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FLY - Q4 2019 FLY Leasing Ltd Earnings Call

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## CORPORATE PARTICIPANTS

**Colm Barrington** *Fly Leasing Limited - CEO & Director*

**Julie G. Ruehl** *Fly Leasing Limited - CFO*

**Matt Dallas** *Fly Leasing Limited - Investor Contact*

**Steve Zisis**

## CONFERENCE CALL PARTICIPANTS

**Abdulrahman S. Tambal** *JP Morgan Chase & Co, Research Division - Analyst*

**Catherine Maureen O'Brien** *Goldman Sachs Group Inc., Research Division - Equity Analyst*

**Conor Cunningham**

**Koosh Rohit Patel** *Deutsche Bank AG, Research Division - Research Associate*

## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to the Fly Leasing Fourth Quarter and Full Year 2019 Earnings Conference Call. (Operator Instructions)

I would now like to turn the conference over to your host, Matt Dallas, with Investor Relations.

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### Matt Dallas - *Fly Leasing Limited - Investor Contact*

Thank you, and good morning. I'm Matt Dallas, the Investor Relations Manager of Fly Leasing, and I'd like to welcome everyone to our fourth quarter and full year 2019 earnings conference call.

Fly Leasing, which we will refer to as "FLY" or "the company," issued its fourth quarter and full year earnings results press release, which is posted on the company's website, at [flyleasing.com](http://flyleasing.com). We have a slide presentation that accompanies today's call which is available to participants on the webcast. If you are not accessing the webcast, you can find a copy of today's presentation in the Investor Relations section of our website on the Events & Presentations page.

Representing the company today on this call will be Colm Barrington, our Chief Executive Officer; Julie Ruehl, our Chief Financial Officer; and Steve Zisis, the President and CEO of BBAM, the company that manages and services FLY's fleet.

This conference call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, statements regarding the outlook for the company's future business and financial performance. Forward-looking statements are based on the current expectations and assumptions of FLY's management, which are subject to uncertainties, risks and changes in circumstances that are difficult to predict. Actual outcomes and results may differ materially due to factors that are summarized in the earnings press release and are described more fully in the company's filings with the SEC. Please refer to these sources for additional information.

An archived webcast of this call will be available for 1 year on the company's website.

And with that, I'd like to hand the call over to Colm Barrington, the CEO of Fly Leasing. Colm?



**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Thank you, Matt, and welcome, everybody, and thank you all for joining us.

FLY has reported excellent financial results for the fourth quarter and full year of 2019. Indeed, 2019 was FLY's best year ever, with record-high operating lease revenue of \$464 million, record-high earnings per share of \$7.12 and a record-high return on equity of 29.2%.

We've ascribed the success to the strategy that we put in place over the last few years and which has been executed expertly by the BBAM team and supported by strong industry conditions. We've entered the new year with a robust growth pipeline of latest-technology Airbus narrowbody aircraft, an attractive fleet of high-demand aircraft on long-term leases to a diverse group of global airlines and the strongest balance sheet in our company's history.

To address the news which is on everyone's mind this morning, we are monitoring the outbreak of the coronavirus, or COVID-19, and are in constant dialogue with our lessees and business partners worldwide. The virus is first and foremost a health crisis, and our sympathies are with all those impacted by it.

To date, there has been no negative impact of the coronavirus on FLY in terms of contracted payments of our lessees. That said, the virus will certainly have a negative impact on passenger demand and global airline profits this year as airlines have canceled services domestically within China, into and out of China, and increasingly more broadly.

At this point, no one knows how long the impact of the coronavirus or, indeed, the virus itself will last or how much further it will spread. However, FLY and BBAM executives have decades of experience through multiple cycles in the aircraft leasing industry, including financial crises, wars, terrorist attacks and prior viral outbreaks. We know from experience that historically the profit margins of aircraft lessors have been much more stable than those of airlines, even through severe shocks. And we know, too, that if history is repeated air traffic flows and airline profitability are likely to recover rapidly once the current crisis has abated.

Turning from one headline to another, the continuing grounding of the 737 MAX and the delay in delivery of Airbus models are likely to impact aircraft supply again in 2020. As a reminder, the MAX situation has little direct impact on FLY. Our 2 MAX aircraft were acquired under a purchase-leaseback transaction and both are on long-term leases. We do not have any MAXs on order.

