PRESCIENCE POINT
CAPITAL MANAGEMENT

AerSale Corporation

NASDAQ: ASLE

PRICE TARGET: $45.90

DATE OF REPORT
9/7/2023

SHARE PRICE
$15.59

52-WK HI / LOW
$10.39 / $21.76

AVG DAILY VOL
540K

FULLY-DILUTED MARKET CAP
$800M

Prescience Point is long AerSale Corporation ("ASLE" or the "Company"). We expect ASLE to soon receive FAA approval and several initial orders, including a large order of at least 250 units, for AerAware. We believe these imminent catalysts will boost ASLE's share price to beyond $20 over the next 30-45 days. Over the next 12-18 months, we project that shares will reach $45.90 as Adj. EBITDA almost triples to $155.3m in FY 2024, driven by a significant ramp-up in AerAware sales, along with a sharp reacceleration of growth in the core business. Recent, large share purchases by several management and board members, including a massive $2.2m share purchase by CEO Nick Finazzo, support our bullish outlook for the Company.

For the past 4+ years, ASLE has conducted numerous test flights with the FAA in an effort to get AerAware, its game-changing enhanced flight vision system ("EFVS"), certified for commercial use. Originally, management expected the certification process to be completed in 2021. However, FAA-requested product modifications, longer than expected wait periods between test flights, and increased scrutiny by the FAA in response to the recent Boeing 737 MAX issues, stretched out the timeframe significantly.

That all being said, ASLE is finally in the homestretch of this lengthy process. On August 21st, the Company announced that, after hundreds of hours of FAA flights tests, it had completed the last set of tests for the product. With this significant hurdle now cleared, we expect the following catalysts related to AerAware to unfold over the next 30-45 days and drive an increase in ASLE's share price to beyond $20:

- FAA approval of AerAware: According to ASLE management, FAA approval and the subsequent issuance of a Supplemental Type Certificate ("STC") typically occurs within 30 days after final flight testing. Based on this, the Company should receive FAA certification for AerAware by September 20th. Once approved, AerAware will be the only certified EFVS solution of its kind for the next several years. Given the product's monopoly position, along with its compelling value proposition from both a safety and cost standpoint (<3-year payback period), we believe AerAware will eventually become ubiquitous in the commercial airline industry with sales in excess of 1,000 units annually.

- Receipt of several large initial orders: We expect the Company will announce multiple large orders for AerAware soon after commercialization. Management has consistently stated that several airlines have shown strong interest in the product, including a major domestic airline that management expects to place a launch order of at least 250 units. Based on management's description of the unidentified purchaser, this launch customer is likely United Airlines ("UAL"). Furthermore, our research shows that Southwest Airlines ("SW") and Alaska Airlines ("Alaska") have also flown multiple test flights with AerAware and will likely place large orders after the product is approved. Given the extremely attractive unit economics of AerAware ($400K ASP per unit w/ 60%+ gross margins), just one large order of 250 units would more than double ASLE's annual Adj. EBITDA.

Over the next 12 – 18 months, we expect ASLE shares to almost triple, driven by a continued ramp-up in AerAware sales, along with a sharp reacceleration of growth in the core business. FY 2023 is shaping up to be a banner year for the Company in terms of feedstock purchases. Management projects that it is on pace to purchase ~$250m of feedstock this year, which is almost 5x the amount it purchased last year. Given the record amount of feedstock the Company has accumulated, ASLE's core business is well-positioned to capitalize on what is expected to be an extremely favorable industry environment for aftermarket service providers for the next several years.

In FY 2024, we project that ASLE's core business will generate a record $93.3m of Adj. EBITDA, while AerAware sales will contribute an additional $62.0m of Adj. EBITDA from the sale of 250 units of AerAware. Adding them together, we estimate that ASLE will generate $155.3m of Adj. EBITDA in FY 2024. By applying a 15x EBITDA multiple, which is in-line with the valuations of comparable aviation equipment and services providers, we value ASLE shares at $45.90. This represents a massive 194.4% premium to the current share price of $15.59.

