

Aircastle (AYR)

Price:	\$17.78
Market Cap:	\$1,217,218,800
Cash:	\$693,300,000
Debt:	\$3,600,000,000
Net Cash:	-\$2,906,700,000
Enterprise Value:	\$4,123,918,800
Shares Outstanding:	68,460,000

Net Tang. Bk Value Incl. Cash, Excl. Goodwill (NTBVIC):	\$827,400,000.00
NTBVIC/Market Downside Recovery:	67.97%
Op. Cash Flow:	\$307,856,470
Implied Years to Fill Gap:	1.27
Today's Equity if 5x Op. CF:	\$1,750,969,410

Net Tang. Book Yr. 5 (Inc. Cash):	\$1,017,082,350.00
Avg. Year Op. Cash:	\$307,856,470.00
Year 5 Disposition FCF Multiple:	3.0
Year 5 Disposition Price:	\$1,940,651,760.00
Net Tang. Book+ Gain Disposition:	\$1,940,651,760.00
IRR:	9.78%

Price:	\$28.35
Target Market Cap:	\$1,940,651,760
Target Enterprise Value:	\$4,847,351,760

* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

Buys aircrafts and leases to the jet customers around the world. Similar to International Lease Finance Corp (ILFC), owned by AIG. Only 83 employees. Essentially is a specialty, investment firm that buys airplanes. The business model is similar to multi-family, or apartment, investing. They need to rent out their units and then they sell it later on. Of course, the airplanes will depreciate in value with usage and age, unlike an apartment reposition, so it is much more dependent on the cash flows exceeding the cost of debt.

159 aircraft leased to 69 lessees. Largest customers are Martinair, US Airways, Hainan Airlines. In 2012, 19 leases matured. 18 were either extended, leased to another airline, or sold. Only 1, which was returned on Q3 2012, was still being marketed in Q1 2013. That is near 4-6 months. The global market condition for airlines is crucial as it impacts the customer's demand to extend a lease. The lease rates are fixed. It is crucial they get customers to lease their planes, or resell it on the market without taking a loss.

