

Pangolin to launch new aviation recovery fund

Pangolin Investment Management has recruited transport analyst Mohshin Aziz to spearhead the launch of its second fund - The Pangolin Aviation Recovery Fund. Aziz, who spent the past decade as transport analyst with Maybank-Kim Eng in Kuala Lumpur and six years before that as head of Investor Relations at Air Asia, will join the Pangolin team in Singapore later this month.

This is Pangolin's first new fund in 16 years and marks a departure from its usual focus. Principal James Hay, speaking to *Airline Economics* editor Victoria Tozer-Pennington, said that although he had never owned an airline stock, he has full faith in Aziz's ability to pick who will be the winners in this market, who he describes

as having an "encyclopaedic knowledge" of the aviation industry and whose past calls have been accurate.

In a letter to investors, Hay said: "Much of the industry is on its back, despite unprecedented levels of government support. Amidst the carnage, there will be survivors and big winners. Some markets will recover ahead of others. Chinese domestic travel is already at 80% of pre-COVID levels."

The Cayman entity fund will be global in its reach and invest in listed securities in any company connected to air transportation, including: airlines, airports, aircraft manufacturers, service companies. There will be both a management and performance fee for the fund, since the emphasis is on its performance



rather than size. The goal is for the fund to launch on December 1.

Hay states that the fund will be picking companies based on the strength of their fundamentals and "survivability" - in other words those that have adequate liquidity to see through the crisis but also those with the right business model for the changing operating environment.

Although Hay historically has shied away from cyclical industries like aviation, he sees real value in buying

into the market today and betting on the recovery over a longer period. Although the fund will have the ability to short in the future, initially the focus will be on building the recovery fund. Hay is confident that the travel industry will return: "Living in Malaysia, with its low incidence of Covid, has convinced me that the world will return to normal, not a "new-normal". As we all did following 9-11, we'll learn to live with airport inconveniences in order to fly again."

SPACS enter the aviation space

The first aviation-focused Spac companies have been launched. These special purpose acquisition companies - also known as blank-cheque companies - raise money from investors with a public listing before acquiring private companies, in effect taking them public.

In 2020 to date, some 133 Spacs have been floated in the US, raising \$51.1bn, with more planned for launch. In a recent *Airline Economics* Sage Series of podcasts, industry veteran Harry Forsythe mused that it is only a matter of time before we see Spacs invest in aviation considering the opportunities being presented by the downturn.

That has now come to pass.

According to an SEC filing, Genesis Park Acquisition, plans to raise \$200 million by offering 20 million units at \$10. Each unit consists of one share of common stock and one-half of a warrant, exercisable at \$11.50. Sponsor Genesis Park intends to purchase \$10 million worth of units in the offering.

The filing states that the company will focus on "identifying potential target companies in the aviation and aviation services sectors with above-industry-average growth, substantial free cash flow generation, and a defensible market position with an enterprise value of \$500 million to \$1 billion

where our management team's operational, strategic or managerial expertise can assist in maximizing value".

The company is led by chairman David Siegel, who currently serves as executive chairman of Sun Country Airlines and as chairman of Volotea, but since October 2017, Siegel has also acted as a senior advisor for Apollo Global Management. Siegel was also CEO of AWAS between April 2016 to September 2017. CEO and director Paul Hobby is a founding partner at Genesis Park.

Genesis Park Acquisition plans to list on the NYSE under the symbol GNP.K.U.

Jefferies is the sole

bookrunner on the deal.

Another new Spac focused on the private aviation space also appeared on the market. Zanite Acquisition, spearheaded by Kenn Ricci, principal of Directional Aviation, which owns Flexjet, Sentient Jet and PrivateFly as well as on-demand brokerage FXAIR, and Steven Rosen, head of Resilience Capital, intends to raise up to \$200 million in an initial public offering.

The company plans to target businesses in the aviation, aerospace & defense, urban mobility, and emerging technology industries with enterprise values between \$600 million to \$1.5bn.