BOEING CO AIRBUS GROUP — POSSIBLE CHOICES FOR AIRCASTLE'S 10 JET ORDER

News / Manufacturer

Aircastle Limited, a company that acquires and leases commercial aircraft, along with its Japanese partner is looking to acquire and lease as many as 10 new jets. Among various contenders, Boeing Co. and Airbus seem to have the lead. Aircastle seems inclined toward single-aisle commercial aircraft to cater to its growing demand among airlines. The company is willing to invest as much as $400 million to acquire 10 jets. The deal would be supported through its partner IBJ Leasing Co. — an affiliate of Mizuho Financial Group Inc.

The order will add value to the chosen manufacturer's order book. Both Boeing and Airbus Group SE (OTCMKTS:EADSY) are likely to go head to head for the order. Aircastle will offer the leased aircraft to Asian airlines that continue to witness a strong travel demand.

The aircraft-leasing company's fleet currently stands at 153 jets. The company will purchase the aircraft at discounted prices and lease back the jets for commercial use. This would also pose an opportunity for budget Asian airlines to expand their fleet and capitalize on the growing market in the region. Of the total 153 jets, its fleet has 111 narrow-body jets, 31 wide-body jets, and 11 freighter jets, as of March 31, 2016. Based on their net book value, narrow-body jets contribute 45%, while wide-body jets contribute 44% to the total value.

Aircastle is mainly active in Europe with 56 jets operating in the region. The Asia-Pacific region comes in second with 45 jets. However, in terms of net book value, Asia-Pacific region's total

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contribution is 38%, while Europe comes in second with 25%.

It has enjoyed a healthy growth in lease and rental revenue over the past few quarters. In the first quarter 2016, the company reported $183 million in lease revenue, up from $178 million reported in the same quarter last year.

The consolidated revenues declined 5% year-over-year (YoY) due to a decline in maintenance revenue. The company is likely to report growth in the coming quarters after the acquisition of 10 new jets. The acquisition may also offset the likely decline caused by lease expiration on other jets.

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