

DANANTARA INDONESIA  
**DIARIES**

From the Danantara Indonesia Investor Relations Team

**INVESTING AT DANANTARA INDONESIA**

## The Landlords of the Sky

DIM takes first step toward Indonesia's first aviation leasing platform

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Photo credit: Josue Isai Ramos Figueroa / Unsplash

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"I realized that the guy **getting the cheque** at the end of the month **for the lease of our airplane didn't care** how many passengers I had or if the weather was bad and I cancelled flights, **he got paid the same amount every month.**"

**STEVEN UDVAR-HÁZY**, co-founder of the International Lease Finance Corporation and godfather of modern aircraft leasing

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At the investor relations team, we have had our fair share of flights, but we are far from AVgeeks. Sitting in 26C, our conversations run to seat layouts, airline amenities, and the skyrocketing price of avtur, or jet fuel. Rarely do we think about how airlines actually procure planes. We would much rather daydream about being Sam Chui, whose idea of work involves reviewing Singapore Airlines Suites for four million YouTube subscribers.

Then, last month, Danantara Investment Management (DIM) announced an agreement to develop the Mandiri Aviation Leasing Fund, Indonesia's first dedicated aviation leasing investment platform. The fund's initial portfolio is valued at roughly US\$800 million.



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*Left to right: Mandiri Investment Management CEO Baskoro Adi, SMBC Aviation Capital Chief Commercial Officer Barry Flannery, Indonesian Ambassador to Japan Nurmala Kartini Sjahrir, and Danantara Indonesia Chief Investment Officer Pandu Sjahrir /  
Photo credit: Danantara Indonesia*

And one detail immediately stood out: 58% of the global commercial fleet is leased, according to 2023 data from IATA. Not owned by airlines, but rented from a relatively small circle of companies, many of them based in Dublin, the unlikely capital of global aircraft leasing.

Modern aviation, it turns out, is as much a capital markets business as it is a transportation business.

## So, who are the players?

Think of it like a property deal - but for aircraft.

**SMBC Aviation Capital** is the landlord. The leading global aviation finance platform, based in Dublin, it owns planes and leases them to airlines across the globe. It brings the expertise, the airline relationships, and the aircraft.

**Mandiri Investment Management** is the fund manager. The asset management arm of Bank Mandiri, it serves as general partner of the fund - responsible for building and running the overall investment platform, and working alongside SMBC Aviation Capital on day-to-day portfolio management.

**DIM** is the strategic anchor investor. It writes the first seed investment into the platform, sits on the Investment Committee, and provides the long-term institutional capital that makes the whole structure viable.

Three players, one platform. Each does what they do best.

## And the planes?

As this is Indonesia's first foray into aviation leasing, the fund's portfolio reflects a deliberately conservative, or low risk, construction. The majority are narrow-body aircraft, referring to the single-aisle planes from the Airbus A320neo family and Boeing 737 MAX family. They are known as the workhorses of the global airline industry. What makes narrow-bodies particularly attractive from a risk perspective is their liquidity: if an airline stops flying tomorrow, a narrow-body can typically be re-leased to another carrier relatively quickly. They are, in leasing terms, the easiest assets to redeploy.

All aircraft in the portfolio are new-generation models, hence the ones with neo or MAX tacked onto the end of their names. As they burn roughly 20% less fuel than their predecessors, these newer aircraft are more efficient: a big plus point in a world of rising fuel costs and growing pressure on airlines to decarbonize. They are also more desirable to lessees, which means lower vacancy risk for the fund.

Average fleet age: just four and a half years. Young assets, proven technology, maximum liquidity.

The fund's lessees, i.e. the airlines leasing these planes, span ten countries across four regions from Asia to Europe to America. The diversification is intentional. If one region hits turbulence, the others hold the line.

A natural question: are Indonesian airlines in the mix? Garuda Indonesia and Lion Air are both SMBC Aviation Capital clients globally, but they are not currently part of this fund's portfolio. That is by design: geographic diversification means not concentrating risk in any single market, including the home market.

