ABP Acquisitions UK Limited

KEEPING BRITAIN TRADING

GBP 150,000,000

Term Loan

Mandated Lead Arranger & Facility Agent

RBS

May 2020
United Kingdom

Key Terms

Borrower	ABP Acquisitions UK Limited
Rating	A- / Baa2
Signing Date	27 May 2020
Purpose	GCP
Facility	£150m Term Loan
Tenor	2 years

ABP secures new term loan and removes LIBOR risk with switch mechanic

Transaction Highlights

- Associated British Ports ("ABP") is the UK's largest port operator (portfolio of 21 ports) and a market leader in the sector
- In April, ABP approached NatWest and three other relationship banks to participate in a new £150m term loan facility to refinance existing RCF drawings, in order to both solve a technical issue under the existing CTA structure and to restore the liquidity headroom under the core RCF
- ABP has been at the forefront of IBOR transition, having completed the first amendment of a GBP FRN to SONIA (NWM Solicitation). Whilst NatWest was able to provide the new term loan on a SONIA basis, this was not possible due to the composition of the rest of the bank club
- NatWest therefore took the lead to set out how a LIBOR 'switch' transaction could be documented and helped create the template used for drafting the facility agreement. Recognising NatWest's market leadership in IBOR reform, ABP sought NatWest's views on certain documentation terms in order to provide comfort to the broader lender group and to help reach a successful outcome
- **This represents the first 'switch' facility for ABP and the first syndicated 'switch' facility where NatWest is acting as Facility Agent**
- The transaction structure also aligns with the regulatory target that all transactions entered into post Q3 2020 should have robust fallbacks and pre-agreed conversion terms documented to facilitate transition ahead of end-2021 without the need for material amendments

LIBOR to SONIA switch mechanics – key features

- The facility is LIBOR day one but will automatically switch to SONIA at the earlier of the 1st anniversary and a LIBOR cessation event occurring. All SONIA related provisions have been pre-agreed and documented so that there is no need for subsequent amendments on the switch date

- The switch to SONIA will occur on the first rollover date post the switch date, in order to avoid operational issues and break costs
- **Reference rate waterfall:** (1) A publicly available screen rate for daily compounded SONIA (not yet in existence); (2) an official Bank of England Index for daily compounded SONIA (expected August 2020); (3) a compounded rate formula as detailed in the agreement and calculated manually by the Agent in arrears, with a 5-day "observation shift" between the observation period and the interest period
- **Fallback rates:** If SONIA is unavailable, then the Bank of England base rate will be used. In the unlikely event that this is not available either then the last available Bank of England base rate will be used to calculate interest. There is no cost of funds concept included
- **A fixed spread adjustment** is added to the reference rate in order to equalise economics relative to LIBOR. This has been calculated based on the ISDA approach, being the 5 year historical median basis spread between SONIA and 3 month LIBOR, and has been fixed at 12bps at signing
- **Interest periods** have been limited to three months only, aligning to the fixed spread adjustment
- **Zero floor**: the reference rate plus the spread adjustment have been floored at zero, seeking to replicate the market convention on LIBOR

The "switch" mechanic removes IBOR transition risk for all parties and limits the syndication and liquidity risk as the SONIA transition will occur at a future date, thereby allowing banks at varying stages of SONIA readiness to participate in such facilities today

NatWest

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