



DETERMINATION OF MERGER NOTIFICATION M/19/028 - APOLLO/PK AIRFINANCE

Section 21 of the Competition Act 2002

Proposed acquisition by Apollo Global Capital Management Inc. (through Aurora Bidco LLC) of the shares and assets collectively constituting PK AirFinance

Dated 14 November 2019

Introduction

1. On 4 October 2019, in accordance with section 18(1)(a) of the Competition Act 2002, as amended (the “Act”), the Competition and Consumer Protection Commission (the “Commission”) received a notification of a proposed acquisition whereby Apollo Global Management Inc. (“Apollo Global”) through Aurora Bidco LLC (“Aurora Bidco”)¹ would acquire the equity of GE Capital Asset Finance GK, PK AirFinance Sàrl, PK AirFinance US, Inc. and certain assets of PK Transportation Finance Ireland Limited (together “PK AirFinance”) (the “Proposed Transaction”).

The Proposed Transaction

2. The Proposed Transaction is to be implemented pursuant to an Equity and Asset Purchase Agreement, dated 29 August 2019, between Aurora Bidco and GE Capital Global Holdings, LLC² (the “EAPA”).
3. Following the completion of the Proposed Transaction, Aurora Bidco will acquire sole control of PK AirFinance. The loans of PK AirFinance will be transferred to a securitisation vehicle controlled by Athene Holding Limited (“Athene”), which is controlled by Apollo Global. The employees, intellectual property and real estate lease of PK AirFinance, will be transferred to an indirect subsidiary of Apollo Global.

¹ Aurora Bidco is ultimately controlled by investment funds managed by affiliates of Apollo Global.

² GE Capital Global Holdings LCC is the holding company of [...] of GE Capital Asset Finance GK, PK AirFinance Sàrl, PK AirFinance US, Inc. and the assets of PK Transportation Finance Ireland Limited which will be transferred as part of the Proposed Transaction.



6. Apollo Global is involved in the aircraft leasing business through its subsidiary Merx Aviation Finance Holdings (“Merx”). The Parties state in the notification that Merx has special purpose vehicles that own aircrafts in the State. However at the time of the notification Merx did not have lease agreements with customers in the State. Apollo Global provides marketing, technical and other lease and asset management services through Merx Aviation Servicing Limited (“MASL”).
7. For the financial year ending 31 December 2018, Apollo Global’s worldwide turnover was approximately [...], of which approximately [...] was generated in the State.

The Target -PK AirFinance

8. PK AirFinance is an arranger and provider of debt financing, secured by commercial fixed-wing aircraft (jets and turboprops) and aircraft engines. PK AirFinance primarily provides asset-secured loans, sometimes in conjunction with finance leases or conditional sales, as well as funding for pre-delivery payments for aircraft. PK AirFinance also provides administrative and agency services together with financing³ but currently does not offer such services on a stand-alone basis to third parties.
9. In the state, PK AirFinance’s operations are conducted through PK Transportation Finance Ireland Limited [...], with its borrowers and obligors located in various jurisdictions. The other functions which PK AirFinance Ireland currently carries out in the State are:
 - Support underwriting and credit risk analysis for proposed loans as well as 'know your client';
 - Compliance support; and
 - Marketing, [...].
10. For the financial year ending 31 December 2018, PK AirFinance’s worldwide turnover was approximately [...],⁴ of which approximately [...]⁵ was generated in the State.

Rationale for the Proposed Transaction

³ [...].

⁴ [...]

⁵ [...].



11. The Parties state the following in the notification:

“ [Apollo Global’s] investment is driven by a number of factors, including the growth rate of the air transportation industry and the strong financial profile of PK AirFinance.”

Third Party Submissions

12. No submissions were received.

Competitive Analysis

13. The Commission defines markets to the extent necessary depending on the particular circumstances of a given case. In this instance, it is not necessary for the Commission to define the precise relevant product and geographic markets since there is no horizontal overlap and no existing vertical relationship between the Parties’ activities in the State and, regardless of the potential product or geographic markets, the Proposed Transaction is unlikely to raise any competition concerns.

