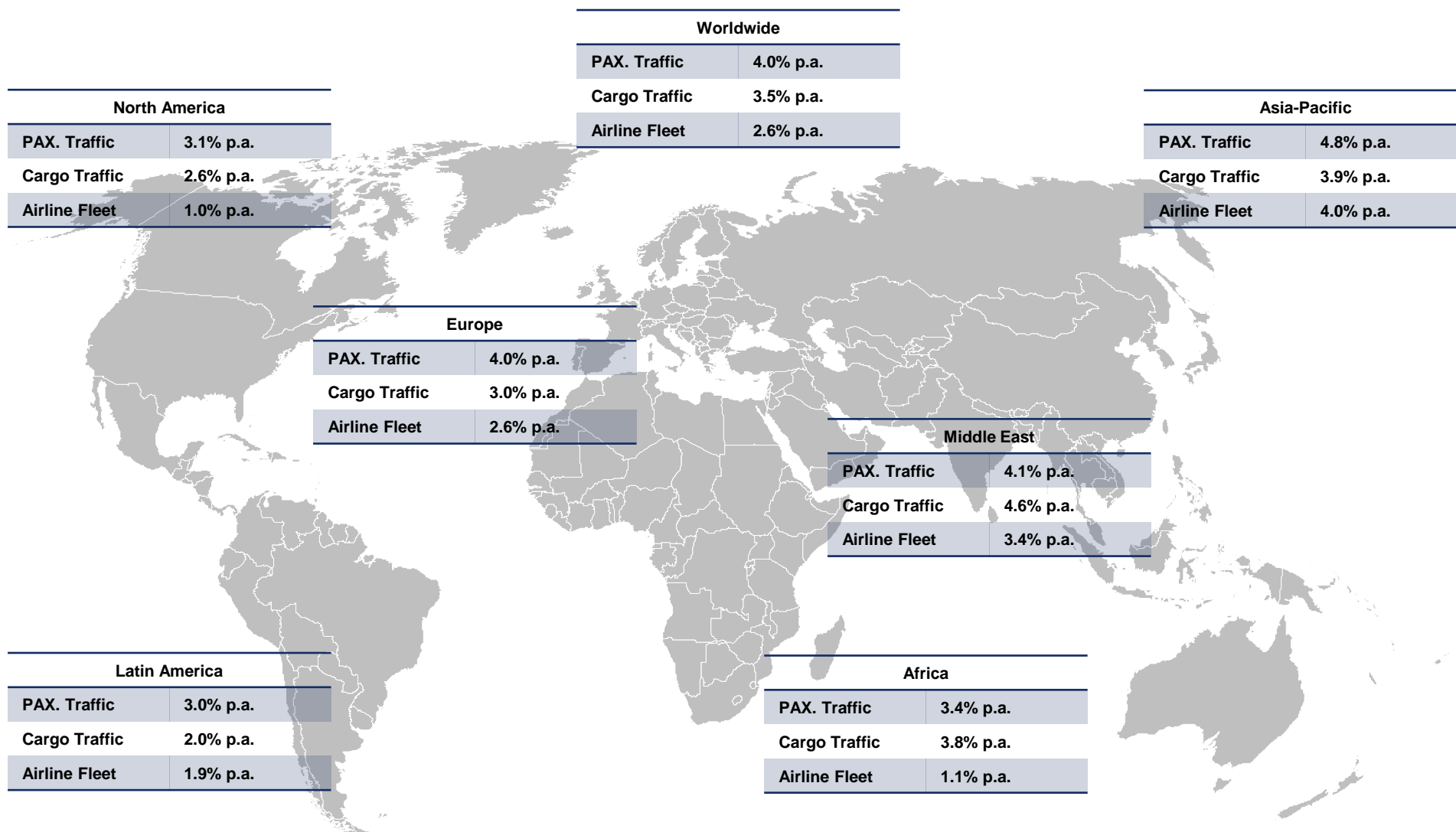
Appendix C: S&P Credit Rating – Peer Review

