

Orix completes Avolon deal, shuffles leadership as Avolon takes another step towards investment grade

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The completion of the acquisition of 30 per cent of Avolon was announced on 5th November and was quickly followed three days later by Moody's Investor Services upgrading Avolon's corporate family credit rating to Ba1 with a stable outlook, one notch below investment grade. The acquisition of the 30 per cent stake in Avolon from Bohai Capital for \$2.2 billion also sees Orix Aviation announce leadership changes as James Meyler (right) takes up the role of CEO.

The addition of Orix to its shareholder base, a investment grade player in the aviation finance sector since 1991, was expected to significantly enhance Avolon's credit rating. This early positive move by Moody's is a vote of confidence in the new governance structure, or 'insulation framework' as it has been described by Orix's newly-installed Orix CEO James Meyler, developed as part of the negotiations between Orix, Avolon and its parent and ultimate parent, Bohai and HNA group respectively. This framework was developed to ensure that Avolon would be unaffected by, and independent from, any financial difficulties at its parent companies and thus protecting the new minority shareholder.

The diversification of Avolon's shareholder base is a major positive given both the strength of its new shareholder and the well-publicised financial difficulties of its ultimate parent HNA Group. Avolon CEO Domhnal Slattery said 'ORIX is a strong, investment grade institution with a proven track record in the leasing sector over multiple industry cycles...This transaction builds on this team's track record of partnering with leading global financial institutions as shareholders. We will benefit from ORIX's experience and relationships as we continue to build Avolon's financial strength and industry franchise.' This large minority stake is also expected to improve Avolon's perception amongst Japanese banks and investors and enable it to increase its financing activity in Japan, a key aircraft financing market in which Orix is a major player.



James Meyler has been appointed the new CEO of Orix Aviation.

Both sides of the deal says there is no plan for Bohai to decrease its share further or for Orix to increase its share in the business with the current 70-30 split a stable, long-term position for Avolon. Orix says the move is part of its aim 'to achieve sustainable long term growth of its business by way of strengthening its access to the manufacturer order positions that Avolon holds (Avolon has orders and commitments for over 300 aircraft) and also further expanding its aircraft leasing business investment universe. Orix Aviation and Avolon management and companies will continue to operate independently of each other.

The closing of the deal has seen Orix shuffle its leadership team with long-standing CEO David Power,

who has been with the lessor since 1992 and has led it since 2004, handing the reins over to his deputy CEO James Meyler. Meyler, who in addition to his role as deputy CEO was also head of its Hong Kong operation and Chief Commercial Officer, joined Orix in 2003. He is also Chair of the Wings Club Foundation European Chapter and a Board member of the International Society of Transport Aircraft Trading (ISTAT).

Power has described the Avolon deal as 'a significant step forward by ORIX Aviation in expanding ORIX's commitment within the Global aircraft leasing market'...adding that the company 'will continue to enhance and grow its unique third-party asset management platform and trading platform whilst achieving continued sustainable growth through this strategic investment.' Part of this strategy will see David Power move to Hong Kong to take up the chairmanship of Orix's Hong Kong operation as well as a seat on Avolon's board of directors.

While Power oversees the Hong Kong operation and the investment in Avolon newly-appointed CEO Meyler will be supported by Orix CFO Marie-Louise Kelly, whose contribution to the lessor's success in recent years sees her promoted to Orix Aviation's main board and Paul O'Dwyer who steps up from the position of head of sales and leasing to take over as Chief Commercial Officer from Meyler.

'David and I are very pleased to acknowledge Marie-Louise and Paul's contributions to ORIX Aviation's success over the last number of years' said Meyler. 'They have earned tremendous respect within ORIX internally, as well as in our industry overall. Marie-Louise is well deserving of this promotion to the Board of ORIX Aviation along with Paul O'Dwyer to Chief Commercial Officer. I am honoured to serve as ORIX Aviation's next Chief Executive Officer and I look forward to working with our fantastic team at ORIX Aviation, all of our global stakeholders, airline customers and asset management clients, as our team provides industry leading services to our customers and drives enhanced shareholder returns'.