



AIRFINANCE
JOURNAL

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-placed Millbank.

"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.

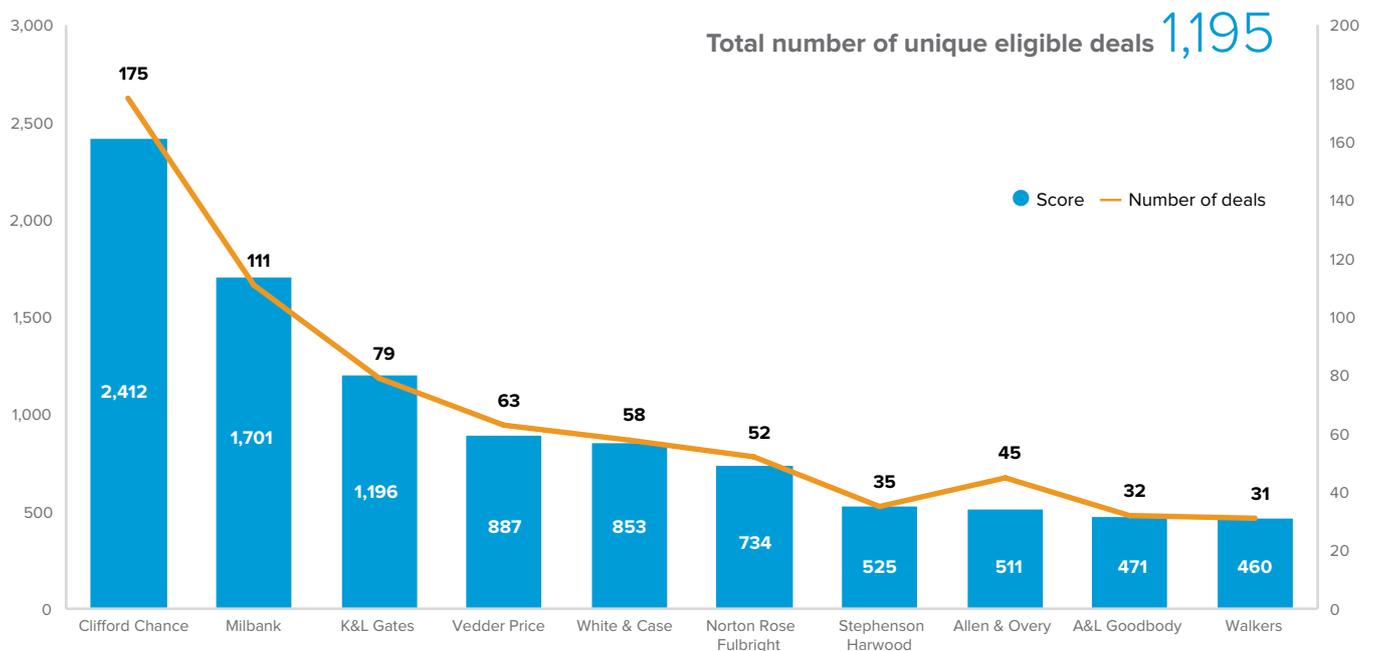
A&L Goodbody represented GE as Irish

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.

