

The Irish Stock Exchange is well-positioned to benefit from global growth in aviation financing



by Gerard Scully, Irish Stock Exchange

It really should not be a surprise that Europe's most successful airline, Ryanair has its headquarters in Ireland and its primary listing on the Irish Stock Exchange (ISE). Ireland has a rich history in the aviation industry, from the first non-stop transatlantic flight which landed in a remote field in Galway back in 1919, to its position today as the world's leading centre for aviation finance.

The ISE – a leading venue for debt and aviation listing

The ISE has been very much part of Ireland's success story in aviation. As a gateway exchange to European investors and the North American market, the ISE is home not only to Ryanair's equity listing but international airlines, airports and leading aviation financing companies are among the almost 30k bonds listed on its two markets – the Main Securities Market (MSM) and the Global Exchange Market (GEM).

Aviation related debt listings

There are over 40 significant aviation related issuers among the 3,700 corporates, sovereigns and financial institutions from 85 jurisdictions around the globe listing bonds on the ISE's markets. The ISE facilitates the listing of all types of securities from vanilla corporate bonds to securitisations to sukuk related debt to specialist aircraft securities. Some notable debt issuers on ISE markets are:

- Ryanair – its €3bn Medium Term Note (MTN) programme is being used to expand its fleet of aircraft.
- Emirates Airline, the largest airline in the Middle East, has issued bonds, including sukuk related debt, totalling in excess of US\$1bn on the ISE. It currently has US\$750m notes in issue.
- British Airways, a subsidiary of the International Airlines Group (IAG), issued a US\$927m enhanced equipment trust certificate (EETC), a specialist instrument to finance the purchase of aircraft.
- Iberia, the Spanish based airline and subsidiary of IAG has a €450m MTN programme listed on the ISE.

- American Airlines, one of the largest airlines in the world, has a US\$226m EETC listed on the GEM.
- Fly Leasing, the Dublin based, leading global lessor of modern, high demand and fuel-efficient commercial jet aircraft has two senior notes for US\$325m and US\$375m due in 2021 and 2020 listed with the ISE.
- AerCap, which operates one of the largest fleets of aircraft in the world has a range of US dollar notes in issuance on both the GEM and the MSM totalling almost US\$17bn.
- Dublin Airport Authority – issued a €600m bond which helped the DAA fund its substantial capital investment programme in Terminal 2 at Dublin airport.
- Aeroporti di Roma, which manages the two main airports in Rome, issued a euro denominated MTN programme totalling €1.5bn.

Why list aviation securities

MSM and GEM – the benefits and differences

The ISE offers two markets, the MSM and GEM, which are equally popular with aviation issuers. Both benefit from being listed on an EU market which gives them Eurobond withholding tax exemption status and the ability to deliver enhanced distribution among European investors. Both are recognised by European securities legislation – the Markets in Financial Instruments Directive (MiFID) – the MSM as a “regulated market” and the GEM as a “multilateral trading facility” (MTF).

The differences in the markets primarily relate to regulation – the nature of the listing rules; the competent authorities who review the offering documentation, the Central Bank

of Ireland (CBI) in the case of the MSM and the Irish Stock Exchange for the GEM; and some of the ongoing disclosure requirements.

MSM and GEM – which market?

Which market to choose is a decision for the issuer and there is a wide network of international advisors, law firms and arrangers both in Ireland in the other major financial centres who are familiar with the GEM and the MSM as well as the processes and personnel in the CBI and the ISE.

The reasons to choose an ISE listing

The ISE has been listing bonds since its inception in 1793, however it is really in the last 15 years that its status and growth as a world leading venue for bond listing has taken off. Specifically the ISE offering to aviation issuers includes:

- Guaranteed review times – this provides certainty to issuers around their fundraising timetable. Both the ISE and the CBI guarantee a three-day review on first submissions and two-day review for second and subsequent submissions.
- Our people – we have the technical knowledge and expert teams who understand aviation financing. We also pride ourselves on our availability to discuss specific listing requirements and a willingness to find solutions where needed.
- Strong aviation links – we are part of the strong network of aviation finance specialists within the industry in Ireland and we also connect with professional advisors, banking, legal and corporate finance firms in the major financial centres all over the world.
- A streamlined process – the review periods, our staff and our systems combine to make this a very efficient process for all involved.
- Effective cost – our listing fees are competitive, simple and transparent.

Aviation finance – the outlook

The outlook for aviation finance continues to be positive. Global passenger traffic grew for the seventh straight year in 2016 and economic development in highly populated countries like India and China are opening up new markets for travel.

Closer to home, Ryanair, which will celebrate its 20th year on the ISE in 2017, carried 119 million passengers in 2016, an increase of 13 million on its 2015 levels and its 31st successive year of passenger growth.

Worldwide new aircraft funding requirements are expected to grow to US\$126bn in 2017 and rise to US\$185bn by 2021. As the world's biggest centre for aircraft leasing, Ireland is well-positioned to benefit from this growth and continues to invest in this sector which makes a significant contribution to its economy.

The Irish Stock Exchange is also keen to continue to engage and build on its strong relationship with the aircraft financing industry to deliver capital markets solutions to aviation issuers.

Please contact our International Primary Markets team to find out more about the process and benefits of listing aviation securities on the ISE.

Author:
Gerard Scully
Director of International Primary Markets
The Irish Stock Exchange plc
28 Anglesea Street
Dublin 2
Ireland
Tel: +353 1 617 4200
Fax: +353 1 677 6045
Email: gerard.scully@ise.ie
Website: www.ise.ie