

# Castlelake Aviation Limited Investor Update

September 2022



CASTLELAKE

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This presentation includes forward-looking statements in addition to historical information. These forward-looking statements relate to matters such as the aviation industry, business strategy, goals and expectations concerning our market position, future operations, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words "anticipate," "assume," "believe," "budget," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "will," "future" and similar terms and phrases to identify forward-looking statements in this offering memorandum. Forward-looking statements reflect current expectations regarding future events, results or outcomes. These expectations may or may not be realized. Some of these expectations may be based upon assumptions or judgments that prove to be incorrect. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to vary materially from future results, performance or achievements, or those of our industry, expressed or implied in such forward-looking statements. Such factors include, among others:

- the severity, extent and duration of the ongoing global COVID-19 and any governmental measures to try to contain the virus could have a negative impact on the performance of the airlines and, in turn, our liquidity;
- the effects of the Russia/Ukraine conflict on the global economy, in general, and the aviation industry, in particular;
- the ability to lease, remarket or sell aircraft on favorable terms or at all;
- availability of credit to airlines from the capital markets and financial institutions to provide working capital and to refinance existing indebtedness;
- variability of supply and demand for aircraft;
- difficulties and costs in acquiring or managing aircraft, on favorable terms or at all;
- the competitive environment in the aircraft leasing industry;
- the risks on the ability of lessees, borrowers and other counterparties to perform their obligations under their leases and loans;
- the ability of aircraft and engine manufacturers to remain financially stable and producing aircraft and engines;
- technological innovation and new types of aircraft and engines;
- proper maintenance of the aircraft;
- high fuel prices and fuel price volatility;
- airline customers preference to purchase their own aircraft rather than entering into aircraft leasing or financing arrangements;
- changes in tax and exposure to a wide range of income and other taxes and tax costs as a result of operating in the multiple jurisdictions;
- maintenance cost of airworthiness directives compliance;
- environmental regulations;
- operational costs and obsolescence of aircraft;
- natural disasters;
- aircraft repossession costs and timing;
- the risk that lessees' or borrowers' fail to maintain the required insurance or that certain types of contingent insurance will become available to us;
- lessees' or borrowers' ability to maintain aircraft duly registered with the appropriate governmental civil aviation authority;
- airline customers' ability to appropriately discharge aircraft liens;
- changes in global economic conditions and political developments, including with respect to the invasion of Ukraine by Russia;
- exposure to trade and economic sanctions and other governmental restrictions;
- economic, legal and political risks associated with emerging markets;
- terrorist attacks or the fear of such attacks or civil unrest;
- data security and privacy risks;
- changes in banks' inter-bank lending rate reporting practices or the method pursuant to which LIBOR is determined;
- our ability to attract and retain key personnel through Castlelake L.P.;
- the performance of support services by Castlelake L.P. and our limited ability to terminate and limited remedies available against Castlelake under our management and servicing agreements;
- potential conflicts of interest with Castlelake;
- cybersecurity incidents involving us or our customers; and
- the other risks and uncertainties identified in this report.

Such forward-looking statements should be regarded solely as our current plans, estimates or beliefs. We do not intend to update, and do not undertake any obligation to update, any forward-looking statements to reflect future events or circumstances after the date of such statements. Given such limitations, you should not rely on these forward-looking statements in making a decision whether to invest in the Notes.

## Key Highlights



**Air travel demand appears to be recovering; long-term demand and growth appears to be returning to pre-pandemic levels**



**Aircraft supply appears constrained, supporting aircraft values**



**Low leverage at 2.2x debt/equity with over \$600mm of available liquidity<sup>1</sup>**



**Robust collections at 99.7% in Q2 with 100% fleet utilization**



**Growth profile: pipeline of 40 aircraft with 19 more under LOI**







1. Includes both RCF and PDP undrawn commitments and total cash.

Note: These projections are based on the expectations of Castlelake using information, judgments, and assumptions believed to be reasonable in the circumstances. There can be no assurance that any such projections will be realized nor that the information, judgments, and assumptions used by Castlelake are accurate. Actual events or conditions may differ materially, and there is no guarantee that historical trends will continue. There can be no assurance any projected or pipeline investment opportunities will be consummated nor that any such investments will result in positive returns. These are proposed indicative terms and remain subject to contract.

