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Market at turning point

Societe Generale's Yann Sonnallier, discusses high inflation, rising interest rates, capital market liquidity tightening, while the aviation sector is facing massive investments required for its sustainability journey

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Hot summer on multiple fronts

The summer of 2022 will be an interesting and challenging period for the aviation industry.

Airlines, in Europe especially, are under pressure to "deliver" their flight schedules after the recent months of cancellations because of crew staff shortages.

Policymakers face the unenviable task of bringing consumer prices back under control against a backdrop of slowing growth and a rapidly depreciating currency.

In contrast, parts of the world face a significant cost of living crisis due to tax rises, reduced trade, and spiralling food and commodity prices.

In June, the Bank of England increased interest rates by 0.25%, deviating from the more aggressive actions of the US Federal Reserve (75 basis point hike), which was more than the market expected.

Following its latest monetary policy meeting, the European governing council announced it intends to raise its key interest rates by 25 basis points at its July meeting. The ECB expects a further hike at the September meeting but said the scale of that increment would depend on the evolving trajectory of the medium-term inflation outlook. The key is not only the amount of percentage increase over the next few months but also at what pace?

The good news is that global airline industry losses are expected fall to $9.7 billion, a "huge improvement" from $137.7 billion in 2020 and $42.1 billion in 2021, IATA said in an upgraded industry outlook at its annual general meeting in Doha, Qatar.

However, inflation has begun to bite and this is prompting concern.

Will airlines be able to sustain traffic demand as rising costs put pressure on airline balance sheets?

"The big question airline CEOs are increasingly asking is what does traffic look like in October, and how will that compare with October 2019, especially with increasing fuel costs and inflation," Steven Udvar-Hazy, executive chairman of the board at Air Lease.

"I think there is a high level of concern that the structural costs of running an airline are increasing faster than the ability of airlines to pass that on and to generate revenues."

Airline chiefs are trying to determine "how far" they can push elasticity in pricing as unit costs continue to increase, he says.

"If fuel, labour, airport charges, interest expense, insurance are all going up, can that be passed onto the consumer or perhaps certain buckets of consumers and at what percent?"

Still, there is a sense of optimism about overall traffic recovery as figures recovered a "bit quicker" than pundits were anticipating, particularly with leisure travel, he says.

Robert Martin, chief executive officer of BOC Aviation, echoed this sentiment, adding: "I am fairly optimistic even with rising financing costs. I think there is plenty of pent-up demand for travel and we are now starting to see this in Asia."

Could IAG lead change at Boeing?

Will Boeing receive a much-needed vote of confidence at this year's Farnborough air show? In June 2019, when the 737 Max aircraft programme was grounded, the US manufacturer received a boost of confidence with a commitment for 200 of the type from IAG. In May, IAG formalised its commitment to the Max models but reduced its commitment by 50 aircraft to 150 units: 25 737-8200s and 25 737 Max 10s, along with 100 options. The announcement came after weeks of negative headlines, especially from the lessor community.

Avolon chief executive officer, Domhnal Slattery, said in May that the manufacturer might need new leadership to fix a flawed culture that overshadowed its revival. Boeing has announced it was halting its 777X production through 2023 and has failed to specify when it would resume deliveries of its 787 programme after halting for a year. Slattery voiced concerns that the market could tilt too heavily in favour of Airbus. He questions whether a fresh vision and maybe new leadership is needed at Boeing, adding that it will take at least a decade to re-imagine and put that into execution.

"What I'm concerned about, as a market participant, is during that decade, our friends in Toulouse ended up with a disproportionate global market share, which isn't good for anybody, including them," he says. "That's the problem. A duopoly only helps if both are in a reasonable shape. So, it is top to bottom: a re-imagination of the role in the world and often the best way out of that is to have a new vision."

He adds: "Boeing has a storied history. It is a wonderful company, and they built great aeroplanes. I said in the past that 'culture eats strategy for breakfast. And that is what has happened at Boeing: its culture has become totally warped." He believes that Boeing will figure it out. "The industry wants them to figure it out because failed Boeing is bad for everybody in this room, except for Airbus, but it is bad to them eventually," he says.

Boeing is relocating its headquarters to Washington, DC, from Chicago after two decades as part of a move that should help restore its strained relationship with the US Federal Aviation Administration, said Steven Udvar-Hazy, senior vice-president and chief procurement officer at Aviation Capital Group, speaking at *Airfinance Journal*'s Dublin event. "I would say it came as a bit of a surprise, but Washington, DC, probably has more synergy importance to Boeing when you think about it.

The US government is Boeing's largest customer," says Udvar-Hazy. Boeing's competitor defence contractors, including General Dynamics, Lockheed Martin and Northrop Grumman, are already based in the Washington, DC, area. Udvar-Hazy stresses the move should help dealings with regulators. "Boeing certainly has a lot of work to do to repair its relationship with the US Federal Aviation Administration, so it also makes sense to be close to Washington, DC," he adds. "While it is a bit of a surprise, it probably makes more sense than Chicago, especially given its defence presence."

More M&A activity on the cards

Lessors could experience more M&A activity this year, says JP Morgan's managing director, airline/aircraft credit research, Mark Streeter, who says supplychain issues will be a key driver behind such moves. When asked by *Airfinance Journal* whether lessors could pursue competitors based on their orderbooks, as Jetblue Airways attempted to do in a failed takeover offer for Spirit Airlines, Streeter says: "I think that is very relevant right now whether you are a large leasing platform or more of a start-up." He believes credit investors have misunderstood the role of orderbooks. "Orderbook placements are some of the best deal investment economics you can get," he adds. According to Streeter, to have an orderbook you need size and scale, although some start-up platforms have secured large capital to develop platforms. He believes that supply-chain issues and an aircraft shortage will fuel consolidation for lessors looking to expand. As will continued recovery in the aviation sector and "traffic that [goes] closer to that trend line and with an ESG focus", supporting demand for new-technology aircraft.

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Current technology defines recent portfolio offerings

Lessors are queuing up to offload narrowbody portfolios, with many replacing the older models with newer assets. **Olivier Bonnassies** reports.

Bocomm Leasing and Minsheng Financial Leasing have joined a group of lessors seeking to offload some narrowbody exposure to different credits.

Chinese bank-backed Bocomm Leasing is in the market with a teaser document related to 14 narrowbody aircraft with leases attached to six airlines, sources tell *Airfinance Journal*.

Flydubai is the largest exposure in the portfolio with three Boeing 737-800s, one 737 Max 8 and one Max 9, which were acquired under purchase and leaseback deals.

Another three 737-800s, 2015-vintage aircraft, are also offered with leases attached to Hainan Airlines, along with a 2011-vintage 737-800 leased to KLM Dutch Airlines.

The Airbus part of the portfolio includes two mid-life Airbus A321s leased to Eva Air, one 12-year-old A320 leased to Vueling Airlines and a pair of 2018-vintage A321s on lease to Wizz Air.

Minsheng Financial Leasing is also in the market with a portfolio, including assets leased to Indigo, Go First, Smartlynx Airlines, Iberia, Norwegian and Sun Express. The portfolio includes a pair of A319s leased to Iberia. Both 2008-vintage deliveries are powered by CFM56-5B5/3 engines.

Minsheng Financial Leasing is also looking to sell two former Ryanair 2011-vintage 737-800s that are operated by Sun Express.

The portfolio also includes a 2013-vintage ex-Norwegian 737-800 leased to Ruili Airlines. That aircraft is owned by a Dongjiang free-trade zone-registered entity.

Another 2011-vintage aircraft is leased to Norwegian.

Two A320neos that are part of the portfolio are leased to Indian carriers Indigo and Go First. Both are 2019/2020-vintage units powered by PW1127G-JM engines.

Both entities are the latest lessors to approach the market for assets with leases attached.

SMBC Aviation Capital is in the market with bids for July on seven mid-life aircraft offered with leases attached, sources tell *Airfinance Journal*.

The portfolio includes four 737-800s placed with Shandong Airlines, Flydubai and Virgin Australia. There are also two A320s leased to Spirit Airlines and Viva Aerobus, along with one A321 aircraft leased to Wizz Air.

Aercap has solicited proposals to purchase aircraft subject to applicable leases. The Ireland-based operating lessor is seeking to offload some current-generation aircraft through the sale of aircraft with leases attached to customers.

The lessor is bringing two aircraft portfolios to market. Sources say a total of 18 aircraft are for sale: nine A320s, seven 737-800s and a pair of A330s.

Interested parties were invited to submit bids on the portfolio in mid-June. The intention is to close the sales during the second and third quarters of 2022.

Last November, Aercap solicited interest from qualified buyers for a small portfolio of aircraft it had under management.

After the ILFC transaction, Aercap sold $2 billion of assets versus the $1 billion initially anticipated.

Aercap is not alone in offering portfolios, because leasing platforms are moving into new-technology aircraft.

Aircastle also came to market with a teaser comprising 24 current-technology aircraft. The mid- and end-of-life portfolio includes A319/A320/A321s and 737-700/-800s, with about half of those assets offered with short leases attached.

Zephyrus Aviation Capital approached the market in the first quarter with a portfolio of five narrowbody aircraft with relatively short leases, *Airfinance Journal* understands. The portfolio includes five current-technology aircraft, one A321 and four 737-800s with different ages.

FPG Amentum as an asset servicer is advertising five narrowbodies through a tender, including two new-technology aircraft with a mix of lease-end dates.

Another asset manager, Merx Aviation, offered an almost solely current-technology aircraft portfolio in February. That portfolio also has a mix of lease-end dates.

Standard Chartered Bank approached the market in late March for 11 narrowbody aircraft subject to applicable leases. The portfolio included nine current-technology aircraft and two new-technology aircraft, both A321neos.

Earlier this year, Asian lessors CALC and ICBC Leasing moved to market a much higher percentage of new-technology aircraft.

The CALC 14-aircraft portfolio was almost all new technology (A320neos/A321neos) with the exception of a single A320 and an A330.

The ICBC Leasing portfolio included almost half new-technology aircraft with the A321neo, 737 Max 8 models as well as 787s and A350s. *Airfinance Journal* understands that the fleet mix has been amended.

More Asian lessors are coming to market with portfolios, *Airfinance Journal* understands.

Overall, three-quarters of those portfolios feature current-technology assets.

The nature of the portfolios extends potential buyers to cargo converters as well as the end-of-life players and bidding is strong, says one lessor source.

"The trend is current-technology aircraft with better pricing points. This allows high rentals straight into play for the buyer," adds the source.

"Lessors have to move to their committed goals of transiting towards a larger portion of their portfolio as new-technology aircraft," says one source.

Another lessor representative says the current activity reflects the environment with a potential shortage of new-technology aircraft as airlines focus on operating costs.

He also argues that the sale and leaseback market for new aircraft is still very competitive.

"The market is still attractive as an investment space and new platforms are being launched looking for yields.

"Some leasing platforms, having not an orderbook and/or limited to compete in the sale and leaseback market for new aircraft, also consider relatively young current assets with leases attached. The leases can be in the high $300,000s for a 737-800 and reflect the relatively high asset price ask," he says.

Another lessor representative is concerned about how to "smartly price" a transaction.

He says older-technology assets, although commanding high rentals, may have relatively short leases remaining. He adds that those assets come with a very soft remarketing rent, and in an environment with further pressure on residual values as both original equipment manufacturers are set to ramp up production.

Set for **continuous growth**

Merx Aviation recently inked letters of intent for 25 additional aircraft. Its chief executive clarifies to **Dominic Lalk** how the platform's expansion will be financed.

Merx Aviation will continue to grow exposure to aircraft leasing across the broader Apollo platform, though not through Apollo Investment Corporation (AINV) funds, the lessor's chief executive officer tells *Airfinance Journal*.

Gary Rothschild, partner and head of aviation finance at Apollo Global Management (Apollo) and president and chief executive of Merx Aviation, expanded on comments made during an AINV earnings call that suggested Apollo was reducing its aviation exposure through Merx.

"We will continue to invest in aviation at Apollo, just not necessarily using AINV funds. Our aviation strategy has access to capital across Apollo's broader $513 billion platform, and I think that was not fully appreciated by the market."

He adds: "AINV is a publicly traded BDC [business development company], so their earnings call comments were specific to their long-term repositioning strategy, which includes reducing their direct exposure to aircraft and other non-core assets to focus on senior secured middle-market debt.

"We have not brought on any new assets on the balance sheet at Merx using AINV capital for four years, but we have been buying a lot of assets in the Navigator fund and in other pockets of capital that are available to us at Apollo over that period of time. This is in addition to our aviation investments at PK Airfinance, having acquired that platform in 2019 and originating approximately $1.5 billion of loans last year," says Rothschild.

"And on the leasing side, we have acquired 35 aircraft over the last three years through the Apollo Navigator fund and currently have LOIs [letters of intent] for 25 additional aircraft."

Merx's owned fleet is financed through several independent limited recourse financings.

Apollo's head of aviation acknowledges $47 million in first-quarter write-offs on aircraft previously leased to Russian operators but the exposure is fully insured. Rothschild is optimistic about the ultimate recovery of those amounts while acknowledging uncertainty around the timing of any litigation results. "We're very confident about the validity of our claims," he says.

Merx's owned and managed fleet is operated by 39 lessees across 26 countries.

"We will continue to invest in aviation at Apollo, just not necessarily using AINV funds."

Gary Rothschild, chief executive, Merx Aviation

At 31 March, it comprised 45 Boeing 737NGs, 40 Airbus A320-family aircraft, five A320neo-family aircraft, five A220-100s, three 777Fs, two 737 Max aircraft, one 787, one A330 and a 747F, shows *Airfinance Journal*'s Fleet Tracker.

Of those, many aircraft back the MAPS asset-backed securitisations, and some have been entangled in the Russia sanctions.

As *Airfinance Journal* went to press, some of the Merx fleet remained in Russia after local carriers there illegally re-registered them to local ledgers. Rothschild says Merx maintains a contingent insurance policy on the aircraft and says it is "vigorously pursuing all claims available to us under these insurance policies".

Last year, funds managed by affiliates of Apollo Global Management and Merx Aviation closed the issuance of $540.12 million of secured notes by MAPS 2021-1 Trust, which priced at the tightest-ever all-in yield for a three-tranche syndicated aircraft portfolio asset-backed security.

Deutsche Bank acted as sole structuring agent and left lead bookrunner. Goldman Sachs and Citi acted as joint lead bookrunners, and Natixis acted as joint bookrunner and liquidity facility provider for the transaction.

It was the third aircraft securitisation serviced by Merx Aviation after the MAPS 2018-1 and MAPS 2019-1 transactions.

AINV is externally managed by Apollo Investment Management, an affiliate of Apollo Global Management, which is a global alternative investment manager with about $513 billion of assets under management.

The overall Apollo Investment portfolio had a fair value of $2.52 billion at the end of March across 139 companies in 26 different industries. Corporate lending represented 83% of the portfolio, Merx represented 12% and non-core legacy assets represented 5%.

In June, Merx confirmed its foray into cargo conversions after agreeing a contract with Aeronautical Engineers (AEI) for a 737-800SF freighter conversion on a 2007-vintage unit owned by a fund managed by affiliates of Apollo and serviced by Merx.

The aircraft has just commenced modification and is scheduled to redeliver in August.

"We are pleased to have entered into this transaction with AEI and to add the 737-800SF, a mainstay of the global cargo fleet, to our portfolio. The type's capacity, performance and versatility are well suited to a wide variety of operators around the world," says Rothschild.

While Merx owns and manages about 45 737NG aircraft, this order represents its first AEI 737-800SF freighter conversion. AEI is currently the only conversion company to have Etops 180 approval on the 737-800 freighter conversion. Additionally, AEI can convert all 737-800 line number aircraft, including those with split scimitar winglets.

Merx has acquired 208 aircraft since its inception in 2012, worth some $6 billion. Its most significant lessees in terms of asset value exposure include Alaska Airlines, American Airlines and 777F cargo carrier Aerologic.

China lockdowns hitting airlines and lessors

Zero-Covid is hurting China's carriers, particularly China Eastern Airlines. A two-month lockdown in Shanghai and home confinement for millions of Beijing residents have prompted a fresh wave of rental deferrals, reports **Elsie Guan**.

China Eastern Airlines, one of the big three state-controlled carriers, was facing severe overcapacity issues with little revenue trickling in after Chinese authorities imposed a draconian lockdown on Shanghai residents for most of the second quarter. It will take China Eastern some time to recover from that, industry sources tell *Airfinance Journal*.

During the Shanghai lockdown, local stalwart China Eastern grounded up to 400 aircraft of its total fleet of 588.

At the beginning of June, the airline had ungrounded 236 of those aircraft and said the reintroduction into service of the remainder would follow in line with a pick up in demand.

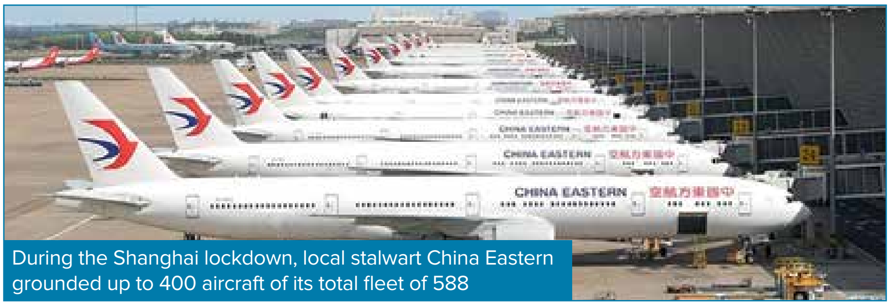
Most of Shanghai's lockdown restrictions were lifted on 1 June; for the first time in more than two months people could move around the city freely again. The Covid-19 outbreak in Shanghai in March, caused by the Omicron variant, was the worst outbreak faced by a major Chinese city since the pandemic began two-and-a-half years ago, with up to 22,248 daily infections reported.

Between 18 to 24 April, a Chinese civil aviation operation briefing indicated that mainland Chinese airlines operated 3,074 daily passenger flights, decreasing 77.4% compared with the same period of 2021.

Among the three state-owned carriers, 21.6% of China Southern Airlines' scheduled flights were operating, while Air China and China Eastern only realised 19.8% and 13% of flights, respectively, during that period.

"Operating flights during these conditions means creating losses, but there would be even bigger losses if we did not fly at all. Flight cancellations here in China have become a normal thing. We almost expect it. This has significantly impacted transport preferences of passengers, also discouraged airline employees," an airline executive tells *Airfinance Journal*.

"There is a huge amount of overcapacity in the Chinese market. It's unprecedented. For the first time in years Chinese airlines have real trouble filling their seats. This is, of course, affecting the leasing community, too," a Shanghai-based lessor source who wishes to remain anonymous tells *Airfinance Journal*.



During the Shanghai lockdown, local stalwart China Eastern grounded up to 400 aircraft of its total fleet of 588

"Some airlines have even requested new rent deferrals following the lockdowns and many are looking to add some cash back to the business by selling aircraft," he adds. "We had to accelerate our aircraft sales activity and increase our exposure to overseas airlines to counter the situation."

Chinese airlines have more than 1,500 aircraft on operating lease, including over 200 at Air China and China Eastern, respectively, and more than 330 at China Southern as of the end of May.

The Chinese domestic civil aviation industry has reported a combined loss of up to Rmb84.2 billion ($13.3 billion) for the full year of 2021. Among them, airline losses reached Rmb67.1 billion, according to the Civil Aviation Administration of China (CAAC).

The outlook for 2022, however, is bleak because all listed Chinese airlines have posted heavy losses in the first quarter of this year.

For the first three months, to 31 March 2022, operating losses of Air China and China Southern were Rmb10.5 billion and Rmb5.9 billion, respectively, increasing by 21% and 9% compared with the same period of the previous year.

The operating loss of China Eastern during the first quarter was Rmb8.3 billion, increasing from an operating loss of Rmb5.6 billion year-on-year.

China's finance ministry and CAAC offered a first round of subsidies to mainland Chinese airlines in June.

The first batch of subsidy funds for domestic passenger flight operations totalled Rmb3.29 billion, of which the western region was allocated Rmb1.52 billion. The subsidies for the eastern and central regions were Rmb1.28 billion and Rmb490 million, respectively.

The finance ministry and CAAC will offer subsidies to Chinese carriers from 21 May to 20 July to help them weather the Covid-19-induced downturn and higher oil prices.

CAAC's data shows mainland Chinese carriers operated 883,000 passenger and cargo flights in the first quarter, decreasing by 16% compared with the first quarter of 2021, while the cargo sector also performed worse than in 2021, says CAAC, noting that pure cargo transportation volume in the first quarter fell 6.5% year-on-year.

China Eastern says passenger numbers collapsed 90.7% in April year-on-year, while Shanghai airport group saw passenger numbers fall 98.9%.

"Due to the closure of Shanghai and the fatal crash of its Yunnan branch in March, China Eastern, as a Shanghai-based carrier, will definitely have a harder situation, this is certain," says Jordan Yang, a senior partner of Allbright Law Offices in Beijing.

A China Eastern Boeing 737-800 crashed in mountains in southern China on 21 March, killing 123 passengers and nine cabin crew. It was a 2015-vintage unit owned by the carrier and powered by CFM56-7B24 engines.

"But the carrier has many branches in various regions, and many of its routes do not depart from or arrive in Shanghai, so the impact should be manageable. Air China and China Southern also have many routes departing from and arriving in Shanghai, so this is not a key point," says Yang.

He adds that the key point is the downturn trend of the entire Chinese aviation industry when the rest of the world has almost lifted travel restrictions.

Carlyle reopens ABS market with single tranche deal

The asset-backed securitisation (ABS) market is back with the proceeds used to acquire a portfolio of 25 aircraft, reports **Laura Mueller**.

Carlyle Aviation, as sponsor, reopened the aviation asset-backed securitisation market last month with a $522.46 million offering of class-A notes.

AASET 2022-1 represented the lessor's first all-senior note offering but the issuers may offer B, C or D notes at any time after the closing date.

The offering, which was rated A3/A by Moody's and Kroll Bond Ratings Agency (KBRA), carries a 6% coupon to yield 6.558% at 98.18%, or a 1.2% discount to face, according to the 9 June pricing supplement.

An affiliate of Carlyle is expected to purchase about 20% of the class-A notes.

"The world has definitely changed," says a lessor C-suite source, commenting on the overall deal, notably the pricing and structure.

Another lessor source adds: "I don't know if the deal suggests a re-opening of the aviation ABS market, but for a strong servicer with young(ish) mid-life assets, there may be enough yield in the other candidate portfolios to support a senior-only deal."

Carlyle Aviation Management is the servicer on the transaction.

The fixed-rate deal has a seven-year expected maturity and a 25-year legal maturity. The loan-to-value ratio is 67%.

Goldman Sachs is the sole structuring agent, global coordinator and joint lead bookrunner. The joint lead bookrunners are BNP Paribas. Natixis Securities Americas, RBC Capital Markets, SG Americas Securities and SMBC Nikko Securities America.

Societe Generale is the liquidity facility provider. UMB Bank, National Association, is the trustee. The managing agent is Phoenix American Financial Services.

AASET 2022-1 Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and resident in Ireland for Irish tax purposes (Irish issuer), and AASET 2022-1 LLC, a limited liability company formed under the laws of the State of Delaware (US issuer and, together with the Irish issuer, the issuers), will co-issue series-A fixed-rate secured notes.

Preliminary capital structure

Spread	Coupon	Yield	$px
I-Crv+350	6.000	6.558	98.18679

Portfolio overview

Initial appraised value:	$779.798m
Collateral:	25 aircraft
Collateral mix:	92% narrowbody/8% widebody
Aircraft type:	11xA320, 4xA320neo, 1xA321, 8x787-8, 1x777-300ER
Weighted average age:	7.9 years
Remaining weighted average lease term:	4.3 years
Weighted average lease rate factor:	0.9%
Lessee mix	Indigo (20%) Wizz Air Hungary (14%) Transavia France (11%) Latam (11%) Copa Airlines (10%) Spirit Airlines (8%) Air Canada (8%) Wizz Air UK (5%) Air Arabia (4%) Jetstar Japan (3%) Avianca (3%) Tui Travel Aviation (3%)
No. of unique lessees:	12
No. of unique countries:	11

Proceeds from the deal will be used to acquire a portfolio of 25 aircraft (92% narrowbody, 8% widebody) on lease, or expected to be on lease, to 12 lessees in 11 jurisdictions. In addition, on the closing date, the Irish issuer expects to issue one or more E certificates.

The collateral comprises 11 Airbus A320s, four A320neos, one A321, eight Boeing 787-8s and one 777-300ER.

The five largest lessee exposures are Indigo (20%), followed by Wizz Air (14%), Transavia (11%), Latam (11%) and Copa Airlines (10%).

The weighted average lease rate factor is 0.9%.

Four aircraft with Latam and Avianca (13.9% by value) are subject to usage-based rent agreements or power-by-the-hour deals that expire in June 2022.

KBRA says it addressed this risk by not giving credit to the usage-based rent terms.

The weighted average age of the portfolio is about 7.9 years, and the weighted average remaining term of the initial lease contracts is about 4.3 years.

The portfolio has an initial value of $779.8 million, based on the average of the half-life base values provided by Avitas, Collateral Verifications and Morten Beyer & Agnew.

The values were determined during the fourth quarter of 2021 and adjusted for maintenance conditions as of March 2022.

The deal follows Carlyle's purchase of AMCK Aviation in April using funds from Maverick Aviation Partnership.

It manages 432 aircraft leased to 107 lessees.

Carlyle also completed the acquisition of Fly Leasing in August 2021 but, observes another industry source, no aircraft featuring in this ABS transaction are from that portfolio.

Airfinance Journal's 2021 deals of the year awards

Airfinance Journal reveals the winners of our prestigious annual Awards, recognising the most innovative deals, individuals and teams in aviation finance.

Africa-Middle East Deal of the Year: DAE Capital **$1bn unsecured bond**

Borrower/issuer: DAE Capital

Structure: Senior unsecured notes

Banks: Active bookrunners: BNP Paribas, Credit Agricole-CIB, Emirates NBD Capital, JP Morgan (B&D) and Truist Securities. Joint lead arrangers and bookrunners: BNP Paribas, Credit Agricole-CIB, Emirates NBD Capital, Fifth Third Securities, First Abu Dhabi Bank, Goldman Sachs International, HSBC, JP Morgan (B&D), Mizuho Securities, Morgan Stanley, Natixis and Truist Securities

Law firms: Allen & Overy and Clifford Chance

Amount: $1 billion

Tenor: Three years

Date mandated: 7 June 2021

Date closed: 22 June 2021

On 15 June 2021, Dubai Aerospace Enterprise (DAE) successfully issued a $1 billion three-year Reg S/144A senior unsecured issuance at a coupon of 1.55%.

The issuance marked the lowest coupon achieved by DAE in the capital markets.

DAE's planned transaction was re-announced to the market on 14 June and included contemplated tenors of three and/or seven years in order to focus investor feedback on these maturities.

The targeted one-day virtual roadshow saw participation from more than 50 investors across one-on-one/small group calls, with engagement from some of the largest and most active high-grade, real-money and emerging-market accounts globally.

After gathering strong feedback from accounts across both tenors, the company decided to proceed with a three-year maturity issuance to minimise absolute cost of funding in light of the steepness of the UST curve and the credit curve extension.

The deal's initial price thoughts (IPT) was in the "T+175 bps area" for its three-year USD benchmark issuance at 6am UK time/9am UAE time on 15 June, which marked a circa 20-25 basis points (bps) new issue concession. The orderbook momentum throughout the European morning allowed the company to revise IPTs to the "T+155bps area" around 9:30am NY time/2:30pm UK time with the intention for books to go subject at 10am NY time.

Orders showed resilience to the tightening and continued to grow as books went subject, prompting the company to release final guidance of "T+140-145bps (WPIR)" at 10:45am NY time.

The continued growth in demand allowed the company to launch a $1 billion deal, increasing the size of the transaction from initial considerations of $750 million, and to set the spread at T+140bps – 35bps tighter than IPTs, which marks a new issue concession of (10)-(15)bps.

Asia-Pacific Deal of the Year: PAL's **pre-negotiated Chapter 11 cross-border restructuring**

Borrower/issuer: Philippine Airlines

Structure: Chapter 11 plan

Adviser: Seabury Securities represented PAL as financial adviser and investment banker

Assets: Aircraft and frequent-flyer programme

Law firms: Debevoise & Plimpton represented PAL as Chapter 11 restructuring counsel. Norton Rose Fulbright represented PAL as special aircraft restructuring counsel. Angara Abello Concepcion Regala & Cruz law offices represented PAL as Philippines counsel. Other law firms including Clifford Chance, Dentons, Dorsey & Whitney, Herbert Smith Freehills, Holland & Knight, Hughes Hubbard, K&L Gates, Morris Nichols Arsht & Tunnell, Perkins Coie, Sidley Austin, Vedder Price and White & Case represented various creditors

Amount: About $6 billion

Date mandated: 13 September 2021

Date closed: 17 December 2021

Philippine Airlines (PAL) filed for Chapter 11 on 3 September 2021 to implement a pre-negotiated restructuring that it reached with all of its lenders, aircraft lessors, and aircraft and engine suppliers and maintenance providers, as well as its majority shareholder.