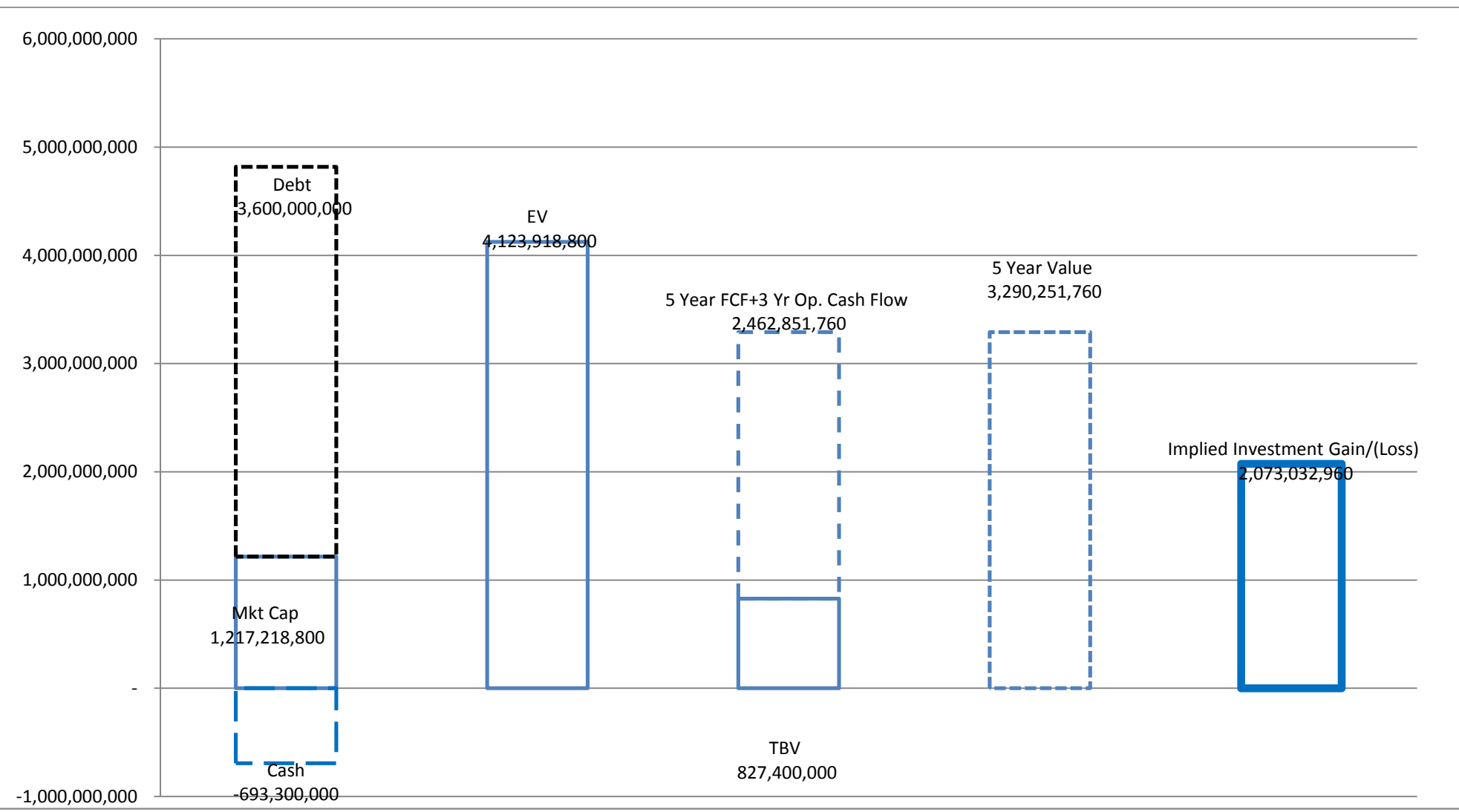
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Off- Lease ⁽¹⁾	Total
A319/A320/A321	1	6	9	10	3	—	—	—	—	—	—	—	—	29
A330-200/200F/300	—	2	—	2	8	1	1	1	4	2	1	2	—	24
737-300/300QC/400	3	6	4	—	1	—	—	—	—	—	—	—	—	14
737-700/800	6	10	2	9	4	5	—	4	—	—	—	—	—	40
747-400 Freighters	—	4	—	1	3	3	—	2	—	1	—	—	1	15
757-200	2	4	1	1	2	1	—	—	—	—	—	—	—	11
767-200ER/300ER	6	2	—	1	—	2	2	2	—	—	—	—	1	16
777-200ER/300ER	—	—	—	—	1	1	—	—	—	—	—	—	—	2
E-195	—	—	—	—	—	—	—	—	—	—	—	4	—	4
Other Aircraft Types	1	—	2	—	—	1	—	—	—	—	—	—	—	4
Total	19	34	18	24	22	14	3	9	4	3	1	6	2	159

Interest expense is \$205MM, or 7% interest rate (205/3,600). Revenue/gross airplane asset (686/6000) is 10%, so there is a 3% spread which can be used to pay off SG&A, taxes and etc. Operating expenses are only \$75MM. So, the breakeven is the total cost (\$75MM operating cost, \$200MM interest) of \$300MM, which implies a 50% utilization rate, making the business fairly stable, especially for a dividend play.

The Co. generates +\$30MM in net income, pays out \$40MM in dividends, which explains the decrease in retained earnings. In fact, adding back the depreciation to NI, the Co. generates roughly \$350MM in Op. cash flow, excluding adjustments and working cap changes. With the ample cash flow, the Co. reinvests the cash into an ever expanding international airplane fleet. The investments exceed the cash flow so the Co. is taking on more debt, which presumably is secured by the airplanes.

The concerning aspects are 1) the high leverage (253% D/E) and 2) impact global travel downturn has on the business, 3) impairment of airplanes. Of course, the leases are long term contracts so it won't have an immediate impact on the financials. Also, we have taken a 30% haircut off the booked net asset value, to ensure some cushion in our investment. Altmaz Z is displaying high risk of bankruptcy in the next few years, but this is because of the high leverage, but the debt is secured to the airplanes. The airplane assets exceeds the debt. If we take out the debt and airplane assets, we are left with \$600MM in cash, \$300MM in other assets, to offset \$700MM in payables. There is plenty of support, in both prongs - cash flow and assets.

Even with the 30% haircut, this Co. is selling at a discount to the 69% downside protection and \$300MM in op. cash flow. Dividend yield is 3.5%. This is a buy and we have added to our portfolio.