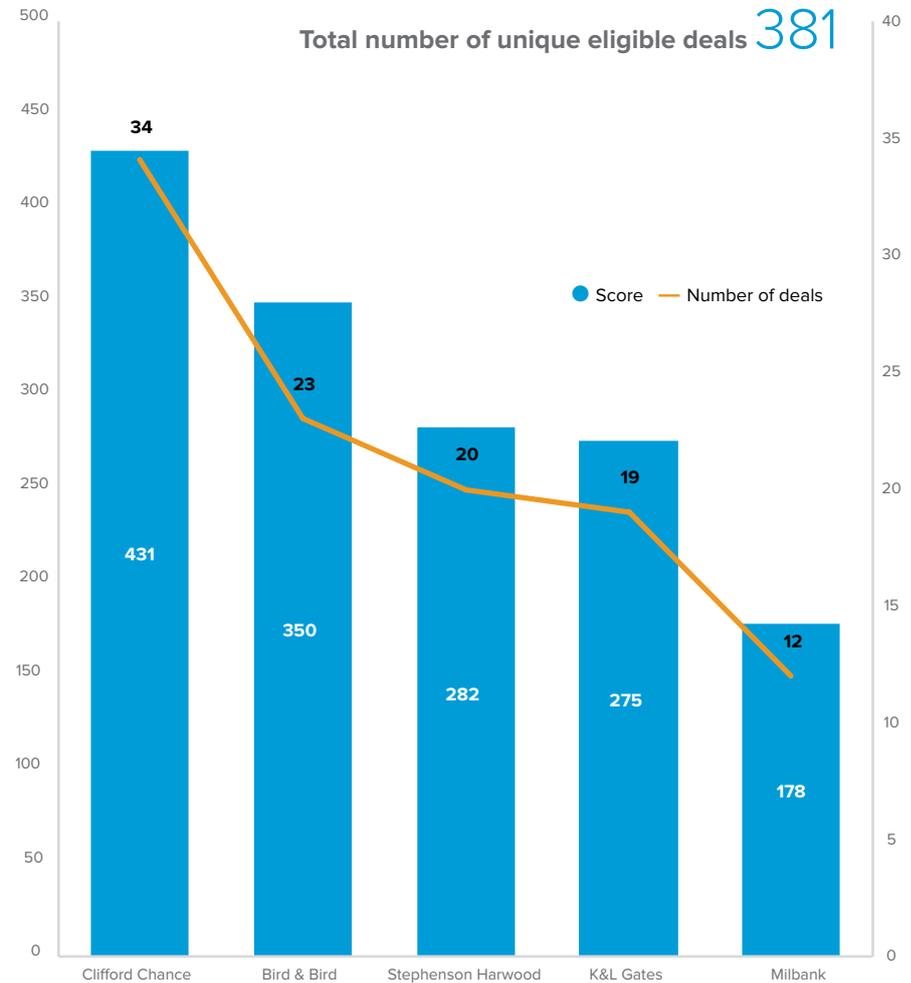
"International travel into some major markets (the People's Republic of China, Japan, Hong Kong) continues to be very restricted while other markets (Singapore and Australia) have rebounded strongly as borders reopen," says Evans.

"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



Source: law firm submissions and AFJ Deal Tracker

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. ▲

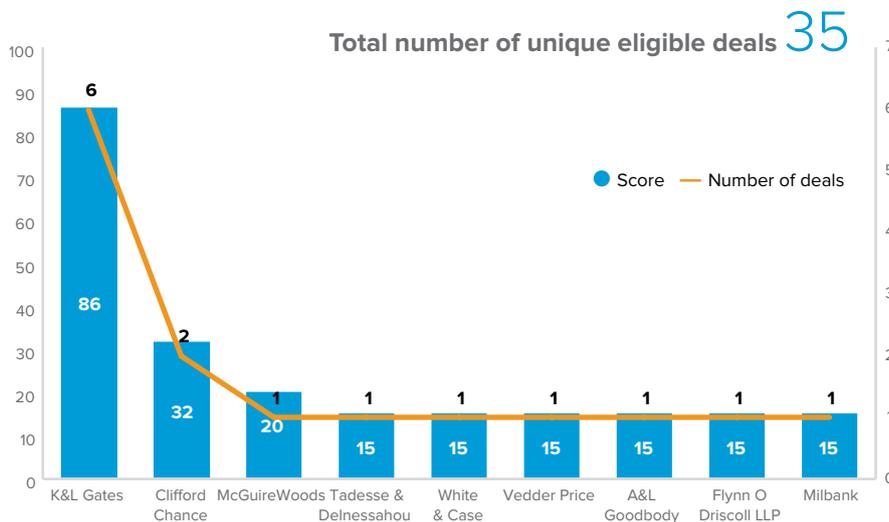
Africa

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



Source: law firm submissions and AFJ Deal Tracker

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

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.

