The oldest aircraft leasing company – GE Capital Aircraft Services (GECAS) turned 50 in September. After a brief celebration, the company is firmly focused on the future with the anticipated launch of its new investment platform – Einn Volant Aircraft Leasing (EVAL) – with Caisse de dépôt et placement du Québec (CDPQ). Victoria Tozer-Pennington speaks to GECAS president and chief executive Alec Burger.

General Electric already has a firm place in aviation history in the development of the modern jet engine with the Bell X P-59A that used two versions of Sir Frank Whittle's turbojet engine, but it also closed the first aircraft lease transaction in September 1967 for three DC9-30s to Allegheny Airlines. GECO Leasing Corporation – now known as GE Capital Aircraft Services (GECAS) has come a long way in 50 years and has been at the forefront of the development of the leasing industry, participating in many significant milestones along the journey: the purchase of Polaris Aircraft Leasing in 1986 and Guinness Peat Aviation (GPA) in 1993, as well as kicking off engine leasing in 1999.

“It really is an amazing achievement,” says Alec Burger, chief executive of GECAS. “I’ve been with General Electric for 27 years but with GECAS for just two years. It is almost humbling to see how this business has evolved and grown over that period.”

The company held some internal regional celebrations in September but although a brief period of reflection is more than justified after 50 years in the business, there is an internal push to ensure the leasing company remains competitive. “It’s a great moment to look back but I would also say that we’re over it. There is a huge desire and commitment to keep this business at the top of the game,” says Burger. “That means investing time to consider current trends and our strategy to continue to compete and win, as well as continue to be able to attract and retain some of the best people in the industry.”

Expansion beyond the constraints of its balance sheet is one of the elements in GECAS current growth strategy, which is why it entered into a new agreement with institutional asset manager Caisse de dépôt et placement du Québec (CDPQ) in June of this year to establish a $2bn global aircraft financing platform, named Einn Volant Aircraft Leasing (EVAL).

“Coming into GECAS, it was clear that we have an extremely global business and where there is almost more opportunity to invest than we have on our balance sheet,” explains Burger. “We identified an opportunity to work with a like-minded investor, which was attracted to the aircraft finance business. The EVAL platform, when compared to the broader strategy for our business, fits with the consensus that we plan to pursue modest growth in terms of our on-balance sheet acquisitions but we will grow our asset management or off-balance sheet vehicles.”

GECAS has a large portfolio of airline customers, having an off-balance sheet vehicle will allow the lessor to expand those relationships that are reaching capacity in terms of single airline exposures.

The platform will focus on sale-leaseback transactions for new technology aircraft with diverse global airlines. GECAS will source the transactions and will co-invest in aircraft ownership opportunities alongside the platform to further align its interests with those of EVAL. GECAS will also act as servicer for the platform.

“Current portfolio is weighted towards narrowbody aircraft,” says Burger, “since as commodity items they are easier assets to redeploy; With that in mind, this vehicle will look somewhat similar to our portfolio but there will be some widebody assets, while it will be capable of a slightly higher percentage of non-GE product assets.”

While a large number of GECAS’s current global fleet currently is powered by GE engines; Burger says that the sidecar vehicle provide more capacity for non-GE and CFM engines, expands EVAL’s flexibility to be more present and competitive on the purchase-leaseback market.

Although the $2bn initial investment target seems high, it will likely reach that target relatively quickly once the delivery streams of new technology aircraft start to ramp up again. However, Burger says that $2bn is a good starting point for this new venture with CDPQ.

“Our view is that number is a material starting point, which is something we will evaluate going forward,” he says.

The intention is for the venture to source 8/500 million worth of new business each year but this is a fluid plan. “One of the things we love about working with CDPQ is the degree of flexibility we have to assess deals as they emerge without any real constraints. I feel very confident that we’ll right size the total fund amount when it makes sense to do more.”

GECAS has a long history with CDPQ as...
an investor and partner in its commercial real estate business but this is the first time the company has participated in aircraft finance.

“People often describe the difference between real estate and aircraft, is that you can move the latter,” says Burger. “Both industries are very global, very transaction-oriented business and include very long-term relationships.”

The roadshow process was an enlightening journey for Burger. “When we began to raise money for the new sidecar, I found it was surprisingly easy because GECAS is so well respected in the marketplace. We ended up in the finish line with three really world-class investors that wanted to back the deal that GECAS and that was probably an amazingly high-class problem to have. Your decision to partner with just three investors.”

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**President and CEO**

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Alec joined GE in 1997 and was named a GE Company officer in 2007. He is a GE veteran with a proven record of building GE Capital’s businesses in the North America and Europe and is known for developing talented teams.

Prior to that, Alec held a number of leadership positions both in the U.S. and England for GE Capital’s Equipment Leasing Business, including business development for European Equipment Finance, managing director and subsequently Six Sigma leader for Vendor Financial Services.

Before joining GE Capital Real Estate’s UK division, Alec was vice president of business development and led a number of major strategic real estate acquisitions in the U.S. including Helix Financial, Decks and Security Capital.

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