

# Castlelake Aviation Limited Q3 2022 Investor Update

December 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 recovering; supply/demand imbalance as travel is rebounding faster than new deliveries**



**Low leverage at 2.0x debt/equity with over \$600mm of available liquidity<sup>1</sup>**



**Strong growth profile: pipeline of 38 aircraft**

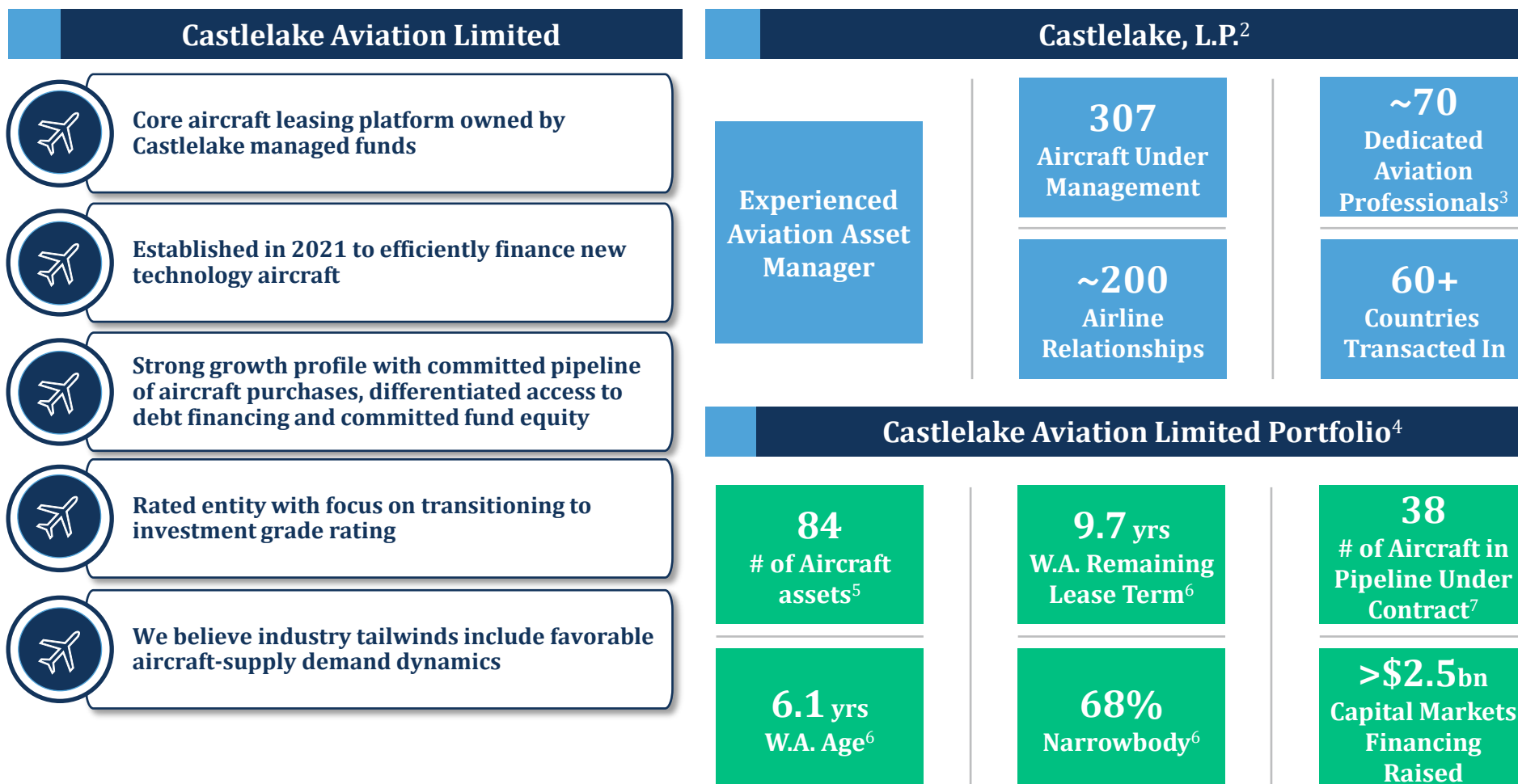
1. Includes both RCF and PDP undrawn commitments and total cash.

