

Ethiopian Airlines purchases new aircraft to serve increase in demand for air travel

The largest aircraft financing in Ethiopia's aviation history, as well as one of the largest aviation financings in sub-Saharan Africa

Case Study

The Challenge	Ethiopian Airlines (ET), which has operated for 65 years and is 100% owned by the Government of Ethiopia, is an important regional and international airline with a significant pan-African network – including the only daily east-west flight across the continent – and a total of 58 international destinations. ET wanted to purchase five ultra-long distance Boeing aircraft and one spare GE engine to enhance its network and required \$764 million financing.
The Solution	Citi arranged the entire financing package for ET acting as the Sole Mandated Lead Arranger of a pre-delivery payment (PDP) financing, a US Ex-Im guaranteed facility, and a second lien commercial loan facility. The PDP financing facility, which provides a down payment for the aircraft, was successfully syndicated in difficult market conditions to five banks. The second lien junior loan, which Citi successfully syndicated to a group of African Development Financial Institutions (DFIs), was an additional bonus for ET and saw some DFIs taking a rare second lien position in an aviation asset for the first time. The bulk of the financing – \$604 million – was guaranteed by the Export-Import Bank of the United States with Citi providing the entire amount on a sole committed basis for 12 years.
The Result	The provision of a guarantee by the US Ex-Im Bank was critical to the success of ET's aircraft financing, which was the largest in Ethiopian aviation history, and one of the largest aviation financings in sub-Saharan Africa. The financing package enabled ET to finance up to 97.7% of the aircraft cost – with competitive pricing across the tranches – in challenging international capital market conditions. The transaction also broadened the PDP lender base to include emerging market banks. This transaction allowed ET to be first African carrier to own the ultra-long-range B777-200LR aircrafts and enables ET customers to travel non-stop between the US and Addis Ababa.