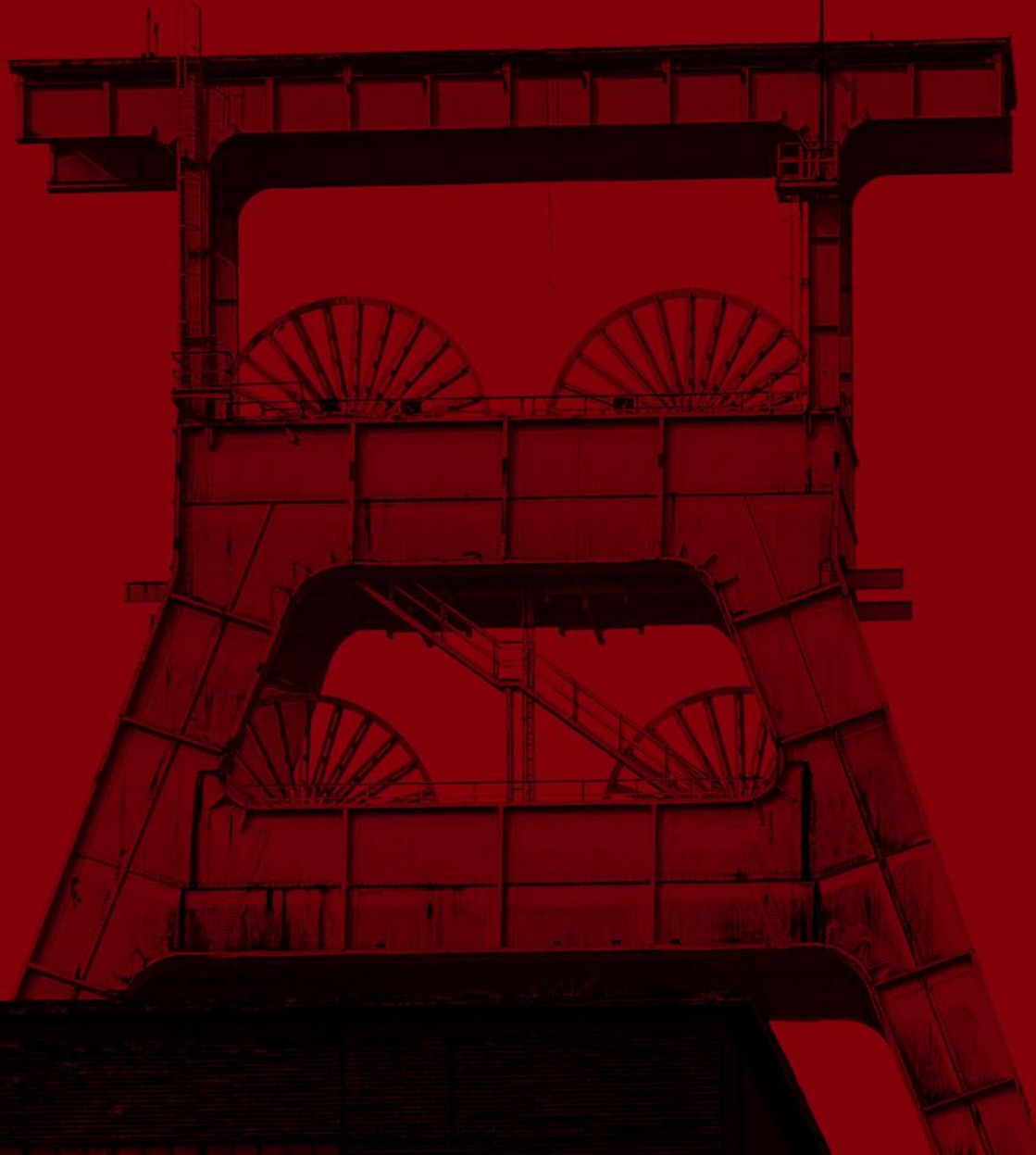


A NEW WAY TO INVEST

# HOROS

ASSET  
MANAGE-  
MENT

— Head. Heart. Handcraft



# WHO **WE** ARE

2018

€50 MM

**Value**



**Javier Ruiz, CFA**  
CIO



**Alejandro Martín**  
Fund Manager



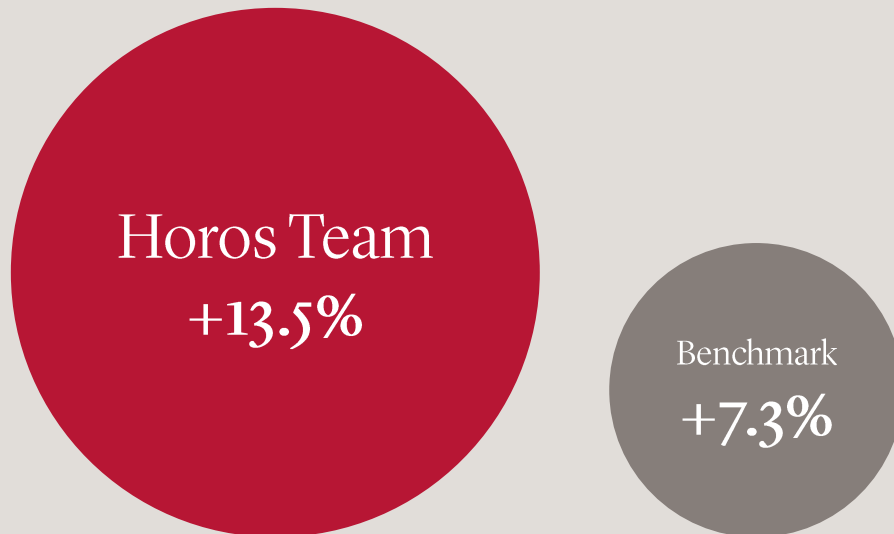
**Miguel Rodríguez**  
Fund Manager

# OUR **PERFORMANCE**

## Outperforming our benchmarks

### IBERIAN STRATEGY

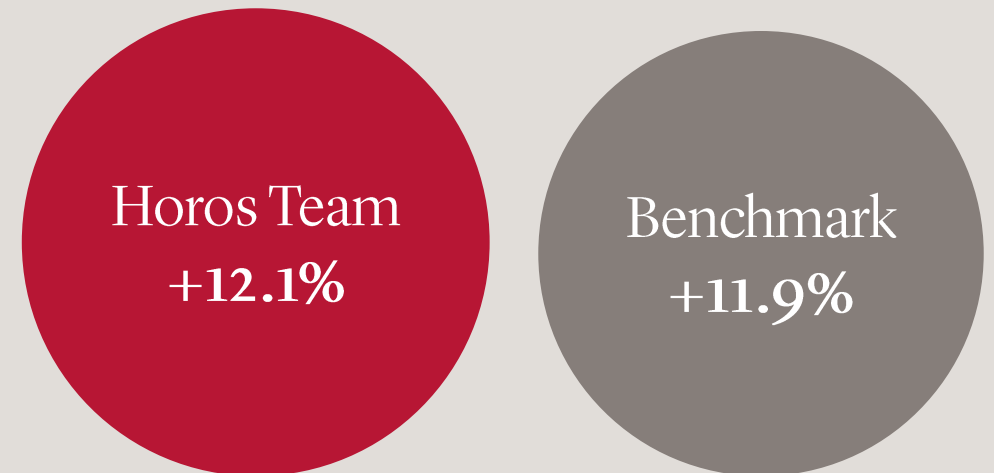
Annualized returns (September 2012 – Current)



Benchmark: 80% Madrid Stock Exchange General Index Total Return + 20% Portuguese Stock Index Total Return

### INTERNATIONAL STRATEGY

Annualized returns (May 2012 – Current)



Benchmark: MSCI ACWI Net Total Return Euro