This was the first pre-negotiated Chapter 11 by an airline and, at less than four months in total duration, it was probably the fastest Chapter 11 in the history of the airline industry.

The PAL restructuring will produce about $4.5 billion in incremental liquidity, permanently reduce costs by more than $2.75 billion, and allow the company to re-optimise the size and shape of its business in order to compete effectively in the post-pandemic marketplace. It resulted in more than $3 billion in improvements, including $1.8 billion in permanent aircraft lease savings, a $630 million reduction in unsecured bank and other funded debt and undisclosed savings from original equipment manufacturer modifications, and allowed the company to re-optimise the

size and shape of its business in order to compete effectively in the post-pandemic marketplace.

Almost every single impaired creditor affirmatively supported the plan (far surpassing the two-thirds by value required for confirmation) and not one issue was contested or litigated in the case.

The PAL restructuring demonstrates that an airline Chapter 11 restructuring can be accomplished in a pre-negotiated fashion that avoids a "free-fall" Chapter 11 case that may take years to complete and result in significant costs and negative impacts on the business and values.

Europe Deal of the Year: Turkish Airlines **US Ex-Im Bank French Lease for nine 737 Max and three GEnx engines**

Borrower/issuer: Turkish Airlines and various SPCs

Structure: ECA-guaranteed French tax lease

Banks: BNP Paribas as sole bookrunner, lease arranger and debt arranger, lender of record of the entire facilities, facility agent and foreign exchange provider. Citibank, Bank of America and Caixa acted as sub-participants

Assets: Nine Boeing 737 Max and three GEnx 1B74/75 engines

Law firms: Norton Rose Fulbright as legal counsel to lessor, lessor parent, facility agent and guaranteed lenders. Clyde & Co as legal counsel to lessee. Dikici Law as Turkish legal counsel to lessee. Robert Wray as US legal counsel to US Ex-Im Bank. Watson Farley & Williams as French legal counsel to US Ex-Im Bank

ECAs: US Ex-Im Bank as guarantor

Amount: $400 million

Tenor: Eight years

Date mandated: 15 March 2021

Date closed: 15 December 2021

The European Deal of the Year Award established a new market benchmark as the first US Ex-Im Bank transaction structured by BNP Paribas for Turkish Airlines since 2015.

The transaction was structured as French Lease financings in euros for the acquisition of nine new Boeing 737 Max aircraft operated by Turkish Airlines and three spare widebody engines.

For each aircraft and the three engines, a term loan was provided in euros to a French special purpose vehicle for the purchase of the related asset, which is leased to the airline for a period coterminous with the loan. Lease payments are used to repay the debt. Payments of principal and interest under the loan are 100% guaranteed by the US Ex-Im Bank. Each of the spare engines and two spare propulsors was initially purchased by Turkish Airlines from General Electric Aviation. Turkish Airlines then refinanced the purchase price it paid for each spare engine using the proceeds of a US Ex-Im Bank-guaranteed euro-denominated loan from the lenders.

The transaction was innovative because it combined a French tax lease and US Ex-Im Bank-guaranteed financing ensuring

optimal loan advance and pricing terms for the airline thanks to lease rebates payable throughout the lease term and comprehensive risk protection for the lenders.

The financing amount consists of the euro equivalent of $54.5 million covering three spare engines while the balance was aircraft related. During the Covid crisis, the size of transaction for three spare engines guaranteed financing was particularly large when spare engine financings were taken into consideration. The transaction also closed in a deteriorated market environment and after a pause of several months in the deliveries from manufacturers.

Latin America Deal of the Year: Avianca **$482m sale and leaseback for 27 aircraft**

Borrower/issuer: Avianca

Structure: Sale and leaseback

Adviser: Seabury Securities as exclusive financial adviser and arranger

Assets: 27 aircraft, including A319s, A320s, A321s and A330Fs

Lessors: Castlelake as purchaser and lessor. Fortress Transportation and Infrastructure Investors as purchaser and lessor

Law firms: Smith Gambrell & Russell acted as Avianca's deal counsel. Milbank acted as Avianca's bankruptcy counsel. Norton Rose Fulbright represented Castlelake. Clifford Chance represented Fortress Transportation and Infrastructure Investors

Amount: $482 million

Tenor: Six months to 10 years

Date mandated: 1 April 2021

Date closed: 3 December 2021

This winning transaction was put together on an extremely short timeframe to facilitate Avianca's planned exit from Chapter 11.

The Colombian carrier entered umbrella agreements with Castlelake for six Airbus A330-200Fs and with Fortress Transportation and Infrastructure Investors for 14 A319s, four A320s, two A321s and one A330-300 aircraft.

The transaction involved a restructuring deal with the export credit agency (ECA) while simultaneously pursuing a market

alternative to pay off the ECAs. In each case, the special purpose vehicle (SPV) purchased the aircraft with proceeds from a loan advanced by ECA lenders and guaranteed by European export credit agencies.

Under the transactions, Avianca sold the beneficial interest in each of the SPVs to Castlelake and Fortress Transportation and Infrastructure Investors.

The A330F transaction with Castlelake involved a simultaneous purchase of four engines from Castlelake to replace four of Avianca's engines that needed overhaul. This allowed Avianca to minimise cash otherwise needed to restore the engines.

The lease plus an engine solution provided by Fortress Transportation and Infrastructure Investors helped Avianca transition out of an engine type that it no longer wanted to operate long term but wanted to operate for six to 12 months.

Highly structured power-by-the-hour arrangements on the passenger aircraft in the fleet allowed Avianca to maximise cash proceeds and operational flexibility as it managed uncertain Covid demand.

North America Deal of the Year: United Airlines $4bn bond issuance/$5bn term loan

Borrower/issuer: United Airlines

Structure: Bond and term loan

Adviser: Goldman Sachs

Law firm: Milbank

Amount: $9 billion

Tenor: Six months to 10 years

Date mandated: 31 March 2021

Date closed: 21 April 2021

While slots, gates and routes (SGR) collateral is not unusual for airlines to secure, the United Airlines transaction was unique in that it will be the first time that an airline pledged its entire SGR portfolio into a single transaction.

The collateral package included a pledge of United's entire international network and all of United's material domestic SGR collateral including at New York-JFK and New York-LaGuardia airports and Ronald Reagan National in Washington DC. Slots with about 70% of the pledged international routes touch airports classified as slot constrained – indicating the value of these assets.

The transaction was part of United's planned $10.75 billion debt package consisting of a revolver, loan and bonds.

The credit facility includes a $1.75 billion revolving credit commitment that expires in 2025 and a term loan B due in 2028.

At the time, the carrier had an existing credit facility consisting of a $1.4 billion outstanding loan from March 2017 and a $2 billion revolver backed by its Pacific SGRs. United also had access to a total of $7.5 billion ($520 million already drawn) in government loans under the CARES (coronavirus aid, relief and economic security) Act, secured by its remaining SGRs.

The transaction refinanced both the existing credit facility and the CARES Act outstanding loan.

The collateral package was valued at $25.5 billion by independent appraisers, driving a collateral coverage ratio of 2.3x, assuming a fully drawn revolver.

The two-series notes offering are due in 2026 and 2029.

Bank loan Deal of the Year: Easyjet $1.87bn secured loan

Borrower/issuer: Easyjet

Structure: Senior secured debt facility

Banks: Citibank, Banco Santander, BNP Paribas and Societe Generale as coordinating mandated lead arrangers and bookrunners. Bank of America, Bank of China, Barclays Bank, Sumitomo Mitsui Banking Corporation, Morgan Stanley and Lloyds Bank as mandated lead arrangers

ECA: Export Credits Guarantee Department (operating as UK Export Finance)

Assets: A pool of Airbus A320 aircraft

Law firms: Herbert Smith Freehills acted as counsel to Easyjet. Allen & Overy represented the UK Export Finance and the lenders

Amount: $1.87 billion

Tenor: Five years

Date mandated: 1 January 2021

Date closed: 11 January 2021

Easyjet's $1.87 billion secured loan supported by a guarantee from UK Export Finance achieved a double first: Easyjet was the first carrier to secure a loan through the UK Export Finance's Export Development Guarantee (EDG) scheme, and the transaction also marked the first secured EDG facility to reach financial close.

Valued at $1.87 billion, the financing was underwritten by a syndicate of 10 banks. The term of the loan is for a period of five years and allows Easyjet to refinance existing commercial debt and further boost liquidity. The loan was secured against a portion of its existing fleet of Airbus A320 aircraft.

The purpose of the facility was to refinance in the first quarter of 2021 the existing $500 million fully drawn revolving credit facility and the two outstanding term loans amounting to £400 million and due to mature in 2022, and further boost liquidity required for general corporate needs. As such, the facility has become Easyjet's new central flagship and core relationship bank facility.

In spite of its very significant size, the transaction was vastly oversubscribed, demonstrating lenders' continued willingness to support core clients and confidence that Easyjet has the ability to emerge from the Covid-19 crisis as one of the industry winners. It also demonstrates the attractive nature of the EDG product.

Guaranteed Financing Deal of the Year: Crianza Aviation **$425m AFIC-supported and Balthazar-guaranteed loans for three aircraft**

Borrower/issuer: Three special purpose companies organised by Crianza

Structure: Limited recourse financing of each aircraft

Assets: Two Boeing 787-10 aircraft and one Airbus A350-900

Banks: Natixis and Apple Bank as senior lenders for the two 787-10 aircraft; KfW-IPEX as senior lender for the A350-900 aircraft. Cerritos and other Korean financial institutions as mezzanine lenders for the three aircraft

Law firms: Milbank (London) counsel to the AFIC Insurers, Jaffa & Co (UK) counsel to Crianza, HSF (Singapore), counsel to the senior lenders for the Boeing aircraft, Norton Rose (Paris) counsel to the senior lender for the Airbus aircraft, Clifford Chance (Asia Practice), Norton Rose (Singapore), Yulchon, Lee & Ko, Rajah & Tann, Walkers and Matheson (Ireland)

Insurance support/guarantee: Aircraft Finance Insurance Consortium and Marsh SAS (Balthazar)

Adviser: Eastmerchant Capital as overall arranger of the transaction

Amount: Over $425 million

Tenor: 13 years with a balloon

Date mandated: 18 February 2021

Date closed: 15 April 2021

This winning deal had many firsts: first Aircraft Finance Insurance Consortium (AFIC)-supported sale and leaseback on a limited recourse basis; first AFIC-supported financing of a Boeing 787-10 aircraft; first AFIC-supported financing with a balloon for which the AFIC insurers recourse was only to the aircraft and the end of lease maintenance adjustment payments; first Balthazar-supported transaction for a lessor; first Balthazar-supported operating lease financing; and first Balthazar supported sale and leaseback financing with a balloon.

The transaction also marked the first AFIC-supported and Balthazar-guaranteed financing for Singapore Airlines, the first AFIC-supported and Balthazar-guaranteed financing with Eastmerchant Capital and the first AFIC-supported and Balthazar-guaranteed financing with Crianza and Korean investors.

The base transaction was the purchase and leaseback of three widebody aircraft consisting of two 787-10s and a single Airbus A350-900 from Singapore Airlines, which was closed as one package on the same day.

The deal was funded by a multilayered financing structure, including senior supported financing provided by Natixis and Apple Bank and backed by AFIC, KfW and Balthazar. Mezzanine financing was sourced in South Korea from institutional investors and equity funds were also sourced in South Korea through Crianza Aviation.

More than $450 million of total financing (senior debt, mezzanine debt and equity) was in connection with the financing of the three widebodies under sale and leasebacks.

The transaction also marked the reopening of the Korean market for operating lease financings after an 18-month hiatus.

As the AFIC- and Balthazar-supported transactions were each based on separate sets of financing documents, broadly based on the different philosophies of Ex-Im Bank and the European export credit agencies, respectively, there were two groups of lenders/insurance consortiums with their respective counsels (four law firms), which had to agree on identical lease terms and also intercreditor terms with both the mezzanine lenders and Crianza. Essentially, this resulted in managing two individual operating lease financings in parallel, which proved to be a significant task when targeting a single closing date, as required by the airline.

Tax Lease Deal of the Year: SAS **Jolco for one A350-900**

Borrower/issuer: SAS

Structure: IFLI-supported Jolco financing

Assets: One Airbus A350-900

Bank: Credit Agricole-CIB

Law firm: Allen & Overy acted for IFLI and the insurers

Amount: $139 million

Date mandated: 1 March 2021

Date closed: 30 March 2021

This winning deal was the very first Piiq's insurance-supported financing. The transaction was a market first refinancing of a Japanese operating lease with call option (Jolco) on a 2020-vintage Airbus A350-900 operated by SAS.

Allen & Overy advised the insurers and IFLI on the very first IFLI transaction – drafting all the documentation and creating the product that competes with export credit agency-supported financings and commercial financing and other credit insurance-supported transactions.

The debt was provided by Credit Agricole-CIB and is for one A350 operated by Scandinavian Airlines System under a Jolco leasing structure.

The IFLI product allows banks and capital market investors the protection of an insurance-backed aviation finance product when financing new aircraft or refinancing aircraft already owned by airlines or lessors and is a market first because it is the first time that an insurance-backed product of this nature has supported the refinancing of an aircraft already in operation. This further development of the insurance-backed Jolco market enables Japanese financial institutions to access IFLI through Japanese insurers, and customers simultaneously to access the Japanese equity market and the credit insurance markets.

Sale and Leaseback/Operating Lease Deal of the Year: **Aeromexico operating lease for 12 737 Max 8 aircraft**

Borrower/issuer: Aeromexico

Structure: Operating lease

Assets: Twelve Boeing 737 Max 8 aircraft

Lessor: Dubai Aerospace Enterprise

Date closed: 1 September 2021

Dubai Aerospace Enterprise signed lease agreements for 12 Boeing 737 Max 8 aircraft just months after having placed a speculative order for 14 such aircraft with the manufacturer.

The deal is significant because of the size of the transaction, especially because the aircraft type had only just been recertified.

In April 2021, Aeromexico reduced its 737 Max orderbook to 24 aircraft from more than 50 units previously as part of its $2 billion restructuring agreement with manufacturers, suppliers and lessors under the Chapter 11 bankruptcy protection. Aeromexico petitioned for Chapter 11 in June 2020 and emerged from its restructuring process as a reorganised airline valued at $2.56 billion in March this year.

It will invest $5 billion over the next five years to improve its fleet after receiving 31 aircraft in 2021, and a further 22 units will deliver this year. Aeromexico operates a mix of 737 Max 8, 9, -700, -800, 787 and Embraer 190 units.

In March 2021, Middle East-based Dubai Aerospace Enterprise placed its first direct 737 Max purchase with Boeing.

The lessor has supported the Max programme through sale and leaseback transactions, notably with American Airlines and Brazilian carrier Gol.

In January this year, Dubai Aerospace Enterprise announced it had successfully completed the placement of its 14-aircraft orderbook, allocating the remaining two new units to Icelandair. Deliveries commenced in October 2021 and all aircraft are scheduled be to be delivered before the end of the first half of 2022.

Structured Lease Deal of the Year: **Turkish Airlines Italian lease combined with ACG guarantee for three A321neo aircraft**

Borrower/issuer: Turkish Airlines

Structure: Cross-border financing lease

Assets: Three Airbus A321neo aircraft

Banks: Societe Generale as arranger and facility agent, UMB Bank as security trustee

Guarantor: Aviation Capital Group

Law firms: Norton Rose Fulbright acted as counsel to lender, Dikici Law Office as local counsel to borrower, Matheson as local counsel, Clyde & Co as counsel to Turkish Airlines, Smith Gambrell & Russell as counsel to guarantor and security trustee

Amount: $150 million

Tenor: 12 years

Date mandated: 11 March 2021

Date closed: 14 June 2021

Aviation Capital Group (ACG) provided delivery financing for an Airbus A350-900 and three A321neos to Turkish Airlines (THY) under its Aircraft Financing Solutions (AFS) programme last year.

The California-based lessor partnered with Societe Generale to provide an ACG guarantee for the secured loan component of an Italian lease structure for three A321neo aircraft.

This deal marked the first time an Italian Lease was combined with an ACG guarantee. The successful combination provided Turkish Airlines with an innovative solution at a competitive overall cost of financing. Documentation and initial delivery have been achieved in a very tight timeline despite the continuing negative impacts of the Covid-19 crisis and the global lockdowns.

Turkish Airlines' senior vice-president finance, Ayşegül Denli, said the airline obtained a competitive overall cost of financing with a "solid commitment" from lenders during a challenging time for the industry.

Andrew Falk, managing director of ACG, said the fact that the lessor was able to respond to address Turkish Airlines' needs as both a direct lender and a loan guarantor demonstrated the "flexibility of the AFS programme and our ability to utilise a multitude of financing structures to address our clients' requirements".

Societe Generale's managing director and head of aviation finance for EMEA, Laurent Floquet, said both Turkish Airlines and ACG are "key clients of SG's global aviation finance franchise".

Used Aircraft Deal of the Year: SAS **$18m portfolio financing for four aircraft**

Borrower/issuer: SAS
Structure: Full recourse secured portfolio financing
Assets: Four Airbus A321 aircraft
Bank: MUFG as mandated lead arranger, agent, security trustee and account bank
Law firms: Dentons acted for MUFG. Watson Farley was SAS legal counsel
Amount: $18 million
Tenor: 18 months
Date closed: 31 March 2021

This deal was innovative because it involved upsizing and extending financing for four 2001/02-vintage Airbus A321s helping a key client for the MUFG Bank to manage its cash flow in a dynamic period in the industry with Covid-19 headwinds in full pressure.

The term sheet for the deal was agreed early in 2021, swiftly moving to documentation for closing at the end of March. The additional structuring element had $2 million of the advance against this A321 portfolio to be held in a security deposit pledged against another two A320s the bank had previously financed for SAS – to help improve the loan-to-value profile on the overall portfolio.

During this period, aviation finance banks were generally on pause, in terms of lending – especially on used and/or old aircraft but MUFG stepped up and provided an adequate solution for SAS, being a key client.

New Fund/Alternative Financing Platform of the Year: Castlelake **$2.6bn inaugural capitalisation**

Borrower/issuer: Castlelake Aviation

Structure: Senior secured RCF, term loan B; high yield bond and senior secured term loan

Assets: Portfolio of 71 aircraft and secured aviation loans

Banks: High-yield unsecured bond: Morgan Stanley as lead-left bookrunner and arranger; Citigroup, Barclays, BNP Paribas, Goldman Sachs, MUFG and RBC Capital Markets as joint bookrunning managers; Fifth Third Securities and Natixis as co-managers. Term loan B: Morgan Stanley as lead-left bookrunner and arranger; Citigroup, BNP Paribas, MUFG, Goldman Sachs, RBC Capital Markets and Barclays as joint lead arrangers and joint bookrunners; Fifth Third Bank and Natixis as co-arrangers. Secured revolver: Citigroup as sole structuring agent and global coordinator; Citigroup and Morgan Stanley as mandated joint lead arranger

Law firms: Milbank acted as counsel to Castlelake Aviation Limited, its subsidiaries, Castlelake LP and its affiliates. Cahill Gordon and Clifford Chance were counsel to investors and lenders. Walkers was counsel to the issuer with respect to Cayman law, A&L Goodbody counsel to the issuer with respect to Irish law, Morris James counsel to the issuer with respect to Delaware law

Amount: RCF: $750 million (with $250 million accordion). TLB: $1.2 billion. Unsecured bond: $450 million. Air Asia TL amendment: $246 million

Date mandated: 7 July 2021

Date closed: 22 October 2021

This winning deal transaction was a means of raising the initial capitalisation of Castlelake Aviation Limited, a newly established corporate-rated entity, which is owned and operated by Castlelake.

To achieve this, it closed on the following transactions: revolving credit facility, term loan B, unsecured bond and Air Asia term loan amendment. The transactions were part of the larger strategic initiative by Castlelake to establish Castlelake Aviation Limited. They also serve as a marker of Castlelake's graduation to unsecured financing. Castlelake Aviation obtained a corporate rating on the successful consummation of these debut transactions and acquisitions.

In the past, Castlelake has utilised limited recourse warehouse facilities in three of five transactions in conjunction with the asset-backed securities (ABS) market to finance its aircraft. Moving forward, Castlelake Aviation is expected to streamline Castlelake's capital-raising regime and become a primary vehicle for bond issuances and other recourse financing activities, with the ultimate goal of tapping the investment-grade capital markets.

The portfolio included 71 aircraft and secured aviation loans (including two aircraft under binding purchase agreement as of the closing date) with an estimated book value of $2.4 billion, weighted average age of 5.7 years, remaining lease term of 10.3 years and 72% narrowbody/28% widebody split.

The landmark and innovative transaction encompassed the corporate formation and capitalisation of Castlelake Aviation and involved inaugural ratings opinions issued by Moody's, S&P, Fitch and Kroll.

The formation of Castlelake Aviation builds on Castlelake's history of innovation in aviation finance and follows its establishment of an aviation lending business in late 2020 and its reopening of the aircraft ABS market in January 2021.

The transaction marked Castlelake's first issuance in the term loan and unsecured bond markets.

This innovative transaction required the simultaneous execution of the issuance and funding of $420 million of high-yield bonds, the funding of a $1.2 billion term loan B facility, the transfer of about 70 aircraft and aircraft-secured loans with a value of about $2.4 billion and the execution of a secured revolving credit facility to fuel future growth initiatives.

Cargo Deal of the Year: KKR/Altavair $300m four A330-200 conversions and leases

Borrower/issuer: KKR/Altavair

Structure: Operating lease

Bank: BNP Paribas

Assets: Four Airbus A330-200 aircraft

Servicer: Altavair

Amount: $300 million

Date mandated: 15 April 2021

Date closed: 16 June 2021

This deal was special because it represented the first converted current-generation freighters operated by the respective customers – Mas Air in Mexico, which leased two Airbus A330-200s, and Hongyuan in China with two units.

KKR and Altavair Airfinance agreed to purchase 38 A330 and Boeing 777 widebody aircraft from Etihad Airways in early 2020. The $1 billion acquisition will be made through aircraft leasing investment platform Altitude Aircraft Leasing, which was established by KKR's credit and infrastructure funds in 2018 to acquire aircraft serviced by Altavair.

Following the transaction with Etihad Airways, Altavair was positioning and preparing for the increase in demand for converted A330 freighters to replace older-generation aircraft. The Covid-19 pandemic and surge in cargo demand accelerated these plans.

Converting the aircraft into a freighter, given the growing demand for cargo operations, was an accretive way of extending the life of the A330-200, while also upgrading the cargo fleet of customers. Given the fleet under management by Altavair, direct support on engines for the lessees was structured into the transaction.

The transaction also marked Altavair's first A330 conversions, creating momentum behind its longer-term cargo conversion plans for the A330 programme.

Equity Deal of the Year: Cebu Air $840m capital raising and liabilities reprofiling

Borrower/issuer: Cebu Air Pacific

Structure: Capital raising through three instruments

Banks: BNP Paribas and BPI Capital acted as joint financial advisers

Law firms: Latham & Watkins and Romulo Mabanta Buenaventura Sayoc & de los Angeles acted as Cebu's international and local legal counsel, respectively, for the convertible bonds, sale and convertible preferred shares issuance. Picazo Buyco Tan Fider & Santos acted as lenders' counsel for the syndicated term loan facility. Clifford Chance acted as the legal counsel for the convertible bond investors

Amount: $840 million

Date closed: 18 May 2021

This landmark comprehensive transaction allowed Cebu Air Pacific to address the impact of Covid-19 with the issuance of three tranches of capital raising totalling $840 million and a liabilities reprofiling exercise resulting in two new prestigious international equity investors coming on board.

Cebu's comprehensive process involved an operational transformation plan to reposition the business for the new normal; a renegotiation of existing debt and lease terms to improve its cash runway; and a capital-raising exercise fully supported by its parent, JG Summit, domestic institutions and international investors.

The funding reached about 1.5x of Cebu's market capitalisation and involved:

- $250 million convertible bonds sale to International Finance Corporation, the International Finance Corporation Emerging Asia Fund and Indigo Philippines, an affiliate of Indigo Partners, a US-based private equity fund specialising in the aviation sector. The convertible bonds leg of the transaction was executed as an M&A transaction with the financial advisers providing sell-side M&A advisory services to Cebu;
- PHP12.5 billion ($260 million) convertible preferred shares issuance, under the form of a rights issue, fully underwritten by key shareholder, CPAir Holdings (a JG Summit company), but eventually well subscribed by the market; and
- PHP16 billion syndicated term loan facility provided by a group of Philippine government financial institutions and private sector commercial banks.

The transaction had full support from existing and new creditors: successful liability management, with existing banks and aircraft lessors; and a new large 10-year unsecured facility from government-linked financial institutions and private sector commercial banks.

M&A Deal of the Year: Aercap/GECAS $34bn merger

Borrower/issuer: Aercap

Structure: Aercap acquired 100% of GE Capital Aviation Services for 111.5 million shares, $23 billion cash and $1 billion Aercap notes; $21 billion senior unsecured notes; $2 billion senior secured term loan B

Banks: Financial adviser to General Electric: Goldman Sachs; joint lead arranger and structuring agent: Goldman Sachs and Citibank

Law firms: A&L Goodbody acted as Irish counsel in connection with the transaction. Paul, Weiss, Rifkind, Wharton & Garrison advised General Electric. Clifford Chance was asset counsel advising General Electric. Cravath, Swaine & Moore acted as counsel advising Aercap. NautaDutilh was Netherlands counsel advising Aercap. McCann Fitzgerald was Irish counsel advising Aercap

Date mandated: 29 January 2021

Date closed: 5 November 2021

This mega-merger transaction had everything: size, financing, involving the two largest leasing companies bringing the balance sheet in at $76 billion. It also marked Aercap's second large M&A transaction in seven years, after the ILFC transaction in 2014.

Aercap acquired $34 billion of assets, including the GECAS engine leasing and Milestone helicopter leasing businesses, transferred to Aercap, together with more than 400 employees. As part of the deal, GECAS acquired an equity stake in the combined Aercap entity.

The deal saw Aercap acquiring 100% of GE Capital Aviation Services for 111.5 million shares, $23 billion cash and $1 billion Aercap notes; $21 billion senior unsecured notes; $2 billion senior secured term loan B.

Goldman Sachs served as joint lead arranger and bookrunner on a $24 billion bridge facility to Aercap and provided 50% of the total commitment, which is the joint-largest industrials bridge commitment ever, the largest M&A transaction in 2021, the largest aviation/aircraft leasing M&A transaction and the largest investment-grade bridge since the Covid pandemic.

Airline Restructuring Deal of the Year: Avianca restructuring

Borrower/issuer: Avianca Holdings

Structure: Chapter 11 restructuring

Assets: Frequent-flyer programme (LifeMiles), aircraft assets, cargo business, intellectual property

Adviser: Seabury Securities, investment banker and financial adviser

Law firms: Milbank acted as debtors' counsel, and Smith Gambrell & Russell as debtors' aviation counsel

Tenor: Seven-year exit debt package

Amount: $3.2 billion

Date mandated: 1 May 2021

Date closed: 1 December 2021

This transaction represented the first of the big three Latin American Airlines to file Chapter 11 after the Covid-related government shutdowns and the first to emerge from Chapter 11.

The transaction saw a restructuring of about $5 billion of liabilities, including more than 150 aircraft financings and leases.

It raised $2 billion in debtor-in-possession financing, which was refinanced during the case with $1.6 billion exit debt financing plus conversion of subordinated debt to equity and additional equity capital raise.

The deal restructured multiple aircraft financing structures (Japanese operating lease with call options, private placements, bank loans, export credit agency-supported financings) into 100% operating leased fleet. Avianca also transformed its network and cost structure to compete with low-cost carriers in the region.

This restructuring was impressive given the scope and nature of the fleet restructuring achieved – more than 150 aircraft restructured and aircraft-related liabilities reduced by $2 billion. Avianca emerged after only 18 months in Chapter 11 bankruptcy.

Lessor Unsecured Bond Deal of the Year: Aercap/GECAS merger $21bn unsecured notes

Borrower/issuer: Aercap

Structure: Multi-tranche bonds with different tenors, floating-rate senior notes

Banks: Citigroup Global Markets and Goldman Sachs acted as joint global coordinators and joint bookrunning managers for the underwritten public offering. BofA Securities, Barclays, Credit Agricole-CIB, Deutsche Bank Securities, JP Morgan, Mizuho Securities, Morgan Stanley, RBC Capital Markets, Santander, BNP Paribas, Credit Suisse, HSBC. TD Securities, Truist Securities, Wells Fargo Securities, MUFG, Societe Generale and Fifth Third Securities were joint book-running managers

Amount: $21 billion

Investors flocked to the largest bond in aviation history, issued by Aercap to help finance its purchase of GE Capital Aviation Services.

Bankers involved say there was more than $70 billion in demand for the $21 billion bond issuance.