ASLE Shares Poised to Takeoff With Imminent Catalysts for AerAware on the Horizon

AerAware is an advanced EFVS, adopted from military-grade fighter jet technology, which enables commercial airline pilots to see through inclement weather such as snow, rain, sleet, and fog using a head wearable display ("HWD"). The value proposition of AerAware is significant. In addition to the obvious safety benefits, the product is expected to save airlines significant fuel costs and increase customer satisfaction by drastically reducing the number of weather-related flight delays and diversions. AerAware was developed in partnership with Universal Avionics, a division of Israel-based Elbit Systems, who is providing the hardware for the system, while ASLE is leading the FAA certification process, as well as the engineering, design, modification, and installations of the product.

Following the recent completion of the final FAA flight tests for AerAware, ASLE now has a clear runway to the commercialization of the product. As detailed below, we believe the achievement of this significant milestone will set off a succession of major catalysts that will drive <u>an increase in ASLE's share price to beyond $20 over the next 30-45 days.</u>

Catalyst #1: FAA Approval of AerAware

With final flight testing complete, ASLE is now waiting on the FAA's decision on whether it will approve AerAware for commercial use by issuing an STC for the product. Given that: 1) AerAware has passed hundreds of hours of rigorous flight testing, and 2) ASLE has successfully implemented all the modifications to the product requested by the FAA, we believe that <u>FAA approval is a near certainty.</u> ASLE CEO Nick Finazzo recently stated as much during the Company's most recent Q2 2023 earnings call:

> Well, because we're at the stage that we're at, we've already demonstrated the system performs the way the FAA has prescribed for an enhanced flight vision system. <u>I don't see there being a risk that the system is not certifiable.</u>

During that same earnings call, Mr. Finazzo also stated that FAA approval typically comes within 30 days of the completion of final flight testing. Based on this, and the fact that final flight testing was completed on August 21st, <u>we expect the FAA to approve AerAware and issue an STC by no later than September 20th, which is less than two weeks from the date of this report.</u>

> I think that's what we've been told, that no more than 30 days after we successfully complete our final flight testing, they will be in a position to issue us our STC. Could it take longer? Sure, it could take longer. Should it take longer? No.

Once approved, AerAware will be the only certified EFVS solution of its kind for the next several years. The value that the Company will receive from being first-to-market is immense and is comparable, in our view, to the value that biotech companies receive from FDA approval of a potential blockbuster drug. Any companies that wish to introduce a competing product will have to go through the same rigorous certification process that AerAware just went through, which means that ASLE will have this massive opportunity all to itself for several years. Being first-to-market will also provide the Company with a significant moat. Given that commercial airlines are not likely to want, and may not even be allowed by the FAA, to use two or more different HWD solutions in their fleets for pilot familiarity and safety reasons, any airline that purchases AerAware will likely use this product across their entire fleet.

Catalyst #2: Multiple Initial Orders for AerAware, Including a Large Order from United Airlines

As mentioned previously, we believe AerAware is a game changer for the commercial airline market because it will save operators hundreds-of-millions of dollars per year by significantly reducing or even eliminating flight delays and diversions caused by inclement weather. The operational savings created by this product are so substantial that, according to industry sources that we spoke with, the payback period for AerAware is less than three years. Given this substantial ROI, we expect AerAware to be an immediate and overwhelming success.

Public comments from ASLE management, along with flight data of the AerAware test plane, show that AerAware is well on its way to gaining widespread commercial acceptance and has attracted considerable interest from multiple, major domestic airlines. Based on this compelling evidence, <u>we believe it is a near certainty that ASLE will receive several initial orders for AerAware, including a large order of around 250 units from a major domestic airline, within soon after the product is certified.</u>

Since going public in late 2020, management has consistently spoken about the considerable and growing number of customers that have expressed interest in, and flown test flights with, the product. Based on this considerable and growing interest, management has stated that, shortly after receiving certification, it expects to receive multiple orders for AerAware ranging from 20 to 100s of units. Management also expects one of these launch orders to be a large order of at least 250 units from a major domestic airline which, as also disclosed by management, has around 500 737s in its fleet.