HOROS

# AerCap Holdings

## The leading aircraft lessor



# INVESTMENT **THESIS**

Traffic  
**growth**

Global  
**platform**

*AERCAP*

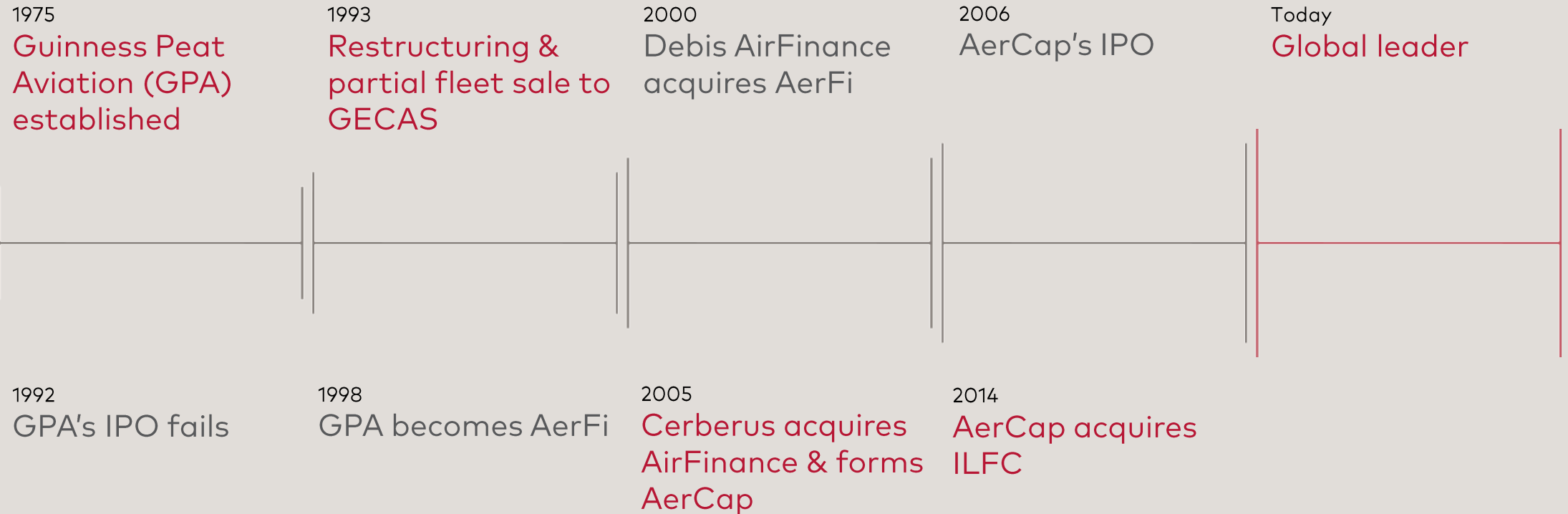
**P/B = 0.6x**

**PE = 5.7x**

Economies of  
**scale**

Capital  
**allocators**

# A BIT OF **HISTORY** Revenge of the Irish



Source: The Evolution of AerCap and Aircraft Leasing (Aengus Kelly, 2018)

# MANAGEMENT TEAM



**Aengus Kelly,  
CEO (2011)**

GPA (1998) through AerCap  
(2005)

AerCap's Treasurer (2005-  
2007)

AerCap's US CEO (2008-2011)



**Peter Juhas,  
CFO (2017)**

Morgan Stanley (2000-2011):  
IPO

AIG (2011-2015): sale of ILFC

Deputy AerCap's CFO (2015-  
2017)