The weighted average coupon was 2.6% for a 7.3-year average term.

Aercap priced the offering of senior notes as follows: $1.75 billion in aggregate principal amount due 2023 at 1.15%; $3.25 billion due 2024 at 1.65%; $1 billion due 2024 at 1.75%; $3.75 billion due 2026 at 2.45%; $3.75 billion due 2028 at 3%; $4 billion due 2032 at 3.3%; $1.5 billion due 2033 at 3.40%; and $1.5 billion due 2041 at 3.85%.

It also issued $500 million of floating-rate senior notes due 2023.

The notes are fully and unconditionally guaranteed on a senior unsecured basis by the company and certain other subsidiaries.

This transaction had significant milestones: joint number one low-BBB/BBB- issuance of all time, the ninth-best investment grade deal of all time, the seventh-best M&A-linked investment-grade bond offering of all time, the number five BBB-rated deal of all time and the number one aircraft lessor deal with the longest tenor.

On 1 November 2021, Aercap announced it had completed its acquisition of the GECAS business from General Electric after receiving all required regulatory approvals.

Airline Bond Deal of the Year/Overall Capital Markets Deal of the Year: Hawaiian Airlines $1.2bn secured notes

Borrower/issuer: Hawaiian Airlines Inc, Hawaiian Brand Intellectual Property, Hawaiian Miles Loyalty

Structure: Senior secured notes at 5.75%

Assets: Frequent-flyer programme (LifeMiles), aircraft assets, cargo business, intellectual property

Banks: Barclays, Goldman Sachs, BNP Paribas, Citigroup and Morgan Stanley acted as bookrunners of the offering

Law firm: Milbank, Hughes Hubbard & Reed acted as counsel for Hawaiian Airlines

Tenor: Five years

Amount: $1.2 billion

Date closed: 4 February 2021

Hawaiian Airlines issued the notes via two newly formed special purpose vehicles: Hawaiian Brand Intellectual Property and Hawaiian Miles Loyalty. These special purpose vehicles are wholly owned subsidiaries of Hawaiian Airlines' parent, Hawaiian Holdings.

This transaction was significant because the loyalty programme financing was an inaugural financing of this stature for the US carrier.

This transaction is also significant because the final $1.2 billion principal amount issued was an increase of $400 million over the original $800 million principal amount.

Hawaiian secured the debt for this transaction with a first-priority lien on the core assets of the company's Hawaiian Miles loyalty programme, including the intellectual property necessary to operate the programme, and all of the airline's other brand intellectual property.

Finally, this was a significant transaction for Hawaiian because it used the proceeds to repay federal loans received under the Coronavirus Aid Relief and Economic Security Act and to enhance its liquidity position further.

ABS Deal of the Year: SALT 2021-1 $893m for 156 aircraft

Borrower/issuer: SALT 2021-1 Trust. Affiliate of Bellinger Aviation Pte and SP Novo Holdings I

Structure: Asset-backed securities

Assets: Loans secured by 156 aircraft

Banks: Goldman Sachs & Co, Deutsche Bank Securities acted as arrangers. Citigroup and Mizuho Securities were the bookrunners in the transaction. Natixis acted as liquidity facility provider. UMB Bank, National Association as trustee and security trustee

Law firms: A&L Goodbody acted as Irish counsel for the lenders. Allen & Overy was UK counsel to Stonepeak. Milbank was US counsel to the lenders, counsel to the initial purchasers. Allen & Overy was counsel to the sponsor and issuer. Baker Botts acted as counsel to the managing agent. Smith Gambrell was counsel to the trustee

Amount: $893.47 million

Date mandated: 16 September 2021

Date closed: 29 October 2021

The asset-backed securities (ABS) winning deal was one of the largest aviation-related transactions in 2021 and was structured through four classes of notes with high loan-to-values. Stonepeak Infrastructure Partners achieved 92% loan-to-value through Class D, with 84% loan-to-value through the three IG-rated tranches.

It was also the first broadly syndicated aviation loan securitisation which combined bondholder protections and covenants utilised by both aircraft ABS and collateralised loan obligation (CLO) frameworks, and asset class expertise of alternative investment firm Stonepeak Infrastructure Partners and investment management firm Bellinger Asset Management.

SALT 2021-1 Trust issued $893.48 million of notes backed by loans secured by 156 aircraft operated by 45 airline operators located in 29 jurisdictions.

The portfolio comprised of 116 loans across 26 facilities and included a diversified base of strong borrowers and lessees, a complex structure to accommodate loans with borrowers from a broad number of jurisdictions and a large array of financing structures. The underlying credit counterparties in the portfolio include top-tier leasing companies and airlines.

The transaction represented the successful refinancing of the first joint investment made by Stonepeak and Bellinger since the launch of the firms' diversified, independent aviation investment platform in May 2021.

The firms said the transaction utilised a traditional aircraft ABS structure and rating methodology but adopted CLO technology to offer investors enhanced structural features and protections.

The offering was more than three times oversubscribed.

Sustainability Financing Deal of the Year: British Airways $553m EETC for seven aircraft

Borrower/issuer: British Airways

Structure: Sustainability-linked Japanese operating lease with call option and combined enhanced equipment trust certificates

Assets: Three Airbus A320neo, one A350-1000 and three Boeing 787-10 aircraft

Banks: Citigroup acted as the structuring lead in the transaction. Bank of America Merrill Lynch, Credit Agricole-CIB, Credit Suisse, Mitsubishi UFJ Financial and SMBC Nikko Capital Markets acted as joint bookrunners of the transaction. A liquidity facility was provided by Credit Agricole-CIB, SMBC acted as depositary and Wilmington Trust Company was the security trustee and pass through trustee

Law firms: Allen & Overy advised British Airways. Vedder Price advised the initial purchasers

Amount: $553.61 million

Date mandated: 28 June 2021

Date closed: 20 July 2021

British Airways issued a market-first sustainability-linked enhanced equipment trust certificates (EETC) transaction for seven aircraft in June 2021.

This transaction was the first EETC to use a sustainability-linked structure. The equipment notes are subject to a key performance indicator in respect of the flight fuel efficiency of British Airways and its subsidiaries measured by the average grammes of gross carbon dioxide emitted per equivalent passenger per kilometre (gCO2/pkm) of flights during 2025. This was a highly structured multi-tranche, multi-aircraft type transaction, which required considerable innovation to launch in Covid times.

Moody's noted the EETC transaction features a sustainability mechanism whereby if the average carbon emissions per passenger kilometre emitted by BA is not below a specified level for the financial year ending 31 December 2025, interest rates on the certificates will increase by 25 basis points.

The target contemplates a reduction of 8.1% in this metric versus 2019 levels.

NBB acted as Japanese operating lease with call option equity arranger.

The EETC encompassed three classes of aircraft: Airbus A320neos, A350-1000s and Boeing 787-10s.

It pegs the aggregate market value of the seven aircraft at about $742 million at the issuance date, depreciating to $576 million in June 2026, $443 million in June 2030 and about $292 million six months before the final scheduled payment in March 2035.

The transaction was more than six times oversubscribed, with a $461.42 million senior tranche attracting $2.9 billion in bookings from investors. Initial price talk started at about 3.25%. The tranche priced at a 2.9% coupon. The spread was treasury to 182 basis points.

The $92.19 million B tranche attracted $450 million in bookings from investors. Initial price talk started at 4.125% area. The tranche priced at 3.9% coupon. The spread was treasury to 310 basis points.

Environmental/ESG Leadership Deal of the Year: Air France $111m A350-900 Balthazar-backed sustainability-linked senior secured loan

Borrower/issuer: Air France

Structure: Sustainability-linked aircraft secured term loan

Assets: One Airbus A350-900

Bank: Societe Generale acted as sole arranger, sustainability structurer, lender and agent

Law firms: Norton Rose Fulbright acted as Societe Generale's legal counsel, Stephenson Harwood as Air France's counsel and Clifford Chance as Balthazar Insurers' counsel

Guarantor: Balthazar structure

Tenor: 12 years

Amount: $111 million

Date mandated: 10 June 2021

Date closed: 17 December 2021

This was the first sustainability-linked aircraft secured term loan transaction closed for an airline.

It supports Air France in its strategy to implement a very ambitious environment-linked strategy by incorporating a margin adjustment mechanism if mutually agreed sustainability performance targets (SPT), in respect of sustainability-linked key performance indicators (KPI), are met.

The terms of the financing are linked to Air France achieving certain sustainability-linked performance targets.

The KPIs selected for the transaction are focusing on the proportion of new-generation and fuel-efficient aircraft in Air France's fleet and the future usage of sustainable aviation fuel as part of Air France Group's daily operations.

The SPTs for each KPI were set at levels that reflect the ambition of Air France's environmental strategy. The expertise of Societe Generale's ESG specialist team was key in assessing such ambition.

The transaction is the first long-term sustainability-linked financing in the aviation industry, which reflects and confirms the long-term commitment of Air France to reduce its environmental footprint.

The transaction is the second Airbus A350-900 aircraft financing arranged by Societe Generale for Air France in less than two years. It was also supported by a Balthazar non-payment insurance policy provided by a consortium of leading private insurance companies through insurance broker Marsh France.

Best ESG Initiative of the Year: Aviation Working Group's Carbon Calculator (ACC)

Watson Farley & Williams (WFW) advised the Aviation Working Group (AWG) on the implementation and build of the AWG carbon calculator (ACC), which launched on 31 March 2021.

The ACC has been developed to provide accurate, reliable and consistent aircraft carbon dioxide emissions data to aviation industry participants. Using original equipment manufacturer source data provided by Airbus, ATR, Boeing and Embraer, the ACC will generate and compare carbon dioxide emissions data for aircraft and aircraft portfolios.

The source data is determined by and provided for operational aircraft models under consistent standards, assumptions and methodology, ensuring that it is both accurate and directly comparable. All data, graphs and certificates are exportable, enabling ACC users to include them for internal committee meetings, corporate reporting, investor presentations and offering documents, and as evidence of compliance in green financing.

The AWG is a not-for-profit legal entity whose members comprise major aviation manufacturers, leasing companies and financial institutions that contribute to the development of policies, laws and regulations to facilitate advanced international aviation financing and leasing.

The launch of the ACC forms part of the AWG's wider environmental, social and governance initiative, on which WFW is one of two legal advisers alongside Clifford Chance. Innovation users of the AWG carbon calculator can provide aircraft-specific operational inputs, to generate accurate, reliable and consistent carbon dioxide emissions data for aircraft and aircraft portfolios, with the data presented visually through various tabular and graphical outputs. Default inputs for annual hours and cycles are also available as an option for users.

The AWG carbon calculator will make it easy for its users to generate and compare accurate, reliable and consistent carbon dioxide emissions data for aircraft and aircraft portfolios.

News Event of the Year: RISE programme

Airfinance Journal's news event of the year is the launch of RISE (Revolutionary Innovation for Sustainable Engines), a bold technology development programme targeting more than 20% lower fuel consumption and CO_2 emissions compared with today's engines.

The RISE engines will be developed in jet fuel/sustainable aviation fuel (SAF) and hydrogen burning versions.

General Electric Aviation and Safran will fully develop this concept in their CFM joint venture. The move is impressive coming from CFM, which is the largest engine original equipment manufacturer around, both in terms of delivered engines (more than 30,000) and engine deliveries (several thousand CFM56 and LEAP engines a year).

The CFM RISE programme will demonstrate and mature a range of new, disruptive technologies for future engines that could enter service by the mid-2030s.

The companies also signed an agreement extending the CFM International 50/50 partnership to the year 2050, declaring their intent to lead the way for more sustainable aviation in line with the industry's commitment to halve CO_2 emissions by 2050.

Technologies matured as part of the RISE programme will serve as the foundation for the next-generation CFM engine that could be available by the mid-2030s.

A demonstrator engine is scheduled to begin testing at GE and Safran facilities around the middle of this decade and flight test soon after.

The programme goals include reducing fuel consumption and CO_2 emissions by more than 20% compared with today's most efficient engines, as well as ensuring 100% compatibility with alternative energy sources such as sustainable aviation fuels and hydrogen.

Central to the programme is propulsive efficiency for the engine, including developing open fan architecture. This is a key enabler to achieving significantly improved fuel efficiency while delivering the same speed and cabin experience as current single-aisle aircraft.

The programme will also use hybrid electric capability to optimise engine efficiency while enabling electrification of many aircraft systems.

The launch deserves *Airfinance Journal*'s news event of year award because it is a vital step towards the ambitious 2050 goals for lowered emissions for air transport, and no doubt will alter the way the entire aviation sector from the airlines to the maintenance, repair and overall shops, to the lessors to the type of capital and investors we attract to fund this industry.

Editor's Deal of the Year: Delta Air Lines JoI for eight A220-100s

Borrower/issuer: Delta Air Lines

Structure: Japanese operating lease

Assets: Eight Airbus A220-100s

Law firms: Hughes Hubbard & Reed acted for the lessee. Holland & Knight and Vedder Price were counsel for the seller

Lessor: ABL Aviation (Ireland) Limited. Bank of Utah as owner and trustee

Date closed: 13 January 2021

ABL Aviation was first to bring the Airbus A220 to the Japanese market. It proved a huge success because all of the aircraft were sold very quickly.

The A220-100 was a more challenging asset to present to the Nin'i Kumiai (NK) investors than the A220-300. The confidence of the equity investors in the airline to survive such difficult times was a fundamental obstacle faced by ABL Aviation; however, the Japanese operating lease (JoI) structure and the long-term reputation of the airline helped to overcome these concerns.

ABL Aviation closed the acquisition of eight A220 aircraft on lease to Delta Air Lines. It managed the lease transfer processes with sellers and NK transfers, with leases negotiated with the major US airline to make a more sellable JoI product in Japan during the process.

The deal helped to support the airline and the industry's sustainability agenda, with the engine efficiency of the A220 having significantly lower carbon emissions compared with other airlines.

These JoIs are fully funded by equity investors as access to capital markets was limited because of the Covid-19 pandemic. Completed against the backdrop of growing airline demand for newer, more fuel-efficient regional/narrowbody aircraft, the transaction highlights the resilience of ABL Aviation because the deal closed during a period of widespread economic uncertainty and turbulence for the aviation industry.

Overall Deal of the Year: American Airlines AAdvantage loyalty programme financing

Borrower/issuer: American Airlines

Structure: Bond issuance and term loan

Assets: American Airlines AAdvantage loyalty programme

Banks: Goldman Sachs acted as sole structuring agent. Citibank and Barclays as joint lead arrangers and bookrunners

Law firm: Milbank acted as counsel to Goldman Sachs, Barclays and the other underwriters and lenders

Amount: $10 billion

Tenor: Five and eight years for senior secured notes. Seven years for secured term loan

Date closed: 3 August 2021

The American Airlines AAdvantage programme was valued between $19.5 billion and $31.5 billion, as of 2020. American Airlines raised $10 billion in aggregate debt facilities split across $6.5 billion senior secured notes due 2026 and 2029 and $3.5 billion senior secured term loan due 2028 backed by the intellectual property and cash flows associated with the airline's customer loyalty programme, AAdvantage Financing.

The proceeds were used to pay back federal loans that Congress had passed to help the struggling airline industry, other debt or other uses.

American Airlines used cash flows from its frequent-flyer loyalty programmes as collateral.

As counsel to the investment banks serving as lead underwriters for the transactions, Milbank was tasked with creating a structure that had never been implemented in the airline industry.

Historically, airlines looking to raise money had used their aircraft, engines, or their rights to certain slots, gates and routes as collateral, because they never had to raise money against cash flows from frequent-flyer loyalty programmes. It was a challenge that created thorny legal questions. For example, what happens if the airlines file for bankruptcy? What were the loyalty programmes worth? What were the claims that creditors would have against the bankrupt estate?

In the case of American Airlines, the Milbank team also had to create a new company that could make the financing efficient. To satisfy creditors, Milbank needed to develop a bankruptcy-proof financing structure – meaning that even in a bankruptcy, the noteholders and lenders would be paid in full. The Milbank team did that in part by adding a provision that would make it uneconomical for the airlines to walk away from their obligations to the lenders.

Aviation Finance House of the Year: Societe Generale-CIB

Societe Generale Corporate & Investment Banking spearheaded the aeronautical finance market in 2021, both in quantitative (number and volume of financings) and qualitative (innovation and structuring track-record) terms.

Despite the severe downturn that the industry has been facing since last year, and the aviation bank sector remaining globally in wait-and-see mode, Societe Generale-CIB demonstrated its seamless, unwavering, timely and reliable financing support to the industry throughout 2021.

Societe Generale-CIB's active involvement in the aviation sector last year was $143 billion.

Beyond the only quantitative dimension (Societe Generale-CIB having been the most active bank in the sector in 2021 in terms of number, volume, diversity, market share and sophistication of transactions closed), the bank also illustrated its capacity to accommodate client needs with innovative and tailor-made solutions and this in the most challenging environment ever known by the aviation industry.

The bank's unique innovation capabilities and structuring skills in the field of asset finance counted many firsts in 2021 – in particular, Societe Generale-CIB was at the forefront of the shift towards sustainability in deal-making and has been a pioneer in introducing key features such as:

- first AFIC-guaranteed financing on a Japanese operating lease for FPG Amentum's Boeing 737 Max on lease to Flydubai;
- first Italian lease with Aviation Capital Group's AFS-cover for Turkish Airlines;
- first aircraft-secured UKEF Export Development Guarantee financing for Easyjet;
- first Balthazar sustainability-linked term loan for an airline (Air France);
- first jumbo-sized lessor secured portfolio financing in the Asia-Pacific region since the onset of the pandemic, with CDB Aviation's $660 million 13-aircraft portfolio financing.

Societe Generale-CIB also confirmed its first-class global asset-backed securities (ABS) franchise and placement capabilities, having been joint bookrunner in four aviation ABS issuances in 2021 (SLAM 2021-1 for Sky Leasing, BBIRD 2021-1 for Air Lease Corp, NAVTR 2021-1 for PIMCO/DAE and AASET2021-1 for Carlyle Aviation Partners) for a total of $2.7 billion issuances representing about a third of the market share.

Like many banks, it had a large presence in the capital markets, but Societe Generale-CIB secured and unsecured pure bank debt participation was more than $44 billion.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Innovative Deal of the Year: American Airlines **$70m cargo receivables securitisation**

Borrower/issuer: American Airlines

Structure: Receivables securitisation facility

Assets: Air cargo receivables denominated in USD, GBP and EUR from seven distinct jurisdictions

Bank: BNP Paribas as administrative agent

Law firms: Latham & Watkins acted as borrower's counsel. Mayer Brown was lender's counsel

Amount: $70 million

Tenor: One year

Date closed: 15 January 2021

The American Airlines cargo receivable securitisation is a $70 million securitisation whose underlying collateral is made up of a pool of cargo receivables from seven jurisdictions and denominated in US dollars, euros and the British pound.

Discussions regarding the facility began during the height of the pandemic, when American Airlines and BNP Paribas engaged in dialogue surrounding the most effective strategies for working capital monetisation. BNP Paribas and American Airlines selected cargo receivables from American's current assets as a cost-efficient securitisation method. This position was validated in both the pick-up of cargo volumes, rates and balance of cargo receivables throughout 2021.

The transaction is unique in the market as the only extant cargo receivable securitisation and demonstrates unique ways that lenders can offer airlines credit on very attractive terms, even during the height of the pandemic.

The transaction was highly complex. It involved underlying collateral from several jurisdictions, in several currencies, and cleared through IATA CASS, IATA CNS, and directly through American Airlines.

Additionally, the seamless integration between the American Airlines treasury, cargo, IT, and accounting teams provided the flexibility necessary to calibrate the transaction to the variability in the receivables base.

The transaction's complexity led to the development of a robust legal and risk framework. Given the geographical breadth of the receivables, BNP Paribas, American Airlines and counsel undertook significant due diligence to guaranty the perfection of first lien security interest and true sale of cargo receivables in all included jurisdictions.

Aviation Person of the Year: Aengus Kelly, **CEO Aercap**

Airfinance Journal's aviation person of the year is Aengus Kelly, the chief executive officer of Aercap.

Not many chief executive officers can claim two mega acquisitions in the aircraft leasing industry, especially in less than eight years, but Aercap's Kelly can.

After years of sales talks and denials, General Electric (GE) finally secured an exit from aviation leasing on 9 March 2021.

Kelly led Aercap in its $30 billion acquisition of GECAS and doubled the size of the aircraft leasing company.

This marked the second major M&A transaction for Aercap in eight years. In 2013, Aercap agreed to buy International Lease Finance Corp (ILFC) from American International Group (AIG) for $5 billion. The purchase of ILFC's fleet gave Aercap just under 1,400 aircraft, still well shy of GECAS's 1,750 units at the time.

However, the acquisition of GECAS has created the world's largest aircraft lessor. Aercap now has a portfolio of more than 2,000 aircraft, over 900 engines and more than 300 helicopters, as well as an orderbook of about 450 aircraft. The aircraft fleet represents about 90% of the assets of the combined company. New-

technology aircraft are expected to make up 75% of the aircraft fleet by 2024.

Aercap became a sort of goldilocks buyer with the "just right" exit strategy for GE by checking three key boxes: certainty, confidentiality and the ability to take back public stock.

The transaction allowed GE to exchange 100% of its ownership in GECAS for 46% of pro-forma Aercap, while adding $25 billion in cash. Crucially, GE owns stock allowing it to participate in synergies and scale that the pro-forma company will bring.

Speaking to *Airfinance Journal*, Kelly said that, while there have been other platforms for sale over the past two years, the GECAS strategy was similar to Aercap's on the portfolio side.

Kelly says the principal integration tasks – the processes, the IT systems, the structure and the people – will occur during 2022.

Like in 2014, the market expects some asset sale activity from the GECAS portfolio. Post the ILFC transaction, Aercap sold $2 billion-worth of assets versus $1 billion initially anticipated.

He tells *Airfinance Journal* that there are certain assets Aercap wants to dispose of, but also insists this is part of the lessor's business of recycling capital.

Kelly has been Aercap's executive director and chief executive officer since May 2011. Previously, he served as chief executive officer of Aercap's US operations from January 2008 to May 2011 and was Aercap's group treasurer from 2005 through December 2007.

Lifetime Achievement: **Colm Barrington**

Colm Barrington has spent a lifetime in aviation in a career spanning six decades.

In that period, he has demonstrated unique innovation and leadership in both the leasing and airline sectors.

After gaining a Master's degree in economics from University College Dublin in 1968, he joined the economic planning division of Aer Lingus where he worked in route and fleet planning and corporate affairs.

Barrington later moved to Aer Lingus's diversification division with the specific objective of establishing a foothold in the hotel sector. This led to the acquisition of a New England-based hotel company that subsequently became Omni Hotels Corporation.

Following this acquisition, Barrington moved to the US where, as vice-president of development, he oversaw the growth of the company from 3,000 rooms to more than 13,000 in a six-year period.

This growth was based on a strategy of acquisition, equity syndication and management contracts that was to serve him well in his later career in the aircraft leasing sector.

In 1989, Barrington returned to Ireland to join Guinness Peat Aviation, as executive vice-president. After a few years marketing aircraft leases, he established GPA's aircraft and lease sales division. As chief executive officer (CEO) of GPA Capital, and along with colleagues including Patrick Blaney, Garry Burke, Brian Foley, Ed Hansom and the late Mike Dolan, he established a global market for the sale of leased aircraft as financial assets.

In a five-year period between 1987 and 1992, GPA Capital arranged the sale of more than $5 billion of leased aircraft to investors in more than 30 jurisdictions.

These innovations included the establishment of Solitaire Capital, the first public company dedicated to owning leased aircraft, and ALPS 92-1 Limited, the first aircraft asset-backed security (ABS). GPA Capital also specialised in other innovative financing arrangements, including double-dip leases involving the US, Japan and Hong Kong SAR.

Following GPA's acquisition by GECAS in 1993, Barrington was appointed president of GECAS Ireland, but left after six months to establish his own aircraft lease management company, which he subsequently merged into Babcock & Brown.

With Babcock & Brown, his principle activities involved the development of the initial Japanese operating lease with call options (Jolcos) with Nomura Babcock and Brown and the marketing of this product globally. He also took on management of two ABS portfolios, so expanding Babcock & Brown's aircraft management activities beyond Japanese operating leases and Jolcos.

When Babcock & Brown Air (subsequently renamed Fly Leasing) was launched on the New York Stock Exchange in 2007, Barrington took on the role of CEO, a position he held for 14 years until Fly Leasing was sold, in August last year. Following this sale, he stepped down from a full-time executive role and now serves as a senior ambassador to BBAM Aviation Services.

In addition to his leasing roles, Barrington returned to Aer Lingus in 2009 as non-executive chairman at a time when the airline was hemorrhaging cash, had a major deficit in its pension and was facing aggressive takeover bids from Ryanair. After management changes, cost-reduction programmes, the development of a Europe/North American hub at Dublin and staunch rebuttals of Ryanair's predatory bids, the airline was returned to significant profitability.

In 2015, Barrington oversaw the merger of Aer Lingus into IAG, resolving what had become a dysfunctional shareholding structure that included Ryanair, the Irish government, employees and Etihad Airways, leaving only 30% of its shares in a free float.

After the IAG transaction, he was appointed vice-chair of Finnair, where he has recently completed his five-year term.

Barrington has competed successfully in sailing throughout the world, including winning major events in the US, UK and Europe. He has won the Round Island Yacht Race on two occasions, setting a course record in 1998, which stood for 12 years. He also won the UK's prestigious Britannia Cup on two occasions.

In 2015, he established the Irish Sailing Foundation for the purpose of raising philanthropic funding to support Irish high performance and Olympic sailors. He is first vice-president of the Olympic Federation of Ireland.

Many of Barrington's boats have been named on the theme of Velvet Glove, representing his management style of "an iron fist in a velvet glove" – being firm on principle and flexible on detail.

His innovations, efforts and successes have truly merited *Airfinance Journal*'s Lifetime Achievement Award.

Market at **turning point**

Societe Generale's managing director, global head of aviation finance, Yann Sonnallier, tells **Olivier Bonnassies** that banks are returning to the sector and there is a window of opportunity for financing airlines and lessors.

"Everyone says the sector is recovering in terms of traffic, bar Asia that is lagging behind. Some banks have stopped originating deals for circa three years and if you assume that the average weighted average life of a portfolio is around six years, which means many banks have seen their portfolio amortising by circa 25% in size terms. This is very significant," Yann Sonnallier, managing director, global head of aviation finance, Societe Generale, tells *Airfinance Journal*.

For Sonnallier, most players are facing the challenge of rebuilding their portfolios and are taking confidence from market recovery.

"The sector is flush with liquidity, but it is a paradox that, in the meantime, you have some important and deep changes in the global monetary policy with inflation back to high levels and rising interest rates. In the capital markets, spreads have peaked up and liquidity is tighter. We are at a turning point," he states.

But Sonnallier is not enthused by the pricing of current transactions.

"Liquidity costs are up; spreads have widened and liquidity raising from the capital markets has been challenging. There is a liquidity window available from banks as a result. I am not sure for how long it will be, maybe six months to one year. But it could also be shorter depending on monetary actions, the global economics context and any unexpected market events/shocks.

"There is a challenge regarding re-repricing in the market as a whole. It is true for the debt as well for lease rates. Everyone is expecting lease rates to correct and return to more sustainable territories, but there is still a backlog of equity raised that needs to be invested, competing to source assets which is keeping lease rates factor low," he adds.

Sonnallier reckons this model is not sustainable in the long run because of pricing changes on the debt side.

He believes the activity of banks in the second half of this year will depend on underlying market conditions such as the pace of airlines taking new-technology aircraft, as well as trading in the secondary market, where lessors have recently been more active.

Lessors also see a window to trade assets, reshape and rebalance their portfolios, to manage concentration.

Inflation risk

Sonnallier is more concerned about interest rates and monetary changes. "The inflation will have an impact on our sector metrics, with liquidity first," he says.

On the liability side, the cost of funding is increasing. A typical, let us say 150 basis points (bps) margin on a typical commercial debt transaction, would be affected in an inflationary environment.

"An increase of inflation means an increase of interest rates first driven by the central banks. Combined with a change of global economics and growth prospects mean re-pricing of the level of interest rates and spreads, but the question is to what extent and equally important, at what pace?"

He also stresses the impact of inflation on travel.

"A higher inflation environment means less available purchasing power (disposable income) per capita, and this could impact travel in volumes.

"Inflation will also affect airlines' investment capacity (original equipment manufacturer escalation costs; capital costs) and operating costs (fuel costs, wages associated to running operations, airports taxes, etc). The ability to pass this extra expenditure to passengers will be key to support a return to profitability in 2023. All this, in the context of airlines needing to deleverage and repay government support packages..."

Airlines also face the need to renew fleets and accelerate their transition to new-technology aircraft.

"Overall, the current environment is creating tensions in the system, but we have had three black swans in a row: the grounding of the Max, the Covid-19 pandemic and the Russian invasion of Ukraine. The sector has been resilient still and we are staying optimistic about the recovery because appetite for travelling has not gone away (and has even come back faster than expected especially on domestic markets and some parts of the world)," he says.