# Castlelake Aviation Limited



Castlelake Aviation Limited (“CA”) is built on the experience and expertise of Castlelake, a leading global aviation-focused alternative investment firm which has invested more than \$17 billion<sup>1</sup> in aviation opportunities

Castlelake Aviation Limited	Castlelake, L.P.		
 <p><b>Core aircraft leasing platform of Castlelake, L.P. owned by existing Castlelake aviation funds</b></p>	<p><b>Experienced Aviation Asset Manager</b></p>	<p><b>317 Aircraft Under Management<sup>3</sup></b></p>	<p><b>65+ Dedicated Aviation Professionals</b></p>
 <p><b>Established in 2021 to primarily pursue efficient financings of young, new technology aircraft portfolios and value accretion for investors</b></p>		<p><b>180+ Airline Relationships</b></p>	<p><b>60+ Countries Transacted In</b></p>
 <p><b>Future growth expected to be funded in material part by CLA IV, Castlelake’s 4<sup>th</sup> dedicated aviation fund with \$1.6bn in capital commitments<sup>2</sup></b></p>		<p><b>Castlelake Aviation Limited Portfolio<sup>4</sup></b></p>	
 <p><b>Growth profile with committed pipeline of aircraft purchases and access to new opportunities through extensive industry relationships</b></p>	<p><b>80 # of Aircraft</b></p>	<p><b>9.8 yrs W.A. Remaining Lease Term<sup>5</sup></b></p>	<p><b>40 # of Aircraft in Pipeline Under Contract<sup>6</sup></b></p>
 <p><b>Rated entity with focus on transitioning to investment grade rating</b></p>	<p><b>6.2 yrs W.A. Age<sup>5</sup></b></p>	<p><b>67% Narrowbody<sup>5</sup></b></p>	<p><b>&gt;\$2.4bn Capital Markets Financing Raised</b></p>
 <p><b>Industry tailwinds including rising inflation, favorable aircraft-supply demand dynamics, and quickly recovering air travel</b></p>	<p><b>Rated BB- / Ba3 / BB / BB+ by S&amp;P / Moody’s / Fitch / Kroll</b></p>		

1. Debt and equity invested across all private market funds and vehicles managed by Castlelake from inception in 2005 through June 30, 2022.

2. Actual events or conditions may differ materially, and there is no guarantee that historical trends will continue. CLA IV closed in December 2021 with \$1.6bn in committed capital.

3. Data as of June 30, 2022; includes aircraft that Castlelake owns (262) as well as those collateralizing financings provided by Castlelake to customers (55).

4. Represents fleet as of June 30, 2022.

5. Remaining lease term, average aircraft age and airframe type are weighted by book value of the assets defined as: (i) “Flight Equipment held for Operating Lease, Net” with respect to our on operating lease, and excluding “Maintenance Rights and Lease Premium”, (ii) “Net Investment in Finance Lease” with respect to our aircraft on finance lease, and (iii) “Loan Receivables, Net” with respect to our loan portfolio.

6. Assumes 5 of the aircraft in the current pipeline are acquired by year-end, one of which has been acquired since June 30, 2022. There can be no assurance any projected or pipeline investment opportunities will be consummated nor that any such investments will result in positive returns. These are proposed indicative terms and remain subject to contract.

## Environmental, Social, and Governance

### Castlelake, L.P.'s Commitment to Sustainable Aviation



Signatory of the Principles of Responsible Investment (PRI), a network of international investors committed to including ESG factors in their investment decision making



Contracted RepRisk, a leading expert in the space, to enhance our ability to do integrate ESG diligence and monitoring into our underwriting



Member of the Aviation Working Group's ESG working group



Founding member of the Impact on Sustainable Aviation industry group, a new and independent association dedicated to achieving net-zero carbon emissions by 2050



Supportive of the International Air Transport Association's (IATA) resolution to achieve net-zero carbon emissions by 2050

### Castlelake Aviation Limited's Approach

#### Castlelake Aviation Limited's Immediate Pipeline

**Next Generation / New Technology**

**100%**

**Current Generation / Old Technology**

**0%**

**Providing capital to help airlines transition their global fleets to fuel-efficient aircraft**

**Committed to maintaining a young, fuel-efficient and new technology aircraft portfolio**

Note: Actual events or conditions may differ materially, and there is no guarantee that historical trends will continue. There can be no assurance any projected or pipeline investment opportunities will be consummated nor that any such investments will result in positive returns. These are proposed indicative terms and remain subject to contract.

