Clover Aviation outlook improves to positive

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Moody's Ratings has changed the outlook of Hong Kong SAR-based Clover Aviation Capital to positive from stable, reflecting its expectation that the lessor will maintain its capital adequacy and continue to improve its profitability on the back of stronger aircraft trading volume and leasing income in the aircraft leasing sector.

“We expect support from Mizuho Bank, Ltd. (A1 stable, Baseline Credit Assessment baa1) for the company to continue. The bank upsized its revolving facility to US$500 million from US$300 million and converted such facility into unsecured financing in 2024, which will enhance the company's liquidity,” it said.

On 28 October Clover Aviation Capital confirmed the upsizing of Mizuho Bank’s unsecured revolving facility by $200 million to $500 million.

“We are grateful for Mizuho’s continued trust. This upsized loan positions us well to capitalize on emerging opportunities in the aviation market,” said Mabel Peng, senior vice-president and head of financing at Clover.

“Mizuho’s Facility underscores Clover’s pride in being part of proactive innovation together with client initiatives, which strengthens our collaborative efforts and enhances our collective capabilities, setting a solid foundation for more achievements,” Peng added.

Clover’s three stakeholders include Mizuho Bank, Mizuho Leasing and Ping An Leasing. As of June 2024, Clover Aviation Capital was 80.5% owned by a limited partnership (LP) incorporated in the Cayman Islands. The LP is 50% owned by Mizuho Bank and 19.8% by Mizuho Leasing Company Limited. Mizuho Bank holds $80 million in preference shares in Clover Aviation Capital under a framework agreement.

“Our expectation that the company's profitability will improve over the next 12-18 months incorporates its increasing lease rate on the back of high demand from airlines, and its lower funding costs. The company's aircraft trading volume and profitability will likely continue to increase. As an aircraft lessor whose operating scale is relatively small, Clover Aviation Capital has a concentrated asset portfolio, but its track record of securing diversified and high-quality clients and fleets lowers its asset quality risks. Its secured debt ratio will likely improve as it replaces some of its secured loans with unsecured credit facilities from multiple banks,” said Moody’s.

The rating agency has also affirmed the lessor’s Baa3/P-3 foreign and local currency long-term and short-term issuer ratings.

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