

M&A opportunities abound in regional leasing

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M&A activity in the leasing space could accelerate this year, especially in the regional aircraft market.

[Following the announcement of the Nordic Aviation Capital sale](#), more regional aircraft platforms, and therefore assets, could change hands over the next two years.

One source confirms to *Airfinance Global* that the market is starting to “actively looking” at potential transactions.

“There are several discussions on potential transactions that we're currently looking at now on the M&A front. We're certainly seeing more interest from current owners for M&A transactions. And on the back of a busy final quarter in 2024, we are going to see a little bit more lessor consolidation to start to take place,” the source comments.

Abelo

Turboprop aircraft specialist Abelo Aviation Capital has been looking at an equity raise to potentially fund its growth. Abelo will be three years old this June.

In 2022 regional aircraft leasing company Elix Aviation merged with Adare Aviation Capital to form leasing platform Abelo.

Elix, owned by funds managed by Oaktree Capital Management, initiated the merger to enable further investment in the regional turboprop sector and to introduce an experienced new leadership team.

The lessor has transformed its business by tidying up its asset-backed securities, reinforcing its market presence with a new ATR orderbook and cleaning up its portfolio by selling assets to commit to new aircraft.

Elix Aviation Capital was formed with strong exposure to the US market. Since then, the company has diversified to other regions including Europe, Africa and Asia.

Elix Aviation Capital signed for the short-take-off-and-landing (STOL) variant of the ATR42 – the ATR42-600S – as the launch customer in 2019, but Abelo Aviation Capital recently converted the order into a mix of five ATR42-600s and five ATR72-600s, after the turboprop manufacturer paused the programme in late 2024. Additionally, Abelo has expanded its fleet by firming up orders for three ATR72-600s.

Prior to the ATR42-600S conversion announcement, Abelo had an order for the ATR42-600 model with deliveries expected from 2025 onwards.

The Ireland-based turboprop lessor also worked on its refinancing facilities last year. The \$190 million refinancing deal was agreed with a syndicate of banks last year. MUFG, Societe Generale and Deutsche Bank are acting as underwriters.

The lessor started to draw the facility, which has a five-year term and covers a total of 20 ATR42/72 aircraft, in December 2023.

According to *Airfinance Global* Aircraft Intelligence, Abelo's fleet includes 23 ATR72-600s, one ATR42-600, 10 ATR72-500s, one ATR72-500F, and seven ATR42-500s, plus eight De Havilland Dash 8-200s, five Dash 8-300s, four Dash 8-400s and two Dash 8-100s.

Abelo ended 2024 with clearer strategy and a respected franchise benefitting from its shareholder support from Oaktree Capital Management.

Oaktree's investment is probably for another three to four years and the private equity company during the period look at an exit scenario. Current discussions to raise equity are likely to be more around the NAC process and the opportunity to acquire assets from the lessor.

One opportunity could see Abelo acquiring some assets from Dubai Aerospace once the NAC portfolio acquisition closes. Abelo would probably not be interested in the Embraer 190 fleet, but would be in the ATR -600 fleet.

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Aviation

One regional aircraft lessor that could also be on the move is Avation.

The Singapore-based leasing company has been a target for a potential acquisition.

Azorra's rumoured interest in Nordic Aviation Capital last year also led to speculation that Avation, too, could become a takeover target amid recent M&A activity in the leasing industry, which is expected to increase.

Airfinance Global reported that the Avation was viewed as a more realistic takeover target than Nordic Aviation Capital for Azorra Aviation, which is backed by Oaktree Capital. Talks between the two parties were reported last November.

"I wouldn't be coming to the organisation if this was the pinnacle of Azorra's ambition. The objective is to continue to grow the business," said Damon D'Agostino on joining Azorra Aviation earlier this month.

Following the talks involving Avation, the Singapore-based lessor completed a buyback of 7.8 million shares at £1.50 apiece, worth £11.7 million (\$14.3 million), last month.

The repurchased shares represented a 10.5% stake in Avation and will be held in treasury. Executive chairman Jeff Chatfield noted the shares were repurchased at a 47% discount to Avation's last reported net asset value of £2.85 per share, making the buyback 'highly accretive to all residual shareholders'.