Air Lease is rated in the top half of peers by S&P with a BBB rating



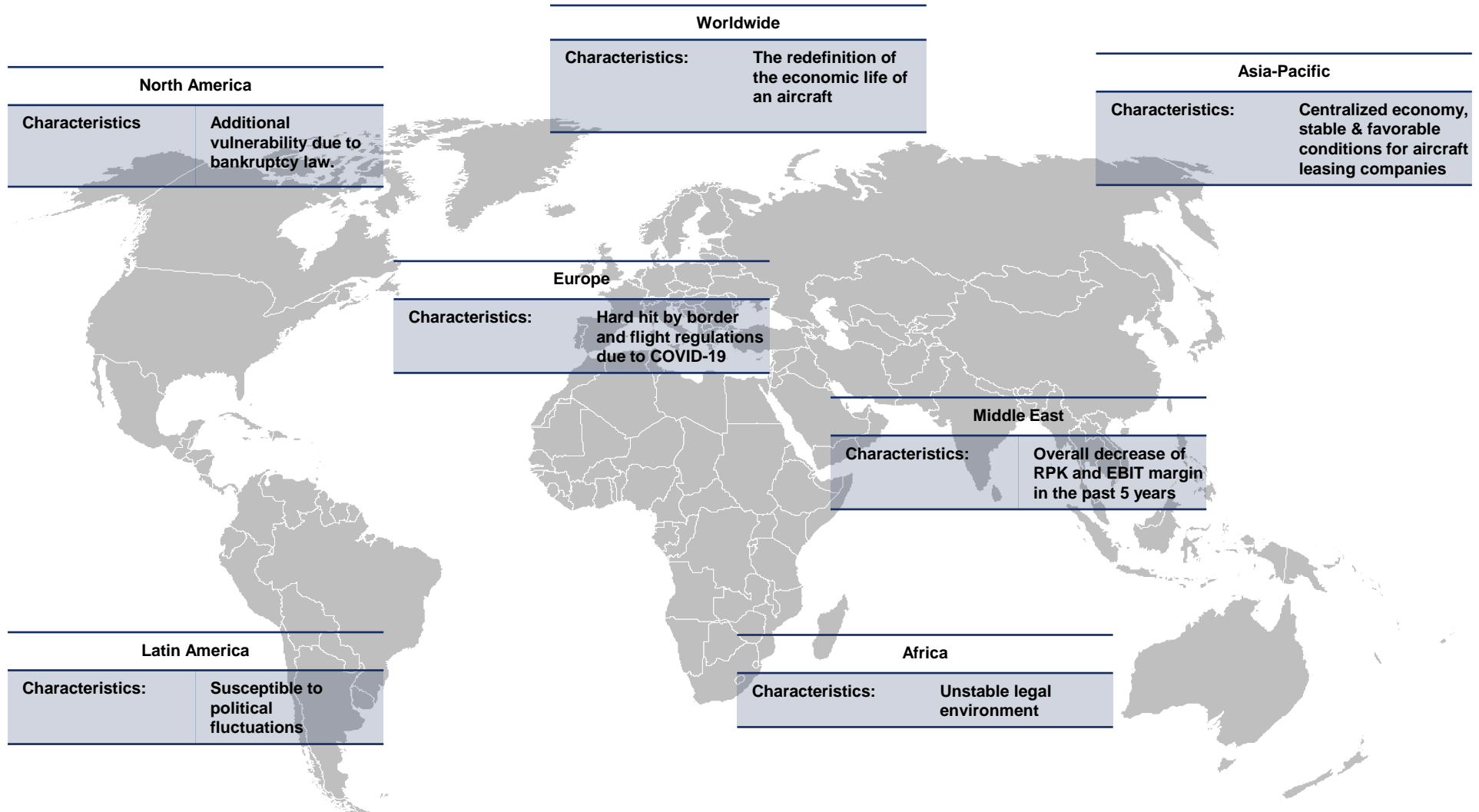
Appendix C: Regional Market Growth

Expected regional aviation market growth rates from 2020 to 2039 as of July 2020



Appendix C: Regional Market Characteristics

Regional aviation market characteristics as of June 2021



Appendix D: Financial analysis

Income statement

Income Statement		2015	2016	2017	2018	2019	2020
Revenues							
Rental of flight equipment		1 174 544	1 339 002	1 450 735	1 631 200	1 916 869	1 946 620
	% of Sales	96,1%	94,4%	95,7%	97,1%	95,0%	96,6%
Aircraft sales, trading, and other		48 296	80 053	65 645	48 502	100 035	68 819
	% of Sales	3,9%	5,6%	4,3%	2,9%	5,0%	3,4%
Total revenues		1 222 840	1 419 055	1 516 380	1 679 702	2 016 904	2 015 439
	Growth, %		16,0%	6,9%	10,8%	20,1%	-0,1%
Expenses							
Interest expense		266 144	286 201	287 371	342 732	434 011	474 758
	% of Sales	23%	21%	20%	21%	23%	24%
Depreciation of flight equipment		397 760	452 682	508 352	581 985	702 810	780 691
	% of Sales	33%	32%	34%	35%	35%	39%
Selling, general, and administrative		76 961	82 993	91 323	97 369	123 653	95 684
	% of Sales	6,3%	5,8%	6,0%	5,8%	6,1%	4,7%
Settlement		72 000	-	-	-	-	-
Stock-based compensation		17 022	16 941	19 804	17 478	20 745	17 628
	% of Sales	1,4%	1,2%	1,3%	1,0%	1,0%	0,9%
Total expenses		829 887	838 817	906 850	1 039 564	1 281 219	1 368 761
	% of Sales	68%	59%	60%	62%	64%	68%
Income before taxes		392 953	580 238	609 530	640 138	735 685	646 678
	% Margin	32%	41%	40%	38%	36%	32%
Income tax expense		-139 562	-205 313	146 622	-129 303	-148 564	-130 414
	% Effective tax rate	36%	35%	-	20%	20%	20%
Net income		253 391	374 925	756 152	510 835	587 121	516 264
	% Profit Margin	21%	26%	50%	30%	29%	26%
Preferred stock dividends						-11 958	-15 375
Net income available to common stockholders		253 391	374 925	756 152	510 835	575 163	500 889
	% Profit Margin	21%	26%	50%	30%	29%	25%

Appendix D: Financial analysis

Balance sheet

Balance Sheet		2015	2016	2017	2018	2019	2020
Assets							
Cash and cash equivalents		156 675	274 802	292 204	300 127	317 488	1 734 155
	% of TA	1,27%	1,97%	1,87%	1,62%	1,46%	6,88%
Restricted cash		16 528	16 000	16 078	22 871	20 573	23 612
	% of TA	0,13%	0,11%	0,10%	0,12%	0,09%	0,09%
NET flight equipment		10 813 475	12 041 925	13 280 250	15 707 110	18 704 337	20 380 350
	% of TA	88%	86%	85%	85%	86%	81%
	Growth, %		11%	10%	18%	19%	9%
Deposits on flight equipment purchases		1 071 035	1 290 676	1 562 776	1 809 260	1 564 188	1 800 119
	% of TA	9%	9%	10%	10%	7%	7%
Other assets		297 385	352 213	462 856	642 440	1 102 569	1 276 939
	% of TA	2%	3%	3%	3%	5%	5%
Total assets		12 355 098	13 975 616	15 614 164	18 481 808	21 709 155	25 215 175
	Growth, %		13%	12%	18%	17%	16%
Liabilities and Shareholders' Equity							
Accrued interest and other payables		215 983	256 775	309 182	382 132	516 497	492 473
	% of TA	2%	2%	2%	2%	2%	2%
	% Debt	3%	3%	3%	3%	4%	3%
Debt financing, net of discounts and issuance costs		7 712 421	8 713 874	9 698 785	11 538 905	13 578 866	16 518 338
	% of TA	62%	62%	62%	62%	63%	66%
Security deposits and maintenance reserves on flight equipment leases		853 330	856 335	856 140	990 578	1 097 061	1 072 704
	% of TA	7%	6%	5%	5%	5%	4%
	% of NBV	8%	7%	6%	6%	6%	5%
Rentals received in advance		91 485	99 385	104 820	119 526	143 692	142 915
	% of TA	1%	1%	1%	1%	1%	1%
	% of Revenues	7%	7%	7%	7%	7%	7%
Deferred tax liability		461 967	667 060	517 795	643 767	749 495	916 404
	% of TA	4%	5%	3%	3%	3%	4%
Total liabilities		9 335 186	10 593 429	11 486 722	13 674 908	16 085 611	19 142 834
	% of TA	76%	68%	82%	74%	74%	76%
Shareholders' Equity							
Preferred Stock, \$0.01 par value						100	100
Class A common stock, \$0.01 par value		1 010	1 010	1 036	1 110	1 134	1 139
Class B Non-Voting common stock, \$0.01 par value							
Paid-in capital		2 227 376	2 237 866	2 260 064	2 474 238	2 777 601	2 793 178
	% of TA	18%	16%	14%	13%	13%	11%
Retained earnings		791 526	1 143 311	1 866 342	2 331 552	2 846 106	3 277 599
	% of TA	6%	8%	12%	13%	13%	13%
Accumulated other comprehensive income/(loss)						-1 397	325
Total shareholders' equity		3 019 912	3 382 187	4 127 442	4 806 900	5 623 544	6 072 341
	% of TA	24%	24%	26%	26%	26%	24%
Total liabilities and shareholders' equity		12 355 098	13 975 616	15 614 164	18 481 808	21 709 155	25 215 175

