

Latin American Airports Deal of the Year 2013: Guarulhos

14/03/2014

The long-term financing for the acquisition of the concession for, and expansion of, São Paulos Guarulhos airport incorporates direct lending from Brazils development bank Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and on-lending from five local commercial banks. It may soon include Brazils largest project bond to date for an airport concession. The BNDES piece, which closed in December 2013, is the banks largest long-term financing for an airport concession.

Aeroporto de Guarulhos Participações (Gru Par), a consortium comprising Invepar and Airports Company South Africa (ACSA), won the concession for Brazils busiest airport in 2012. Gru Par owns 51%* of concession company Concessionária do Aeroporto Internacional de Guarulhos, while Brazils national airport authority, Infraero, owns 49%. The Guarulhos concession requires the construction of a heliport, new passenger and cargo terminals, as well as general airport restoration and expansion.

Gru Par, with the help of financial adviser BNP Paribas, closed a two-year R1.2 billion (\$513 million) bridge loan with BNDES in 2012. The facility benefitted from standby guarantees from Banco do Brasil (R300 million), Itaú BBA (R300 million), HSBC (R200 million), Banco Votorantim (R200 million), Bradesco (R100 million), BNP (R50 million) and BTG Pactual (R50 million). The sponsors planned to replace it with longer-term debt.

BNDES typically provides long-term, low-cost debt for local infrastructure projects, and dominates infrastructure finance in Brazil. But demands on its resources are likely to be immense, given the priority that Brazils president Dilma Rousseff has given to upgrades to Brazils creaking logistics network. So the bank has increasingly sought to share individual project risk with commercial lenders, selling on per project exposures of between 30% and 50%.

The Guarulhos bridge loan was non-recourse, unlike most BNDES bridge loans, which typically call on sponsor support. BNDES provided funding for five lenders to lend on to the concession under the repasse structure. BNDES provided R2.43 billion, while the other lenders Banco do Brasil, Bradesco, HSBC, Itaú and Caixa Econômica Federal (CEF) lent a combined R1.038 billion, split into five equal tickets. Both the BNDES and the repasse tranches have tenors of 14 years.

The project company is likely to issue two R300 million tranches of local infrastructure debentures, which would rank pari passu with the bank debt. As Project Finance went to press, the concessionaire had started a road show for the first bond issue, and planned to price the bonds on 11 March 2014. Banco do Brasil, Bradesco and HSBC are bookrunners for the 12-year issue. Fitch provisionally rates the debentures AA and estimates the first bond will price at 750bp over the IPCA inflation index. The second round of bonds is expected to come to

Concessionária do Aeroporto Internacional de Guarulhos

STATUS

Closed 13 December 2013

SIZE

R4.07 billion

DESCRIPTION

Concession for Brazils busiest airport, Guarulhos in São Paulo

SPONSORS

Infraero (49%) and Aeroporto de Guarulhos Participações (51%, split 90/10 between Invepar and ACSA)

DEBT

R3.47 billion

LENDER

BNDES

REPASSE LENDERS

Banco do Brasil, Bradesco, HSBC, Itaú BBA, CEF

SPONSOR FINANCIAL ADVISER

BNP Paribas

BORROWER LEGAL ADVISER

Pinheiro Neto Advogados

ACSAS LEGAL COUNSEL

Lefosse Advogados

COMMERCIAL LENDERS LEGAL ADVISER

Machado, Meyer, Sendacz e Opice Advogados

ENVIRONMENTAL CONSULTANT

Geotech Brasil

MARKET AND TECHNICAL CONSULTANT

market by 2015.

Steer Davies Gleave

Infrastructure debentures are a relatively new asset class in Brazil. The proceeds of these real-denominated bonds can be used to finance or refinance infrastructure projects, and are tax exempt for foreign and individual investors if they have a minimum average term of four years.

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Before Invepar launched the initial Guarulhos bond, toll road concessionaires had issued infrastructure debentures. The most recent significant offering was from the São Paulo Rodovias do Tietê toll road concessionaire, which sold R1.1 billion (\$500 million) in July 2013, despite market volatility.

BNDES encourages the use of these bonds, by giving its loans a more bond investor-friendly amortisation schedule, as long as bonds meet 10-15% of total project debt requirements.

The Guarulhos debt was one of the largest transportation deals to close in Latin America in 2013. If it manages to mix large bank debt and bond tranches it will also make airport debt an almost mainstream Brazilian asset class. In fact Viracopos, a smaller nearby airport, was poised to beat Guarulhos to market with a R300 million bond issue. Brasilia airport, another 2012 award, may also replicate this structure, though on a smaller scale. Bank and bond debt is also possible for Rio de Janeiro Galeão and Minas Gerais Confins airports, which were awarded in November 2013.

**Article updated 14/3/14 to correct project company equity stakes*

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