NA

Company Name:	Aircastle
Ticker Symbol:	AYR
Last Price:	\$17.78
Net Cash/Share:	-\$42.46
Net Cash to Last Price:	-238.80%
Shares Outstanding:	68,460,000
Industry:	Rental & Leasing Services
Sector:	Industrials
Institutional Ownership:	27.86%
Mutual Fund Ownership:	31.93%
Insider Ownership:	3.08%
Float:	97.00%

Technicals	
52 week low:	\$10.91
Today from 52 week low:	62.97%
52 week high:	\$17.95
Today from 52 week high:	0.96%

Analyst/Consensus	
Analyst Sales Growth FY1:	3.00%
Analyst Sales Growth FY2:	12.10%
SN Valuation Estimate FY1:	0.00%
SN Valuation Estimate FY2:	0.00%

Analyst Earnings Estimate FY1:	\$1.48
Analyst Earnings Estimate FY2:	\$1.79
SN Valuation Earnings Est. FY1:	\$0.55
SN Valuation Earnings Est. FY2:	\$0.55

Multiples	
Market Value to Book:	1.47
EV to Book:	4.98
Market Value to Tangible Net Assets:	3.07
P/E Ratio:	52.51
Trailing P/E Ratio:	52.86
Forward P/E Ratio:	9.80
Beta:	2.08
Dividend:	0.66
Dividend Yield:	3.76%
Dividend Date:	Jun 13, 2013
Ex-Dividend Date:	May 29, 2013

Competitors	
Average EV to EBITDA:	N/A
Company EV to EBITDA:	5.13
Average EV to EBIT:	N/A
Company EV to EBITA:	101.30

Market Capitalization:	\$1,217,218,800.00
Total Debt:	\$3,600,000,000.00
Total Cash:	\$693,300,000.00
Net Cash/(Debt):	-\$2,906,700,000.00
Enterprise Value:	\$4,123,918,800.00
Current EV/Share:	\$60.24
EBITDA:	\$803,360,000.00
EV/EBITDA Multiple:	5.13
EV/EBITDA Multiple Average Year 1-5:	7.18
EV/FCF Multiple (excluding acquisition):	9.65
EV/FCF Multiple Average Year 1-5 (excluding acquisition):	13.40

Upper Range
DCF: EV/EBITDA Terminal Value

Implied TV from 3 X EV/EBITDA Multiple	\$1,812,544,800.00
Enterprise Value	\$1,812,544,800.00
Cash at Year 5:	\$1,932,582,350.00
Debt at Year 5:	\$3,600,000,000.00
Equity Value Year 5:	\$145,127,150.00
Equity/Share at Year 5:	\$2.12
Annualized Return:	-34.65%

Lower Range
DCF: Net Tangible Asset excluding Cash/Debt Terminal Value

Year 5 Net Tangible Assets excluding cash and debt	\$3,995,280,000.00
Enterprise Value	\$3,995,280,000.00
Cash at Year 5:	\$1,932,582,350.00
Debt at Year 5:	\$3,600,000,000.00
Equity Value Year 5:	\$2,327,862,350.00
Equity/Share at Year 5:	\$34.00
Annualized Return:	13.85%

EVA

EVA today:	\$996,064,683.70
EVA in 5 Years:	\$5,132,189,408.22
EVA/Share:	\$74.97
Cash at Year 5:	\$1,932,582,350.00
Debt at Year 5:	\$3,600,000,000.00
Equity Value Year 5:	\$3,464,771,758.22
Equity/Share at Year 5:	\$50.61
Annualized return	38.80%

Current Net Tangible Asset

Net Tangible Asset/Share:	\$11.35
Net Tangible Asset/Share in Year 5:	\$9.74
Annualized return	-3.02%

Current Equity Price:	\$17.78
Selling at Discount?	Premium
Appreciation Potential:	-36.16%

Income Statement

Revenue:	\$690,890,000.00	100.0%
Cost of Goods Sold:	\$4,320,000.00	0.6%
Gross Profit:	\$686,570,000.00	99.4%
EBITDA:	\$608,810,000.00	88.1%
Net Income:	\$23,180,000.00	3.4%

Balance Sheet

Cash:	\$693,300,000.00
Short Term Investment:	\$0.00
A/R:	\$6,000,000.00
PP&E:	\$4,000,000,000.00
Assets:	\$5,101,390,000.00

A/P:	\$0.00
Deferred Tax:	\$0.00
Other Liabilities:	\$724,280,000.00
Short term Debt:	\$0.00
Long Term Debt:	\$3,600,000,000.00
Liabilities:	\$4,324,280,000.00