Appendix D: Financial analysis

Cash flow statement

Cash Flow	2015	2016	2017	2018	2019	2020
Operating Activities						
Net income	253 391	374 925	756 152	510 835	587 121	516 264
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation of flight equipment	397 760	452 682	508 352	581 985	702 810	780 691
Stock-based compensation	17 022	16 941	19 804	17 478	20 745	17 628
Deferred taxes	138 608	205 313	-146 622	129 303	92 049	166 467
Amortization of prepaid lease costs				24 579	32 849	43 224
Amortization of discounts and debt issuance costs	30 507	30 942	29 454	32 706	36 691	43 025
Gain on aircraft sales, trading and other activity	-41 072	-58 880	-55 073	-34 442	-81 994	-25 843
Changes in operating assets and liabilities:						
Other assets	11 336	-55 728	-108 622	-74 223	-161 302	-424 158
Accrued interest and other payables	16 635	45 983	50 832	51 175	139 337	-22 810
Rentals received in advance	15 608	7 900	5 436	14 705	24 166	-4 302
Net cash provided by operating activities	839 795	1 020 078	1 059 713	1 254 101	1 392 472	1 090 186
Investing Activities						
Acquisition of flight equipment under operating lease	-2 088 646	-1 914 093	-1 972 009	-2 512 582	-3 663 605	-1 631 551
Payments for deposits on flight equipment purchases	-597 170	-868 091	-773 981	-976 101	-884 459	-885 679
Proceeds from aircraft sales, trading and other activity	752 747	988 040	779 489	391 372	995 345	151 132
NET Acquisition and Proceeds	-1 335 899	-926 053	-1 192 520	-2 121 210	-2 668 260	-1 480 419
Acquisition of aircraft furnishings, equipment and other assets	-219 732	-211 372	-177 450	-287 509	-291 258	-160 993
Net cash used in investing activities	-2 152 801	-2 005 516	-2 143 951	-3 384 820	-3 843 977	-2 527 091
Financing Activities						
Issuance of common stock upon exercise of options and warrants	60	20	9 264	4 826	44 885	6 569
Issuance of preferred stock					242 130	
Cash dividends paid on Class A common stock	-16 405	-20 555	-30 933	-41 563	-58 026	-68 183
Preferred dividends paid					-11 958	-15 375
Tax withholdings on stock-based compensation	-5 302	-5 890	-6 926	-7 548	-4 272	-8 618
Net change in unsecured revolving facilities	151 000	46 000	81 000	-245 000	-582 000	-20 000
Proceeds from debt financings	1 232 384	2 021 966	2 183 824	3 533 885	3 567 728	4 659 762
Payments in reduction of debt financings	-328 248	-1 093 910	-1 303 499	-1 270 505	-978 369	-1 728 029
Net change in restricted cash	-9 059	528	-78			
Debt issuance costs	-4 518	-5 042	-5 855	-11 475	-11 280	-8 102
Security deposits and maintenance reserve receipts	218 380	218 754	226 064	242 524	310 220	114 596
Security deposits and maintenance reserve disbursements	-51 430	-58 306	-51 221	-59 709	-52 490	-76 009
Paid-in capital adjustments						
Net cash provided by financing activities	1 186 862	1 103 565	1 101 640	2 145 435	2 466 568	2 856 611
Net increase in cash	-126 144	118 127	17 402	14 716	15 063	1 419 706
Cash, cash equivalents and restricted cash at beginning of period	282 819	156 675	274 802	308 282	322 998	338 061
Cash and cash equivalents at end of period	156 675	274 802	292 204	300 127	317 488	1 734 155

Appendix D: Financial analysis

Ratio analysis

Air Lease Ratios	2015	2016	2017	2018	2019	2020
Activity and Liquidity Ratios						
Asset Turnover	0,10	0,10	0,10	0,09	0,09	0,08
Current ratio	0,73	1,07	0,95	0,79	0,61	3,52
Solvency Ratios						
Debt to Equity	255%	258%	235%	240%	241%	272%
Debt to Capital	72%	72%	70%	71%	71%	73%
Debt to Assets	62%	62%	62%	62%	63%	66%
Interest coverage	2,5	3,0	3,1	2,9	2,7	2,4
EBITDA/Interest expenses	4,0	4,6	4,9	4,6	4,3	4,0
Total debt/EBITDA	7,30	6,61	6,90	7,37	7,25	8,68
Profitability Ratios						
Dep/Sales	33%	32%	34%	35%	35%	39%
SG&A margin	6,3%	5,8%	6,0%	5,8%	6,1%	4,7%
Operating margin	53,9%	61,1%	59,1%	58,5%	58,0%	55,6%
EBITDA margin	86,4%	93,0%	92,7%	93,2%	92,8%	94,4%
Pretax margin	33,5%	43,3%	42,0%	39,2%	38,4%	33,2%
Dupont						
ROA	2,05%	2,68%	4,84%	2,76%	2,70%	2,05%
NI margin	20,7%	26%	50%	30%	29%	25,6%
Asset Turnover	0,10	0,10	0,10	0,09	0,09	0,08
ROE	8,4%	11,1%	18,3%	10,6%	10,4%	8,5%
Tax burden	64%	65%	124%	80%	80%	80%
Interest burden	60%	67%	68%	65%	63%	58%
EBIT margin	54%	61%	59%	59%	58%	56%
NI margin	20,7%	26,4%	49,9%	30,4%	29,1%	25,6%
Asset Turnover	9,9%	10,2%	9,7%	9,1%	9,3%	8,0%
Leverage	4,09	4,13	3,78	3,84	3,86	4,15
Check	8,4%	11,1%	18,3%	10,6%	10,4%	8,5%
ROIC	3,93%	4,65%	6,75%	4,99%	4,99%	4,39%
Invested Capital	10 813 475	12 041 925	13 280 250	15 707 110	18 704 337	20 380 350
Invested Capital Turnover	0,11	0,11	0,11	0,10	0,10	0,10
NOPAT	425 011	559 856	896 901	784 338	933 488	895 279
Nopat margin	34,8%	39,5%	59,1%	46,7%	46,3%	44,4%
Reinvested capital	1 002 294	564 794	856 110	2 411 463	2 145 822	1 595 268
Reinvestment rate	236%	101%	95%	307%	230%	178%
Sustainable growth rate in NI	9,27%	4,69%	6,45%	15,35%	11,47%	7,83%

