WHI SECURITIES

15 February 2011

MARKETING COMMUNICATION

MORNING COMMENT

Buy

Unchanged

Price	15p
Reuters/BBG	CLA.L / CLA LN
Index	FTSE AIM
Sector	Transport
Market Cap	£14.7m

Capital Lease Aviation*

H1 supportive of full year estimates

CLA posts a solid set of half year numbers, supportive of our full year estimates. Revenue increased 1.4% to US$7.9m which, off the back of reduced financing costs of $1.8m (following a refinancing of debt in the period), resulted in an increase in net post-tax profits of 18.7% to $2.2m (H110: $1.8m). This yields an EPS of 2.20 cents (H110: 1.86 cents). Net assets increased by 10.5% to $41.5m.

- We believe the existing portfolio of six aircraft continued to perform well in the period. The aircraft fleet currently comprises two Airbus A321-200's, three Fokker F100 jets and one Airbus A320. All are currently leased to quality airlines with lease expiries ranging from September 2012 to March 2015. The half year numbers are supportive of our full year expectations, which look for revenue of US$16.5m and pre-tax profit of $5.3m (+20% y-o-y).

- Further fleet expansion is planned although not assumed in our forecast horizon, the company seeking Airbus A320 series and Boeing 737 family of new generation aircraft. Although, during the downturn, aircraft valuations were under sustained pressure (but with finance harder to come by), more recently activity of some of the larger lessors / entrants has resulted in a more competitive pricing environment which, as the company puts it, 'has detracted from the economics of potential transactions'. That said CLA expect activity to return to a more normal level.

- The current share price continues to trade at a discount to historic NAV (25p) and also to the present value of future cash flows from the existing fleet. We believe the valuation anomaly to be over-discounting the risks, as such, we retain our Buy recommendation.

Y/E June	2009A	2010A	2011E	2012E
Sales ($m)	16.2	16.4	16.5	16.7
PTP ($m)	3.9	4.4	5.3	6.0
EPS (c)	3.08	3.85	4.42	4.91
EPS (p)	1.94	2.42	2.78	3.09
P/E (x)	7.7	6.2	5.4	4.9
DPS (c)	0.00	0.00	0.00	0.00
Net Assets ($m)	35.6	39.4	43.7	48.5
Net Cash/(debt) $m	(63.5)	(53.9)	(44.6)	(34.6)

*WH Ireland acts as Broker and Nomad. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research.

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Disclosures

WH Ireland Recommendation Definitions

Buy
Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

Outperform
Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

Market Perform
Expected to perform in line with the FTSE All Share over the next 12 months.

Underperform
Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

Sell
Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

Speculative Buy
The stock has considerable level of upside but there is a higher than average degree of risk.

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Share Price Target
The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

Stock Rating Distribution
As at the quarter ending 31 December 2010 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	18	40%	6
Speculative Buy	9	20%	9
Outperform	8	18%	1
Market Perform	4	8%	3
Underperform	3	7%	0
Sell	3	7%	0
Total	45	100%	19

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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*WH Ireland acts as broker and NOMAD to this company.