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Doric looking to apply DNA template beyond the A380

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Doric's managing director and founding partner Mark Lapidus spoke to Aviation Finance's DUSTIN O'NEILL about the manager's aircraft leasing business model, the A380 and its plans to diversify its fleet and investor base. He says that demand for DNA type structures, (stock exchange listed special purpose vehicles) is increasing as they provide access to an alternative investor base for airlines.

Doric's innovative aircraft leasing business model in the VLA sector recently arranged two stock listed special purpose vehicles, Doric Nimrod Air One Limited (DNA1) and Doric Nimrod Air Two Limited (DNA2), which allow equity investors to hold a direct stake in vehicles that are focused on owning and leasing eight Airbus A380s, an aircraft that no large scale lessor has engaged with up to this point. Doric will have 18 A380 aircraft under management by year end. These vehicles provide equity investors with predictable and regular income flows together with participation in the ownership of the asset. Speaking with *Aviation Finance* Mark Lapidus, managing director and founding partner at Doric, said the company is planning to expand and diversify its fleet in the coming year. 'In 2013 we will be continuing to pursue new transactions and while we remain very, very keen on the A380, we will be looking at what opportunities exist in Boeing aircraft', he said.

While expressing this ambition to apply the successful template honed on the A380 to other assets, Lapidus stresses that Doric remains very committed to Airbus' flagship and that more airlines will begin to see the benefits of operating the A380. 'We believe the A380 is still undiscovered by many airlines and we see plenty of routes where the A380 will offer unbeatable economics to new operators who have not yet ordered it. There are many players who can benefit from having the aircraft in their fleet. For instance if we take British Airways, which has ordered 12 A380s, they probably need 50 in their fleet, as many long haul routes out of slot restricted Heathrow can absorb the A380s. When an airline like BA begins operating the A380 and starts benefiting from the economies of scale across the network – 12 A380s will do the job of 18 B777-300ERs or A350-1000s, while seeing their customers go out of their way to pick the A380 with the subsequent yield pick-up other A380 operators have reported, we will see more orders for the aircraft, and other airlines will follow' pointing out that BA still has over 50 Boeing 747s in its fleet.



Mark Lapidus

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Guernsey-based DNA1 and DNA2 are listed on both the Channel Islands Stock Exchange and the London Stock Exchange, and Doric has also, through Doric Capital SA, a Luxembourg company, arranged the listing of the bonds on the Luxembourg Stock Exchange. Lapidus says there are two main advantages to being listed. 'Firstly we have seen the stock price of the companies rise which shows the positive view that investors have and secondly, of course, the stock exchange listings give investors the liquidity and machinery to trade their position if necessary. With our current listed companies

we are seeing strong appetite from the UK.'

Lapidus also has his eye on a possible Asian listing in the future, but not too soon. 'As far as other exchanges are concerned, if investors are interested we will look at it. We will do something in Singapore. In recent years Asian investors have been spoiled for choice with the growth in China and the region in general. Also pension funds are not at the same level as elsewhere. It will take a great amount of effort and a number of years before we can develop a really strong interest amongst pension type Asian investors in the equity of aviation assets. We will definitely do something in Singapore, but it may not be for the next few years.'

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One concern that has been raised is the lack of portfolio diversification in the DNA companies' fleet but Lapidus says that he is looking at any aircraft that 'are essential to airlines' and that can give a good return on their investment. 'We will be looking at aircraft that are essential to airlines and that can give a return on our investment, for instance the Boeing 787 will prove to be a very popular aircraft amongst airlines and could fit our profile. We will focus on widebody aircraft, there is too much competition in the narrowbody sector with pressure on lease rates that do not offer us the right investment returns.'

And Lapidus is very bullish on the prospects of the A380 as an investment asset, stating that the A380 will probably have the longest life span of any other aircraft in the market today. 'The likelihood that the current A380s will be in operation for 30 years is very high. This is a perfectly modern aircraft, it is not over produced and it is difficult to see Airbus raising production beyond the current 30 units per year. Add to this the expected increased interest in the aircraft from airlines and we see the A380 as having a greater longevity than any other aircraft currently available.'

Lapidus says that he is looking at targeting investors in North America and Japan, but is satisfied with their current investor base, which he describes as 'very steady.' He cites their listing of the bond on the Luxembourg Stock Exchange as an example of the company's willingness to expand into new areas where they see demand from investors.

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