FLY enters 2020 with the strongest balance sheet in our company's history, with more than \$330 million in cash, a net debt-to-equity ratio of 2.3x and no near-term debt maturities. We are well positioned to support our committed pipeline and to act nimbly in the event opportunities should arise. We will continue to execute on our strategy, with a relentless focus on delivering value for our shareholders.

Operationally, FLY had a very good year in 2019, thanks to the implementation of our strategy and the comprehensive acquisition, financing, leasing, management and disposition services provided by BBAM's global platform. BBAM remains a strong and active partner for FLY, with its principals owning 18% of FLY's stock.

We acquired our first A321neo at year-end, and during 2019 we purchased a total of 11 aircraft for a total investment of \$332 million. At the start of 2020, FLY had 11 more aircraft contracted for purchase this year, including 7 A320neo Family aircraft. These purchases represent an investment of approximately \$450 million. As of today, 1 of these 11 aircraft has been delivered to FLY.

In 2019, we sold 35 aircraft, for total proceeds, including end of lease income, of approximately \$900 million, generating total economic gains of \$149 million, an 18% premium to the book value of the aircraft sold. The average age of these 35 aircraft was more than 10 years.

Incidentally, in the 5 years since the start of 2015 FLY has sold a total of 113 aircraft from its portfolio. These 113 sales have generated total economic gains of \$268 million, a 10% premium to our net book value. Our profitable sales are not one-off or select events and demonstrate the value contained in our balance sheet. The sales during the last 5 years have included 88 of the 127 aircraft that we owned on January 1, 2015.

At the end of 2019, FLY had 8 aircraft contracted for sale. Of these contracted sales, 3 have been completed and the remaining 5 are expected to close in the first half of 2020.

In 2019, our annual lease rate factor was 11.3%. At year-end, our average fleet age was 7.6 years and our average remaining lease term was 5.3 years.

We started off 2020 with 6 aircraft remaining to be remarketed this year; all but 2 of these are now committed. And during 2019 our fleet utilization was 99%.

FLY has continued to maintain a consistent operational strategy based on 3 main principles: disciplined aircraft acquisitions, conservative financing and active fleet management. We are rigorous on pricing, refusing to overpay for aircraft, to accept marginal lease terms or to add less-popular models merely to build our fleet size. Aircraft that are purchased conservatively provide better lease margins and produce stronger and more consistent gains when they're sold on to third parties. FLY's sales of aircraft at substantial gains quarter-after-quarter and year-after-year validate the strategy and demonstrate that we have been executing it in a consistent and disciplined way.

FLY had outstanding financial results in 2019, our best year ever. While Julie will take you through the detailed financials for the fourth quarter and full year later in the call, I'd like to give you some headlines for the year.

Our total revenues of \$575 million were 37% ahead of the previous year. Our adjusted net income of \$246 million corresponded to an EPS of \$7.75. At year-end, our book value per share was \$28.42, a 32% increase during the year. We had an adjusted return on equity of 32%. At year-end, our net debt to equity was 2.3x. And then, finally, FLY has cash and balance sheet capacity to fund our committed aircraft purchases plus other aircraft that we expect to acquire opportunistically.

Our results reflect the significant developments of FLY over the last 3 years, selling older and less-performing aircraft, optimizing our capital structure and, most importantly, upgrading our fleet with newer and more profitable aircraft. We plan to continue these activities.

During the year, our positive performance and financial outlook was recognized by 1-notch upgrades in our corporate rating from Standard & Poor's and an upgrade to Credit Watch Positive from Moody's. These factors, along with our strong earnings and balance sheet, have already had a positive impact on FLY's funding cost. In November, we repriced our \$385 million term loan to LIBOR plus 1.75%, a 25-basis-point margin reduction, while at the same time extending the term by more than 2 years, to August 2025. The term loan is our largest facility.

FLY's financing is conservative, based principally on long-dated, amortizing secure debt. We have demonstrated that we can reduce leverage in an accelerated manner, having reduced it from 4x equity at the end of 2018 following completion of our large portfolio acquisition in that year, to 2.3x equity at year-end 2019.

