

# First Korean operating lessor sets up shop

Crianza Aviation set up in Seoul in August 2016 with investment from Korean and German companies. The lessor is now in talks for new investment and is aiming for a fleet of 50 aircraft by 2020, **Michael Allen** reports.

**S**outh Korea is not known as being a home for aircraft operating lessors, but a recently established Seoul-based company thinks it can buck that trend.

Crianza Aviation, established in August 2016, has already acquired seven widebody aircraft and plans to set up a leasing platform in Dublin to take advantage of the jurisdiction's favourable tax regime and widely regarded status as a centre of excellence for aircraft leasing.

Crianza's fleet consists of aircraft such as the Boeing 777-300ER and Airbus A380 models leased to state-owned "creditworthy" airlines, including Singapore Airlines and Emirates Airline.

The company was formed by a joint venture between Korean private equity company IMM, which was set up in 1999, and Cerritos Holdings. Crianza's other investors include German company EMP Structured Assets and Youjee Partners.

## Korean foothold

"We and IMM discussed the establishment of an aviation leasing company from early 2016 onwards at the executive level. After a few months' lengthy discussion, instead of pursuing investment in a senior or junior piece on an aircraft deal-by-deal or portfolio deal, we both concluded to set up an aircraft leasing company, which it seems is something IMM also has been considering for a long time – and that was my dream too," says Pumsoo Ra, chief executive officer of Crianza Aviation.

Crianza wants to tap into the "special characteristics and requirements" of the Korean financial markets on aviation investment, he adds.

Philipp Prior, founding and managing partner of EMP Structured Assets, also told *Airfinance Journal* that the investment will give EMP a channel in order to place its deals into South Korea.

"There is a lot of discussion about deals going on and there's more talk than deals get closed, and I think this is good to streamline investor appetite and group investors around you," he says.

"IMM, one of the largest private equity firms in Korea, has shown significant financial performance in the last 10 to 15



**Pumsoo Ra**, chief executive officer of Crianza Aviation

years and they are quite well known by financial institutions in the Korean market," adds Ra.

Jin Heum Paek, director at IMM and managing partner of Crianza Aviation, says that IMM has paid attention to aircraft financing and investment for three years and had invested on two individual aircraft transaction tranches, though he would not disclose specifics, citing confidential issues surrounding the deals.

"Ultimately, there was a limitation on making individual investments. Therefore, we formed an aircraft leasing platform to expand investment and deal with different types and styles of investment structure," he says.

"We believe an aircraft leasing platform provides us not only with risk diversification, but also generates stable income because of the portfolio effect and naturally following economy of scale. With these circumstances in mind, an in-depth discussion with Youjee Partners led us to this stage and concluded with the establishment of Crianza Aviation."

Ra adds that IMM had considered investment in aircraft for a "long time", not only reviewing individual aircraft investments but also portfolio investment

approaches in the aviation sector.

"I felt it was matter of timing to IMM," he says. "It seems partnering with IMM put both parties completely in the right market position in Korea and made both parties' idea a reality."

## Dublin expansion

James Choi, marketing director of Crianza Aviation, says that the Seoul office will cover the structuring and investor relations, and the rest will be handled outside of South Korea.

"Crianza's board believes that it has to go to Dublin to become an international aviation leasing company. We are meeting manufacturers and airlines and making a contract to get the mandate from the airlines," he says.

Crianza plans to raise finance and acquire and lease 10 additional aircraft in 2017, with the goal of having 50 aircraft by 2020. The company wants to begin with state-owned or creditworthy airlines as a "growth base", according to Choi. EMP's Prior, commenting on Crianza's choice of aircraft, adds: "I think the emphasis is still on the widebody because you can do full-payout on junior tranches without any, or too much, residual value or balloon risk in the end."

Although Crianza's shareholders are composed of Korean institutional investors and a "small number" of foreign investors, this year the company expects to attract not only more Korean institutional investors but also "significant" foreign investors, too. Aircraft leasing out of South Korea is a brand new development for the market.

Two industry sources active in the Korean market were reluctant to comment on Crianza's business model or whether more companies in South Korea could follow suit, saying it is still early stages and not enough information about the company is available to make an informed judgment.

Since Crianza sees a Dublin aircraft-owning entity as essential to its growth, it appears that while South Korea may in the future serve as a home for the lessors' operations and management, the real leasing will be done overseas. **A**