Aviation Finance

The Global Network for Advanced Management

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Module Description

Aircraft are among the biggest capital expenditures made by any industry and have fostered a complementary industry providing financing to purchase and lease aircraft. Currently over 50% of the worlds commercial jet aircraft are leased, the majority of these from companies with headquarters in Ireland. Boeing forecasts a demand for 41,000 new aircraft over the next 20 years, with a market value of $7.2 trillion. To finance these aircraft, airlines will need to rely heavily on specialist leasing companies.

The module aims to provide an introduction to the concepts and financial tools underpinning this large and growing aviation finance and leasing industry. After establishing the fundamental underpinnings of the aviation finance sector, the module will look at understanding lease transaction pricing, bank and capital markets financing, credit risk and structured finance. The module will also provide an introduction to *the metal*, discussing the different types of aircraft, factors that impact their valuation and the influence of the maintenance cycle.

Formal lectures will be supplemented by expert industry speakers. Continuous assessment will be used, with a focus on group project work. Students are not expected to have a background in Aviation but a corporate finance module is a prerequisite. The ideas developed in this module are not exclusive to the aviation industry but have application in a range of other asset heavy industries (E.g. property, infrastructure, shipping finance) and to structured finance more generally.

Learning Outcomes

On completion of this module students should: -

1. Understand the origins and importance of the aviation finance and leasing industry.
2. Appreciate the drivers of the buy or lease decision for aircraft and perform transaction modelling.
3. Achieve a good practical understanding of the various financial mechanisms available to airlines and lessors to fund the purchase of aircraft.

4. Develop an understanding of the operational, legal and economic drivers of leasing, along with some technical appreciation of the underlying assets (aircraft, engines).

Syllabus (Subject to Change)

1. What is aviation Finance?
2. Introduction to the business of leasing.
3. Operations, law and economics of Aviation.
4. Aircraft as an asset.
5. Financing the asset.
6. Bank / Capital Markets Financing.
7. Structured finance.
8. Credit risk of an airline / credit ratings.
9. ESG in Aviation (TBC).
10. Starting and building a leasing business (TBC).
11. Mergers and acquisitions in aviation finance (TBC).

Textbooks

Primary Textbook
Guzhva, V.S., Raghavan, S., D'Agostino, D.J. (2019), Aircraft Leasing and Financing: Tools for success in international aircraft acquisition and management, Elsevier.

Lecture Material

Lecture notes and supplemental material will be made available to students prior to lectures. There is no requirement to print out material for class. Note: On occasion it may be necessary to update lecture notes but students will be informed of this in class.

Course Assessment

This course will be assessed as follows:

Component 1: Learning Journal
The learning journal will account for 50% of the module outcome. Throughout the semester, students will keep a reflective learning journal. This will discuss materials covered in class, supplemental reading materials, breakout sessions and specific reflective topics highlighted by the facilitator throughout the semester. Grading of the learning journal will be based upon critical insight, depth of understanding, substance and overall impression. Marks will be awarded for evidence of learning beyond that covered directly in class.

Component 2: Group Project
"Assessing funding options for a portfolio of aircraft". The deliverable for this project will be a 12-16 page 'Pitch Book' examining the various funding options available and proposing a recommended option. The project will be undertaken by groups of 4-5 students. Marks will be awarded for critical insight, depth of understanding, calculation care and clarity, and the overall project impression. The group project will account for 50% of the module grade.

The module will be assessed using the UCD Linear Conversion Grade Scale, under which an A is >= 70%, B >= 60% and C >= 50% and D >= 40%.

Course Schedule

Due to the global nature of this course, the timing will be set to facilitate as many timezones as possible. With some exceptions, due to Public Holidays in Ireland, the course will run at