



GLOBAL PERSPECTIVES

Key Trends in Asset Finance for 2022



The continuing impact of Covid-19 is clearly the big talking point for 2022, with several questions arising: will new variants emerge, what steps will governments take to limit the spread, and what impact will it have on industries? In the asset finance space, confidence appears to be returning to the aviation industry - aircraft ABS deals are back on the table and both private and commercial aircraft usage appears to be on the up as the general public, HNWs and business leaders become mobile once again.

Looking ahead to 2022, from our position as primarily offshore lawyers, we have identified some specific trends on the horizon for the benefit of all our clients – onshore counsel, banks, asset managers, trustees, corporates, insolvency practitioners and individuals.

Please get in touch with your usual Walkers contact or any of the key individuals listed below if you want to discuss further.

Bermuda: Jurisdiction of Choice For Cruise Ship Industry



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Bermuda continues to be the jurisdiction of choice for the cruise ship industry, with the world's largest cruise ship operators structuring and flagging a significant number of their vessels in Bermuda. Bermuda proved to be a robust and flexible jurisdiction in response to the challenges faced over the past two years. Upwards of US\$15 billion in debt and equity was raised by the key operators through capital markets issuances and by Bermuda issuers, with many of the issuances listed on the Bermuda Stock Exchange. We have also seen the industry turn to private equity for additional capital investment, for example the sale by Royal Caribbean Group of its luxury cruise brand Azamara to Sycamore Partners in 2021. With cruising not yet returning to pre-2020 levels, we expect to see the industry continuing to tap the capital markets space for additional working capital and operators exploring further opportunities for dispositions to private equity houses and non-traditional buyers.

BVI: Trend Away From Commercial Financings in Aviation Market



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We are seeing an increase in private / corporate jet financings as those with the means to do so move away from commercial flights in the wake of the pandemic and even more so given that there doesn't appear to be a clear end in sight. Invariably these financings utilise a BVI borrower in the structure with the aircraft being beneficially owned by the BVI company and ultimately registered in Bermuda, the Cayman Islands or other markets in the Americas. Given the state of play in the shipping industry, we are also seeing an uptick in vessel refinancings involving large cargo vessels which is not unexpected as we continue to witness unprecedented supply chain interruptions. The refinancing activity is particularly significant in the European and Asian markets where BVI companies remain popular holding vehicles and are being deployed as guarantors and security providers.



Cayman: Investor Confidence Remains Strong



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Increased access to the capital markets has seen the return of aircraft ABS deals far sooner than anyone had predicted with issuances in 2021 close to pre-pandemic levels. The return has seen seasoned issuers as well as new entrants achieve a number of firsts, from the SALT 2021-1 transaction using a blend of traditional aircraft ABS and CLO technology to securitise aircraft loans, to the AASET 2021-2 deal secured against 100% new technology aircraft. This trend looks set to continue with a number of deals already in the pipeline for Q1 2022. There has also been significant consolidation in the aviation market with high profile acquisitions of existing businesses and stand-alone portfolios. All of this is underpinned by the growing involvement of investment funds and investment managers in all sectors, which we expect will continue throughout 2022.

Guernsey: Finding a Niche In Off-Lease Aircraft Registrations



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We continue to see activity on off-lease registration on 2-Reg, the Guernsey Aircraft registry. There has been no slowdown, and we are expecting the work to continue to flow in 2022. 2-REG is developing its offering for private operation of corporate jets, and we expect that to continue to develop throughout 2022 – they clearly see a market to be tapped there. This is an area that potentially could be impacted by developments with the Global Pandemic, so questions about where new variants are coming from, how quickly they spread, and how different governments respond will all be key. There has been a steady flow of shipping finance instructions involving Asian assets and lenders – our most recent deal was typical of the kinds of maritime finance instructions we see, with the financing of 13 new container ships being leased out in a bareboat charter arrangement

Ireland: Confidence Returning in Aviation Market



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As the global vaccination program continues to be rolled-out, people have regained confidence in flying and are keen to travel. This can be seen in the recovery of domestic travel in large markets such as North America and China. Lessors and investors have taken confidence in this and this can be seen through the re-emergence of the ABS market in the last 12 months. Further signs can be seen through private equity investment in new leasing platforms as they recognise the long term viability of the aviation industry. We have also seen consolidation within the leasing market such that Carlyle announced its intention to acquire AMCK and last month, Dublin-based AerCap acquired GECAS to create the world's biggest aircraft lessor. We would expect this to continue in the short to medium term. Aviation faces significant pressure to reduce its environmental impact, from both consumers and governments. As such the industry is committed to cutting CO2 emissions to half 2005 levels by 2050.

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