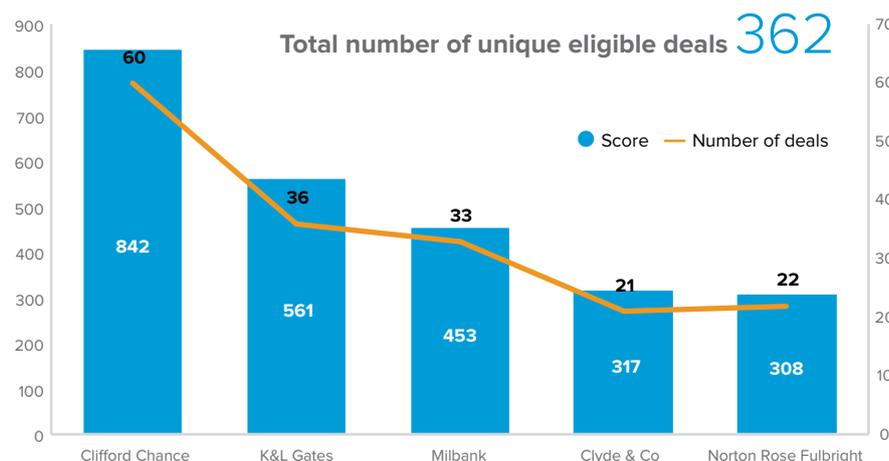
Commercial loans account for 82 transactions points, of which 62 are secured.

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



Source: law firm submissions and AFJ Deal Tracker

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

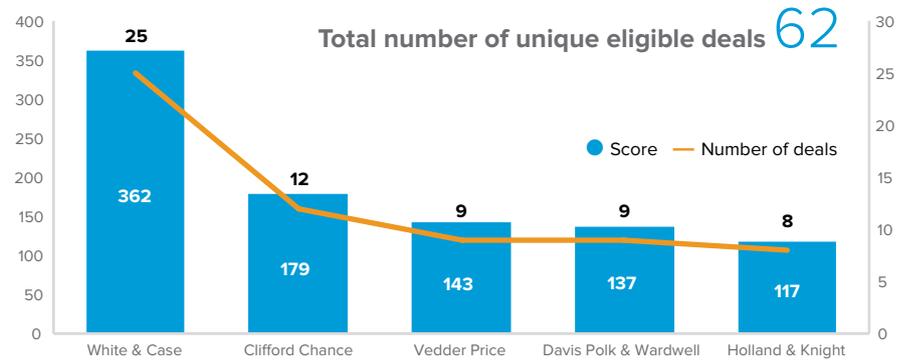
White & Case partner Chris Hansen says 2021 was another challenging year for the commercial aviation sector in Latin America with most airlines in the region forced to continue with some form of restructuring efforts – in Chapter 11 proceedings in the cases of Avianca, Aeromexico and Latam, and informally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



Source: law firm submissions and AFJ Deal Tracker

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

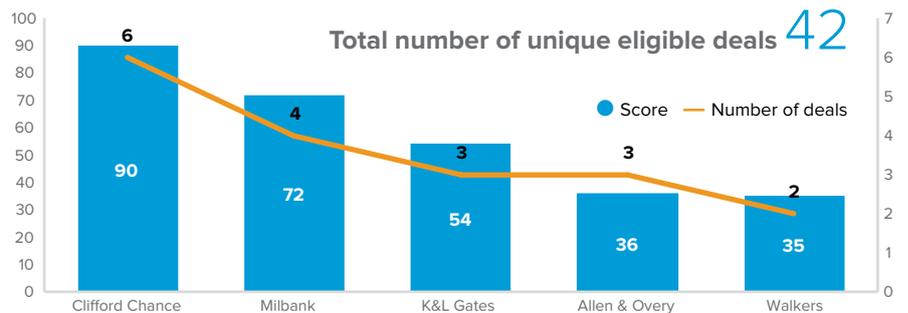
Clifford Chance maintained its lead in the Middle East last year with six transaction points for a total score of 90.

