

North American Transport Deal of the Year 2013: Aerostar

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The privatisation of Puerto Rico's Luis Muñoz Marín Airport was one of the first significant, large-scale airport privatisations in the US, and its successful bond financing reaffirmed the market's appetite for airport credits.

Even though the US has by far the greatest number of airports in the world, it has been one of the slowest jurisdictions to embrace privatisation. US Federal Aviation Authority (FAA) launched its Airport Privatization Pilot Program in 1997 to remove regulatory hurdles to the privatisation of initially as many as five (and as of 2012, 10) airports, including one major hub.

Luis Muñoz Marín (LMM) became the first significant commercial airport in the US to be privatised true long-term concession in February 2013. The only other airport that has been privatised was Stewart International Airport, a small airport to the north of New York City, which also did not remain in private hands for very long.

The LMM Airport concession went to the Aerostar Airport Holdings consortium, led by Mexican company Grupo Aeroportuario del Sureste (ASUR) and US private equity firm Highstar Capital, in July 2012. ASUR – the first privatised airport group in Mexico, and the operator of Cancun Airport and eight other airports in southeast Mexico – and Highstar Capital each own 50% of Aerostar.

The transaction closed on 26 February 2013, when Aerostar paid a \$615 million upfront fee to the grantor, the Puerto Rico Public-Private Partnerships Authority (PRPPPA), for the 40-year concession.

The sponsors funded the acquisition with a combination of privately placed bonds and sponsor equity. Royal Bank of Canada and UBS – the sponsors' bookrunners – priced the \$350 million 22-year 4(2) private placement bond issue in early February 2013. The bond had a coupon of 5.75%, slightly inside the indicative yield of 6% for which the sponsors were looking.

Had the bond failed, the sponsors had a fall-back option of using a \$350 million bridge loan that RBC and UBS had offered to provide, split 50/50 during the bidding for the concession.

The financing also includes a three-year \$50 million capital expenditure facility and a \$10 million revolver, both due in 2015. The Aerostar bond attracted about 15 institutional investors, mostly insurance companies, as well as some US pension funds, which took tickets of between \$20 million and \$30 million.

LMM is Puerto Rico's main international airport, and serves two-thirds of the total air traffic that flows in and out of the commonwealth. The airport is located in Isla Verde, Puerto Rico, 4.8km south-east of the commonwealth's capital, San Juan. The airport would be the 12th

Aerostar Airport Holdings, LLC

STATUS

Closed 27 February, 2013

SIZE

\$615 million

DESCRIPTION

40-year concession of Luis Muñoz Marín International Airport in Puerto Rico.

GRANTOR

Puerto Rico Public-Private Partnerships Authority

Sponsors

Highstar Capital and Grupo Aeroportuario del Sureste (ASUR)

Equity

\$327 million

Debt

\$350 million private placement bond, \$50 million capex facility, \$10 million working capital facility

Bond arrangers and financial advisers

RBC, UBS

Grantor financial adviser

Credit Suisse

Grantor legal advisers

Mayer Brown; Pietrantonio Méndez & Alvarez

Legal adviser to the sponsors

Cleary Gottlieb (transaction); Fiddler González & Rodríguez (Puerto Rico); Pillsbury Winthrop Shaw Pittman (tax)

busiest in Latin America and is one of the busiest in the Caribbean. LMM covers about 1,600 acres (647ha) and will be the subject of a re-development project that includes increasing its number of gates from 36 to 43.

The airport has two runways of 10,000ft (3,048m) and 8,016ft. The primary runway runs parallel to the Atlantic and was rebuilt in 1974. The secondary runway runs parallel to PR-26 and was re-opened in February 2008 after being resurfaced. The concession also includes about 4,750 parking spaces.

The sponsors plan to consolidate airport activities from five operating terminals to three, at least temporarily. Luis Muñoz Marín will remain a hub for JetBlue, a New York-based low-cost airline. The airport can process 10 million passengers per year, though it currently only handles 4.1 million.

The LMM privatisation remains the only major deal under the FAA programme. Market participants hope that the deal will become a blueprint for more airport privatisations in the US.

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