

# Air Lease Corp (AL)

Presentation by Dori O'Shea  
Director, Rocky Mountain Chapter  
January 21, 2020

1

## Air Lease Corp (AL) At a Glance

- Air Lease purchases aircraft from renowned manufacturers, such as The Boeing Company and Airbus, and leases to airline companies across the world through customized leasing and financing solutions.
- Also provides fleet management services to investors and owners of aircraft portfolios.
- Medium-sized, US-based company with most of its revenue derived from the European region.
- Strong historical growth over last 5 years:
  - Sales – 12.2%
  - EPS – 19.9%
- Management (indicators over last 5 years):
  - Pretax Profit Margin 37.8% (trend slightly down)
  - ROE 9.8% (trend up)

2

1

2



3

### Air Lease SSG Tables for Sections 1 and 2

Recent Quarterly Figures													
FY2019 Quarter Ending (09/19)													
	Sales		EPS										
Latest Quarter	531 1.34		451 1.32										
Year Ago Quarter	451 1.32		17.8% 1.5%										
Percentage Change	17.8%		1.5%										
Fundamental Company Data													
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Growth(%)	Forecast (%)	5 yr Est
Historical Sales (\$M)	---	---	353	646	859	1,050	1,223	1,419	1,516	1,680	12.2%	15	3,858
Historical EPS (\$)	---	---	0.59	1.28	1.80	2.38	2.34	3.44	6.62	4.60	19.9%	10	7.91
Pre-Tax Profit (\$M)	---	---	83	204	293	395	393	580	610	640	15.1%		
Evaluate Management													
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	5 Yr Avg	Trend	
% Pre-Tax Profit on Sales	---	---	24.9%	31.6%	34.2%	37.6%	32.1%	40.9%	40.2%	38.1%	37.8%		
% Return on Equity	---	---	5.6%	7.4%	9.0%	8.2%	10.8%	10.3%	11.4%	9.8%			
% Debt To Capital	---	---	54.5%	58.3%	69.9%	70.8%	71.9%	72.0%	70.1%	70.6%	71.1%		

4

4

## Air Lease SSG – Section 3

### Price Earnings History

Closing Price (1/17/20): \$49.42 High This Year: \$48.59 Low This Year: \$31.98

Year	A Price		C Earnings		D Price Earnings Ratio		F Dividend		G % Payout		H % High Yield	
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100				
2014	42.9	30.0	2.38	18.0	12.6	0.13	5.5%			0.4%		
2015	40.5	28.1	2.34	17.3	12.0	0.17	7.3%			0.6%		
2016	37.2	22.5	3.44	10.8	6.5	0.23	6.5%			1.0%		
2017	49.0	34.3	6.82	7.2	5.0	0.33	4.8%			0.9%		
2018	50.7	28.1	4.60	11.0	6.1	0.43	9.3%			1.5%		
<b>AVERAGE</b>			<b>28.6</b>		<b>12.9</b>		<b>8.5</b>			<b>6.7%</b>		
<b>CURRENT/TTM</b>				<b>4.91</b>			<b>0.60</b>			<b>12.2%</b>		
<b>AVERAGE PRICE EARNINGS RATIO: 10.7</b>					<b>CURRENT PRICE EARNINGS RATIO: 10.1</b>							

5

## Air Lease – SSG Section 4

### Evaluating Risk and Reward

**A. HIGH PRICE - NEXT 5 YEARS**  
 Avg. High P/E: 12.9 X Estimate High Earnings / Share: 7.91 = Forecasted High Price: **102.0**

**B. LOW PRICE - NEXT 5 YEARS**  
 (a) Avg. Low P/E: 8.5 X Estimate Low Earnings/Share: 7.59 = Forecasted Low Price: 64.5  
 (b) Avg. Low Price of Last 5 Years: 28.0  
 (c) Recent Market Low Price: 28.1  
 2017 Low Stock Price: 34.3      52 Week Low Stock Price: 32.0  
 2018 Low Stock Price: 28.1  
 (d) Price Dividend Will Support: Indicated Dividend = 0.60 = 39.3  
 High Yield = 1.5%

**Selected Forecasted Low Price: 34.0**

**C. ZONING** using 25%-50%-25% (click to toggle)  
 Forecasted High Price: 102.0 Minus Forecast Low Price: 34.0 = 68.0 Range: 25% of Range: 17.0  
 Buy Zone: 34.0 to 51.0  
 Hold Zone: 51.0 to 68.0  
 Sell Zone: 68.0 to 102.0  
 Closing Stock Price of 49.42 is in the **BUY** Zone.

**D. UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)**  
 Forecasted High Price - Closing Price = (102.0 - 49.42) = 52.58 = 3.4 To 1  
 Closing Price - Forecasted Low Price (49.42 - 34.0) = 15.42

**E. PRICE TARGET** (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)  
 Forecasted High Price = 102.0 = (2.0641 X 100) = (206.41 - 100) = 106.4% Appreciation  
 Closing Price = 49.42

Evaluating Risk At A Glance

Zone: **BUY**  
 Forecasted High Price: **102.0**  
 Forecasted Low Price: **34.0**  
 Closing Price (01/17/20): **49.42**  
 Upside Downside Ratio: **3.4 To 1**  
 Potential Price Appreciation: **106.4%**

6

## Air Lease Corp

### Conclusion

- Given conservative estimates for sales and EPS growth, Air Lease falls at the top end of the buy range, even though trading close to year high.
- Recommend Buy given:
  - Air traffic is growing and airliner leasing is increasing
  - Air Lease Corp has had unusually low P/Es for a company with its growth rate, therefore P/E expansion is still possible.
  - Air Lease Corp is geographically diverse
  - As of December 31, 2019, ALC's fleet was comprised of 292 owned aircraft and 85 managed aircraft with 413 new aircraft on order from Boeing and Airbus through 2026, which is evidence of growth potential.

7