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



Source: law firm submissions and AFJ Deal Tracker

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

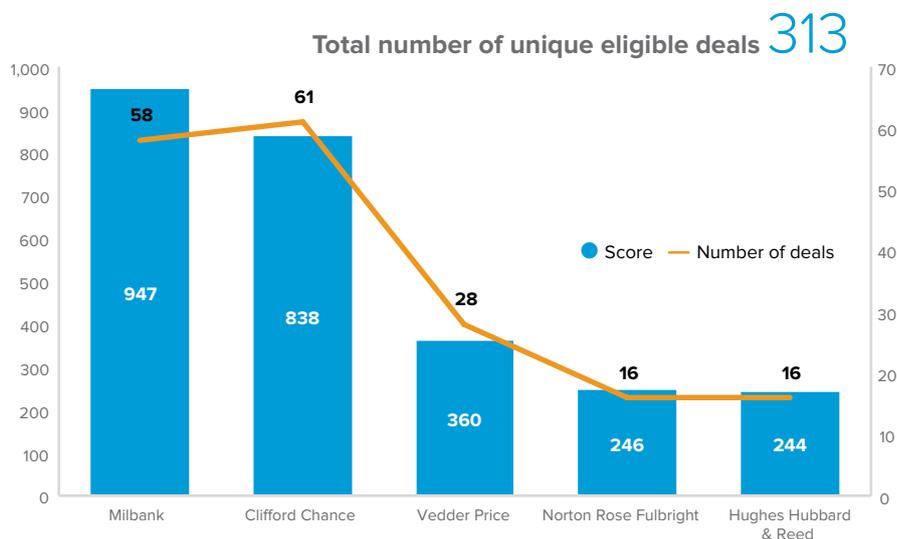
Last year North America was the only region that matched the level of activity of 2019. The region recorded 313 transaction points.

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 Aerpace. This trend seems to be continuing into 2022 both in the lessor and airline



Source: law firm submissions and AFJ Deal Tracker

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.” ▲

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.

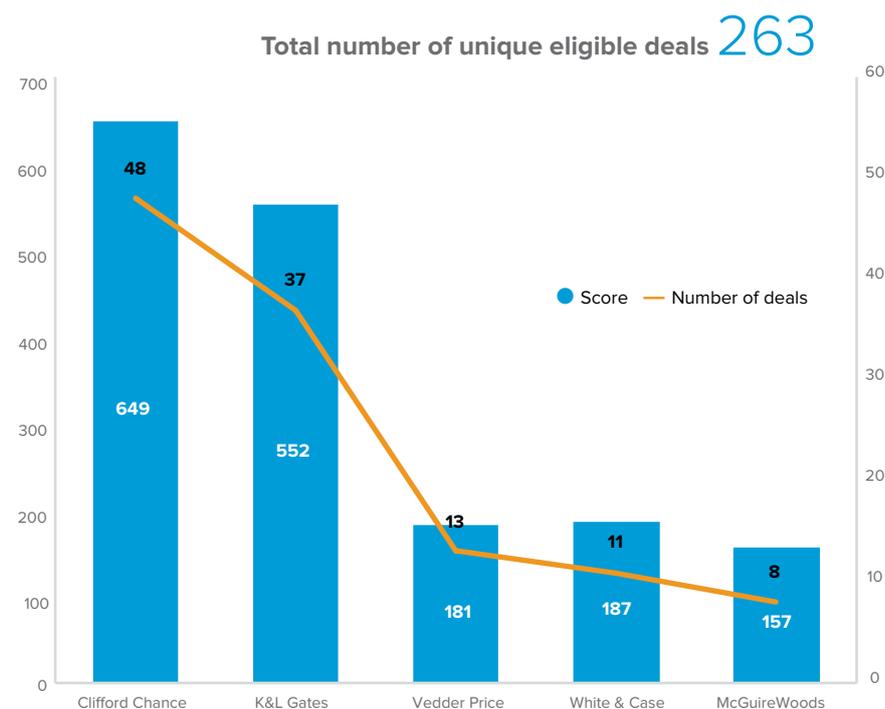
Still, at the height of Covid, some lessors expanded their footprint in the marketplace by acquiring aircraft on a strategic basis.

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



Source: law firm submissions and AFJ Deal Tracker

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. ▲

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A&L Goodbody LLP

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.