ASLE Management Comments Regarding The Potential AerAware Launch Customer

Event	Management Comments
Q1 2023 Earnings Call	*Good customer feedback thus far.* ***Multiple customers that we're talking to, including still, the major customer we've been talking to, [nothing has changed].*** *I am still optimistic [a large domestic] will be our launch customer, for a substantial number of aircraft.*
Q4 2022 Earnings Call	*The customer -- potential customer that has flown with us on multiple occasions all throughout the past 200 some hours we've flown our airplanes.* ***They have a fleet of over 500 737NGs and MAXs.*** *So that would be a big one.*
Q3 2022 Earnings Call	*With respect to when do we expect to get a launch order from one of a number of potential launch customers, some very large, some not so large. We're talking 737 at this point.* ***We are also in discussion with potential customers for multiple other aircraft type and OEMs*** *for installing this system or a similar system in brand new aircraft coming off the factory coming off the assembly line.*
Q3 2021 Earnings Call	*A 250 aircraft order would not seem to be unreasonable with that some number that's been bandied about already. We don't have any specifics on that as I've mentioned previously. Our conversation has been primarily with [one of our potential launch customers], but we have had discussions with other airlines as well. But* ***if the customer we've been talking to gives us a launch order, I would imagine that it would be in the 250 aircraft range.***
Cowen February 2021 Presentation	***Our potential launch customer has been flying with us for almost half the test flights*** *and we'll continue to demonstrate that aircraft to their senior management because we think they're as excited about it as we are. (they) love it...We're not just demonstrating it to our potential launch customer, but we're also showing it to multiple other airlines...and our expectation is, while that's going on, we'll have interested customers that will sign-up...my suspicion is, is that if we continue on track with our potential launch customer, they'll want it as fast as we can deliver it.*

**Brackets Represent Minor Transcript Edits For Clarity*

According to fleet data from Planespotters.net, UAL currently has 466 737s in its fleet and is the only major domestic airline with close to the 500 737s cited by management as being owned by the potential launch customer. Based on this, <u>we conclude that the large, unidentified launch customer must be United Airlines.</u>

# Of 737s In Current Fleet	
American Airlines	356
United Airlines	466
Delta Airlines	240
Southwest Airlines	815
JetBlue Airways	0
Alaska Airlines	220
Spirit Airlines	0
Frontier Airlines	0

Our conclusion that UAL is the large, unidentified launch customer is further supported by comments made by Joe Heins, the then Managing Director of Test, Tech and Engineering at UAL, in a video posted on YouTube in December 2020:

> "[We are] working on some pretty exciting technology around airplanes, and one I didn't mention is a technology that essentially turns night into day and turns clouds into clear, and that's Enhanced Flight Vision System.

> Ryan Smith is leading that effort. We think that technology is gonna come in only a few years to our airline."

However, UAL is not the only major domestic airline that has shown considerable interest in AerAware. Historical flight data of both the current and former AerAware test plane, identifiers N30AS and N737AS, respectively, show that both Southwest Airlines and Alaska Airlines have also shown interest in and flown multiple test flights with the product. For example, historical flight data on FlightAware shows that there were 2 test flights on N737AS and 1 test flight on N30AS that were labeled with the Alaska identifier of ASA737:

AerAware Test Flights With Alaska Airlines

Flight Identifier	Date of Flight	Departure Location	Arrival Location
N737AS Test Plane:			
ASA737	12/4/20	Goodyear, AZ	Goodyear, AZ
ASA737	7/25/21	Goodyear, AZ	Goodyear, AZ
N30AS Test Plane:			
ASA737	2/22/23	Goodyear, AZ	Tucson, AZ

Source: FlightAware.

According to Planespotters.net, SW and Alaska own a combined 1,035 737s, with 815 owned by SW and 220 owned by Alaska. Given the substantial number of 737s in their fleets, combined with the fact that the FAA is requiring that an operator must equip half of its entire fleet of a specific aircraft type with AerAware before using the product, we believe that SW and Alaska will place sizable orders for AerAware amounting to a combined total of 500 or more units.