# Sector Update

We believe recent macro themes represent significant tailwinds

## Aircraft supply is constrained compared to demand for travel

- Mass retirements
- New production shortage
- Pax demand rebounding
- Lease rates recovered
- Large new backlog



## Cost of aircraft capital has increased materially and is likely to remain elevated

- Pre-pandemic new entrants exiting
- Chinese focused onshore
- Lessor consolidation
- Banks retrenching
- Airline cash held for operations



## Over-arching macro factors represents potential additional upside

- Inflationary assets
- Airlines passing through cost inflation
- Airlines proved resilient
- Lessors performed through crisis
- Financing gap

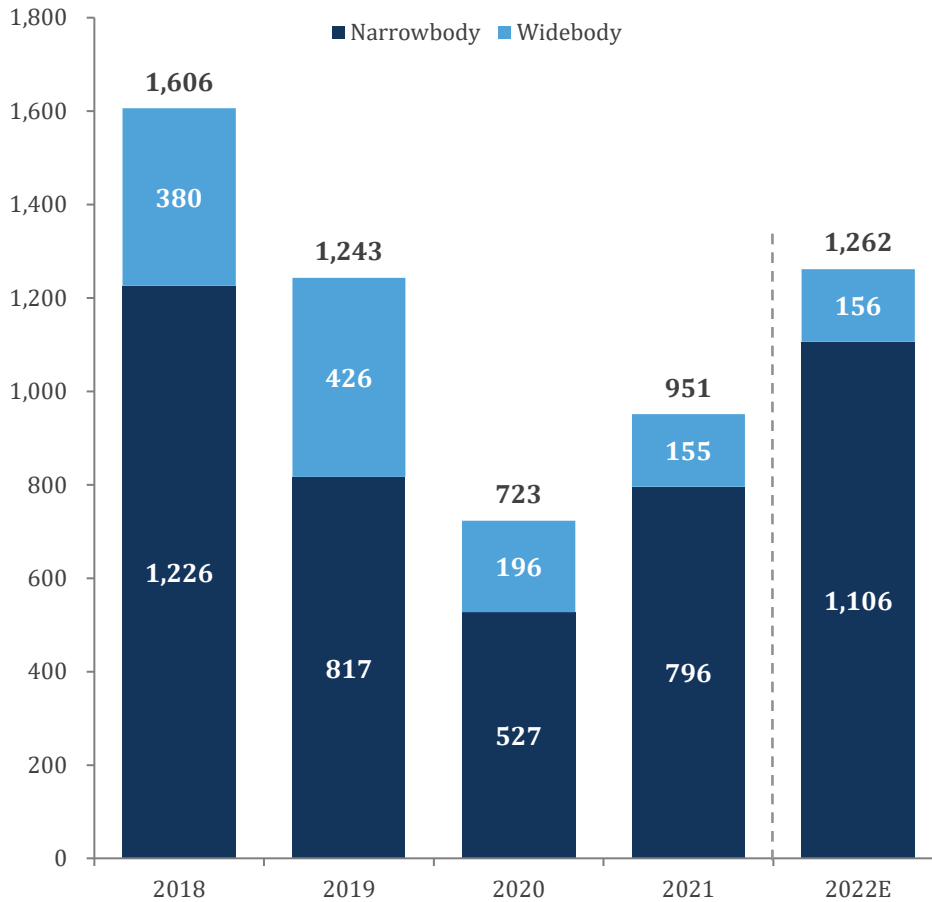


Note: These projections are based on the expectations of Castlelake using information, judgments, and assumptions believed to be reasonable in the circumstances. There can be no assurance that any such projections will be realized nor that the information, judgments, and assumptions used by Castlelake are accurate. Actual events or conditions may differ materially, and there is no guarantee that historical trends will continue.

