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Bargain or fair price? Mexicana carrier pays US\$750 million for 20 Embraer E2 jets





Government of Mexico revealed the value of the agreement for 10 E190-E2 and 10 E195-E2 that will be added to the state airline's fleet from 2025. List price discount may have reached 53%

The Mexican government provided very rare information in the commercial aircraft market, the real value of the agreement that Mexicana de Aviación entered into with Embraer to acquire 20 new generation E2 jets.

According to Jorge Vega, who heads the government division that controls the state-owned airline relaunched in 2023, the 20 aircraft cost US\$750 million.

As 10 E190-E2 and 10 E195-E2 were purchased, a unit price of around **US\$37.5 million** is suggested. As the two types have different capacities, it can be said that Mexicana will pay around US\$35 million for the E190-E2 and US\$40 million for the E195-E2.

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The values represent a discount of more than 50% on the list prices reported by Embraer. The Brazilian manufacturer occasionally cites in its press releases a symbolic value of some

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Royal Jordanian Embraer E195-E2 (Embraer)

Jordan's flag carrier has placed an order for four E190-E2s and four E195-E2s in 2023, only two of which have actually been acquired – the rest will be leased by Azorra, of which two have already been delivered.

The package was valued by Embraer at US\$635 million in list prices, or US\$79.4 million per aircraft on average (remembering that it also paid more for the higher-capacity E195-E2s).

Transporting the average for the Mexicana order, Embraer would therefore have closed a theoretical agreement worth almost US\$1.6 billion with the state-owned carrier.

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Market practice is to give a 50% discount

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If this is the case, **the final discount was around 53%**. A bargain or a realisti HeavyBuys | Sponsored state-of-the-art aircraft?

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It is difficult to say with absolute certainty since it is not customary for manufacturers, airlines and lessors to reveal details of their negotiations.





Airbus A330-200: huge discounts ten years ago (Venkat Mangudi)

But it is understood in the market that discounts of around 50% are commonplace in these types of agreements, although each closed deal has its peculiarities and the size of the order makes a big difference in the final price.

<u>Airlnsight</u> pointed out in 2016 that an A330-200 could have an average discount of almost 63% while Embraer's first-generation E-Jets sold for prices around two-thirds of list prices.

Ryanair would get huge discounts with Boeing

Last year, consultant **Robert Boyle**, from <u>GridPoint</u>, did an interesting exercise to estimate how much low-cost airline **Ryanair** paid for its Boeing 737s.

According to him, a 2005 deal for 737-800 jets would have cost about \$27 million per aircraft, with a theoretical 62% discount on the list price.

In another large order for 737-800s in 2013, the Irish carrier reportedly got an even better value of 65% off the list price.

In the acquisition of the 737 MAX 8-200 in 2022, Ryanair may have paid US\$38.8 million per aircraft, or 69% less than the hypothetical US\$125 million reported by Boeing.





Ryanair Boeing 737 MAX 8-200 (Ryanair)

Companies like Rvanair and lessors certainly get huge discounts due to the volume of orders.

which is not the case with Mexicana de Aviación.

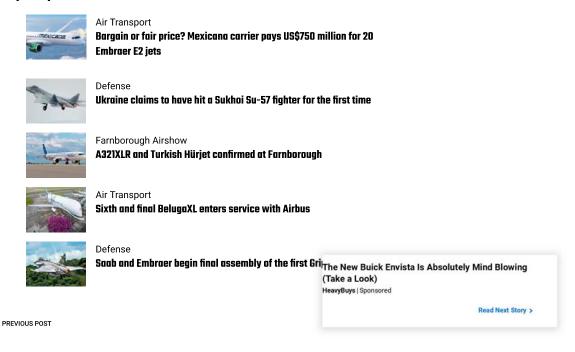
On the other hand, Embraer is in a sales phase of the new E2 family in which it is necessary to fill production slots and thus amortize the heavy investments in the new series of commercial aircraft.

With the agreement with the Mexican company, the E2 family is expected to reach at least 326 firm orders, an important number but still a long way from the more than 1,900 first-generation E-Jets ordered.

Looking at it from this angle, the US\$750 million to be paid by Mexicana de Aviación seems like a good deal.



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