Our conclusions regarding potential launch customers for AerAware are supported by the findings of an investor in ASLE, whom we shall keep anonymous, that we recently communicated with. As shown below, in a recent email exchange, this individual told us that, based on his analysis of historical flight data, he believed that the Company had flown test flights with both SW and Alaska. Based on historical flight data and information on social media, this individual also concluded that UAL was likely the large launch customer referenced by ASLE management. This individual also hired a private investigator and even managed to convince a friend to travel to Denver to observe the AerAware test plane. This friend reported that he saw uniformed UAL pilots disembarking from the plane.

FlightAware Data

[redacted] Sun, Sep 3, 2023 at 10:04 PM

Hi [redacted]

[redacted]

The flights were all flown on N737AS (previous AerAware test plane). There are probably services which will provide you with that airplanes entire flight history.

For Southwest and Alaska, they had flights where the callsign used were Southwest & Alaskan call signs.

For United, there were quite literally oodles of demonstration flights in/out of Denver and also a nearby United regional hub (whose name escapes me right now). And I based my conclusion of a range of other indicators (incl. monitoring employees social media & employing a PI to undertake some work). Which clinched it for me was, during a multi-day series of demonstrations, I convinced a friend of mine to travel to Denver Airport, locate the AerAware plane and report back what he saw... anyway, he reported back that he'd seen the plane land and saw United Airlines uniformed pilots disembarking from the plane (I hadn't told him who I suspected would be onboard)

Regards,

[redacted]

Prescience Point Projects That AerAware Will Contribute an Incremental $62m of Adj. EBITDA In FY 2024

Given the extremely attractive unit economics of AerAware, the UAL launch order, just by itself, would be transformative for the Company's financial performance. According to a March 2021 Cowen report, AerAware will sell for around $400K per unit with gross margins of 60% - 70%. During a prior conversation, ASLE management confirmed to us that these estimates are reasonable and fairly accurate.

From March 2021 Cowen Report on AerSale:

AerAware Certification Potential In H1 - ASLE expects that AerAware will be certified by the FAA in H1 following test flights (with the FAA) that begin in late March and FAA review of the AerAware's software code (will be provided by subcontractor, Elbit Systems, in a few months). This should allow for commercial AerAware sales in Q3 or Q4. For context, we est. that AerAware will sell for approx. $400K/each at 60-70% gross margin. To be fair, mgmt's expected certification timing for AerAware has slipped a few times in the past, so timing remains a risk.

During its Q4 2022 earnings call, ASLE CEO Nick Finazzo estimated that the Company would be able to produce and deliver a minimum of 250 units by FY 2024:

> How long would it take to get up to 500 sets of flight equipment? Just -- if we did 100 this year, and set a target of minimum 250 for next year and another 250 a year after that and then adding in 25 250 A320 kits.

As shown in the table below, assuming ASLE is able to deliver 250 units next year, we project that the AerAware UAL launch order, by itself, will add an additional $62.0m of Adj. EBITDA in FY 2024, exceeding the $40m - $55m of Adj. EBITDA that the Company's entire business is projected to generate in FY 2023.

PP-Estimated Adj. EBTIDA Contribution from Initial AerAware Order

($ in millions)	
# of Units Delivered	250
(*) Average Selling Price	$0.4
Revenue Contribution	$100.0
Gross Profit Contribution	$65.0
% Margin	*65.0%*
Less: Incremental SG&A Expenses	($3.0)
PP-Estimated Adj. EBITDA Contribution From AerAware	**$62.0**

Source: Prescience Point estimates, sell-side reports, and public comments by ASLE management.

Favorable Industry Dynamics and Robust Feedstock Purchases to Drive Record Results in the Core Business

During the beginning of the pandemic, with commercial air traffic ground to a halt, ASLE management smartly and swiftly pivoted its focus to the cargo market. In September 2020, the Company purchased a large package of 24 Boeing 757s with plans to convert these 757s to freighter aircraft and subsequently sell them to the burgeoning cargo market, which was experiencing record demand due to the explosion in e-commerce growth. This cargo conversion program proved to be an enormous success and was the primary driver of the Company's record Adj. EBITDA results of $74.5m (excluding Payroll Support Program proceeds) in FY 2021 and $87.4m in FY 2022.

