

# Budapest Airport, Hungary

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Budapest Airport's sponsors reached financial close on a refinancing of the asset in late July 2017, bringing pricing on debt sharply down as a result of strong performance since the refinancing of 2014.

The refinancing reflect a sharp turnaround in fortunes for the airport. In 2013 the demise of Hungary's national carrier Malev, which accounted for close to half of air traffic at Budapest Liszt Ferenc airport, nearly brought the facility to its knees.

### Pricing

Last' month's refinancing saw a group of commercial banks provide around €800 million (\$948 million), while institutional investors provided about €500 million of the required debt.

Pricing on the institutional tranche is fixed at the high-100bps-over-Euribor level, with 10-year and 15-year tenors.

Meanwhile, pricing on the bank tranche starts at 130bp over Euribor and steps up to 190bp over Euribor over the length of a five-year term.

Compare this to pricing [achieved for a previous refinancing of the airport in 2014](#) which started at the mid-300bps over Euribor and was due to step up over the life of loan.

Even the [repricing of 2015](#), which brought margins down to about 250bp above Euribor, still left pricing much higher than the level achieved last month.

And current debt is all senior, something that the airport couldn't have supported in 2014, noted a source close to the deal.

All of this reflects yearly passenger numbers that rose 12.5% year-on-year to over 10 million in 2015, and 11.1% year-on-year to 11.4 million in 2016, with this year's January-June 5.9 million number pointing to another yearly increase.

And cargo volumes going through the airport have also done well, increasing a whopping 22.7% year-on-year to 112,142 tons in 2016.

### Facing Malev's collapse

The collapse of the national airline Malev in 2012 was triggered by the EU's demand that it pay €130 million that it had received in illegal state subsidies. After that, with debts mounting and suppliers making demands for upfront payments, there was little chance the airline could survive.

And this could have spelt the end for the airport too, especially after two other important airlines--American Airlines and Hainan Airlines--stopped their operations at Budapest airport.

But the airport's fate ultimately reflects the changing dynamics of the European aviation industry, where much of the sector's activity has shifted from expensive, full-service national airlines to low-cost carriers. After Malev's demise, it was Ryan Air that initially came to the rescue, opening a number of new routes at the airport.

And later it was Wizz Air, a Hungarian low-cost airline, which really breathed life back into the asset.

And then others came, too. The number of airlines operating at the airport has risen from 31 in 2011 to 45 in 2017. And the number of destinations has risen from 92 to 111 in that time.

Which means that the share of traffic accounted for by low costs airlines has risen from around 26% in 2011 to about 52-53% over the last three years, according to data provided by the airport.

## Changing ownership

The airport has a turbulent history of changing ownership.

Privatised by the Hungarian government in 2005, a 75% stake was [acquired by BAA](#). That deal was subject to an ultimately unsuccessful challenge by rival bidder Hochtief, which at the time still ran a large airports business.

Then in May 2007 Ferrovial, which had taken over from BAA in 2006, sold the [stake to Hochtief](#).

Finally, Hochtief divested its airports division in a massive [\\$1.4 billion deal](#) closed in 2013 that saw stakes in airports in Athens, Budapest, Düsseldorf, Hamburg, Tirana, and Sydney taken over by Canada's Public Sector Pension Investment Board (PSP Investments).

The airports owners now are:

- AviAlliance (owned by PSP Investments) (55.44%)
- Malton Investment (a subsidiary of Government of Singapore Investment Corporation) (23.33%)
- Caisse de Dépôt et Placement du Québec (21.23%)

Lenders for July 2017's refinancing are:

- Credit Agricole
- MUFG
- Societe Generale
- BNP
- UniCredit
- ING
- HSBC
- Export Development Canada
- K&H Bank
- MKB
- Erste Bank
- Raiffeisen Bank
- The European Bank of Reconstruction and Development
- AllianzGI
- MEAG
- MetLife
- Macquarie Infrastructure Debt Investment Solutions

Advisers on the transaction are:

- Rothschild - financial adviser to the sponsors
- Linklaters - legal adviser to the sponsors

- Allen & Overy - legal adviser to the lenders

\* Image provided by Budapest Liszt Ferenc Airport

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