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, L.P., a leading global aviation-focused alternative investment firm which has invested more than \$17 billion<sup>1</sup> in aviation opportunities



**Rated BB- / Ba3 / BB / BB+ by S&P / Moody's / Fitch / Kroll**

1. Debt and equity invested across all private market funds and vehicles managed by Castlelake from inception in 2005 through June 30, 2022.  
 2. Data as of September 30, 2022; includes aircraft that Castlelake owns (252) as well as those collateralizing financings provided by Castlelake to customers (55).  
 3. As of November 1, 2022.  
 4. Represents Castlelake Aviation Limited's fleet as of September 30, 2022.  
 5. Aircraft assets consists of 76x Aircraft, 2x Engines, and 6x Loans secured by aircraft.  
 6. 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.  
 7. Assumes 5x of the aircraft in the current pipeline are acquired by year-end, one of which has been acquired since September 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.

# Castlelake Aviation Overview



## Aviation Board



**Evan Carruthers**  
Managing Partner &  
Chief Investment Officer



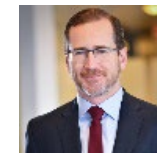
**Joe McConnell**  
Partner, Deputy Co-Chief  
Investment Officer



**Yen Wah Lam\***  
Partner, Chief Human Resource &  
Talent Officer



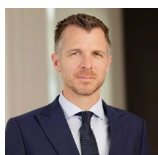
**Dan McNally**  
Partner, General Counsel



**Brad Farrell**  
Partner, Chief Operating Officer

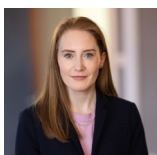
## Aviation Executive Committee (AEC)

### Chairperson



**Chris Buckley\***  
Partner, Aviation Chief Marketing  
Officer

### Secretary



**Jeanette Delehanty†**  
Aviation General Counsel

### Voting Member



**Ronan Kelleher†**  
Aviation Chief Financial Officer

### Additional Voting Members from the Following Functional Areas

Asset Management & Technical	Aviation Finance	Capital Markets
Risk Management	Underwriting	Trading

Experienced Team<sup>1</sup>

**~70**  
Dedicated Aviation Professionals

**8**  
Specialized Teams

**118**  
Lease Transitions

**408**  
Aircraft Sold

*Owned and managed nearly all commercial aircraft types*

Castlelake believes that it has a differentiated hands-on approach managing a global fleet

1. As of November 1, 2022.  
† Based in Dublin, \* Based in London.

## 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



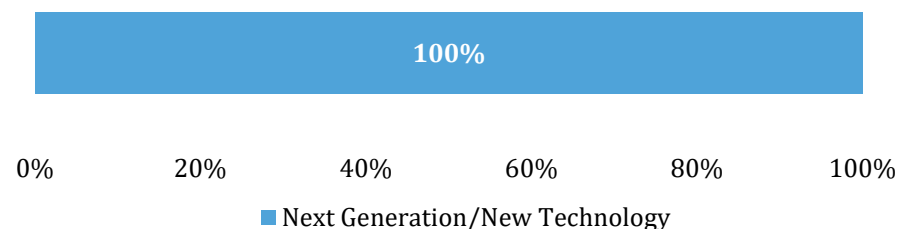
Founding member of the Impact on Sustainable Aviation industry group, a new and independent association dedicated to achieving net-zero carbon emissions by 2050



