

# Maxis goes large

01/09/2002

This has been a busy few months for Malaysia's telecommunications group, Maxis. One arm of the overall group, Maxis Communications, has just raised M\$3.05 billion (\$803 million) through the sale of 652 million shares to institutional investors and retail investors. Meanwhile a complex four-tranche financing for the group has closed embracing all three Maxis entities.

The overall financing program was arranged by four coordinating arrangers – ABN Amro, Development Bank of Singapore (DBS), Barclays Capital and Sumitomo Mitsui Banking Corp (SMBC) – and includes a \$235 million offshore loan for Maxis Holding and a \$235 standby facility for Maxis Communications. The \$235 million tranche for Maxis Holding partly refinances a \$735 million, 364-day, bridge loan arranged by ABN Amro last year. Funds from the overall package will also be used for working capital purposes. The banks involved received a margin rising from 200bps to 300bps over the life of the facility. Participation fees went up to 24bps.

The remaining two tranches are for Maxis Mobile (100% owned by Maxis Communications) and are comprised of a M\$640 million tranche arranged by 3 domestic banks, RHB Bank, Eon Bank and Commerce International Merchant Bankers (which also brought its affiliate Bumiputra-Commerce Bank into the deal) and another offshore tranche, this time worth \$200 million, which was subsequently swapped into Ringgit. Cross guarantees supported the Maxis Communications and Maxis Mobile tranches but for regulatory reasons did not apply to the holding company tranche. The arrangers can congratulate themselves for closing the transaction within a tight timetable. "We were only formally mandated in April but managed to close the deal by May 16," says an ABN Amro banker.

CIMB and Buhimiputra together underwrote a third of the local currency loan, as did RHB and Eon Bank. The size of the Ringgit loan, which was maximized to match the telecoms operator's Ringgit cashflows, highlights constraints in the local market. Malaysian Banks have already built up considerable exposure to Malaysia's fast evolving telecoms sector. International banks, on the other hand, have limited Ringgit-lending capabilities. A bond financing might have been an option for Maxis given Malaysia's relatively active bond market, but the group was said to prefer the additional flexibility of bank debt over a capital markets deal.

"The bridge loan had to be repaid before the equity issuance in order for Maxis to be able to offer unencumbered shares," comments one banker. In the wake of the success of the share placement, bankers were happy to see the \$235 million tranche for the holding company quickly repaid. At the same time, the standby facility was cancelled.

The financing is not just notable for its size and complexity but because it represents a step up in activity for DBS, particularly in the telecoms market. DBS has built up less exposure to the industry in North America or Europe than most of its banking counterparts. "That meant we were in a position to take a leading role in this deal and another recent large scale telecoms financing, in Italy, for Hutchison's 3G license," says DBS' syndications head in Hong Kong, Peter Chan.

Since DBS has participated in relatively few telecoms projects even in Asia, the market can expect DBS to look with interest at other upcoming telecoms transactions. DBS is currently working with ABN Amro on another telecoms deal in the region.

Tenor for the Maxis Holding tranche was 4.5 years and five years for each of the Maxis Mobile tranches. The shares of

Maxis Mobile secure the facility. In the Holding company loan, ABN Amro committed \$25.7 million, DBS pledged \$22.6 million and Barclays Capital and SMBC provided \$20.3 million each. Two of the lead arrangers, Citigroup and BNP Paribas contributed \$21.6 million and \$17.2 million respectively. The other leads, Credit Agricole Indosuez, Credit Lyonnais, Rabobank and WestLB took \$18.1 million apiece. Co-arrangers, HSBC and HypoVereinsbank committed \$10.8 million each while the other co-arranger Bumiputra-Commerce Bank pledged \$13.5 million.

For the \$200m portion, ABN Amro and DBS committed \$20.5 million each, and Barclays and SMBC provided \$15 million apiece. The lead arrangers Credit Agricole, Rabobank and BNP Paribas each took \$13.5 million, while Citigroup committed \$18 million, Credit Lyonnais absorbed \$15 million, and WestLB absorbed \$10 million. Bumiputra-Commerce Bank injected \$13.5 million, HypoVereinsbank lent \$12 million and HSBC committed \$10 million. Senior manager, Chinatrust Commercial Bank took \$10 million.

Margin for the Holding company tranche (Tranche B) ran from 127.5bps to 175bps linked to a debt to Betide matrix. Fees for the offshore tranches have three levels. Co-arrangers pledging \$20 million or more will earn 50bps, senior managers providing \$15 million to \$19 million gain 40bps and managers taking \$10 million to \$14 million receive 30bps.

For the onshore loan, banks joining the deal receive a margin of 127.5bps over the cost of funds. Front-end fees are set at three different levels: 40bps for M\$75 million or more; 25bps for between M\$50 million and M\$74.9 million; and 12.5bps for M\$25 million to M\$49.9 million.

Milbank Tweed Hadley & McCloy and Malaysian counsel, Chooi and Company represented the banks in the transaction, but Maxis was not represented by an external law firm. Financiers can expect more deal opportunities from Maxis in the near future as Maxis Communications' wholly-owned subsidiary, UMTS, was recently awarded a 3G Spectrum Assignment. Maxis is to submit a detailed business plan to the Malaysian government by the end of this year. The final award of the spectrum assignment is subject to the acceptance of the detailed business plan by the authorities.

Maxis is the largest mobile communications provider in Malaysia with approximately 2.3 million mobile net subscribers as at 31 December 2001 and is the country's second largest telecoms group in terms of revenue.

### **Maxis Refinancing**

Status: Signed July 15

Size: \$838 million equivalent

Location: Malaysia

Description: Refinancing and working capital

Arrangers: ABN Amro, DBS, Barclays Capital, Sumitomo Mitsui Banking Corp

Lawyers to the lenders: Milbank Tweed Hadley & McCloy, Chooi and Company

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