

Two bidders circle Vmo portfolio

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Aircraft lessors SMBC Aviation and DAE have emerged as lead bidders to acquire Vmo Aircraft Leasing following a second round of bids, say sources familiar with the process.

However, a final [decision regarding the Morgan Stanley-led sales process](#) is still “weeks away”, a source says, adding “nothing is final at this stage”.

Vmo’s fleet includes 12 Airbus A321s, five A320s, three A350-900s, 10 Boeing 737-800s and five 787-9s, according to Airfinance Journal's Fleet Tracker,

The lessor declined to comment on AFJ's story. Morgan Stanley and the bidders were unavailable at press time.

[The timing of Vmo’s sale](#) comes at a critical point for operating lessors that are looking to raise funding for refinancing needs. Should lessors secure funding now or wait?

The US Federal Reserve is expected to cut interest rates this year from their current 23-year high as the economy nears its 2% inflation target. The central bank has cautioned against a rush to cut interest rates and is yet to commit to a specific date for a shift in policy.

Its chair, Jay Powell, has indicated that three quarter-point cuts are likely this year.

Meanwhile, the OECD said in its economic outlook released this month that inflation would fall to target rates by the end of 2025 for most G20 countries.

It warned that central banks should not cut interest rates too early or risk inflation staying above the 2% target for an extended period.

Lessors took advantage of attractive borrowing costs for years and enjoyed lower funding costs in 2022 than in 2018, AFJ's data shows. However, lessor financings, [especially during the first half of 2023](#), showed a hefty uptick in pricing.

Avolon priced a private offering of \$750 million of 6.375% senior unsecured notes last May, the same day regulators took over San Francisco-based First Republic Bank, while most of its operations were sold to JP Morgan Chase.

SMBC Aviation Capital and BOC Aviation secured financings the week before. The Japanese-owned lessor priced \$650 million in 5.45% senior notes at 99.831, yielding 5.489% for the five-year deal.

BOC Aviation' issued a \$500 million 10-year bond, which was issued at US treasuries plus 160 basis points at 98.910, yielding 5.015%.

Before that, Macquarie Airfinance closed an unsecured offering totalling \$500 million. The private placement of senior notes was priced at 8.38% on 21 April. Sources indicated at the time that the lessor opted for an unsecured deal as part of its journey to achieve an investment-grade rating.

As previously reported by *Airfinance Journal*, Vmo could attract pricing in the \$1.6-2.5 billion range after the first round of bids was north of the \$2 billion mark.

According to sources, AerCap, Avilease, Avolon, Dubai Aerospace Enterprise, High Ridge Aviation Capital and SMBC Aviation Capital participated in the second round of bids.

The lessor’s shareholder, [Ares Management, started a formal sales process last year](#).

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