

Transcript

Topic: Aviation ABS

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Aviation ABS: Navigating Recovery, Risk and Resilience

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[Susie Alier] I'm Susie Alier, Head of Institutional Services, Europe. Let's now discuss now, aviation finance—specifically the ABS market—and what's been a pretty dynamic few years for the sector.

After a long period of limited activity, we saw a meaningful pickup heading into 2026, which felt like a real turning point. But as we've moved through the year, the picture has become a bit more complex, with new risks emerging alongside that recovery.

To help us unpack what's happening on both sides of the Atlantic from their perspective providing trust and agency services, I'm joined by two of our specialists Breeda Cunningham, Ireland Country Manager and Head of Entity Management, and Rob Perkins,

Equipment & Transportation Finance Product Leader, in the U.S. Thanks for being with us today.

[Rob Perkins - U.S. POV] Great to be here Susie There's a lot to discuss!

[Breedha Cunningham – Europe POV] Absolutely. Looking forward to diving in, given everything that's been happening in the market.

[Susie Alier] Let's start with the recovery story. After a prolonged slowdown, what did we see in aviation ABS leading into 2026?

[Rob Perkins] What stood out was the pace of the rebound. From 2020 through much of 2024, public aviation ABS issuance was very limited. But in 2025, we saw more than \$10 billion in issuance across multiple deals, which marked a clear turning point.

That momentum carried into early 2026, with 21 deals closed for roughly \$12 billion in new issuance through June. At the same time, spreads tightened, which signaled growing investor confidence and helped bring more issuers back into the market.

And I'd say that tightening really reinforced the sense that the market wasn't just reopening, it was becoming more competitive again.

[Susie Alier] So a fairly strong recovery narrative, what do you feel has been the main driver of that?

[Breedha Cunningham] While we have seen an increase in deal flow, recent geopolitical developments have introduced new uncertainty, particularly around fuel supply and

pricing. Rising fuel costs, combined with concerns about air traffic volumes, have caused investors to reassess risk.

And to build on that, I think what's notable—especially from a European perspective—is how quickly sentiment can shift when those macro factors move.

[Rob Perkins]

Yes, I'd agree with that. In the U.S. market, we're seeing a similar dynamic—where fundamentals still look supportive, but investors are taking a more measured approach, particularly when it comes to pricing and structure.

[Susie Alier] This sector has experienced several shocks over the past few years. How do you think about that pattern? Is this a cyclical story or are we starting to see something more structural emerge?

[Rob Perkins] Aviation ABS tends to follow the broader aviation cycle, which historically has been quite resilient. Each time, demand for air travel has eventually come back.

[Breedon Cunningham] What's different now is the cumulative effect of multiple shocks in a short period of time. And that's where we're starting to see a shift in the this conversation. It's less about a single recovery cycle, and more about how repeated disruptions might change underlying assumptions. What's also starting to come into focus is the role of decarbonization. The evolution of emissions reduction targets together with increased use of Sustainable Aviation Fuel, or SAF and other new technologies introduces a structural overlay to what has traditionally been a cyclical sector on the trustee side, with potential implications for asset values, financing costs, and long-term demand profiles.

[Susie Alier] That raises an important question around durability. The demand is still there, but the path to recovery may not be as smooth or predictable as it once was. One supportive factor has been constrained aircraft supply. How is that playing into the market?

[Rob Perkins] Supply constraints have also provided a structural tailwind on the equipment side of demand. Boeing's production caps and the a Pratt & Whitney PW1100G engine recall have created a delivery shortfall of more than 5,000 delayed aircraft, and an order backlog of over 17,000 aircraft, a gap forecast to persist through 2034, per the International Air Transport Association.

[Breedia Cunningham] Larger airlines are increasingly focused on fuel efficiency, smaller airlines focus more on getting aircraft.

[Susie Alier] You mentioned operating pressure earlier, and fuel is a big part of that. How is it affecting airline economics right now?

[Breedia Cunningham] Fuel remains one of the largest and most volatile costs for airlines. Beyond fluctuations in price, carriers are also navigating uncertainty around supply. Recent geopolitical conflicts, sanctions, disruptions to global shipping routes, and refinery capacity constraints have all highlighted how quickly fuel markets can tighten.

Even when demand for air travel remains strong, airlines can face higher operating costs and reduced flexibility when fuel supply comes under pressure.

At the same time, the industry's transition toward more sustainable alternatives such as SAF, introduces an additional layer of complexity. While adoption is growing, supply remains limited in many markets, costs are still significantly higher than conventional jet fuel, and the supporting infrastructure continues to develop.

[Rob Perkins] And that's one reason we're seeing a growing focus on fuel efficiency across the industry. Larger airlines are prioritizing newer-generation aircraft that consume less fuel and help reduce exposure to both fuel-price volatility and sustainability-related costs. That demand is helping support values for more efficient aircraft, while older generation models increasingly move to secondary operators that are focused primarily on securing aircraft capacity. So fuel considerations are influencing not only airline operating economics, but also fleet strategy, leasing markets, and ultimately securitization performance.

[Susie Alier] So we've talked about pressure building at the airline level and moving through lease performance. Where does deal administration come into that picture?

[Rob Perkins] It typically starts with lease renegotiations and can lead to structural challenges for securitizations. Lessors often try to provide flexibility, but if that becomes widespread, it starts to impact the overall economics of a deal.

[Breedia Cunningham] Aircraft redeployment remains possible, but outcomes vary depending on efficiency and demand. And in Europe, we're seeing that play out quite clearly—where some assets move quickly, while others take longer to place or reset at lower rates.

[Susie Alier] How do these conditions affect deal administration?

[Breedia Cunningham] This is where complexity really shows up. In a stress scenario, multi-jurisdiction deals can become operationally intense very quickly. Meaning an immediate response is required—rent relief, default notices, even lease terminations across jurisdictions, often on tight timelines. In Europe, workouts can involve multiple lender groups and parallel legal processes, all running at once.

[Rob Perkins] In the U.S., scale is a factor. A single distressed airline can impact dozens or hundreds of leases depending on the size of the airline, with aircraft being sold, remarketed, or repositioned. That's why continuity matters. Losing an administrator mid-cycle means losing critical context, which becomes more important as structures grow more complex.

So recovery isn't just about the market—it depends on whether the operational side can keep up.

[Susie Alier] Which really highlights how execution risk is becoming central to the credit story. As we look ahead, what are the key signals that will tell you how this evolves from here?

[Rob Perkins] Issuance levels, spreads, and lease performance will be key indicators. Those will tell us pretty quickly whether the market can sustain its current momentum.

[Breedha Cunningham] I think macro conditions and airline adaptability will remain critical in Europe—especially how carriers manage cost pressures and maintain operational stability.

[Susie Alier] Thank you both for sharing your insights.

What stands out is that while aviation ABS has clearly regained momentum, the environment is becoming more complex, with new pressures around fuel, geopolitics and operating costs and the transition toward SAF. At the same time, the sector's resilience remains a key theme, but with greater scrutiny on how durable that recovery will be amid repeated shocks and evolving regulatory and environmental expectations.

For those involved in the aviation industry, that likely means balancing continued demand strength with a more measured view on risk, execution and longer-term structural change.

Keep listening to hear how private credit and syndicated loans are blending to reshape leveraged finance, lender roles, and deal execution.

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