Sonnallier believes some banks are coming back as participants into the aviation sector because of strong fundamentals, but, more importantly, to compensate for their significant portfolio amortisation over the past three years.

"When you get burned and have to face several workouts, restructuring and/or Chapter 11 cases, one management decision is to pause activity to let the dust settle. In spite of the industry having to face another challenge, it is manoeuvring in known territories. Uncertainty created by inflation should be manageable, therefore we have seen market conditions improve; it gives confidence for banks to provide liquidity again."

He also points out that beyond traffic returning to pre-pandemic levels, banks are also encouraged by the relatively low impact of default and losses on their aviation businesses.

Key for a bank is the execution capability when originating and structuring transactions, he stresses.

"Societe Generale has been active throughout the crisis for a significant number of transactions and in volumes. In 2021, we have been involved for a total well in excess of $100 billion aviation financings, and this for the entire aeronautical value chain (airlines, lessors, manufacturers), with lead-structuring roles in several sizeable and complex transactions, across the entire product range (aircraft secured financings for single airlines and portfolios" par "aircraft secured bank financings).

"To name just a few, we were coordinator and bookrunner in Easyjet's first-ever aircraft-secured Export Development Guarantee ($1.87 billion); sole structurer of first-ever AFIC financing combined with Japanese operating lease (Jol) for FPG Boeing 737 Max on-lease to Flydubai; sole debt and sustainability structurer of first-ever secured term loan with sustainability linked feature for Air France's Airbus A350-900. But we were also extremely active on capital markets: on ABS [asset-backed securities] segment, being bookrunner in four landscape issuances for a total of $2.7 billion (SLAM2021-1, BBIRD2021-1, NAVTR2021-1 and AASET2021-1); on debt capital markets being involved in more than $60 billion of issuances (in particular, the jumbo $21 billion Aercap senior note issuance); and on equity capital markets, being bookrunner for Easyjet £1.23 billion ($1.52 billion) rights issue or for Lufthansa €2.14 billion ($2.25 billion) rights issue.

"It is our responsibility to support our clients through the difficult times by providing the structuring capability, bringing innovative solutions and, most importantly, ensuring certainty and quality of execution. This was indeed super important to deliver and on time," says Sonnallier.

"Banks need a track record across cycles, and this is critical because if you are an airline or a lessor you need to have a financing executed at a given date and at agreed conditions. Not every bank can do this, especially when it comes to complexity, size and tight execution, in a stressed environment," he adds.

Sonnallier says Societe Generale's differentiating factor is its capability to deliver solutions for clients on very short and complex timeframes covering large volumes.

Margins

"Margins are today mispriced. The amount of liquidity is distorting the market because players are rushing to originate to rebuild their portfolios," says Sonnallier.

He questions the timing. "Those banks are doing this at a strange time because of the current environment and we know that margins will widen. This temporary window is good for borrowers, but it will not last."

He also says the Covid-19 crisis has had a significant impact on strengthening the structures of financing by lowering loan-to-values (LTVs).

"We now see a shift the other way around with the aviation sector recovery and the overall inflation context having an impact on asset price. We see this already with appraisers forecasting a rebound in asset prices, especially on liquid narrowbody and widebody assets," he says.

Advance rates are being adjusted accordingly.

Sonnallier recalls that, at the onset of the crisis, LTVs were down, but he observes that some financial players had structured deals with higher LTVs (even in a few cases above 100%).

"When you are a regulated financial institution, this has an impact on the capital charge. Then you have non-bank players that have taken advantages of the gap left unfilled by the banks, and they are probably more flexible about the type of financing or structure they can offer – in particular, in terms of advance rates and maturity. But this comes at a cost for airlines and lessors," he says.

Sonnallier sees alternative sources of financing as having a positive impact on the market.

"Across the cycles, the commercial aircraft financing sector has benefitted from the diversification and various pockets of available liquidity, and this is unique," he says.

Over the past few years, lessors have provided strong liquidity support to airlines, while funding massively their own growth via unsecured debt on the capital markets and, to a lesser extent, the secured market.

"The lack of unsecured issuances those days reflects the overall market concerns. For sure, lessors will issue more debt on the secured side. From our perspective, it is the sense of history: lessors are sophisticated players, and their treasury teams take advantage of respective attractiveness of the various liquidity sources," he explains.

Depending on market conditions, lessors can tap various pockets of liquidity.

"A reduction of available liquidity, the pausing of capital markets right now or significant increase in spreads, could make lessors rely more on the secured banking market. Lessors have significantly reduced their secured debt over the past couple of years on the back of abundant liquidity and record low cost of debt in the capital markets and have therefore room to add secured debt," he says.

He also stresses that lessors have not used the export credit agencies (ECAs) much because of the competitiveness in the capital markets.

"They have relied on capital markets over the past few years and were right to do so. We are going to see a rebalancing to the secured world from leasing companies if capital markets stay cautious in the context of expectations of several interest rate hikes by central banks... The conditions of the re-opening are mainly influenced by geopolitics and monetary policies," he says.

For Sonnallier, Societe Generale is not volume driven but customer driven.

"We are product-neutral, and our aim is to provide financial support to our clients. To be able to do this, you need to have a robust team of experts and right skills to offer a complete product's toolbox as well as zero-defect execution capabilities," he says.

Sonnallier recalls that Societe Generale was very active last year in the capital markets.

"Our bank is amongst the leaders in debt capital markets in Europe for the unsecured part. On the secured side, we have a strong team in the USA for access to investors and, in particular, securitisation products. We were then bookrunner in approximately one-third of total ABS issuances in aviation in 2021."

ESG-led structures and initiatives

"At the beginning of the Covid-19 crisis," says Sonnallier, "we took a view to support our clients. But we also took advantage of filling the gap left by some liquidity providers that disappeared from the market."

Sonnallier stresses that the bank's aviation book was extremely resilient during Covid-19.

"Our backing of some airlines meant we avoided the bulk of Chapter 11 restructurings. The level of workout dedicated to those restructurings was far lower than the average of the banking sector. It allowed us to remain, throughout the crisis, committed to supporting clients via multiple structures," he says.

The bank won several *Airfinance Journal* Awards for 2021 with its innovative products, such as an Italian lease structured combined with an ACG guarantee for three A321neo aircraft for Turkish Airlines, the first-ever aircraft-secured export development guarantee (EDG) financing for Easyjet or the first-ever JoI combined with an AFIC solution for FPG.

"The driver is innovation because it brings value added and more competitiveness or capacity for the client. The team's mindset is to look at new solutions that were not available or imagined previously. In that respect, we structured the first-ever aircraft-secured sustainability-linked term loan for Air France A350. This was a true groundbreaking transaction, as confirmed by the large re-use of our sustainability-linked structure for all subsequent Air France A350 financings.

"It goes beyond innovation and brings the ESG [environmental, social and governance] topic with a momentum of decarbonisation and putting incentives in place. What the Covid-19 crisis has brought is an acceleration of those needs. The crisis has been a catalyst and a unique opportunity for us in this respect."

He adds: "ESG is here to stay and will require material support from the financial sector for the decades to come. We are talking about huge amounts of capital to support the transition of the sector. The transition journey will require significant acceleration of the fleet renewal, to bring newest and most fuel-efficient aircraft in fleet programmes.

"But it will also require massive investments to support the SAF [sustainable aviation fuel] production capabilities. It will also require strong support to aircraft and engine manufactures to support technology disruptions towards the green aircraft – be it electrical, hybrid or hydrogen. It is hard to put definitive figures here to evaluate what is at stake, but, for instance, the Mission Possible Partnership has evaluated to about $8.5 trillion the corresponding additional investments needed until 2050 to reach the net-zero. This is massive, since we are talking more than $300 billion per year, each year from 2022 until 2050... "

Sonnallier says: "At Societe Generale, we are already very much involved in this massive paradigm shift. To give you an example: our bank has been exclusive financial adviser in the creation and structuration of the biggest $1.5 billion clean-hydrogen infrastructure investment fund announced last year. Societe Generale coordinated the international tender process to select the asset manager and to engage industrial investors [NDLR: HY24 largest clean hydrogen infrastructure investment platform announced in October 2021, with Air Liquide, TotalEnergies, Vinci; Groupe Aeroport de Paris, etc, as industrial investors].

"This is an illustration of how deeply and widely our organisation is involved in bringing comprehensive, innovative and effective solutions to address major ESG challenges and transformations. Of course, this is not purely aviation-specific. But knowing the importance of clean hydrogen for future aircraft technologies, and for future SAF production ramp-up (power-to-liquid), we are very proud to have brought such a stone to the building."

To enhance further the long-term commitment of the aviation finance sector towards the transition journey of the industry, Societe Generale has also been a founding member of Aviation Climate Aligned Finance (CAF), partnering with Rocky Mountain Institute (RMI), an independent, non-partisan, non-profit organisation of experts across disciplines working to accelerate the clean energy transition. RMI has been spearheading initiatives towards several sectors, such as the Poseidon principles for shipping and the recently announced initiative for steel.

Alongside five other major aviation financiers (Bank of America, BNP Paribas, Citi, Credit Agricole-CIB and Standard Chartered), Societe Generale is deeply involved and at the forefront of defining a collective framework with common goals and measurement to support the aviation sector decarbonisation, consistent with the UN-convened Net-Zero Banking Alliance.

"Our shared ambitions are to help define within a short time frame a clear and transparent pathway consistent with the objectives of the Paris Agreement, for the benefit of all stakeholders involved in the air transportation industry. So, this is not just another initiative 'within banks' … it is far more than that, since it ultimately aims at making sure that the aviation industry, which is engaged in an extraordinary transformation, will keep on benefitting from the right support of the banking industry, with a true 'common language' shared across all stakeholders when it comes to how to measure the carbon dioxin emissions' intensities, progress, at which pace and under which trajectory."

Balanced approach

Ultimately, airline and lessor clients are focused on competitive financing.

"This is rational, and clients want to optimise their cost of funds. But what is important for them is competitiveness,


Yann Sonnallier

the certainty of availability of funds and execution capability from the banks. During the crisis you had mandates that did not close," says Sonnallier.

He confirms the bank stepped into some deals at the last minute during the Covid-19 crisis.

"Competitiveness is key but, in the long run, the relationship with a banking pool that can support your activity, including throughout the crisis, is equally important," he comments.

Societe Generale does not have objectives in terms of volumes, number of clients or asset types.

"It is the other way round as we aim to support our clients. Therefore, our strategy is driven by the dynamics of the sector, especially between airlines and lessors, as well as equity investors.

"What is important is to keep a balanced approach. Supporting only airlines or only lessors, you miss one part of the market, but you also reduce your relevance in terms of understanding the market and its very dynamics."

He says the bank's footprint goes beyond aircraft financing solutions.

"More globally, we are involved with the engine and aircraft manufacturers and therefore the overall supply chain. We also provide financing solutions to airports. This is why the aviation ecosystem is important to us," he adds.

Insurance money

Will insurance supporting funding continue to grow its presence in the sector?

Sonnallier thinks that its effect could vary. "This sector can rely on different capital providers. When you look back at the global financial crisis, the ECAs represented up to a third of aircraft delivery financings. Our industry expected the ECAs to increase their involvement in 2020-21 the same way, but this never happened as the market had sufficient capital providers to back the industry," he says.

But he sees the activity of AFIC, Balthazar and Ifli as definitely positive for the market, as they bring an additional pocket of capital to support the sector.

"I expect their presence to grow in absolute terms because it is a relatively new product that has been ramping up its activity in the space. For an insurance company standpoint, they need diversification. The more their portfolio grows, the more diversification and the more it provides firepower to further support the sector," he says.

But Sonnallier questions their competitiveness versus other financing tools.

"Ultimately, it will develop as a product. This also illustrates that our sector can constantly find new sources of financing and innovate. I don't believe you have the same pattern in all the sectors of the economy. We should be collectively proud of the resilience of our industry in front of such a succession of black swans that brought a reaction from the system to bring new solutions. The creativity and innovation are deeply embodied into the aviation sector, and this is true all along the ecosystem," he says.

ABS

AASET 2022-1 has reopened the asset-backed securitisation market after more than six months of pause.

Sonnallier believes the transaction is a very good deal because it ticks the boxes of a first-class servicer portfolio profile with narrowbodies and strengths of the lessees, as well as the structure.

The bank acted as joint-bookrunner in the transaction and is also the liquidity provider.

The pricing reflects the current changes affecting the sector and the capital markets. Sonnallier says the delays in aviation ABS issuances are attributable to the broader market volatility and rising interest rates following the Russia-Ukraine crisis.

"A few months ago, there were several reported deals about to launch. The Russia-Ukraine crisis had a massive impact on the capital markets," he says.

However he adds that inaugural deals were more difficult to get over the line in that environment.

"If your portfolio is not pristine, issuing a transaction in that environment is even more challenging," he says.

The fact that the market has re-opened through issuer entities that have experience in aircraft ABS deals is not too surprising.

"Re-opening the market needed a transaction that ticked all the boxes. Investors are cautious and need to have a transaction that is robust," he says.

Sonnallier does not see the ABS equity market returning this year.

"The first transactions that re-open the market are funding tools," he says. "Trading transactions that feature equity need more stable parameters, such as stabilisation of the capital markets and more visibility post-summer in terms of traffic as well as overall economic environment. This will probably take more time."

New Chinese regulation forces lessor transparency

The new rules add complexity but may encourage more trading between Chinese state-controlled lessors and financial institutions. A lot of questions, however, remain. **Elsie Guan** and **Dominic Lalk** report.

Chinese regulators have issued new rules relating to the sale of a wide range of assets by state-owned or state-controlled financial institutions, including their aircraft operating leasing subsidiaries.

These rules, which apply to assets held onshore in China and offshore, are set out in the Chinese Ministry of Finance Circular 102. They will impact how the affected financial institutions carry out their trading activities.

The rules have been issued to ensure no loss of state-owned assets by ensuring improved processes and management systems are established and adhered to in the sale of assets; to make sales offers transparent and publicly disclosed for an appropriate time, typically 20 working days; to ensure there is a competitive negotiation for the bid process involving at least three bidders; to ensure sales prices are validated as reasonable and representing fair market value; and ensure a proper audit trail is maintained and all sales in a year are reported to the ministry post year-end.

While the new rules, in theory, allow various sales methodologies to be employed, in practice, the majority of Chinese lessors will now sell aircraft operating lease assets by means of a request for proposals (RFP) process that is publicly disclosed on their websites.

Lessors, including CDB Aviation, have pioneered this, including through new publicly accessible ledgers, to comply with the public disclosure requirements of Circular 102. Other firms, including BOC Aviation, have not.

In most instances, Chinese leasing entities typically used RFPs anyway, but the public disclosure element is new as most sellers preferred to run broad private RFP processes in order to maintain confidentiality and target buyers with acceptable execution risk.

Lessors will also need to ensure that there are appropriate documented policies in place that are closely adhered to in executing a sale.

The new rules will likely add some complexity and rigidity to the sales processes of Chinese lessors going forward, industry sources tell *Airfinance Journal*. However, they may also encourage more trading between Chinese state-owned financial institution operating lessors because any assets sold between such parties would not leave state ownership and should be capable of being negotiated on a bilateral basis, say experts.

"The regulatory requirements in finance circular 102 apply to both finance-leased assets and operating-leased assets," says Zhou Yao, a partner at Dentons in Beijing.

"These kind of regulatory requirements will make it more difficult for leasing companies to buy and sell aircraft assets. When the circular was first published, a heated discussion began among stakeholders and many of us were wondering what this really meant, where and how we would need to disclose information, and against what timeline," a Shanghai-based lessor source tells *Airfinance Journal*. "The wording in the circular is quite vague. No deadline for implementation has been given, amongst other shortcomings."

He adds: "So, having said all that, at the practical level, I don't feel it is stricter than before because nothing has actually changed yet. For now, we regard the circular as advice only, at least until we are forced to comply – ie, an implementation deadline has been provided and parameters defined."

The Civil Aviation Administration of China (CAAC) did not respond to *Airfinance Journal* requests for further information and clarification on Circular 102.

The tightened Chinese regulation comes at a time when the industry is hoping for a breakthrough and departure from China's zero-Covid policy, which has proven not just impractical but also impossible to uphold without sending the economy into a tailspin.

The day that China will announce its reopening to the world will be the day that steady growth will return to its homegrown aircraft leasing companies, experts tell *Airfinance Journal*.

The Bocomm portfolio features young and mid-life aircraft including 737 Max variants attached to carriers including Flydubai

ABCFL is looking to offload the last remaining "foreign" aircraft in its fleet, an Asiana-operated A350

Currently, in a market shrunk by Covid, local lessors are competing to the extreme because of a slowed aircraft delivery stream and no serious prospects for a timely return of the Boeing 737 Max in China. Lease rate factors remain at almost historic lows, although they did pick up slightly in the second quarter, say deal makers.

As Circular 102 demonstrates, Chinese leasing entities are subject to serious regulatory controls. Aircraft sales and trades are not the only domain Chinese authorities wish to regulate fully. Any funding into international deals need approvals in terms of foreign currency control and overseas investment. Most local companies are outright banned from doing deals with non-Chinese entities.

There was a licencing guideline issued by the Chinese Banking and Insurance Regulatory Committee to govern the establishment of leasing subsidiaries in specialised industries such as aircraft leasing. Some were granted such approvals, while others were not.

Those deemed acceptable by the Chinese authorities have successfully set up overseas platforms allowing them to negotiate and execute deals with non-Chinese airlines. Others, which were using overseas sister banking subsidiaries, were asked to stop and even sell those portfolios before being able to apply formally for a licence to officially establish such subsidiaries. As a result, a lot of restructuring and sales are taking place, PWC Hong Kong noted in a recent communique.

A case in point: Chinese lessor ABC Financial Leasing, which is a part of Agricultural Bank of China, is looking for a taker for an Airbus A350-900 with lease attached to Asiana Airlines. The widebody is the last remaining "foreign" aircraft in ABC Leasing's fleet because the rest of the portfolio now only has leases attached to Chinese airline credits.

In the first half of 2022, Chinese bank-backed CDB Aviation closed five tenders. In one listing, the firm sought buyers for four A320neo, A321neo and 737 Max aircraft "between one and five years old together with one or more sisterships per aircraft" on lease to multiple lessees.

In another, the Pat Hannigan-led lessor sold four 737-800 aircraft on lease to a Chinese state-owned airline via a Tianjin free-trade zone vehicle in China; in a separate deal, it offloaded three 737-800 aircraft after the end of their respective leases; in a fourth, CDB Aviation solicited proposals for the purchase of Embraer 190 aircraft "with some additional sisterships available" on lease to multiple lessees.

Moreover, the lessor recently sought proposals for the sale of 18 aircraft on lease, with up to eight additional sisterships, comprising A320-family, 737 series, A330 and A350 aircraft. In June, it sold a portfolio comprising four Airbus and Boeing narrowbody aircraft to Gresham Aircraft Leasing 1, an affiliate of Investec.

Hong Kong SAR's China Aircraft Leasing (CALC) also issued an RFP, seeking to offload 14 aircraft. The portfolio comprised 10 current aircraft with leases attached and four yet-to-be-delivered units with leases attached. The lessor subsequently sold A320neo aircraft to ABC Leasing and yet-to-be-delivered A321neos to Pembroke Aircraft Leasing (UK), a wholly owned subsidiary of Standard Chartered.

Other Chinese platforms Bocomm Leasing and Minsheng Financial Leasing approached the market in the second quarter with sales proposals relating to 14 narrowbodies attached to six credits and eight narrowbodies attached to also six airline credits, respectively.

The Bocomm Leasing portfolio features young and mid-life aircraft including A320neos and 737 Max variants with leases attached to carriers which include Flydubai, KLM and Vueling. The Minsheng offer features slightly older, mid-life units from 2008-13, but also two younger A320neos built in the past three years, attached to credits including Go First, Iberia, Ruili Airlines and Norwegian.

Industry insiders anticipate further consolidation of aircraft leasing companies in China through mergers and acquisitions (M&A).

Kroll Bond Rating Agency expects the trend of consolidation among smaller leasing companies, "especially those in China", to continue as the global leasing market grows in importance, and as the importance of established platforms with strong airline relationships and access to capital rises.

This follows a steep increase in M&A activity over the past 12 months across the global aircraft leasing industry, including Hong Kong's AMCK Aviation being sold to aviation fund manager Carlyle Aviation Partners.

The share of global aircraft ownership by lessors has risen significantly since 2019, to nearly 50% from just above 40%, with about 60% of current aircraft orders destined for lessors.

China's largest lessors are ICBC Leasing, AVIC Leasing, CDB Aviation and Bocomm Leasing, with a combined fleet exceeding 1,500 aircraft. There are, however, many smaller leasing firms in China, some with portfolios of fewer than 20 aircraft.

SPDB Financial Leasing, Kunlun Financial Leasing, CIB Leasing, Dragon Leasing, SDH Wings International Leasing and Taiping & Sinopec Financial Leasing are among the smaller players.

Airbus narrowbodies maintain big lead

The worst of the 737 Max's problem may be behind it, but orders for the larger members of the Boeing single-aisle family continue to lag behind the comparable A321neo models. **Geoff Hearn** looks at the economics of the competing aircraft.

Large single-aisle aircraft are increasingly popular among operators and lessors. Few analysts predicted that the Airbus A320neo would be as successful as it has proved, and Boeing was perhaps caught out by the decision of its rival to launch a re-engined aircraft rather than an all-new design.

That error has arguably been compounded by failing to anticipate a trend to larger single-aisle models. As Air Lease's executive chairman, Steven F Udvar-Hazy, pointed out in recent comments to *Airfinance Journal*, the Boeing 737 Max 8 is faring reasonably well against the A320neo, but the A321neo has enabled Airbus to approach a 60% market share.

Udvar-Hazy says the 737 Max 10 is not as effective in its overall versatility, performance capacity and passenger appeal as the A321. A cursory look at the leading characteristics of the competing aircraft supports his view.

Airbus has successfully leveraged the A321's advantage by offering the extended range A321LR and XLR models.

Certification issues

Boeing's ability to compete with the A321 could be hindered by potential problems in the certification of the 737 Max 10.

In March, the US Federal Aviation Administration warned Boeing it might not gain certification of the 737 Max 10 ahead of a critical safety deadline set by US Congress.

Boeing's situation is not helped by the Chinese authorities' continued grounding of the earlier members of the Max family. In recent developments, Guangzhou-based China Southern Airlines is reported to be excluding the Boeing aircraft from its fleet plan through 2024.

This follows moves by Air China and China Eastern Airlines.

However, Airbus has its own difficulties with certification of its latest single-aisle model. In early May, the manufacturer confirmed a delay in development of the A321XLR following concerns raised by regulators about potential fire risks arising from the long-range model's new fuel tank design. The A321 had been due to enter service in late 2023, but the intervention by the certification authorities has moved the target date into 2024.

The 737 Max 10 and A321XLR are both facing certification hurdles

The European Union Aviation Safety Agency (EASA) is reported to be looking at significant rule changes that would oblige Airbus to redesign areas of the lower fuselage to reduce fire risks in the event of a belly landing.

However, EASA's reported concerns have not prevented the A321XLR from successfully completing its first flight. The aircraft took off from Hamburg on 15 June for a test flight that lasted about four hours and 35 minutes, according to the manufacturer.

Orders

Taking the larger models of the new generations in isolation shows an overwhelming advantage for Airbus in terms of sales. The A321neo and XLR models have amassed more than 4,300 orders – way ahead of the combined total for the Max 9 and Max 10.

There are some signs that the Max 10 may be recovering after achieving no sales in 2019 or 2020. The recent contract with IAG, which includes 25 Max 10s, and reports that Delta Air Lines is considering a large order for the variant are welcome developments for Boeing. However, Airbus continues to increase its advantage in this market segment, with nearly 150 sales announced by the end of May.

How the certification problems encountered by the respective manufacturers impact on the rate of sales remains to be seen, but it looks unlikely that Boeing will ever regain parity.

Leading particulars of large single-aisle models

Model	A321neo	737 Max 9	737 Max 10
Engine	CFM Leap-1A or PW 1100G	CFM Leap-1B	CFM Leap-1B
Max take-off weight (tonnes)	101*	88	89
Max seating	244	220	230
Typical seats single class	180-220	178-193	188-204
Typical range (nm)	4,700*	3,550	3,300
(Target) entry into service	2017	2018	(2023)
In service/stored	725/24	91/4	0
Total orders	4,097	324	544
Total orders	4,097	324	544

Source: Air Investor 2022/Fleet Tracker 31 May 2022 *XLR variant.

Orders per year

	Pre-2019	2019	2020	2021	2022 (to end of May)
A321neo	3,006	429	156	552	139
A321XLR	0	60	0	29	10
737 Max 9	396	0	0	0	21
737 Max10	524	0	0	150	25

Source: Airfinance Journal Fleet Tracker. Includes subsequently cancelled orders

Operating costs
Airfinance Journal has used its own model to analyse the relative operating costs of the larger single-aisle models at current fuel prices.

The price of fuel has almost doubled since the middle of 2021 when *Airfinance Journal* previously looked at the competition between the A321neo and the 737 Max 9/10. The increase does not impact significantly the relative operating costs of the Neo and Max models, but it further opens the gap in terms of cost advantage over the previous-generation aircraft.

The relative merits of the competing aircraft are difficult to measure in the face of conflicting claims by the respective manufacturers, which tend to be based on favourable interpretations of relative seat counts. The A321 has a clear seating advantage over the Max 9. This deficit was addressed by the development of the Max 10, but the Airbus aircraft retains an advantage, which *Airfinance Journal* estimates to be typically four-to-five seats. This figure is in line with general industry views.

The Airbus aircraft has a significantly bigger advantage if maximum passenger configurations are considered. These seating layouts may be unsuitable for many operators, but they do provide a benchmark and *Airfinance Journal* has therefore looked at the relative seat costs in these configurations as well as the more typical layouts.

Indicative relative cash operating costs (COC)

	A321neo	737 Max 9	737 Max 10
Relative trip cost	Base	93%	94%
Relative seat cost (typical seating layouts)	Base	101%	95%
Relative seat cost (maximum seating layouts)	Base	104%	100%

Assumptions: 500 nautical-mile sector. Fuel price $3.5 per US gallon. Fuel consumption, speed, maintenance costs and typical seating layouts are as per Air Investor 2022.

The results suggest the cash-cost differential per trip between the Max 9 and the baseline A321neo is in the Boeing aircraft's favour, but this advantage is reversed in the cost per seat terms – even in the case of typical seating layouts. If typical layouts are considered, the Max 10 has a small cost per seat advantage over the A321neo but this is negated for the case of maximum capacities.

Production rates
In the current economic climate, it is arguable that for both companies garnering further sales is less important than delivering sufficient aircraft to fulfil existing orders. Airbus has talked of pushing A320-family production to as high as 75 a month, albeit not until 2025. What proportion of production will be allocated to A321s is not clear, but there is some industry scepticism as to whether planned production rates can be achieved.

Asked at *Airfinance Journal*'s Dublin conference in May whether Airbus will be able to achieve the 75 rate, Aviation Capital Group's senior vice-president and chief procurement officer, Steven Udvar-Hazy said: "Currently, I think the answer would be 'no'. We don't see that yet. Now, we have some time between now and the next few years when they plan to achieve that, but there's a lot of work to be done. We've never seen rates like this in the industry, so this is unprecedented production."

Boeing's targets look more modest, but there are signs of progress. In its first quarter results briefing, the company stated that the 737 production rate continues to increase and is expected to reach 31 aircraft a month during the second quarter of 2022. There are reports that the company aims to boost production to about 47 aircraft a month by the end of 2023.

Large single-aisle aircraft – the background

Boeing and Airbus both offer larger variants of their new-generation single-aisle families.

A321neo
The Neo (new engine option) version of the A321 is the largest member of Airbus's upgraded and re-engined single-aisle family. The manufacturer claims a per-seat fuel improvement of 20% compared with the original A321 model.

The new variant also offers a range improvement of up to 500 nautical miles, which can be traded off against a payload increase of up to two tonnes.

Although the Neo variant is not stretched from the original A321, Airbus is offering increased seating capacity by optimising cabin space with increased exit limits and a new cabin door configuration. The manufacturer cites the maximum capacity of the new model as 244 seats – 24 more than the original A321 offers.

A321LR
The A321LR variant provides extended range for the A320neo family's longest fuselage version with the capability to operate sectors of up to 4,000 nautical miles (7,400km) with 206 passengers.

The additional range is achieved by increasing the maximum take-off weight (MTOW) to 97 tonnes and by augmenting the fuel capacity with three additional centre fuel tanks. The first A321LR was delivered in 2019.

A321XLR
The A321XLR is a further variant that offers a range of about 4,700 nautical miles. The XLR has an additional increased MTOW of 101 tonnes and is fitted with a rear centre fuel tank and an optional forward additional centre tank. Entry into service is targeted for 2024.

