



# Aircraft life cycles and values

India Aircraft Leasing Roundtable

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**AIRBUS**

# Aircraft life cycles

Example of A320



Essential for good values

Commercial success

Long-production run

Incremental improvements

P2F  
(passenger to freighter conversion)

Successful new variant

# A320 best-selling single-aisle Family

**300+**

Operators

**9 738**

Delivered

**15 499**

Orders



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Single-aisle benchmark

Largest operator base of any commercial jet aircraft – the investors benchmark

End of February 2021

# Publically announced start-ups in 2020 & 2021

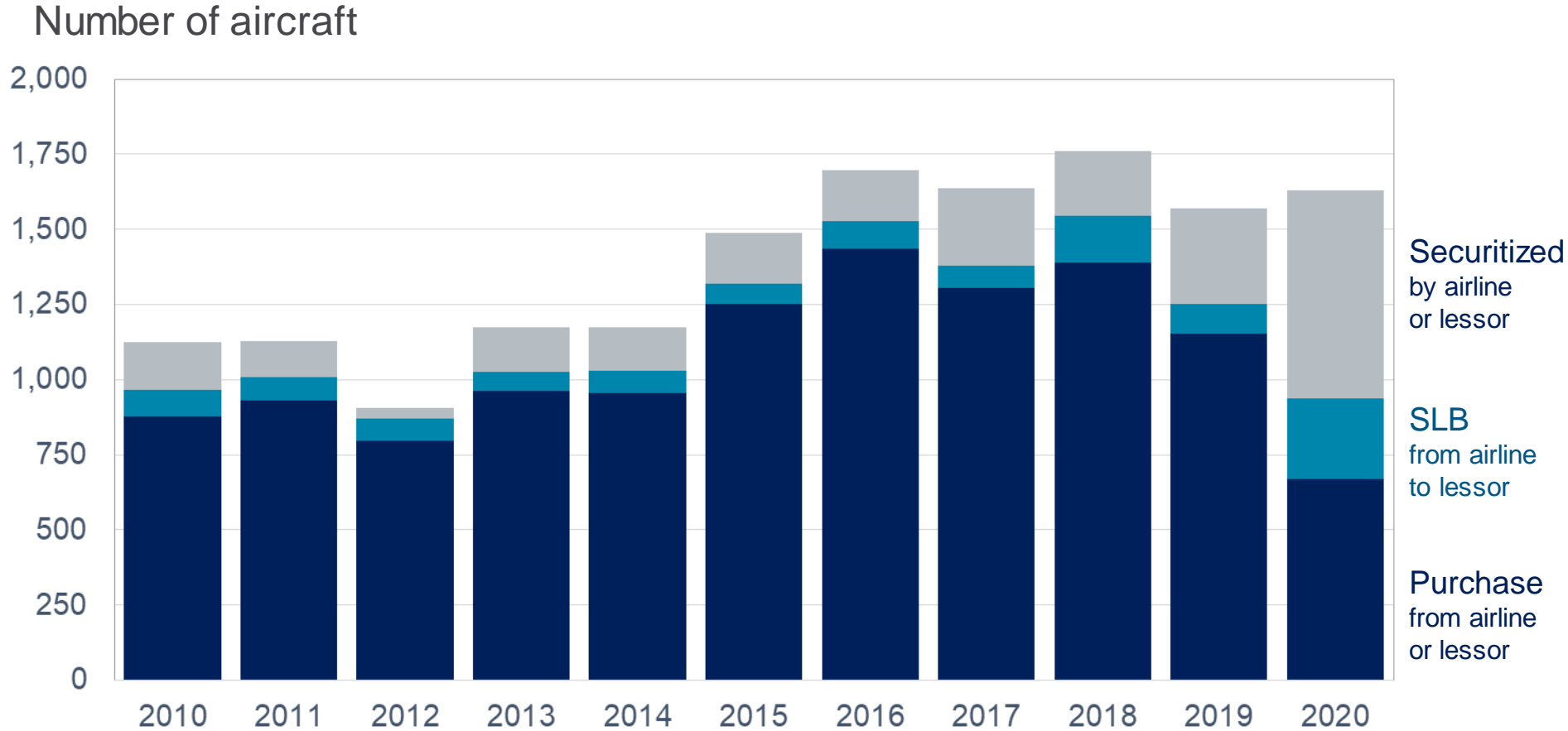
All starting with leased aircraft

Aviation business opportunities facilitated by leasing

Entrepreneurial confidence remains strong



# Used aircraft market sale transactions



1,500 used aircraft trade annually

Sales and financing require valuations by independent 3rd parties - aircraft appraisers

