



THE PROPOSED ACQUISITION OF MAJORITY OWNERSHIP AND SOLE CONTROL OVER NAC AVIATION 33 LIMITED (NAC 33) AND NAC AVIATION 34 LIMITED (NAC 34) BY AZORRA AVIATION HOLDINGS, LLC.

1. The Competition Authority of Kenya has approved the proposed acquisition of majority ownership and sole control over NAC Aviation 33 Limited (NAC 33) and NAC Aviation 34 Limited (NAC 34) by Azorra Aviation Holdings, LLC unconditionally.
2. The acquiring undertaking, Azorra Aviation Holdings LLC, is a commercial aircraft lessor, providing lease, financing, and asset management solutions with a focus on regional, crossover, and small narrow-body aircraft. It does not have operations in Kenya.
3. NAC Aviation 33 Limited and NAC Aviation 34 Limited, the target undertakings, are engaged in the aircraft leasing activities for NAC Aviation 29 Designated Activity Company.
4. The proposed transaction involves the acquisition of majority ownership and sole control over the targets through a restructuring of their parent company, NAC DAC. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.



5. The parties' combined and relevant assets for the preceding year, ending 31st December, 2021, was over KSh1 Billion. Therefore, the acquisition meets the merger threshold required for notification and full merger analysis as provided in the Competition (General) Rules, 2019.
6. The product market for purposes of analyzing the proposed transaction was determined as the market for the ownership and leasing of aircraft. The targets provide their services across the country and therefore the relevant market was determined as national.
7. Globally, airlines operate a fleet of more than 27,000 commercial aircraft valued at over USD 696 billion (active and parked aircraft), according to recent data consulting firm ICF. Airlines heavily rely on third-party debt and equity (including aircraft lessors) to finance these capital-intensive assets. Leasing provides an alternative to operate an aircraft without the financial burden of purchasing it.
8. Aircraft are leased on wet-leasing, or dry-leasing, or a combination of both models. Under wet-leasing, the aircraft, crew, maintenance, and insurance are included whereas in the agreement whereas with dry-leasing the aircraft owner provide the lessee with an aircraft without a crew and ground staff. The distinguishing factor is the entity that maintains operational control.
9. Information collated from various sources indicates that there are over 40 commercial aircraft leased to airline customers in Kenya. Of these, the two target firms own two assets, thereby accounting for approximately 5% of the market.



10. Some of the aircraft lessors include Nordic Aviation Capital (associated with the Target), Aviation Capital Group, BOC Aviation, DAE Capital, DVB Bank, GECAS, Goshawk, and Macquarie AirFinance. These lessors offer their services to Kenya Airways and other airlines.
11. In addition to the aforementioned firms, other players active in the relevant market include Aircraft Lease Service (ALS), Avmax Aircraft Leasing, Skyliner Aviation, Air Atlanta Icelandic, Stellwagen, Ilyushin Finance, and YanAir.
12. In light of the foregoing, it can be inferred that the merged undertaking will face significant competitive pressure from other players in the market. Therefore, it is the Authority's view that the transaction is unlikely to negatively affect competition in the market for the ownership and leasing of aircraft in Kenya.
13. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns which the Authority considers include;
 - i. extent to which a proposed merger would impact employment opportunities;
 - ii. impact on competitiveness of small and medium enterprises (SMEs);
 - iii. impact on particular industries/sectors; and
 - iv. impact on the ability of national industries to compete in international markets



14. The Authority is of the view that the transaction is unlikely to lead to any negative public interest issues. Specifically, the transaction, if approved, will not negatively impact the competitiveness of small and medium-sized enterprises in the market.
15. **Based on the foregoing, the Authority approved the proposed acquisition of majority ownership and sole control over NAC Aviation 33 Limited (NAC 33) and NAC Aviation 34 Limited (NAC 34) by Azorra Aviation Holdings, LLC unconditionally.**