For both our shareholders and lenders a particularly impressive feature of FLY's performance over the last 2 years has been the substantial growth in our book value, which stood at \$878 million at year-end 2019, a 25% increase year-over-year. This growth has also been reflected in our book value per share, which has grown by 46% in the last 2 years and stood at \$28.42 on December 31, last.

FLY has a \$1.6 billion pipeline of committed aircraft deliveries, most of which is either on lease or committed to lessees. We're also focused on additional acquisitions and will buy more aircraft if they meet the disciplined investment criteria that I referred to earlier.

We are particularly excited about our 21 committed A320neo Family purchase-leaseback aircraft, the first of which we acquired in December. We have 7 more A320 Family aircraft, a mixture of A320neos and A321neos, scheduled for delivery in 2020 and 11 more in 2021, with the last 2 aircraft in this program expected in 2022. We've also exercised 8 options for A320neo Family aircraft, with 9 unexercised options remaining.

FLY remains a compelling value proposition, as our shares continue to trade at a significant discount to book value per share and at a low multiple of our EPS. We're experiencing a positive supply-demand relationship to the attractive and popular narrowbody aircraft that comprise approximately



70% of FLY's fleet. Meanwhile, we have a \$2 billion pipeline of new narrowbody acquisitions, including 28 A320neo Family aircraft, where the latest technology and the cleanest narrowbodies in production and which have proven to be particularly popular with airlines around the world.

FLY and its shareholders also benefit from the world's leading aircraft and lease management services provided by BBAM. We have low leverage, improved financial ratings and (inaudible) capacity based largely on long-dated and secure debt. The financial markets remain supportive to FLY and to our industry, generally, both in terms of providing attractive debt and as buyers of aircraft on lease.

We operate in a global aviation industry in which despite negative macro issues such as the one we are facing today passenger numbers have doubled every 15 years since 1988. And remember that this impressive growth over more than 30 years was in spite of 2 Gulf wars, SARS, 9/11 and the world financial crisis.

With that, I'll hand over to our CFO, Julie Ruehl, to take you through our fourth quarter and full-year financial overview.

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**Julie G. Ruehl - Fly Leasing Limited - CFO**

Thank you, Colm.

For Q4, FLY is reporting record net income of \$75.2 million, a \$44 million increase from Q4 2018. Earnings per share increased over 150%, from \$0.95 a year ago to \$2.43 in the current quarter. FLY achieved ROE of 35.9%, the seventh consecutive quarter of double-digit ROE and a more than 100% increase from the year-ago quarter.

These stellar financial results were driven largely by aircraft sales, as we sold 10 aircraft in the quarter with an average age of nearly 12 years, including FLY's 2 A340s which were each sold for an economic gain. 6 of the aircraft sales were from portfolio sales as strong demand continues in the secondary market, while the other 4 aircraft were sold when the leases expired.

For the full year, FLY is reporting net income of \$225.9 million, also a record for FLY and a \$140 million increase from 2018. Earnings per share increased nearly 150%, to \$7.12 from \$2.88 in the prior year. ROE was 29.2% for the year, a more than 100% increase from 2018. Our record financial results for the year were driven largely by the sale of 35 aircraft, with an average age of over 10 years, as well as a larger average fleet size.

As a result of FLY's outstanding financial results for the year and the rapid deleveraging enabled by selling aircraft at significant gains to book value, we ended the year with a net debt-to-equity ratio of 2.3x, down from 4x at the beginning of the year and beating our year-end estimate of 2.5x.

On the revenue side, FLY's operating lease rental revenue in Q4 2019 decreased to \$88.6 million, driven by the aircraft sales we have discussed on the call. Although operating lease rental revenue declined versus Q4 2018, we look forward to a ramp-up this year given our acquisition pipeline and continue to believe the quality of earnings is strong, as demonstrated by FLY's increased net spread.

Total revenue increased 26%, to \$154.3 million, in Q4 2019, from \$122.3 million in Q4 2018. In Q4 2019, FLY recognized \$48.4 million of end of lease income, the vast majority of which was related to aircraft that were sold at lease expiration. FLY recognized \$14.7 million of net gains on the sale of aircraft in Q4, which together with retained end of lease income represents a 31% premium to net book value of the 10 aircraft sold.

