



Aviation Week Engine Leasing, Trading & Finance Europe 4-5 June 2025

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COO

About us

Who we are

Headquartered in Shannon, Ireland with offices in Boston, London and Singapore **elfc** is the world's leading engine financing and leasing company.

elfc is a group company of Mitsubishi HC Capital Inc. Mitsubishi HC Capital Inc. is a renowned global leasing company based in Japan and publicly listed on the Tokyo stock Exchange.

This gives **elfc** the financing power and stability to satisfy the long-term financing needs of airlines, operators, OEMs and MROs and to meet the commercial challenges presented by today's dynamic world markets.

With this access to extensive funding at favourable rates, we can ensure low-cost flexible financing for the commercial aviation industry. **elfc's** customer base includes some of the world's most established airlines, the newest start-ups and many of the seasoned LCC's around the world. Our client base also includes OEMs, MROs and Aircraft Lessors.



Airline Industry Snapshot

Latest IATA forecast (2 June):-

- ➔ Global airline net profits forecasted to be \$36 bn in 2025 (down on \$36.6 bn Dec forecast).
 - \$140bn loss during COVID pandemic.
- ➔ Total industry revenues forecast \$979bn against a \$913bn expense (revenues down on the projected \$1.007tn) – still a 1.3% increase from 2024.
- ➔ Passenger numbers 4.99bn (below the 5.22bn prediction) – a 4% increase from 2024.



Moody`s sounds aviation warning: changes outlook to negative citing geopolitical risk

Macro-Scene

- GDP both IMF and OECD revised their forecast down by 20 – 50 bps to 2.8 – 3.1%.
- **Jet fuel \$84/barrel (down c15% YoY).**
- US 10% baseline with 4 June 50% tariff on US steel imports.
- Tarrieff “surcharges” being introduced by OEMs and others.
- “Sticky” inflation may weigh further on customer sentiment/demand.
- Moody`s downgrade US debt Aa1 and changes aviation industry outlook to negative.



Traffic

- April YTD ASKs up 6.5% YoY (capacity) - trailing IATA forecast.
- RPKs up 8% YoY stronger than forecast (efficiency).
- Passenger Load Factor increased to 83.6% - 1.1% up from 2024.

\$7



Forecasts - Aircraft Deliveries

- ✈ Prediction of c42,000 (Airbus & Boeing) new aircraft over the next 20 years.
- ✈ c6,000 of current worldwide aircraft fleet will still be in service in 2042.



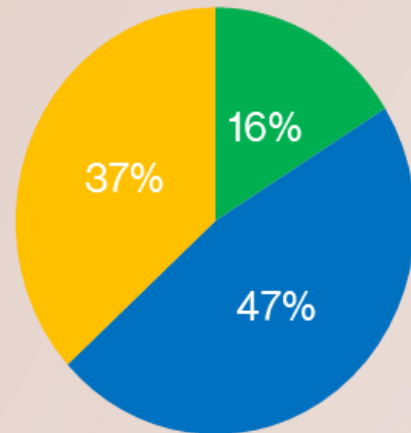
Forecasts - Spare Engine Industry

2024 - 1,900 spare engines

3,400 advanced technology* spare engines are set to be supplied over the next decade.

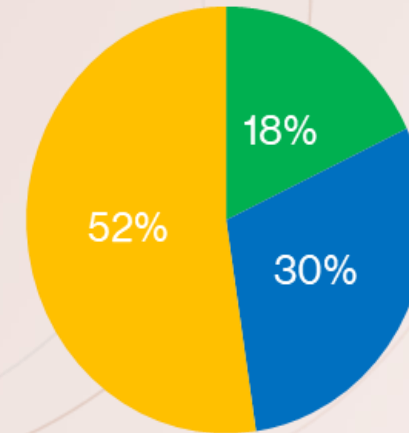
2033 – 5,300 spare engines

Latest tech. engines ownership profile in 2024



■ Ind. Lessors ■ OEM Lessors ■ Airline

\$84.8 billion of funding required. Latest tech. engines ownership profile in 2033



