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REGIONAL JET/TURBOPROP DEAL OF THE YEAR 2015

Mesa Airlines' EETC

Mesa Airlines' September enhanced equipment trust certificates (EETC) deal stands out for being the first EETC issued by a regional airline.

The \$246 million deal also signals the progress the airline has made in recent years. As recently as 2010, the carrier filed for bankruptcy protection under Chapter 11, before emerging the following year as a private airline with about 140 fewer aircraft.

The notes were sold to institutional investors in a private placement that attracted more than 20 bids. Chief financial officer Michael Lotz says the arduous roadshow was the biggest challenge of the deal. "We went to 10 cities and visited about 30 companies in the course of about five days," he said.

The deal is secured against 10 Embraer E175s, delivering in 2015 and over the first half of this year. They will be operated by United Airlines under a previous capacity purchase agreement that was recently expanded to eight aircraft. *Airfinance Journal* understands United played an active role in the deal.



The airline considered expanding the EETC to cover a further eight deliveries, but decided not to proceed because of the carrying costs involved as the first delivery from this group is not scheduled until June this year.

Before launching the deal, Mesa Air Group had to get a rating from Fitch, which awarded the carrier a corporate credit rating of B.

Speaking about the placement of the notes, Lotz said: "The process went fairly smoothly. We took the companies that gave us the best pricing, closed the deal and we're ready to look at the next group of eight."

Airfinance Journal understands the airline is evaluating the best financing options for

the next eight E175 deliveries, including another EETC. ▲

REGIONAL JET/TURBOPROP DEAL OF THE YEAR

Issuer: Mesa Airlines

Structure: Privately placed EETC

Currency/amount/coupon: \$245.9 million: A tranche of \$170.79 million at 4.75%; B tranche of \$44.94 million at 5.75%; C tranche of \$30.26 million at 6.25%

Assets financed: 10 Embraer E175s

Lawyers (and role): Milbank (underwriters), Smith Gambrell Russell (Mesa Airlines)

Banks: Goldman Sachs, Deutsche Bank, Imperial Capital