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



Young portfolio:  
6.1yrs weighted average age



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

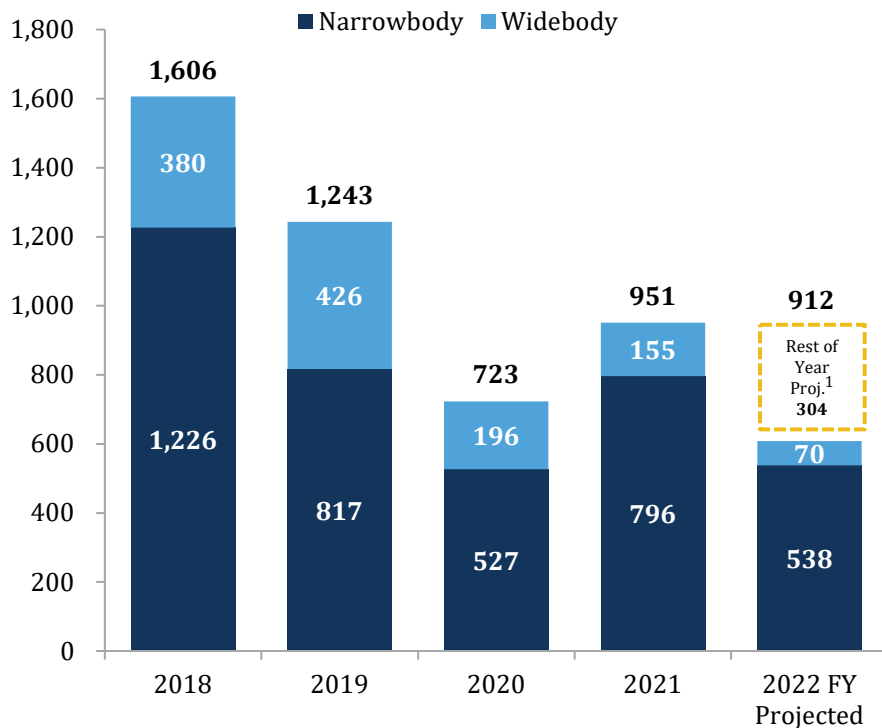
## Committed to maintaining a young, fuel-efficient and new technology aircraft portfolio

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.