## Why do airlines lease planes instead of buying them?

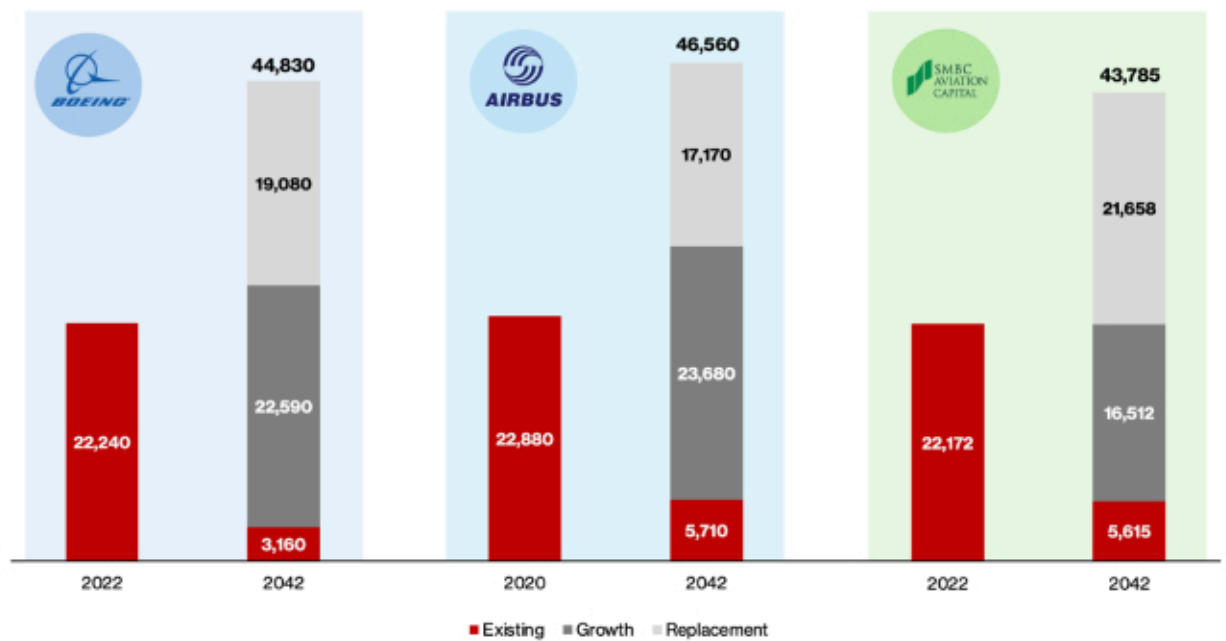
The short answer: buying a plane is extraordinarily expensive, and right now, airlines often cannot even get one.

Boeing and Airbus, the only two manufacturers of large commercial aircraft, are running backlogs that now exceed 15,000 planes. An airline ordering today might wait over a decade for delivery.

Leasing solves that. Instead of committing billions upfront and waiting years, an airline can access aircraft relatively quickly, with flexibility to hand them back when demand shifts.

### Projected Number of Aircraft Manufacturer Demand

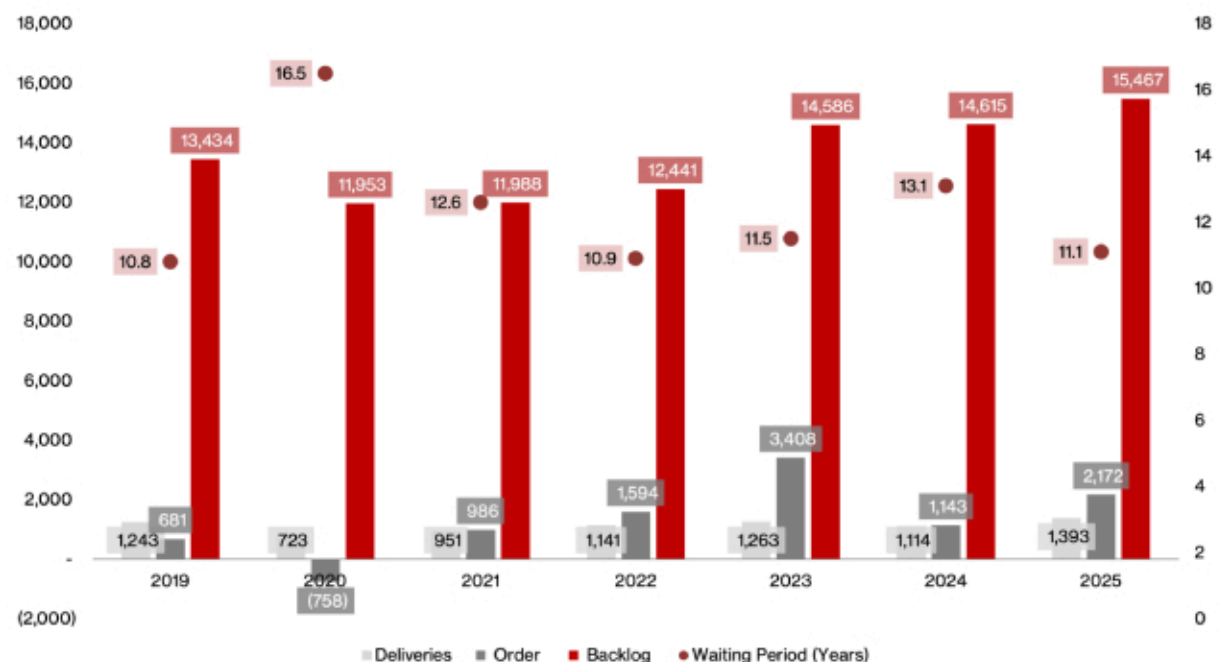
Source: Boeing Commercial Outlook 2024 Airbus Global Market Forecast 2024



For lessors, the constrained supply creates its own opportunity. When new planes are scarce, the ones you already own become more valuable. Lease rates rise. Asset values hold. The landlord benefits from the same shortage that frustrates the tenant.

