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**VIDEO TRANSCRIPT OF TFI-NEWS INTERVIEW WITH SEBASTIAN BULL,  
CFO, ASSOCIATED BRITISH PORTS**

**INTRO:** Associated British Ports recently completed the refinancing of its acquisition debt put in place when the group was taken private in 2006, securing 2.36 billion Sterling in fresh finance, no mean feat in today's tough economic climate.

TFI News met ABP's CFO, Sebastian Bull, to discuss the refinancing in more detail. I started off asking him to run through the nuts and bolts of the new financing structure put in place.

**BULL:** We've raised both, new subordinated debt from our sponsors and senior debt, being a mixture of bond finance and bank facilities.

In terms of the senior funding, we've started off with 1.9 billion drawn, which is 500 million of 15 year bonds, 1.4 billion of drawn bank debt, that's at three maturities, 850 million with a 3-year maturity, 325 million with a 5-year maturity and 375 million with a 7-year maturity.

Complementing those drawn facilities, we've got three on drawn facilities; 250 million capital expenditure facility, 75 million working capital facility and 130 million liquidity facility, which is designed to provide one year's debt service, in the event that there is insufficient cash flows up to the borrowing entities.

**TFI:** It's a mixture of bank and bond debt, with the majority of debt from the banks, which is surprising, how come there wasn't more appetite for bond paper?

**BULL:** I mean it's a good question and I guess, at the heart of it, you are correct. The expectation is that over time we would expect to move probably 75 percent of our funding into the bond market, however, initially, I guess there were two main factors which drove the combination we started with.

The first and probably the most significant, is that we have quite a significant interest rate, market-to-market position. We had £2.2 billion of long-dated interest rates swaps that were hedging the interest rate on the acquisition debt, put in place in 2006.

The interest rates on those swaps at 4.7, was actually a very good rate, by historical terms and we were and are very happy to pay that rate. The problem is, with current extremely low interest rates and pushed lower in the latter part of last year through further quantitative easing and as a consequence of the problems in the Eurozone, that triggers a significant negative market-to-market and in order to refinance bank debt with fixed rate bonds, which as far as the sterling market is concerned, is where bonds are at the moment, it requires cancelling the interest rate swaps and cancelling the swaps has a huge cost at the moment, so we needed to keep that cost down by only issuing 500 million of bonds.

I guess secondly, it's also the case that we have opened up, sort of the Port Sector in the U.K. as far as the bond market is concerned and as far as ABP is concerned, we were a new issuer and with the very difficult market backdrop in the latter part of last year, there was practically a limit to the amount of new issuance that one could expect to put into the market at a favourable price.

**TFI:** With that perspective of your experience of refinancing, what advice or thoughts would you have for other asset owners who are going to refinance their portfolios?

**BULL:** A very good point, I mean, I guess, as a first comment, it's just certainly the case that it's not going to be easy and particularity where people are looking, to borrow either, large sums of money or are highly leveraged or I guess in many cases, both.

In terms of messages, I guess, three things. Firstly, there's just no doubt that one has to be very well prepared. As far as ABP is concerned, we were working on this transaction for over a year prior to finally completing it, in December last year.

The second, is that one needs to be able to 'get all one's ducks in a row', so that one is in a position to move quickly, as far as implementing a couple of markets, the issues concerned, given the way in which the 'windows of opportunity', literally open and close day by day and from week to week.

And, I guess thirdly, in our case, the fact that we are viewed as absolutely core infrastructure and the very resilient performance that we demonstrated in the downturn in 2009, were both key in terms of the positive reaction that we got from the capital markets.

**TFI:** Were the original lenders pushing for refinancing, sooner, rather than later and also, a note on the line up of bankers, there is a distinct lack of European banks on the final line up, what are the reasons for that?

**BULL:** There wasn't any pressure from our banks to move. Indeed, I think it's fair to say that some of them were slightly surprised that we moved as early as we did. The reason for that was that we felt strongly that it would be advantageous to be seen to be proactive. It meant that there was absolutely no

sense of us having our 'back against the wall', in terms of needing to do the refinancing and that enabled us to actually engender quite a real sense of competition amongst the bank's group, back in September/October, when we were putting the group together.

In terms of banks within the group, yes, I mean, you're right. We've ended up with three of the four, sort of the core U.K. banks and no core European banks which unfortunately, I think is a reflection of, you know, everything, one reads about, in terms of the European issues at this point.

**TFI:** Looking at the group's finances now, obviously key to getting a refinancing is the bottom line, your profit. The ABP model is the "landlord model" which works well in minimizing volume risk and also you were able to gain an overall rating as well, with regards to the bond issue, the first U.K. port to obtain that, in 10 years. Does that mean other ports who don't adopt the same "landlord model" won't get a rating for any bonds that they may release in the future?

**BULL:** I don't think one can say that. I guess there are two or three points, I mean, the first is that Fitch, one of the rating agencies did publish, towards the second half of last year, a methodology for rating port companies and that methodology specifically contemplates different sort of ownership and business models and indeed sets out different financial parameters for each model and in forming a rating, the agencies clearly take into account a range of issues, not just business risk profile.

Leverage, for instance, is another key issue, so I think it's quite possible for although port operators to get ratings. Indeed DP World, not a U.K. company but it was rated 'Triple B minus' last year, by Fitch and has successfully raised finance, albeit, at a considerably lower level of leverage than ABP has.

**TFI:** And looking forward to 2013, 2014, now, what's the expectations for the business and new areas for investment?

**BULL:** We are reasonably positive about the prospects for the business. Clearly, it's a very difficult, immediate backdrop, there's quite a lot of talk of potentially another recession hitting us in the first part of 2012.

As far as our business is concerned, as you've touched on, the "landlord model" does mean that we are more resilient than most to those recessionary pressures.

And as far as growth is concerned, the Renewable Energy Sector is potentially an exciting avenue for us and we are looking at a number of projects in that arena, both, biomass projects, for instance with Drax, the largest power station in the U.K. and there are a couple of wind farm projects, the largest is in connection with Siemens at Hove.

**TFI:** Sebastian thank you very much. Thank you.

**END**