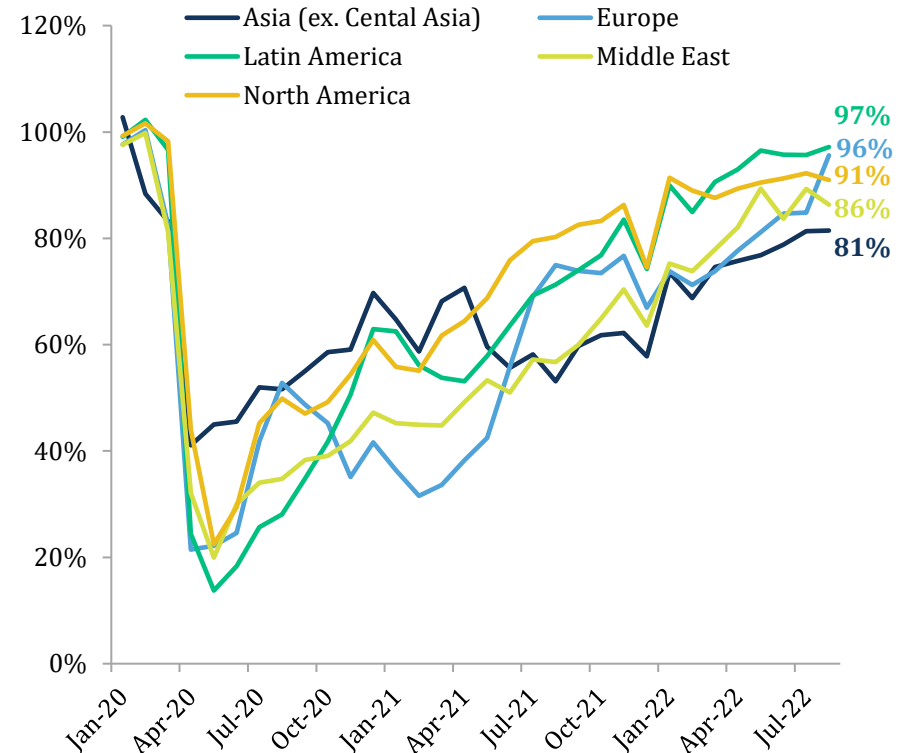
# Sector Update

We believe Supply/Demand imbalance has emerged as global travel returns

**Airbus & Boeing New Deliveries Since 2018**



**Passenger Carrying Capacity (Available Seat Kilometers by Region)**



We believe travel is rebounding faster than new deliveries

1. Castllake projection as of September 30, 2022.

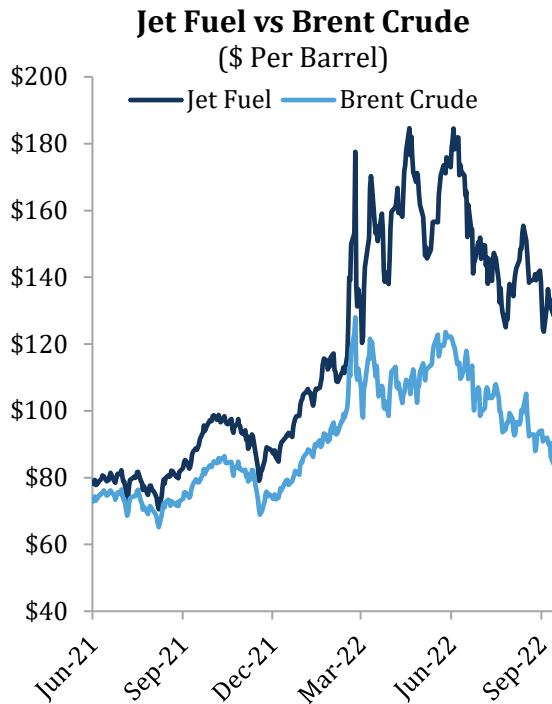
LHS: Boeing and Airbus Company website, Public filings. 2022 is representative of year to date through August 2022 actuals plus Castllake estimates for September through December 2022. These projections are based on the expectations of Castllake using information, judgments, and assumptions believed 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 Castllake are accurate. Actual events or conditions may differ materially, and there is no guarantee that historical trends will continue.

RHS: OAG data as of August 2022. Available Seat Kilometers by region.

# Sector Update

Things we are keeping an eye on

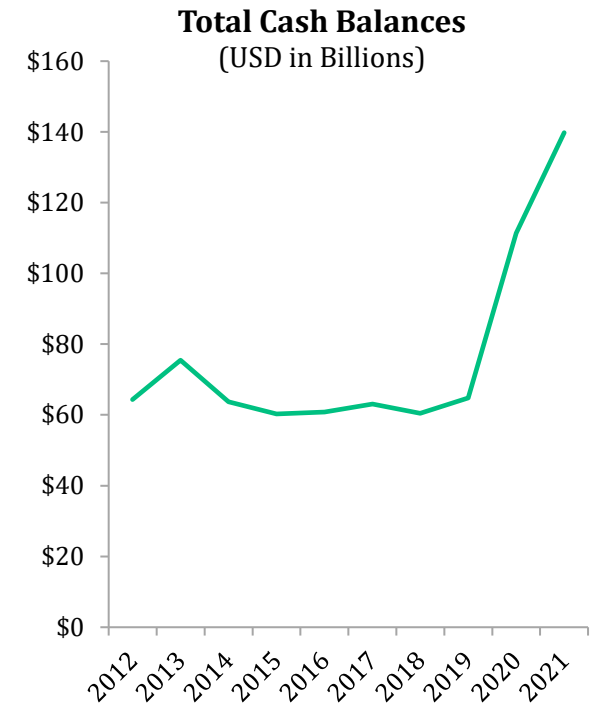
## #1: Jet Fuel Prices



## #2: Pressure on Foreign-Exchange



## #3: Airline Cash Balances



Proceeding with caution given macro headwinds

LHS: Bloomberg data, August 2022.

