

# NatWest supports Innova Energy's 57MWp UK solar PV portfolio refinancing with our first ever SONIA-linked Project Finance £30m Term Loan Facility



## Key Terms

<b>Borrower</b>	Innova Energy Holdings Limited
<b>Signing Date</b>	17 <sup>th</sup> Sep 2020
<b>Facilities</b>	£30m Term Loan Facility
<b>Purpose</b>	(i) Refinancing of existing solar PV portfolio, (ii) funding acquisition of future solar PV assets, and (iii) existing assets extensions
<b>Tenor</b>	3 years
<b>Reference Rate</b>	SONIA

## Deal Background

- Innova Energy (“**Innova**”), a new to bank PE-backed renewable energy generator has mandated NatWest to provide a short dated £30m Term Loan backed by a mixed portfolio of UK rooftop and ground-mounted solar PV projects with a total installed capacity of 57 MW (“**the Transaction**” or “**Project Lorax**”). Innova Energy are part of the Innova Group (founded in 2015), a UK based firm focused on developing, acquiring and operating renewable assets and providing consulting services.
- The portfolio comprises of 14 ground-mounted sites, 5 large rooftop sites and 2 rooftop portfolios consisting of smaller assets located predominantly in England and Wales. Portfolio capacity is set to increase to 70 MW due to a pipeline of solar PV acquisitions and ongoing extension of 2 existing sites in advanced stages of development.
- Approximately £20m of the facility was used to refinance Innova’s existing debt facilities backed by their existing solar portfolio, whilst an additional c. £10m will be used to acquire new operational assets.
- NatWest funded Project Lorax on a bilateral basis, whilst NatWest Markets (“**NWM**”) were also mandated as the Sole Hedging Bank. Innova sought an experienced clearing bank within the UK solar sector to support the creation of a long term funding platform to align with their growth plans.

## Transaction Highlights

- Project Lorax highlights our continued efforts in supporting the decarbonisation of the energy sector and contributes towards NatWest Group’s £20bn target for climate and sustainable finance by the end of 2022.
- This is NatWest’s first SONIA-linked project finance transaction; it demonstrates our leadership in developing the SONIA lending market and we also believe this to be a first for the renewables project finance market.
- The Deal Team (“**DT**”) engaged with Innova early on during the structuring process to investigate the option of adopting a day one SONIA reference rate for the facility and the practicality of doing so. Collaboration between the DT, Lending Product Franchise and NWM whilst also drawing upon NatWest’s experience in structuring and administering SONIA facilities enabled the DT to offer Innova a SONIA facility as a viable option early on in the deal. The Lorax facility follows the recent BoE RFR Working Group recommendation for SONIA loans which uses the 5-day lookback (lag) methodology for the compounded SONIA rate calculation.
- NWM supported Innova with managing the project’s long-term interest costs and the inflation exposure linked to the revenue stream. NWM provided guidance on how the risks can be managed and kept Innova updated on market developments throughout the process. Despite hedging not being a requirement for the Transaction, Innova elected to pre-hedge the RPI exposure a month before financial close to have certainty over the project’s future cashflows. At financial close Innova also transacted a SONIA swap to mitigate the interest rate risk associated with the financing.
- The Transaction adds to NatWest’s strong track record in the UK solar market, where we continue to deliver strong intellectual capital and ancillary income while providing value add for the clients.

