

# Redexis Gas sale, Spain

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The formal auction process for the sale of Redexis Gas ran from 2016 into the first quarter of 2017, with owner Goldman Sachs Infrastructure Partners (GSIP) putting 100% of the company on the market. Although the auction was subsequently called off in favour of only an 18.8% sell-down to existing managed account investors, *IJGlobal* understands that GSIP may yet sell its majority stake.

## A different deal reached

Asset manager GSIP owns its shares in Spanish natural gas and liquefied petroleum gas transmission and distribution company Redexis Gas through two of its funds. GSIP had been managing accounts as well for about 31% for two pension funds: the UK's Universities Superannuation Scheme and ATP from Denmark.

On 28 May 2017, GSIP announced that its co-investors – USS and ATP – would buy a further 18.8% of equity in Redexis Gas, an asset GSIP first took control of in 2010. USS and ATP's combined shareholding rose to 49.9%, while the two GSIP funds remain invested with a majority holding of 50.1%.

The new shareholding is:

- GSIP – 50.1%
- USS – 30%
- ATP – 19.9%

This agreement was made, *IJGlobal* has learned, at a much higher valuation than for similar recent transactions. The amount that USS and ATP will pay for their combined 18.8% equity is at an enterprise value of nearly €3 billion (\$3.4bn). Based on EBITDA of €157.1 million, the multiple on is nearly 19x according to two sources, though some suggest it was closer to 20x.

In comparison, [Energias de Portugal \(EDP\) accepted a binding offer](#) in March 2017 to sell its Spanish gas distribution business Naturgas to JP Morgan Asset Management, Abu Dhabi Investment Council and Swiss Life. That deal was at an enterprise valuation representing 15.7x 2016 EBITDA.

However, it is worth noting that the pension funds on Redexis (USS and ATP) have this time invested directly in the 18.8%, and therefore gained governance rights, a source said, and had entered at a lower price with their first investment through manager GSIP.

## The abandoned auction

This deal was agreed in late May 2017, but since late 2016 bidders had been competing for 100% of shares in Redexis Gas in a formal auction run by Goldman Sachs and Citi.

The sale attracted fund managers and institutional investors from Asia, Europe and North America.

The two main rival consortia in the final round were:

- First State Investments and Canada Pension Plan Investment Board (CPPIB)
- Allianz Capital Partners, sovereign investor China Investment Corporation (CIC) and Borealis

However, by the deadline for submission of final binding offers on 22 March 2017 the second consortium had dropped out. *IJGlobal* understands from sources that CIC was the first to walk away, followed by Borealis. It is understood that Allianz was reluctant to back out.

As to the reason for this, one commentator pointed out that [Borealis had been bidding for a stake in UK utility Thames Water](#) around the same time, while another source suggested that some investors in that team had “more mature” portfolios.

After several months only one bid, from First State and CPPIB, had been received and GSIP failed to announce an outcome for the auction. *IJGlobal* learned that the sole bidder made an offer exceeding €2.5 billion enterprise value. But despite that being the figure bandied around in the press as its target price, GSIP clearly felt the chasm between target price and final offer was too large to accept.

For such a core regulated economic infrastructure asset it was unusual that it only drew one bid, another participant said, adding two to three were the norm.

### **The majority stake**

Importantly the majority stake (50.1%) of Redexis Gas remains with GSIP’s two funds and *IJGlobal* has picked up indications that they are still seeking to offload it.

*IJGlobal* reported that GSIP approached First State/CPPIB, and Allianz Capital Partners as a former interested parties to offer them this majority stake, using the nearly 20x EBITDA valuation to be paid by co-investors as the latest benchmark. Both have turned it down based on that valuation, and one source also said that Macquarie was likewise approached but has also rejected it.

Further talks with potential buyers may well be taking place. However, many fund managers and their advisers point to increasing selectivity in the number of deals managers choose to pursue.

GSIP, First State, Allianz Capital Partners, and Macquarie all declined to comment on the deal.

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