However, due to a softening of the cargo market this year, ASLE revealed during its Q2 2023 earnings call that the monetization of its remaining 757s would fall well short of its FY 2023 target. The Company's revised outlook included just 3 freighter sales and 3 freighter leases by year-end, down significantly from its original forecast of 9 freighter sales. Due to this downward revision in freighter monetizations, the Company significantly reduced its FY 2023 Adj. EBITDA guidance from $70m-$80m to $40m–$55m.

While the cargo market is likely to remain soft in the foreseeable future, due to a projected sharp rebound in ASLE's commercial aftermarket business, we believe this recent dip in the Company's performance will be short-lived. Currently, the commercial aftermarket is at the beginning stages of what is expected to be a multi-year bull cycle. ASLE is well-positioned to capitalize on this favorable industry environment given the record amount of feedstock it has accumulated on its balance sheet. As such, we expect ASLE's core business to rebound sharply and generate record revenues and profits in FY 2024 and continue to grow at an elevated pace for the next several years thereafter.

The Commercial Aftermarket Is at the Beginning Stages of a Multi-Year Bull Cycle

While air passenger traffic has recovered to around 90% of its pre-pandemic levels, OEM deliveries of new aircraft have lagged far behind demand due to various supply chain and production issues. Affected aircraft include the Boeing 737 MAX, which has experienced a number of well-documented manufacturing and safety issues, as well as the Airbus A320neo, which has suffered from multiple engine issues.

Due to this large shortfall in new aircraft deliveries, airlines have had to increasingly rely on older aircraft to meet increased passenger demand. This increased reliance on older aircraft, in turn, has resulted in a significant increase in demand for aftermarket services. Because older aircraft require more maintenance and repair work than newer aircraft, demand for MRO services has experienced a significant uptick. According to an April 2023 Aviation Week article, in 2023 alone, the commercial MRO market is projected to grow by around 20%:

> RBC Capital Markets projects that full-year 2023 civil aftermarket business will grow around 20% on the heels of a solid 2022. Guidance and front-line reports from a few major players support this outlook. Both GE Aerospace and Safran expect aftermarket revenues to be up at least 20% year-over-year.

In addition to requiring more maintenance and repair work, older aircraft also consume more used parts to stay operational. Initially, post-COVID growth in USM parts demand was sluggish as airlines shuffled around surplus assets to avoid costly engine maintenance on older aircraft. However, this started to change in late 2022 as carriers began to exhaust their remaining engine green time, leading to an uptick in engine shop visits. Fast forward to today, and according to both ASLE and AAR management, USM parts demand now far exceeds the available supply:

> ASLE CEO Nick Finazzo, Q2 2023 earnings call: I've said this before and I stand by the statement. There is not enough good USM to satisfy the demand for USM. The key is can you buy it at the right price, and can you stomach the long repair cycle that it takes to feed it into a repair machine and wait until you get it out two, three, four, five, six months later?
>
> AAR CEO John Holmes, Q4 2023 earnings call: Specifically, we expect interest in USM to remain robust…Notably, we do not expect additional USM supply to negatively impact our profitability. Instead, we believe it will lead to more growth as the availability of USM is currently a growth constraint.

The current shortage of new aircraft, combined with rising passenger traffic, has also resulted in increased demand for leased aircraft and engines as airlines have had to increasingly rely on leasing aviation assets to supplement their fleets. During its Q2 2023 earnings call, AerCap CEO Aengus Kelly noted these favorable dynamics and the positive impact they were having on AerCap's leasing business:

> …switching to the industry overall, I think it will be helpful to elaborate on how strong the demand environment is in comparison to the supply

> available in the market today…we are close to zero today, for what I would term, discretionary [aircraft] storage. With this avenue closed and demand continuing apace, the leasing channel is the airlines' best source of near-term lift.

