

# EETC revival expected with more deliveries and refinancings

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Demand for EETC financing is expected to rise as new aircraft deliveries increase and North American airlines focus on paying maturing debt, partly through new borrowings.

The pivot is expected after a limited number of issuances over the past two years. [United Airlines](#) is the only airline to have issued publicly rated EETCs during that time: \$1.3 billion (class A) in 2023, followed by \$1.35 billion (classes AA and A) in 2024.

However, an uptick in new EETC issuances is expected, with S&P Global noting several inbound inquiries regarding existing and potential offerings. It noted several EETCs mature this year and in 2026.

Meghan Montana, the senior vice president and treasurer at [American Airlines](#), echoed that view earlier this month, saying more airlines would consider issuing EETCs in 2025.

“I think EETCs will be competitive with how tight spreads are,” she said at the ISTAT Americas event.

However, due to the carrier’s delivery delays, American has prioritised bilateral structures.

Montana stated that the carrier is taking delivery of aircraft it financed in April and May of last year, highlighting the delays in its new asset schedule.

## Rising Tide

According to S&P Global, the “modest pace” of EETC issuances can be attributed to two factors. First, airline credit profiles for the most seasoned issuers — namely, US network carriers and Air Canada — have improved in recent years, with a strategic focus that includes steady debt reduction. Also, improvements in earnings and cash flow have contributed to the generation of free cash flow, enabling certain airlines to self-fund aircraft purchases.

Second, lower-than-expected aircraft deliveries have resulted in uncertainty and reduced the availability of new aircraft collateral that would have been potentially financeable otherwise.

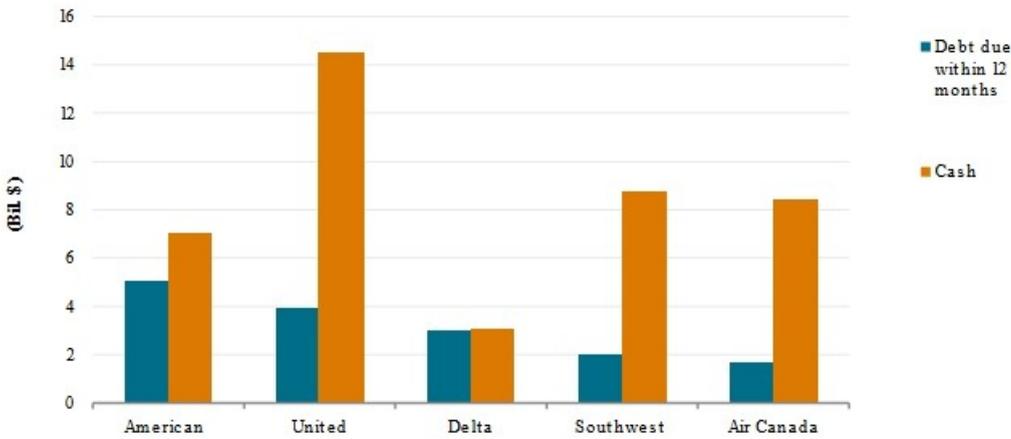
However, that pace is set to change. S&P expects increased demand, driven by new aircraft deliveries as OEM constraints ease. Additionally, larger airlines face looming debt payments, and S&P expects a portion of their short-term debt maturities to be refinanced with new debt.

The largest North American airlines could fund current debt with cash on hand. However, S&P noted that a minimum level of cash on hand is necessary to maintain operating flexibility. For this reason, it assumes that most — if not all — airlines will refinance a portion of their debt coming due.