Appendix E: Valuation

Income statement forecast

Income Statement		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenues											
Rental of flight equipment		1 934 557	2 290 054	2 658 284	3 001 621	3 387 110	3 753 988	4 121 015	4 480 732	4 824 707	5 143 732
	% of Sales	95,8%	95,8%	95,8%	95,8%	95,8%	95,8%	95,8%	95,8%	95,8%	95,8%
Aircraft sales, trading, and other		85 793	101 559	117 889	133 115	150 211	166 481	182 758	198 711	213 965	228 113
	% of Sales	4,2%	4,2%	4,2%	4,2%	4,2%	4,2%	4,2%	4,2%	4,2%	4,2%
Total revenues		2 020 351	2 391 613	2 776 174	3 134 737	3 537 321	3 920 470	4 303 773	4 679 443	5 038 673	5 371 846
	Growth, %	0,2%	18,4%	16,1%	12,9%	12,8%	10,8%	9,8%	8,7%	7,7%	6,6%
Expenses											
Interest expense		496 477	569 983	635 148	689 283	748 382	813 080	883 536	951 028	1 013 873	1 070 290
	% of Sales	25%	24%	23%	22%	21%	21%	21%	20%	20%	20%
Depreciation of flight equipment		778 853	883 785	991 264	1 089 205	1 199 744	1 324 378	1 451 879	1 580 087	1 706 556	1 828 624
	% of Sales	39%	37%	36%	35%	34%	34%	34%	34%	34%	34%
Selling, general, and administrative		101 018	119 581	138 809	156 737	176 866	196 023	215 189	233 972	251 934	268 592
	% of Sales	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
Settlement		-	-	-	-	-	-	-	-	-	-
Stock-based compensation		16 965	19 247	21 373	23 038	24 761	27 443	30 126	32 756	35 271	37 603
	% of Sales	0,8%	0,8%	0,8%	0,7%	0,7%	0,7%	0,7%	0,7%	0,7%	0,7%
Total expenses		1 393 313	1 592 597	1 786 593	1 958 263	2 149 753	2 360 924	2 580 730	2 797 843	3 007 633	3 205 110
	% of Sales	69%	67%	64%	62%	61%	60%	60%	60%	60%	60%
Income before taxes		627 038	799 017	989 581	1 176 474	1 387 568	1 559 545	1 723 043	1 881 600	2 031 039	2 166 736
	% Margin	31%	33%	36%	38%	39%	40%	40%	40%	40%	40%
Income tax expense		-131 678	-167 794	-207 812	-247 059	-291 389	-327 505	-361 839	-395 136	-426 518	-455 015
	% Effective tax rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Net income		495 360	631 223	781 769	929 414	1 096 179	1 232 041	1 361 204	1 486 464	1 604 521	1 711 722
	% Profit Margin	25%	26%	28%	30%	31%	31%	32%	32%	32%	32%
Preferred stock dividends		-15 375	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375
Net income available to common stockholders		479 985	615 848	766 394	914 039	1 080 804	1 216 666	1 345 829	1 471 089	1 589 146	1 696 347
	% Profit Margin	24%	26%	28%	29%	31%	31%	31%	31%	32%	32%

Appendix E: Valuation

Balance sheet forecast

Balance Sheet		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Assets											
Cash and cash equivalents		1 735 635	1 524 946	1 217 488	854 689	429 230	539 651	659 297	786 106	917 390	1 049 856
	% of TA	6,00%	4,77%	3,54%	2,31%	1,08%	1,24%	1,41%	1,58%	1,75%	1,91%
Restricted cash		23 612	23 612	23 612	23 612	23 612	23 612	23 612	23 612	23 612	23 612
	% of TA	0,08%	0,07%	0,07%	0,06%	0,06%	0,05%	0,05%	0,05%	0,04%	0,04%
NET flight equipment		23 380 667	26 327 387	28 863 375	31 649 930	34 719 281	37 727 831	40 609 816	43 293 333	45 702 424	47 759 626
	% of TA	81%	82%	84%	85%	87%	87%	87%	87%	87%	87%
	Growth, %	15%	13%	10%	10%	10%	9%	8%	7%	6%	5%
Deposits on flight equipment purchases		2 327 067	2 571 248	2 767 070	2 979 405	3 210 355	3 488 544	3 755 029	4 003 164	4 225 923	4 416 144
	% of TA	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Other assets		1 460 275	1 515 428	1 525 296	1 528 698	1 524 742	1 585 685	1 630 195	1 656 237	1 662 173	1 646 884
	% of TA	5%	5%	4%	4%	4%	4%	3%	3%	3%	3%
Total assets		28 927 257	31 962 621	34 396 840	37 036 334	39 907 219	43 365 323	46 677 949	49 762 452	52 531 522	54 896 122
	Growth, %	15%	10%	8%	8%	8%	9%	8%	7%	6%	5%
Liabilities and Shareholders' Equity											
Accrued interest and other payables		632 820	699 223	752 474	810 217	873 021	948 671	1 021 139	1 088 617	1 149 193	1 200 922
	% of TA	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
	% Debt	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Debt financing, net of discounts and issuance costs		18 802 717	20 775 703	22 357 946	24 073 617	25 939 693	28 187 460	30 340 667	32 345 594	34 145 489	35 682 479
	% of TA	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
Security deposits and maintenance reserves on flight equipment leases		1 230 623	1 385 722	1 519 201	1 665 870	1 827 423	1 985 775	2 137 466	2 278 711	2 405 512	2 513 791
	% of TA	4%	4%	4%	4%	5%	5%	5%	5%	5%	5%
	% of NBV	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Rentals received in advance		143 879	170 318	197 704	223 239	251 909	279 195	306 492	333 245	358 827	382 554
	% of TA	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%
	% of Revenues	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Deferred tax liability		916 404	916 404	916 404	916 404	916 404	916 404	916 404	916 404	916 404	916 404
	% of TA	3%	3%	3%	2%	2%	2%	2%	2%	2%	2%
Total liabilities		21 726 443	23 947 370	25 743 730	27 689 347	29 808 449	32 317 505	34 722 168	36 962 571	38 975 426	40 696 150
	% of TA	75%	75%	75%	75%	75%	75%	74%	74%	74%	74%
Shareholders' Equity											
Preferred Stock, \$0.01 par value		103	103	103	103	103	103	103	103	103	103
Class A common stock, \$0.01 par value		1 141	1 141	1 141	1 141	1 141	1 141	1 141	1 141	1 141	1 141
Class B Non-Voting common stock, \$0.01 par value											
Paid-in capital		3 513 983	3 804 950	3 791 374	3 708 318	3 541 418	3 456 299	3 220 308	2 813 983	2 219 424	1 421 404
	% of TA	12%	12%	11%	10%	9%	8%	7%	6%	4%	3%
Retained earnings		3 685 586	4 209 057	4 860 492	5 637 425	6 556 109	7 590 275	8 734 229	9 984 654	11 335 429	12 777 323
	% of TA	13%	13%	14%	15%	16%	18%	19%	20%	22%	23%
Accumulated other comprehensive income/(loss)		-	-	-	-	-	-	-	-	-	-
Total shareholders' equity		7 200 814	8 015 251	8 653 110	9 346 988	10 098 770	11 047 818	11 955 781	12 799 882	13 556 096	14 199 971
	% of TA	25%	25%	25%	25%	25%	25%	26%	26%	26%	26%
Total liabilities and shareholders' equity		28 927 257	31 962 621	34 396 840	37 036 334	39 907 219	43 365 323	46 677 949	49 762 452	52 531 522	54 896 122