Retained Earnings:	-\$400,000,000.00
Paid-In Capital:	\$1,353,690,000.00
Treasury Stock:	\$0.00
Stockholder's Equity:	\$827,400,000.00

Cash Flow

Net Income:	32,870,000.00
Depreciation/Amortization:	269,920,000.00
Change in Working capital:	20,160,000.00
Cash from Operating Activities:	427,280,000.00

Capital Expenditures:	0.00
Cash from Investing Activities:	-741,910,000.00

Total Cash Dividends Paid:	-43,670,000.00
Issuance (Retirement) of Stock:	-44,180,000.00
Issuance (Retirement) of Debt:	612,270,000.00
Cash from Financing Activities:	637,330,000.00

Profitability Margins

Debt to Equity:	435.10%
Return on Assets:	0.64%
Return on Capital:	0.74%
Return on Equity:	3.97%

SN VALUATION

LBO Pro Forma Income Statement

Name:

Aircastle

Ticker:

AYR

	Historical				Forecasted				
	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2013	2014	2015	2016	2017
Revenue	570.58	527.71	605.20	686.57	686.57	686.57	686.57	686.57	686.57
COGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross margin	570.58	527.71	605.20	686.57	686.57	686.57	686.57	686.57	686.57
SG&A	46.02	45.77	45.95	48.37	61.79	61.79	61.79	61.79	61.79
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	17.05	0.26	-32.66	90.71	0.00	0.00	0.00	0.00	0.00
Other operating expense	17.08	10.53	13.54	14.05	20.60	20.60	20.60	20.60	20.60
Depreciation is: Excluded from COGS					300.00	300.00	300.00	300.00	300.00
Operating Income (EBITA)	490.43	471.15	578.37	533.44	304.18	304.18	304.18	304.18	304.18
Interest income/(expense)	0.00	0.00	0.00	0.00	-245.82	-245.82	-245.82	-245.82	-245.82
Gain (loss) on sale of asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income before tax	111.15	72.41	132.10	40.71	58.36	58.36	58.36	58.36	58.36
Tax	8.66	6.59	7.63	7.94	20.43	20.43	20.43	20.43	20.43
Income after tax	102.49	65.82	124.27	32.87	37.94	37.94	37.94	37.94	37.94
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	102.49	65.82	124.27	32.87	37.94	37.94	37.94	37.94	37.94
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.50	\$0.96	\$1.82	\$0.48	\$0.55	\$0.55	\$0.55	\$0.55	\$0.55
P/E (historical today's price; forecasted intrinsic price)	11.88	18.49	9.79	37.03	35.22	38.67	42.45	46.60	51.16
Revenue Growth	N/A	-7.51%	14.68%	13.45%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	7.79%	9.10%	5.93%	19.26%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	0.00%	0.00%	0.00%	0.00%	-6.83%	-6.83%	-6.83%	-6.83%	-6.83%
Margins									
COGS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross margin	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
SG&A	8.07%	8.67%	7.59%	7.05%	9.00%	9.00%	9.00%	9.00%	9.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	2.99%	0.05%	-5.40%	13.21%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	2.99%	2.00%	2.24%	2.05%	3.00%	3.00%	3.00%	3.00%	3.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	43.70%	43.70%	43.70%	43.70%	43.70%
Operating Income (EBITA)	85.95%	89.28%	95.57%	77.70%	44.30%	44.30%	44.30%	44.30%	44.30%
Interest income/(expense)	0.00%	0.00%	0.00%	0.00%	-35.80%	-35.80%	-35.80%	-35.80%	-35.80%
Gain (loss) on sale of asset	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	19.48%	13.72%	21.83%	5.93%	8.50%	8.50%	8.50%	8.50%	8.50%
Tax	1.52%	1.25%	1.29%	1.14%	2.98%	2.98%	2.98%	2.98%	2.98%
Income after tax	17.96%	12.47%	20.53%	4.79%	5.53%	5.53%	5.53%	5.53%	5.53%
Minority Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	17.96%	12.47%	20.53%	4.79%	5.53%	5.53%	5.53%	5.53%	5.53%