According to numerous industry insiders, the ongoing shortage of new aircraft is unlikely to be resolved anytime soon. During the same AerCap earnings call just referenced above, AerCap CEO Aengus Kelly commented that he believed the current supply-demand imbalance would persist for several years due to difficult to resolve production bottlenecks and continued passenger growth from the easing of COVID restrictions in Asia:

> …when we think about the persistence of the situation today and why we believe this supply demand imbalance will last for several years into the future…The engine bottlenecks in the OEMs and MROs will not be resolved for a number of years…I also don't believe a scenario in which passenger yields soften due to a mild European or US recession…as the positive momentum from Asia emerging out of COVID restrictions is getting underway.

As such, commercial airlines will need to rely on older aircraft for several more years, which means that the commercial aftermarket is likely only at the beginning stages of what will be a prolonged period of prosperity and growth.

Recent, Massive Feedstock Purchases Provide ASLE the Inventory Needed to Fully Capitalize on the Favorable Industry Environment

The growth in ASLE's core business is dependent not only on customer demand but also on purchasing the necessary feedstock to meet this demand. The more airframes, engines, and whole aircraft the Company has on hand, the greater its capacity to generate revenue from its aftermarket customers.

In FY 2020 and FY 2021, ASLE was only able to purchase a modest amount of feedstock due in large part to a low number of aircraft retirements, driven by carriers sitting on large numbers of unused aircraft while waiting to see how traffic recovered post-pandemic. Although the amount of available assets finally began to increase meaningfully in FY 2022, the Company was only able to win around $50m of the more than $1.4Bn in bids it placed during the year, due to significant competition for feedstock from buyers with low IRR thresholds.

While the last two years were challenging, FY 2023 will be a banner year for ASLE regarding feedstock purchases. Beginning in late 2022 and continuing into 2023, many of the Company's competitors, who had been purchasing feedstock at a very low return expectation, have either been wiped out or forced to pull out of the market due to the current high interest rate environment. ASLE CEO Nick Finazzo explained this dynamic in more detail during the Company's Q4 2022 earnings call:

> So, we remain very disciplined, I'd say we won $50 million of deals last year. We won them. Those were properly priced deals. The rest – they're deals we could have won if we chose to raise our bid price and we

> didn't...And whoever bought those either has no cost of funds, no cost of fund requirement, no threshold, they'll take a super low margin, which on a risk adjusted basis, I don't know how they can justify making acquisitions...
>
> ...So, competition has been diminished [due to high rates], I would -- I think that we're at about 50% of the amount of competitors that used to bid are now bidding and our success rate is going up, because those companies that have been bidding, that have been somewhat successful now are tempering their bids based on their experience, the ones who survive, the other ones have gone away.

Due to this recent, dramatic shift in the competitive environment, ASLE has been able to purchase feedstock at a rapid pace in FY 2023. The Company has already purchased around $100m of feedstock through the first half of the year and expects to purchase at least another $150m in the second half. As of 6/30/2023, ASLE reported having a record $326.2m of inventory on its balance sheet. Assuming the Company meets its purchase target of $150m in the second half, we project that its already robust level of inventory will increase to a whopping $476.2m by year-end. The point being, ASLE now appears to have more than enough feedstock to fuel its growth for the next several years.

PP-Estimated Q4 2023 Flight Equipment Inventory

($ in millions)

	Actual Q4'22		Actual Q2'23	Projected Q4'23
Aircraft, Airframes, Engines and Parts	$183.5		$300.7	$450.7
(+) Aircrafts and Engines Held for Lease	$31.3		$25.5	$25.5
Total Inventory On Balance Sheet	**$214.8**		**$326.2**	**$476.2**
Growth vs. Q4'22 - %			***51.9%***	***121.7%***
Growth vs. Q4'22 - $			***$111.4***	***$261.4***

Source: Prescience Point estimates, SEC filings, and ASLE earnings reports and earnings calls.

