

Business jet finance in 2019



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Business Jet Finance 2019

How can a business aircraft lender or lessor be beneficial to your acquisition?

- Unique insight regarding the asset
- Doesn't try to conform to typical bank lending approach
- Issue awareness (e.g., aviation laws, tax and accounting considerations, etc.)
- Mindful of impact of economic cycles, asset considerations (OEM, market, etc.) and customer psychology (need vs want).

Managing Time Expectations

- Come early/come often – engage your lender at the start
 - Aircraft search may take months
 - Pre-buy may take weeks
 - Issue, structure, CPs, etc. vetting
- Due diligence process
 - Regulations = thorough, time consuming due-diligence
 - Prompt and complete info delivery = expedited process, lender confidence and reliable commitment

Risk Mitigants

- BSA/AML/KYC Due Diligence Process
 - Why is this important?
 - What issues does this process present?
- What risks do lenders consider when pricing a deal?
- What are chief mitigants that lenders consider in countering those risks?

Economic Costs of Lease Product

- Pre-tax law vs. today
- Value impairments
- “Operating Lease” treatment – typical accounting firm directives (e.g., 97-10 buckets and risk allocation)

Now that you're ready to use a lender, how do you decide who to use?

- 1 – Rate/economics
- 2 – Responsiveness and quality of execution
- 3 – Relationship

Are we overbanked?

- Is the business aircraft space *overbanked*; i.e., enormous liquidity chasing finite transactions?
- Can we foresee financing product commoditization and/or pricing and rate compression?
- Financing choices – are economics > other transaction-specific considerations?

Key Considerations for Structuring Aircraft Finance Solutions

- Determine your customer's unique needs and wants, and manage expectations
- Analyze aircraft and intended use; then prepare forecast of future value
- Design thoughtful, tailored, experience-based financing solution for that customer and aircraft; and alternatives

Key Considerations for Structuring Aircraft Finance Solutions

- Determine Finance Type
 - Loan vs. Operating Lease vs. Synthetic Lease
 - Credit-based vs. Asset-based
- Determine Financing Tenor
- Determine required/desired LTV for this particular deal
 - Front End: Security deposit for lease; down payment for loan
 - Back End: Residual level for lease; balloon amount for loan
 - Collateral perspective - match to customer and aircraft

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