	As of 2009-12-31	As of 2010-12-31	As of 2011-12-31	As of 2012-12-31	As of 2013-03-31	Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
						+	-						
Cash	142.67	239.96	295.52	618.22	693.30			693.30	701.16	1,009.01	1,316.87	1,624.73	1,932.58
Short term investment	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Cash and Short term	142.67	239.96	295.52	618.22	693.30			693.30	701.16	1,009.01	1,316.87	1,624.73	1,932.58
Accounts Receivable	2.94	1.81	3.65	5.62	6.00			6.00	6.00	6.00	6.00	6.00	6.00
Other receivables	0.00	0.00	0.00	0.00	200.00			200.00	200.00	200.00	200.00	200.00	200.00
Total Receivables	2.94	1.81	3.65	5.62	206.00			206.00	206.00	206.00	206.00	206.00	206.00
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current Assets	145.61	241.77	299.17	623.84	899.30	0.00	0.00	899.30	907.16	1,215.01	1,522.87	1,830.73	2,138.58
PP&E, Gross	4,399.51	4,851.27	5,369.92	5,849.84	6,000.00			6,000.00	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Change in Depreciation	209.48	220.48	242.10	269.92	269.92			269.92	269.92	269.92	269.92	269.92	269.92
Accumulated Depreciation	586.54	785.49	981.93	1,305.06	2,000.00			2,000.00	2,269.92	2,539.84	2,809.76	3,079.68	3,349.60
PP&E, Net	3,812.97	4,065.78	4,387.99	4,544.78	4,000.00			4,000.00	3,730.08	3,460.16	3,190.24	2,920.32	2,650.40
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	300.00	300.00	300.00	300.00	300.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	219.29	202.96	269.49	134.15	202.09			202.09	202.09	202.09	202.09	202.09	202.09
Long Term Assets	4,032.26	4,268.74	4,657.48	4,678.93	4,202.09			4,202.09	4,232.17	3,962.25	3,692.33	3,422.41	3,152.49
Total Assets	4,177.87	4,510.51	4,956.65	5,302.77	5,101.39	0.00	0.00	5,101.39	5,139.33	5,177.26	5,215.20	5,253.14	5,291.07
Accounts Payable	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accrued Expense	7.88	20.21	27.85	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other current Liabilities	124.87	135.00	129.14	140.90	192.51			192.51	192.51	192.51	192.51	192.51	192.51
Total Current Liabilities	132.75	155.21	156.99	140.90	192.51	0.00	0.00	192.51	192.51	192.51	192.51	192.51	192.51
Notes Payables/Short Term Debt	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Current port. Of LT Debt/Capital Leases	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term Debt	2,464.56	2,707.96	2,986.52	3,598.68	3,600.00	0.00	0.00	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Total Interest Earning Debt	2,464.56	2,707.96	2,986.52	3,598.68	3,600.00	0.00	0.00	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00
Deferred Income tax	19.49	24.11	40.41	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	513.45	596.92	598.76	548.37	531.77			531.77	531.77	531.77	531.77	531.77	531.77
Total Liabilities	3,130.25	3,484.20	3,782.68	4,287.95	4,324.28	0.00	0.00	4,324.28	4,324.28	4,324.28	4,324.28	4,324.28	4,324.28
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.80	0.80	0.72	0.69	0.69		0.00	0.69	0.69	0.69	0.69	0.69	0.69
Additional Paid-in capital	1,479.99	1,485.84	1,400.09	1,360.56	1,353.00	0.00	0.00	1,353.00	1,353.00	1,353.00	1,353.00	1,353.00	1,353.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	70.29	104.30	191.48	180.68	-400.00		0.00	-400.00	-362.06	-324.13	-286.19	-248.25	-210.32
Treasury Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Equity	-259.85	-248.22	-187.68	-126.29	-126.29			-126.29	-126.29	-126.29	-126.29	-126.29	-126.29
Total Equity	1,291.23	1,342.72	1,404.61	1,415.64	827.40	0.00	0.00	827.40	865.34	903.27	941.21	979.15	1,017.08
Liability + Equity	4,421.48	4,826.92	5,187.29	5,703.59	5,151.68	0.00	0.00	5,151.68	5,189.62	5,227.55	5,265.49	5,303.43	5,341.36
Variance	-243.61	-316.41	-230.64	-400.82	-50.29			-50.29	-50.29	-50.29	-50.29	-50.29	-50.29
Debt/Equity	1.91	2.02	2.13	2.54	4.35			4.35	4.16	3.99	3.82	3.68	3.54
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Accounts Receivable Turnover	194.07	291.55	165.81	122.17	114.43			3.33	3.33	3.33	3.33	3.33	3.33
Accounts Receivable Turnover Days	1.88	1.25	2.20	2.99	3.19			109.52	109.52	109.52	109.52	109.52	109.52
Days Payable Outstanding	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Sales Outstanding	1.88	1.25	2.20	2.99	109.52			2.99	109.52	109.52	109.52	109.52	109.52
Cash Conversion Cycle	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Net tangible assets/share	\$18.86	\$19.61	\$20.52	\$20.68	\$12.09			\$8.26	\$8.81	\$9.37	\$9.92	\$9.92	\$10.47