Chatfield said the move underscored the "deep value" the company see in its shares, including the fully utilised fleet and the growth pipeline embedded in the ATR orderbook and purchase options.

"We will continue to pursue all avenues to manage the capital structure and maximise shareholder value, including further accretive transactions of this nature," he said last month.

On 15 January London-listed Avation had a market capitalisation of roughly \$100 million, with a 34-aircraft portfolio, including 15 ATR72-600s, four ATR72-500s, five Airbus A220-300s, six A321s, two A320s, an A330-300 and a Boeing 777-300ER.

Truenoord

Private equity had moved into the regional aircraft sector before Covid.

In 2019, Brookfield Asset Management acquired a majority interest of 62% in Oaktree Capital.

Brookfield Asset Management has invested in Falko/Chorus, Oaktree Capital in Abeló and Azorra Aviation. Both Abeló and Azorra Aviation are significant entities but they are independent funds managed by different partners.

Global credit investment firm HPS Investments has expanded into the aviation leasing market through the acquisition of Falko last year from Chorus Aviation.

In early December global asset management firm Blackrock entered into a definitive agreement to acquire HPS Investment Partners in a reported \$12 billion transaction, with 100% of consideration paid in Blackrock equity.

Truenoord is owned by several investors' funds including majority holder Blackrock, Aberdeen Asset Management and private equity firm Freshstream (previously Bregal Freshstream).

In June 2017 funds managed by Blackrock co-invested in the Amsterdam-based regional lessor's portfolio of leased aircraft assets, alongside Bregal Freshstream who invested in the company through a capital increase programme in 2016. At that time the GA-Finance name, which had been established by founder and chief executive officer Anne-Bart Tieleman in 2002 was swapped for Truenoord Regional Aircraft Leasing.

One source opines that Truenoord could potentially change ownership next year, although this is at a premature stage.

Truenoord is rumoured to be in early discussions but realistically the timeline is not this year, according to the source.

"The key is finding the right partner that can be flexible, and source the adequate capital for growth," the source said.

Another source opines that shareholders in Truenoord could seek an exit through an initial public offer (IPO) in two years' time.

Like Abeló, Truenoord has been building relationships with banks as it grows its portfolio.

Last year it secured a new five-year term loan with German financier Bayern LB, following the announcement of its first provision of capital to the lessor in 2023, as part of a multi-lender term loan.

In 2023 it added a new banking partner, Deutsche Bank, through a new term loan, Airfinance Global Market Intelligence shows.

Truenoord's \$400 million revolving warehouse finance facility provided by Citibank, Societe Generale Corporate & Investment Banking, Royal Bank of Canada, and Nord LB has financed NAC acquisitions as well as ATR42-600 sale and leaseback transactions. The 2022 revolver has a five-year term and can be extended further by an accordion feature.

Another warehouse finance facility, signed in 2023, has a four-year term.

Its five-year \$275 million term loan, which was signed in 2023, finances a portfolio of 31 owned regional jet and turboprop aircraft. That facility was arranged by Morgan Stanley as sole structuring agent and lead placement agent. Citigroup Global Markets, RBC Capital Markets, and SG Americas Securities acted as joint placement agents and MUFG Bank and Bayern LB as mandated lead arrangers.

The lessor continues to build its platform through portfolio acquisitions involving popular regional aircraft.

Last September it finalised the purchase of an additional eight aircraft from NAC including seven E190s and a single Dash 8-400. The lessor novated 29 aircraft from NAC, including this transaction, last year.

Last month Truenoord completed the purchase of seven ATR72-600 aircraft from German asset manager, GOAL Aircraft Leasing, acting on behalf of KGAL. The turboprop investment allowed the lessor to pass the 100-aircraft fleet mark.

The Truenoord 103-aircraft portfolio includes 23 ATR72-600s and four ATR42-600s, but the lessor has also a large exposure to the Embraer models with six E170s, eight E175s, 36 E190s, seven E195s and six E195-E2s. Its portfolio also includes 10 Dash 8-400s, two MHI-Bombardier CRJ900s and a single A330-300 that was recently leased to Maldivian.

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