For the full year, FLY's operating lease rental revenue increased \$1.7 million, based on a larger average fleet, while total revenues increased \$156.7 million, to \$575 million, or over 37%. In 2019, FLY recognized \$78.8 million of end of lease income, as compared to \$20.3 million in the prior year. FLY recognized \$97.3 million of net gains on the sale of aircraft in 2019 from the sale of 35 aircraft, which combined with retained end of lease income represents an 18% premium to net book value.

Turning to expenses, Q4 depreciation decreased as compared to the prior year quarter due to aircraft sales, while interest expense declined more significantly due to a number of factors. While aircraft sales are the largest contributing factor to the decrease in interest expense, we have also decreased our cost of debt through our active liability management efforts. In addition, we have a higher level of unencumbered assets than a year ago.

SG&A expense is up \$0.6 million in Q4 as compared to the year-ago quarter, primarily due to fleet activities, a portion of which are lease-related costs that previously had been deferred and amortized and are now expensed under the new lease accounting standard.

Also in Q4, FLY incurred a \$4.3 million loss on modification and extinguishment of debt, the majority of which represents noncash write-offs of debt costs. The debt modification and extinguishment costs incurred were related to the repricing and extension of the term loan and the repayment of our warehouse facility which carried a higher rate of interest than other facilities as well as debt repayments due to aircraft sales.

Over all, total expenses as a percentage of total revenues declined from 74% to 49% in Q4 2019 as compared to Q4 2018, a decrease of 34%.

For the full year, although operating lease rental revenue increased, both depreciation and interest expense were down. This is primarily due to aircraft sales, with interest expense declining more significantly due to the factors I just noted with respect to Q4.

SG&A expense is up \$4.1 million for 2019, primarily due to fleet activities, including lease-related costs, as well as higher management and servicing fees due to fleet growth.

For the full year, total expenses as a percentage of total revenues dropped 26% as compared to 2018.

Now I'd like to cover our guidance for Q1 2020. For the first quarter of 2020, we are expecting operating lease rental revenue of \$86 million to \$87 million. We expect amortization of lease incentives of \$1 million. Gain on sale of aircraft is expected to be \$32 million to \$33 million. We expect end of lease income of approximately \$2 million. Depreciation expense will be approximately \$31 million to \$32 million. We expect interest expense of \$27 million to \$28 million. Debt extinguishment costs are expected to be approximately \$1 million, related to aircraft sales. Maintenance and other costs are expected to be \$1 million to \$2 million. We expect SG&A expense of approximately \$8 million, without consideration of any foreign exchange gains or losses that may occur.

Over all, Q1 pretax income is expected to be more than \$50 million. With record net income in 2019 and positive momentum extending into 2020, we expect FLY's leverage level to remain low, with a net debt-to-equity ratio below 3x in the near term.

I'll turn it back to Colm now for his closing remarks.

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Thank you, Julie. So let's recap onto the highlights of 2019. We achieved a 37% growth in total revenues, to \$575 million. We sold 35 aircraft, for an economic gain of \$149 million, 18% above book value. We produced \$246 million of adjusted net income, equivalent to \$7.75 of adjusted EPS. And we produced a 32% adjusted ROE. We continued our track record of growing book value, which was \$28.42 per share at year-end, 32% higher than a year ago. We reduced our leverage considerably during the year, bringing it down to 2.3x.

Meanwhile, looking ahead, we have a pipeline of aircraft, including options, valued at \$2.1 billion and including 37 of the latest-generation Airbus NEO aircraft. We expect to add to this pipeline through acquisitions and have over \$900 million in unrestricted cash and unencumbered assets. And as Julie has just said, we've given pretax guidance of over \$50 million for the March quarter.

These outcomes are obviously all highly positive and demonstrate that FLY continues to represent a real value proposition.

So with that we're now ready to take questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Your first question comes from Catherine O'Brien, with Goldman Sachs.

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**Catherine Maureen O'Brien** - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

So in the past I believe you've noted -- I believe in the past that you've noted that the decision to exercise your remaining A320neo options there's still quite a bit of time before you have to make that decision. But I guess, first, could you give a sense of when the first of those decisions need to be made. And then does the calculus for exercising those change at all with the impact of the coronavirus? Or do you think there is sufficient demand for these aircraft due to the MAX grounding and Airbus delivery delays?