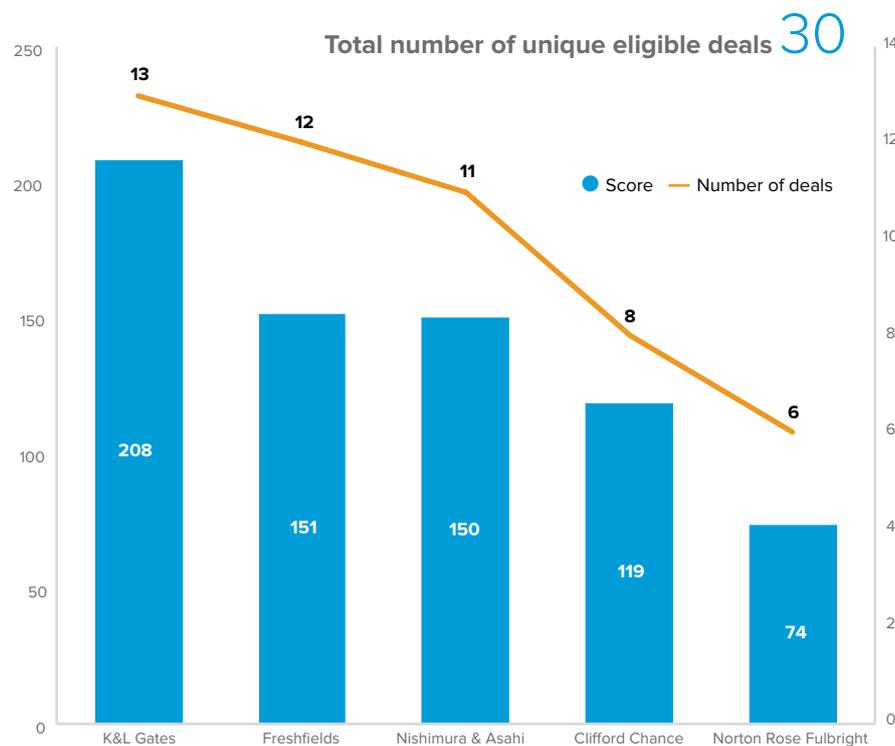
FPG Amentum and Societe Generale closed the first financing of a Jol supported by Aircraft Finance Insurance Consortium secured against a Boeing 737 Max 8 leased to Flydubai.

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



Source: law firm submissions and AFJ Deal Tracker

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 financier, Marito Takamasa, told *Airfinance Journal* earlier this year.

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

Better production 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.

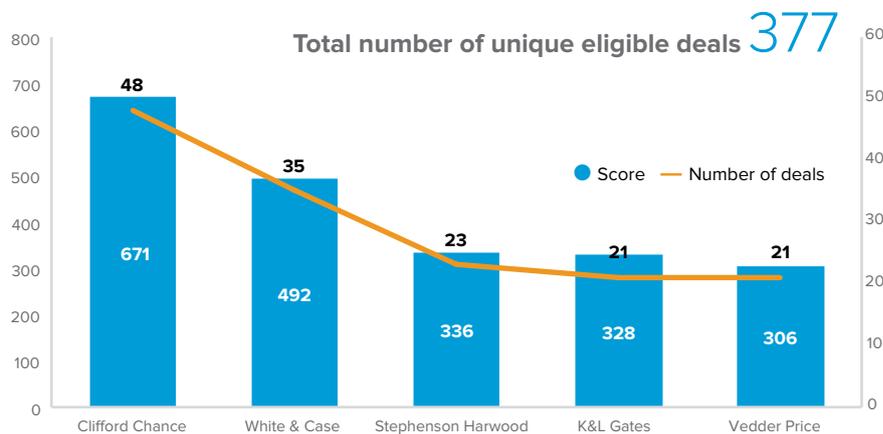
However, the industry is far behind the level of activity in this market pre-pandemic, when 634 transaction points were recorded as operating leases continued to be popular for new deliveries.

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.



Source: law firm submissions and AFJ Deal Tracker

“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

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.

