

Intrepid realigns business

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When Ron Anderson founded Intrepid Aviation in 1994, the plan was to lease medium widebody freighters and passenger aircraft for freighter conversions. Now, with a new senior management team, the lessor is realigning its strategy to focus on passenger aircraft leasing.

“Everyone is wondering if this is a restart or a new start. It’s actually a combination of both,” says Anderson, founder and executive chairman, Intrepid Aviation.

In mid-June the lessor began the first of several key management appointments by naming former Awas CEO Franklin Pray as the new president and CEO. Within two weeks it also hired John Shavinsky, joining from CIT, as its new chief operating officer and Volker Fabian, formerly with Amentum, as its new chief commercial officer. The new team will be based in New York as the company expands to 30 people.

“We think there’s ample business to be done outside of the freighter space and grow the business profitably,” Pray says.

Intrepid will avoid the crowded market of new narrowbodies and sale/leasebacks targeted by the newly established lessors, like Air Lease Corporation, Avolon and Jackson Square Aviation. Instead it will focus on larger aircraft like the A330-300, as it works to convert its order for freighters in to the passenger version.

Freighter focus

Intrepid has mainly focused on medium widebody freighters or cargo conversions for the A330, A340, 767 and 777.

In 2006 Intrepid Aviation received a \$250 million equity investment from Reservoir Capital, a privately held investment firm based in New York.

Later that year, the lessor signed a letter of intent to purchase 20 A330-200Fs, making Intrepid Aviation the launch customer for the type. The order was also the largest order placed from a lessor.

At the time, the freighter cycle was stabilizing and lessors, like BOC Aviation and DAE, began taking a new interest in the market as they looked to diversify their portfolios. BOC Aviation ordered five A330-200Fs in 2008.

Financiers were also showing interest in freighters. In January 2008, Deucalion, a fund established by DVB Bank, ordered eight 777 Freighters. Deucalion leased the aircraft to AeroLogic, a joint venture between Lufthansa Cargo and DHL Express.

“The freighter market has changed significantly from when Airbus first launched the programme,” Pray says. “We still feel there’s a market for the A330F, but just not as big to be supported by 20 aircraft in the backlog we have.”

Realignment

Intrepid will negotiate with Airbus to convert the majority of the A330Fs into passenger versions, with the first delivery is scheduled for 2013.

“What we’re doing is building a much larger platform around the A330-200 and with the option of converting part of the order into passenger aircraft—which is where the real demand for A330s is right now,” Anderson says.

The lessor has a sizable order commitment—worth about \$2 billion—that is attractively priced. It also has a \$250 million commitment from Reservoir Capital to help grow the business beyond the A330 order.

In order to expand, the company will consider acquiring portfolio. Pray says portfolios about the size of the Amentum portfolio—worth about \$800 million—may provide real value.

“In my career, I’ve always looked at myself as a consolidator rather than a consolidate,” Pray says. “So part of that plan is to be part of a consolidation wave in the business that I see will happen over a year or two,” Pray says.

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Learning from the lessons of the more established lessors and his own experience at Awas, Pray says Intrepid Aviation will aim to diversify its funding with bank debt and various capital markets transactions. Though he would not discuss the details of any transaction.

“For a good and well-structured leasing business, managing the capital structure of the business is as important as picking the right assets,” Pray says.

In the short term, Intrepid Aviation will first focus on its A330 order before exploring the acquisition of aircraft portfolios.

“The key is that we’re looking at the A330Fs as the nucleus to build something significantly bigger.”

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