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Well I think as we said in our prepared remarks, Catherine, we've exercised 8 of the 17 options we still have remaining to us now. And these are for delivery over the next few years. So the BBAM team are out marketing those aircraft now. We are finding very strong interest in the aircraft type. Modern fuel-efficient aircraft are very much aligned with airlines' interest at the moment. And obviously it's too soon to say if the coronavirus will have any impact on that, but so far we have found no impact of the virus on our marketing.

So we will be making decisions on the remaining options over the next few years, but there's no hurry on us to decide on those.

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**Catherine Maureen O'Brien** - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Is there any -- like, is there a period when you will have to make that decision? Or is it pretty flexible on the remaining 9?

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

It's pretty flexible on the remaining 9. It's not within the next year or two.

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**Catherine Maureen O'Brien** - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Understood. And then my second question...

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Those options spread out through the whole -- that whole program spreads out through 2025.

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**Catherine Maureen O'Brien** - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. Understood. Thank you. And then in terms of your aircraft sales, are you still seeing the same level of appetite for your owned aircraft as you were maybe, say, 6 months ago? And then are there any particular variants where you're seeing the most interest? And then I guess kind of a secondary question to that is, obviously after a very active year of aircraft sales in 2019 can you frame your expectations for this year? Are you done culling the fleet? Or is there more to come? So I guess a long-winded question, but mostly is appetite still the same, any particular variants you're seeing particular demand for and then expectations for this year.

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Steve, would you like to comment on that?

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**Steve Zisis**

Sure, sure. So Catherine, for 2020 FLY is budgeting between 5 and 7 aircraft sales. In terms of demand, and this is really previrus because everything is evolving pretty quickly now, demand has still been very strong, primarily driven by all this new capital that's come into the sector, especially what we call ABS accumulators, people looking to put portfolios together to ABS, plus the other various funds that are buying for a long-term hold.

So right now we don't see any waning of demand. But again it's early days in this virus and we're hoping that things do slow down so it gives us an opportunity to go out and acquire some better-returning deals for FLY.

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**Catherine Maureen O'Brien** - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Okay. Understood. And then just maybe one quick modeling one. What's the appropriate tax rate to use, going forward? I believe last year you had mentioned 15%, but it seems like this year it came in a bit lower than that.

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Julie, would you like to comment on that one?

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**Julie G. Ruehl** - *Fly Leasing Limited - CFO*

Yes. Hi, Catherine. So I think for our purposes we're looking at the statutory rate in Ireland, which is 12.5%. We did have some, a little noise in Q4. So it was much lower than that. But going forward, we do expect a tax rate approximating the statutory rate in Ireland.

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**Operator**

Your next question comes from Helane Becker, with Cowen.

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**Conor Cunningham**

It's actually Conor Cunningham on for Helane. Just on AirAsia, we've seen that they're looking to defer some lease payments given the coronavirus. So do you have any other customers that are looking to do the same? And is that contemplated within your rental guidance right now?

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Well Conor, I think the only airline that has actually asked to defer a rental payment is AirAsia X, to which we don't have any exposure. And it's only, I think it's only a minority ownership by the AirAsia Group. So we have not had any requests for rent reductions or deferrals at this point in time.

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**Conor Cunningham**

Okay. Great. And then appreciate the move that you guys have done in improving the quality of the fleet over the past couple of years, but your lease equipment assets are now back to where they were at the end of 2016. Just curious if you could speak to what you would, how you envision the fleet over the next 5 to 10 years. Like, what size do you want to get to? Is there a goal? Just curious if you have any thoughts there.



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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Well we don't have any specific goal, Conor. But as you've seen from our presentation we have a reasonably good pipeline of the latest-technology A320neos. So we continue to focus on the popular, high-tech, modern aircraft. We will opportunistically buy some reasonably modern midlife other types, but basically our focus now will be on the latest technology because I think that's where airlines are going themselves. I think that the whole concern about the environment, airlines are consistently looking now for the most modern aircraft with the lowest emissions.

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**Conor Cunningham**

Okay. Great. And then just a last one. There's been some chatter about potential opportunities to alleviate some financial stress of some customers in China. Just curious if you guys have had conversations like that, as well, and if you have really any appetite to do something like that currently.

