

Rating Action: Moody's revises the rating outlook of Dubai Aerospace Enterprise to positive

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New York, July 24, 2018 -- Moody's Investors Service affirmed the Ba2 corporate family rating of Dubai Aerospace Enterprise (DAE) Ltd (DAE) and the Ba3 senior unsecured rating of DAE Funding LLC and revised the outlook of the ratings to positive from stable.

Affirmations:

..Issuer: AWAS Aviation Capital D.A.C.

.... Issuer Rating, Affirmed Ba3, outlook changed to positive from stable

..Issuer: DAE Funding LLC

....Senior Unsecured Regular Bond/Debentures, Affirmed Ba3, outlook changed to positive from stable

..Issuer: Dubai Aerospace Enterprise (DAE) Ltd

.... Corporate Family Rating, Affirmed Ba2, outlook changed to positive from stable

Outlook Actions:

..Issuer: AWAS Aviation Capital D.A.C.

....Outlook, Changed To Positive From Stable

..Issuer: DAE Funding LLC

....Outlook, Changed To Positive From Stable

..Issuer: Dubai Aerospace Enterprise (DAE) Ltd

....Outlook, Changed To Positive From Stable

RATINGS RATIONALE

Moody's affirmed DAE's ratings based on the company's franchise strength as a top ten global aircraft leasing company, its unique access to capital and customers in the United Arab Emirates that differentiates its business proposition, and its effective management of aircraft fleet and airline credit risks. Additionally, DAE's profitability during the most recent two quarters, reflecting combined operations with AWAS Aviation Capital D.A.C., which DAE acquired in 2017, compares well with rated peers in the commercial aircraft leasing sector.

Moody's revised DAE's rating outlook to positive in recognition of the firm's progress strengthening its credit profile after successfully integrating operations with AWAS. In May, DAE executed a new \$800 million unsecured credit facility that expands its access to alternate liquidity, strengthening its liquidity runway. The additional borrowing capacity should improve DAE's liquidity coverage ratio to about 70%, up from 44% at the end of March, though the improved measure remains below most peers. DAE's leverage, measured as the ratio of debt to tangible net worth, was 3.2x at the end of the first quarter, slightly higher than peer median. But Moody's expects that DAE will reduce leverage over coming quarters through debt repayment and earnings retention, aided by restrained ambitions for debt-funded fleet growth.

DAE's ratings are constrained primarily by its high use of secured funding that encumbers most of its fleet and by less robust alternate liquidity than certain peers.

Moody's could upgrade DAE's ratings if the company: 1) further diversifies its funding to significantly reduce reliance on secured debt and accumulate unencumbered aircraft, resulting in a secured debt to tangible assets

ratio of 35% or less; 2) increases alternate liquidity, resulting in a 24-month coverage ratio of more than 70%; 3) sustainably reduces its leverage, resulting in a ratio of debt to tangible net worth of less than 3.0x; and 4) generates profitability that compares well with established peers.

Though unlikely, Moody's could downgrade DAE's ratings if the company: 1) generates a protracted decline in profitability; 2) increases its use of secured debt and further encumbers aircraft; 3) maintains a 24-month coverage ratio of less than 50%; and 4) increases debt to tangible net worth to greater than 4.0x.

The principal methodology used in these ratings was Finance Companies published in December 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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