### Order Book of the World's Top 2 Aircraft Manufacturers

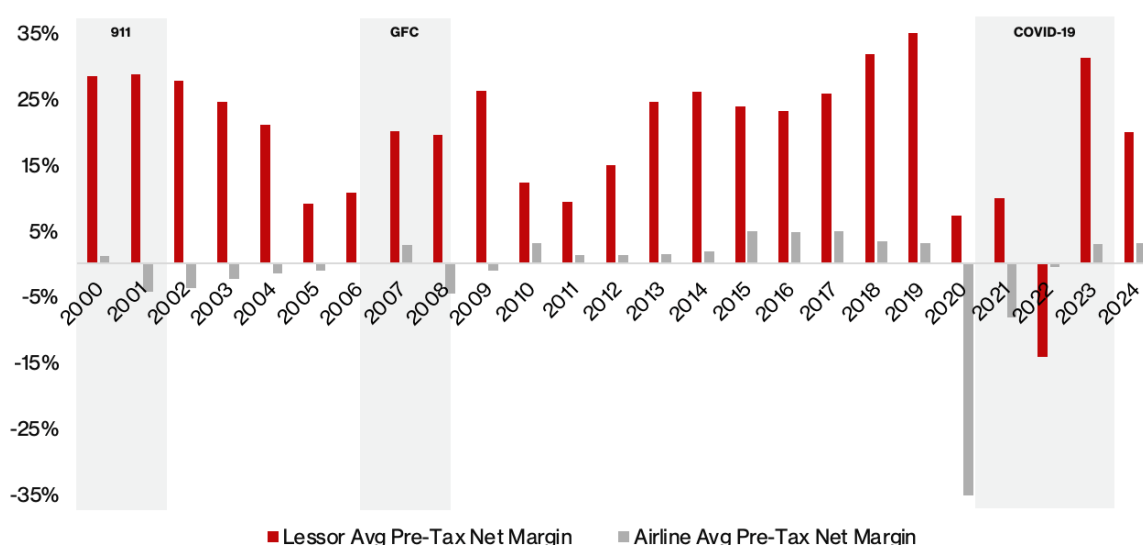
Source: Mandiri Investment Management



What makes aviation leasing attractive as an investment is more than just the margins: it is the *nature* of the returns. Aircraft leases are long-term contracts, often running six to twelve years, with fixed monthly rental payments. An airline agrees to pay a set lease rate for the life of the contract, regardless of how full its planes are. For the lessor, this creates a cash flow profile that is unusually stable and predictable, closer in character to a real estate investment trust than to a typical equity investment. The underlying asset also retains residual value, which the lessor recovers at the end of the lease.

### Pre-tax Net Margin of Aircraft Lessor and Airlines

Source: SMBC Aviation Capital



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The numbers reflect this. Over the past two decades, aircraft lessors have earned pre-tax margins typically between 10–35%, holding profitability through 9/11, the Global Financial Crisis, and even COVID-19, when global aviation was largely grounded. Airlines, by contrast, swung wildly between profit and loss through the same periods.

The one exception was 2022, when aircraft leased to Russian airlines were confiscated following sanctions, creating large paper losses. Those have since been largely recovered through insurance. But the episode illustrates something important: lessors and airlines sit in the same industry, yet carry very different risk profiles.

## What makes this structure work?

Nobody in Indonesia has really run an aircraft leasing fund at scale before. That is not criticism. It is just fact, and it matters.

Aviation finance is a surprisingly small and specialized world, with its own technical language around maintenance reserves, end-of-lease compensation, repossession rights, and aircraft valuations. The people who do this well often learned from others who have spent decades in the industry.

Which is partly why this structure matters. What this partnership gives Indonesia is not just an investment. It is a seat at the table where that knowledge lives. By building this platform alongside SMBC Aviation Capital, Indonesia is not just deploying capital. It learning how a global leasing operation actually works from the inside.



*Photo credit: Ben Klewais / Unsplash*

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## What's next?

The deal is not yet closed: the agreement signals direction, with the full transaction expected to complete later this year.

But the ambition is already legible. The Mandiri Aviation Leasing Fund is designed to grow: more aircraft, more lessees, a larger share of a market projected to nearly double by 2029. The longer-term vision is for Indonesia to have its own institutional capability in aviation finance: not only as a consumer of leasing services, but as a platform that originates, structures, and manages aviation assets on a global stage.

Buying planes is easy. Knowing what to do with them for the next eight years is another thing.

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# Did You Know?

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*Photo credit: Ivan Mihajlovic / Unsplash*

More than half of the world's leased commercial aircraft are managed from Ireland, yet most never land there.

The industry traces back to one man: Tony Ryan, a former Aer Lingus executive who founded Guinness Peat Aviation (GPA) in 1975 on a single realization: airlines would rather fly planes than own them.

Through GPA, Ryan helped turn aircraft leasing into a global industry and laid the foundations for Dublin's aviation finance ecosystem. By 1984, Ryan also became a co-founder of a little airline that eventually became a global powerhouse: Ryanair.

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*Danantara Indonesia Diaries is a newsletter produced by Danantara Indonesia's investor relations team.*

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