

## **Deals of the Year 2012: Innovative Deal**

19 April 2013

### **Doric/Emirates EETC**

Last July Emirates and Doric worked together to close the first non-US enhanced equipment trust certificates (EETC) transaction in nearly a decade. The \$587.5 million deal was also the first EETC relying on the A380 as collateral, and the first EETC to rely on Cape Town Agreement mortgages rather than Section 1110.

"Many people thought the deal would be impossible due to the lack of Section 1110 protection, UAE as the jurisdiction, A380 as the collateral, Emirates as an unrated airline. When you list all aspects, each one seems to be a killer. We just didn't listen," says Mark Lapidus, managing director, Doric.

It took a few months to find the right bank to work with. After being stumped by some initial knock-backs, Doric approached Goldman Sachs on the sidelines of the Dublin Airfinance Conference in January 2011.

Goldman Sachs was immediately interested, and decided to dig a little deeper to investigate the feasibility of the deal.

"One big question was will the rating agencies be able to rate the transaction without rating the underlying airline? But I don't know whether anyone actually called the rating agencies and asked them. When we did they didn't seem to have a firm view on it," says Radha Tilton, vice-president, trade, transport and infrastructure finance, Goldman Sachs.

After a number of phone calls back and forth, Moody's agreed to rate the notes, and certified the class-A tranche A3 and the class-B notes Baa3 - the highest rating assigned to EETCs since 2009. The strength of investor appetite came as a surprise at the launch. The notes were more than three times oversubscribed in the syndication process and continue to trade at level in the second-hand markets.

"This is the first US dollar EETC that's really been sold globally - half of investors in this deal were outside of the US; they'd never bought into this product before," says Tilton. European, Asian and Australian investors all bought into the deal.

The international EETC market is beginning to show signs of life again - *Airfinance Journal* has revealed that both IAG and Air Canada are in the process of prepping EETCs. Expect to see more credits tapping the market soon.

**Issuer : Doric/Emirates**

**Amount: \$587.5 million**

**Asset: Four A380s**

**Structure : Enhanced equipment trust certificate (EETC)**

**Arrangers : Goldman Sachs (bookrunner and structuring agent), Natixis (liquidity provider)**

**Lawyers: Milbank (Natixis), Hughes Hubbard (Goldman Sachs), Clifford Chance (Doric)**

**Date mandated: June 2012**

**Date closed: July 2012**