# Sector Update

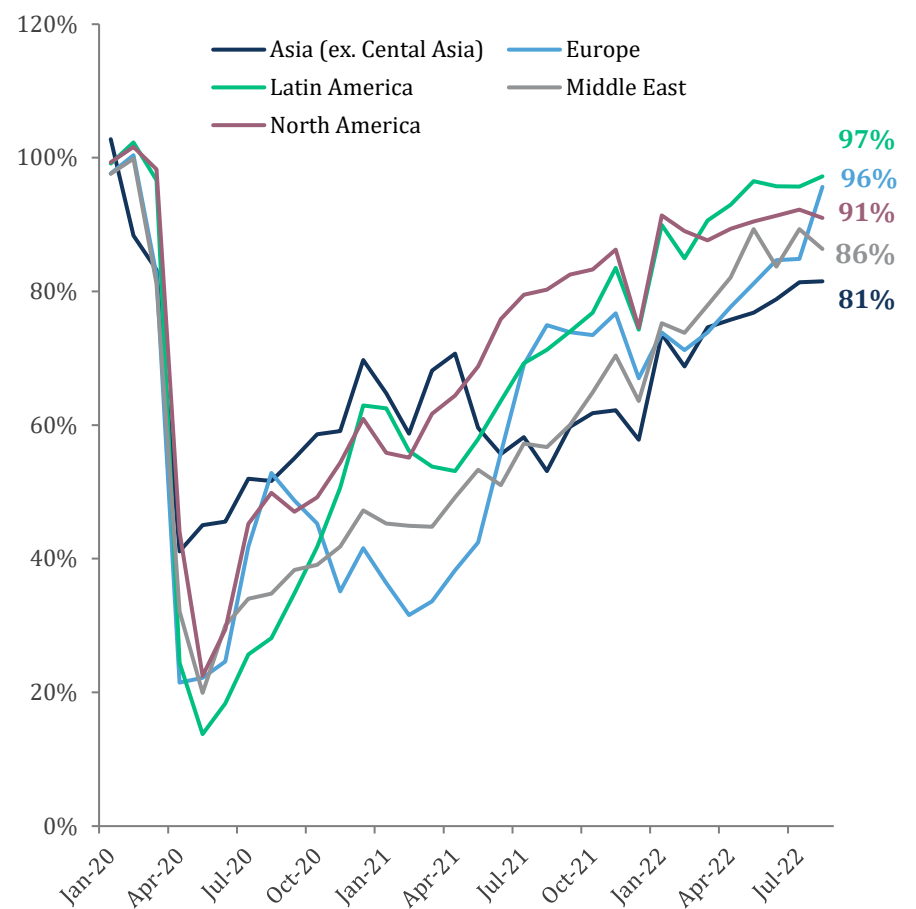
Air travel demand is recovering; long-term demand and growth remains intact

**Boeing & Airbus New Deliveries Since 2018**



**Passenger Carrying Capacity**

(Available Seat Kilometers by Region)



**Travel is rebounding faster than new deliveries**

LHS: Boeing and Airbus Company website, Public filings, and Castlelake estimates.  
RHS: OAG data as of August 2022.

