
Hughes Hubbard & Reed

Firm Clears Way for Philippine Airlines' \$9.5B Refleeting

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Hughes Hubbard laid the groundwork for Philippine Airlines' (PAL) \$9.5 billion order for 65 aircraft as part of its comprehensive fleet renewal program, the largest purchase in Philippine aviation history.

Hughes Hubbard advised the airline on structuring, negotiation and documentation of financing transactions for the aircraft acquisition, which will be delivered over the next six years. PAL has taken delivery of 12 aircraft since August 2013. It will take 17 this year; 15 in 2015; 10 in 2016; two in 2017; four in 2018; and four in 2019.

The first state-of-the-art Airbus A321-200 that PAL had ordered in 2012 arrived in Manila in August. "The A321's arrival heralds a new, exciting era for PAL," said PAL President Ramon S. Ang. "It not only gives us size to fit our expansion plans but also the flexibility to match capacity to specific route requirements."

PAL set the fleet renewal program in motion last year when the airline signed an order with Airbus for 55 aircraft, worth \$7 billion, the largest aircraft purchase in Philippine history. The following month, the airline exercised its option to acquire 10 more A330-300s, raising total orders to a record 65 aircraft.

The transactions included a commercial loan with an option to convert to a capital market bond issuance; a Japanese operating lease with call option; French tax leases and credit bail transactions; and export credit facilities supported by the European Credit Agencies potentially combined with a capital markets conversion option.

Asia's first airline, PAL has a young and modern fleet of aircraft and a route network that spans 31 cities and 29 domestic points. In Nov., PAL restarted flights to Europe after 15 years, via a Manila-to-London service.

Ken Lefkowitz and Jeff Tenen led the Hughes Hubbard team, which included Israel Sanchez, Mark Denham, Andy Braiterman, Anne Gonzalez, Ellen Fontanella, Jillian Kane, Alastair Macdonald, David Gershel and Rafael Rosillo.

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