■ Ind. Lessors ■ OEM Lessors ■ Airline



*Latest tech. engines incl. LEAP-1B, LEAP-1A, PW1100G, Genx-1B and Trent XWB

Forecast – Leased Spares Market

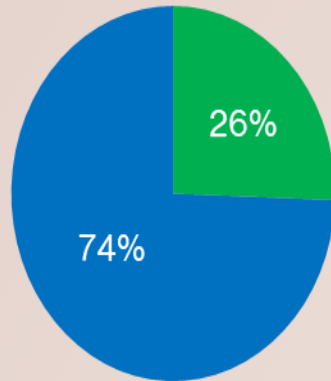
1,200 spare engines

800 spare engines to be
financed by sale and
leaseback

2,500 spare engines

\$18.6B SLB investment

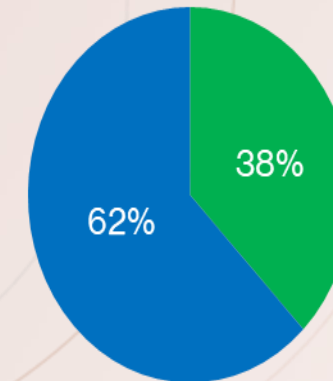
Latest tech. leased engines in 2024



■ Ind. Lessors ■ OEM Lessors



Latest tech. leased engines in 2033



■ Ind. Lessors ■ OEM Lessors

Capital Availability -Engine Lessors

- ✈ Engine leasing market still dominated by OEM's (PWEL & RRPF) and AerCap\SES.
- Long-standing independents:

elfc

WLFC

- ✈ Limited market expansion:-
 - 2024 – Hanwha
 - 2013 – SAEL & MTU Maintenance
 - 2011 – Beatech, FTAI & TEAM
 - 2010 – SANAD



Significant Barriers to Entry Exist – Human Capital and Expertise

Risk Factors

- ✈ Legacy & New Gen – transition, demand vs supply, market trends, impact on lessors and airlines.
- ✈ Tariffs – tip of a geopolitical iceberg.
- ✈ 2050 (Net Zero) – SAF and Sustainability.
- ✈ "Domestication" Risks.



Transition to New Gen

- ✈ Post-production engines remain important component of engine lessor portfolio.
- ✈ We are in transition to New Gen engines – speed of travel/right mix?

Transition has slowed – consider jet/SAF fuel and labor costs potential impact –

the “\$7 factor” (\$7.20)

- ✈ EIS issues combined with restricted shop capacity and supply chain issues.

How stable are the determining factors of transition?

Transition - Post-Production Fleet

	A320/5B	A320/V25	737NG/7B
Total fleet	3,900	2,770	6,500
Fleet in service	92%	92%	95%
Retirements YTD	22 (lower than same period 2024)	25 (flat on last year)	25 (lower than same period 2024)
SVR	0.037 (slightly down since Dec)	0.086 (slightly up since Dec)	0.037 (flat since Dec)

- Low numbers of aircraft parked and retiring, reasonable stability in Shop Visit Rates.

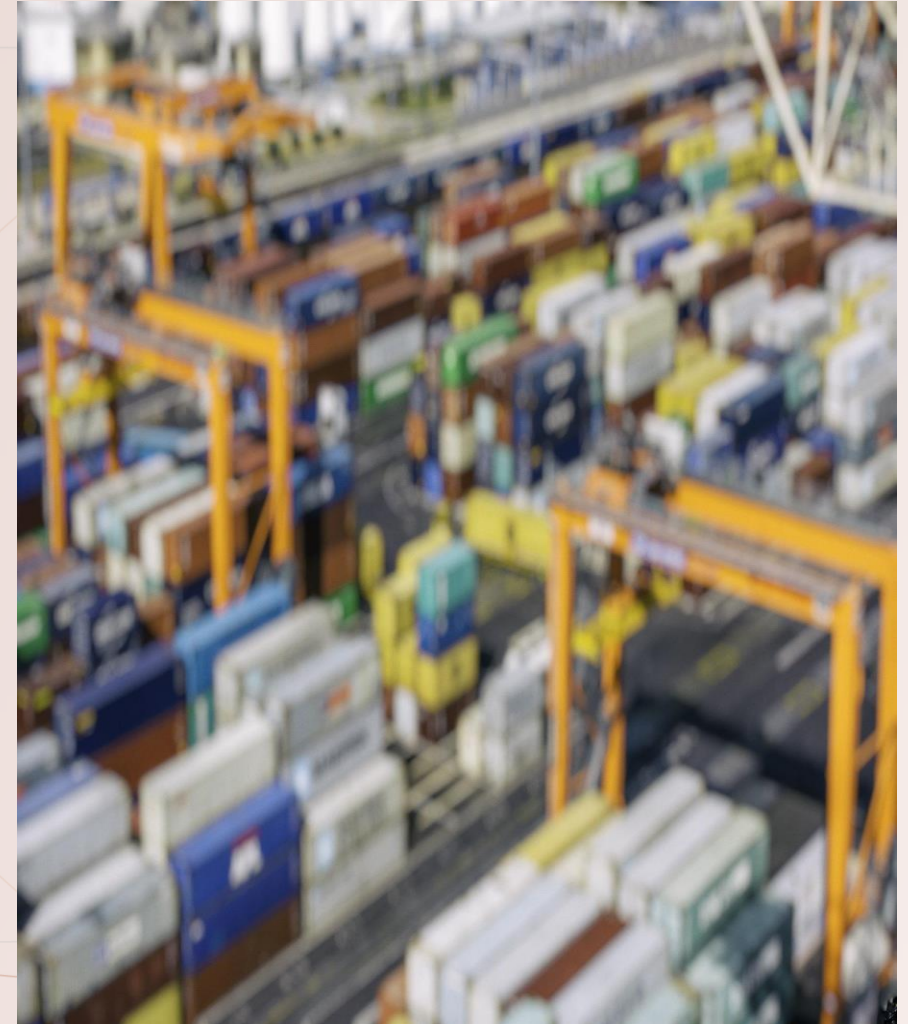
-sustained shortfall in capacity not being met by pace of new aircraft deliveries-

