# African Telecoms Deal of the Year 2007

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**MTN Nigeria: Naira notable**

MTN closed a $2 billion capital raising to fund the development and expansion of its telecoms network in Nigeria in October 2007. The financing is one of the largest ever for a telecoms company in the continent.

Standard Bank advised the borrower, and was mandated lead arranger on the loan, which featured three tranches; a $1.6 billion piece in naira, the Nigerian currency, which included a $1.1 billion term loan and a $500 million revolving credit facility and a $400 million US-dollar denominated piece.

The borrower had hoped to raise $1.2 billion in total for its expansion programme, and Standard Bank proposed raising $800 million of the total in the local Nigerian market, and the remaining $400 million in dollar commitments.

However, the Nigerian offering was 2x oversubscribed, and so the sponsor opted to increase its debt to $2 billion.The strength of the offering encouraged the sponsor to move the terms of the debt from a limited recourse package, where there was some access to MTN Nigeria's assets and restrictive covenants, to a non-recourse deal where the borrower was assessed as a standalone corporate credit. Lenders do not enjoy as much security but, according to Joanne Olivier at Standard Bank, the lenders were comfortable because of MTN Nigeria's potential for growth.
Both tranches have a 5-year maturity, but the dollar tranche includes a one-year grace period. Olivier describes the pricing as "tight, as there was no country risk priced in, and no premium".

The naira tranche was priced over NIBOR, the local inter-bank rate, and the dollar tranche, which amortized in equal instalments, was priced over Libor. The margin on the dollar tranche was double that of the naira tranche, due to the implicit country risk for foreign lenders, though banks are said to be comfortable with MTN's credit and have supported it in the past.

The naira debt takes the form of a discounted note issue facility, where the majority of lender commitments are rolled over every three months, except for a minority that provides six-month commitments. Domestic lenders prefer providing commitments with such horizons. For MTN, the benefits from having such a large a large and cheap source of funding outweigh hypothetical liquidity concerns.

In total, 22 lenders committed to the financing, with Standard Bank taking the equivalent of $100 million in the naira syndication and $70 million in dollars through its London branch. A number of banks which had operations in the local and international markets, including Citigroup and Standard Chartered, made commitments in both currencies.

Olivier explains that the unexpected size of the naira contribution comes down to the revived capital base of the country's banks. Nigeria's 500-plus banks were consolidated in November 2005 to just 24 regulated institutions. "The local banks are now hungry to invest in assets, but they are restricted in terms of offshore investments," she says, "there are not many opportunities to invest in naira deals, so there was something of a hothouse effect". The deal closed just three months after it launched.

**MTN Nigeria**

**Status**: Closed October 2007
**Size**: $2 billion
**Location**: Nigeria
**Description**: Development and expansion of telecoms provider network
**Sponsor**: MTN
**Mandated lead arranger and financial adviser**: Standard Bank
**Borrower legal**: Freshfields and internal counsel
**Lender legal**: Norton Rose (international), UUBO (local)