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Middle East aviation industry : M&A/Privatisations and alternative financing structures

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Departures

Discussion angle

- From a death trap to an attractive investment option
- Factors requiring attention
 - technological developments/innovation
 - increasing competition
- Potential approach to factors – M&A / privatization and financing structures

Certain factors affecting the aviation industry

Technological developments → *digitalizing*

- Attracting consumers
- Enhancing operational efficiency

Competition → *repositioning*

- Lesser divide than before between ultra-budget, budget and traditional full service carriers, particularly in respect of route availability and service offering

M&A / privatization - a solution ?

- Competition and disruptive technology = M&A influencers
- Response may vary according to each market

Risk mitigation tools

- Risk identification - due diligence (legal, financial, commercial, reputational)
- Dealing with risks in the transaction documentation
- Guarantees
- Insurance (M&A W&I - conventional and Sharia-compliant)

Recurrent question: new type of airline M&A?

- Acquisition of Airbnb type company by airline company

Some financing trends

- movement towards more capital market funding
- increasing prevalence of Islamic finance

Use of the sukuk product

- “Islamic bond”
- trust certificate representing a beneficial ownership in an underlying asset or venture
- Islamic finance contains a prohibition on the payment of interest
- ownership of underlying asset or venture entitles owner to share of profits where generated

Benefits of sukuk issuance

- diversification
- competitive pricing
- connectivity and profile
- growing base of liquidity
- capture growing trend

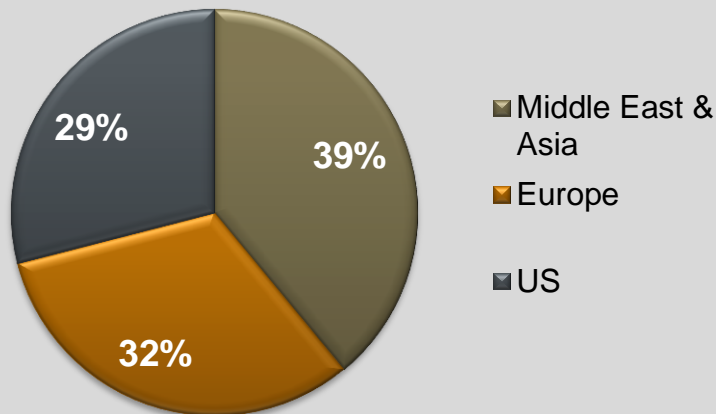
Emirates ECA backed sukuk

Why did Emirates choose to do it?

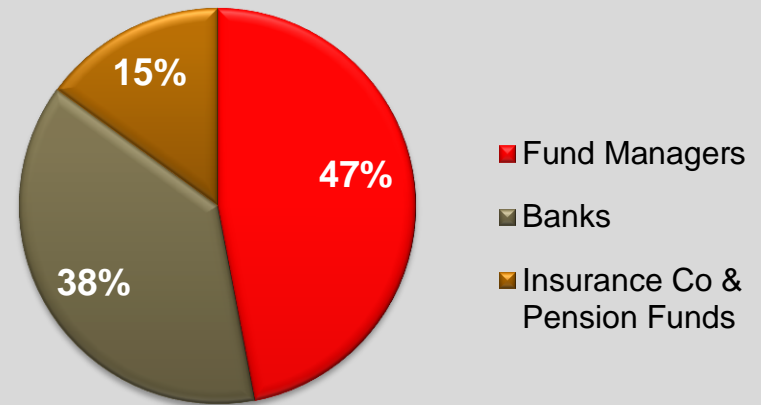
- First UK Export Finance backed sukuk for aircraft financing
- Largest ever capital markets offering in the aviation space with an Export Credit Agency guarantee
- First sukuk to be used to pre-fund the acquisition of aircraft
- First ever sukuk financing for an A380
- Regulation S and Rule 144A offering
- Admitted to listing and trading on the London Stock Exchange and on NASDAQ Dubai

Investor base and geographies

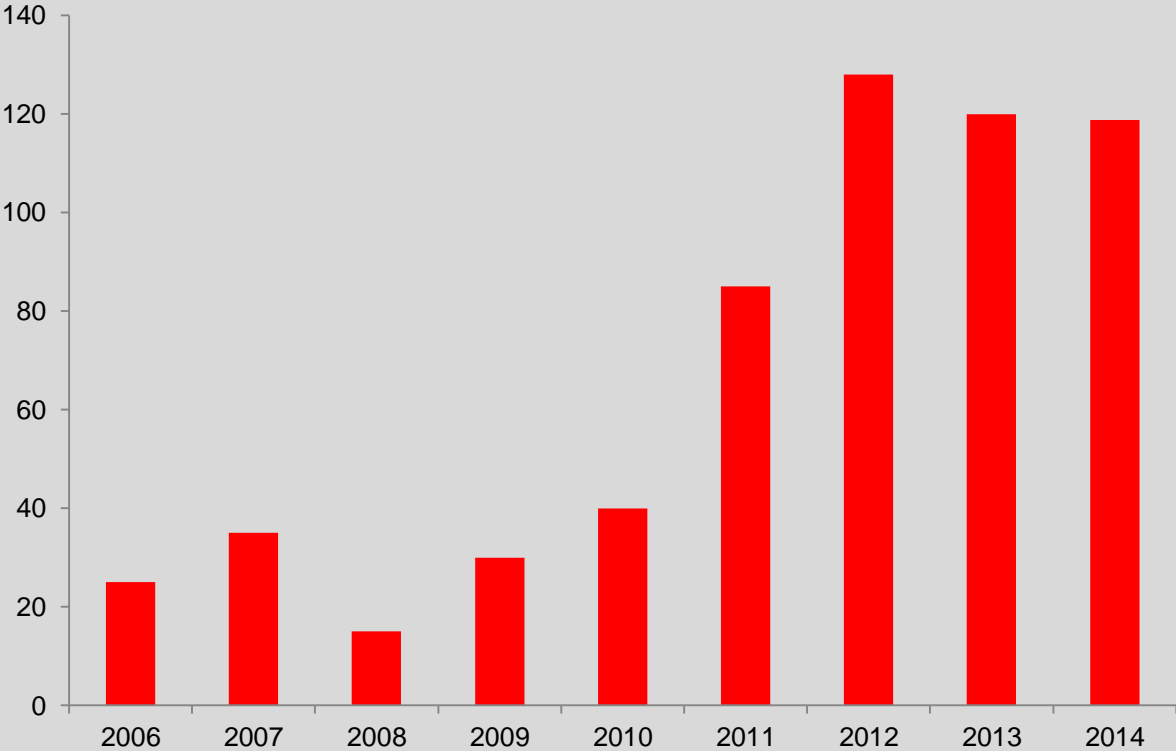
Geographies



Investor Type



Annual sukuk issuance



What more can we expect?

Emirates transaction has inspired more innovative sukuk structures

- Islamic EETC
- Islamic tax lease
- Islamic securitisation

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