Middle: Yahoo Finance, USDX Index, As of September 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

### Q3 2022 Updates



**Purchased 2x B737 MAX 8 and placed on operating lease** (South America-based Airline)



**Purchased 2x CFM LEAP-1A26 and placed on finance lease** (Middle Eastern-based Airline)



**Advanced additional \$24.1mm of secured PDP financing** (Middle Eastern-based Airline)



**73% collections rate for Q3, which would have been 99% had the following secured loan package been executed before the close of the quarter:**



Existing loan with Asia Pacific airline was amended and restated post-quarter end



The amended and restated loan was drawn down in October and total drawn amount increased from \$66.7mm to \$116.7mm



The outstanding receivables accounting for 26% as of September 30 rolled into amended loan and the restated loan terms contained enhanced collateral package

### Portfolio Status

June 2022

Sept 2022

# of Aircraft Assets

80

84

Wtd. Avg. Age<sup>1</sup>

6.2 years

6.1 years

Wtd. Avg. Remaining Lease Term<sup>1</sup>

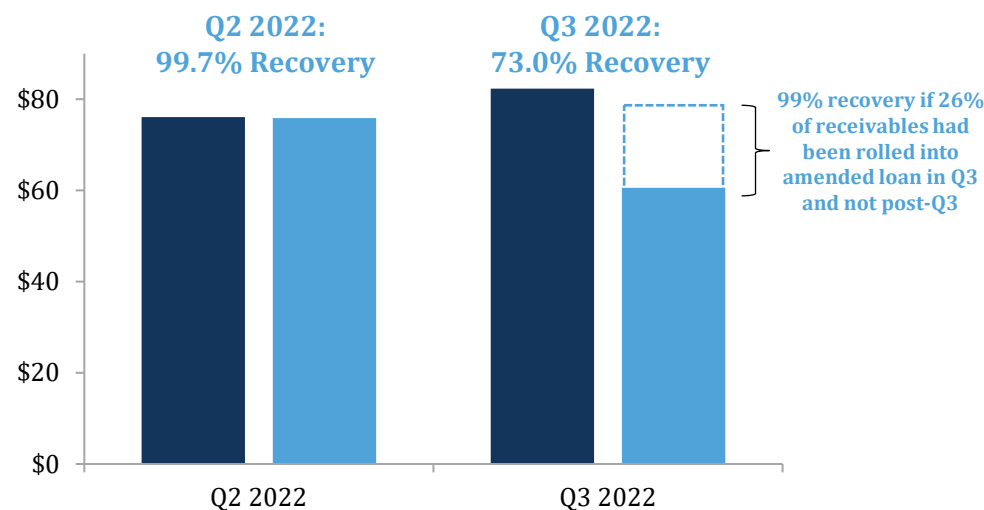
9.8 years

9.7 years

### Collections

(USD in Millions)

■ Billed ■ Collected



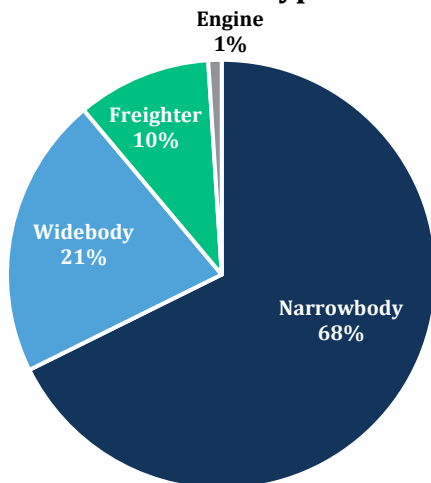
1. Remaining lease term, average aircraft age, and airframe type are weighted by book value of the aircraft assets defined as: (i) "Flight Equipment held for Operating Lease, Net" with respect to our on operating lease, and excluding "Maintenance Rights and Lease Premium," (ii) "Net Investment in Finance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

