Asia-Pacific Refinancing Deal of the Year 2013: Senoko Energy

14/03/2014

The S$2.6 billion ($2 billion) refinancing of Senoko Energy is a repeat Deal of the Year win for Senoko. Four years ago Senoko closed a well-received S$2.57 billion refinancing of its existing acquisition debt facilities. Those facilities supported the acquisition of Senoko by Lion Energy, comprising GDF Suez (30%), Marubeni (30%), Kansai Electric (15%) Kyushu Electric and JBIC (10%).

The 2009 refinancing took place against the backdrop of the financial crisis and a decline in demand for energy in Singapore. Senokos earnings before interest, tax, depreciation and amortisation (Ebitda) had declined materially, meaning that the borrower was in technical breach of the covenants on its acquisition bridge facility, and was only able to close the refinancing after seeking a waiver from lenders.

Since then the companys credit profile has grown stronger, and the refinancing took advantage of this improvement, replacing senior secured and mezzanine facilities with new corporate debt. Senoko was able to negotiate far looser debt terms with lenders and was able to reduce pricing on the debt.

Senoko is Singapores largest power generator, with an installed capacity of 3,300MW, equivalent to around a quarters of the countrys electricity consumption. The Lion Energy consortium bought Senoko from Temasek in 2008, and financed the purchase with a S$2.8 billion bridge facility.

The following year the sponsors closed a long-term project financing that refinanced the acquisition bridge. The debt comprised a S$2.35 billion 5-year term loan from a club of 16 banks ANZ, BNP Paribas, BTMU, Calyon, DBS, Fortis, ING, KBC, Mizuho, NAB, Natixis, OCBC, RBS, SMBC, SG and Sumitomo Trust plus S$220 million in dollar-denominated mezzanine debt from the Development Bank of Japan,

Senoko Energy Pte Ltd

STATUS

Financial close 21 June 2013

SIZE

S$2.6 billion

DESCRIPTION

Refinancing of 3,300MW generation portfolio in Singapore

SPONSORS

GDF Suez (30%), Marubeni (30%), Kansai Electric (15%) Kyushu Electric and JBIC (10%)

MANDATED LEAD ARRANGERS

BTMU, DBS (coordinating bank), Mizuho (facility agent), OCBC (account bank), SMBC

SPONSORS LEGAL ADVISER

Allen & Gledhill

LENDERS LEGAL ADVISER

Rajah & Tann

LENDERS MARKET CONSULTANT

IPA

The sponsors decided to refinance the bridge slightly earlier than planned after Senoko breached some of its covenants, which is understood to have triggered an increase in margins. Following the 2009 refinancing the sponsors were able to achieve a more flexible maturity profile and pricing at around 300bp, though the deal featured restrictive covenants that limited the generators operational flexibility.

The November 2009 close on the refinancing preceded an asset restructuring in January the following year, in which the sponsors pushed the debt down from the bidding company for the acquisition to the operating company in order to maximise tax efficiencies. The holding company, Lion Energy Holdings, has since been dissolved.

Senoko Energy has also since also closed a S$1.075 billion mezzanine debt facility, which refinanced the yen-denominated loan that Senoko used to finance the conversion of three 250MW oil-fired power plants to two 430MW gas-fired combined cycle plants. The 2013 refinancing replaces both that mezzanine and the remaining 2009 debt.

The latest refinancing comprises a S$1.9 billion 7-year bullet facility and a S$700 million fully amortising loan. The bullet facility refinances both the senior and mezzanine debt from 2009, while the amortising facility replaces the repowering loan. Senoko has already drawn on the bullet facility and will draw on the amortising facility when the repowering loan matures in August this year.

The debt comes from a club of five banks BTMU, DBS, Mizuho, OCBC and SMBC. On the bullet facility, DBS is the largest lender, with a ticket of S$759.9 million, followed by OCBC with S$482.2 million and the three other banks with S$219.3 million each. For the amortising loan, DBS took S$280 million, OCBC S$177.7 million, and the three Japanese lenders S$80.8 million each.

The sponsors never formally disclosed pricing on the loan, although the all-in costs (which includes up-front fees) are understood to be between 150bp and 175bp. The tight margins available to the borrower are understood to be the main reason that the borrower sought an early refinancing, although the added operational flexibility of the debts unsecured corporate structure is also a factor.

The added flexibility allowed the borrower to use existing cash to pay down part of the senior, mezzanine and repowering facilities. The deal has very few covenants, other than some restrictions on permitted indebtedness, which grants the borrower a lot more flexibility in how it allocates its cash flow and negotiates contracts with suppliers and customers.

The minimalist covenant package probably suits the business profile of the borrower. Senoko sells its electricity on the National Electricity Market of Singapore and, other than short-term retail arrangements, has no offtake contracts.