737 Max 9/10
The first member of the new Boeing single-aisle family is the 737 Max 8, which entered service in 2017.

The 737 Max 9 was originally intended as the largest model, but has met with limited success compared with its Airbus rivals.

The 737 Max 10 is a further development, which allows Boeing to match the A321neo's key characteristics in terms of seat count and operating cost. The Max 10 is a basic stretch of the Max 9 and, as such, will have 300 nautical miles less range. Boeing says this is not critical for the vast majority of single-aisle routes, although some analysts believe it risks leaving a market gap for the A321neo – particularly the new LR versions.

The Max 8 fleet (together with a few Max 9s) was grounded in March 2019 after two fatal accidents. The Max was cleared to re-enter service in the US in November 2020 and, while most other authorities have followed suit, the aircraft is still not cleared to fly in a number of jurisdictions – notably China.

The grounding has had a knock-on effect on the larger Boeing models. First deliveries of the Max 10 are now scheduled to begin in 2023, which is at least two years later than originally planned.

A330neo sales in short supply

The market for widebody aircraft has been hit hard by the Covid pandemic. **Geoff Hearn** looks at how Airbus's re-engined A330 models are faring in a difficult climate.

The Airbus A330neo is the new generation of the A330 family, powered by the Rolls-Royce Trent 7000 engine. The new family was launched at the Farnborough air show in 2014 and included two models, which are designated as the A330-800 and the -900 – replacing the A330-200 and -300, respectively.

Initially, the new variants were well received by lessors and airlines, suggesting they would prove to be good assets. Using a single source for the powerplant was seen by appraisers and others as another positive for value retention. However, the type has not yet lived up to early expectations – a situation not helped by the Covid pandemic. The larger -900 variant makes up the bulk of the orderbook, mirroring the prevalence of the A330-300 over the smaller -200 in the previous-generation family.

Airbus says the new models provide lower operating costs as a result of using enhanced wing technologies from the A350 models as well as a double-digit improvement in fuel efficiency from the Trent 7000 engines. According to the manufacturer, the new models retain 95% parts commonality with their predecessors. Airbus also cites the benefit of a common type rating with the A350.

The A330neos are the same size as the aircraft they replace, but incorporate an A350-style cabin, which allows an increase in capacity of up to 10 seats.

The main competitors to the A330neo are the smaller models of Boeing's 787 family. The Boeing aircraft entered service before the A330neo, but are based on an all-new design and as such offer greater efficiency than the re-engined Airbus models. However, Boeing is experiencing difficulties with the 787 programme – potentially offering an opportunity for the Airbus type.

A330 deliveries are few and far between

Indicative relative cash operating costs at recent fuel price

($3.5 per US gallon)

	A330-900	787-9
Cash per trip (%)	100	93.2
Cash per seat (%)	100	90.7

Assumptions: 4,000 nautical mile sector. Fuel consumption, speed, maintenance costs and typical seating layouts are as per Air Investor 2022.

Market trends

There is little sign of a recovery in A330 sales as the impact of the Covid pandemic recedes. The A330-800 was struggling before the pandemic, but the -900 recorded a strong performance in 2019, with 98 sales. This upturn was not sustained in 2020 or 2021 and, as of the end of May, only three sales had been announced by the manufacturer this year.

The orderbook contains relatively few top-tier airlines with a substantial proportion allocated to lessors which have yet to place the aircraft. The recent cancellation by Air Asia X of a large portion of its orders was not unexpected; nonetheless, it deals a significant blow to the programme.

Deliveries are also few and far between, with only eight A330s delivered in 2022 as of the end of May.

Operating cost

The current elevated fuel price increases the operating cost advantage of the new A330 models over the first-generation aircraft. However, a high fuel environment also increases the competitiveness of the rival 787 models.

Airfinance Journal's analysis suggests that, at current fuel prices, the 787-9 is about 10% cheaper per seat to operate than the A330-900 in terms of cash cost per seat. If Boeing can overcome the current programme difficulties, even the more successful of the two A330neo models might struggle to obtain a sizeable market share. However, Airbus probably has more flexibility to reduce acquisition costs, which might redress the balance.

A330neo deliveries per year

	2018	2019	2020	2021	2022 (to 31 May)
A330-800	0	0	3	1	0
A330-900	3	41	10	14	8

Source: *Airfinance Journal* Fleet Tracker. Includes subsequently parked aircraft.

A330neo orders per year

	2014	2015	2016	2017	2018	2019	2020	2021	2022 (to 31 May)
A330-800	10	0	0	0	4	6	1	0	0
A330-900	110	52	42	10	20	98	0	23	3

Source: *Airfinance Journal* Fleet Tracker. Includes subsequently cancelled orders

An Appraiser's view

Gueric Dechavanne, vice-president, commercial aviation services, Collateral Verifications (CV), assesses A330neo values.

Over the past few years, demand for the A330neo has been limited to a small group of operators. This has led to values and lease rates remaining depressed as demand for widebody aircraft still lags that of narrowbody aircraft following the pandemic. This trend is not expected to change greatly until there is a better recovery in international traffic or high-density regional traffic for certain regions.

As the recovery gains traction, demand for this aircraft should improve as operators continue to phase out older A330s and look to replace them with newer more efficient aircraft, such as the A330neo. We are seeing some signs that values and lease rates are starting to recover as airlines look to fill their future capacity needs, which is good for the long-term outlook for this aircraft.

With a backlog of fewer than 200 aircraft and a significant percentage of the fleet still parked, the programme has yet to be viewed as a great success. However, in our view, it is only a matter of time before this changes.

With the cost of fuel expected to remain high and the greater focus on environmental, social and governance (ESG) issues around the globe, airlines will soon find that they need to start ordering mid-sized widebodies again to meet their future capacity needs and environmental requirements.

The challenges that the competing 787 programme has had, and continues to face, may push some operators to reconsider the A330neo for any replacement and/or additional capacity required in the near term. However, this may not occur until the industry recovery is well underway.

In CV's opinion, the A330neo is the logical replacement for first-generation A330 models as well as for 767-300ERs – so it should have a good level of success over the long term.

With only four aircraft in service and seven on order, the A330-800 has yet to gain any momentum. CV expects that the A330-900 will be the variant of choice for most operators. Estimates of current market values for the A330-900 range between $79.6 million and $110.4 million, with monthly lease rates of between $750,000 and $900,000. CV has yet to publish values on the -800 because there has been little to no demand for the type.

CV view of A330-900 current market values

Build year	2019	2020	2021	2022 (new)
Current market value ($m)	79.6	84.1	89.5	110.4
Monthly lease rate ('000s)	750	800	850	900

Demand for first-generation A330s matches Neo models

In an illustration of the sluggish orderbook for A330neos, sales of new A330-300s have almost matched those of its successor so far in 2022.

Airbus has confirmed that asset manager Altavair has placed an order for four Airbus A330-300 aircraft. The first unit was delivered on 15 April, and *Airfinance Journal* understands that the aircraft will be converted into a freighter for an undisclosed customer. At the end of May, Airbus was still showing a backlog of 10 A330-300 passenger models.

Interest in the A330 as a freighter has been increasing with lessors seeing passenger-to-freighter conversion as a way of supporting the value of their assets.

Airfinance Journal reported in May that Avolon and CDB Aviation were looking to convert some of their A330s into freighters.

Original A330 models are increasingly being converted to freighters

Aircraft characteristics

Seating/range

	A330-800	A330-900
Max seating	406	440
Typical seating	220-260	260-300
Maximum range (nautical miles)	8,150	7,200

Technical characteristics

	A330-800	A330-900
MTOW (tonnes)	251	251
OEW (tonnes)	110	115
MZFW (tonnes)	176	181
Fuel capacity (litres)	139,090	139,090
Engines	Trent 7000	Trent 7000
Thrust (lbs/kn)	68,000/303	68,000/303

Fuels and times

	A330-800	A330-900
Block fuel 1,000nm	10,940kg	11,280kg
Block fuel 2,000nm	20,390kg	21,040kg
Block fuel 4,000nm	39,290kg	40,520kg
Block time 1,000nm	184 minutes	184 minutes
Block time 2,000nm	299 minutes	299 minutes
Block time 4,000nm	529 minutes	529 minutes

Based on *Airfinance Journal* analysis of published data

Fleet data

Entry into service	2020	2018
In service	4	68
Current and planned operators	3	26
In storage	0	8
On order	7	190

Source: Airfinance Journal Fleet Tracker, 31 May 2022

Rating agency unsecured ratings

Airlines

	Fitch	Moody's	S&P
Aeroflot	WD	-	-
Air Canada	B+(neg)	Ba3(stable)	B+(neg)
Air New Zealand	-	Baa2(stable)	-
Alaska Air Group	BB+(neg)	WD	BB(stable)
Allegiant Travel Company	BB-(stable)	Ba3(stable)	B+(stable)
American Airlines Group	B-(stable)	B2(stable)	B-(Stable)
Avianca Holdings	WD	B3(stable)	B-(stable)
British Airways	BB(neg)	Ba2(neg)	BB(stable)
Delta Air Lines	BB+(neg)	Baa3(stable)	BB(Stable)
Easyjet	-	Baa3(stable)	BBB-(stable)
Etihad Airways	A(stable)	-	-
Grupo Aeromexico	-	B3(stable)	B-(developing)
GOL	B-(stable)	B3(stable)	CCC+(positive)
Hawaiian Holdings	B-(stable)	B1(stable)	B-(Stable)
International Consolidated Airlines Group	-	Ba2(neg)	BB(stable)
Jetblue	BB-(neg)	Ba2(stable)	B+(Positive)
LATAM Airlines Group	WD	-	-
Lufthansa Group	-	Ba2(neg)	BB-(stable)
Pegasus Airlines (Pegasus Hava Tasımacılıgı Anonim Sirketi)	B+(neg)	-	B (stable)
Qantas Airways	-	Baa2(stable)	-
Ryanair	BBB(Stable)	-	BBB(stable)
SAS	-	Caa3(neg)	CC(neg)
Southwest Airlines	BBB+(neg)	Baa1(stable)	BBB(Positive)
Spirit Airlines	BB-(neg)	B1(positive)	B(positive)
TAP Portugal (Transportes Aereos Portugueses, S.A.)	-	B3(stable)	B+(stable)
Turkish Airlines	-	B3(stable)	B(stable)
United Airlines Holdings	B+(neg)	Ba2(neg)	B+(stable)
Virgin Australia	WD	-	-
Westjet	B(neg)	B3(positive)	B-(stable)
Wizz Air	BBB-(stable)	Baa3(neg)	-

Source: Ratings Agencies - 20/6/2022

Lessors

	Fitch	Moody's	S&P	Kroll Bond Ratings
Aercap	BBB-(stable)	(P)Baa3(stable)	BBB(stable)	-
Air Lease Corp	BBB(Stable)	-	BBB(stable)	A-(stable)
Aircastle	BBB(stable)	Baa3(Stable)	BBB-(stable)	-
Avation PLC	WD	-	CCC(Developing)	-
Aviation Capital Group	-	Baa2(stable)	BBB-(stable)	A-(stable)
Avolon Holdings Limited	BBB-(Stable)	Baa3(stable)	BBB-(stable)	BBB+(stable)
AWAS Aviation Capital Limited	-	Baa3(Stable)	-	-
BOC Aviation	A-(stable)	-	A-(stable)	-
CCB Leasing (International) Corporation	-	-	A (stable)	-
CDB Aviation Lease & Finance	A+(stable)	A2(stable)	A (stable)	-
Dubai Aerospace Enterprise	BBB-(Stable)	Baa3(stable)	-	BBB+(stable)
Fly Leasing	-	B1(neg)	B(neg)	BB-(neg)
Global Aircraft Leasing	-	B1(neg)	-	-
ICBC Financial Leasing	A(stable)	A1(stable)	A(stable)	-
ILFC (Part of Aercap)	BBB-(stable)	Baa3(stable)	-	-
Macquarie Group Limited	A-(Stable)	A3	BBB+(stable)	-
Marubeni Corporation	-	Baa2(stable)	BBB+(stable)	-
Mitsubishi UFJ Lease	-	A3(stable)	A-(stable)	-
Park Aerospace Holdings	BBB-(Stable)	Baa3(Stable)	-	BBB+(stable)
SMBC Aviation Capital	A-(neg)	-	A-(Watch Neg)	-
Voyager Aviation	WD	WD	-	WR

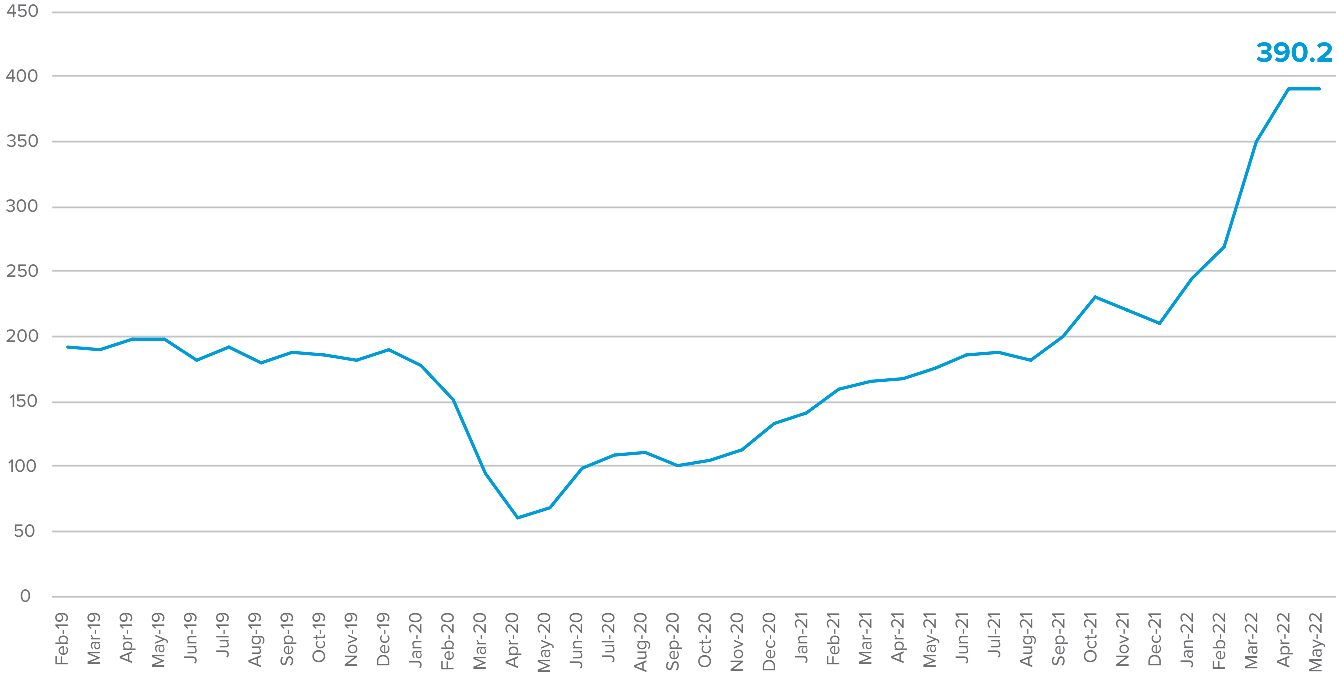
Source: Ratings Agencies - 20/06/2022

Manufacturers

	Fitch	Moody's	S&P
Airbus Group	BBB+(stable)	A2(stable)	A(stable)
Boeing	BBB-(stable)	Baa2(neg)	BBB-(neg)
Bombardier	WD	Caa1 (Stable)	CCC+(positive)
Embraer	BB+(stable)	Ba2(stable)	BB(positive)
Rolls-Royce plc	BB-(stable)	Ba3(neg)	BB-(stable)
Raytheon Technologies Corp	-	Baa1(stable)	A-(neg)

Source: Ratings Agencies - 20/06/2022

US Gulf Coast kerosene-type jet fuel (cents per US gallon)



Source: *US Energy Information Administration*

Commercial aircraft orders by manufacturer

	Gross orders 2022	Cancellations 2022	Net orders 2022	Net orders 2021
Airbus (31 May)	364	173	191	507
Boeing (31 May)	236	129	107	535
Embraer	23	0	23	81
ATR	2	0	2	35

Based on *Airfinance Journal* research and manufacturer announcements until 27/06/2022

Recent commercial aircraft orders (May-June 2022)

Customer	Country	Quantity/Type
Air Canada	Canada	Four A321XLR
Aercap	Ireland	Six Max aircraft
American Airlines	USA	One 737 Max
Aviation Capital Group	USA	Nine Max aircraft
Bain Capital Griffin International	USA	Five 737 Max
CMA CGM Group	France	Two 777-200F
Ethiopian Airlines	Ethiopia	Five 777-200F
Eva Air	Republic of Taiwan	One 777F
Lufthansa	Germany	Two 777F
Lufthansa	Germany	Seven 777X
Lufthansa	Germany	Seven 777-9
Norwegian Air Shuttle	Norway	50 Max 8
Undisclosed Customer	N/A	Two A319neo, six A320neo

Based on *Airfinance Journal* research May-June 2022

New aircraft values ($ million)

Model	Values of new production aircraft*
Airbus	
A220-100	32.6
A220-300	37.4
A319neo	37.4
A320*	40.6
A320neo	50.4
A321*	47.7
A321neo	58.6
A330-800	87.5
A330 900	102.4
A350-900	146.3
A350-1000	159.0
A380	140.7
ATR	
ATR42-600	15.3
ATR72-600	19.0
Boeing	
737-800*	33.8
737 Max 8	47.8
737 Max 9	49.4
767F	80.0
777-300ER	132.4
777F	161.4
787-8	107.5
787-9	138.0
787-10	148.1
De Haviland	
DHC 8-400*	19.6
Embraer	
E175	26.4
E190-E2	31.1
E195-E2	33.9
Sukhoi	
SSJ100	20.0

Based on ISTAT appraiser inputs for Air Investor 2022. *Values for last year of build

New aircraft lease rates ($'000 per month)

Model	Low	High	Average
Airbus			
A220-100	210	245	227.5
A220-300	230	270	250
A319neo	227	290	258.5
A320*	210	310	260
A320neo	285	380	332.5
A321*	269	360	314.5
A321neo	325	430	377.5
A330-800	562	700	631
A330 900	655	750	702.5
A350-900	850	1,100	975
A350-1000	900	1,250	1,075
A380	640	1,234	937
ATR			
ATR42-600	105	135	120
ATR72-600	115	165	140
Boeing			
737-800*	125	325	225
737 Max 8	265	340	302.5
737 Max 9	265	340	302.5
767F	400	700	550
777-300ER	850	1,015	932.5
777F	950	1,260	1,105
787-8	630	875	752.5
787-9	805	1,100	952.5
787-10	835	1,150	992.5
De Haviland			
DHC 8-400*	125	180	152.5
Embraer			
E175	170	241	205.5
E190-E2	190	225	207.5
E195-E2	216	260	238
Sukhoi			
SSJ100	140	198	169

Different roads to forecasting aviation's short- and long-term future

Worldwide events, predicted or not, are forcing forecasters to learn new realities and develop new forecasting techniques, writes **Adam Pilarski**, senior vice-president at Avitas.

Recently, we have experienced two monumental events that have had a tremendous impact on our reality, much bigger than anything that occurred during our recent history when things just moved at a more measured semi steady state rate. These two events were Covid-19 and a major war in Europe (Russia's invasion of Ukraine).

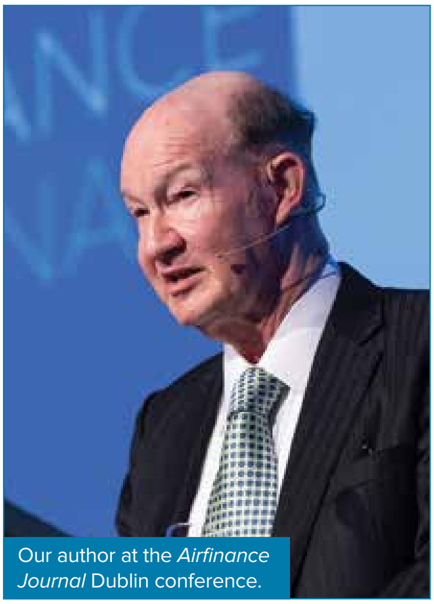
I want to dispel the unfortunately common description of these two events as "black swans". The definition of a black swan event is one that could not have been predicted. This is definitely not the case of the two special events that just happened. Most long-term business plans have always included provisions that stated something like "provided no pandemic occurs".

Covid-type events were always considered an implicit part of all plans and were mentioned. But with an assumed low probability of occurrence, they were merely considered part of the feasible outcomes. A low probability event by definition probably will eventually happen, though for pragmatic reasons it is usually not explicitly included as a distinct scenario in business plans warranting a separate detailed analysis.

So, in short, we always thought about it but did not spend too much on an actual analysis. President Putin's adventure in Ukraine also was not totally unpredictable. It was mentioned in the past few years as a low probability outcome sidelined as "he will not be stupid enough to do it". So, again, considered but not acted on.

So, while I do not expect any black swan event in the future (which by definition are unpredictable), a lot of changes are happening in our economic, political and technological realities that will have tremendous contribution to developments of our industry. In addition, to the two factors mentioned, we also face a slowing pace of globalisation. This means more emphasis on local interests and possibly less trade. But also more chances of an emergence of new ideas, products and firms across the globe.

Additionally, the environmental concerns that were discussed in a more theoretical and preachy way for a long time may in the coming years become an actual reality. Contrary to some fears, this reality will not bring about an end of aviation. Rather, I believe it will lead to a resurgence of the old entrepreneurial spirit that propelled aviation to its tremendous advances more than 100 years ago, to new technologies and new ways of doing business.


Our author at the *Airfinance Journal* Dublin conference.

> *"Most long-term business plans have always included provisions that stated something like 'provided no pandemic occurs'."*

Predictions of short-term developments will be more difficult. Obviously, we can expect more volatility, and also stark trade offs between short- and long-term considerations. High oil prices because of the reduction of Russian oil exports as a consequence of the Ukrainian war immediately led airlines to curtail flying less-efficient older equipment, supporting the stated goals of world airlines to reduce its carbon footprint.

On the other hand, aircraft lost tremendous amounts of money because of Covid and may be reluctant to purchase new fuel-efficient aircraft and rely more on inefficient but paid-off equipment. These are all short-term considerations even if, in the long run, we can reasonably assume a fleet selection leading to less carbon footprint.

The same with oil prices. In the short term, there are tremendous uncertainties related to the outcome and duration of the Ukrainian war and the actions of Opec deciding on production levels. In the long run, though, there is no doubt that oil will play a diminishing role in aviation. The high present prices of oil make this outcome ever more certain.

Going back to the art of predictions. We will have to deal with much more volatility in the short term. The old realities of the structure of the industry being fairly stable and predictable by using old tested relationships between traffic and some economic factors with only very occasional big changes coming and the main concern of forecasters being the prediction of the timing of the next recession will change substantially. We are virtually assured of radical changes coming in new technologies and business strategies. We can be fairly certain that the future will be substantially different from today's realities, even if we do not have the techniques to predict the specific winners in the sphere of equipment, fuel supplies and even new regional players.

Forecasters will have to utilise new realities and come up with new equations to predict the future. Travel will become more expensive for some and new demand elasticities will have to be estimated. Service categories will also expand with eventually even high-speed flights becoming reality. Life will become more complex but also better. And we forecasters will have to learn new realities and develop new forecasting techniques.

So, in short, more uncertainties now but new and quite different aviation in the long run.

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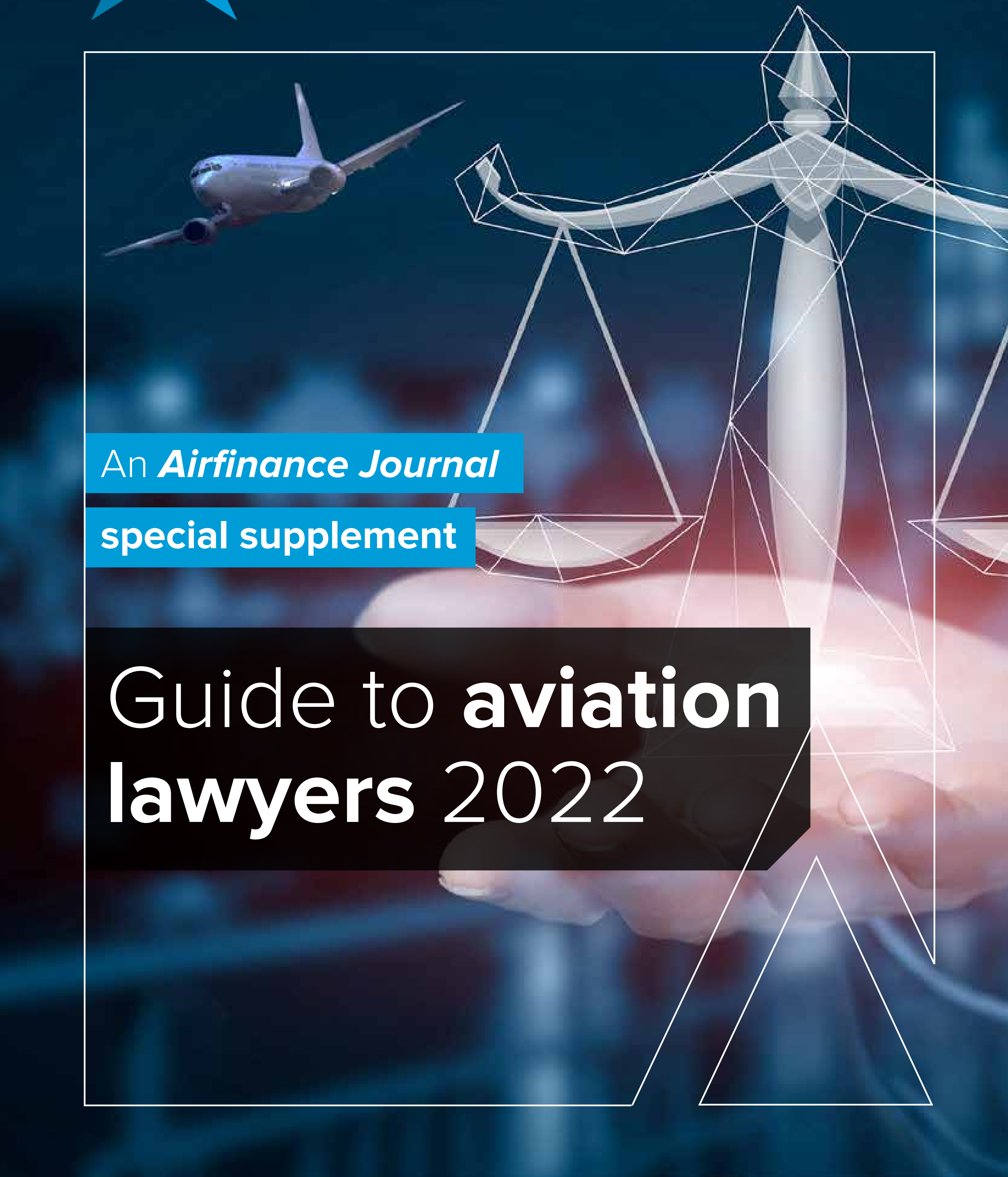


An *Airfinance Journal* special supplement

Guide to **aviation lawyers** 2022

Legal moves 2021/22

O'Melveny & Myers names Kaplan as co-chair aviation

O'Melveny & Myers has named Jason Kaplan as co-chair of its aviation business.

Kaplan is based in New York and focuses all aspects of aviation and equipment finance for the law firm, including representation of domestic and foreign airlines, aircraft and engine leasing companies, trustees, banks and private equity investors.

He has been with O'Melveny & Myers since 2019 as aviation finance partner. Before this, Kaplan spent eight years at Hughes Hubbard & Reed as an associate and as counsel for the corporate and equipment finance groups.

Kaplan started his career at Milbank in 2007 as an associate in the transportation and space finance group.

O'Brien to head A&L Goodbody finance department

A&L Goodbody's Marie O'Brien has been named as head of the law firm's finance department. The role is in addition to her current position as head of the aviation and transport finance group.

O'Brien joined A&L Goodbody in 2012 as a partner in the banking department with particular expertise in asset finance transactions.

She is highly experienced in advising on the acquisition, leasing, financing and trading of a variety of asset classes, including aircraft, engines, helicopters, ship, rail, machinery and equipment.

Her expertise includes advising international lessors, banks, private equity and investors on establishing and growing aircraft leasing platforms in Ireland, including through joint-venture structures.

She also advises lenders and borrowers in relation to a variety of structures for the financing of aircraft, engines, helicopters, ships and other equipment, including sale and leaseback, commercial debt, warehouse facilities and capital markets, including asset-backed securities (ABS), predelivery payments financing and export credit agency financings.

O'Brien has worked on M&A transactions relating to aircraft companies such as Interglobe's acquisition of Airborne Capital, ASL Aviation on the acquisition of Farnair, and Carval on the acquisition of Aergo Capital.