Source: Cirium as at 01/03/21  
Western SA & WB pax. a/c 12 months or older

# International Society of Transport Aircraft Trading

- Founded 1983
- A not-for-profit organization
- 5,000 members worldwide
- Network primarily for aircraft investors and traders



## Appraiser's Program

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Largest association of aviation appraisers

Qualifies "ISTAT Certified Appraisers"

Regulates a "code of ethics" and definitions to promote common standards and practises

[www.istat.org](http://www.istat.org)

# Definitions

Numerous terms for different situations

Various aircraft value appraisals:

- Desktop appraisal
  - Extended desktop appraisal
  - Full appraisal
  - Comprehensive appraisal
  - Financial appraisal
- } From appraiser database
- } Includes aircraft inspection
- } Includes lease income...

Other Residual Value terms:

- Fair Market Value
- Salvage Value
- Scrap Value
- Distress Value, Forced Sale Value, Liquidation Value



## Appraiser's Program

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Most common terms:

**Base value:**

is the Appraiser's opinion of the underlying economic value of an aircraft in an **open, unrestricted, stable market** environment with a reasonable balance of supply and demand, and assumes full consideration of its **"highest and best use."**

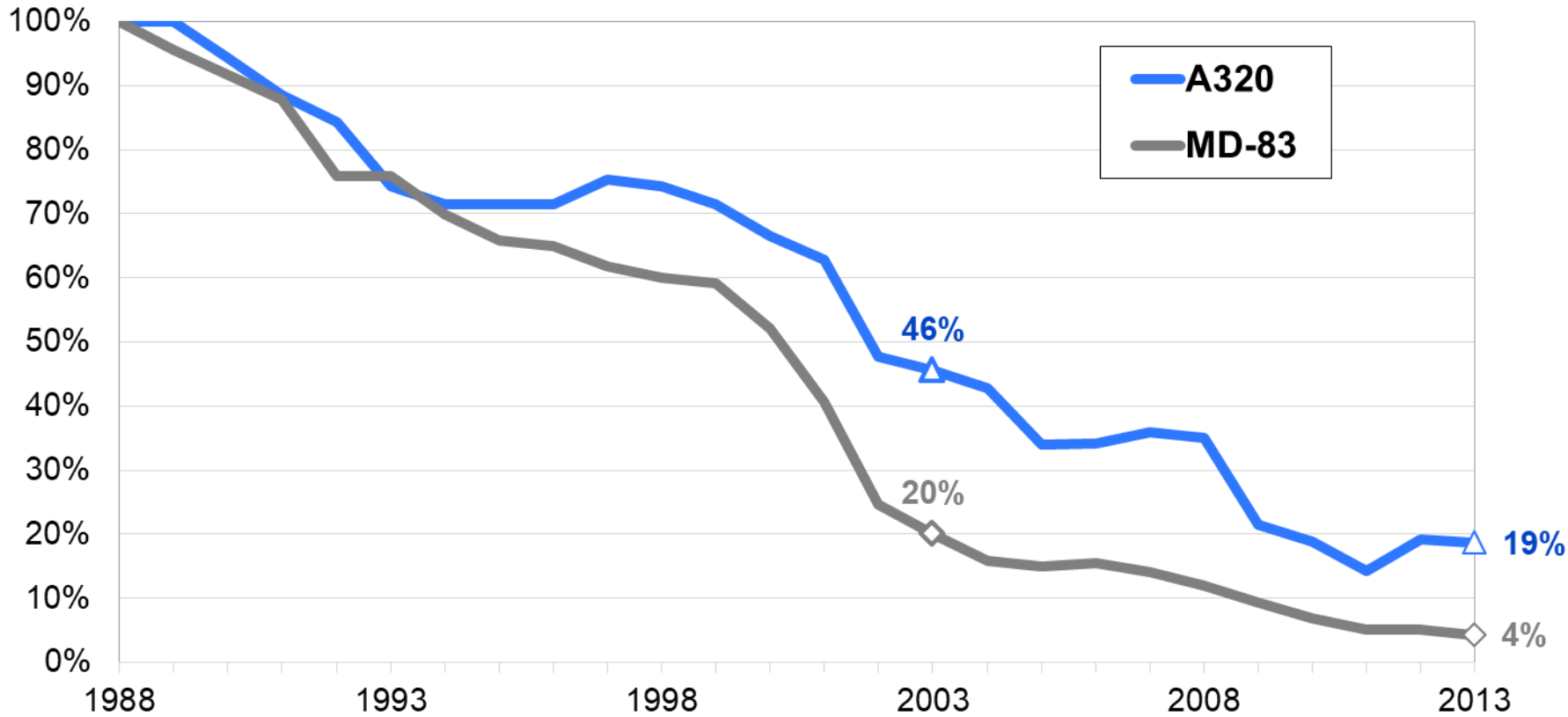
**Market value** (or Current Market Value)

is the value at the time of the analysis  
is the Appraiser's opinion of the **most likely trading price** that may be generated for an aircraft under the market circumstances that are perceived to exist at the time in question.