- MRO capacity and supply chain issues persist – OEM control remains a problem.

What does this suggest about the pace of transition/implications?

Tariffs – Aviation Exemption?

- ➔ **EU:** 25% counter-tariffs on certain U.S.-origin goods (effective April/May 15) suspended 90 days. US tariffs on EU reduced to 10% for 90 days expiring 8 July. **Slow-walking.**
- ➔ **PRC:** US tariffs reduced to 30% for 90 days expiring 10 August. Chinese government has exempted some US-imported assets, including aircraft, engines and certain types of aircraft parts, from the additional tariffs since 25 April. Not official and public and uncertainty remains regarding the duration and legal effect of such exemptions. **Strained, stalled and volatile.**
- ➔ **UK:** 8 May trade agreement will replace US tariff regime and include an exemption for aircraft, engines and parts. **A model for future trade deals?**



OEM Tariffs/Surcharges

- **RR:** have stated publicly no tariffs applicable.
- **CFM:** “Surcharge” applicable from 8th May and will represent **1.33%** of the CLP price of new material and spare engine.
- **GE:** As above and will represent **2.2%** of the CLP price of new material and spare engine.
- **P&W:** expecting tariff “guidance” to be published shortly.



Net Zero 2050

Aviation will continue to grow at 3-4% p.a. to 2050

- ➔ Aviation produces 2.5% of global CO2 emissions.
- ➔ 80% of aviation generated CO2 emissions come from flights >1,500 km – with no foreseeable practical alternative (Hydrogen – Airbus zero emissions aircraft 2035).
- ➔ **\$5 trn of investment required** period to 2050 to transition aviation to net zero.



Net Zero 2050

Aviation will continue to grow at 3-4% p.a. to 2050

- Net zero largely reliant on SAF (65%).
- Despite doubling SAF production in 2024 (1m tonnes) at a cost 3.1x that of jet fuel (IATA estimate).
2025 expected to be 2m but just 0.7% of airline fuel use and **cost 4.2x**.

For first time in Decades fuel efficiency measure stagnated in 2024 (IATA).

Cost of limited SAF expected to add **\$3.8bn to industry fuel costs in 2025** (up from \$1.6 bn in 2024).....



Regional Risks

→ PRC

By 2043 expected to be world's largest market - overtaking Europe by 2030 and N. America by 2040 (domestic passengers) - with annual passenger growth rate of 5.9%.

4bn passenger journeys by 2040 representing 20% of global air traffic.

Aircraft fleet 11,160 aircraft by 2043 (4.1% annual growth).



→ Middle East

2/3 of global population within 8 hour flight strategic transit hub.

600m passengers by 2040 (double today - IATA)

3500 aircraft by 2043 (Airbus) 150% increase on 2023 number (4.78% annual growth).

Regional Risks

✈ India

1bn passenger potential by 2040 being 90% of South Asia's traffic.

7% annual growth rate (Boeing).

Aircraft fleet x5 to 3800 aircraft by 2043.



Latin America, Indonesia & Africa also represent markets offering significant opportunity for growth.

“Domestication”

✈ In addition to traditional geo-political risks -“domestication” risk:

PRC - aim of **self-reliance in aviation**, expanding domestic leasing market and expand own aviation manufacturing ambitions via COMAC.

ME - **Vision 2030** ambitions developed domestic leasing via AviLease (sovereign wealth fund backed) aims to be in top 10 global lessors by 2030.

India - GIFT City incentives and **Self-Reliant India 2047 initiative** - aim to reduce dependence on foreign lessors.



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