

South West Water

First conversion of an existing LIBOR loan to SONIA basis; and First SONIA Sustainable RCF



“The Group is pleased to have completed our first SONIA transaction with Natwest, this is a positive step towards the planned transition away from Libor in 2021. The transaction provides Pennon with the early opportunity to input to the required documentation changes and to ensure our internal systems and procedures are able to process SONIA based loan facilities “

Susan Davy, CFO

- South West Water and NatWest have delivered the first amendment and restatement of an existing LIBOR loan facility to SONIA, supported by the principle of achieving minimal value transfer. It is also the first sterling SONIA sustainable RCF in existence.
- South West Water is the water and wastewater service provider for a population of c. 1.7 million people in Cornwall, Devon, and parts of Somerset and Dorset. The company is part of the Pennon Group Plc, a FTSE 250 company that provides water and waste management services, and also owns Viridor which owns and operates a number of Energy Recovery Facilities and recycling plants.
- This SONIA amendment and restatement exercise is the second transaction completed in the pilot scheme NatWest is running with a small number of corporate customers, before launching SONIA lending more widely later this year in response to support the transition away from LIBOR by the end of 2021.
- Similar to the earlier National Express RCF transaction and in line with the methodology already used in the sterling public bond market, SONIA will be applied using daily compounding with a five day reset lag.
- To achieve minimal value transfer, the agreed margin includes the SONIA / LIBOR spread using the linear interpolation to the final maturity date of the 3m LIBOR vs SONIA Basis. The remaining pricing metrics stay the same as in the existing documentation. Other documentation changes include the breakage costs approach and the fall back provisions.
- The transaction further demonstrates NatWest’s credentials in SONIA loan market development, as well as South West Water’s proactive and forward looking approach to managing the transition away from LIBOR, as a proof of concept and test of systems and procedures.

By working in partnership with first-movers, we are developing a range of solutions to support customers seeking to transition away from LIBOR