**Philip Scruggs,  
President and CCO (2014)**

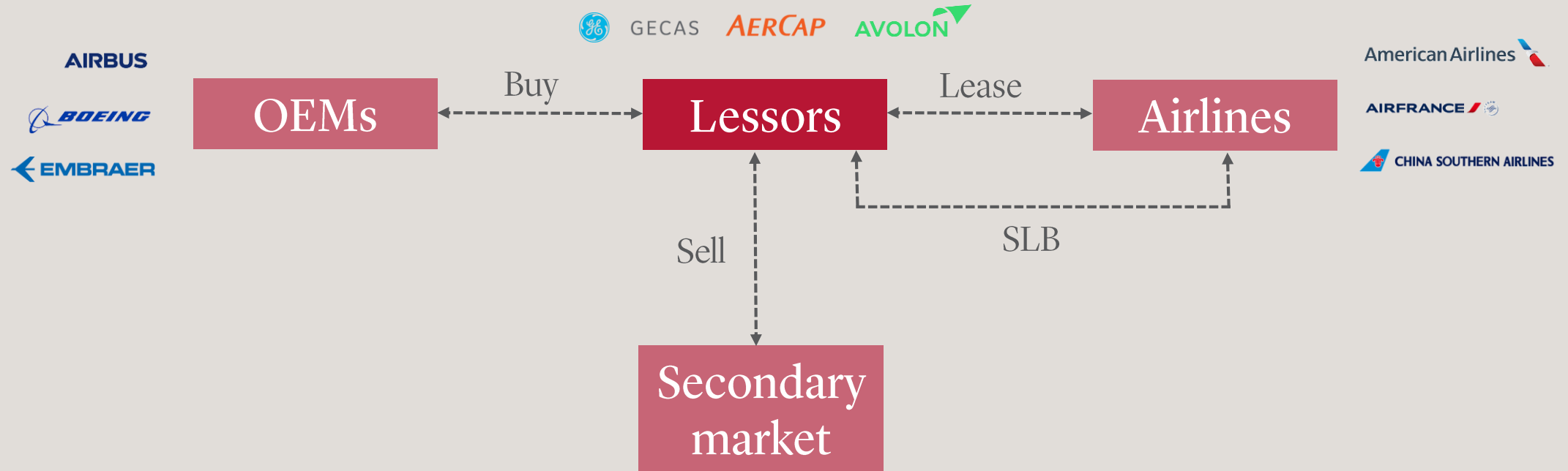
Paul, Hastings, Janofsky and  
Walker:

leasing and asset-based  
finance

ILFC (20 years): Executive VP &  
CMO

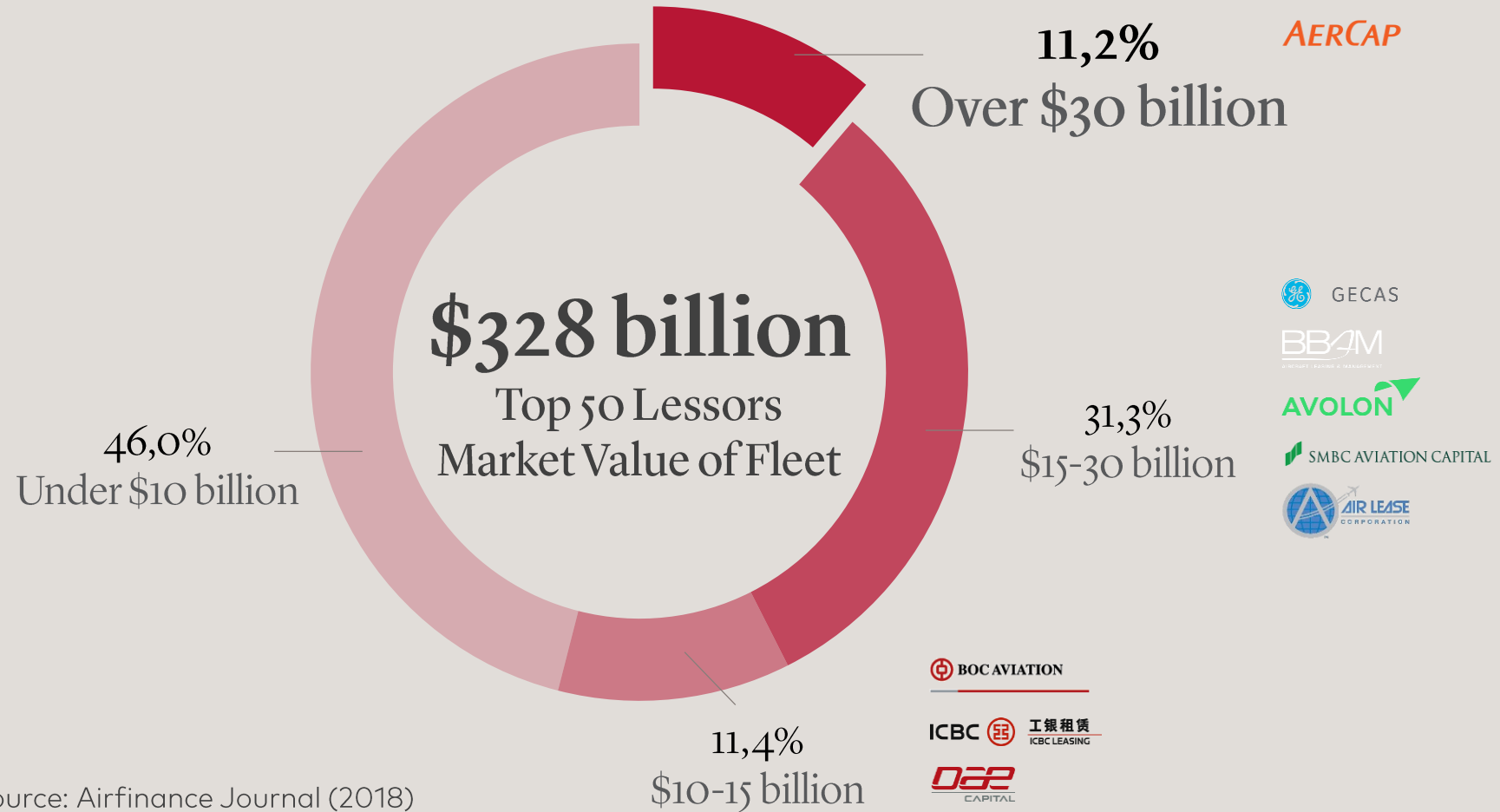
# OPERATING LEASING **MODEL**

39% Leasing **Share** of the World's Fleet



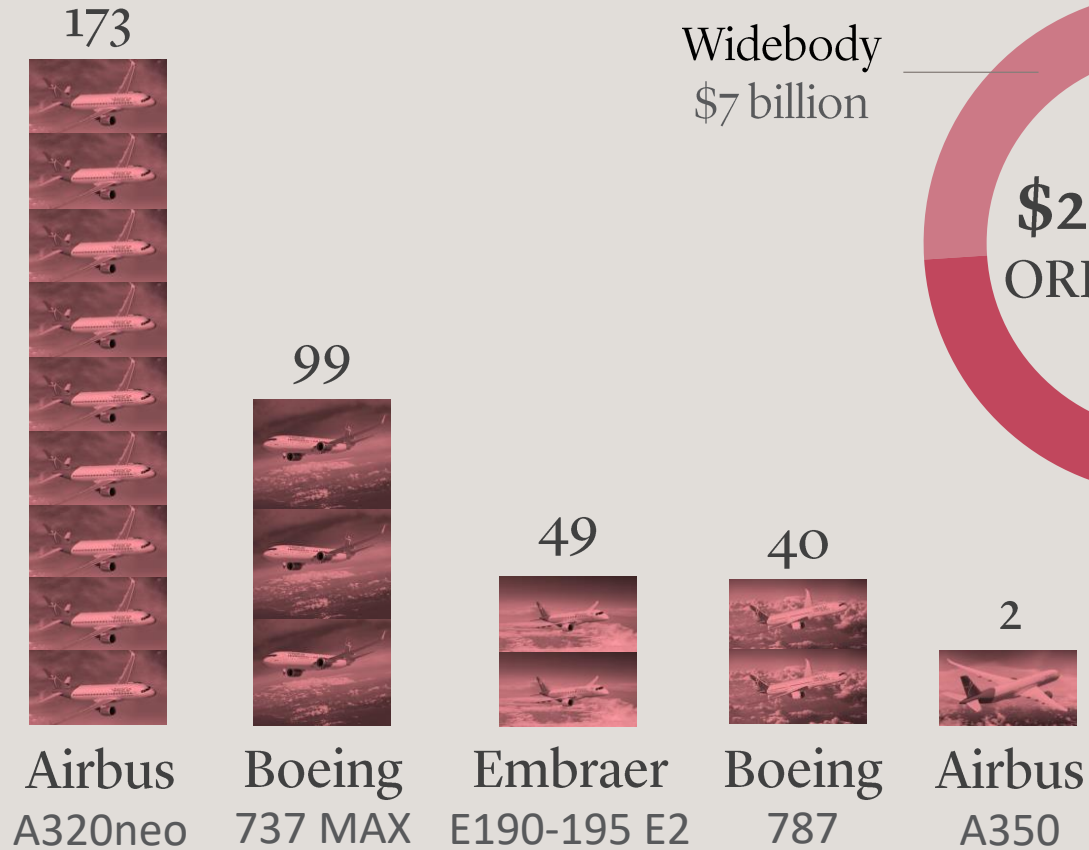


# THE **TOP** LESSOR

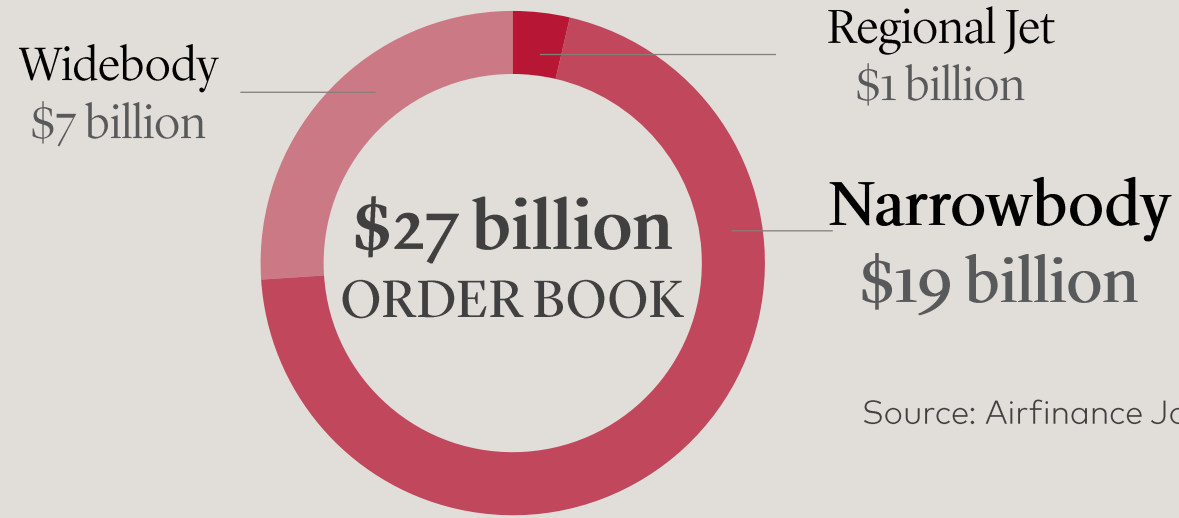


Source: Airfinance Journal (2018)

# BET **SMALL**, WIN BIG



Source: AerCap, 2018 Annual Report



Source: Airfinance Journal (2018)

“The **narrowbodies** have a lot more capability, and they're certainly moving up into the middle of the market space”,

Declan Kelly (GECAS CCO)

# AIRCRAFT **KEY DATA**

Fleet (*)	Narrowbodies (*)	Age	Lease term
<b>1,400</b>	<b>75%</b>	<b>6s</b>	<b>7.4</b>

