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Doric

Nimrod Air One raises £42.5 million

13 December 2010

The new Guernsey-based fund will use the cash to finance one Airbus A380 for Emirates.

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Doric Nimrod Air One (DNA) has raised £42.5 million (\$67.5 million) on the London Stock Exchange (LSE) to finance one Airbus A380 for Emirates. DNA is a special purpose fund created by London's Nimrod Capital and Doric Asset Finance.

Australia's Westpac Banking Corporation provided the debt with a \$122 million senior secured facility. At closing the DNA stock traded at 103.5 pence.

"We are delighted to have structured with Nimrod the first special purpose aircraft investment company for UK institutional investors," says Mark Lapidus, Doric Asset Finance's managing director. "In these times of uncertainty, investors are highly interested in income-generating, real asset-backed transactions, which additionally offer good prospects for capital appreciation as well as a hedge against inflation."

The agreed price of the A380-861, which should deliver to Emirates on December 16, is \$180 million and will be leased to the airline for 12 years.

Under the lease agreement, investors will receive distributions of 2.25 pence per share per quarter for a compounded annualised yield of about 9%. The aircraft will be sold at the end of the lease and investors will be paid from the aircraft's residual value.

Herbert Smith advised DNA, while Norton Rose advised on the leasing transaction. Clyde & Co advised Westpac Banking Corporation.

Doric Asset Finance is simultaneously closing a sister transaction for Emirates for another A380 in the German KG market. This aircraft should deliver on Monday

Lapidus says that before the credit crunch investors were uninterested in investing in liquid assets such as aircraft. However, the financial downturn changed investors' perception. Even then, raising investor interest still took time—about two years, Lapidus says.

Doric financed an A380 in a similar deal for Emirates in the German KG market in 2009 that, in combination with other Emirates deals, won *Airfinance Journal's* 2009 Finance Team of the Year award. Gaining German interest meant marketing the aircraft as "a ship with wings" as German investors are more familiar with the shipping industry.

"[In the UK] we did something similar and called it 'property on wings' because institutional investors associate property with real assets," Lapidus says. "By the end of October into November we knew we had enough investors who would step into the transaction."

Closing the deal is a clear sign for investors that Doric Asset Finance is able to finance aircraft in markets outside of the KG market, which the company is more associated with. The company has been able to raise equity investments ranging between £0.5 million to £5 million from individual institutional investors for today's deal.

Airlines, impressed by Emirates diversified funding sources and looking to diversifying their financings, have also begun approaching Doric Asset Finance.

“Whether or not export credit remains difficult or easy to access does not matter. You cannot rely on one funding source in case it gets shut down,” Lapidus adds.

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