

AVIANCA CLOSES EETC-LIKE PRIVATE PLACEMENT

Excerpt from Global Transport Finance

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Connecticut-based asset finance specialist Burnham Sterling Securities acted as lead arranger and sole bookrunner in a privately placed two-tranche transaction for Colombian flag carrier Avianca.

The financing, which closed in November and December 2014, covers two A320-family and a single B-787-8 aircraft.

The transaction utilised a proprietary enhanced aviation investment vehicle (EAIV), described by the arranger as similar to an enhanced equipment trust certificate (EETC) issue.

Burnham Sterling, which specialises in private placements, structured the transaction, arranged the rating and placed the transaction with an institutional investor.

Michael Dickey Morgan, executive managing director at Burnham Sterling, told GTF that the deal features structural enhancements that negate the need for a liquidity facility.

He adds that pricing on the deal was at least as favourable as was available under a traditional EETC structure or with US Eximbank/European export credit agency-supported debt.

Burnham Sterling expects to replicate the structure for two additional B-787-8 and several A320-family aircraft in 2015.

GTF reported in August 2014 that Avianca had issued a request for proposals (RFP) to the market for the US Eximbank-supported financing of four B-787-8 aircraft.

In early April 2014, Avianca Holdings, together with subsidiary companies Grupo Taca Holdings and Avianca Leasing, priced a USD250 million reopening of its 2020 bonds at a 7.44 per cent in an offering that was more than 3.5-times oversubscribed.

Proceeds of the issue were earmarked primarily to fleet financing and other general corporate purposes.

In late December 2013, Bank of America Merrill Lynch, BTG, Citi, Deutsche Bank and UBS were joint bookrunners on the oversubscribed USD409 million initial public offering (IPO) for the carrier.

The deal was completed in a challenging environment, with the Colombian Colcap down 13 per cent in US dollar terms, and nearly 6 per cent in Colombian peso terms.

Avianca plans to acquire over 100 aircraft over the next seven years to meet rising passenger traffic in Latin America.

