Breaking a Radius and slashing bonuses

Angus Leslie Melville

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Cancellation of the auction for Ørsted's Danish power distribution and street lighting businesses – Radius and City Light – has become a bone of contention for the infrastructure market as bidders are sent packing.

The sale process was this week scrapped at shortlist stage – non-binding bids having been submitted towards the end of last year – for a deal that at one stage had five teams lined up.

Loss of political support is being blamed for the reversal in fortune with few expressing surprise that the deal was canned, rather that such a politically-sensitive situation came to market in the first place.

And why would it come as a surprise?

Wounds have yet to heal from the 2014 brouhaha when funds managed by Goldman Sachs – working with Danish pension funds Arbejdsmarkedets Tillægspension (ATP) and PFA Pension Forsikringsaktieselskab – acquired a stake in Dong Energy (now Ørsted) for DKr 11 billion (US$2 billion: 2014 exchange rate).

At the time, there was public outrage at the price paid for the stake in Ørsted, ire that proved well-founded in the summer of 2016 when an IPO revealed that Goldman had doubled the value of its 17.9% stake in the company.

In view of that, it came as little surprise to many observers that Denmark pulled the plug on Radius' sale. As one source familiar with the deal describes it, saying "it's a small country and a massive asset".

As to why it took so long for Denmark to kill it off, one source says: "The political process does not necessarily follow the same timeline as M&A processes."

IJGlobal understands that five teams submitted non-binding bids:

- SEAS-NVE
- QIC / APG Asset Management
- First State Investments
- OMERS Infrastructure / PKA AIP
- CDPQ

We were in the process of identifying the shortlist – pretty confident that SEAS-NVE (Danish energy company owned by Zealand-based consumers) made the grade – but curiously we lost interest when the deal bit the dust.

Ach well, it could be worse…

While the loss of a chunky M&A deal at a reasonably advanced stage is frustrating, it could be a whole lot worse. You could be working at ING where, by now, you will have been told that bonuses are being slashed.

We hear that outside the Netherlands – where the 20% is in effect, in any case – MD bonuses have been slashed by 50%, directors and VPs are down by around one-third, while junior staff would do well to manage their expectations (they weren't that high in the first place).

This cut-back is being blamed on the €775 million fine imposed on the bank last September for years of permitting money laundering. This is the second time ING has been fined for failing to prevent illegal transactions (last one in 2012 for $619 million), but this time staff are bearing the brunt.

However, while it bears all the hallmarks of a one-off hit on bonuses, sources are deeply sceptical that this measure is in response to the latest fine… rather the redrawing of the bonus landscape.

And it seems a little unfair, given the successful year ING has enjoyed over the last year where it has tended to come just behind the Japanese banks in quarterly league tables, and just ahead of the French.

A swift perusal of the *IJGlobal* project finance MLA league tables for 2018 – which are still being updated to give a view on the last year of infrastructure lending – shows ING currently sitting in fourth place with $5.7 billion lent across the world.

The Dutch bank sits just behind Société Générale, but a fair chunk adrift of MUFG Bank and SMBC (order subject to change as data is still being input), with 3.82% market share of the global project finance lending environment, having been involved in 66 deals.

Don't worry guys, you'll get your reward in heaven.