(\*) Includes aircraft ordered and under managed

# WHAT WE **LIKE**...

## **Growing levels of passenger traffic**

IATA forecasts +3,5% CAGR through to 2037

## Global platform

with unparalleled breadth and reach

## Significant economies of scale

Volume discounts from OEMs

Better access to Capital Markets

## Best-in-class capital allocators

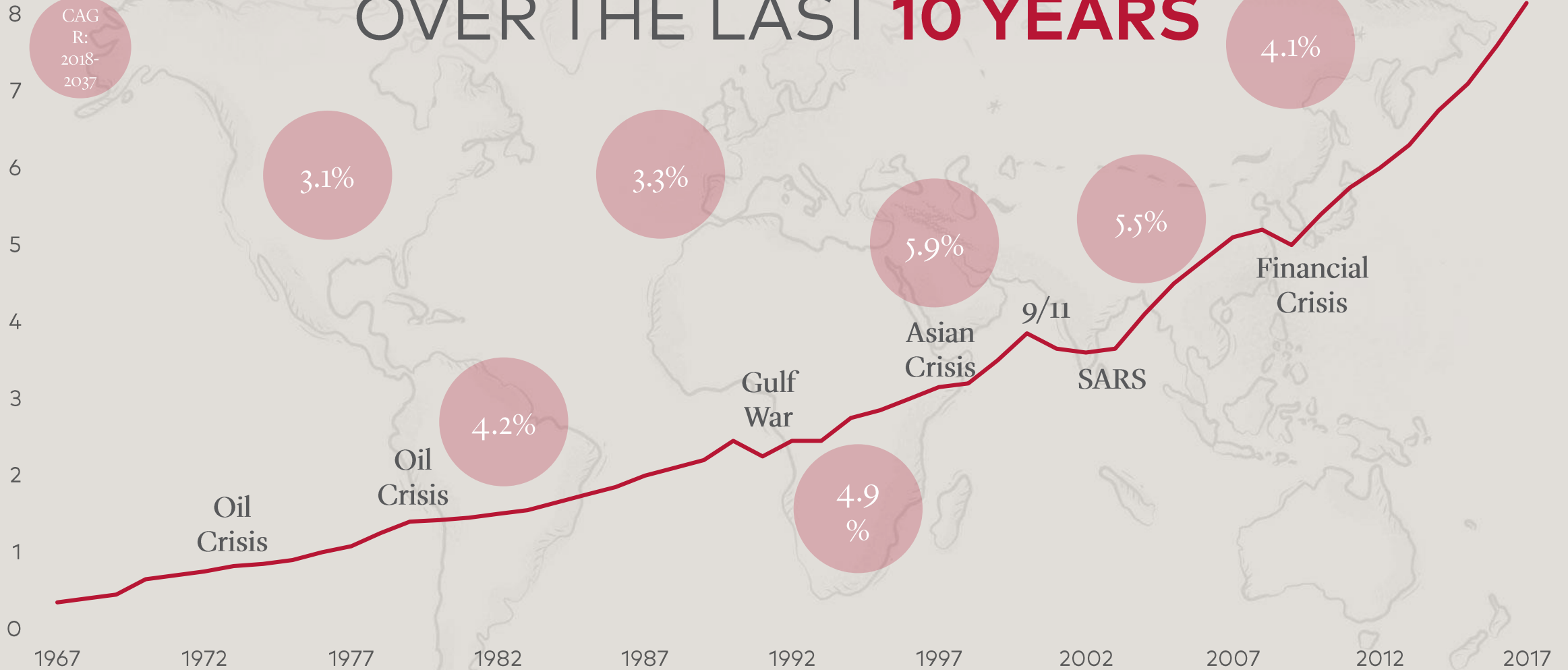
Repurchase of shares at discount

ILFC acquisition

# MORE THAN **60% GROWTH** OVER THE LAST **10 YEARS**

9 World annual traffic  
(trillion RPK)

CAGR:  
2018-  
2037



Source: Airbus Global Market Forecast, 2018-2037

# REASONS FOR AN **OPTIMISTIC OUTLOOK**

Propensity to travel  
**Convergence**

Growth of  
**Middle Class**

Aircraft  
**Productivity**

Sources: Airfinance Journal (2018), AerCap's Investor Day 2017, Air Lease 2019 Airline Economics Growth Frontiers Dublin (Steven F. Udvar-Házy)

# WHAT WE **LIKE**...

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## Best-in-class capital allocators

Repurchase of shares at discount

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# AN UNMATCHABLE **PLATFORM**

**200 customers** over 80 countries

**One lease** every day

**One aircraft** bought/sold  
every two days



# WHAT WE **LIKE**...

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## Global platform

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Volume discounts from OEMs

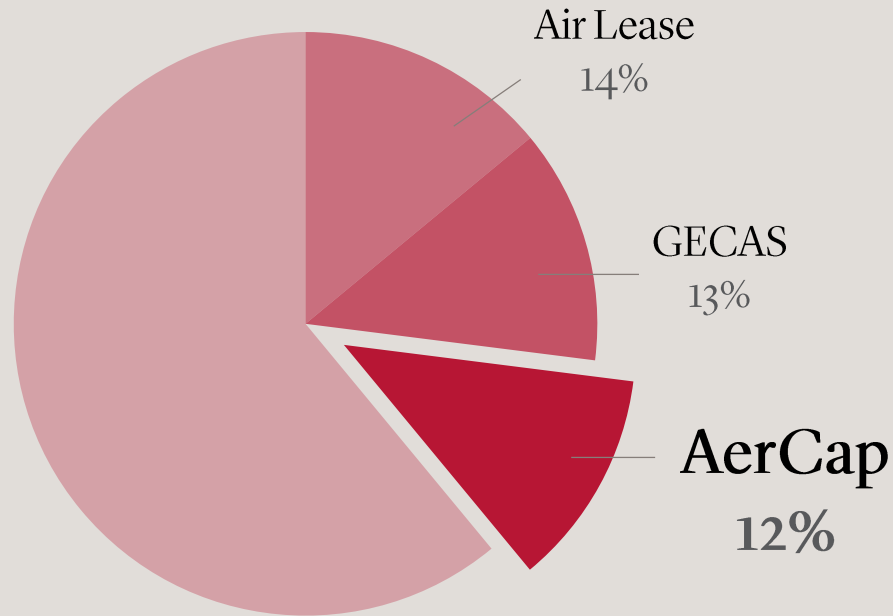
Better access to Capital Markets

## Best-in-class capital allocators

Repurchase of shares at discount

ILFC acquisition

# IT'S ALL ABOUT THE **SCALE**



**40%** of lessor orders for Boeing and Airbus aircraft

Measured as % of lessor orders total value

Source: Air Lease 2019 Airline Economics Growth Frontiers Dublin (Steven F. Udvar-Házy)

# NO **RATING**, NO GAIN

STANDARD  
&POOR'S

**BBB-**

**Fitch**  
Ratings

**BBB**

**MOODY'S**

-  
**Baa3**

“Those below the top 10 really need to get enough **scale** to gain an **investment grade** credit rating and to be self-sustainable throughout a downturn when the defaults start”,

Robert Martin (BOC Aviation CEO)

# WHAT WE **LIKE**...

## Growing levels of passenger traffic

IATA forecasts +3,5% CAGR through to 2037

## Global platform

with unparalleled breadth and reach

## Significant economies of scale

Volume discounts from OEMs

Better access to Capital Markets

## **Best-in-class capital allocators**

Repurchase of shares at discount

ILFC acquisition

# UNDERSTANDING AERCAP **ECONOMICS**

With a little push  
from leverage...