# Things We Are Keeping an Eye On

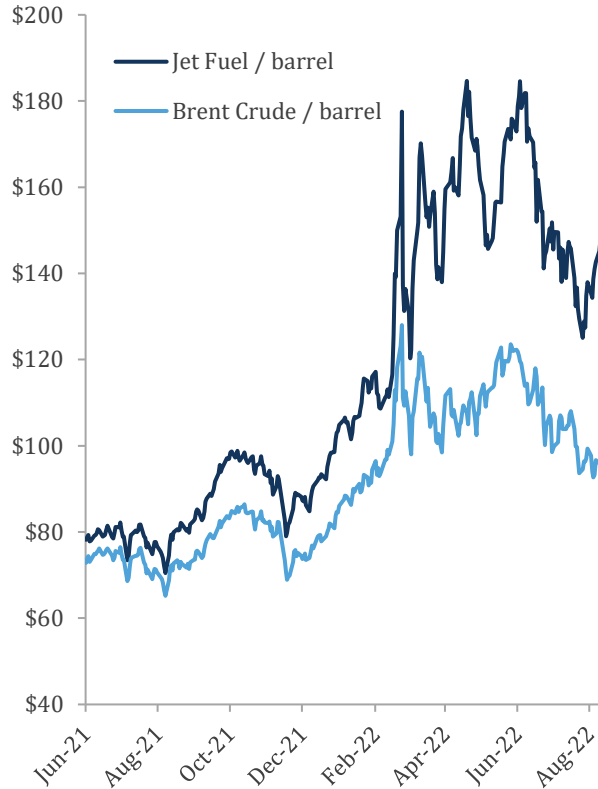
## 1) Jet Fuel Prices

## 2) Flight Cancellations

## 3) Airline Cash Balances

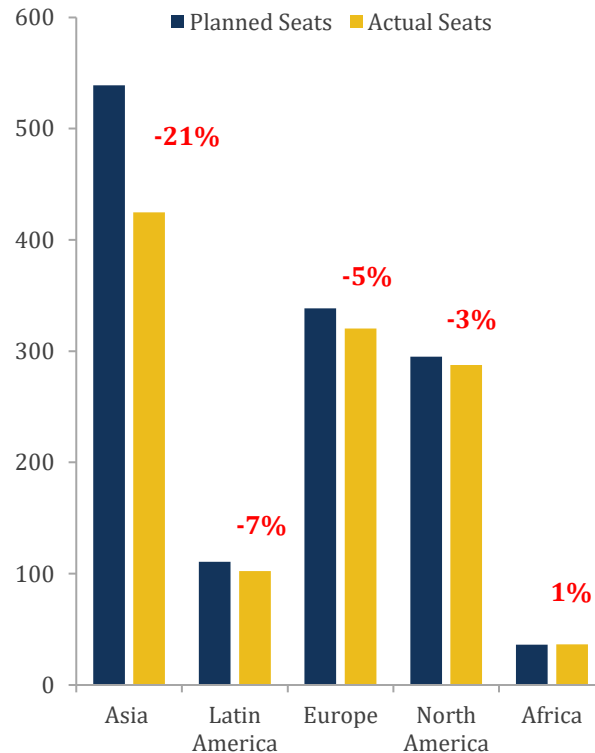
**Jet Fuel vs Brent Crude**

*(\$ Per Barrel)*



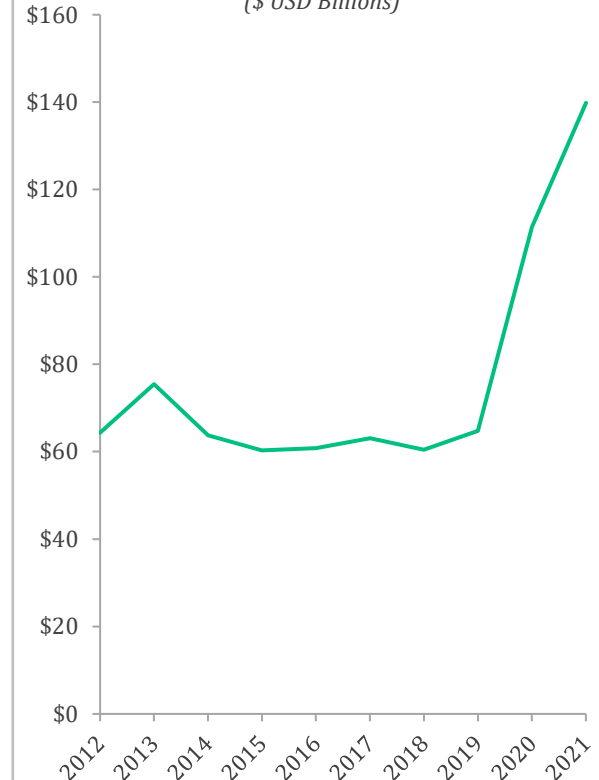
**Q2 2022 Seat Capacity**

*(In Millions)*



**Total Cash Balances**

*(\$ USD Billions)*



**Proceeding with caution as we look to the future**

LHS: Bloomberg data, August 2022.

Middle: OAG data, August 2022.

RHS: Cash balances of the 25 largest publicly listed airlines, Bloomberg data as of December 31, 2021.



# Portfolio Overview

## Highlights and aircraft portfolio status

### Q2 2022 Updates

- 

**99.7% of contractual lease payments collected**
- 

**Signed agreements to purchase & finance lease 10x new A321neos and to PDP finance 7 of those aircraft** (Middle East-based Airline)
- 