Marie O'Brien

She has also helped the launch by Vx Capital Partners of the first all-cargo aircraft asset-backed securitisation; Zephyrus Aviation Capital on its first structured ABS financing for the acquisition of a portfolio of 21 aircraft; and advised many Asian bankings and leasing companies on establishing and growing their aircraft leasing business in Ireland, including advising CALC on its first aircraft investment sidecar.

She is also head of A&L Goodbody's China Business Group.

West moves to Gibson, Dunn & Crutcher

Rebecca West has joined Gibson, Dunn & Crutcher as an associate after six years at Clifford Chance.

She practices banking and finance law and has experience in global asset finance, focused on aircraft financing and leasing. Based in the London office, West is a member of the firm's global finance practice group.

West was an associate in the global asset finance group of Clifford Chance and completed secondments with various aviation leasing firms, including Avolon, CDB Aviation and GECAS/Aercap during her six years at Clifford Chance.

Milbank promotes Milburn

Milbank has promoted senior associate Nicholas Milburn to the role of special counsel in the New York office.

Milburn is a member of the law firm's transportation and space group.

He represents lessors, operators, financial institutions, issuers and underwriters in a wide range of international transactions in the aviation finance sector, including finance and operating leases, acquisitions and dispositions of assets and companies owning or leasing assets, secured and syndicated bank lending, aircraft portfolio securitisations, and mergers and acquisitions.

Milburn joined Milbank in 2014 from Hughes Hubbard & Reed where he was an associate attorney.

Dalrymple joins new aviation law firm

Vinson & Elkins has appointed Kim Dalrymple as associate on its aviation finance team.

Dalrymple joins the law firm from A&L Goodbody where she was a solicitor between 2017 and 2021 and was promoted to associate last year. She is based in New York.

She started her career as a legal executive for Aircraft Corporate Services (Malta) and moved to Gartlan Furey Solicitors until the end of 2016.

Dalrymple focuses on corporate, asset-backed and structured financings in the loan and capital markets, restructurings and joint ventures, and has worked on some of the most complex and innovative aircraft financings.

The appointment comes months after Vinson & Elkins expanded its finance practice into aviation early this year with the nomination of David Berkery and Niels Jensen as co-leads.

"There are signs of improving financial stability as the industry recovers," says Berkery. "The addition of Kim to the team places us in a strong position to support clients as we continue to scale-up our offering in aviation leasing and financing."

Clifford Chance reclaims top spot

Airfinance Journal's legal survey sifts through more than 1,200 deals reflecting a more active year in 2021.

In the 2021 legal survey, *Airfinance Journal* received submissions from 15 firms, compiling 1,195 unique deals overall, including transactions gathered from Deal Tracker.

The 2021 survey is tempting to compare with pre-Covid, or the 2019 activity.

In 2019, *Airfinance Journal* recorded 1,520 deals from 15 law firms.

The capital markets were buoyant in 2021 with the first deals closing in January and signalling a return, especially in the asset-backed securities (ABS) market, after a nine-month pause. Lessors and airlines continued to tap the capital markets last year. In total, 260 eligible transactions were recorded versus 216 in 2020 and 179 the previous year.

The other categories considered in the legal survey, improved year on year but are lagging behind the 2019 levels.

Asia-Pacific became, for the first time last year, the number one region in terms of deal origination. The region recorded 381 eligible deals in 2021, or 32% of the total. It totalled 326 deals in the 2020 legal survey, down from 410 the previous year (representing a 27% market share).

Just over 30% of the submitted deals originate with European customers versus 34% in the 2020 legal survey. Europe represented 362 transaction points, compared with 562 deals in 2019.

North America is the region that saw the most progression last year with 313 eligible transactions (versus 237 deals in 2020). The region reduced the gap with Europe and Asia-Pacific in terms of percentage with 26.2%, compared with 23% in the 2020 legal survey. The region's level of activity matched the 2019 levels.

Activity in Latin America slightly increased last year with 62 deals recorded. This was up from 52 the previous year and three years of decline. Some 5.1% of last year's total involves clients from that region, against 6% three years ago.

Activity in the Middle East remains at the previous year's level, with 42 eligible transactions. This represented about half of the activity in the region pre-Covid, according to the data.

In Africa, 35 transactions closed last year, up from 29 in the 2020 legal survey and 55 the previous year.

Methodology

Airfinance Journal's annual legal survey includes aviation finance deals based on submissions from law firms as well as *Airfinance Journal*'s Deal Tracker transactions. Those are subsequently aggregated to create the winners.

The *Airfinance Journal* data team then reviews the different deals and selects those eligible for Deal Tracker. This list is then used to select the most active law firms, which are then selected by region and product type. The legal survey reviews transactions for calendar year 2021 only.

This is significant because we recognise that markets change, as do law firms; however, we felt this was the only way to offer an accurate snapshot of aviation finance legal activity.

Our aim is to continue being transparent and impartial. All of the deals used to judge the winners are eventually loaded into Deal Tracker and can be reviewed by our readers.

In this sense, our survey is unique. Our research team assesses each deal to verify them and to avoid double counting. The benefit of using Deal Tracker is that we can offer a granular presentation of law firm activity by both product type and region.

There are limitations to the survey. Client confidentiality may be an issue for law firms when submitting deals and some firms opted not to participate. As a consequence, the survey does not necessarily represent all of the deals happening in the marketplace but it remains the most comprehensive survey of its type and crucially offers real insight into the aviation market.

The survey gives a strong indication of which law firms are most favoured for certain deal types and for certain regions.

Airfinance Journal continues to listen to its audience.

Law firms were asked to self-assess the complexity of each transaction and their role in the transaction according to the following new set of criteria for which the specified points will be awarded:

Complexity:

- Ground-breaking pioneer transaction: 10 points
- Complex transaction, some new parties or jurisdictions: 7 points
- Average complexity, repeat transaction with same players and jurisdictions: 5 points
- Less complex transaction: 3 points
- Low complexity: 1 point

Role:

- Drafting counsel for major transaction documents: 10 points
- Primary counsel to major transaction parties: 7 points
- Secondary counsel to transaction parties: 3 points

For all Deal Tracker transactions that were not part of the submitted deals, *Airfinance Journal* assigned one point for the complexity of a transaction and three points for the role played by the law firm. This resulted in total score of four that was assigned to all Deal Tracker transactions that were not part of the submitted deals.

Overall rankings

Like previous years, the survey records the overall number of deals for each law firm. A deal, as defined by the survey, represents one mandate and can include multiple aircraft and lawyers.

In addition to presenting the most active law firms by product and region, the survey also aggregates how law firms have performed to produce an overall ranking.

Law firms secure points based on where they are placed for each region, product and category.

Overall winners

Clifford Chance secured the number one spot among the law firms by topping Asia-Pacific, Europe, Middle East, sales and purchases, and operating lease categories.

The firm represented 14.6% of the total transactions recorded by the survey, with 175 eligible deals. Its overall score was 2,412 points, or about 500 more points than second-paced Milbank.

"We are delighted once again to be the overall winner of *Airfinance Journal*'s Legal Survey, which recognises the most active firms in the aviation sector based on deals completed in a dozen categories. This achievement is the result of the dedication and quality of our hard-working and high-achieving team of lawyers, and the firm's cross-practice capabilities throughout our global network.

"As ever, we are grateful to our fantastic clients for the trust and confidence they continue to show in us to deliver on the most demanding and ground-breaking deals," says Oliver Hipperson, head of the London asset finance practice.

K&L Gates, Vedder Price and White & Case completed the top five, with Vedder Price being the law firm which improved the most year on year.

Airfinance Journal would like to thank all the law firms which participated in the survey.

Legal Transaction of the Year: **Aercap-GECAS merger**

The *Airfinance Journal* editorial team selected the Aercap-GECAS merger as the winning submission in 2021.

On 10 March 2021, Aercap Holdings entered into a definitive agreement with General Electric Company (GE) under which Aercap would acquire 100% of GE Capital Aviation Services.

The acquisition positions Aercap as the worldwide industry leader across all areas of aviation leasing: aircraft, engines and helicopters. The combined company will serve about 300 customers worldwide and will be the largest customer of Airbus and Boeing.

The transaction, which closed on 1 November 2021, was extremely complex and involved more than 300 operator jurisdictions.

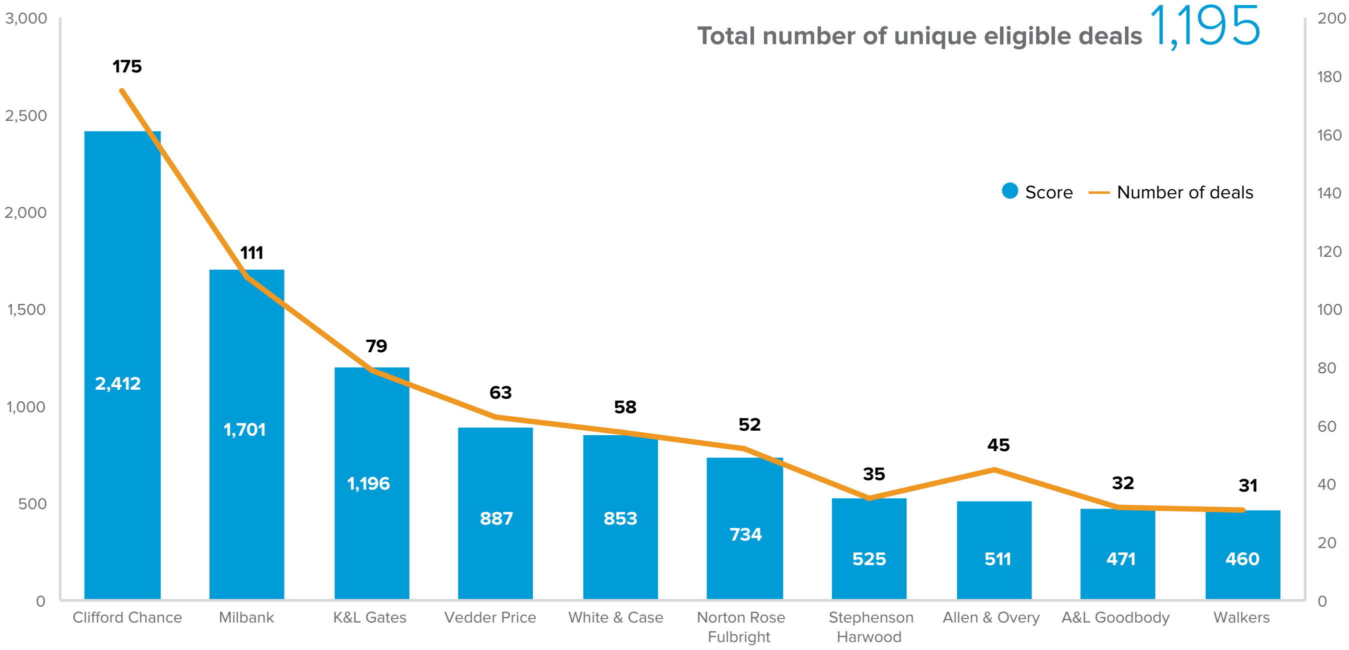
Under the terms of the transaction agreement, GE received total consideration of greater than $30 billion on closing, including about $23 billion in net cash proceeds; 111.5 million ordinary shares equivalent to about 46% ownership of the combined company, with a market value of about $6.6 billion based on the closing share price of $59.04 on 29 October 2021; and $1 billion paid in Aercap senior notes. GE transferred $34 billion of GECAS's net assets, including its engine leasing and Milestone helicopter leasing businesses, to Aercap.

Clifford Chance advised GE on aviation business aspects of the transaction, as well as on global anti-trust clearances.

A&L Goodbody represented GE as Irish counsel while Paul, Weiss, Rifkind, Wharton & Garrison advised GE on US M&A aspects of the transaction.

Cravath, Swaine & Moore (as US M&A counsel), NautaDutilh (as Dutch counsel) and McCann Fitzgerald (as Irish counsel) acted legal advisers to Aercap.

Top 10 law firms by number of deals



Asia-Pacific

The number of unique eligible transactions rose significantly last year in the Asia-Pacific region to 381. This was an 18% increase on the previous year.

In 2021, the manufacturers delivered more aircraft to customers. Airbus handed over 611 aircraft to customers last year, up from 566 units in 2020, while Boeing delivered 340 units.

Asia-Pacific deliveries were up but the airline industry also went through significant restructuring of flag carriers as well as low-cost carriers.

Clifford Chance says the extremely challenging conditions experienced by the aviation sector in the APAC region in 2020 continued into 2021 and largely persisted into 2021 . "Although some major airline restructurings were completed or substantially completed (Virgin Australia, Philippine Airlines, HNA, MAB, Thai Airways), others have dragged on (Lion Air) and new restructurings have commenced (Garuda, Thai Air Asia X, Hong Kong Airlines," says Clifford Chance's APAC partner and foreign legal consultant, Fergus Evans.

The law firm maintained its lead in the Asia-Pacific market.

"International travel into some major markets (the People's Republic of China, Japan, Hong Kong) continues to be very restricted while other markets (Singapore and Australia) have rebounded strongly as borders reopen," says Evans.

"After a hiatus, save for strong lessors and airlines (Singapore Airlines) the number of commercial financings of aircraft have recently increased but are still below pre-pandemic levels. We have also seen an increase in ECA/Ex-Im supported financings as well as AFIC/Balthazar transactions.

"On the investor side, while some APAC-based lessors have seen restructurings (especially US Chapter 11 proceedings) resolved, for others the continuing pandemic-related pressures have been exacerbated by large exposures to Russian airlines and other counterparties impacted by sanctions. There was significant M&A activity in the region with sales by Hong Kong investors CK Asset Holdings, and NWS Holdings and Chow Tai Fook Enterprises of their respective interests in aircraft leasing platforms AMCK Aviation and Goshawk Aviation," adds Evans.

K&L Gates partner James Bradley says that despite the regional economic headwinds and challenges that face the aviation industry, the firm's Asia-Pacific practice remains nimble and robust.

"We have been fortunate to work on a number of significant restructurings, litigations and new transactional matters. This highlights the depth, dynamism and capability of our Asia-Pacific team, which works out of our offices in Tokyo, Hong Kong, Singapore, Brisbane and Sydney. We look forward to continuing to advise and support our clients across the region as the sector continues to recover," adds Bradley.

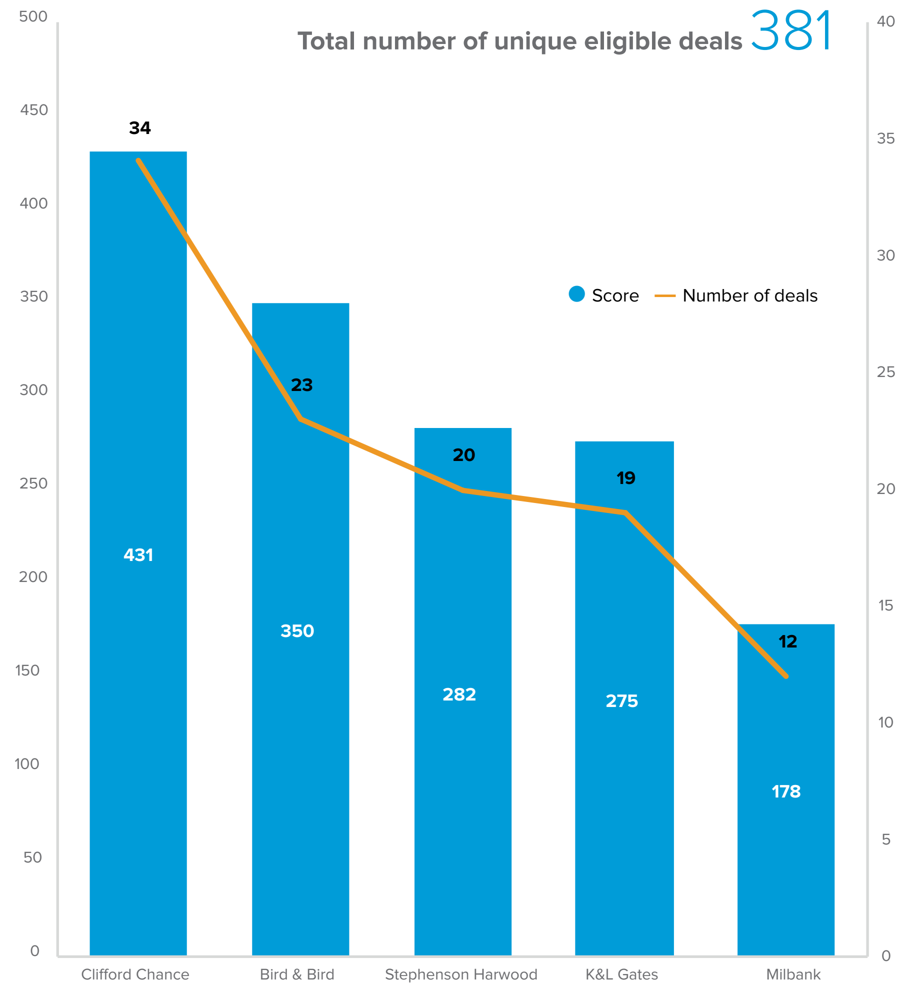
Bird & Bird benefitted most from the Asia-Pacific activity with its ranking jumping from fifth in 2020 to second last year.

Bird & Bird partner and head of aviation and aerospace sector group, Leo Fattorini, says: "The aviation market in Asia-Pacific remained constrained for much of the past year, such that a significant portion of our work has been related to ongoing restructurings, court-based and otherwise. In this respect, it's been terrific to see the vast majority of lessor, financier and OEM [original equipment manufacturer] creditors supporting their cash-strapped airline customers throughout the crisis.

"Although the vast China market is still largely closed to international traffic (with a consequent ongoing impact on the region as a whole), there has been a marked pick-up in air travel across South-East and South Asia as restrictions have fallen away in recent months. However, capacity remains a good deal lower than in 2019 as airlines work to get aircraft back into service, and re-hire the staff to support this – with yields up accordingly," says Fattorini.

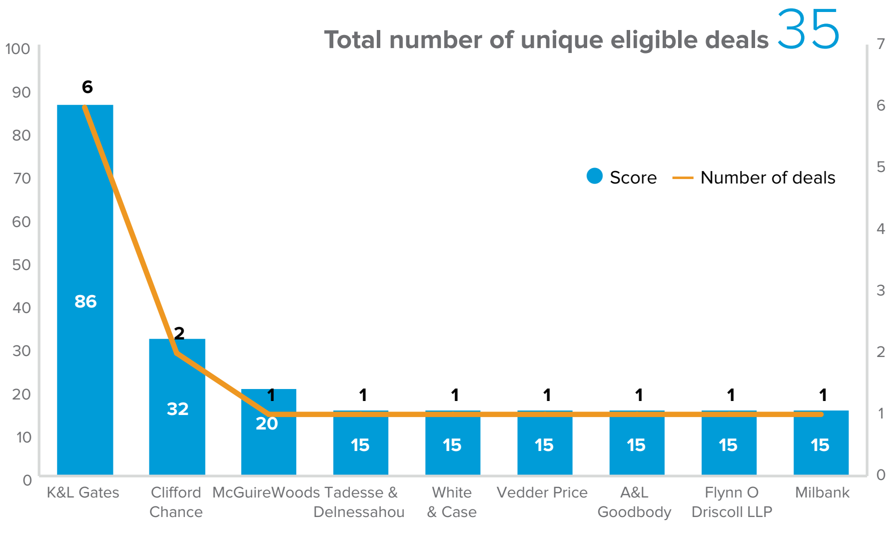
He adds: "Airlines in APAC will need to be careful to balance their recovery of higher operating costs from passengers, while still offering competitive fares to a travelling public increasingly facing financial pressures themselves."

Fattorini says the operating lease market (especially for multiple newer technology aircraft) appears bullish for the moment as airlines begin to take delivery of deferred aircraft. "Established and newer equity funds continue to look for new deals in the region, and commercial debt financing is starting to pick up. Over the past few months, we've also seen an uptick in trading between lessors. Throughout the pandemic we have been busy supporting lessors involved in the cargo market, with P2F converted aircraft in particular. We see this area of the industry continuing to thrive, with large numbers of aircraft still awaiting conversion and air carriers keen to get their hands on them as quickly as possible," he comments.



Source: law firm submissions and *AFJ Deal Tracker*

Africa



Source: law firm submissions and *AFJ Deal Tracker*

The African market recorded 35 deals in 2020, up from 29 the previous year. However, this is far below the level of activity pre-Covid-19 pandemic, where 55 transactions closed in 2018 and 2019.

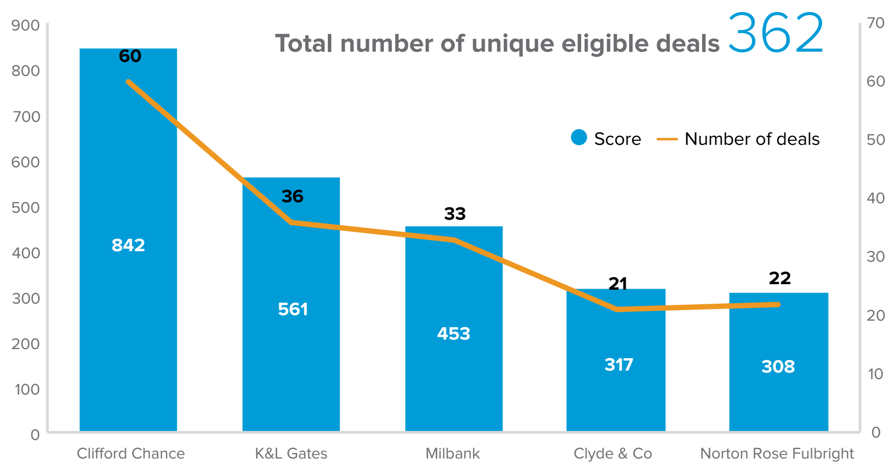
Activity in the regional market included operating lease transactions for second-hand ATR72-500/600s, De Havilland Dash 8s, as well as the first Airbus A220-300 deal for Senegal Airlines.

K&L Gates has topped the ranking for two consecutive years. The law firm was particularly involved in the trading of Boeing 737-700s and 737-800s in the region, notably the Royal Air Maroc fleet. The mandate follows a previous representation of the carrier in its first Japanese operating lease with call option (Jolco) covering Max deliveries in 2020.

"We are delighted with the continued recognition by *Airfinance Journal* as one of the top law firms advising on aviation deals on the African continent. This reflects the trust our clients are putting in us to guide them in this high growth market. We are excited for the huge opportunities to come in this region and ready to assist further expansion," says Manuela Krach, a partner at K&L Gates.

Clifford Chance acted as law firm in some operating lease, and sale and leaseback transactions for Ethiopian Airlines last year.

Europe



Source: law firm submissions and *AFJ Deal Tracker*

Europe represented 362 transactions points, a slight increase on 2020, but far from matching the levels of 2019 when 562 eligible deals were recorded.

In 2021, the top five law firms in this market accounted for 172 eligible deals, or 48% of the total transactions. This was up in percentage terms from 34% and 35% recorded in 2020 and 2019, respectively.

Commercial loans account for 82 transactions points, of which 62 are secured.

Among the unsecured activity in 2021, operating lessors represented less than half of the transactions with Aercap, Gilead Aviation and Nordic Aviation Capital notably issuing debt.

Clifford Chance regained the top position in 2021 in the number of eligible deals in this market. The survey shows 60 transactions, with about an equal share of representation of airlines and leasing or financing entities-related transactions. Clifford Chance represented the major flag carriers in the region last year and the major lessor entities.

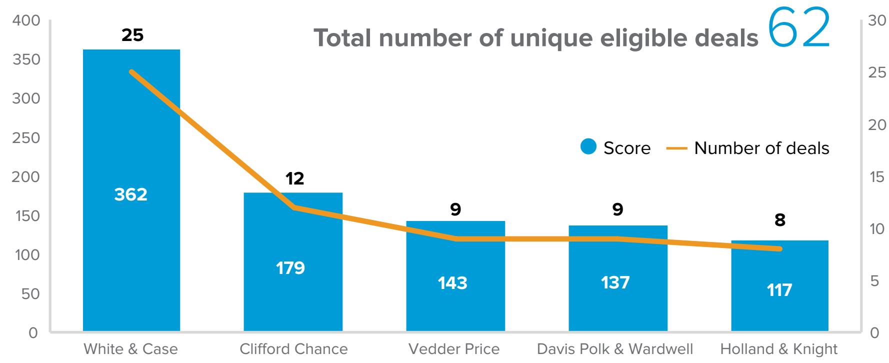
In terms of products, a large share was through commercial loans-related transactions (21 transactions), DCM deals (five), structured leases (eight), operating leases (11) and aircraft acquisition (13 transactions), shows the data.

"The start of 2021 continued to prove challenging for the European aviation industry, with the slower-than-expected roll-out of vaccines and the continued application of travel restrictions continuing to weigh on the industry. As the year progressed, Europe did see a partial but sustained recovery across the sector, though we continued to see distress in some areas, including amongst certain lessors, as evidenced by Nordic Aviation Capital's Chapter 11 filing (and subsequent successful emergence) at the end of the year," says Clifford Chance partner Richard Evans.

He adds: "2021 also saw a continuing increase in the level of focus placed on ESG [environmental, social and governance] legislation and its potential impact across the aviation industry – the publication of draft technical screening criteria for aviation by the European Commission has, in particular, focused minds on how such legislation may impact European lessors and carriers. We expect these ESG concerns, the continued impact of Covid and the fall-out from new headwinds coming out of the war in Ukraine and rising fuel prices, to dominate discussion during 2022."

Pete O'Hare, a partner K&L Gates, says 2021 "was another turbulent year for the industry due to the emergence of new Covid variants. However, airline revenue and passenger numbers returned to around 50% of pre-pandemic levels, whilst cargo revenue saw a record year."

Latin America



Source: law firm submissions and *AFJ Deal Tracker*

White & Case partner Chris Hansen says 2021 was another challenging year for the commercial aviation sector in Latin America with most airlines in the region forced to continue with some form of restructuring efforts – in Chapter 11 proceedings in the cases of Avianca, Aeromexico and Latam, and informally through direct negotiations with lessors and other creditors in several others.

"This was in large part due to the lack of direct government financial support that many other airlines around the world received. We also began to see the initial phases of consolidation in response to these ongoing challenges (Avianca-Gol-Sky), and we would not be surprised to see additional moves toward consolidation (whether through alliances, joint ventures or otherwise) in the near future."

He adds: "In a sign that the tide was turning, the low-cost sector of the Latin American market rebounded much more quickly in 2021 than the legacy carriers. Viva Aerobus in Mexico is a good example of that trend, which led to a unique cross-border alliance of low-cost carriers with US carrier Allegiant Air that was signed at the end of 2021 (and awaits regulatory approvals)."

White & Case topped the ranking in the region, for the second time in a row.

The law firm played a role in most of the major restructuring transactions in Latin America last year. It was counsel to a group of bondholders and the debtor-in-possession lenders in Latam and acted for its long-time client, Aeromexico, as its special aviation counsel throughout its Chapter 11 case.

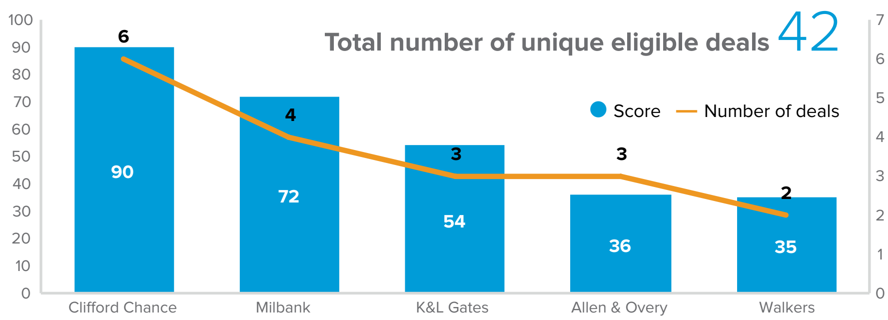
"We were very gratified to see the OEM [original equipment manufacturer], lessor and lender communities strongly support their Latin American customers during the very difficult times created by the Covid pandemic," says Hansen. "Many were willing to place more new aircraft into the Latin American market on quite reasonable terms in the midst of the restructuring processes.

"The main trend we have noted recently has been a move back to sale and leasebacks of new fuel-efficient single-aisle aircraft such as the Max and the Neo aircraft. It will be interesting to see over the next few years whether certain market segments, such as Jolco [Japanese operating lease with call option] and EETC [enhanced equipment trust certificates] investors, are willing to re-enter the Latin American market after facing substantial pressure due to the Chapter 11 filings of three of the largest regional carriers. We will also be watching closely to see what happens with the widebody market in the region, which remains an open question to some degree."

Hansen notes a recent uptick in transactions supported by BNDES, the Brazilian state development bank which supports the export of Embraer regional aircraft, which he says is a "positive sign" for the region's only aircraft OEM.

"It will also be very interesting to watch as the Latin American carriers who have restructured in 2020 and 2021 emerge into the post-Covid market with stronger balance sheets, new shareholders and business models that have been fine-tuned during the Covid crisis," he says. "Of course, they will all face additional challenges going forward with fuel costs and interest rates rising and the potential for recessions in some of their markets."

