

Aviation Advisory

Innovation delivered



Introduction

At Grant Thornton, we understand that the key to a successful offering to the aviation sector is the ability to provide cross-functional specialist services through an integrated team. Our aviation team consists of experienced aviation professionals, from industry as well as practice, who can provide you with specialised and tailor-made services.

What sets Grant Thornton apart

You will see from our credentials that we are working on core issues with our clients, from pricing deals on behalf of third parties and building deal appraisal/valuation models for established leasing companies to completing detailed contractual reviews across the entire fleet for Top 10 leasing companies. You will see that as a result of over-delivering for our clients, we become the provider of choice and consequently have multiple engagements with our clients.

A focus on aviation advisory means that we are ideally placed to not only review existing operations, but to make value-added recommendations and execute change.

Our team has worked with the world's leading aircraft leasing companies and airlines.

Our integrated range of services include:



Grant Thornton: The right choice



1

Dedicated aviation advisory team

Our team works exclusively within the leasing industry. We are familiar with the systems, processes and structures.

2

Technical expertise

We have a strong technical understanding of lease contracts, commercial considerations and the maintenance status of aircraft components. We bring professional modelling expertise, financial accounting expertise and internal audit best practice.

3

Experience

We have completed third party deal appraisals using our pricing platform. Since 2017, we have reviewed contract and operational data relating to over 1,000 aircraft – this represents 8% of the world's leased commercial fleet. We have built pricing platforms for lessors and asset managers. We are internal auditors for a Top 15 lessor.

4

Integrated subject matter expert support

Our team is supported by subject matter experts in key areas, such as cyber security IT consulting and GDPR.

Financial modelling

We use a best practice, standardised approach for our model build and review engagements. Our deliverables are robust, well-structured and easily understood.

Our team has the technical expertise and industry experience to provide transparency on maintenance-related cash flow forecasts, liquidity forecasting models, calculation of intangibles, lease, buy or hold analysis, transfer-pricing models, fleet analysis, optimum fleet deployment analysis and securitisations.

Where a model is required to be maintained by the business on an ongoing basis, we work with the business to embed the processes required to run and maintain the model as part of business-as-usual activity. We avoid key employee dependency by ensuring our clients have clear and comprehensive documentation around model-run procedures and governance, including roles, responsibilities and change management.

Portfolio management platform

Having developed best-in-class IP relating to the pricing of aircraft and associated contractual rights and obligations, the development of enterprise software solutions to enable our clients manage their fleet without reliance on excel spreadsheets was the next step. The solution allows clients to run generic and tailored scenarios across their portfolio in order to determine future contracted and uncontracted cashflows and determine optimum divestment scenarios to maximise shareholder value.

We are capable of delivering solutions in Oracle, NAV and SUN – all of which have clear and straight-forward versioning and drill-down functionality. The system functionality caters for all contractual, technical and commercial considerations and supports.

Key attributes of our Aviation Advisory modelling expertise include:

- understanding of opaque areas such as maintenance reserves, reimbursements and redelivery;
- knowledge of Contract Management System (CMS) means that we can build models to fully utilise CMS inputs and outputs;
- familiarity with contract documents and technical documents mean we understand the materiality and robustness of source information; and
- experience in planning, developing and implementing models for large aircraft leasing companies and airlines.

Transaction services

We assist on a broad range of investments including trading transactions, portfolio sales and Asset-Backed Securitisations (ABS).