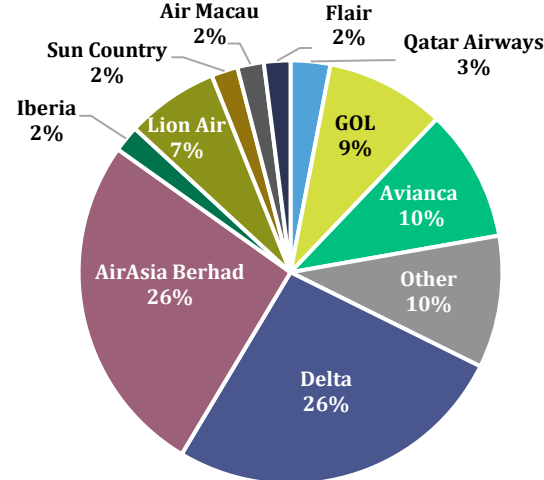
Summary of assets as of September 30, 2022<sup>1</sup>

**84<sup>2</sup> assets with a weighted average age of 6.1 years and remaining lease term of 9.7 years<sup>3</sup>**  
**100% of aircraft on-lease**

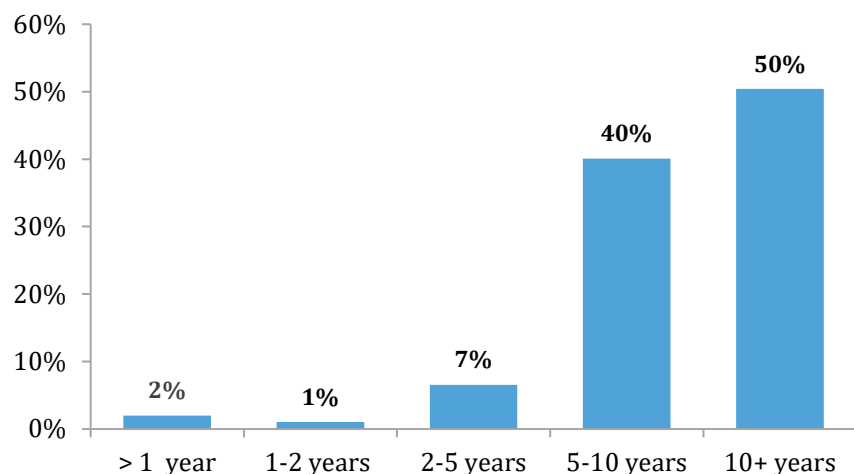
**Aircraft Type**



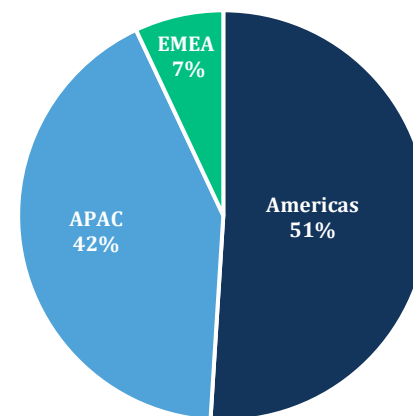
**Lessee**



**Lease Term<sup>4</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 September 30, 2022.  
 2. Aircraft assets consists of 76x Aircraft, 2x Engines, and 6x Loans secured by aircraft.  
 3. 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.  
 4. 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	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



A321neo



A330-900neo



737 Max 8

Contracted pipeline of 38 aircraft

Pipeline consists of new deliveries and next generation aircraft

1. Immediate pipeline as of September 30, 2022. Includes aircraft subject to signed purchase agreements. Since September 30, 2022, we have acquired 5x aircraft. 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

