

Aircastle secures ratings upgrade

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S&P Global has raised its issuer credit rating on [Aircastle](#) to BBB from BBB-, as well as on the lessor's senior unsecured notes to BBB from BBB- and the preferred stock to BB+ from BB.

The outlook is stable.

The move follows discussions about the likely rating action on recent earnings calls, with the lessor emphasising its improved fleet mix amid ongoing supply constraints, which have resulted in lease extensions and favourable rental returns to support the upgrade.

In May, S&P changed its outlook for the lessor to positive, with the revision supporting the anticipated rating action.

Commenting on the upgrade, Aircastle said the new rating recognised the "continued growth of its primarily narrowbody fleet, the strength of the franchise, and strong support from its shareholders".

S&P's positive outlook for the lessor reflects the view that credit metrics will remain "largely steady", supported by strong market demand, offset by higher debt and interest expenses associated with its fleet expansion.

"We believe Aircastle will continue to see strong lease rates, with lease yields of around 10% through fiscal year 2026. We also forecast aircraft values will remain high, backed by favourable demand dynamics," said S&P.

S&P noted that "uncertainty" remains regarding the potential impact of announced and proposed US tariffs on the aviation sector; however, it believes Aircastle and most of its leasing peers are generally well-positioned to manage these risks.

As of 31 May, Aircastle's narrowbody and new technology aircraft accounted for 91% and 46% of its net book value, respectively, up from 87% and 37% a year ago.

Aircastle's fleet had a weighted average age of 8.9 years, which is slightly higher than the industry average of four to eight years, and a weighted average remaining lease term of 5.6 years, at the lower end of the industry average of five to eight years.

Nevertheless, S&P believes aircraft shortages and favourable demand dynamics "somewhat offset" the risk of re-leasing and lower fleet utilisation in periods of market weakness.

Aircastle's geographic diversity aligns with that of other aircraft lessors, with 27% of its fleet (based on net book value) leased in the Asia-Pacific region, 27% in Europe, and 41% in the Americas, it added.

The lessor expanded its fleet to 264 owned aircraft as of 31 May, up from 250 owned aircraft a year prior.

The rating agency expects Aircastle's credit metrics to remain stable through fiscal year 2026.

"While the sale and leaseback and secondary markets remain competitive, we expect Aircastle to continue to spend \$1.5 billion to \$2 billion a year on acquiring new aircraft, resulting in higher debt and interest expense. This is slightly offset by strong gain on sale of older aircraft, with aircraft prices supported by supply constraints," it said.

It anticipates EBIT interest coverage to be 1.3-1.5x through fiscal year 2026 (1.3x in fiscal year 2024) for Aircastle. It also expects the ratio of funds from operations to debt to remain between 6% and 9%, and the debt-to-capital ratio to be around 70%, through fiscal year 2026 (in line with 7.8% and 67.7%, respectively, in fiscal year 2024).

S&P believes the lessor continues to benefit from its ownership structure, including Marubeni and Mizuho Leasing.

"In addition to facilitating greater access to the Asian banks market, which resulted in a \$600 million unsecured revolver and a \$600 million unsecured term loan, shareholder-supported liquidity includes \$600 million of unsecured revolvers to Aircastle," it added.

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The shareholders also contributed \$500 million of new equity between fiscal years 2023 and 2024.

S&P said the BBB issuer credit rating on Aircastle includes a one-notch uplift to the company's bbb- standalone credit profile to reflect potential ownership support.

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