AZUL SEEKS RESTRUCTURING UNDER CHAPTER 11: WHAT IT MEANS FOR LESSORS AND LEASE RATES

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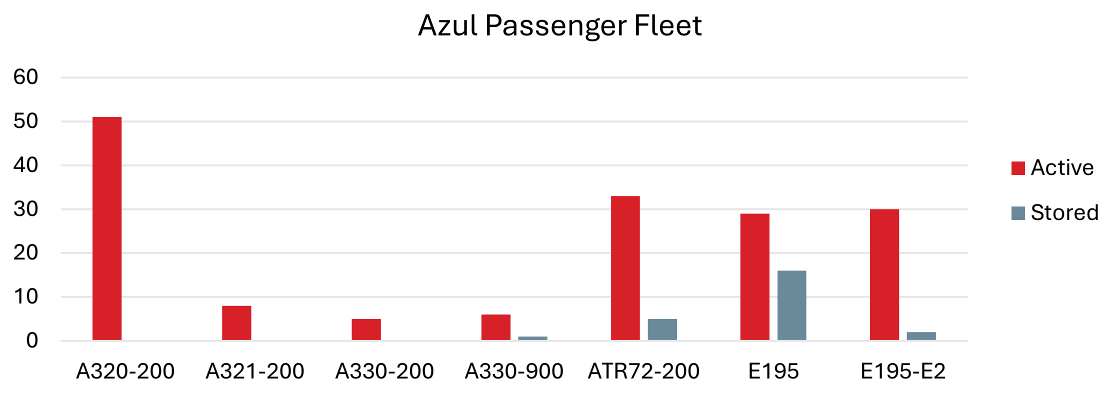
The Brazilian airline, Azul Linhas Aéreas Brasileiras, has filed for Chapter 11 bankruptcy protection in the United States, seeking to reorganize its financial structure, which has been burdened by pandemic-era debt, macroeconomic challenges, and supply chain issues.

This filing comes despite the fact that Azul restructured lease payments in 2020 and offered equity stake to lessors in 2023. This strategic move aims to eliminate over US$2 billion in debt, reduce lease obligations, and secure new financing while already receiving commitments for approximately US$1.6 billion from certain key financial partners.

In the meantime, Azul confirms that operations, flights, tickets, and loyalty programs will continue as normal throughout the restructuring.

According to mba's REDBOOK Fleet+, Azul currently has 162 active aircraft and 29 in storage, with the largest exposure being the E-Jets, particularly the E195s. It will be crucial for Azul to renegotiate lease rates for their E-Jets, considering that they comprise nearly a third of their fleet.



Source: mba REDBOOK Fleet+, April 2025.

In a recent court filing, Azul sought to return several leased aircraft and engines. The aircraft included nine Embraer 195-E1 aircraft, which is 20.0% of their E195 fleet, ranging from 2011 to 2015 builds on lease from various lessors such as Avenue Capital, Avolon, Azorra, Bank of America, ICBC, and Falko, as well as two 1996- and 1997-build Boeing 737-400SF aircraft on lease from World Star.

While the E195s were expected to be returned off-lease as Azul took delivery of its E195-E2 order book, the premature redeliveries may place some short-term softness on Market Lease rates. mba's Current Market Lease Rates for the E195s range between US$106,000.00 and US$133,000.00 per month for 2011–2015 vintages.

With the softening demand for the 737-400SF and oversupply of the more efficient and slightly larger 737-800 freighters, placing these aircraft may prove more challenging. mba's Current Market Lease Rates for 1996- and 1997-build 737-400SFs are between US$82,000.00 and US$89,000.00 per month.

mba will continue to monitor how the airline navigates the restructuring process, as well as the short-term pressure and impact this could have on market values and lease rates when the aircraft re-enter the market.

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