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Chart 1

**Short-term debt and cash on hand for larger North American airlines**  
As of Dec. 31, 2024



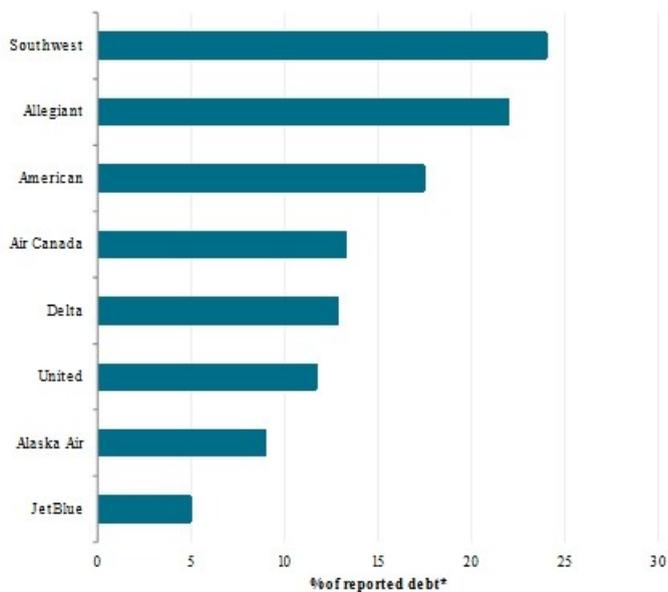
Source: S&P Global Ratings.  
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According to S&P, debt maturing within the next 12 months (as of year-end 2024) is 12-17% of total debt for US and Canadian network carriers

## Near-Term Maturities A Modest Share Of Total Debt For Most

Chart 2

**Selected North American airline debt maturing within 12 months**



\*Includes finance leases. Source: S&P Global Ratings.  
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## Debt Mix

There is no prescribed threshold for distinguishing between unsecured and secured debt that affects a given issuer's credit rating.

However, S&P believes most airlines would prefer to target a higher share of unsecured debt relative to the current mix. In doing so, available secured borrowing capacity would presumably increase, adding financial flexibility.

On the other hand, secured debt issuances are usually advantageous from a yield perspective, though the current spread differential is narrow.

"We believe this will remain the case for EETCs, namely as the value of new and used aircraft remain strong, and likely applies to loyalty program-backed debt, and slots, gates, and routes financings," it added.

North American airlines are expected to maintain flexibility to address debt maturities at least through the end of this year.

Most have access to a wide range of financing options due to ample unencumbered assets that can potentially be used as collateral. Cash positions also remain favourable, said S&P, and in some cases, significant.

## Higher values

EETC upgrades, which have been "widespread" since 2023, also support an expected increase in new issuances. This is driven by improved airline credit profiles for the most seasoned issuers and the strength of EETC valuations.

Delta Air Lines, United, American, and Air Canada upgrades have underpinned the higher EETC ratings since 2023.

EETC ratings range from AA to CCC+ in North America. American Airlines holds the most rated EETCs with a total of 20, including B+ (2013-1A due 2025) to AA- (2016-1AA, 2016-2AA, 2016-3AA, 2019-1AA). United's 2015-1AA, 2024-1AA and Delta's 2020-1AA represent the three EETCs rated at AA. Air Canada (2018-1, 2020-2) holds two Class B ratings at A+, while Spirit Airlines (2017-1B) accounts for the CCC+ rating.

Higher-than-expected aircraft values have led to "widespread increases in collateral credit," contributing to higher ratings. Additionally, higher collateral credit resulted from lower loan-to-value (LTV) ratios, as collateral assessments remained generally unchanged. It noted base values are relatively stable amid steady debt amortisation, although the current market value is "much higher."

S&P concluded by noting that new aircraft delivery constraints and engine reliability issues will take time to address, with "no signs" that narrowbody and widebody demand is slowing. Additionally, recent aircraft monetisation and deferrals by certain rated issuers are "not related to any expected softening in demand."

Instead, it's linked mainly to lower planned capacity.

Separately, Airfinance Global has plotted the most significant global airline backlogs against AFG's latest Airline Financial Ratings to assist lenders and lessors in developing their transaction targets. Airfinance members can view the chart and full report here: [How to spend it: OEM backlogs for investors | News | Airfinance Global](#)

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