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Look, I think again, as we said in our prepared remarks, that the whole virus and, particularly, in China it's a health crisis at the moment, and that's where we're most focused on. We have long-term relationships with a lot of airlines in China and in Asia; in fact, around the world. Some of these go back over 30 years. We'll obviously work with those clients as best we can to support them as best we can. And if there are opportunities for either moving aircraft or sale-leasebacks or whatever we'll certainly look at it; again, but however, all the time putting best interest of clients and stakeholders in the top of our mind.

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**Operator**

(Operator Instructions) Your next question comes from Koosh Patel, with Deutsche Bank.

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**Koosh Rohit Patel** - *Deutsche Bank AG, Research Division - Research Associate*

Just had a couple here. On the options you have on the NEOs, could you let us know when the first of those 8 is going to deliver? Or is that a part of what you have in 2020, the 7 you're talking about?

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

The options -- Steve, I don't know whether you'd like to comment on that, Steve. It's not one of the 7. Steve, do you want to comment on option deliveries?

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**Steve Zisis**

Well Koosh, I would say that it's sort of fluid right now, for 2 reasons: because of the virus that's going around but also because of the production line at Airbus. And so we're in constant discussions with AirAsia about picking up these options. And we may pick up some as early as the end of this year, but it's more likely it will be later in '22 and '23 that you'll see us pick up options.

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**Koosh Rohit Patel** - *Deutsche Bank AG, Research Division - Research Associate*

Got it. And then when I think about the pricing you receive on these aircraft it's -- I guess the perception in the industry is that an airline typically is able to negotiate a better rate than a lessor. So is it true to assume that you would get the same pricing that AirAsia has negotiated on these assets? Or is there a renegotiation of the price? How should we think about that?

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Steve, do you want to [answer that]?

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**Steve Zisis**

Sure. Look, the best way to think about it is that the pricing is not something that AirAsia or Airbus will disclose. We've negotiated our prices upfront when we did the original package with AirAsia on the deal. So it's set in stone, subject to escalations and what-have-you. So I can't comment whether it's their price because we don't have visibility on what their discounts were. We just know that they were attractive prices for us and it made sense.

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

And I think to add to that, Koosh, just the reason we can be flexible on all of this is we don't have any predelivery payments up on these aircraft.

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**Koosh Rohit Patel** - *Deutsche Bank AG, Research Division - Research Associate*

Okay. That's very helpful. And then, lastly, have you seen any change in behavior from any of the Chinese lessors with whom you may compete in the purchase-leaseback market over the course of the last couple of months?

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Steve, do you want to comment on that one, too?

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**Steve Zisis**

Yes, yes. The only observation I would make is that we've definitely seen in the last year the Chinese lessors selling more of their aircraft that they've acquired over the last 5 years than in the previous 5 years. Right? So they've become net sellers in my mind. But we haven't seen any material change since the virus, but we do expect that to change. Right? We think a lot of these guys are probably a little tight on funding or want to reduce their exposure, and I think you're going to see more opportunities coming out of the Chinese lessors.

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**Operator**

(Operator Instructions) Your next question comes from Jamie Baker, with J.P. Morgan.

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**Abdulrahman S. Tambal** - *JP Morgan Chase & Co, Research Division - Analyst*

This is Abdul Tambal on for Jamie and Mark. Most of my questions have been answered. But just to clarify, in your prepared remarks you mentioned that there's been no impact from the virus on your payments. So just to be clear, have you not seen any indication that the customers will ask for rental deferral or assistance? And how would you characterize the level of support that they may have either from you or other parties?

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**Colm Barrington** - *Fly Leasing Limited - CEO & Director*

Steve, do you want to comment on that one?

**Steve Zisis**

Yes. So somebody in the Q&A asked about AirAsia. And just so everybody is clear, AirAsia X is a separately owned airline that is listed. AirAsia owns approximately 17% of that; so that's the AirAsia Group. That is the only airline in the AirAsia Group that is currently asking for deferrals. And as Colm said, we have zero exposure to AirAsia X. AirAsia Group, which includes all its affiliates in the Philippines, Indonesia, Thailand, India and Malaysia, has not requested any deferrals.

And I would say that Tony is a unique manager, has a very deep bench at AirAsia and one of the most capable management teams that we've come across, and we think they will navigate this virus better than any airline in Asia.

**Operator**

Ladies and gentlemen, this concludes today's conference. Thank you for participating, and have a wonderful day. You may now disconnect.

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