Prescience Point Projects That the Core Business Will Generate a Record $93.3m of Adj. EBITDA in FY 2024

Given the large and rapidly growing amount of feedstock on its balance sheet and the current favorable industry environment, we project that ASLE's core business will generate record Adj. EBITDA results in FY 2024.

ASLE's multi-dimensional model provides it with a number of different avenues that it can use to monetize its feedstock, including aircraft and engine leasing, whole asset sales, and parting out assets for USM parts. Because the mix of how ASLE monetizes its feedstock can vary significantly from year-to-year or quarter-to-quarter, it does not make sense to construct a forecast based on projections for its individual business lines. Instead, we believe it makes much more sense to construct a forecast based on historical returns on invested capital ("ROIC").

Excluding FY 2020, when COVID lockdowns were in fulleffect, ASLE's ROIC averaged 11.3% from FY 2019 to FY 2022. Taking into account, 1) ASLE's ROIC has significantly increased since FY 2019 and was 14.6% in FY 2022, and 2) the current, highly favorable environment for aftermarket providers, we believe the ROIC of the Company's core business will be around mid-teens going forward. However, for the purpose of being conservative, our FY 2024 projection assumes that the core business will generate a ROIC that is in-line with its recent historical average of 11.3%.

Based on a ROIC of 11.3% and our estimate that total invested capital will amount to $486.2m as of 12/31/23, we estimate that ASLE's core business will generate $93.3m of Adj. EBITDA in FY 2024, representing a 96.4% or $45.8m increase from the midpoint of FY 2023 Adj. EBITDA guidance of $40m - $55m.

PP-Estimated Total Invested Capital As Of 12/31/23
($ in millions)

	Projected 12/31/23 (1)
Accounts Receivable	$31.9
(+) Aircraft, Airframes, Engines and Parts	$450.7
(+) Aircrafts and Engines Held for Lease	$25.5
(+) Other Current Assets	$47.8
(+) PP&E	$22.9
(+) Other LT Assets	$86.5
(-) Current Liabilities	($62.9)
Total Invested Capital	**$482.6**

PP-Estimated FY 2024 Adj. EBITDA For Core Business
($ in millions)

Average ROIC From FY'19 to FY'22 (2)	11.3%
Estimated Total Invested Capital As Of 12/31/23	$482.6
Tax-Effected EBIT	$54.5
(+) Taxes (3)	$17.2
(+) D&A (4)	$10.1
(+) Stock-Based Compensation (4)	$11.5
PP-Estimated FY'24 Adj. EBITDA For Core Business	**$93.3**

Source: Prescience Point estimates, SEC filings, and ASLE earnings reports and earnings calls
(1) Equal to reported total invested capital as of 6/30/23 + $150m of assumed feedstock purchases in 2H'23.
(2) Excludes FY'20 due to one-time impacts from the pandemic
(3) Based on estimated tax rate of 24%
(4) Estimate based on annualizing reported 1H'23 results.

Recent, Large Insider Buying is a Bullish Signal

On August 9th, ASLE shares sold off sharply, declining by 25.1% from $14.60 to $10.93, in reaction to the Company's Q2 2023 earnings report in which management disclosed that it was significantly reducing its full-year FY 2023 guidance.

In a strong show of confidence and alignment with shareholders, several members of management and the board immediately responded to the post-earnings decline by buying a large chunk of almost 207K shares for a total of $2.5m between August 11th and August 18th. The most notable and significant of these purchases came from CEO Nick Finazzo who purchased more than 182K shares for a total of $2.2m.

The fact that management and the board, and in particular the CEO, have stepped up to buy such a large number of shares is an extremely bullish signal. As Peter Lynch once famously said: *"Insiders might sell their shares for any number of reasons, but they buy them for only one: they think the price will rise."* It is also worth noting that Mr. Finazzo has only added to, and has never sold a single share of, his very substantial holdings since the Company went public.