# Market Value evolution of A320-200 and MD-83

1988 built aircraft

% New Market Value



## A320: better value retention

The superior product characteristics of the A320 resulted in significantly better value retention than the MD-83

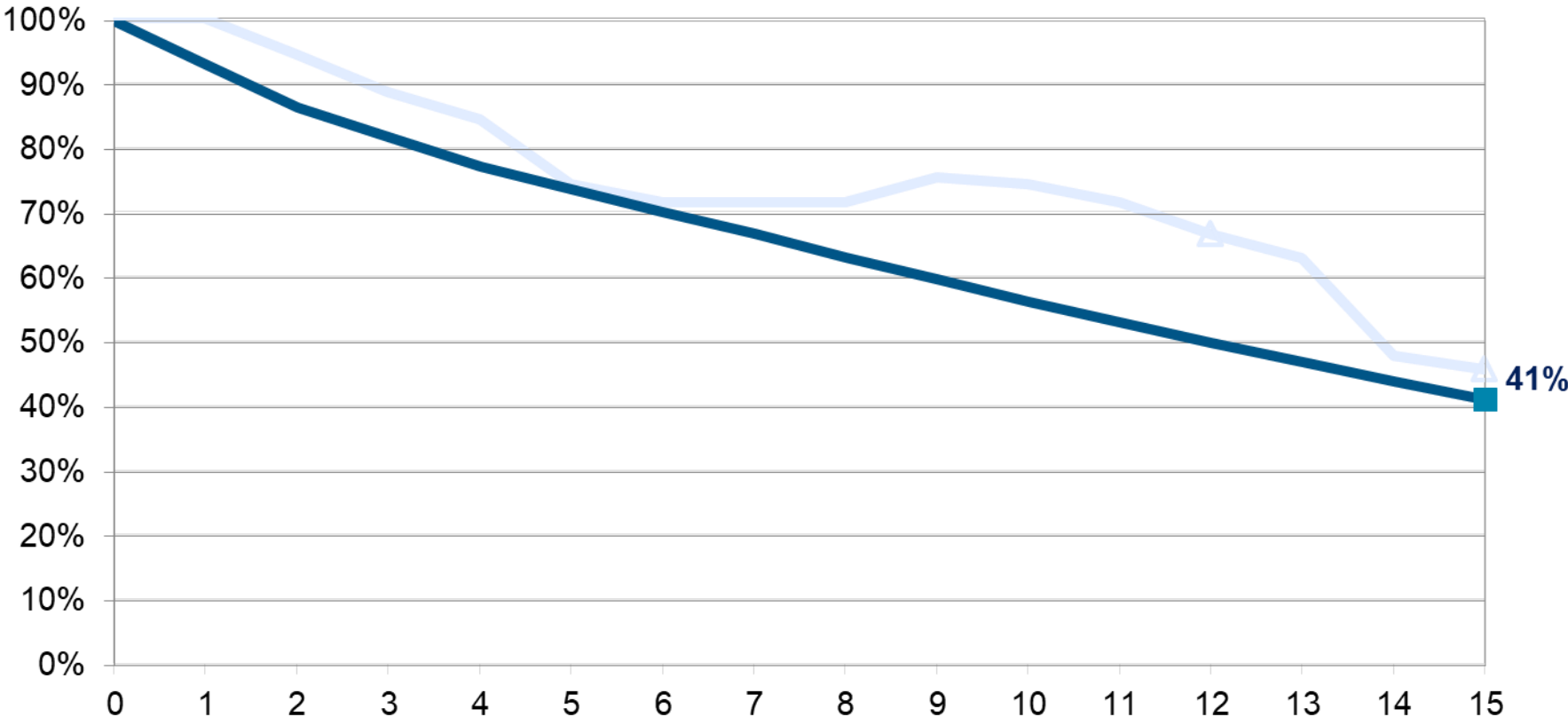
Source: Cirium (Ascend)