Appendix E: Valuation

Cash flow statement forecast

Cash Flow	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Operating Activities										
Net income	495 360	631 223	781 769	929 414	1 096 179	1 232 041	1 361 204	1 486 464	1 604 521	1 711 722
Adjustments to reconcile net income to net cash provided by operating activities:										
Depreciation of flight equipment	778 853	883 785	991 264	1 089 205	1 199 744	1 324 378	1 451 879	1 580 087	1 706 556	1 828 624
Stock-based compensation	16 965	19 247	21 373	23 038	24 761	27 443	30 126	32 756	35 271	37 603
Deferred taxes	-	-	-	-	-	-	-	-	-	-
Amortization of prepaid lease costs	-	-	-	-	-	-	-	-	-	-
Amortization of discounts and debt issuance costs	-	-	-	-	-	-	-	-	-	-
Gain on aircraft sales, trading and other activity	-	-	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:										
Other assets	-183 336	-55 153	-9 868	-3 402	3 956	-60 943	-44 510	-26 042	-5 936	15 289
Accrued interest and other payables	140 347	66 402	53 252	57 742	62 804	75 650	72 468	67 477	60 577	51 729
Rentals received in advance	964	26 439	27 386	25 535	28 670	27 286	27 297	26 753	25 582	23 727
Net cash provided by operating activities	1 249 153	1 571 945	1 865 175	2 121 533	2 416 114	2 625 855	2 898 464	3 167 495	3 426 572	3 668 693
Investing Activities										
Acquisition of flight equipment under operating lease	-	-	-	-	-	-	-	-	-	-
Payments for deposits on flight equipment purchases	-526 948	-244 181	-195 822	-212 335	-230 950	-278 189	-266 486	-248 134	-222 759	-190 221
Proceeds from aircraft sales, trading and other activity	-	-	-	-	-	-	-	-	-	-
NET Acquisition and Proceeds	-3 779 170	-3 830 505	-3 527 251	-3 875 761	-4 269 094	-4 332 928	-4 333 865	-4 263 604	-4 115 647	-3 885 826
Acquisition of aircraft furnishings, equipment and other assets	-	-	-	-	-	-	-	-	-	-
Net cash used in investing activities	-4 306 118	-4 074 686	-3 723 073	-4 088 096	-4 500 044	-4 611 116	-4 600 350	-4 511 739	-4 338 406	-4 076 047
Financing Activities										
Issuance of common stock upon exercise of options and warrants	3	-	-	-	-	-	-	-	-	-
Issuance of preferred stock	2	-	-	-	-	-	-	-	-	-
Cash dividends paid on Class A common stock	-71 998	-92 377	-114 959	-137 106	-162 121	-182 500	-201 874	-220 663	-238 372	-254 452
Preferred dividends paid	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375	-15 375
Tax withholdings on stock-based compensation	-	-	-	-	-	-	-	-	-	-
Net change in unsecured revolving facilities	-	-	-	-	-	-	-	-	-	-
Proceeds from debt financings	4 221 009	5 244 721	5 150 011	4 836 174	6 244 228	7 141 065	7 522 468	7 007 876	6 417 578	9 397 526
Payments in reduction of debt financings	-1 936 630	-3 271 734	-3 567 768	-3 120 503	-4 378 152	-4 893 298	-5 369 261	-5 002 950	-4 617 683	-7 860 536
Net change in restricted cash	-	-	-	-	-	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-	-	-	-	-
Security deposits and maintenance reserve receipts	-	-	-	-	-	-	-	-	-	-
Security deposits and maintenance reserve disbursements	157 919	155 098	133 480	146 668	161 553	158 353	151 691	141 245	126 801	108 279
Paid-in capital adjustments	703 515	271 719	-34 948	-106 094	-191 662	-112 562	-266 117	-439 081	-629 830	-835 622
Net cash provided by financing activities	3 058 445	2 292 052	1 550 440	1 603 765	1 658 471	2 095 683	1 821 532	1 471 052	1 043 118	539 820
Net increase in cash	1 480	-210 689	-307 458	-362 799	-425 460	110 422	119 646	126 809	131 284	132 466
Cash, cash equivalents and restricted cash at beginning of period	1 734 155	1 735 635	1 524 946	1 217 488	854 689	429 230	539 651	659 297	786 106	917 390
Cash and cash equivalents at end of period	1 735 635	1 524 946	1 217 488	854 689	429 230	539 651	659 297	786 106	917 390	1 049 856

Appendix E: Valuation

Free cash flow to equity

Air Lease Valuation	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TV
FCFO	1 249 153	1 571 945	1 865 175	2 121 533	2 416 114	2 625 855	2 898 464	3 167 495	3 426 572	3 668 693	
Depreciation	778 853	883 785	991 264	1 089 205	1 199 744	1 324 378	1 451 879	1 580 087	1 706 556	1 828 624	
Capex	-3 779 170	-3 830 505	-3 527 251	-3 875 761	-4 269 094	-4 332 928	-4 333 865	-4 263 604	-4 115 647	-3 885 826	
Debt issued	4 221 009	5 244 721	5 150 011	4 836 174	6 244 228	7 141 065	7 522 468	7 007 876	6 417 578	9 397 526	
Debt repaid	-1 936 630	-3 271 734	-3 567 768	-3 120 503	-4 378 152	-4 893 298	-5 369 261	-5 002 950	-4 617 683	-7 860 536	
Equity CF	- 139 307	- 285 573	- 79 833	- 38 557	13 095	540 695	717 807	908 817	1 110 820	1 319 857	14 532 297
Discounted CF	- 129 234	- 232 084	- 56 837	- 24 048	7 155	258 805	300 989	333 844	357 465	372 083	4 096 825
Cash & Cash Equivalents	1 734 155										
Equity value	5 284 963										
Shares Outstanding	114120,86										
Share Price	61,51										
Upside Potential	30%										