**Signed LOI for 19 aircraft purchase and leasebacks with new customers**
- 

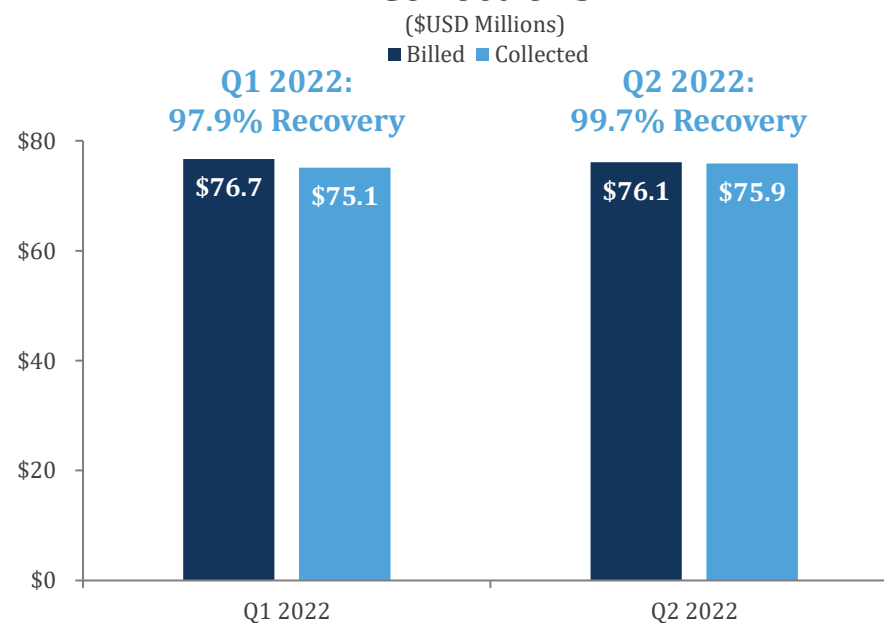
**Purchased 1x B737 MAX 8 and placed on finance lease** (South America-based Airline)
- 

**Delivered 1x B737-900ER on finance lease** (US-Based Airline)
- 

**Executed a secured credit facility in relation to PDP loan** (Middle East-based Airline)

Portfolio Status	Mar 2022	June 2022
# of Aircraft	79	80
Wtd. Avg. Age <sup>2</sup>	6.0 years	6.2 years
Wtd. Avg. Remaining Lease Term <sup>2</sup>	10.0 years	9.8 years

### Collections



1. Expiries consist of two short term finance leases due to expire within 2023.

2. Remaining lease term, average aircraft age and airframe type are weighted by book value of the aircraft assets defined as: (i) "Flight Equipment held for Operating Lease, Net" with respect to our on operating lease, and excluding "Maintenance Rights and Lease Premium", (ii) "Net Investment in Finance Lease" with respect to our aircraft on finance lease, and (iii) "Loan Receivables, Net" with respect to our loan portfolio.

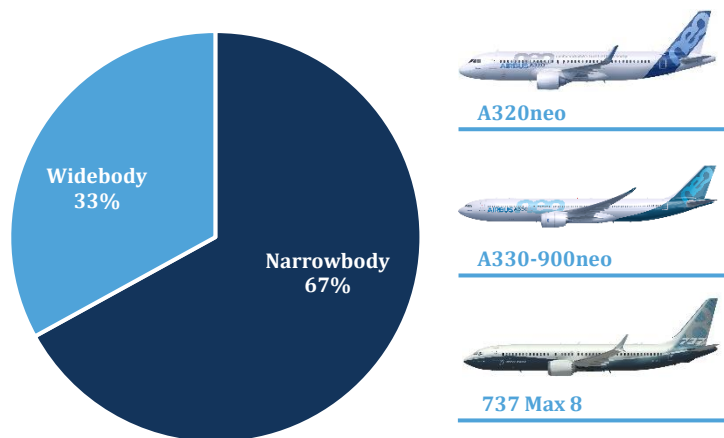
Past performance is not an indication or guarantee of future results. Actual events or conditions may differ materially, and there is no guarantee that historical trends will continue. There can be no assurance any projected or pipeline investment opportunities will be consummated nor that any such investments will result in positive returns. Pipeline remains subject to contract.

# Portfolio Overview

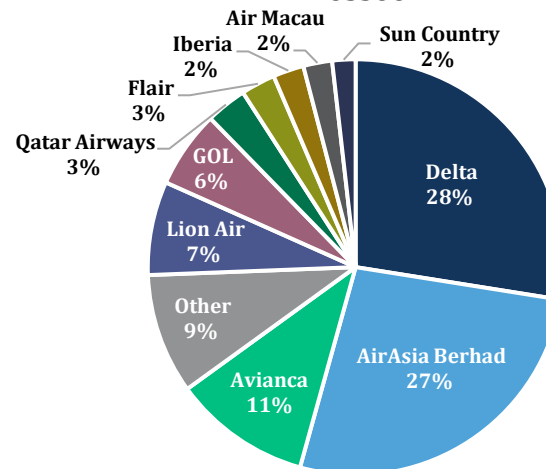
Summary of assets as of June 30, 2022<sup>1</sup>

**80 aircraft with a weighted average age of 6.2 years and remaining lease term of 9.8 years<sup>2</sup>**  
**100% of aircraft on-lease**