# Base Value evolution of A320neo

2020 built aircraft

% New Base Value

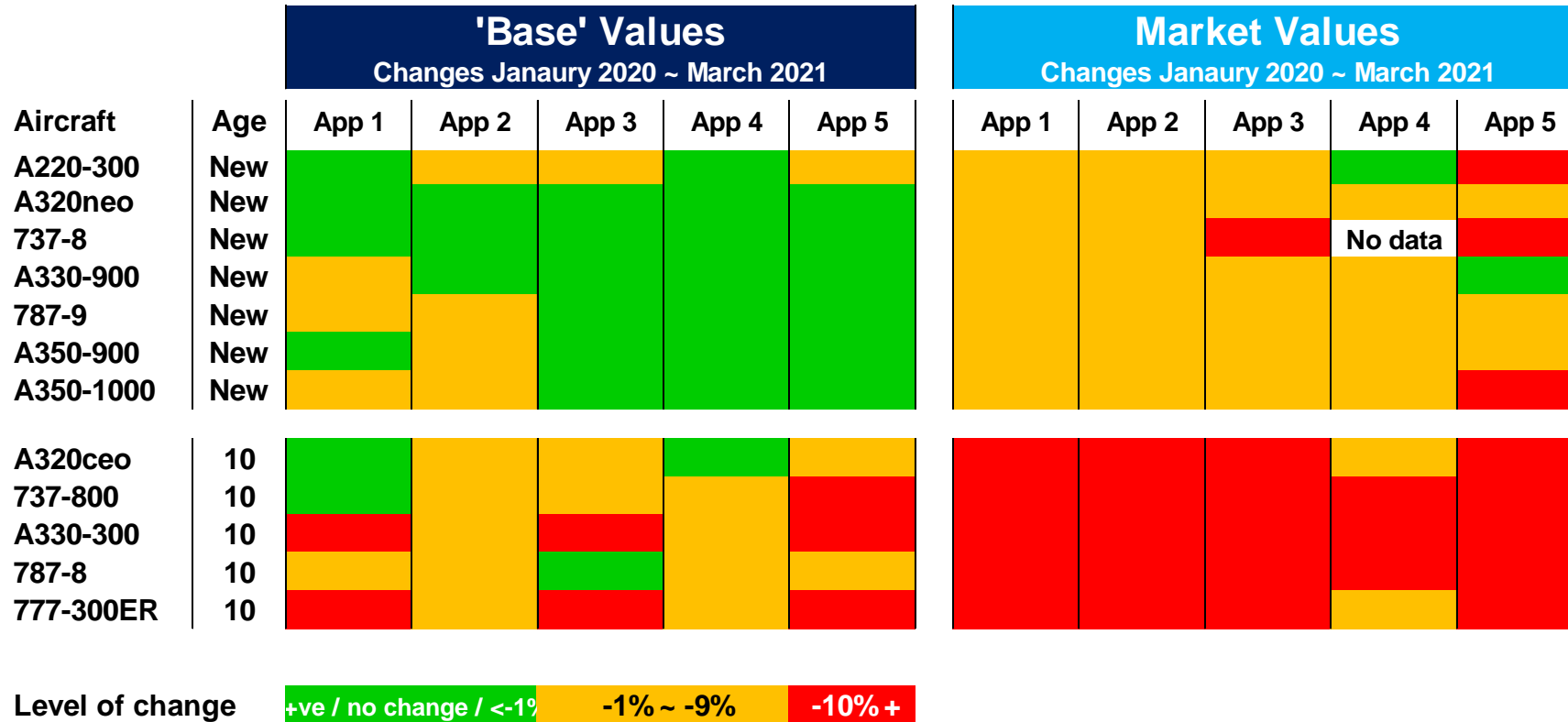


## A320neo: Good value retention

The A320neo is  
forecast to have a  
low depreciation

A320neo 79T MTOW/PW1 127G-JM  
2020 built aircraft  
2% sustained annual inflation  
Based upon average of forecast 'Base' Half-Life Value  
opinions from new.  
Source: Average of 5 Appraiser on-line valuations  
January 2020

# Aircraft Value changes January 2020 ~ March 2021



## New-gen aircraft more stable

New generation:  
Base values: 0%  
Market values: -6%

Previous generation:  
Base values: -10%  
Market values: -26%  
(10-year old aircraft)

# A320 & A330 converted Passenger to Freighter fleet

## Growing popularity

P2F programmes stabilize aircraft values

P2F = Passenger to Freighter conversions

A320 Family P2F in service



A330 Family P2F in-service



# The multiplier effect of aircraft leasing



## Leasing benefits

Lessors and leased aircraft contribute to a potential macroeconomic multiplier effect



# Aircraft lifecycles and values



- ➔ Leasing is an enabler for airline growth, particularly for start-up and young airlines
- ➔ Typically 1,500 used aircraft sales & transactions per year
- ➔ Remarketing demand best for successful product with many airline operators and growing P2F market
- ➔ Aircraft appraisers required for sales & financing
- ➔ Value depreciation best at the beginning of programme  
Long production-run and P2F maintain aircraft values

*Aircraft lifecycles and values are interdependent*