ABS transactions

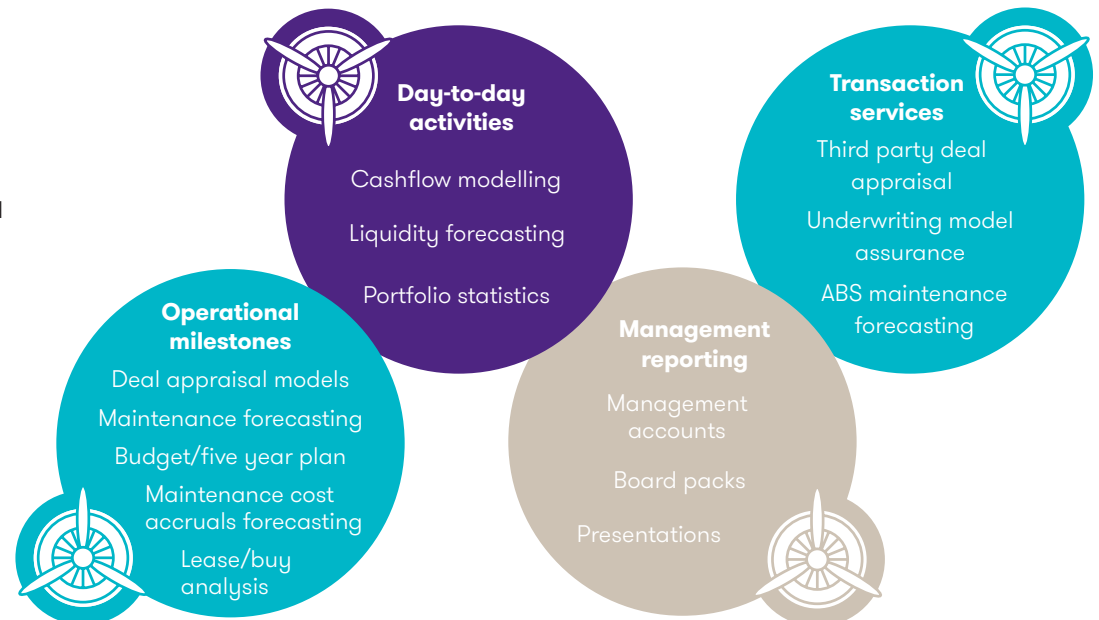
- underwriting model assurance (independent recalculation);
- offering memorandum assurance;
- independent ABS maintenance cashflow; and
- stress testing of cashflows.

Trade sales/purchase:

- pricing/deal appraisal including detailed fly-forward analysis of lease encumbered assets;
- stress testing of cashflows; and
- lessee credit reports and industry analysis.

Due diligence

- sell-side due diligence in advance of tender process to ensure maintenance reserve balances are correct and material contractual items are reflected in tender documents; and
- buy-side due diligence during tender process to ensure maintenance reserve balances are correct and material contractual items are reflected in tender documents.



Contracts management data quality review

Our team have reviewed over 1,000 lease contracts and associated operational data. We use our experience and expertise to provide assurance over the data in your CMS and reduce exposure in divestment and default scenarios.

Our CMS subject matter experts are familiar with contract documents, technical documents and AerData's CMS, AMT Sybex's Leasepoint and proprietary systems.

We work with our clients to complete due diligence pre or post deal or as part of a data migration. We also assist in update and data entry as part of business-as-usual activity.



Anticipated outcomes and findings:

- assurance over data quality to prevent issues arising during asset sales processes which may impact price negotiations;
- buy-side due diligence to identify exceptions and material items that will impact agreed purchase price of lease encumbered assets;
- assurance over completeness of data to enable the business to rely on lease summaries with all exceptional and material items identified and described in the 'remarks' section of the summary in a consistent format;
- inclusion of alerts for all key events/ milestones such as insurance renewal and rate escalations;
- assurance over maintenance reserve fund values and associated rates;
- identification of underbilling of maintenance reserves;
- best-practice methodology for contracts management function from initial entry of data capture sheet to due-diligence prior to asset disposal; and
- data entry to contracts management system.

Internal audit

At Grant Thornton, our primary objective is to ensure that our reviews are value-adding.

We will deliver by working collaboratively with clients to challenge the effectiveness of existing processes/controls, being innovative in relation to control deficiency remediation and balancing necessity for a controlled environment with a need for operational efficiency.

We use our aviation industry experience and expertise to complete a genuine risk based, top-down approach. In addition to bringing best practice methodology for creation of internal audit plans and testing of controls, the composition of our team enables us to consider risks/controls/processes with respect to their impact on financial statements and to analyse opaque areas within the aviation industry such as maintenance reserves/reimbursements.

We use our SOx experience to develop and implement the internal audit plan in compliance with the COSO II framework and our SOx experience perform controls testing in line with the Sarbanes-Oxley Act.

Our team is supported by subject matter experts with aviation industry experience in specialist areas such as cyber security IT consulting and GDPR. We collaborate with you to provide the board, audit and steering committees and finance function with best-in-class independent assurance. This combination of independence and collaboration with you and the business process/control owners facilitates value-added risk assurance, focusing on control effectiveness and operational efficiency.

Optimising your business

Our process improvement knowledge of best practice within the aviation industry enables us to challenge the business on existing processes and offer alternatives.

Change is defined, agreed and implemented following our change and project management methodologies, ensuring we deliver what our clients ask for.