Middle East



Source: law firm submissions and *AFJ Deal Tracker*

Clifford Chance maintained its lead in the Middle East last year with six transaction points for a total score of 90.

The law firm was involved in different types of activities and different aircraft types in the region. It acted as lenders' counsel in DAE Capital's unsecured facility, a complex dual-tranche structure combining a long-term Murabaha contract and a series of short-term Murabaha contracts.

Clifford Chance also acted on a commercial loan for the lessor, as well as Navigator 2021-1, an asset-backed security serviced by Dubai Aerospace Enterprise on the secured side.

The law firm was also counsel on lease transactions with Fly Baghdad, Flydubai and Emirates Airline.

The firm observes that while there were increasing signs of recovery in the region's aviation industry towards the end of 2021, with passenger loads increasing significantly in the second half of the year, the continued restrictions on travel imposed by many countries amid the renewed threat of the Omicron variant had a sustained impact.

Stephen Chance, Clifford Chance counsel, says: "Despite the significant improvement on 2020 performance, the ongoing impact of the restrictions was clear, with passenger numbers below pre-pandemic levels. Amidst this ongoing slowdown, the Middle East airlines once more relied on a combination of state funding and funds raised through secured financings and sale and leaseback transactions. As restrictions continue to ease and many destinations permitting unfettered entry, including in the Middle East, our expectation is that passenger numbers will rebound further in 2022, albeit still taking some time to return to 2019 levels."

K&L Gates' Krach says: "Looking at the reports of passenger numbers, it appears that the aviation sector in the Middle East has successfully put the Covid-19 crisis behind it. We at K&L Gates are pleased to have played an important role in helping airlines in the region increase their fleet even during challenging times and appreciate the recognition, once again."

North America

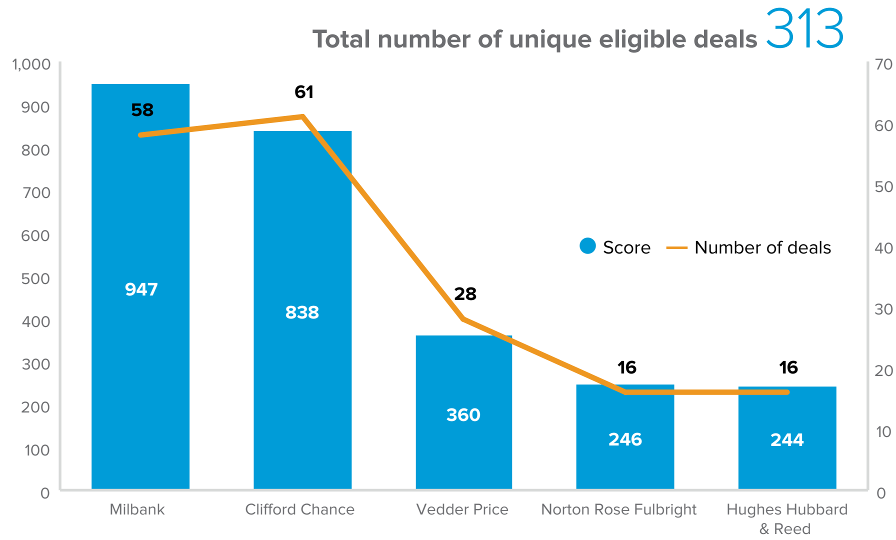
Last year North America was the only region that matched the level of activity of 2019. The region recorded 313 transaction points.

Milbank and Clifford Chance were neck and neck in North America, with both firms representing 38% of the total eligible transactions in volume.

Last year saw a rebound for the aviation industry in North America, but it was not without turbulence.

"While many airlines started increased operations and the cargo market remained hot, a number of carriers sought bankruptcy protection," says Clifford Chance partner Emily Wicker. "Most notably, three large Latin American carriers sought refuge under US Chapter 11 filings, bringing a flurry of restructuring activity and a host of new market entrants, including distressed debt investors."

She adds: "We saw a rise in M&A activity, most notably the acquisition of GECAS by Aercap. This trend seems to be continuing into 2022 both in the lessor and airline sectors. The ABS market came back in 2021 and fed some of the pent-up demand from 2020 but, by early 2022, the war in Ukraine, rising fuel prices and inflation put that market back on hold. Those same factors are the source of disruption across the industry for 2022, and we expect rising interest rates and fuel costs to be especially burdensome on North American carriers."



Source: law firm submissions and *AFJ Deal Tracker*

Sales & purchases

The sale and acquisition market performed better last year than in 2020 as a lack of liquidity since the onset of the pandemic had prevented many buyers to acquire assets. There were 263 transactions recorded, the data shows, up from 59 in the 2020 legal survey and 300 the previous year.

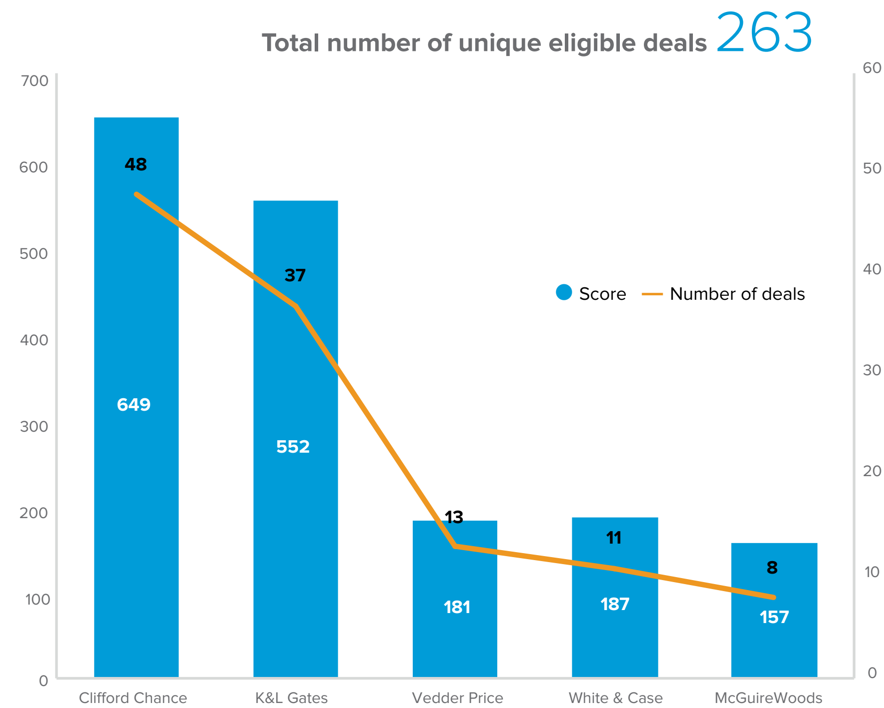
Still, at the height of Covid, some lessors expanded their footprint in the marketplace by acquiring aircraft on a strategic basis.

Last year, activity in the sale and leaseback market, and portfolio sales that resumed during the year, were plentiful.

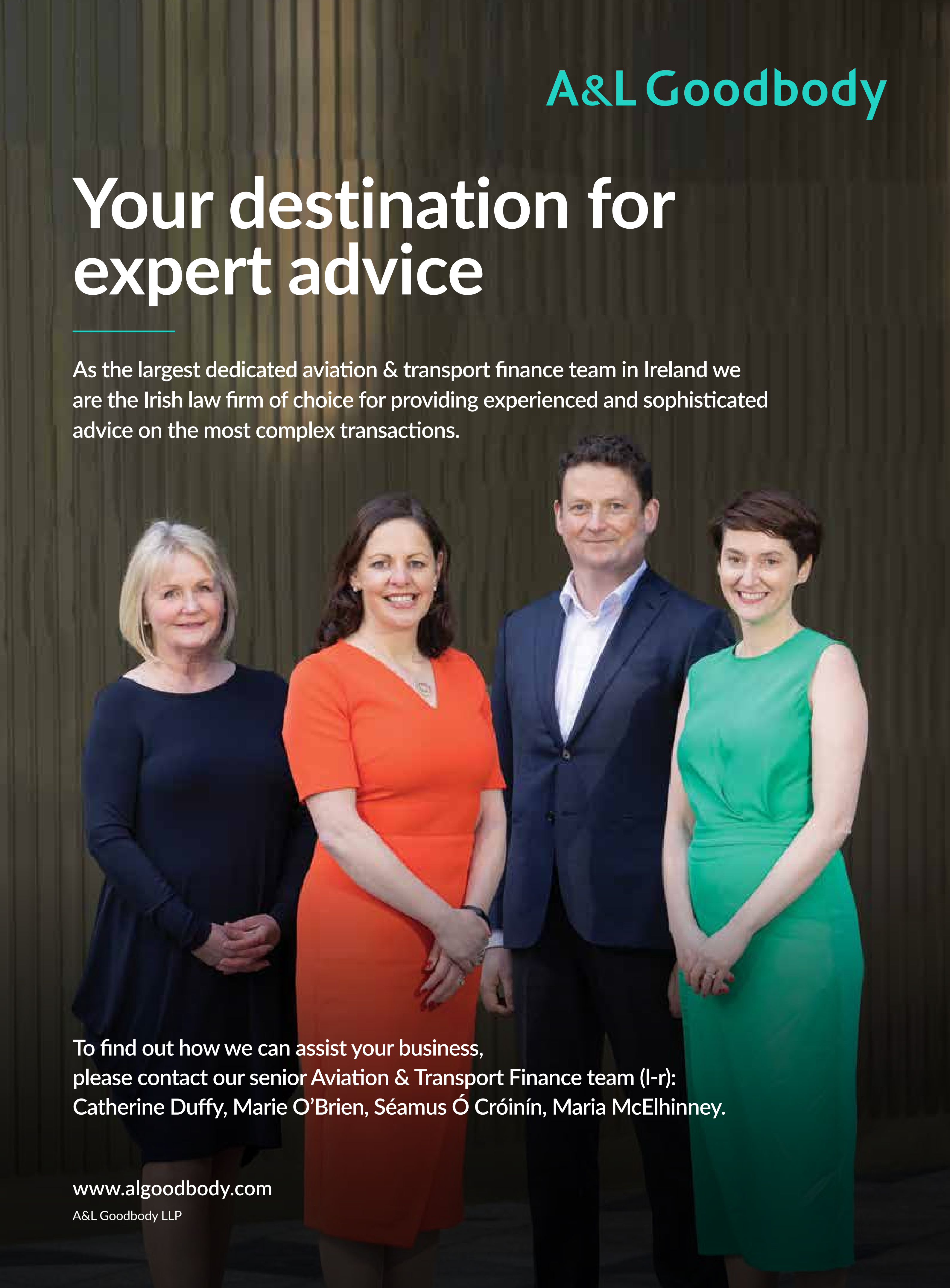
Clifford Chance was the most active law firm with 48 transaction points out of a total of 263. K&L Gates racked up 37 transaction points, well ahead of Vedder Price with 13 deals.

"We saw a concentration of aircraft trading in the US market throughout 2021, due in part to the swift upturn of travel (both domestically within the US and internationally to and from the US), once restrictions were lifted," says Amanda Darling, a partner at K&L Gates. "We expect this trend to continue – in particular, with other jurisdictions recovering slower than the US market."

The aircraft trading market saw a steady increase in appetite and transactions through 2021, without returning to pre-pandemic levels. Trading has progressed from small opportunistic deals to mid-sized portfolios, with purchasers including both new entrants and established lessors. The make-up of portfolios has been critical to the success of these transactions, with a clear focus on the right asset type and lessee customer. This has led to a level of concentration in the trading of particular airline names, with a corresponding need to ensure novations are run as efficiently as possible for those lessees. "The Russian invasion of Ukraine has further impacted sale and purchase transactions in 2022, causing the early termination of sales of some Russian aircraft, and a renewed analysis of other deals. An increase to the size and frequency of portfolio sales is expected as the year progresses," says Paul Carrington of Clifford Chance.



Source: law firm submissions and *AFJ Deal Tracker*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Structured leases

The activity for structured leases in 2021 was lower than the previous year for commercial aircraft.

Japanese investors remain wary of the aviation market. The restructuring at airlines over the past two years has exposed those investors through difficult times.

Some of the names that had Japanese operating lease (Jol)/Japanese operating lease with call option (Jolco) exposure included all three Latin American carrier bankruptcies – Aeromexico, Avianca and Latam.

The restructurings at Air Mauritius, Virgin Australia, Virgin Atlantic Airways, Norwegian and Malaysia Airlines also had an impact on Japanese equity investors and commercial debt providers.

Japanese equity arrangers are reluctant to restructure because this directly impacts the tax position of their investors and, in turn, impacts the market for future investment by Jolco investors.

A top executive at an investment bank recently told *Airfinance Journal* that while some equity arrangers still shy away from new underwriting, or at least require very specific conditions, certain players became more aggressive when new opportunities arose in 2021.

"This is a typical recovery scenario, like during past crises, although the magnitude of Covid-19 is much worse," he says.

The deal flow in the Jolco market remains relatively light and concentrated on the best credits, long-standing and established names. Yet, the major players are cautiously optimistic that Jol and Jolco aircraft financings will pick up again this year.

Still, some innovative transactions closed last year.

FPG Amentum and Societe Generale closed the first financing of a Jol supported by Aircraft Finance Insurance Consortium secured against a Boeing 737 Max 8 leased to Flydubai.

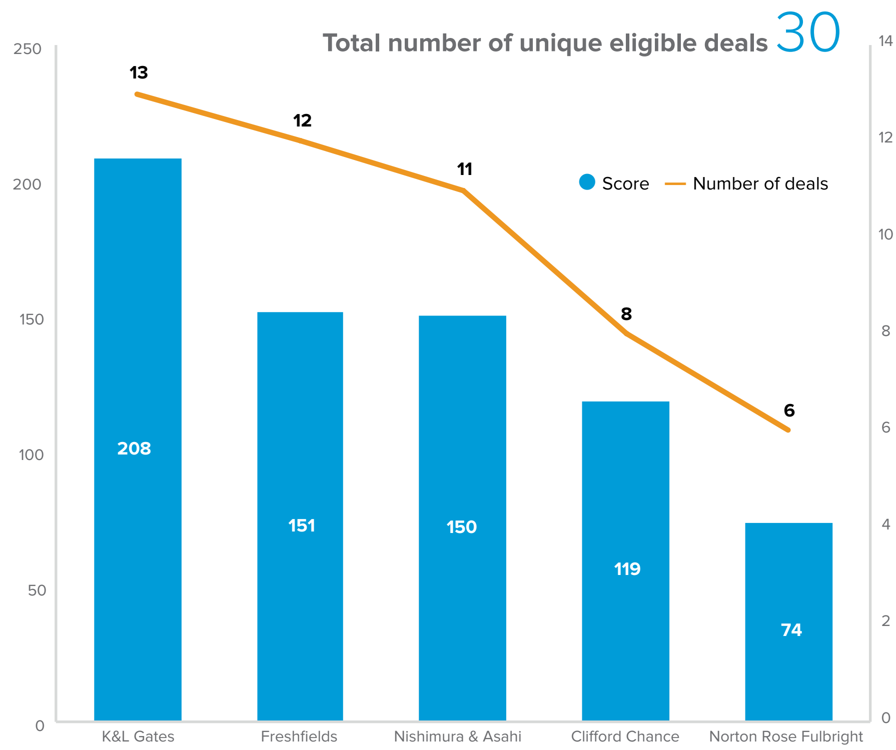
ABL Aviation was very active in the market last year with the Jolco financing of two Airbus A350-900s for Germany's Lufthansa, an A320neo for Pegasus Airlines as well as the sale of an A320 on lease to Wizz Air and an A321 on lease to Eva Airways from Jol investors to US investors.

The firm also sold eight A320s on lease to Latam and placed eight Delta Air Lines A220-100s in the Japanese market.

Air France opened up the Jol market for some of its A220-300 deliveries. Osaka-based Chishima Real Estate's aviation division last year secured a deal for Japanese investors that involved two deliveries acquired and leased back to Air France under a Jol structure.

Tokyo Century financed three A321neos under a Jolco mandate for Wizz Air, as well as two A321neo aircraft for Lufthansa.

"It's a very different story for Jols as funding is readily available for lessors and underwriters. The market size of Jols is much more difficult to assess, as we would probably need to start from defining what Jols are, but with the likes of Bleriot successfully concluding deals, we do feel there is momentum," Tokyo Century aviation financer, Marito Takamasa, told *Airfinance Journal* earlier this year.



Source: law firm submissions and *AFJ Deal Tracker*

K&L Gates remained the top law firm in this market last year, ahead of Freshfields and Nishimura & Asahi, the data shows.

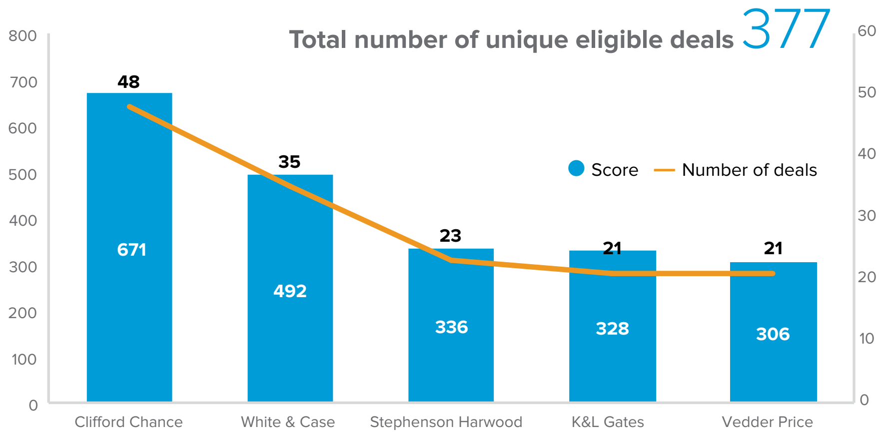
"Notwithstanding Covid, Japanese equity investment in the aviation sector remained very high and we continued to see high demand for Jolco lease structures," says Bob Melson, head of aircraft finance and finance practice area leader at K&L Gates. "However, given the zero or low Covid goals of some countries in Asia, we are seeing more Jolcos in Europe and even a few in the US with structures that ameliorate Japanese withholding tax."

"After the Chapter 11 bankruptcy filing of two Jolco lessors in December 2021, certain market participants claimed that the Jolco market would not survive the pandemic. However, we observe a strong coming back of the Jolco market for our clients. It appears that at least some of the established players on the equity side pursue high quality investments, irrespective of any set-backs that their portfolios may have suffered in airline restructurings over the last two years. Those equity arrangers that we have seen being active again at an early stage of the recovery seemed to be able to firmly underwrite even larger tickets and modern widebody aircraft for later placement in the equity market. This development led to a number of warehousing transactions which have been placed successfully in the market within a reasonably short period of time," comments Konrad Schott, a partner at Freshfields.

He adds: "The development on the debt side was slightly different, as a number of the established market participants seemed to be distracted by the numerous work-outs and restructurings, while others showed interest in high quality credits and some new (or previously less active) lenders seized the opportunities which the still-Covid market offered."

"More generally, we expect demand for legal advice in conjunction with the impact of Covid-19 crisis to persist beyond 2022, followed by consolidations and reorganisations on a corporate level that will lead to M&A and further restructuring activities. Most recent geopolitical developments have prompted the necessity for ad hoc advice on various matters in connection with the sanctions imposed against Russia and Belarus. At the same time the latest industry numbers appear to indicate that the airline market may actually recover more quickly than originally expected," comments Johannes Vogel, a partner at Freshfields.

Operating leases



Source: law firm submissions and *AFJ Deal Tracker*

Better productions rates from the original equipment manufacturers, as well as more trading in the secondary market through lease placements, benefitted the operating lease market in 2021.

However, the industry is far behind the level of activity in this market pre-pandemic, when 634 transaction points were recorded as operating leases continued to be popular for new deliveries.

In total, 377 transactions closed compared with 310 in 2020.

"The operating leasing market has continued to be heavily impacted by the pandemic and its effects on airlines around the world," says Justin Benson, global head of asset finance of White & Case. "However, some lessors have been able to seize opportunities to develop new relationships with airlines and/or acquire favourable delivery slots to new aircraft types in the sale and leaseback market, and the pandemic has seen several operating lessor mergers and acquisitions."

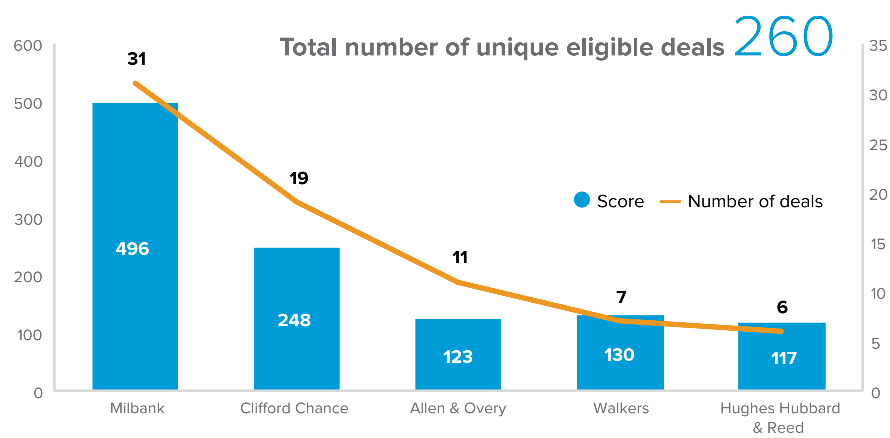
His firm has been very busy helping its operating lessor clients with a wide range of matters, including rent deferral arrangements, navigating through airline defaults, bankruptcy and claims processes, remarketing and repossessions, as well as sale and leaseback arrangements and aircraft trading over the past year.

"We have also supported new entrants into the operating lease space establish leasing platforms and acquire aircraft in distressed situations," adds Benson.

K&L Gates partner Sebastian Smith says: "As the Covid aviation crisis took hold, we saw airlines going into Chapter 11 insolvencies or negotiating early redelivery of aircraft to lessors. These assets had to be remarketed and we saw a large number of smaller players move into the operating lease space."

"2021 was a busy year for operating lease transactions. The market saw strong demand from lessors with capital to invest, and equally strong supply. Airlines in need of capital following the pandemic have continued to offer aircraft for sale and leaseback, and lessors have had many off-lease aircraft for which new homes were needed. Many new aircraft too have been put on lease, with some allowances needing to be made for delivery delays at manufacturers. Transactions tied to pre-delivery financing or other complex products have ensured that deals are carefully tailored to the parties' needs. Increased passenger demand has seen these trends continue in 2022," adds Paul Carrington of Clifford Chance.

Capital markets



Source: law firm submissions and *AFJ Deal Tracker*

The capital markets category has not been very active since the turn of this year, but in 2021 the level of activity continued to rise on previous years as airlines, and particularly leasing companies, benefitted from the low funding cost in the sector.

According to *Airfinance Journal*, lessors alone tapped about $60 billion-worth of debt in 2021 from the capital markets.

Last year's 260 eligible transactions total compared with 216 in the 2020 legal survey and 179 the previous year.

The capital markets are still open for business, with substantial quantities of investor liquidity actively seeking opportunities in the sector.

Aircraft lessors displayed greater financing appetite in 2021 than the previous year.

The asset-backed securities (ABS) market recovered strongly in 2021. *Airfinance Journal* Deal Tracker shows that 15 transactions (of which two were engine deals) were issued by sponsors last year, with more than $8.65 billion of debt raised in the ABS market, versus $2.4 billion in 2020.

More than $7 billion-worth of debt was issued on the senior tranches in 2021. Appetite for the B tranches totalled more than $1.2 billion-worth of financings, while another $416 million was invested in ABS C tranches.

Still, aircraft deliveries are below pre-Covid levels. While 2020 represented the weakest year on record for net commercial orders, last year saw a substantial resurgence in demand.

Towards the end of 2021, issuer focus reverted to mid-life or older assets, rather than the young or new assets featuring in some transactions in the second quarter.

Milbank was a clear winner in the capital markets category last year and has dominated this category for a number of years.

The law firm was involved in almost every ABS transaction in the sector, as well as enhanced equipment trust certificate deals. Milbank also acted in many North American airline bond issuances along with leasing companies fundraising in the unsecured market.

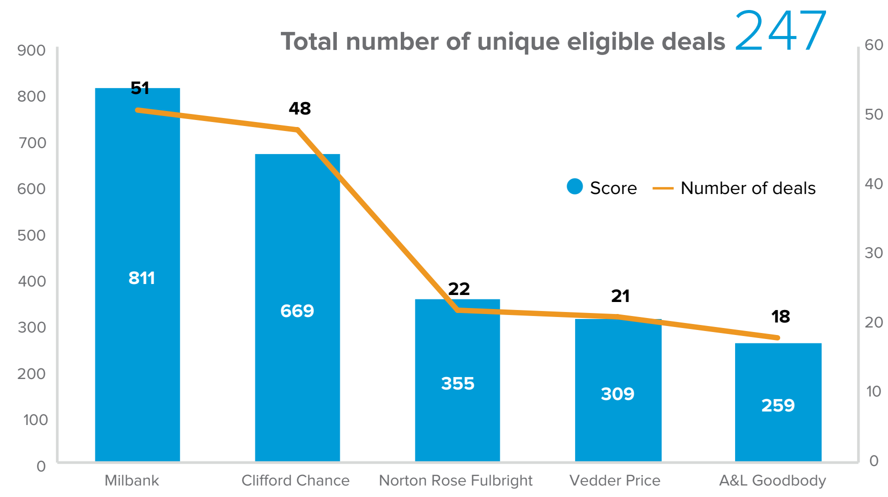
Commercial loan

The commercial loan market was more to the 2019 levels in 2021, after a surge in activity in 2020 as a result of airlines and lessors raising funds for liquidity purposes.

Covid-19 highlighted the importance of the traditional banks supporting the sector, while alternative sources of financing, in search of reasonable yields, has dramatically increased over the past two years. Commercial loans include insurance-supported financing transactions which are also growing in the aviation sector with now AFIC, Balthazar and IFLI, which executed its first transaction last year through the refinancing of an Airbus A350-900 held under a Japanese operating lease with call option structure.

Airlines continue to use the commercial debt markets to support their fleet renewals. Lessors raised more than $46 billion in this market last year, according to *Airfinance Journal*'s data.

Milbank finished the year ahead of Clifford Chance in terms of eligible transactions but the gap between the top two law firms has reduced over the past two years.



Source: law firm submissions and *AFJ Deal Tracker*

Export credit

Export credit financing (ECA) for the aviation sector is expected to remain resilient as the industry continues to recover from the Covid-19 pandemic.

Its role has historically played an important part to support the industry when needed and plug any potential funding gaps. European ECAs were supportive at the start of the pandemic in offering deferrals of loan principal payments across the field.

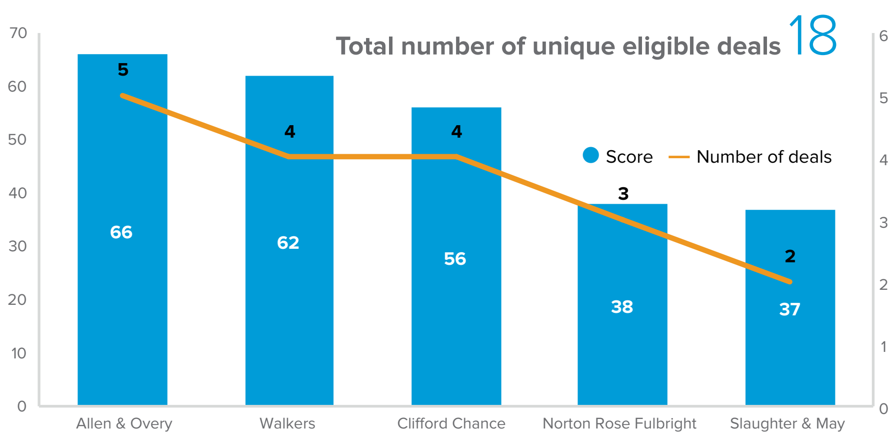
Export credit was particularly beneficial for airlines undergoing or emerging from restructuring. Lessors have hardly used this tool of financing because of the competitiveness in the capital markets.

One milestone in 2021 was Emirates Airline financing its final Airbus A380 deliveries in the ECA market.

Emirates completed its A380 financing programme on 16 December with the last aircraft of that type to be built by Airbus. The delivery was financed under an ECA-backed financing with Bpifrance Assurance Export acting as lead and fronting export credit agency for the transaction. UKEF and Euler-Hermes acted as reinsurers in the transaction.

The French ECA supported the financing of five A380 deliveries to Emirates in 2021 and a total of eight deliveries over the past two years for the carrier.

Last year, also saw A350 deliveries being financed under the European ECA support for Cathay Pacific Airways. Some A320neo deliveries were also financed in the ECA market in 2021 for Turkey's Pegasus Airlines, as part of a 10-aircraft mandate.