Appendix E: Valuation

CCA Valuation

Air Lease CCA Valuation	Share price	EPS 2021	EPS 2022	EPS 2023	BV/share 2021	BV/share 2021	BV/share 2021	ROE 2021	ROE 2022	ROE 2023
AerCap Holdings N.V.	58,68	5,47	5,76	7,25	73,97	71,21	78,63	8,44%	14,31%	11,22%
BOC Aviation Limited (SEHK:2588)	8,96	1,09	1,24	1,42	7,62	8,40	9,30	14,43%	15,28%	15,55%
Fly Leasing Limited	16,94	1,64	1,68		26,46	28,55	30,04	2,86%	5,72%	7,24%
Fortress Transportation and Infrastructure Investors LLC	28,16	0,89	2,79		10,43	12,23	14,10	6,99%		
China Aircraft Leasing Group Holdings Limited	0,8	0,15	0,17	0,2	0,85	0,95	1,13	19,15%	19,08%	18,50%
Air Lease	47,44	5,17	6,43	9,21	60,01	65,92	70,57	8%	9%	10%
Maximum		5,47	6,43	9,21	73,97	71,21	78,63	0,19	0,19	0,19
75th Percentile		4,29	5,02	7,74	51,62	56,58	60,44	0,13	0,15	0,16
Median		1,37	2,24	4,34	18,45	20,39	22,07	0,08	0,14	0,11
Average		2,40	3,01	4,52	29,89	31,21	33,96	0,10	0,13	0,13
25th Percentile		0,94	1,35	1,12	8,32	9,36	10,50	0,07	0,09	0,10
Minimum		0,15	0,17	0,20	0,85	0,95	1,13	0,03	0,06	0,07

Air Lease CCA Valuation	P/E 2021	P/E 2022	P/E 2023	P/B 2021	P/B 2022	P/B 2023
AerCap Holdings N.V.	10,73	10,19	8,09	0,79	0,82	0,75
BOC Aviation Limited (SEHK:2588)	8,22	7,23	6,31	1,18	1,07	0,96
Fly Leasing Limited	10,33	10,08		0,64	0,59	0,56
Fortress Transportation and Infrastructure Investors LLC	31,64	10,09		2,70	2,30	2,00
China Aircraft Leasing Group Holdings Limited	5,33	4,71	4,00	0,94	0,84	0,71
Maximum	31,64	10,19	8,09	2,70	2,30	2,00
75th Percentile	10,73	10,09	7,20	1,18	1,07	0,96
Median	10,33	10,08	6,31	0,94	0,84	0,75
Average	13,25	8,46	6,13	1,25	1,13	1,00
25th Percentile	8,22	7,23	5,15	0,79	0,82	0,71
Minimum	5,33	4,71	4,00	0,64	0,59	0,56

Air Lease Implied Share Price	P/E 2021	P/E 2022	P/E 2023	P/B 2021	P/B 2022	P/B 2023
75th Percentile	55,46	64,90		70,56	70,31	67,99
Median	53,40	64,84		56,48	55,51	52,66
Average	68,50	54,39		75,02	74,21	70,27
25th Percentile	42,50	46,46		47,61	54,32	49,96

Implied share price 57,56

Appendix E: Valuation

Beta Derivation I

Beta Derivation (Vasicek method*)		* Method used from Vasicek (1973)				
OLS beta	2,16	$\beta_{adj} = w * \beta_{OLS} + (1 - w) * \beta_{avg}$				
Peer beta	1,62					
Peers standard error	0,58	$w = \sigma^2 * (\beta_{OLS}) / [\sigma^2 * (\beta_{avg}) + \sigma^2 * (\beta_{OLS})]$				
OLS standard error	0,21					
Weight	0,88					
Implied beta	2,09					
Peer beta						
	Equity Beta	Tax Rate	Net Debt (\$M)	Market cap (\$M)	Debt/Equity	
AerCap Holdings N.V.	2,43	21%	27 105 601 000	7 543 377 246	359%	0,63
BOC Aviation Limited (SEHK:2588)	1,15	17%	16 300 228 000	48 118 449 842	34%	0,89
Fly Leasing Limited	1,52	13%	1 783 837 000	516 654 120	345%	0,38
Willis Lease Corporation	1,29	21%	1 697 640 000	277 865 268	611%	0,22
Fortress Transportation and Infrastructure Investors LLC	1,99	21%	1 917 150 000	2 473 872 454	77%	1,24
China Aircraft	0,87	25%	32 323 796 000	4 478 430 086	722%	0,14
Average	1,54	0,20	13521375333	10 568 108 169	3,58	0,58
Median	1,41	0,21	9108689000	3 476 151 270	3,52	0,51
Air Lease		21%	14 838 905 000	5 327 328 299	279%	1,62

