

# Chinese lessors opt for Jolcos

*Airfinance Journal's* annual Jol and Jolco survey found that the Boeing 787-9 was popular among financiers. Chinese lessors are warming to the Jolco because they can obtain a high percentage of financing and banks are often willing to lend higher LTVs on these transactions, write **Michael Allen** and **Mike Duff**.

The Japanese operating lease (Jol) and Japanese operating lease with call option (Jolco) markets remained robust in 2017. *Airfinance Journal* has compiled a survey of Jol and Jolco transactions completed between 1 January 2017 and 31 December 2017 to give a snapshot of the most active players in those markets. The survey is based on submissions from companies active in the Jol and Jolco markets, as well as data already held by our powerful Deal Tracker product.

Deal Tracker recorded a total of 66 Jol transactions and 51 Jolcos in 2017, covering a total of 94 and 65 aircraft, respectively. More than 70% of the Jols were for Airbus A320- and Boeing 737NG-family aircraft, though the market also absorbed 24 widebodies. Narrowbodies were also popular for Jolcos, but notably the 787-9 came second in the ranking.

A number of A320neos, ATRs and Embraers were also successfully financed. The credit quality generally of lessees reflected Japanese investors' traditionally low threshold for lessee credit risk. Three Chinese leasing companies – CCB Financial Leasing, CMB Financial Leasing and China Aircraft Leasing (CALC) – also used Jolcos to fund operating leases to their airline clients.

"The main Chinese lessors are also using such products as a key funding source for their new acquisitions," says Thierry Pierson, managing director at Asset Brok'Air, adding that this gives them additional flexibility in their portfolio management.

Pierson's company, which established a permanent base in Japan last year, completed a Jolco transaction in 2017 for China Aircraft Leasing (CALC), a Hong Kong-based lessor with partial mainland Chinese ownership.

At *Airfinance Journal's* 6th Annual Japan Airfinance Conference in April 2017, CALC's managing director, finance, Christian McCormick said the Jolco product has aided the growth of CALC's international fleet.

For its aircraft leased into China, CALC can obtain virtually 100% financing because the Chinese banks "look at CALC and the airlines as very high-quality corporate risk" and are willing to lend "very high" loan-to-values (LTVs) to CALC, to achieve 100% financing for the internationally leased aircraft CALC needs to find equity, he said.

"One great source of equity is Jolco equity," said McCormick, adding: "For us, it tops up whatever the banks would not be prepared to do, so we do achieve nearly 100% financing – sometimes 100% financing."

Robert Melson, a partner at K&L Gates, which came first among law firms in the survey, says: "In 2017, we continued to see new lessee credits enter the Jolco market to satisfy the increasing demand from Japanese equity investors for Jolco transactions.

"We also saw the use of more mezzanine/junior debt in Jolco transactions in 2017. We expect both trends to continue for 2018 based on the transactions for which we have received instructions from our clients."

Some new airline names include Jet2.com, a Leeds, England-based low-cost carrier that serves primarily European holiday destinations. The carrier is unlikely to be a household name for the Japanese travelling public or the small- and medium-sized enterprise investors in Jolcos, but our survey sees this 737 and 757 operator surpass established Jolco users KLM, SAS, Lufthansa and

Emirates to take the position of top lessee by number of aircraft.

Pierson says the Jolco market is "still very competitive for traditional players, but the market trend is also to open more – largely Jolco – solutions to new names [airlines and lessors], and/or new asset classes".

