EMP FINANCES FIRST EMIRATES A380 OPERATING LEASE USING TRADITIONAL AND ISLAMIC CAPITAL

News / Finance

Munich-based aviation finance arranger EMP structured assets GmbH (EMP), working in conjunction with senior and junior lenders in Germany and Dubai has arranged the purchase of an A380-800 operating lease to Emirates from Stellwagen Finance Company Limited, the holding company for Aviation Finance Company Limited (AFC). AFC initially arranged 100% of the financing for Stellwagen. Seraph Aviation Management facilitated the lease novation and sale. The Aircraft was delivered new from Airbus in December 2015.

EMP arranged the structured financing for the Irish SPV lessor that purchased the aircraft. The hybrid operating lease transaction consists of a traditional senior loan provided by Deka. Dubai Islamic Bank (DIB) provided a pari passu senior tranche as well as a 40 % Islamic mezzanine tranche that uses a Murabaha commodities facility to maintain compliance with Islamic law. The relatively small slice of equity was issued through profit participation notes from EMP's Irish lessor. Deka is the security trustee for DIB. Lease management services to the EMP investors are being provided by Seraph Aviation Management.

Phillip Prior, EMP Partner said, "We are pleased to have completed this deal with AFC/Stellwagen Group and Emirates. Although complicated, the intricate structure of traditional German and Islamic capital makes this transaction one of the more unique. The sterling credit of Emirates

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allowed us to minimize the residual value risks associated with the A380. We look forward to working again with such efficient and professional counterparties to complete more transactions with AFC in 2016 and beyond.”

“EMP got it right. We are proud to work with institutions like EMP that provide well thought-through, risk-adjusted structures,” said Douglas Brennan, Chief Executive Officer of Aviation Finance Company in Dublin. “These investments last over a decade and with such long time horizons, it is imperative that investors have advisors such as EMP that take the long view and protect their equity through structures that minimize risk, and maximize return. More investors need to look at this relationship when putting money to work in aircraft assets.”

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