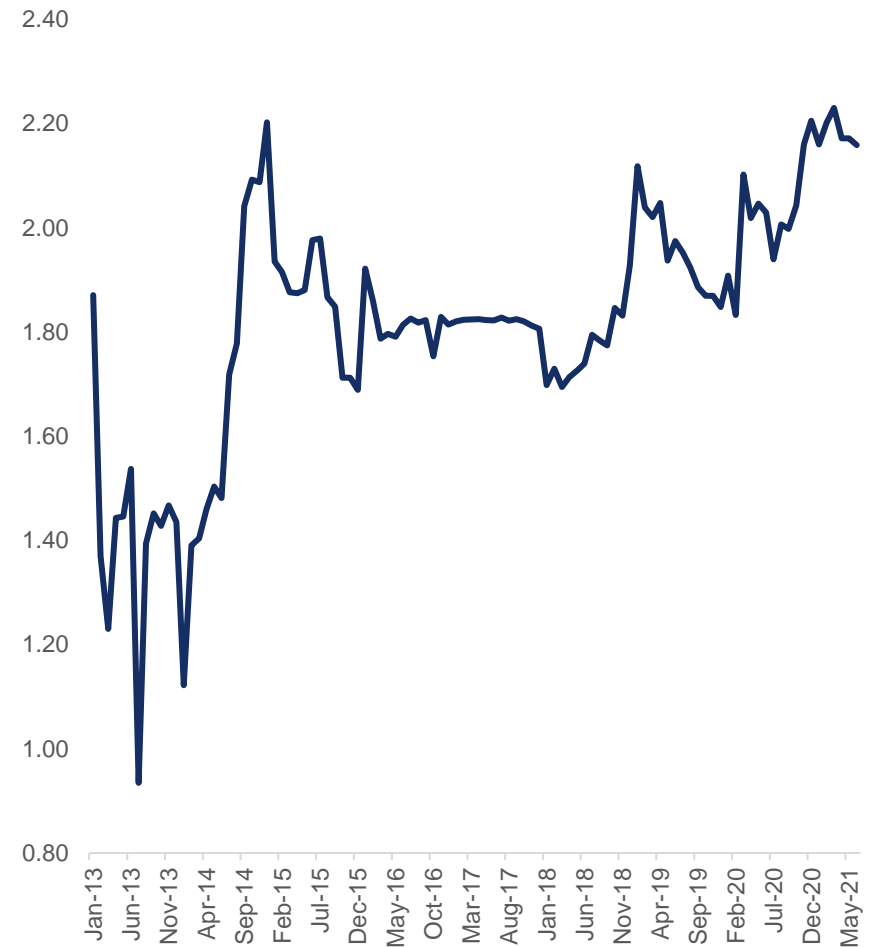
Appendix E: Valuation

Beta Derivation II

Beta Estimation



Trailing Beta



Appendix E: Valuation

ERP, Cost of equity & sustainable growth rate

Air Lease ERP calculation	% of Revenue ERP	Weighted ERP
Asia (excluding China)	29%	6,08%
Europe	27%	5,78%
China	18%	5,40%
The Middle East and Africa	11%	7,40%
U.S. and Canada	5%	4,72%
Pacific, Australia, and New Zealand	5%	4,72%
Central America, South America, and Mexico	5%	8,71%
SUM of weighted ERP		6,01%

Cost of Equity	
Beta	2,09
10Y US Treasury Bond as of 04.06.2021	1,56%
Cost of Equity	14,15%

Sustainable growth rate	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Capital needs	3 190 546	3 216 049	2 813 537	3 110 885	3 453 851	3 437 157	3 434 415	3 372 188	3 243 093	3 041 071
Debt ratio	78%	67%	62%	61%	60%	74%	73%	73%	73%	72%
Equity reinvestment	712 333	1 060 376	1 076 745	1 218 115	1 384 687	902 629	912 962	908 448	886 856	846 233
Equity reinvestment rate	148%	170%	138%	130%	124%	69%	60%	53%	46%	39%
ROE	9%	9%	10%	11%	11%	12%	13%	13%	14%	15%
Sustainable growth rate	13%	16%	14%	14%	14%	8%	8%	7%	7%	6%

Appendix E: Valuation

Debt forecast

Total Debt Balance																
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Debt BOP	7 712 421	8 713 874	9 698 785	11 538 905	13 578 866	16 518 338	18 802 717	20 775 703	22 357 946	24 073 617	25 939 693	28 187 460	30 340 667	32 345 594	34 145 489	
Repayment of current debt						1 936 630	2 730 561	2 502 123	1 539 857	2 313 889						
Total principal repayment	1 093 910	1 303 499	1 270 505	978 369	1 728 029	1 936 630	3 271 734	3 567 768	3 120 503	4 378 152	4 893 298	5 369 261	5 002 950	4 617 683	7 860 536	
% of TD BOP	14%	15%	13%	8%	13%	12%	17%	17%	14%	18%	19%	19%	16%	14%	23%	
Debt issued	2 021 966	2 183 824	3 533 885	3 567 728	4 659 762	4 221 009	5 244 721	5 150 011	4 836 174	6 244 228	7 141 065	7 522 468	7 007 876	6 417 578	9 397 526	
Implied D/E						65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	
Debt EOP	8 713 874	9 698 785	11 538 905	13 578 866	16 518 338	18 802 717	20 775 703	22 357 946	24 073 617	25 939 693	28 187 460	30 340 667	32 345 594	34 145 489	35 682 479	

Current Debt Repayment Schedule

OLD debt BOP						16 518 338	14 581 708	11 851 147	9 349 024	7 809 167	5 495 278	3 290 666	1 086 054	-	-	
Repayment						1 936 630	2 730 561	2 502 123	1 539 857	2 313 889	2 204 612	2 204 612	1 086 054	-	-	
OLD debt EOP						14 581 708	11 851 147	9 349 024	7 809 167	5 495 278	3 290 666	1 086 054	-	-	-	

Debt Repayment Schedule (debt issued in May)

New debt in May maturing in 2026	Coupon	1,88%														
BOP						1 190 720	1 190 720	952 576	714 432	476 288	238 144					
Principal repayment						-	238 144	238 144	238 144	238 144	238 144					
Interest paid						-	22 326	17 861	13 396	8 930	4 465					
EOP						1 190 720	952 576	714 432	476 288	238 144	-					

New Debt Repayment Schedule (debt issued in May)

Assumed maturity	10															
Principal repayment of 2022							303 029	303 029	303 029	303 029	303 029	303 029	303 029	303 029	303 029	
Principal repayment of 2023								524 472	524 472	524 472	524 472	524 472	524 472	524 472	524 472	
Principal repayment of 2024									515 001	515 001	515 001	515 001	515 001	515 001	515 001	
Principal repayment of 2025										483 617	483 617	483 617	483 617	483 617	804 770	
Principal repayment of 2026											624 423	624 423	624 423	624 423	1 039 079	
Principal repayment of 2027												714 107	714 107	714 107	1 188 318	
Principal repayment of 2028													752 247	752 247	1 251 786	
Principal repayment of 2029														700 788	1 166 155	
Principal repayment of 2030															1 067 926	
Total repayment						-	541 173	1 065 645	1 580 646	2 064 263	2 688 686	3 164 649	3 916 896	4 617 683	7 860 536	

Interest expenses

Old debt interest expenses						496 477	471 922	467 457	462 992	458 526	164 516,1			-		0
Total interest	286 201	287 371	342 732	434 011	474 758	496 477	569 983	635 148	689 283	748 382	813 080	883 536	951 028	1 013 873	1 070 290	
Applied IR	3,71%	3,30%	3,53%	3,76%	3,50%	3,01%	3,03%	3,06%	3,08%	3,11%	3,13%	3,13%	3,13%	3,13%	3,13%	