## 2017 Jol/Jolco league tables

### Top type-model

Jol transactions		
Rank	Type-model	No. of a/c
1	Boeing 737-800	22
2	Airbus A320	19
3	Airbus A321	17
4	Airbus A330-300	8
5	Boeing 737-900ER	5
5=	Boeing 787-9	5
7	Boeing 777-300ER	4
7=	Airbus A330-200	4
9	Boeing 737-900	3
9=	Airbus A350-900	3
11	Boeing 787-8	2
12	Embraer E190-100STD	1
12=	Airbus A319	1
<b>Total</b>		<b>94</b>

Source: *Airfinance Journal's* Deal Tracker, deals closed 1 January – 31 December 2017

Jolco transactions		
Rank	Type-model	No. of a/c
1	Boeing 737-800	18
2	Boeing 787-9	9
3	Airbus A320neo	8
4	Embraer E175-200LR	5
4=	Airbus A320-200	5
6	Airbus A350-900	4
6=	Airbus A321-200	4
6=	Boeing 777-300ER	4
6=	Boeing 737-700	4
10	Embraer E175-200STD	3
10=	ATR72-600	3
12	Embraer E190-100STD	2
12=	Airbus A330-300	2
12=	Boeing 737Max 8	2
15	Boeing 777-200LRF	1
15=	Boeing 787-8	1
15=	Airbus A330-200F	1
15=	Embraer E190-100LR	1
<b>Total</b>		<b>77</b>

Source: *Airfinance Journal's* Deal Tracker, deals closed 1 January – 31 December 2017

**Top overall arrangers**

Jol transactions		
Rank	Overall arranger	No. of deals
1	SMBC	6
2	MUFG	4
2=	DVB Bank	4
4	Sumitomo Mitsui Trust Bank	2
4=	Credit Industriel et Commercial	2
4=	Commonwealth Bank of Australia	2
4=	PK Airfinance	2
4=	NTT Finance	2
8	Others	8

Source: Airfinance Journal's Deal Tracker, deals closed 1 January – 31 December 2017

Jolco transactions		
Rank	Overall arranger	No. of deals
1	CA-CIB	14
2	SMBC	9
3	MUFG	8
4	Asset Brok'Air	3
4=	Veling	3
5	Credit Industriel et Commercial	2
5=	DVB Bank	2
5=	Sumitomo Mitsui Trust Bank	2
5=	Natixis	2
5=	BNP Paribas	2
11	Others	11

Source: Airfinance Journal's Deal Tracker, deals closed 1 January – 31 December 2017

**Top debt arrangers**

Jol transactions		
Rank	Debt arranger	No. of deals
1	SMBC	6
1=	MUFG	6
3	Sumitomo Mitsui Trust Bank	5
3=	DVB Bank	5
5	National Australia Bank	4
6	Commonwealth Bank of Australia	2
6=	Australia and New Zealand Banking Group	2
6=	Credit Industriel et Commercial	2
6=	BNP Paribas	2
6=	PK Airfinance	2
11	Others	9

Source: Airfinance Journal's Deal Tracker, deals closed 1 January – 31 December 2017

Jolco transactions		
Rank	Debt arranger	No. of deals
1	CA-CIB	14
2	SMBC	10
3	MUFG	9
4	BNP Paribas	4
4=	Credit Industriel et Commercial	4
6	Natixis	3
6=	Development Bank of Japan	3
6=	Korea Development Bank	3
6=	Veling	3
9	Sumitomo Mitsui Trust Bank	2
9=	National Australia Bank	2
11	Others	15

Source: Airfinance Journal's Deal Tracker, deals closed 1 January – 31 December 2017

**Top equity arrangers**

Jol transactions		
Rank	Equity arranger	No. of deals
1	NBB	16
2	JP Lease	10
3	SMFL	8
4	ORIX Bank	5
5	FPG AIM	4
6	Others	2

Source: Airfinance Journal's Deal Tracker, deals closed 1 January – 31 December 2017

Jolco transactions		
Rank	Equity arranger	No. of deals
1	NBB	10
2	SMFL	8
3	Veling	3
4	Yamasa	2
4=	CA-CIB	2
4=	Fuyo General Lease	2
4=	Mitsubishi UFJ Lease & Finance	2
8	Others	7

Source: Airfinance Journal's Deal Tracker, deals closed 1 January – 31 December 2017



Simon Collins, a partner at White & Case, which came fifth among law firms in the survey, says that equity demand is “probably stronger than I’ve ever seen it on the Jolco side”.

