Innovative deal of the year: **Emirates $750m structured sale and leaseback**

Lessee: Emirates

Lessor: Crianza Aviation

Structure: Senior loan, junior notes and subordinated equity notes in respect of aircraft one; senior loan, first priority notes, second priority notes and subordinated equity notes in respect of aircraft two, senior loan, first priority notes, second priority notes and subordinated equity notes in respect of aircraft three, with, in each case, sale and leaseback arrangements with Emirates. The notes were issued into the capital markets as private placements to many different investors (principally Korean) but also included the establishment of an aircraft investment fund in Korea by Crianza Aviation. Crianza established, placed and invested into the Korean fund platforms, which bought the Korean E-Notes, representing the Junior and Equity Tranches of the deal

Currency/amount: $750 million

Assets: Two Boeing 777s and one A380

Lawyers (and role): Bird & Bird (arrangers); Yulchon (certain investors); Pillsbury (Emirates); Allen & Overy (Seraph) and Walkers (lessor SPVs)

Banks (and role): EMP Structured Assets as arranger, DekaBank as lender

Date closed: 20 December 2016 (aircraft one), 19 December 2016 (aircraft two) and 21 December 2016 (aircraft three)

Deal highlights

The most innovative deal of 2016 was Emirates' $750 million structured sale and leaseback transaction, covering the financing for two Boeing 777s and one Airbus A380.

Although the A380 and 777s are seen as difficult aircraft by some in the market, EMP Structured Assets managed to structure a deal that brought in new investors that had not financed aircraft before, including real estate investors and ultra-high net worth individuals.

The deal featured a senior loan from Germany's DekaBank, junior notes and subordinated equity notes, first priority and second priority notes for three aircraft, all on sale and leaseback deals with Emirates.

The notes were issued into the capital markets as private placements with different (principally Korean) investors but also included the establishment of an aircraft investment fund in Korea. The transaction was arranged by EMP Structured Assets. Seraph was the lease manager.

Bird & Bird acted as legal counsel for EMP Structured Assets and DekaBank, Yulchon acted for certain investors, Pillsbury acted for Emirates, Allen & Overy acted for Seraph and Walkers acted for the lessor special purpose vehicles (together with numerous other local counsel).

Philipp Prior, founding partner, EMP Structured Assets, said: "This was a bit more complicated as we took this as a three-aircraft deal, with different investor groups and included the equity in this and we hadn't done that before with Korea. We brought the equity with German investors and this was the first time we included an equity portion from Korean investors.

"The biggest obstacle was the timing of the delivery of the three aircraft as everything had to be done before the year end. The treasury team from Emirates worked really well with us to get it done on time."

Prior says that the Emirates team realised that the deal was about the amortisation profile and airline credit and not about how remarketable the aircraft was, in a way which helped maximise returns.

"Even a difficult aircraft with a good airline with a strong amortisation profile is a good investment. There was a 0% balloon strategy on those aircraft and this is what the airline understood" he says.

Jim Bell, partner at Bird & Bird says the deal featured a complex and innovative blend of commercial debt, funds and debt and equity notes. "It really showcases our debt capital markets capabilities."