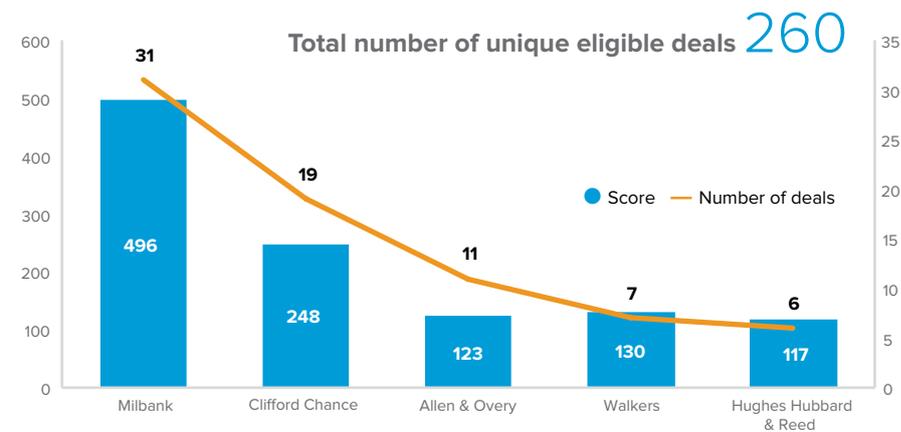
According to *Airfinance Journal*, lessors alone tapped about \$60 billion-worth of debt in 2021 from the capital markets.

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.



Source: law firm submissions and AFJ Deal Tracker

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.

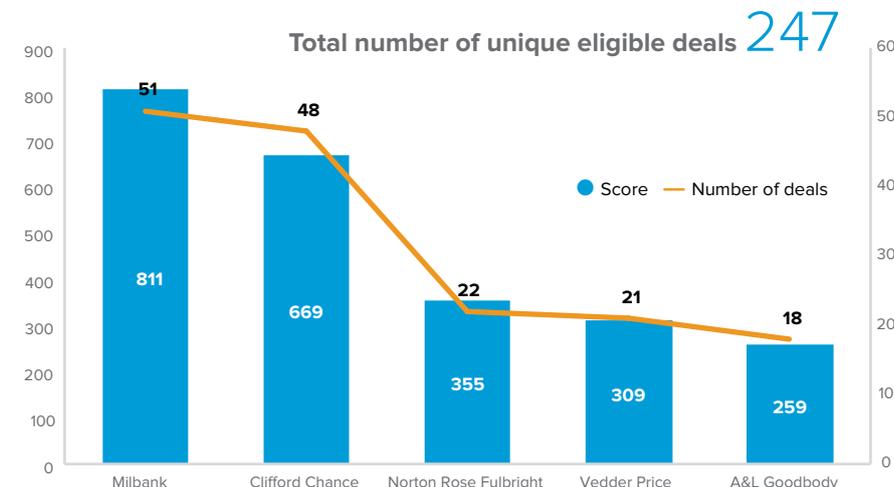
The law firm was involved in almost every ABS transaction in the sector, as well as enhanced equipment trust certificate deals. Milbank also acted in many North American airline bond issuances along with leasing companies fundraising in the unsecured market. ▲

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



Source: law firm submissions and AFJ Deal Tracker

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. ▲

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.

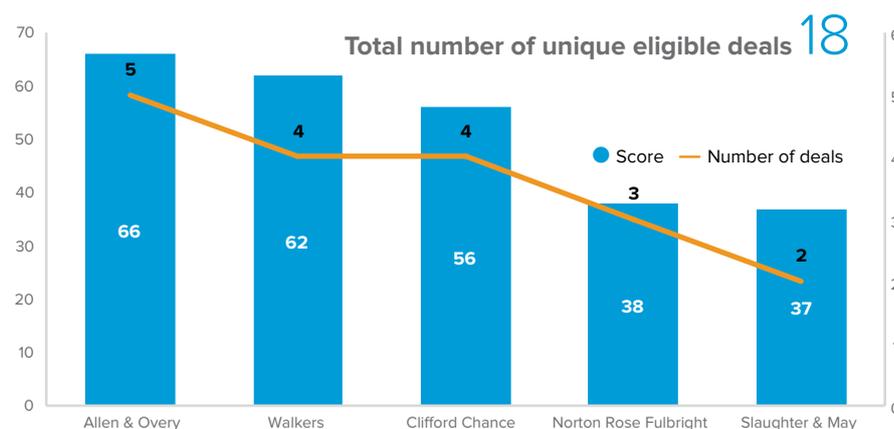
Export credit was particularly beneficial for airlines undergoing or emerging from restructuring. Lessors have hardly used this tool of financing because of the competitiveness in the capital markets.

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 Aericap 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 Castllake to facilitate the creation of the rated leasing subsidiary, Castllake 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 (GAR), 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-its-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.

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



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Berni Hosty, partner, A&L Goodbody

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.

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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



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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. 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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