

DEALS REPORT: New lessor platforms emerge to tap investor demand

By Oliver Clark | 19 May 2023 - 10:20:05 GMT

Market uncertainty – whether it be around the future intentions of the US Federal Reserve and other central banks on further interest-rate hikes, or concerns over the possibility of the US government defaulting on its debt – seem not to have dampened investor appetite for the aviation sector.

In recent weeks, former Aergo Capital head of origination Martin Browne has announced the creation of a new leasing platform, stating on LinkedIn that he would be working "alongside some fantastic equity partners" and "the industry's finest aircraft traders".

Former AWAS chief executive Ray Sisson has meanwhile established a new platform called Tailwinds Aviation Leasing, which he tells Cirium is looking to build out a portfolio of mid- to late-life aircraft.

Industry sources say another former leasing executive is also contemplating the creation of a new debt platform with his new employer.

Separately, former Castlelake executives Mathew Adamo and Jared Ailstock have established a new business called AIP Capital. The business is primarily an asset manager, and has a servicing agreement in place to manage 777 Partners' Boeing 737 Max orderbook and delivery of the narrowbodies to the US investment firm's affiliate airlines.

But AIP Capital is also planning to tap investors interested in making equity and private capital investments in the space.

In an interview with Cirium, Ailstock said that despite elevated interest rates and the impact of the two "black swan" events of Covid-19 and the Russian-Ukrainian war, there remains plenty of appetite to invest in the aviation sector.

"There is a lot of really different and attractive ways to get yield in the environment we are living in right now. I think a lot of people have looked at different parts of that market and said 'Well, the risk/return in X, Y, Z investment is way better than aviation', and I think some of those participants wouldn't have said that a couple of years ago," says Ailstock.

He sees a particularly compelling opportunity to invest in mid-life narrowbodies such as the Airbus A320ceo and A321ceo and the 737NG, which he believes will remain in demand amid production delays at the big OEMs.

But Ailstock says investors need to take a long-term view of the industry, contrasting it with bonds or stocks that can be flipped in short order.

"Where we have seen success are folks that have either been coming into the space for the very first time, because they view the entry point as being a lot more attractive today because there isn't as much equity in the space, or guys who have been able to weather the storm and they view aviation as a core part of their strategy and they will continue to deploy equity throughout various cycles," he says.

Robert Jack, senior managing director at Volofin Capital Management, comments: "I think it must be more difficult to raise equity now than prior to the steep rise in interest rates. Investors who are not dedicated to aviation will be looking at relative value and where else they can put their money.

"One of the challenges for equity at the moment is, your leverage costs could be not too dissimilar from your unleveraged equity returns for some assets' offered pricing. and you need to ask: 'Does that make sense?'

"That, plus seller's high book values, is a reason why there is less trading now than there was previously.

"The industry has an insatiable demand for capital, ultimately, and I have been through so many periods where people have been absolutely worried about 'Where is the money coming from to finance this wall of aircraft that is coming towards us?' – and yet it's always been found.

"American institutional and private equity sources of capital are the most demanding about relative value, and yet they are still seeing value in this business."

DEALS

Start-up lessor **High Ridge Aviation** is no longer in the running to purchase **Standard Chartered's** aviation business, according to people with knowledge of the matter.

Panama's **Copa Airlines** has issued a request for proposals for the leasing or financing of nine Boeing 737 Max jets from its own orderbook, according to four people familiar with the RFP.

A special-purpose vehicle linked to **Carlyle Aviation Partners** has turned to the Delhi High Court seeking an order to deregister an Airbus A320ceo leased to **Go First**.

Singapore Airlines has cancelled orders for eight 737 Max 8s and converted three on-order 787-9s to the larger -10 in the group's latest reshuffle of its orders.

SIA has also issued notice that it will redeem 50% of the S\$6.2 billion (\$4.62 billion) zero-coupon mandatory convertible bonds that were issued in the depths of the pandemic.

Royal Jordanian has agreed to lease four Embraer 190-E2s and two E195-E2s from **Azorra**, and firmed up an earlier memorandum of understanding to purchase two more E2 variants directly from the Brazilian airframer.

Irish engine lessor **ELFC** has completed its purchase of the remaining shares in US engine parts and components company **INAV**.

Aergo Capital's asset-management division has placed two A330-300s formerly operated by **Singapore Airlines** with **Air Canada** on behalf of their Korean institutional-investor owners.

Aerolineas Argentinas is launching three engine-leasing requests for proposals for CFM and Rolls-Royce powerplants.

Thai Airways International plans to fold its wholly owned regional arm **Thai Smile** into the mainline carrier as part of its ongoing restructuring.

CDB Aviation has redelivered an A330-300 P2F converted freighter on lease to China's **Sichuan Airlines**.

The Chinese lessor has also filed to deregister two 737 Max 8s operated by **SpiceJet**, joining **SMBC Aviation Capital** in seeking to recover aircraft from the Indian budget carrier.

TrueNorth has finalised three-year operating lease agreements for two E190s with Swiss regional carrier **Helvetic Airways**.

Qantas will wet-lease two A330s from **Finnair** and deploy E190s on some Pacific Islands services as it targets returning international capacity to pre-Covid levels by March 2024.

Philippine Airlines plans to sell four inactive De Havilland Canada Dash 8-300s previously operated by its **PAL Express** unit.

UK-based conglomerate **SRAM &MRAM Group** has signed a memorandum of understanding to invest \$100 million in **SpiceXpress and Logistics**.

Setna iO has purchased one A319 powered by two CFM56-5B5/P engines that was previously on lease to **Air France** for disassembly.

EgyptAir is soliciting bids for one of its owned A320s.

Canadian lessor **Avmax** has sold and delivered one Dash 8-200 (MSN 497) to **Air Greenland**.

DELIVERIES

SMBC Aviation Capital has delivered the final A320neo (MSN 11469) to **Aegean Airlines** as part of a six-aircraft mandate.

Bulgaria-based **Cargo Air** has ordered a fifth 737-800SF freighter conversion from **Aeronautical Engineers**.

Avantair says it has placed a second Dash 8-400 on its AOC ready for operations. Cirium data shows the aircraft is managed by **Aergo**.

AerCap has delivered a fourth A321neo **Air India**, completing a mandate with the carrier.

Additional reporting by Michael Allen