

SMBC AC profit climbs on recovery

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Japanese bank-backed lessor SMBC Aviation Capital (SMBC AC) has posted a \$94 million pre-tax profit for the first half of 2021, growing from a \$17 million profit in the same period last year as signs of a recovery begin to show across the industry.

“We are continuing to see very positive signs across the market as the recovery strengthens. While challenges remain, we are entering a more normalised operating environment,” commented Eithne Manning, acting chief financial officer of SMBC AC.

“Our H1 profitability reflects the positive trends that have underpinned our improved performance. We are very encouraged as we see growing airline and investor demand for our aircraft. As anticipated, the short-haul and low-cost sector is driving the pace of the recovery in several key markets as travel returns and the vaccine roll-out continues.”

The lessor placed 31 aircraft from its Airbus A320neo and Boeing 737 Max orderbooks during the April-September period, with its portfolio comprised of 82% narrowbodies by net book value.

Around \$4.4 billion of new technology transactions have been made by SMBC AC since the onset of the Covid-19 crisis, of which \$3 billion were delivered as of 30 September.

“Our ability to deploy capital flexibly, allied with our young, narrowbody-focused portfolio, which is comprised of 61% new technology aircraft that are the most fuel efficient, lowest polluting technology on the market, has us very well placed to take advantage of the opportunities being presented by the recovery as we move into the second half of the financial year,” added Manning.

The company’s owned and managed portfolio comprises 518 aircraft, Airfinance Journal’s Fleet Tracker shows.

SMBC AC also noted a recovery in investor demand, demonstrated by six aircraft sold and letters of intent or contracts signed for a further 10 during the period.

Total assets were \$16.6 billion as of 30 September 2021, \$1.5 billion higher than prior-year period, reflecting increased aircraft acquisition activity.

Shareholder support from SMBC and Sumitomo Corporation amounted to \$11.8 billion, including \$3.1 billion of equity and \$8.7 billion of debt financing.

In October, SMBC AC issued a second \$500 million bond, capitalising on A- ratings and industry-leading pricing levels, it said. Average cost of debt was 3.1% as of 30 September, reflecting the ability to secure competitively priced debt, it added.

The lessor had available liquidity of \$4.2 billion from diversified funding sources with a 100% unencumbered asset base at the end of the period.

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