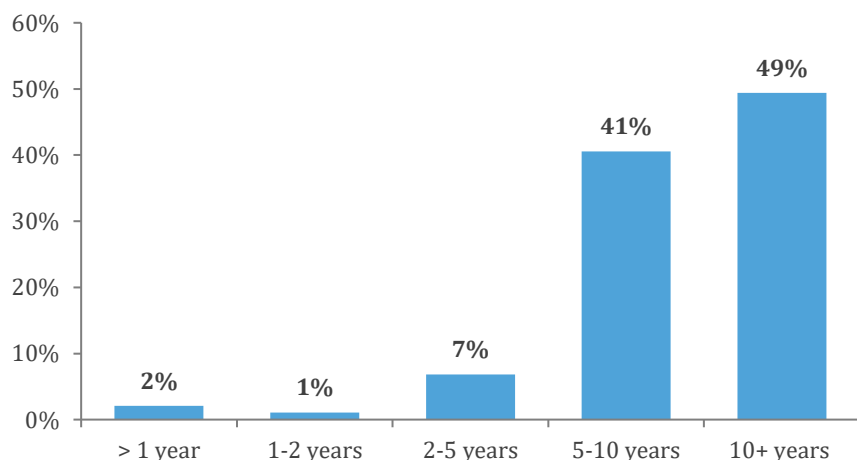
**Aircraft Type**



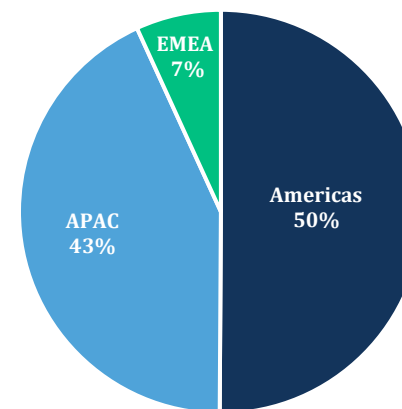
**Lessee**



**Lease Term<sup>3</sup>**



**Geography**



1. All concentrations weighted by Flight Equipment held for operating leases, net; Net Investment in finance leases; and Loan Investments with respect to our loan portfolio as of June 30, 2022.  
 2. Remaining lease term, average aircraft age and airframe type are weighted by book value of the aircraft assets defined as: (i) "Flight Equipment held for Operating Lease, Net" with respect to our on operating lease, and excluding "Maintenance Rights and Lease Premium", (ii) "Net Investment in Finance Lease" with respect to our aircraft on finance lease, and (iii) "Loan Receivables, Net" with respect to our loan portfolio.  
 3. Less than one-year remaining lease term includes two short term finance leases.

# Committed Pipeline

Strong growth profile with committed pipeline of aircraft purchases and access to new opportunities

## Castlelake Aviation Limited Contracted Pipeline<sup>1</sup>

Region	Deal Type	Assets	Lease Term (Years)	Timing
Americas	SLB	1x B737 MAX 8	12.0	2x 2022
Americas	Finance Lease	5x B737 MAX 8	12.0	5x 2023
EMEA	Finance Lease	10x A321neo	15.0	2x 2022 6x 2023 2x 2024
EMEA	SLB	3x A330-900neo	15.0	1x 2022 2x 2023
APAC	SLB	20x A321neo	12.0	9x 2027 11x 2028
EMEA	Finance Lease	2x CFM LEAP-1A26	12.0	2x 2022

**Pipeline consists of new deliveries and next generation aircraft**

1. Immediate pipeline as of June 30, 2022. Includes aircraft subject to signed purchase agreements. Since June 30, 2022, we have acquired 1 aircraft and 2 CFM Leap -1 A26 engines. Information herein includes forward-looking statements such as estimates, projections, forecasts, targets, and other similar information. There can be no assurance that any forward-looking statement, estimate, projection, forecast, target, or other similar information will prove accurate. These projections are based on the expectations of Castlelake using information, judgments, and assumptions believed to be reasonable in the circumstances. There can be no assurance that any such projections will be realized nor that the information, judgments, and assumptions used by Castlelake are accurate. There can be no assurance any projected or pipeline investment opportunities will be consummated nor that any such investments will result in positive returns. These are proposed indicative terms and remain subject to contract.