Appendix E: Valuation

Cost of debt

Cost of debt											
Implied cost of debt		3,13%									
Term	BBB - Z-Spread		* 10y gov bond+credit spread								
			US yield curve								
1M	27,06		1	2	3	5	7	10	20	30	
3M	30,08		0,05	0,14	0,32	0,78	1,23	1,56	2,16	2,24	
6M	34,63										
9M	39,01										
1Y	43,23		Amount	Coupon	Start	End	Maturity	Weight	W mat	W coupon	
2Y	59,85		600	3,38%	11.04.2016	01.06.2021	5	0,05	0,25	0,17%	
3Y	75,58		300	0,81%	03.06.2019	03.06.2021	2	0,02	0,05	0,02%	
4Y	90,07		700	3,50%	17.09.2018	15.01.2022	3	0,06	0,19	0,20%	
5Y	103,56		600	3,75%	14.01.2015	01.02.2022	7	0,05	0,35	0,18%	
6Y	116,09		600	2,25%	09.09.2019	15.01.2023	3	0,05	0,17	0,11%	
7Y	127,75		500	3,88%	18.06.2018	03.07.2023	5	0,04	0,21	0,16%	
8Y	138,49		700	4,25%	23.01.2019	01.02.2024	5	0,06	0,29	0,24%	
9Y	148,44		750	0,70%	19.01.2021	15.02.2024	3	0,06	0,19	0,04%	
10Y	157,45		500	4,25%	16.09.2014	15.09.2024	10	0,04	0,41	0,17%	
11Y	165,67		330	2,63%	05.12.2019	05.12.2024	5	0,03	0,14	0,07%	
12Y	173,16		750	2,30%	14.01.2020	01.02.2025	5	0,06	0,31	0,14%	
13Y	179,92		700	3,25%	16.01.2018	01.03.2025	7	0,06	0,41	0,19%	
14Y	186		1450	2,88%	10.08.2020	15.01.2026	5	0,12	0,65	0,34%	
15Y	191,46		750	3,75%	23.05.2019	01.06.2026	7	0,06	0,43	0,23%	
16Y	196,25		500	3,63%	08.03.2017	01.04.2027	10	0,04	0,41	0,15%	
17Y	200,47		500	4,63%	17.09.2018	01.10.2028	10	0,04	0,41	0,19%	
18Y	204,16		750	3,13%	17.11.2020	01.12.2030	10	0,06	0,62	0,19%	
19Y	207,35		1190	1,88%	17.04.2021	15.08.2026	5	0,10	0,52	0,18%	
20Y	210,08		12170						6,01	2,99%	
21Y	212,36										
22Y	214,24										
23Y	215,77										
24Y	216,98										
25Y	217,91										
26Y	218,6										
27Y	219,08										
28Y	219,38										
29Y	219,56										
30Y	219,64										

Appendix E: Valuation

Fleet net book value, depreciation, CAPEX forecast

Air Lease Total Debt Balance	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
NBV BOP	10 813 475	12 041 925	13 280 250	15 707 110	18 704 337	20 380 350	23 380 667	26 327 387	28 863 375	31 649 930	34 719 281	37 727 831	40 609 816	43 293 333	45 702 424
Depreciation	452 682	508 352	581 985	702 810	780 691	778 853	883 785	991 264	1 089 205	1 199 744	1 324 378	1 451 879	1 580 087	1 706 556	1 828 624
Capex	2 005 516	2 143 951	3 384 820	3 843 977	2 527 091	3 779 170	3 830 505	3 527 251	3 875 761	4 269 094	4 332 928	4 333 865	4 263 604	4 115 647	3 885 826
NBV EOP	12 041 925	13 280 250	15 707 110	18 704 337	20 380 350	23 380 667	26 327 387	28 863 375	31 649 930	34 719 281	37 727 831	40 609 816	43 293 333	45 702 424	47 759 626
Fleet growth, %		10%	18%	19%	9%	15%	13%	10%	10%	10%	9%	8%	7%	6%	5%
Capex as % of NBV BOP	17%	16%	22%	21%	12%	16%	15%	12%	12%	12%	11%	11%	10%	9%	8%

Depreciation schedule	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Old BOP						20 380 350	19 687 418	19 018 046	18 371 432	17 746 804	17 143 412	16 560 536	15 997 478	15 453 564	14 928 143
Old dep						692 932	669 372	646 614	624 629	603 391	582 876	563 058	543 914	525 421	507 557
Old BOE						19 687 418	19 018 046	18 371 432	17 746 804	17 143 412	16 560 536	15 997 478	15 453 564	14 928 143	14 420 586
Dep new 2021 capex						85 921	85 921	85 921	85 921	85 921	85 921	85 921	85 921	85 921	85 921
Dep new 2022 capex							128 492	128 492	128 492	128 492	128 492	128 492	128 492	128 492	128 492
Dep new 2023 capex								130 237	130 237	130 237	130 237	130 237	130 237	130 237	130 237
Dep new 2024 capex									119 927	119 927	119 927	119 927	119 927	119 927	119 927
Dep new 2025 capex										131 776	131 776	131 776	131 776	131 776	131 776
Dep new 2025 capex											145 149	145 149	145 149	145 149	145 149
Dep new 2025 capex												147 320	147 320	147 320	147 320
Dep new 2025 capex													147 351	147 351	147 351
Dep new 2025 capex														144 963	144 963
Dep new 2025 capex															139 932
Total new						85 921	214 413	344 650	464 577	596 352	741 502	888 821	1 036 173	1 181 135	1 321 067
New+Old						778 853	883 785	991 264	1 089 205	1 199 744	1 324 378	1 451 879	1 580 087	1 706 556	1 828 624

Ratios check	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Capex/dep	4,43	4,22	5,82	5,47	3,24	4,85	4,33	3,56	3,56	3,56	3,27	2,99	2,70	2,41	2,13
Dep as % of BOP	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Remaining useful life	23,89	23,69	22,82	22,35	23,96	26,17	26,46	26,56	26,50	26,38	26,22	25,99	25,70	25,37	24,99
Total useful life	30,04	29,70	30,90	30,29	30,40										
Average age	3,05	3,44	3,58	3,91	3,67										
Capex % of Sales	164%	151%	223%	229%	125%	187%	160%	127%	124%	121%	111%	101%	91%	82%	72%
Fleet growth		10%	18%	19%	9%	9%	15%	13%	13%	12%	11%	10%	9%	8%	7%
Dep growth		12%	14%	21%	11%	0%	13%	12%	13%	12%	11%	10%	9%	8%	7%
Capex growth		17%	24%	25%	14%	17%	15%	14%	13%	12%	11%	10%	9%	8%	7%

Capex planning analysis	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Planned Capex at t-1	2 595 741	2 893 335	4 029 636	6 128 796	3 883 733	5 203 345	5 274 025	4 856 491	4 624 159	1 973 066					
Actual deviation from planned Capex	-23%	-26%	-16%	-37%	-35%	-27%	-27%	-27%							

Revenue forecast	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	1 419 055	1 516 380	1 679 702	2 016 904	2 015 439	2 020 351	2 391 613	2 776 174	3 134 737	3 537 321	3 920 470	4 303 773	4 679 443	5 038 673	5 371 846
% NBV	13,12%	12,59%	12,65%	12,84%	10,78%	9,91%	10,23%	10,54%	10,86%	11,18%	11%	11%	12%	12%	11,75%

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