Return on  
aircraft  
**2.8%**

**4.0X**



**ROE**  
**11.5%**

Source: AerCap 2018 figures  
Adapted from David Einhorn (2015)

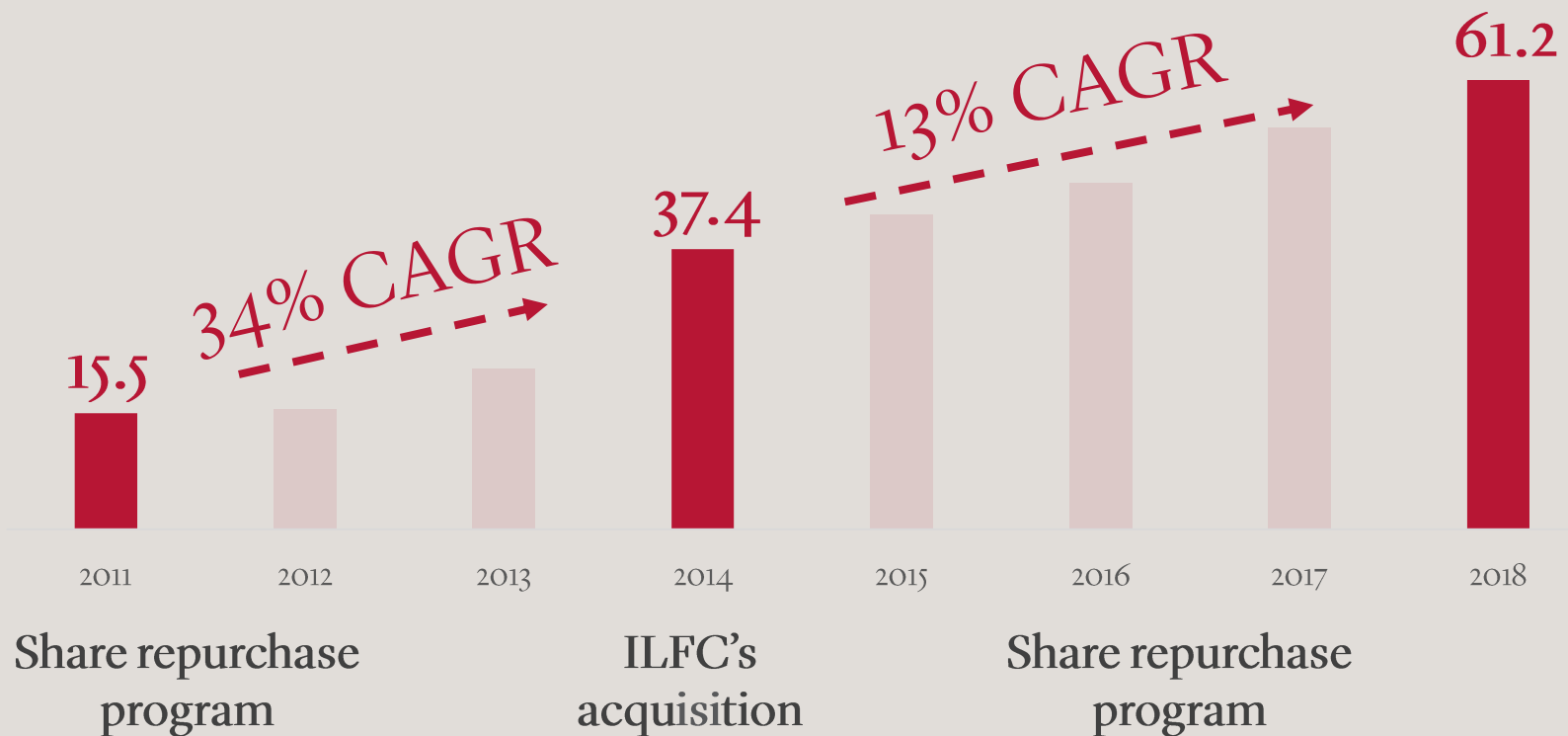
# THE IMPORTANCE OF BEING **LEVERAGED**

D/E	Coverage <sup>(*)</sup>	A/L	Interest rate
<b>2.7-3.0X</b>	<b>1.2X</b>	<b>Matching</b>	<b>No risk</b>