Horizontal Overlap

14. There is no horizontal overlap between the business activities of the parties in the State. None of the companies within Apollo Global’s portfolio, which generated turnover in the State in 2018, are engaged in the provision of aircraft financing services in the State. Therefore, the Commission considers that the Proposed Transaction, does not raise any horizontal competition concerns in the State.

Vertical Relationship

15. The Parties have informed the Commission that there is a potential vertical relationship between the parties’ activities:
- PK AirFinance could provide aircraft financing services to Merx for the purpose of aircraft leasing operations.
 - MASL (Merx’s subsidiary in the State) could provide aircraft asset management services to PK AirFinance.

The supply of aircraft financing services



16. In respect of the supply of aircraft financing services, the Commission considered the market for the supply of aircraft financing services to be global in its previous determination in M/14/001 – AerCap / ILFC.⁶ The Parties state in the notification that PK AirFinance’s estimated share in respect of the provision of aircraft financing services globally is approximately [...].⁷ Furthermore, there are a number of alternative aircraft finance providers that include Deutsche Bank AG, DVB Bank SE, BNP Paribas S.A. and Norddeutsche Landesbank Girozentrale. These companies will continue to exert competitive constraint on PK AirFinance following implementation of the Proposed Transaction. This is consistent with the Commission’s previous determination M/14/001 – AerCAP/ILFC, wherein the Commission identified a number of competitors in the respective of the provision of aircraft financing services. Therefore, the Commission considers that the Proposed Transaction is unlikely to raise any input foreclosure concerns in the provision of aircraft financing services in the State.
17. The Parties state in the notification that Merx’s estimated global market share with respect to the supply of aircraft operating leasing is [...].⁸ In addition, there are other alternative customers such as [...]. The Commission considers that the Proposed Transaction is unlikely to raise customer foreclosure concerns with respect to the supply of aircraft financing services, given Merx’s minimal market share and the presence of alternative customers.

The supply of aircraft asset management services

18. The Parties state in the notification that MASL does not currently provide aircraft asset management services to any third party and that PK AirFinance requires aircraft management services on a sporadic basis to enforce its rights when its customers default on a loan. The Commission considers that the Proposed Transaction does not raise any vertical competition concerns with respect of the supply of aircraft asset management services in the State.

⁶ See determination at <https://www.ccpc.ie/business/mergers-acquisitions/merger-notifications/m14001-aercap-ilfc/>

⁷ [...]

⁸ [...].



19. In light of the above the Commission considers that the Proposed Transaction does not raise any vertical competition concerns in the State.

Conclusion

20. In light of the above, the Commission considers that the Proposed Transaction will not substantially lessen competition in any market for goods or services in the State.

Ancillary Restraints

21. Exhibit C of the EAPA contains a non-compete obligation on GE Capital Global Holdings, LLC and its subsidiaries. The duration of the non-compete obligation does not exceed the maximum duration acceptable to the Commission.⁹ The Commission considers these restrictions to be directly related to and necessary for the implementation of the Proposed Transaction, insofar as they relate to the State.

⁹ In this respect, the CCPC follows the approach adopted by the EU Commission in paragraphs 20 and 26 of its “Commission Notice on restrictions directly related and necessary to concentrations” (2005). For more information see [http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305\(02\)&from=EN](http://eurlex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52005XC0305(02)&from=EN).



Determination

The Competition and Consumer Protection Commission, in accordance with section 21(2)(a) of the Competition Act 2002, as amended, has determined that, in its opinion, the result of the proposed transaction whereby Apollo Global Management Inc., through Aurora Bidco LLC, would acquire the equity of GE Capital Asset Finance GK, PK AirFinance Sàrl, PK AirFinance US, Inc. and certain assets of PK Transportation Finance Ireland Limited will not be to substantially lessen competition in any market for goods or services in the State, and, accordingly, that the acquisition may be put into effect.

For the Competition and Consumer Protection Commission

Brian McHugh
Member
Competition and Consumer Protection Commission