### Q3 2022 Capital Activity

- Equity capital injection from CLA IV for \$86mm during Q3 2022 - \$158mm YTD
- Maintained significant liquidity and low leverage
- Advanced \$53mm from RCF, maintaining \$413mm undrawn
- Borrowed an additional \$15.7mm on PDP financing during the quarter with a total commitment of \$123.4mm
- Scope to upsize the RCF

Secured Revolving Credit: Financial Covenants	Benchmark	Result <sup>2</sup>
Fixed Charge Coverage Ratio	Greater than 1.20x	2.14x
Debt to Equity Ratio	Less than 4.25x	2.02x
LTV Ratio	Less than 70.0%	55.9%
Consolidated Liquidity (Unrestricted Cash)	Greater than \$75mm	\$207mm

Term Loan Status <sup>3</sup>			
	Benchmark	Result	Headroom
Term Loan B	70.0%	69.6%	0.4%
AirAsia Term	80.0%	69.7%	10.3%

Capital Structure <sup>3</sup>			
	Debt Outstanding USD'000	# of Aircraft / Assets	Maturity Date
Secured Revolving Credit	\$337,000	13	Oct 19, 2024
Term Loan Credit	\$1,168,200	52	Oct 22, 2026
Senior Secured Credit ("AirAsia Term")	\$239,049	11	Apr 24, 2024
Bond (2021)	\$420,000	N/A	Apr 15, 2027
PDP Back Leverage Facility (2022) ("PDP")	\$100,567	N/A	Jun 1, 2024
Unencumbered Pool	N/A	8	N/A
<b>TOTAL</b>	<b>\$2,264,816</b>	<b>84</b>	<b>N/A</b>
Undrawn Commitment (RCF)	\$413,000	N/A	N/A
Undrawn Commitment (PDP)	\$22,821	N/A	N/A
Total Cash	\$172,261	84	N/A
Total Equity	\$1,121,315	84	N/A

1. Represents weighted average fixed pay rate.

2. Results reflective of those reported in the Quarterly Compliance Certificate delivered in October 2022.

3. As of September 30, 2022.

# Financial Update

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

	9/30/2022 YTD USD'000	9/30/2022 <sup>2</sup> QTD USD'000	6/30/2022 <sup>2</sup> QTD USD'000
Rental and other income	198,217	67,228	66,942
Interest and other income	17,985	8,505	5,146
Gain on transfer to finance lease	4,792	-	2,541
Expected Credit loss	(1,893)	(1,217)	(161)
Lease intangible amortization	(13,087)	(4,368)	(4,372)
<b>Total Revenue</b>	<b>206,014</b>	<b>70,148</b>	<b>70,095</b>
Profit Before Tax	26,459	7,530	10,011
Net Income	18,643	5,192	6,647
Total assets	3,488,995	3,488,995	3,278,581
Acquisitions of aircraft	502,754	123,121	52,218
Acquisitions of loan asset	154,896	24,298	130,598
Sales proceeds	-	-	-
Debt issuance	406,567	68,679	117,888
Debt repayment	(14,600)	(4,798)	(4,799)
<b>Net change in debt</b>	<b>391,967</b>	<b>63,881</b>	<b>113,089</b>
Equity Investments	158,000	86,000	-
Equity Distributions	-	-	-
Cash Balance	172,261	172,261	133,923
Total Debt <sup>3</sup>	2,243,905	2,243,905	2,172,311
Total Equity	1,121,315	1,121,315	993,042
Debt/Equity <sup>4</sup>	2.02	2.02	2.22
Fixed charge coverage ratio	2.14	2.14	2.22
Secured debt to total managed assets <sup>5</sup>	53%	53%	54%
Unencumbered assets to unsecured debt <sup>6</sup>	27%	27%	27%
Unsecured debt % of total Debt	19%	19%	19%

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 (\$2,265mm) / total equity (\$1,121mm).

5. Secured debt / total assets.

6. Total unencumbered aircraft and aircraft secured 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.