(\*) Ratio of sources to uses for the next 12 months

# OUTSTANDING **VALUE CREATION**

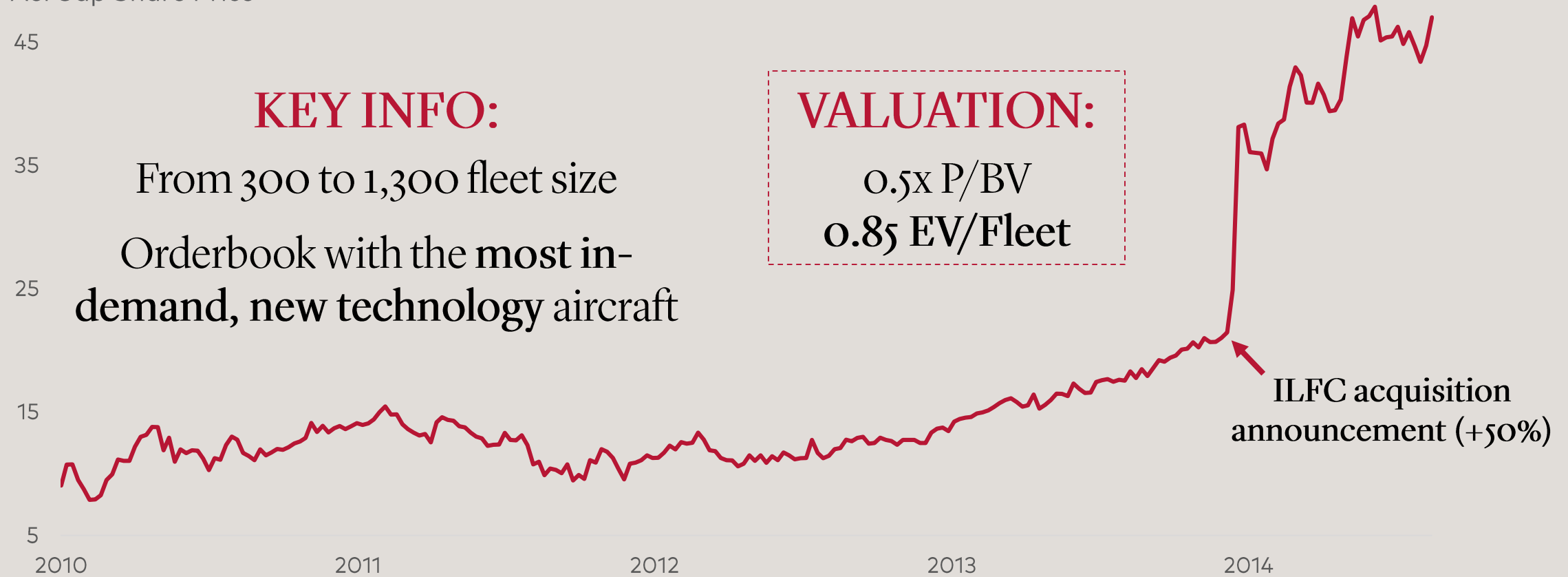
**22% BVps CAGR** under current management tenure



# OUTSTANDING **VALUE CREATION**

A **transformational** deal

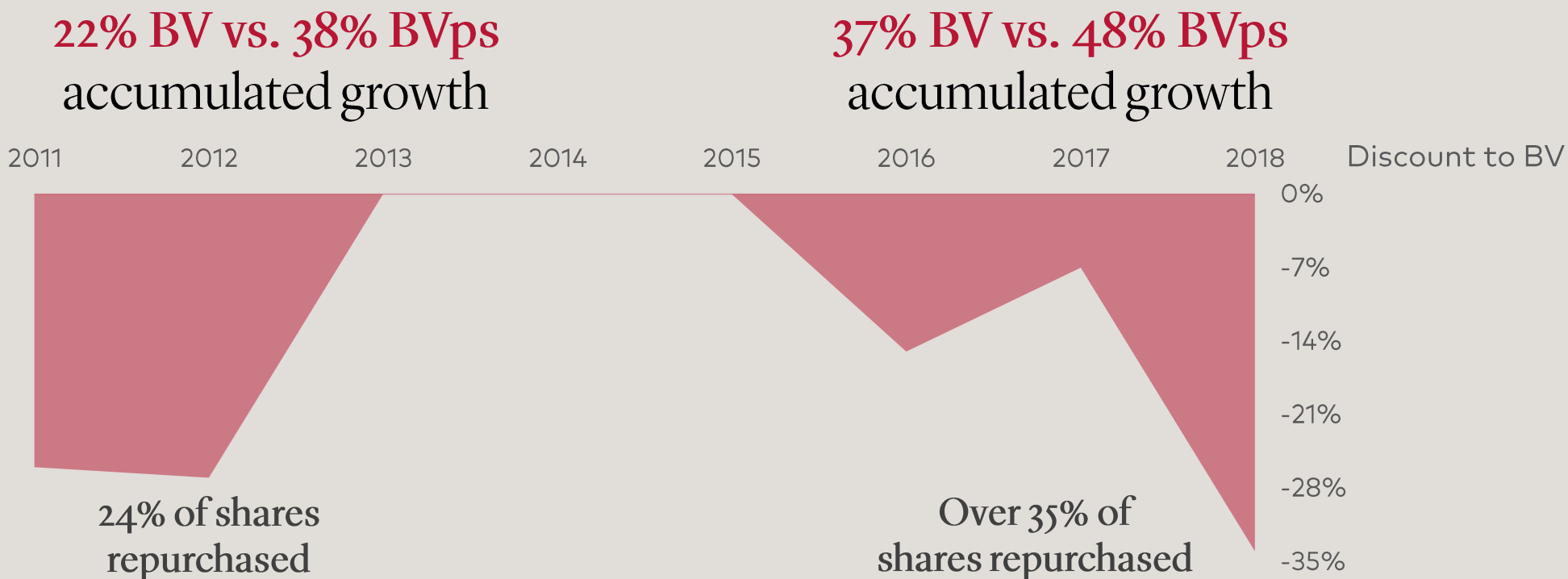
AerCap Share Price





# OUTSTANDING **VALUE CREATION**

Too much of a **good** thing can be **wonderful**



# WHAT THE MARKET **FEARS**...

## (And we don't)

### **Demand: A bull market about to end**

Political tensions, trade wars, interest rates rising, volatile oil market, strong dollar...

### Supply: Risk of OEMs overproducing

Book-to-Bill ratio below 1x

### Competition: a (very) significant increase of lessors

Easy money pouring into the sector

### Residual value risk

Two sources of risk

### Financial risk

Does History rhyme?

