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MEXICAN COMPANIES AND HIGH NET WORTH INDIVIDUALS COULD NEED OVER $15 BILLION IN FINANCING TO PURCHASE NEW BUSINESS AIRCRAFT

2nd March 2017 – New analysis(1) from Global Jet Capital, a global provider of financing solutions for corporate aircraft, suggests that between now and 2025, more than 520 private jets could be delivered to Mexico, and up to $15.7 billion could be needed to fund these.

Global Jet Capital, which is exhibiting at Aero Expo Mexico, **(stand No.61)**, estimates that 107 of these jets could be bought by Mexican public companies, 245 by private enterprises and 172 by individuals.

Global Jet Capital, which has over $1 billion to lend to clients purchasing business jets, says the bulk of these purchases will be based on leases and loans. The company currently finances 300 business aircraft for clients.

Tomas Gotes, Vice President Sales Mexico, Central America and Caribbean of Global Jet Capital, said: "There is often misperception in that high net worth individuals and corporations mostly pay in cash for large private aircraft. Even if the cash resources are at hand, often the preferred approach is to lease or finance assets of this nature. If a new or pre-owned aircraft is acquired for cash – costing tens of millions of dollars – it ties up significant capital in a depreciating assets.

"Funding the acquisition of a new or pre-owned jet with cash is 100-percent equity financing – equity capital that the individual or corporation could use to make other investments. Many conclude that the investment in their business is probably a better bet than buying into an asset that will likely lose value each year. The decision that most businesses reach is that it's most efficient to use third-party capital to fully or partially fund the acquisition of the private aircraft they wish to use."

Global Jet Capital has produced a [free whitepaper] on the options open to those looking to fund the purchase of a business aircraft, and the advantages and disadvantages of each. Below is a brief description of the third-party capital finance options available.

LEASING VIA AN OPERATING LEASE

In an operating lease the private aircraft (new or pre-owned) is purchased by a third-party financial institution (the lessor) and then leased to the operator (the lessee) for a stated term and rent. The lease is documented as a contract between lessor and lessee with both parties having certain obligations to each other, primarily regarding the operation and care of the aircraft. Title to the aircraft resides with the lessor, and the lessee enjoys the use of the aircraft as if it were their own.

PURCHASE

The alternative to an operating lease is to retain ownership of the aircraft and use third-party financing for a portion of the acquisition cost. This could be a senior secured mortgage loan or other financing structure, such as a finance lease.

In a typical loan structure, the third-party lender advances between 50% and 85% of the aircraft value to the borrower by way of a secured loan. The difference in advance rate may be a result of the borrower's credit status, the age or type of the aircraft, or other factors. The security interest is typically a mortgage interest in the aircraft, giving the lender a first-priority security interest in the aircraft. This security interest is designed to offer the lender protection in the event of a default by borrower. Proceeds from liquidating the aircraft after a default are intended to repay the aircraft lender ahead of other creditors. Other loans may be available, particularly for individuals that have a substantial private banking relationship with a lender. In such instances the underwriting of the loan may focus as much on the financial assets held by the individual as the aircraft in determining the nature of the financing.

Title to the aircraft typically remains with the borrower in the secured-loan structure. The loan is usually repaid over a multi-year period to a balloon amount (a lump sum payment at the end of the loan repayment schedule). The loan, including the balloon payment at the end, is usually recourse to the borrower, meaning any deficiency the lender incurs (post default and sale of the aircraft) will still be owed by the borrower. In certain non-recourse or limited-recourse loans, the borrower will have fewer obligations of this nature, but typically at a higher rate of interest.

FINANCE LEASE

An alternative to the senior secured loan is the finance lease. Unlike an operating lease, the lessee does not return the aircraft to the lessor at lease expiry. In a finance lease, the operator makes scheduled lease payments along with a final balloon payment at the end of the multi-year finance lease term. When the final payment is made, title to the aircraft (which had been held by the lessor) will transfer to the borrower. At this point in time the aircraft is fully owned by the lessee and there are no further financial obligations to lessor.

Tomas Gotes said: "In either the buy or lease scenario, the operator will need to work with a third-party financial institution to enter into a lease or loan agreement. This multi-week process will afford the provider of third-party capital a chance to review the aircraft collateral and assess the credit profile of the lessee/borrower. The lease or debt rate offered by the financial institution will reflect the prospects for both the borrower/lessee, as well as the aircraft. Jurisdiction, aircraft age and type, the aircraft manager (if any), and proposed term of the financing or lease will all be considered as the financial institution makes its leasing or lending indication to the client."

Global Jet Capital launched in 2014 and is capitalized by three global investment firms – GSO Capital Partners, a Blackstone company in partnership with Franklin Square Capital Partners*; The Carlyle Group; and AE Industrial Partners. In January 2016 Global Jet Capital completed the purchase of GE's corporate aircraft lease and loan book in the Americas.

The company's current management team and executive committee is composed of leaders from business jet manufacturers, maintenance and service providers and leading financial institutions who have served the private aircraft industry for a combined 200-plus years and have completed over 3,500 aircraft transactions.

-Ends-

Notes to editors

(1) Based on Global Jet Capital's own data and its analysis of 2016 – 2025 Bombardier Business Aircraft Market Forecast

Global Jet Capital

With $2.5 billion in assets under management and the additional current committed capacity to lend $1 billion, Global Jet Capital provides financing solutions for the private aircraft market. The company is capitalized by world-class private investors with expertise in the global aviation industry: GSO Capital Partners, a Blackstone company, in partnership with FS Investments, The Carlyle Group and AE Industrial Partners. The Global Jet Capital management team has served the private aircraft industry for a combined 200-plus years and has completed over 3,500 aircraft transactions. The company has the expertise, financial strength, industry relationships and infrastructure necessary to offer a variety of flexible financing solutions at the speed the market requires. www.globaljetcapital.com

GSO Capital Partners and FS Investments

GSO Capital Partners, with approximately $89 billion in assets under management, is the credit platform of The Blackstone Group, a leading global institutional alternative asset manager, with assets under management of over $360 billion*. FS Investments, formerly Franklin Square Capital Partners, is a leading asset manager that designs alternative investments, including six funds sub-advised by GSO or its affiliates representing over $18 billion in assets under management as of June 30, 2016. www.blackstone.com/gso

* As of September 30, 2016

The Carlyle Group

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with $176 billion of assets under management across 128 funds and 170 fund of funds vehicles as of June 30, 2016. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Market Strategies and Investment Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,650 people in 35 offices across six continents.
www.carlyle.com

AE Industrial Partners

AE Industrial Partners is a private equity investment company founded in 1998, by David Rowe and his late father, aviation pioneer Brian Rowe, to make direct investments in aerospace, power generation and specialty industrial companies. Today AE Industrial is led by 11 partners with each having an average of over 30 years of relevant operating and direct investment experience. AE Industrial is focused on investing in precision component manufacturing, distribution, MRO (maintenance, repair and overhaul) and industrial service-based businesses that are strategically important to their market places. AE Industrial has invested in over 30 companies including: Aviall, Dynamic Precision Group, Grand Prairie Accessory Services, Moeller Aerospace, Landmark Aviation, Kellstrom Materials and Belcan Corporation. www.aeroequity.com