African Telecoms Deal of the Year 2013 Etisalat Nigeria

21/02/2014

Nigerian mobile operator Etisalat Nigeria closed a well-received and award-winning $650 million financing 2011 for its 3G roll-out. In May 2013 it came back to market for twice that amount, and still met with a warm reception.

At the time the first deal closed, Etisalat Nigeria was still something of a newcomer, after winning its license in 2007. It still assembled a nine-strong group of local lenders for a N82.5 billion ($550 million at then-prevalent rates) local currency tranche and $100 million dollar tranche.

Since then, the Nigerian economy has only improved, and is now on course to become Africas largest. And Etisalats subscriber base in the country has continued to grow, from 10 million at the end of 2011, to 15 million in January 2013.

Etisalats sponsors are Emirates Telecommunications Services (40%), Mubadala Development (30%), both from the United Arab Emirates, and local holding company MyaCynth (30%). The first financing allowed the borrower to roll out a 3G network, and in September 2011, it rolled out a 3.75G HSPA+ network.

The sponsor returned to the Nigerian bank market in 2013, looking for a refinancing of the 2011 deal, and additional capital to fund the installation of 924 base stations. In January 2013 it signed an agreement with Alcatel-Lucent for this phase 6 expansion.

Etisalat has a 15% market share in Nigeria, and strong coverage in all of its 36 states is essential to maintaining that share. Territorial coverage is by now less important than strong indoor coverage. Etisalat hit a total of 6,000 base stations by the end of 2013, and says it wants to add another 1,500 this year.

Nigerian banks again provided the entirety of the new financing, split between a N150 billion naira tranche and $235 million dollar tranche. The new debt, like the first package, has a seven-year tenor, and three-year grace period. The debt is non-recourse to the sponsors, and includes a fixed charge over bank accounts and shares in Nigerian subsidiaries, an assignment of insurance policies, and a floating charge over all other assets.

Financial advisers Citigroup and FBN Capital expanded on the bank group from the first deal. The arrangers of the naira tranche were Access Bank, Ecobank, Fidelity, First Bank of Nigeria, First City Monument Bank, FSDH Merchant Bank, Guaranty Trust Bank, Keystone Bank, Mainstreet Bank, Union Bank of Nigeria, United Bank for Africa, and Zenith Bank. The dollar tranche arrangers were Access Bank, Ecobank, Fidelity Bank, First Bank of Nigeria, Guaranty Trust Bank, Stanbic IBTC Bank, Union Bank of Nigeria, United Bank for Africa, and Zenith Bank.

Emerging Markets Telecommunications Services Ltd

Status

Closed 21 May 2013

Size

$1.235 billion

Description

Refinancing and capital expenditure financing for expansion of Nigerian mobile operators network

Sponsors

Emirates Telecommunications Services, Mubadala Development, MyaCynth

Debt

$1.235 billion, split between N150 billion Naira tranche and $235 million dollar tranche

Financial advisers

Citigroup and FBN Capital

Naira tranche arrangers

Access Bank, Ecobank, Fidelity, First Bank of Nigeria, First City Monument Bank, FSDH Merchant Bank, Guaranty Trust Bank, Keystone Bank, Mainstreet Bank, Union Bank of Nigeria, United Bank for Africa, Zenith Bank

Dollar tranche arrangers

Access Bank, Ecobank, Fidelity Bank, First Bank of Nigeria, Guaranty Trust Bank, Stanbic IBTC Bank, Union Bank of Nigeria, United Bank for Africa, Zenith Bank

Sponsor legal counsel

Norton Rose; Aelex

Lender legal counsel

Banwo & Ighodalo

The commitments from the 12 lenders meant that the naira tranche was 93% oversubscribed, while the dollar tranche was 27% oversubscribed. The response indicates that while there is some pricing tension between the two currencies, telecoms operators are wise to maximise their naira borrowing base.

Etisalat is now an established mobile operator, and established corporate credit in its own right. MTN, which now has a ten-year history of closing jumbo project financings, still stands at number one in the market, and Globacom and Bharti Airtel operate the number two and three slots.

By the end of the third quarter of 2013 there were signs of a slowing in the rate of growth at Etisalat Nigeria, which by then had reached 15.8 million subscribers. Revenue for the third quarter of 2013 was Dh822 million ($224 million), compared to Dh774 million in the same period in 2012.

For now, however, Etisalat is concentrating on winning market share. With such a strong bank following, it will hope to move up a spot or two in the Nigerian subscriber rankings by the end of the decade.