# BANKRUPTCIES DO HAPPEN... EVERY YEAR

1 out of 3 in  
**Europe**<sup>(\*)</sup>

Global platform  
Risk Management

“In good times, airlines need lessors for **additional capacity** and, in bad times, airlines need lessor **balance sheets**”, John L. Plueger (Air Lease CEO & President)

(\*) 123 out of 381 over the last eight years. Source: AirFinance Journal

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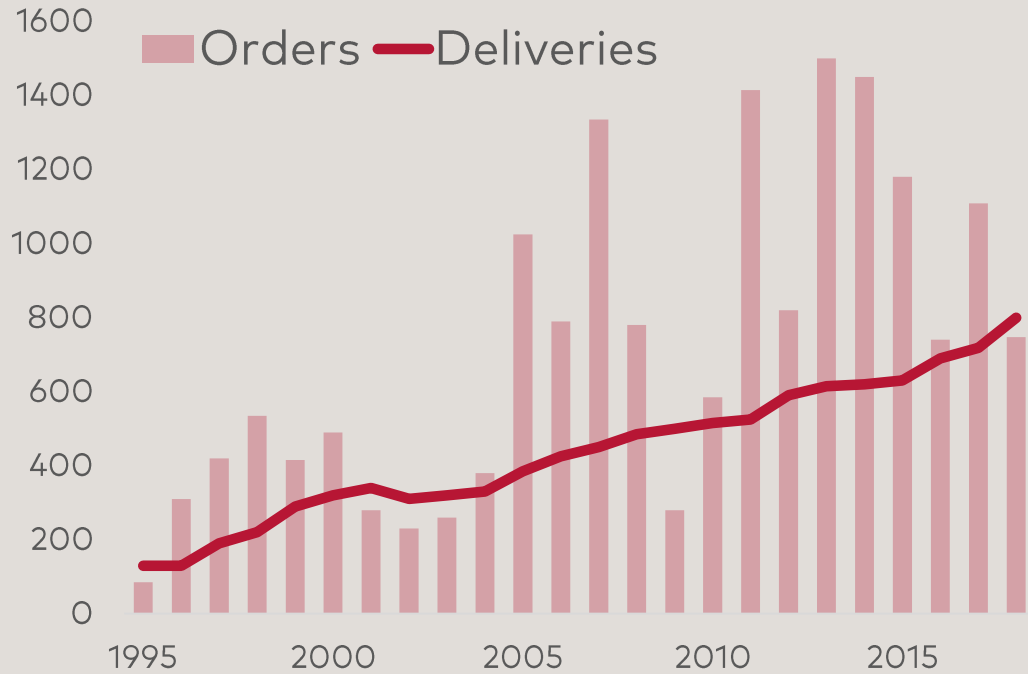
### Residual value risk

Two sources of risk

### Financial risk

Does History rhyme?

# NOT THE **CYCLICAL** BUSINESS YOU WERE EXPECTING



Players

**2**

Replacement

**44%**

Orders

**No White Tail**

Source: AerCap Investor's Day 2017; Airbus (2017, 2018)

# WHAT THE MARKET **FEARS**... (And we don't)

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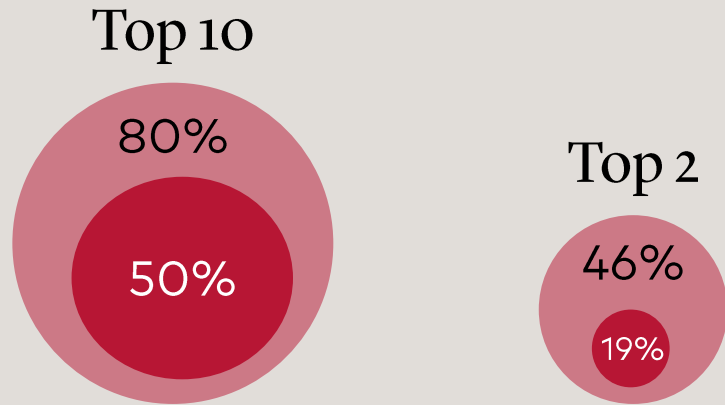
Two sources of risk

**Financial risk**

Does History rhyme?

# WAITING FOR THE FAT PITCH

Market share evolution (2002-2018)



Source: Boeing Current Aircraft Finance Market Outlook 2019

SLB Market  
**Crowded**

Leasing  
**Tourists**

“Do I think that some people who have bought assets that they're going to lose money? Sure, I do, but **that's the nature of business**”, Aengus Kelly (AerCap)

# WHAT THE MARKET **FEARS**... (And we don't)

**Demand: A bull market about to end**

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Does History rhyme?



# MELTING THE **METAL RISK**

## #1: IN-DEMAND

Focus on

**Narrowbodies**

And

**New technology**

## #2: OVERSTATED BOOKS

Depreciation

**Conservative**

# WHAT THE MARKET **FEARS**...

## (And we don't)

**Demand:** A bull market about to end

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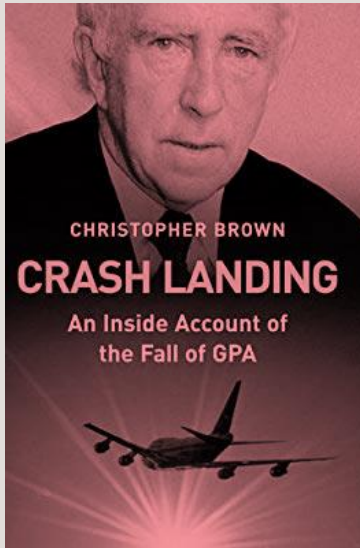
Two sources of risk

**Financial risk**

Does History rhyme?

# THIS TIME IS **DIFFERENT** (REALLY!)

## #1: CREDIT CYCLE



## #2: INTEREST RATES

Duration

**Immunization**

Investment

**Grade**

“Without **additional support from AIG** ... in the future there could exist doubt concerning our ability to continue as a going concern”, ILFC 2009 Annual Report

# VALUATION SCENARIOS

“So long as the market continues to fundamentally undervalue the company and the resilience of not only our earnings, but our book value **we will continue to take advantage of these dislocations**”,

Aengus Kelly (Q4 2018 Earnings Call)



**Blue Sky Scenario: \$112 (140%)**  
 Repurchase of shares with 3.0x D/E  
 P/BV'21 = 1.2x

**Base Case Scenario: \$96 (105%)**  
 Repurchase of shares with 2.7x D/E  
 P/BV'21 = 1.1x

**Worst Case Scenario: \$70 (50%)**  
 Repurchase of shares with 2.7x D/E  
 P/BV'21 = 0.8x

# HOROS

ASSET  
MANAGE-  
MENT

Head. Heart. Handcraft |

FOR MORE INFORMATION:  
[WWW.HOROSAM.COM](http://WWW.HOROSAM.COM)