

## Avolon publishes assessment of Boeing 737 MAX

### The 737 MAX 8 remains the heart of the MAX family and the key target for Investors

**Dublin & Hong Kong | 10 August, 2017:** Avolon, the international aircraft leasing company, today issues a paper assessing the Boeing 737 MAX aircraft family titled, *The 737 MAX – Taking Flight*. This paper analyzes the impact of the evolving changes to the MAX family's composition on the narrowbody aircraft market. At a broader level, the paper analyzes the strategic moves that led to the launch of the MAX family and how Boeing responded to Airbus' launch of the A320neo family.

The Product Assessment Paper is available from the Avolon website: <http://avolon.aero/our-thoughts/>

**Steve Mason, Avolon's Senior Vice President of Strategy and author of the paper, said:**

*"With the publication of the Product Assessment Paper on the Boeing 737 MAX, Avolon continues its strong tradition of sharing insight and analysis on the fundamental topics in the aviation industry. This paper offers a comprehensive analysis and assessment of the Boeing 737 MAX's market position, competition with the Airbus A320neo family and future prospects for each of the 737 MAX variants."*

*"This assessment validates our view that, while the MAX 8 offers airlines, lessors and investors an attractive investment proposition, the investment strength of the other variants is not yet fully understood by investors. While the market has reacted positively to the launch of the MAX 10, questions remain whether Boeing's new-technology narrowbody will help reclaim market share from Airbus."*

#### Key Findings:

- Boeing's MAX product strategy decisions have been reactive; resulting in lower market share and a wide range of variants.
- The MAX 8 remains the heart of the MAX family and a key target for investors. The aircraft has maintained its Cash Operating Cost advantage over the A320neo on a per seat and trip basis. This aircraft is, and will continue to be, particularly attractive for the low-cost carrier market, which is focused on seat mile cost as a key performance metric.
- To regain market share from Airbus, Boeing launched the MAX 10 at the 2017 Paris Air Show. The reaction has been positive, strengthening the MAX family and doubling Boeing's share of the large narrowbody market.
- There is potentially strong placement demand for aircraft lessors' forward 737 MAX orders to date as 54% of 737NG operators, who have previously ordered new aircraft directly from Boeing, do not have commitments for any of the current 737 MAX variants.
- The shift away from smaller variants, such as the MAX 7, has been driven by several factors including unit price and the continued dominance of the LCCs, which focus on larger and more cost-effective models, like the MAX 8. However, a change in pricing strategy could stimulate further demand for the MAX 7.
- The value proposition of the MAX 9 has been impacted by the launch of the MAX 10. It is unclear what role remains for the aircraft, but it is likely to have a limited future.
- Boeing has secured only three customers in three years for the 737 MAX 200 (a sub variant of the MAX 8) making it questionable from an investor's perspective.

- While the A321neo will remain the seat cost leader in high density configurations, the MAX 10 is a much improved competitor over the MAX 9.

### **Avolon & Boeing 737 MAX**

On the 17 May 2017, Avolon delivered the world's first Boeing 737 MAX to Malindo Air, almost exactly 50 years after the first flight of the original Boeing 737 aircraft.

At the Paris Air Show in June 2017, Avolon signed a memorandum of understanding ("MOU") for 75 Boeing 737 MAX 8 aircraft with an option for a further 50 Boeing 737 MAX 8, an order which represents single largest order that Avolon has placed with Boeing to date. This order underlines Avolon's strong belief that the MAX 8 aircraft provides customers with the economics, innovative efficiencies and reliability that they are looking for in new technology aircraft.

Avolon continues to be a strong supporter of Boeing's MAX aircraft with new technology orders and commitments for 134 Boeing 737 MAX aircraft together with 20 Boeing B787-9 aircraft.

**ENDS**

### **Avolon's Thought Leadership**

Since its formation in 2010, Avolon has differentiated itself by taking an analytical approach to important industry trends and setting out those views in research papers, industry publications, industry forums and webinars. Analysing and assessing the impact of industry trends is central to strategic decision making and risk management in any business. Avolon's Thought Leadership agenda is dedicated to sharing our analysis and insight on the fundamental issues facing the aviation industry.

### **About Avolon**

Headquartered in Ireland, with offices in the United States, Dubai, Singapore, Hong Kong and Shanghai, Avolon provides aircraft leasing and lease management services. Avolon is a wholly-owned, indirect subsidiary of Bohai Capital Holding Co., Ltd., a Chinese public company listed on the Shenzhen Stock Exchange (SLE: 000415). Avolon is the world's third largest aircraft leasing business with a pro-forma owned, managed and committed fleet, as of 30 June, 2017 of 921 aircraft valued at c. US\$50 billion.

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### **Note Regarding Forward-Looking Statements**

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