	12 months ending 2009-12-31	12 months ending 2010-12-31	12 months ending 2011-12-31	12 months ending 2012-12-31	2011	2012	2013	2014	2015
Net Income	102.49	65.82	124.27	32.87	37.94	37.94	37.94	37.94	37.94
Depreciation	209.48	220.48	242.10	269.92	269.92	269.92	269.92	269.92	269.92
Net Income + Depreciation	311.97	286.30	366.37	302.79	307.86	307.86	307.86	307.86	307.86
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	6.18	3.73	5.62	6.83	0.00	0.00	0.00	0.00	0.00
Non Cash Items	6.41	44.43	-6.93	97.50	0.00	0.00	0.00	0.00	0.00
Change in Working capital	3.08	22.08	-5.68	20.16	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-1.13	-1.84	-1.97	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash from Operating Activities	327.64	356.54	359.38	427.28	307.86	307.86	307.86	307.86	307.86
Capital Expenditures Expenditures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-269.43	-541.12	-445.42	-741.91	-300.00	0.00	0.00	0.00	0.00
Cash from Investing Activities	-269.43	-541.12	-445.42	-741.91	-300.00	0.00	0.00	0.00	0.00
Financing Cash flow items	47.14	72.15	0.17	112.90	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-31.63	-31.80	-45.06	-43.67	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-0.26	-1.66	-91.61	-44.18	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-11.74	243.19	278.10	612.27	0.00	0.00	0.00	0.00	0.00
Cash from Financing Activities	3.51	281.88	141.60	637.32	0.00	0.00	0.00	0.00	0.00
Foreign Exchange effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	80.95	142.67	239.96	295.52	693.30	701.16	1,009.01	1,316.87	1,624.73
Net Change in Cash	61.72	97.29	55.56	322.69	7.86	307.86	307.86	307.86	307.86
Ending Cash Balance	142.67	239.96	295.52	618.21	701.16	1,009.01	1,316.87	1,624.73	1,932.58
Capex to Revenue	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation to Sales	36.71%	41.78%	40.00%	39.31%	39.31%	39.31%	39.31%	39.31%	39.31%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	0.52%	0.34%	0.60%	0.82%	0.82%	0.82%	0.82%	0.82%	0.82%
Distributable FCF/EV Yield	1.41%	-4.48%	-2.09%	-7.63%	0.19%	7.47%	7.47%	7.47%	7.47%
Dividend Yield	-2.60%	-3.70%	-3.70%	-3.59%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	359.27	388.34	404.44	470.95	307.86	307.86	307.86	307.86	307.86

SN VALUATION

LBO Debt Schedule

Ticker:

AYR

	Proforma	2013	2014	2015	2016	2017
Net Change in Cash	322.69	7.86	307.86	307.86	307.86	307.86
Current Portion Debt Repayment						
Long Term Debt Repayment						
Outstanding Debt	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00
Current Portion Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Long Term Debt Balance	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%
Interest Expense		252.00	252.00	252.00	252.00	252.00
Cash Balance		618.22				
Interest @ 1.0%		6.18	6.18	6.18	6.18	6.18
Net Interest Expense/(Income)		245.82	245.82	245.82	245.82	245.82
Net Interest Rate		6.83%	6.83%	6.83%	6.83%	6.83%
EBITDA		304.18	304.18	304.18	304.18	304.18
EBITDA/Interest Expense Coverage		1.21	1.21	1.21	1.21	1.21

Interest Rate Coverage Table

Debt Rating					
AAA					
AA					
A+					
A					
A-					
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC	CC	CC	CC	CC	CC
C					
D					

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Aircastle

Ticker:

AYR

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	12.86	86.56	142.18	706.79	714.65	1,022.50	1,330.36	1,638.22	1,946.07
Total Assets	4,177.87	4,510.51	4,956.65	5,101.39	5,139.33	5,177.26	5,215.20	5,253.14	5,291.07
X1	0.00	0.02	0.03	0.14	0.14	0.20	0.26	0.31	0.37
Retained Earnings	70.29	104.30	191.48	-400.00	-362.06	-324.13	-286.19	-248.25	-210.32
Total Assets	4,177.87	4,510.51	4,956.65	5,101.39	5,139.33	5,177.26	5,215.20	5,253.14	5,291.07
X2	0.02	0.02	0.04	-0.08	-0.07	-0.06	-0.05	-0.05	-0.04
EBITDA	490.43	471.15	578.37	533.44	604.18	604.18	604.18	604.18	604.18
Total Assets	4,177.87	4,510.51	4,956.65	5,101.39	5,139.33	5,177.26	5,215.20	5,253.14	5,291.07
X3	0.12	0.10	0.12	0.10	0.12	0.12	0.12	0.12	0.11
Market Value of Equity	1,217.22	1,217.22	1,217.22	1,217.22	1,336.24	1,466.90	1,610.33	1,767.79	1,940.65
Total Liabilities	3,130.25	3,484.20	3,782.68	4,324.28	4,324.28	4,324.28	4,324.28	4,324.28	4,324.28
X4	0.39	0.35	0.32	0.28	0.31	0.34	0.37	0.41	0.45
Net Sales	570.58	527.71	605.20	686.57	686.57	686.57	686.57	686.57	686.57
Total Assets	4,177.87	4,510.51	4,956.65	5,101.39	5,139.33	5,177.26	5,215.20	5,253.14	5,291.07
X5	0.14	0.12	0.12	0.13	0.13	0.13	0.13	0.13	0.13
Altman Z Score	0.78	0.73	0.79	0.71	0.78	0.87	0.97	1.06	1.16

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red

Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
Tangible Book Value	827.40	865.34	903.27	941.21	979.15	1,017.08				1,017.08
Annual Change		37.94	37.94	37.94	37.94	37.94				
Annual FCF	427.28	307.86	307.86	307.86	307.86	307.86	307.86	307.86	307.86	923.57
Annual Op. Cash Flow	427.28	307.86	307.86	307.86	307.86	307.86	307.86	307.86	307.86	
Annual PP&E Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Today's Tangible Book Value	827.40	862.27	898.61	936.48	975.95	1,017.08				1,940.65
Intrinsic Value IRR	4.21%									
Market Price	1,217.22	1,336.24	1,466.90	1,610.33	1,767.79	1,940.65				1,940.65
Market Price IRR	9.78%									

Debt	50.00%	608.61
Equity	50.00%	608.61
Total	100.00%	1,217.22

	Present Value	Holding Period					Terminal Value			Sale Price	
	Historic	ProForma	1	2	3	4	5	6	7	8	
Book Equity	827.4	608.61	614.84	621.06	627.29	633.51	639.74				
Goodwill	0	389.82	389.82	389.82	389.82	389.82	389.82				
Debt	3600	4,208.61	4,208.61	4,208.61	4,208.61	4,208.61	4,208.61				
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%				
Additional Interest Expense		48.78	48.78	48.78	48.78	48.78	48.78				
Tangible Book Value	827.4	218.79	225.02	231.24	237.47	243.70	249.92				249.92
Annual Change			6.23	6.23	6.23	6.23	6.23				
Annual FCF	427.28		276.15	276.15	276.15	276.15	276.15	276.15	276.15	276.15	828.44
Annual Net Income	32.87		6.23	6.23	6.23	6.23	6.23	6.23	6.23	6.23	
Annual Op. Cash Flow	427.28		276.15	276.15	276.15	276.15	276.15	276.15	276.15	276.15	
Dividend Payments											
Annual PP&E Investment	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Debt Paydown	0.00							0.00	0.00	0.00	

Sale Price in Year 5 **1,078.36**

Capital Left for Equity Investor **1,078.36**
 Dividend Payments **0.00**
 Total Cash In Flow **1,078.36**

We assume the debt taken on by the investor is now on the Co's books, so the investor has no more liability from the deal.

Invested Equity **608.61**
 IRR **12.12%**

Value Creation
 TBV Growth (equals sum of NI Year 1-5) 31.13
 Cash Flow (Year 6-8) 828.44
859.57

Value Dilution
 Debt 608.61
 Goodwill 389.82
 Additional Interest 243.92
1,242.35