

# Sofiyska voda's Refinancing deal

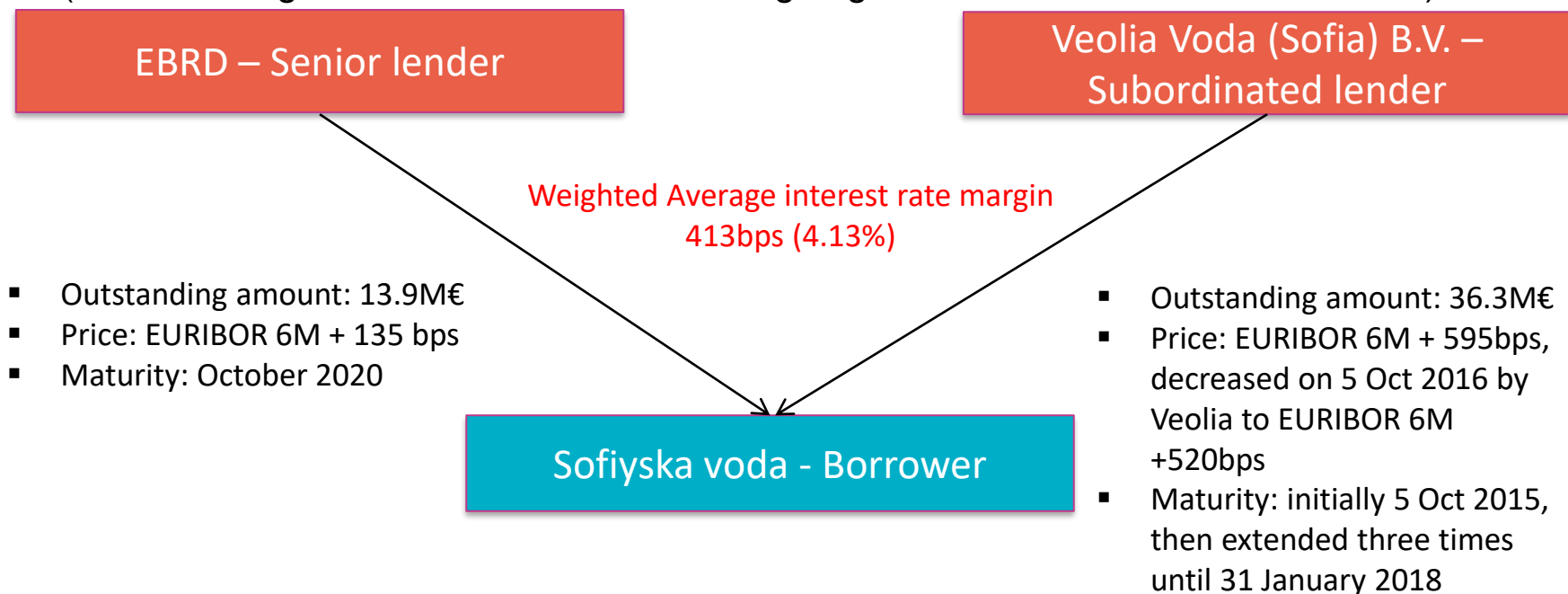


# Refinancing – undertaken steps and achieved results

# Refinancing – the previous financial obligations

- **The company was financed through two external facilities – Senior and Subordinated**

(this financing model was determined at signing the Concession contract in 1999)



**NB:** In April-May 2016, the company conducted a market survey with 10 leading banking institutions in Bulgaria, showing that banks have no interest in refinancing due to lack of regulatory transparency.

# Refinancing – why

- Approved by the Regulator Business plan 2017 – 2021 setting up the tariffs for a 5-years term and respectively making the company's financial resources more predictable and stable. Moreover, the full repayment of the two loans is envisaged in the Business plan 2017-2021 as well as in the amended Concession contract where inability to repay is representing an event of default.
- Very favorable market conditions in terms of interest rates, contractual conditions and appetite for financing of stable and predictable businesses expressed by the banking institutions;
- Since the company did not have sufficient cash to repay the Subordinated debt on its maturity date, the tenor of the debt was extended twice. The last maturity date of the loan was **31 March 2018**;
- Municipality of Sofia expressed its support towards the planned by the company refinancing;

# Refinancing – how

- May 2017 – based on the approved Business Plan and prices for 2017 - 2021 the refinancing process started by preparation of Request for proposals (RfP);
- 23th June 2017 – a pre-approved by Sofisyka Voda group of 16 banks were invited to submit Initial bids;
- 8 offers were submitted from 11 banks (one joint bid from two Bulgarian banks part of KBC Group);
- In parallel with the competitive tender, a discussion with EBRD for the refinancing was initiated. EBRD submitted their proposal on June 30<sup>th</sup>;
- July 2017 – the shortlisted banks did their final due diligence and SV made management presentations and Q&A sessions with all short-listed banks.