ASLE Management And Board Stock Purchases Following Q2 2023 Earnings Report

Name	Title	# of Shares Purchased	Date of Purchase	Avg. Purchase Price	Total Cost
Nicolas Finazzo	CEO	31,237	8/15/23	$11.48	$358,501
		41,820	8/16/23	$11.59	$484,794
		7,000	8/16/23	$11.54	$80,766
		36,259	8/17/23	$11.71	$424,749
		55,965	8/18/23	$12.56	$702,697
		10,000	8/18/23	$12.70	$127,015
	Total	**182,281**		**$11.95**	**$2,178,521**
Andrew C Levy	Director	10,000	8/11/23	$10.88	$108,800
		4,000	8/14/23	$11.08	$44,320
	Total	**14,000**		**$10.94**	**$153,120**
Judith Ann Feder	Director	1,800	8/11/23	$10.83	$19,494
Martin Garmendia	CFO	2,000	8/17/23	$11.51	$23,010
Basil Barimo	President, MRO	2,500	8/17/23	$11.51	$28,775
Frederick Craig Wright	President, Asset Mgmt	2,500	8/17/23	$11.82	$29,550
James Fry	Executive VP	1,750	8/18/23	$12.74	$22,295
Total Purchases By Insiders		**206,831**		**$11.87**	**$2,454,765**

Source: Company filings with the SEC.

Valuation

As discussed previously, over the next 30–45 days, we expect final FAA certification and an initial, large order for AerAware to boost ASLE shares from the current share price of $15.59 to beyond $20. Over the next 12–18 months, we project ASLE shares will nearly triple, driven by a significant ramp-up in AerAware sales, along with a sharp reacceleration of growth in the core business.

In FY 2024, we project that ASLE's core business will grow significantly and generate Adj. EBITDA of $93.3m. We also project that the Company will generate an additional $62.0M of Adj. EBITDA from delivering 250 AerAware units to its launch customer in FY 2024. Adding these together, we estimate that ASLE will generate $155.3m of Adj. EBITDA in FY 2024, representing a drastic increase of 227.0% or $107.8m from the midpoint of FY 2023 guidance of $40m–$55m.

ASLE's peers in the aviation equipment and services market currently trade at a multiple of around 15x Adj. EBITDA. Given that ASLE generates higher margins and is growing at a much faster rate than its peers, we believe that ASLE shares should trade at a premium. However, for the purpose of being conservative, we have assumed that ASLE trades at a multiple that is in-line with its comps.

Based on our projection that ASLE will generate $155.3m of Adj. EBITDA in FY 2024 and assuming a conservative multiple of 15x, we value ASLE shares at $45.90. This represents a 194.4% premium to the current share price of $15.59.

ASLE Valuation	
($ in millions, except per share amounts)	
PP-Estimated FY 2024 Adj. EBITDA	$155.3
(*) EBITDA Multiple	15.0x
Implied Enterprise Value	$2,329.7
(+) Net Cash	$26.1
Implied Equity Value	$2,355.8
(÷) Shares Outstanding	51.3
PP Target Price	**$45.90**

Source: Prescience Point estimates, ASLE SEC filings.

Over the long-term, we believe that ASLE shares have a good chance of reaching and even exceeding $100 within the next three years.

ASLE management estimates that the total addressable market for AerAware is in excess of 16,000 aircraft which, assuming an ASP of $400K per unit, translates into a market size of $6.4Bn. Given this massive addressable market and the monopoly ASLE will have on this market for the next several years, we believe the Company's annual sales from AerAware could reach around 1,000 units or $400m. Assuming ASLE hits this target and using our previous estimate that the sale of 250 units generates an incremental $62.0m of Adj. EBITDA, we estimate that the Company could eventually generate $248m of Adj. EBITDA annually from AerAware. Management has also indicated that the Company is currently in discussions with OEMs like Boeing and Airbus about factory installing AerAware in new aircraft such as the 737 MAX and A320neo. If successful, then this would give ASLE a significant recurring revenue stream of 60%+ margins for many years to come.

In addition to the bullish long-term outlook for AerAware, ASLE's core business should continue to grow at an elevated pace for the next several years, as the Company continues to benefit from what should be a multi-year bull cycle for aftermarket service providers.

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