He adds: “My impression as a whole is a lot of deals are getting done. There’s a lot of new names. I think, traditionally, people only thought of the Jolco as something for tier-1 airlines with routes to Japan.”

He says White & Case completed Jolcos for Avianca and Copa Airlines, despite neither airline having routes to Tokyo.

“The Avianca deal was extremely interesting because Avianca required the aircraft to be FAA registered and we were able to do that using a head-lease/sub-lease structure, which may have some impact in terms of being able to structure more deals into the US,” says Collins.

That deal, according to White & Case’s survey submission form, was for a 787-8 aircraft that delivered to Avianca on 31 October 2017. Development Bank of Japan, NordLB and SMBC provided debt, while FPG provided the Japanese equity.

Collins adds that banks will say that pricing is sharpening, but that is “true across the board – that’s not just Jolco”.

The leading overall arranger for Jolcos was CA-CIB followed by SMBC and MUFG while in the Jol market SMBC, DVB and MUFG led the way. Three of the four Australian trading banks were active in debt arranging for both Jols and Jolcos.

The identity of equity arrangers is more difficult to determine as the Japanese leasing companies generally prefer as little disclosure about their deals as possible.

Nevertheless we identified almost all of the Jol equity arrangers which showed NBB, JP Lease, SMFL, ORIX and FPG AIM leading the way. For Jolcos we have identified almost half of the equity arrangers. NBB also comes on top of that league table, followed by SMFL. [▲](#)

## Top lessees by number of aircraft

Jol transactions		
Rank	Lessee	No. of a/c
1	Norwegian	13
2	Cathay Pacific	7
3	Wizz Air	6
4	KLM	4
4=	Cebu Pacific	4
6	Emirates	3
6=	Easyjet	3
6=	Air France	3
9	Brussels Airlines	2
9=	Vueling	2
9=	Hawaiian Airlines	2
9=	THY Turkish	2
9=	Garuda	2
14	Others	41
<b>Total</b>		<b>94</b>

Source: Airfinance Journal’s Deal Tracker, deals closed 1 January – 31 December 2017  
Others includes the confidential parties and lessees with a single aircraft

For the latest updates on the Jolco market, join Airfinance Journal’s 7th Annual Japan Airfinance Conference at The Peninsula Tokyo on 19-20 April 2018. Email: [Charis.Kwok@euromoneyasia.com](mailto:Charis.Kwok@euromoneyasia.com) for more details.

## Top law firms

Jol/Jolco transactions		
Rank	Law firm	No. of deals
1	K&L Gates	54
2	Clifford Chance	32
3	Norton Rose Fulbright	12
4	Nishimura & Asahi	8
5	White & Case	7
6	Dentons	6
7	Vedder Price	4
7=	Watson Farley & Williams	4
9	Allen & Overy	3
10	Pillsbury	2
10=	Debevoise & Plimpton	2
10=	DLA Piper	2
10=	Berwin Leighton Paisner	2
10=	Matheson	2
18	Others	3

Source: Airfinance Journal’s Deal Tracker, deals closed 1 January – 31 December 2017

Jolco transactions		
Rank	Lessee	No. of a/c
1	Jet2	9
2	KLM	7
2=	SAS	7
4	Lufthansa	6
5	Air Canada	4
5=	Copa Airlines	4
5=	Emirates	4
8	CCB Financial Leasing	3
8=	Air France	3
8=	Garuda	3
11	China Aircraft Leasing	2
11=	American Airlines	2
11=	Hong Kong Express Airways	2
11=	BoCom Leasing	2
11=	flydubai	2
11=	Transavia	2
11=	Aer Lingus	2
18	Others	13
<b>Total</b>		<b>77</b>

Source: Airfinance Journal’s Deal Tracker, deals closed 1 January – 31 December 2017