Design and implementation of leasing platforms

For new entrants or lessors looking to scale-up, we provide industry leading knowledge on target operating models, key processes and supporting technology. Our benchmarking capabilities ensure that we understand where clients rank with the competition.

Design and implementation of pricing processes

As the market becomes increasingly competitive, lessors need greater transparency over their pricing processes to ensure lease rates are competitive and meet target returns.

System selection and procurement for enterprise resource planning including customer relationship management and eCommerce systems

We have experience in selecting and implementing procurement process to maximise value for our clients. Our approach is to provide a process that is broad enough to ensure that all technically feasible and economically viable solutions are elicited from potential candidates ('art-of-the-possible') and, once selected, all core requirements are priced during the most competitive part of the process, i.e. when all viable candidates are in contention.

Process improvement

Organisations are composed of people, processes and technology. The alignment of these variables and the way in which they interact with each other separate success from failure.

Process improvement involves:

- specific and granular experience of managing system integration between the CMS and the general ledger;
- good understanding of the issues that are encountered and best practice methodology to identify and address reconciling items;
- challenging pre-existing assumptions;
- implementing bottom up approaches to re-imagine structures;
- placing efficiencies at the forefront of operations;
- eliminating variance through standardisation;
- optimising people and technology inputs; and
- advising on outsourcing of financial operations and the implementation of shared services.

We have experience of working with the majority of general ledger software (SAP, SUN, NAV) and supporting integration between the CMS and the general ledger.



Our aviation advisory credentials



Aviation Advisory Avolon

Grant Thornton provided lease review services in the integration of the acquired CIT portfolio of aircraft. We also provided services for the review, mapping and identification of controls for the integration purposes and SOx testing strategy development.



Aviation Advisory Aergen

Grant Thornton built a financial master budget model for the purposes of forecasting out future status of the group in light of planned portfolio expansion.



Aviation Advisory Aergo Capital

Grant Thornton is developing a comprehensive aircraft maintenance events and reserves forecasting model for the purposes of deal assessment and strategic investment decisions.



Aviation Advisory FPG Amentum

Grant Thornton built a cashflow-based financial model to forecast future debt prepayment capacity and aircraft residual values in order to assist in an aircraft portfolio divestment decision making.



Aviation Advisory Orix

Grant Thornton completed the design of business process control and entity level controls for a number of key processes. Grant Thornton subsequent were appointed for ongoing SOx Operating Effectiveness testing from 2018.



Aviation Advisory Aercap

By leveraging the financial modelling skills, Grant Thornton provided portfolio wide data analytics services on contracts and operational data (including maintenance reserve rates) to assist their internal audit function.



Aviation Advisory Dubai Aerospace Enterprise (DAE)

Grant Thornton completed a review of DAE contract and operational data, including the recalculation of the maintenance reserve fund balances.



Aviation Advisory Stobart Air

Grant Thornton prepared a business plan and provided transaction advisory services to Stobart and its franchise and leasing operations, to facilitate strategic and disposal decision making.



Aviation Advisory Orix

Grant Thornton completed a number of process improvement projects, including integration between ICMS/SUN/TMS and harmonisation of data across the systems, GDPR preparation and S&P annual controls submission.



Aviation Advisory Orix

Grant Thornton completed a data quality review consisting of two main elements – review of critical fields against source documentation, review of milestones to ensure notification period, priority and date were consistent with applicable standard.



Aviation Advisory Norwegian Air International

Grant Thornton completed a review of the transfer pricing model used to determine the lease rates charged by the captive leasing company, Arctic Aviation Assets.



Aviation Advisory Goshawk

Grant Thornton provided support to the finance team to produce consolidated management accounts and assisted in subsidiary financial reporting under IFRS.



**Aviation Advisory
Aer Lingus**

Grant Thornton built a model to enable Aer Lingus to make accurate provisions for major component shop visits and end-of-lease compensation, which reflected changes in utilisation, maintenance status and, for leased aircraft, changes in contractual arrangements with lessors.



**Aviation Advisory
Goshawk**

Grant Thornton provided assistance to the managed assets team to support Servicer and Asset Manager reporting to ABS note holders and investors. Grant Thornton provided modelling expertise to assist in financial planning & analysis.



**Aviation Advisory
Elix**

Grant Thornton provided assistance to the finance team to produce management accounts and assist in financial reporting, including consolidation under both IFRS and US GAAP.



**Aviation Advisory
Aer Lingus**

Grant Thornton provided business partnering assistance to complete cost-benefit analysis to support decisions across the business. Analysis included comparisons of full life costs for the different engine types available for new aircraft.



