

Rating Action: Moody's upgrades the corporate family rating of Dubai Aerospace Enterprise to Baa3; outlook stable

28 Jan 2020

New York, January 28, 2020 -- Moody's Investors Service, ("Moody's") has upgraded the corporate family rating of Dubai Aerospace Enterprise (DAE) Ltd to Baa3 from Ba1, the senior unsecured rating of subsidiary DAE Funding LLC to Baa3 from Ba2, and the issuer rating of AWAS Aviation Capital D.A.C. to Baa3 from Ba2. Moody's will subsequently withdraw DAE's Baa3 corporate family rating as this rating is Moody's anchor rating for non-investment grade issuers (ratings below Baa3). This action concludes the review for upgrade initiated on November 8, 2019. The outlook for the issuers is stable.

Upgrades:

..Issuer: Dubai Aerospace Enterprise (DAE) Ltd

.... Corporate Family Rating, Upgraded to Baa3 from Ba1, Rating Under Review

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

.... Issuer Rating, Upgraded to Baa3 from Ba2, Rating Under Review

..Issuer: DAE Funding LLC

....Senior Unsecured Regular Bond/Debenture, Upgraded to Baa3 from Ba2, Rating Under Review

Outlook Actions:

..Issuer: Dubai Aerospace Enterprise (DAE) Ltd

....Outlook, Changed To Stable From Rating Under Review

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

....Outlook, Changed To Stable From Rating Under Review

..Issuer: DAE Funding LLC

....Outlook, Changed To Stable From Rating Under Review

RATINGS RATIONALE

Moody's upgraded DAE's ratings to reflect the company's improving funding structure and liquidity, lower leverage, and further progress obtaining repayment of a large loan to its shareholder, the Investment Corporation of Dubai ("ICD"), an investing arm of the government of Dubai.

DAE has increased its funding diversity by issuing a higher proportion of unsecured debt and reducing encumbered assets, which strengthens the company's ability to efficiently finance and manage the composition of its fleet of commercial aircraft. DAE's ratio of secured debt to tangible assets declined to 27% at 30 September 2019 from 35% at 31 December 2018, in line with investment grade rated peers. DAE has increased its borrowing under unsecured revolving credit facilities that have availability periods of up to four years. The company has more than doubled its revolving credit borrowing capacity since mid-2018, extending its liquidity runway to levels comparable with well-positioned peers. Moody's expects that DAE will manage its debt maturities to avoid concentrations that could increase its refinancing risks.

DAE has moderate leverage in relation to its fleet risks. The company's ratio of debt to tangible net worth was 2.7x at 30 September 2019, below the peer median of about 2.9x. Based on the company's strong cash flows, including from operations and trading activities, Moody's expects that DAE will continue to maintain adequate capital strength as it pursues modest fleet growth.

The Baa3 rating incorporates Moody's expectation that DAE will obtain repayment of its loan to its shareholder ICD. DAE received partial repayments totaling \$700 million in 2019, reducing the receivable to about \$800 million. Repayment of the remaining amount will strengthen DAE's quality of capital without materially affecting the company's leverage. Moody's continues to regard ICD's ownership of DAE as a benefit to DAE's operational stability and access to capital. Moody's has no particular governance concerns with respect to DAE and its shareholder.

DAE's credit challenges include its less transparent aircraft investment and growth prospects compared to certain peers. In contrast to larger peers, DAE does not currently have new aircraft orders with aircraft manufacturers, relying instead on sale leaseback and trading activities to replenish its fleet. Additionally, new entrants into the aircraft leasing sector have increased competition for sale-leaseback transactions, pressuring returns. However, by foregoing new aircraft orders, DAE avoids the speculative lease-up and financing risk associated with long-dated capital acquisition commitments. With the support of ICD, DAE could explore alternate opportunities to grow its business, including through portfolio and platform acquisitions. A sustained increase in leverage or execution risk associated with such growth could be negative for the company's rating.

DAE's exposure to environmental risks is moderate, consistent with Moody's general assessment for airlines, aircraft leasing companies and aircraft asset backed securities. Pressure on airlines to limit emissions will likely grow over time, which will cause older, less fuel-efficient aircraft to decline in demand. Moody's expects that DAE will pursue aircraft investments that reflect the shifting operating priorities of airlines with respect to environmental concerns.

DAE's ratings reflect the company's asset and risk management strengths, the earnings and funding advantages associated with the company's unique access to capital and customers in the United Arab Emirates, and its balanced aircraft fleet composition. With a return on assets of 2.4% for the first three quarters of 2019, DAE's operating results compare well with rated peers in commercial aircraft leasing, whose average returns over the past three years have ranged between 1.7% and 2.6%.

WHAT COULD CHANGE THE RATINGS UP/DOWN

Moody's could upgrade DAE's ratings if the company: 1) generates profitability that compares well with investment-grade peers; 2) maintains a ratio of debt to tangible net worth of less than 2.5x; 2) maintains a ratio of secured debt to tangible assets of less than 25%; 3) demonstrates the resilience of its franchise through a fleet investment and management strategy that strengthens its competitive position and fleet risk composition.

Moody's could downgrade DAE's ratings if the company: 1) generates a protracted decline in profitability; 2) increases its use of secured debt to more than 30% of tangible assets; 3) reduces debt maturities coverage to less than 120%; and 4) increases debt to tangible net worth to greater than 3.0x.

The principal methodology used in these ratings was Finance Companies Methodology published in November 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Mark L. Wasden
Senior Vice President
Financial Institutions Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Ana Arsov
MD - Financial Institutions
Financial Institutions Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653



© 2020 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER

OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from \$1,000 to approximately \$2,700,000. MCO and Moody's

investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.