# Financial Update

## Capital structure

### Q2 2022 Capital Activity

- ➔ No increase in equity capital from CLA IV in Q2 2022 since the \$72mm in Q1 2022
- ➔ Fully hedged Term Loan B at 1.873% LIBOR<sup>1</sup>
- ➔ Maintained significant liquidity and low leverage
- ➔ Advanced \$33mm from RCF, maintaining \$466mm undrawn
- ➔ Scope to upsize the RCF, if required
- ➔ Closed a secured credit facility in relation to PDP financing with a total commitment of \$123.4mm

Secured Revolving Credit: Financial Covenants	Benchmark	Result <sup>2</sup>
Fixed Charge Coverage Ratio	Greater than 1.20x	2.35x
Debt to Equity Ratio	Less than 4.25x	2.22x
LTV Ratio	Less than 70.0%	60.9%
Consolidated Liquidity (Unrestricted Cash Flow)	Greater than \$75mm	\$133.1mm

Term Loan Status <sup>3</sup>			
	Benchmark	Result	Headroom
Term Loan B	70.0%	69.8%	0.2%
AirAsia Term	80.0%	70.2%	9.8%

Capital Structure <sup>3</sup>			
	Debt Outstanding	# of Aircraft / Assets	Maturity Date
Secured Revolving Credit	\$284,000,000	9	Oct 19, 2024
Term Loan Credit	\$1,171,150,000	52	Oct 22, 2026
Senior Secured Credit ("AirAsia Term")	\$240,897,546	11	Apr 24, 2024
Bond (2021)	\$420,000,000	N/A	Apr 15, 2027
PDP Back Leverage Facility (2022) ("PDP")	\$84,888,472	N/A	Jun 1, 2024
Unencumbered Pool	N/A	8	N/A
<b>TOTAL</b>	<b>\$2,200,936,018</b>	<b>80</b>	<b>N/A</b>
Undrawn Commitment (RCF)	\$466,000,000	N/A	N/A
Undrawn Commitment (PDP)	\$38,499,757	N/A	N/A
Total Cash	\$133,074,482	80	N/A
Total Equity	\$993,041,643	80	N/A

1. Represents weighted average fixed pay rate.

2. Results reflective of those reported in the Quarterly Compliance Certificate delivered on July 19, 2022.

3. As of June 30, 2022.

# Financial Update

## Quarterly financial snapshot as of June 30, 2022<sup>1</sup>

	30-Jun-22 YTD USD'000	30-Jun-22 <sup>2</sup> QTD USD'000	31-Mar-22 <sup>2</sup> QTD USD'000
Rental and other income	130,313	66,780	63,532
Interest and other income	9,480	5,146	4,334
Gain on transfer to finance lease	4,792	2,541	2,251
Lease intangible amortization	(8,719)	(4,372)	(4,347)
<b>Total revenue</b>	<b>135,866</b>	<b>70,095</b>	<b>65,771</b>
Profit before tax	18,929	10,011	8,918
Net income	13,451	6,647	6,804
Total assets	3,278,581	3,278,581	3,136,001
Cash paid for acquisitions of aircraft	379,633	52,218	327,415
Cash paid for acquisitions of loan asset	130,598	130,598	-
Sales proceeds	-	-	-
Debt issuance	337,888	117,888	220,000
Debt repayment	(9,802)	(4,799)	(5,003)
<b>Net change in debt</b>	<b>328,086</b>	<b>113,089</b>	<b>214,997</b>
Equity investments	72,000	-	72,000
Equity distributions	-	-	-
Cash balance	133,923	133,923	158,731
Total debt <sup>3</sup>	2,172,311	2,172,311	2,062,276
Total equity	993,042	993,042	967,176
Debt/Equity <sup>4</sup>	2.22	2.22	2.16
Fixed charge coverage ratio	2.35	2.35	2.43
Secured debt to total managed assets <sup>5</sup>	54%	54%	52%
Unencumbered assets to unsecured debt <sup>6</sup>	27%	27%	26%
Unsecured debt % of total Debt	19%	19%	20%

1. Unaudited financial statements.

2. Quarter end for balance sheet items, Quarter to date for income statement and cash flow statement items.

3. Total debt inclusive of debt placement costs and accrued interest.

4. Total debt excluding debt placement costs and accrued interest (\$2,201mm) / total equity (\$993mm).

5. Secured debt/ total assets.

6. Total unencumbered aircraft and loan NBV / total unsecured debt.

Past performance is not an indication or guarantee of future results. There can be no guarantee that historical trends will continue.