**Aviation Advisory
CDB**

Grant Thornton built a model to automate statutory financial reporting for over 160 entities. The model automatically produced financial statements, reports, notes and disclosures using centralised databases such as fixed asset schedules, loan reporting, tangible and intangible asset reporting. The model enabled the client to select the required entity in order to produce the statutory accounts.



**Aviation Advisory
AMCK**

Grant Thornton completed a data quality review of information contained within the client's contract management system. The review ensured consistent data capture across all leases, robust lease summaries that could be relied upon as part of sale processes and set-up of notifications for key milestones. The review also included a recalculation of the maintenance reserve fund balances.



**Aviation Advisory
Atlantic Aviation**

Grant Thornton completed a deal appraisal of a lease encumbered aircraft. The appraisal considered all contractual cashflows and multiple scenarios for future uncontracted cashflows. The deal appraisal included forecasting of maintenance cashflows, maintenance adjusted residual values as well as all debt, equity and refinancing scenarios.



**Aviation Advisory
Elix**

Grant Thornton built a financial master budget model for the purposes of streamlining budget planning, comparing actuals versus budget and forecasting at the individual entity level and at the consolidated level. The model related to all 30 entities across the group.



**Aviation Advisory
Dubai Aerospace Enterprise (DAE)**

Grant Thornton completed a review and restructure of the DAE pricing model in order to provide increased automation and improved transparency.



**Aviation Advisory
Aergo Capital**

Grant Thornton completed a review of Aergo contract and operational data, including the recalculation of the maintenance reserve fund balances.



**Aviation Advisory
Elix**

Grant Thornton built a financial master budget model for the purposes of forecasting out future status of the group in light of planned portfolio expansion.



**Aviation Advisory
Aer Lingus**

Grant Thornton provided assistance to the finance team to assist in financial reporting, including consolidation under IFRS.



Aviation Advisory Aer Lingus

Responsible for building budget/forecast model which streamlined/automated forecasting of the airlines direct and indirect costs and compared with actuals/budgets. Deliverable resulted in significant reduction in manual inputs and timeline to produce outputs.



Aviation Advisory Air Mauritius

Completed detailed analysis to support negotiations relating to the restructure of lease contracts. Led negotiations with Lessors on behalf of the airline.



Aviation Advisory Aercap

Provided transactions support for purchase/sales/restructures which involved organising/briefing all stakeholders on the nature of the transaction and attaining/recording sign-off on same.



Aviation Advisory Aercap

Provided senior level secondments to the accounting operations department to lead teams in the management of portfolios of aircraft. Responsibilities included deferrals management, reconciliations back to contractual lease terms, billing, cash receipts and enhancements to the control environment.



NOK AIR

Aviation Advisory NOK Air

Development of a business plan which included macro analysis, analysis of airlines costs, route analysis, remediation plan as well as contingency planning against works case-scenarios.

Experts in aviation

At Grant Thornton, we have been immersed in the aviation industry throughout a relatively recent period of unparalleled growth. Our aviation team consists of experienced professionals across: aviation advisory, aviation tax and aviation audit service lines. The Grant Thornton aviation team are uniquely positioned to assist clients on all aspects relating to their business-as-usual activity, enabling them to optimise their operations within a controlled environment.

Key management contacts for our dedicated aviation advisory team include:



Tim O'Connell
Partner,
Head of Aviation Advisory
T +353 (0)1 500 8125
E tim.oconnell@ie.gt.com



Liam Gleeson
Director,
Aviation Advisory
T +353 (0)1 646 9089
E liam.gleeson@ie.gt.com



Leah Davidson
Associate Director,
Aviation Advisory
T +353 (0)1 500 8143
E leah.davidson@ie.gt.com



Jer Moore
Associate Director
Aviation Advisory
T +353 (0)1 500 8191
E jer.moore@ie.gt.com

Offices in over 130 countries worldwide. Locations include Dublin, Hong Kong, Singapore, Los Angeles, New York and San Francisco.



[grantthornton.ie](https://www.grantthornton.ie)



[@GrantThorntonIE](https://twitter.com/GrantThorntonIE)



[Grant Thornton Ireland](https://www.linkedin.com/company/grant-thornton-ireland)

© 2022 Grant Thornton Ireland. All rights reserved. Authorised by Chartered Accountants Ireland ("CAI") to carry on investment business.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.



Grant Thornton