

Genesis Lease hopeful about fuel-efficient aircraft

10 August 2008 By Éibhir Mulqueen

Genesis Lease, the Shannon-based, New York Stock Exchange-listed aircraft leasing company, is banking on its strategy of leasing new generation, fuel-efficient aircraft in diversified markets to ride out the economic downturn.

Limerick-born chief executive John McMahon said new Boeing 737s which, along with A320s, make up the bulk of his fleet of 53 aircraft, were up to 7 per cent more fuel-efficient than older generation ones.

This, he said, was an important consideration for airlines as oil prices look set to remain high.

The average age of his company's A320s and 737s was 5.3 years, he said, and they are leased to 35 airlines in 19 countries. Avoiding "undue exposure" to any one airline or geographic region would also help insulate the company from economic shocks, he said.

Genesis, an 18-month old company, has released second quarter results showing a 25 per cent increase in rental revenues, to \$52 million, on 2007, over a period when it increased its fleet from 41 to 54 aircraft.

Net income was reduced from \$11.4 million to \$9 million, partly as a result of the bankruptcy of Hawaiian carrier Aloha Airlines, which left Genesis with the premature return of two Boeings. "Adjusting for this impact, net income would have been \$10.2 million," the company stated.

Its share price has tracked airlines' prices in performing poorly recently, but McMahon was bullish about the company's prospects.

"Despite the perceptions that are out there in terms of airlines and finance companies, at the business level our business is performing well."

He said Genesis was well positioned to benefit from 'sale and lease back' agreements with airlines anxious to avoid capital outlays for aircraft purchases.

"Airlines have ordered thousands of aircraft over the past few years, and those aircraft will be delivered over the coming years. Their ability to take on those aircraft is probably OK from a cash flow point of view, but they might not be able to finance the capital cost of acquiring them.

"There is an increasing number of those."

According to Ascend Worldwide, a London-based consultancy, leased planes are expected to rise to 45 per cent of the total global fleet by 2017 - from today's figure of around 33 per cent.

Genesis has 20 permanent employees in Shannon, and has servicing and business agreements with GE Commercial Aviation Services (GECAS). GE has an 11 per cent stake in Genesis.

McMahon added that Genesis would be expanding its fleet over the coming months and would continue its preference for single-aisle Boeings and Airbuses.

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