# Refinancing – how (1)

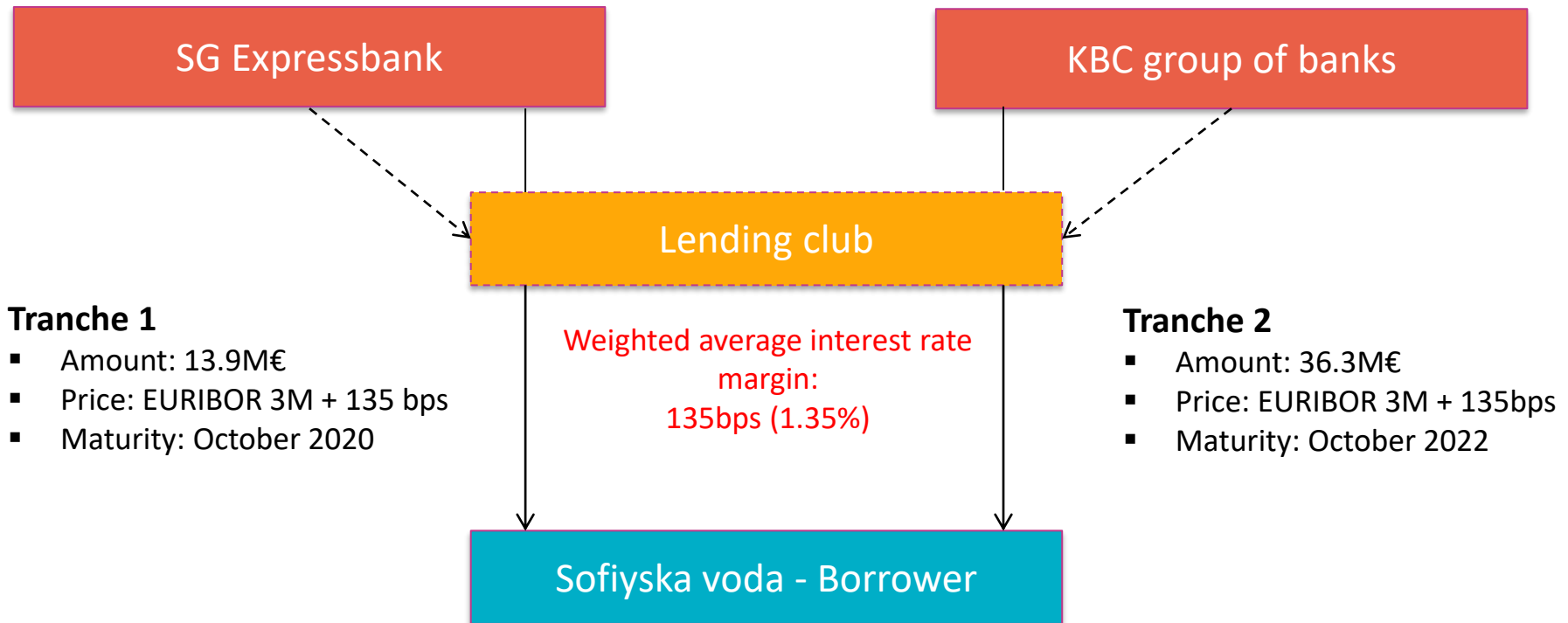
- End July 2017 – six final offers were submitted
- Based on the total cost of funding (interest, fees and expenses) over the period of the refinancing loan, the best offers were proposed by the following bidders: EBRD/ING (3.43%) followed by SG Expressbank/KBC Group banks (3.67% ), and CITI (5.35%);
- After the evaluation of the bids, Sofiyska voda decided to continue the process with two clubs: SG Expressbank/KBC banks and EBRD/ING club;
- During their final internal approval stage EBRD decided not to further participate in the process of refinancing;
- October 2017 – Sofisyka Voda started exclusive contract negotiations with SG Expressbank/KBC banks club.

# Refinancing – main parameters

- November 2017 – the negotiations with SG Expressbank/KBC group of banks were finalized as the following parameters were fixed:
  - ❑ *Amount: 50 270 149 in two tranches: Tranche 1–EUR 13 908 500 for refinancing of EBRD loan (Senior loan); Tranche 2–EUR 36 361 649 to refinance the Subordinated debt;*
  - ❑ *Currency: EUR*
  - ❑ *Rate: 3 M Euribor plus 135 bps*
  - ❑ *Upfront fee: 75 bps on the principal amount*
  - ❑ *Annual fees: nil*
  - ❑ *Principal repayments: quarterly installments starting at 31/3/2018*
  - ❑ *Tenor: Tranche 1 matures on 30/9/2020; Tranche 2 matures on 30/09/2022*
  - ❑ *Financial covenants as follows:*
    - *Annual Debt Service Coverage Ratio (ADSCR): not less than 1.5 for the periods until the 31.12.2019 and not less than 1.2 for the periods from the 01.01.2020 until the full repayment of the loan*
    - *the ratio between the balance value of Sofiyska Voda equity and the balance value of Sofiyska Voda assets shall be greater than 0.5*

# Refinancing – the new financial obligations

- The company will be financed through one external facility provided by a club of two banks



- ***Saving of around BGN 6 MLN. will be achieved as a result of this transaction. That saving will be invested in the WSS network on top of the investments envisaged in the company's Business plan 2017 – 2021. That additional investment is part of the renegotiated Concession contract.***



# The completion of the refinancing project

- The proposed changes of the Concession contract and the parameters of the refinancing deal were voted by Sofia Municipal Council on 24<sup>th</sup> March 2018;
- Following the signing of the amended Concession Agreement, the actual disbursement of the new loan took place as well as the repayment of the debts to EBRD and Veolia Voda (Sofia) B.V. on 28<sup>th</sup> March 2018;
- Sofiyska voda succeeded to financially close in 2018 a complex refinancing transaction, interrelated with the renegotiations of the Concession contract and dependent on the parameters of the company's Business plan 2017-2021. The deal is considered to be one of the biggest deals in the banking sector in the country for 2017-2018;
- **The whole loan amount (Tranche 1 and Tranche 2) was fully repaid in 2021;**

**THANK YOU FOR YOUR ATTENTION!**