Source: law firm submissions and *AFJ Deal Tracker*

The ECAs stepped up their presence for other commercial aircraft products in 2021.

Brazilian carrier Azul Linhas Aereas Brasileiras turned to the ECA market for the financing of three ATR72-600 deliveries in the final days of December through financing backed by export credit agencies.

The Brazilian Development Bank approved more than $500 million in export credit financing to support the export of 24 Embraer 175 deliveries to Utah-headquartered Skywest Airlines last August.

Boeing Capital said export credit-backed financing plays a crucial role in shoring up confidence in times of market dislocation. In 2021, the ECAs supported about 9% of funding for the industry and nearly 5% of Boeing deliveries in 2021.

Ex-Im supported 4.7% of Boeing deliveries last year.

Ex-Im provided a $500 million loan guarantee covering four Boeing 787-9 aircraft deliveries to Canada's Westjet Airlines. Panama's Copa Airlines received a $324.5 million loan guarantee for the financing of several 737 Max 8 deliveries.

Ex-Im also approved two tranches of $389.8 million and $442.7 million in loan guarantees for 787-9, 737 Max 8 and 737 Max 9 deliveries to Turkish Airlines.

Last year, 6% of Airbus deliveries were supported by guarantees from ECAs. This was down from 10% of Airbus deliveries in 2020.

Alternative sources of financing have grown over the past few years and have become very competitive to both the commercial debt market and the ECAs. This trend is expected to persist. But while customers continue to look for diversity in financing sources, the ECAs provide an attractive alternative option.

Rising **stars**

Airfinance Journal recognises six of the most promising legal associates for 2022.

Ivan Qiu

Senior associate, K&L Gates

Ivan Qiu joined K&L Gates (KLG) in January 2019. Previously, he was an associate in the dispute resolution team with Singapore firm Straits Law Practice (SLP) where he trained under a senior counsel.

Qiu first cut his teeth at SLP by representing multinational companies, banks and financial institutions, local corporates and individuals in both a local and cross-border capacity in a broad spectrum of areas in commercial litigation and insolvency.

After combination between SLP and KLG, Qiu switched practice areas and joined the asset finance team. At KLG, he focuses his practice on the financing, leasing, and trading of aircraft and equipment assets. He has acted for airlines, lessors and financial institutions in cross-border aircraft finance and leasing transactions, including restructuring of leasing and finance structures and aircraft portfolio sales.

Qiu has significant experience with the Japanese operating lease (Jol)/Japanese operating lease with call option (Jolco) market in Japan as well as disputes and restructuring experience in various jurisdictions, especially the Asia-Pacific region. He also has experience in advising on passenger-to-freighter aircraft conversions, an area with continued growth in demand as a result of the Covid-19 pandemic.

As lead associate in the KLG Singapore and Tokyo office, Qiu has worked on the following award winning deals:

- Tax Lease Deal of the Year 2018 awarded by *Airfinance Journal*. He represented a major Japanese leasing company on a Jolco financing with Virgin Australia Airlines for six vintage Boeing 737-800 aircraft;
- ABS Deal of the Year 2019 awarded by *Airfinance Journal*. Qiu represented JP Lease Products and Services and Stratos Aircraft Management on a first-of-its-kind aircraft lease asset-backed security (ABS) transaction in which JP Lease acquired 15 aircraft with an aggregate value of $683.2 million from GE Capital Aviation Services and Pembroke Capital Aircraft, among others, involving 11 lessees in 10 countries across three continents; and
- Innovative Deal of the Year at the 2019 *Airfinance Journal* Awards. Qiu represented Avation in obtaining the first-ever aircraft green loan from Deutsche Bank to finance three low-carbon emission ATR72-600 aircraft.

Qiu is also one of the very few among his peers who made the switch from domestic dispute resolution work to international transaction work. Further, he possesses both contentious and non-contentious restructuring and insolvency experience, which equipped him with the right skill set to advise clients on distressed transactions during the Covid-19 pandemic.

During the pandemic, Qiu also worked on some of the most prominent airline insolvency and restructuring matters across the region, including:

- acting for a number of aircraft lessors in the Virgin Australia voluntary administration by advising in the A$3.5 billion ($2.5 billion) recapitalisation and acquisition out of administration of Virgin Australia by Bain Capital. The transaction was described in the financial press as “arguably the toughest and most complex assignment of 2020”. The matter was recognised as the Insolvency & Restructuring Deal of the Year at the Australasian Law Awards 2021;
- acting for various aircraft lessors in Air Asia X Berhad’s proposed scheme of arrangement of its debt amounting to about RM$64.15 billion ($14.6 billion). This was also the first time the Malaysian court has ruled that a scheme of arrangement is an insolvency-related event for the purposes of the Cape Town Convention;
- advising Aercap on its claim of £6.6 million ($8.3 million) against Air Asia X Berhad in relation to the leasing of two Airbus A330-300s;
- acting for various aircraft lessors to restructure leasing arrangements with Philippine Airlines;
- acting for various aircraft lessors in the restructuring of Lion Air Group, including pre-insolvency exits of aircraft from the lease-in, lease-out structure, the early termination of leasing arrangements and planned exit strategy of the various French societe par actions simplifiee intermediate lessor. The matter requires an in-depth understanding of the interplay between bankruptcy/court supervised debt restructuring (PKPU) laws in Indonesia and French insolvency law;
- acting for a number of aircraft lessors/creditors in Garuda Indonesia Airline Group’s ongoing PKPU as well as a potential parallel English scheme of arrangement;
- acting for an aircraft lessor to restructure successfully its leasing arrangements with a Vietnamese airline which involved four separate silos of financiers;
- acting for an airline based in the Pacific in the early phases of its restructuring. This required an examination of all restructuring options available in jurisdictions such as Singapore, England, Australia and the USA; and
- acting for a domestic airline in Thailand in relation to its fleet restructuring exercise after the submission of its business rehabilitation plan.

Qiu has chosen to focus on technology and legal trends in the aviation industry in order to stay ahead of the curve. In the past two years, he has engaged clients on utilising digital solutions in aviation finance transactions: for instance, the use of an electronic aircraft-trading platform, Global Aircraft Trust Systems (GATS), within lease transactions.

He has acted for Intertrust (Singapore) Limited in its capacity as owner trustee in relation to numerous GATS transactions, including the first GATS owner trust structure established under the Singapore GATS Trust Branch.

James P Bradley, a partner based in KLG Singapore, says: “Since joining the aviation team at K&L Gates, Ivan has worked tirelessly and diligently on a variety of matters. His unique combination of Singapore litigation experience and transactional work makes him an excellent practitioner across the variety of aviation work upon which we work. Ivan supports clients on a variety of cross-border matters in often-difficult circumstances, especially in the last few years. He is a great asset to the team and highly valued by the clients and the firm."

Andrew Dixon

Senior associate, A&L Goodbody

Dublin-based senior associate, Andrew Dixon, is a high-performing member and senior leader within the aviation and transport finance practice of A&L Goodbody. He has acted as the lead associate on a broad range of complex, innovative and award-winning transactions over several years. Dixon is ambitious and talented and is known for his strong technical and legal skills and pragmatic and sensible approach to transactions.

He has acted for a wide range of aviation clients, including international leasing companies, airlines, banks, manufacturers and funds. He has extensive experience acting on a variety of aviation financing and leasing products and structures, including operating leases, finance leases, sale and leasebacks, Japanese operating lease with call option (Jolco) structures, debt finance (bilateral, syndicated and warehouse facilities), joint ventures, capital market issuances (secured asset-backed securitisations and unsecured bonds) pre-delivery payment financing, Islamic financing and export credit agency-supported financing.

He is experienced in the capital markets and has advised on a number of market-leading and award-winning capital markets transactions, including the $420 million unsecured senior note issuance, $750 million revolving credit facility and $1.2 billion term loan-B facility to Castlelake to facilitate the creation of the rated leasing subsidiary, Castlelake Aviation Limited.

Dixon also has strong experience within asset-backed securitisations, including advising on Lunar Aircraft 2020-1, Raptor 2019-1 and Vx Cargo 2018-1.

He has had a lead role working on new, innovative transactions such as:

- acting for NCB Capital on the establishment of its Dara Aviation platform and its award-winning transaction involving the acquisition and Islamic financing of a portfolio of 19 aircraft using a Murabaha structure;
- advising ASL Aviation Holdings on a secured term loan facility to finance an existing portfolio and to fund conversion from commercial to cargo aircraft; and
- advising on financing products with new alternative financing and investment platforms, including acting for new alternative lending platform, Valkyrie.

Dixon also has experience advising clients in the establishment of new aircraft leasing platforms and a broad range of financing structures, including pre-delivery payment financing, export credit agency-supported financing, joint ventures and warehouse financing structures. He also advised on the migration of a portfolio of 40 aircraft onto the Global Aircraft Trust Systems (GATS), the largest single migration onto the GATS platform to date.

He is heavily involved in the ALG aviation and transport finance practice's ESG committee, has co-authored a written insight on the topic and is in the process of launching with A&L Goodbody partner, Maria McElhinney, an episode in the firm's aviation and transport finance soundbite series focusing on recent ESG development and trends within the industry.

Dixon is currently participating in the ISTAT rising executive and ISTAT professional development programme providing important insight into key areas of the aviation industry, the design, manufacturing, maintenance and valuation of commercial aircraft, and their trading and financing.

"Andrew is one of the most committed, hardworking and team-oriented lawyers that I have had the pleasure of working with over the years. He holds himself to high standards and instils high performance in others by leading by example. He is very popular among his colleague and with his clients," says Marie O'Brien, head of finance department, A&L Goodbody.

Regional One's general counsel, Joseph Schwantes, says: "Working with Andrew for several years now, I have always found him to be a thorough and insightful attorney with great attention to detail, while still being appreciative of our fast-paced business. I am confident in sending any transactional documents to Andrew for review, knowing that his review will be studious and efficient, with thoughtful recommendations and without any time unnecessarily spent."

Tom Jackson

Senior associate, Milbank

Tom Jackson is a senior associate in Milbank's transportation and space group, based in the firm's London office. He has extensive experience acting for financiers, credit insurers, equity investors, leasing companies and airlines on a range of national and cross-border aviation financing and leasing transactions.

In the past year, Jackson has been the lead Milbank associate on two "first-in-kind" AFIC-insured financing transactions. For the first, Jackson and the Milbank team acted for the AFIC insurers in connection with the first AFIC insured limited recourse aircraft financing, involving a loan to a special purpose vehicle established by Crianza Aviation and Eastmerchant, which was used to acquire two Boeing 787 aircraft from, and lease the aircraft back to Singapore Airlines. This was voted 2021 Guaranteed Financing Deal of the Year by *Airfinance Journal*. The second transaction involved the first AFIC insured limited recourse aircraft financing of a Japanese operating lease.

During the course of the recent downturn in the aviation sector, Jackson has advised a range of lenders, lessors and investors in connection with a variety of pandemic-related issues. This included advising a syndicate of lenders on the insolvency of Thai Airways, along with the renegotiation of multiple bilateral and warehouse credit facilities.

Jackson's other recent restructuring experience has included acting for the creditors of Nordic Aviation Capital on its Chapter 11 proceedings, together with acting for an ad hoc committee of bondholders of Thomas Cook Group in connection with the attempted recapitalisation of the airline.

He also has expertise in Shariah-compliant aircraft financing transactions. In 2019, he acted for Dara Aviation Finance on the acquisition and financing of a portfolio of 19 commercial aircraft from Aercap, which involved the first Shariah-compliant facility of its kind, employing a Murabaha commodity structure and comprising a number of innovative features. This was voted 2019 Middle East Deal of the Year by *Airfinance Journal*.

Jackson graduated with a BSc in government from the London School of Economics before completing law school at Kaplan Law School. He has previously spent six months seconded to the legal department of an international investment bank, and nine months, in 2018, seconded to the legal teams of Elix Aviation Capital and Meta Aerospace. Between 2016 and 2020, he completed the four modules of the Milbank@Harvard programme, taught on campus by Harvard Business School and Law School faculty.

James Cameron, partner, Milbank, says: "Tom Jackson is an excellent lawyer. We and our clients trust him with some of our and their largest, most complicated transactions. He is highly focused and fully committed to being a top-quality transactional lawyer and we have no doubt that he will continue to achieve that and practice at the highest level."

Natasha Seel

Associate, Watson Farley & Williams

Natasha Seel is an associate in the assets and structured finance group at Watson Farley & Williams (WFW), based in London.

She joined WFW as a trainee solicitor in 2015, qualified as a solicitor in 2017 and worked in the firm's Paris and Singapore offices before returning to London in 2021.

Seel has notable experience acting for international banks and financial institutions, including export credit agencies (ECA), lessors and aircraft manufacturers on complex cross-jurisdictional transactions. Seel has been involved with cutting-edge and award-winning deals in the aviation sector, including ECA and Japanese operating lease with call option (Jolco) financings and deals arising directly out of specific market conditions, including Brexit and the Covid-19 pandemic.

Some of her transaction highlights include:

- advising the Aviation Working Group (AWG) on the implementation and build of the AWG carbon calculator;
- acting for ELFC on the purchase and leaseback to Pratt & Whitney of 25 geared turbo fan engines;
- acting for Investec Bank on a new debt facility to Acia Aero Leasing across 10 jurisdictions enabling the lessor to draw additional debt to acquire multiple aircraft in 2022 and in the future supporting its commercial strategy and growth ambitions;
- acting for Aircastle on the delivery of its first A321neo on lease to Viva Aerobus, with a further two A321neos to be delivered to Viva Aerobus in 2022;
- acting for Investec Bank on its first financing to WNG Capital of a 757-200PF on lease to Icelandair;
- advising China Aircraft Leasing on its first Jolco for two A320 aircraft on lease to Pegasus Airlines;
- advising on the application of the "common approach" to the ECA-backed financing of 10 A380 aircraft on lease to Qantas, involving facilities guaranteed by three ECAs (Euler Hermes, Bpifrance and UKEF) and arranged by four fronting banks (Citibank, BNP Paribas, CA-CIB and HSBC);
- advising syndicates of lenders on the Jolco financing of four A320neo aircraft to Scandinavian Airlines;
- advising Societe Generale, Tokyo Branch on a non-recourse financing of two A350-900s to Altavair on lease to Singapore Airlines; and
- advising Avions de Transport Regional on the ECA refinancing of 10 ATR72 aircraft by a syndicate of banks led by BNP Paribas.

Seel has built and continues to build a strong reputation with clients and colleagues in the asset finance practice. She is one of the few associates to have worked in three of the global aviation hubs (London, Paris and Singapore) on a diverse range of international and demanding aviation transactions with a varied client base – as seen by working on certain "first" Jolco transactions, unprecedented amendments to financings after Brexit and the Covid-19 pandemic and new financings meeting the needs of current market trends.

She is also a lead associate on the project team for WFW's Global Aviation Restructuring Index (GARI), which launched in October 2021. She has liaised with the 16 other law firms on the data they have contributed to their jurisdictions.

Jim Bell, global co-head of aviation, says: "Natasha has a collaborative approach to completing deals that our clients appreciate. She is very smart and an excellent lawyer. Her unique experience, across multiple aviation jurisdictions, makes her a real asset to our team."

Jing Tang

Senior associate, Clifford Chance

Jing Tang is a senior associate and key member in Clifford Chance's global asset finance group. She has been with the London asset finance team since qualification in September 2013. She is dual qualified in England and Wales and in New York.

Tang has been the lead associate on a broad range of complex transactions, including Japanese operating lease with call option (Jolco) financings, portfolio and warehouse financings, asset-backed securities (ABS) transactions, direct airline financings, sale and leasebacks, operating and finance leases, aircraft portfolio sales and acquisitions some of which with trust or conditional sale structures, joint-venture establishment and a number of recent high-profile M&A transactions involving aircraft leasing companies.

While strong technically, Tang is also able to understand clients' business needs and work on innovative and first-of-their-kind structures to achieve clients' commercial goals. For example, she has worked on aircraft portfolio acquisitions and financings involving a two-step trust sale structure to facilitate speedy economic closing, which is the first of its kind in the market and has been used in several transactions with different lessors since the completion of the first of such deals in 2014.

In the past year, Tang has led the aviation team on a number of high-profile M&A

transactions, including acting for CK Asset Holdings in the sale of AMCK Aviation to Carlyle Aviation Partners with a headline price of $4.28 billion, and acting for CTFE and NWS as sellers in the conclusion of the agreement for the sale of Goshawk's aviation business to SMBC Aviation Capital for a cash consideration of $1.6 billion at an enterprise value of $6.7 billion. Tang has been instrumental in both of these transactions, including in the aviation matters, due diligence and restructuring processes.

She has advised on the establishment of various aircraft leasing and joint-venture platforms, including the establishment of Goshawk Aviation, the creation of AMCK Aviation and the more recent joint-venture platforms established by Airborne Capital between 2018 and 2021. She also worked on Airborne's inaugural ABS transaction for the Tailwind platform in 2019.

In the past couple of years, Tang has stayed close to clients through the changing market. She has advised a number of lessors and financiers on lease and loan restructurings in connection with distressed airlines, including advising Goshawk in Avianca's Chapter 11 process, and advising Goshawk and Airborne on the restructuring by Garuda Indonesia and Lion Air, respectively.

This year, Tang has been actively advising lessors of the impact on leases and secured facilities as a result of sanctions imposed on Russia, and the related repossession and other actions in connection with the sanctions.

Tang has advised Bank of China on the financing of the first deliveries of A350-1000 aircraft by Virgin Atlantic Airways in 2019, through Jolco financing and finance leases.

She also advised Airbus Financial Services on a backstop financing of an A321neo aircraft to Vietjet Air. The transaction involved a two-step registration process to facilitate closing during the Covid-19 lockdown in 2021.

Tang advised Goshawk on two portfolio acquisitions of 13 aircraft in total from Pembroke Capital, some of which involved a two-step trust closing structure.

She also advised a syndicate of lenders led by Investec Bank on the senior, mezzanine and junior financing of an A380 aircraft to Emirates Airline, subject to a lease that is a hybrid between finance and operating lease.

Ranbir Hunjan, partner of Clifford Chance global asset finance group, says: "Jing is a technically strong lawyer with an excellent ability at grasping complex legal and commercial issues. She has a broad range of experiences in first-of-their-kind transactions in the market, and is also the lead senior associate for a number of the core clients to the group, including Airborne Capital, Investec and Goshawk.

"She is able to maintain composure and professionalism under pressure and lead the team to get the most complex transactions across the finish line."

Anand Ramachandran, chief financial officer of Airborne Capital, adds: "Tang has been the lead lawyer on many transactions for Airborne, including our inaugural ABS for the Tailwind platform. She has always demonstrated an excellent understanding of our business needs and is able to apply her legal skills to solve commercial problems with the time frame required for the business. Her pragmatic and innovative approach in transactions is greatly valued."

James Turner

Senior associate, Winston & Strawn

James Turner has focused, throughout his 11-year career, on international asset finance transactions, with a focus on the aviation sector. He has advised a broad spectrum of clients, including banks, export credit agencies, operating lessors and airlines on an array of financing (both commercial and export credit agency-backed, as well as capital markets transactions), leasing and sale and purchase transactions.

In recent years, Turner has also had significant involvement in asset-backed securitisations and restructuring matters.

He has played a significant role in numerous high-profile transactions in recent years, including:

- representation of Aviation Capital Group on its complex securitisation of a portfolio of 24 Airbus A320 and Boeing 737 aircraft. In addition to advising on the initial asset transfers, which involved 19 airlines based in 15 jurisdictions, he has been heavily involved in the provision of advice relating to the ongoing management of the portfolio, including new leases, lease extensions, asset dispositions and repossessions;
- representation of the lenders on the delivery financing of three Airbus A321neo aircraft for an operating lessor and leased to a US carrier. This was a rare new financing during the height of the Covid-19 pandemic and involved the analysis of complex shareholder and servicing arrangements;
- representation of the lenders on the restructuring of financing arrangements with operating lessors, which involved aircraft on lease to Canadian and Italian carriers;
- representation of an operating lessor on the lease termination and repossession of 11 aircraft leased to an Asian carrier;
- representation of an operating lessor on the lease termination and repossession of two aircraft leased to Norwegian during its examinership;
- representation of the lenders on the restructuring of a financing for an operating lessor for an aircraft on lease to Aeromexico, in the context of Aeromexico's Chapter 11 proceedings; and
- representation of an operating lessor in the leasing of three A321 aircraft to a Middle Eastern carrier.

In his role as lead associate, Turner is actively involved in analysing, drafting and negotiating complex financing and leasing documentation, as well as coordinating multidisciplinary internal teams and external counsel and serves as a trusted point of contact for the firm's clients.

In addition to fee earning work, he is also actively involved in pro-bono matters. Turner is a contributor to the firm's aviation team's knowledge development, having given training sessions on matters such as LIBOR transition. He also had articles published in trade publications, notably on the application of force majeure clauses in the context of Covid-19.

Turner is active in mentoring junior lawyers, both within the Winston & Strawn aviation team but also by playing an active role in the firm's trainee recruitment process, where he regularly interviews candidates and undertakes vacation scheme supervision roles.

Mark Moody, partner and head of Winston & Strawn's aviation finance practice, describes Turner as "smart, diligent and client focused. He is fully committed to getting deals across the line and works extremely hard to deliver the best outcome for our clients.

"Turner combines his deep knowledge of the aviation market with a pragmatic and strategic approach. He is extremely capable, knowledgeable and well respected on both sides of the table".

M&A and investment activity in the aviation sector

Berni Hosty, partner, A&L Goodbody, Keith Mulhern, associate, A&L Goodbody, and Catherine Mannix, solicitor, A&L Goodbody, look at recent mergers and acquisitions in aircraft leasing and their impact.

M&A activity in the aircraft leasing sector is nothing new but activity over the past 18 months has certainly moved the pieces on the chess board at a time when the industry is reshaping itself after some seismic hits on its business model. We take a look at some of this activity and discuss its impact.

Before the onset of the pandemic, the market was experiencing a year-on-year increase in the asset-backed securities market, which was a reflection of the appetite among private equity firms to acquire aviation debt.

Berni Hosty, partner, A&L Goodbody

Mega deals

Last year saw the largest transaction undertaken by an aircraft leasing company to date with the creation of the world's biggest aircraft leasing business when Aercap Holdings acquired GECAS. The "mega deal", which was announced in March 2021, closed in November following regulatory and antitrust clearances from multiple jurisdictions.

Aercap now has a portfolio of more than 2,000 aircraft, 900 engines and over 300 helicopters, with the aircraft fleet representing about 90% of the assets of the combined company. Combined, the platform serves about 300 customers globally and is the largest customer of Airbus and Boeing.

In addition to the commercial aircraft portfolio, the transaction also resulted in the Milestone helicopter leasing business coming under the Aercap umbrella.

Completion of the GECAS-Aercap deal in late 2021 marked a significant milestone for aviation M&A, and activity in the sector has continued into 2022 with no signs yet of slowing.

In May, another mega deal took place with SMBC Aviation Capital publicly announcing it had reached an agreement with NWS Holdings Limited and Chow Tai Fook Enterprises Limited to acquire Goshawk Aviation, the Dublin-based global aircraft lessor. Under the terms of their deal, which is being financed through a combination of debt and equity, SMBC Aviation Capital will acquire Goshawk's Irish-incorporated operating entity, together with associated corporate assets for an enterprise value of $6.7 billion. SMBC Aviation Capital will acquire a portfolio of 176 owned and managed aircraft as part of the transaction, which, once completed, is being heralded as creating the largest Japanese-owned aircraft lessor and the second-largest leasing company globally.

Post-close, the newly enlarged SMBC entity will continue to be incorporated and headquartered in Ireland. Completion of the transaction is subject to receipt of regulatory and antitrust approvals and is expected to occur in or around the second half of 2022. The combined business will continue to operate as SMBC Aviation Capital and is expected to have a portfolio of more than 700 owned and managed aircraft.

Private equity

Private equity is continuing to play a material role in the market. Private equity funds have increasingly invested in aircraft leasing platforms over the past few years: examples include Apollo, Oaktree and Carval.

Before the onset of the pandemic, the market was experiencing a year-on-year increase in the asset-backed securities market, which was a reflection of the appetite among private equity firms to acquire aviation debt.

Pre-pandemic also saw "side car" joint ventures becoming a feature in the sector

– these structures would typically involve investors with large amounts of capital to deploy combining with the expertise of an existing lessor platform.

Private equity continues to be a feature in the market: the close of 2021 saw Carlyle Aviation Partners (the commercial aviation investment and servicing arm of Carlyle's $66 billion Global Credit platform) announce that it had agreed to acquire AMCK Aviation's portfolio of aircraft from CK Asset Holdings Ltd and Li Ka Shing Foundation via its investment vehicle Maverick Aviation Partnership LP. The sale represented CK Asset Holdings' strategic exit from the aircraft leasing sector.

The transaction went on to complete in April 2022. Under the terms of that deal, Carlyle's investment vehicle acquired about 125 aircraft along with an orderbook of 20 Airbus A320/321neo aircraft. The total appraised value of the fleet portfolio was in excess of $4 billion.

In 2021, Carlyle Aviation Partners also completed the acquisition of Fly Leasing Limited, a transaction with a total enterprise value of about $2.36 billion. The shareholders of Fly Leasing exited at $17.05 per share in cash, which valued the company at $520 million. The Fly Leasing portfolio consisted of 84 aircraft, including A320, Boeing 737 Max and others. The deal was announced in March 2021 and completed successfully in August 2021 following shareholder and regulatory approvals.

Distressed activity

Unsurprisingly, the global shutdown triggered by the coronavirus outbreak did not leave the aircraft leasing industry unscathed. Notwithstanding the bounce-back that the sector is now seeing, the impact of the pandemic on the aviation industry has also prompted a number of restructuring transactions.

A recent example is the restructuring of Nordic Aviation Capital (NAC), which filed for Chapter 11 protection with the US Bankruptcy Court in December of 2021, citing financial difficulties because of the coronavirus pandemic. The company formally exited its Chapter 11 bankruptcy proceedings in June, following approval of the restructuring plan by the US courts.

Under that plan, NAC's total outstanding debt was reduced by about $4.1 billion, with the company receiving an injection of almost $540 million in new capital through an estimated $337 million in new equity financing and $200 million in new revolving credit loans. The plan was effected by a series of equity, debt, sale and recapitalisation transactions involving NAC's various creditors.

The overall objective of the restructuring was to maintain NAC's position as one of the biggest global aircraft lessors with more than 350 aircraft on lease to 70 airlines, including Breeze Airways, British Airways, Lufthansa and TAP Air Portugal.

The distressed market continues to present investment opportunities for private equity firms which tend to have more flexibility than institutional lenders. In a number of the Chapter 11 filings through 2020 and 2021, private equity investors took the opportunity to provide debtor-in-possession financing on a super-senior secured basis. There is strong activity in seeking to acquire attractive portfolios of aircraft and orderbooks as leasing platforms act to right size themselves for the future.

Outlook

The level of M&A and consolidation activity in the sector is particularly remarkable considering that the aviation industry was one of the worst affected by the Covid-19 global pandemic. Despite the disruptions to air travel and restrictions imposed by multiple governments worldwide, dealmakers have seized the opportunities presented by the pandemic, as shown by the level of activity throughout 2021 and continuing into 2022.

The GECAS-Aercap deal was an impressive vote of confidence for the sector; it was a landmark deal that has, and will, trigger further consolidations and investment activity across the industry.

The outlook suggests this activity will continue, particularly in the leasing space. Recent trends indicate that further acquisitions and restructurings in the sector are likely, as aircraft leasing firms follow models established by their peers in making strategic changes to their portfolios and addressing shortfalls created by Covid-19. It remains to be seen the degree to which consolidation will spread through the airline market; the existence of governmental shareholders can present peculiar challenges for activity in this space, as well as increasing regulatory oversight and conditionality on deals.

It will be interesting to see the impact that growing sustainability pressures and satisfying environmental, social and governance criteria will have on activity in the sector over the coming years. While there are offsets developing, such as the shift to sustainable aviation fuel and fixed electrical ground power to reduce airport emissions, aviation is without a doubt one of the toughest industries to decarbonise. We can, therefore, expect a growing focus on green financing, whether for growth or capital for investment and consolidation purposes.

Overall, the 2021/22 activity represents a positive and encouraging signal to the global airline industry as it grapples with the repercussions of the pandemic

Overall, the 2021/22 activity represents a positive and encouraging signal to the global airline industry as it grapples with the repercussions of the pandemic. While there is consensus that more consolidation is likely, the larger scale portfolios are unlikely to be as readily available for sale. Therefore, we can expect to see a continued flow of ambitious new entrants into the sector who will establish their presence and execute their own specific growth plan.

Against this positive backdrop, the horizon, however, continues to present headaches for the industry – while high growth is forecast, delivery delays, manufacturing disruptions, lingering travel restrictions and rising costs are all presenting their own challenges.

The landmark deals will undoubtedly have a lasting impact in reshaping and transforming the business and establishing new leaders in the aviation space; how this reshaping actually plays out will be interesting to watch.

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