

Perenco: Unreserved success

02/02/2011

In May 2010 Perenco signed a \$2.8 billion syndicated loan, mostly in the form of a reserves-based borrowing facility. The deal is the largest of its kind to be closed in the independent European oil and gas sector, though it is the first time the sponsor has tapped the reserves-based lending market.

Initially capped at \$1.8 billion, the deal is backed by reserves in Africa, South America and the UK, and highlights its shift away from declining North Sea fields.

Perenco has significant room for leverage because it has traditionally funded expansion projects from cash reserves. Early in 2010, Perenco was producing approximately 250,000 bpd, of which 175,000 bpd was net to the company. The new facility will fund capital expenditure on the borrowing base and future acquisitions most notably in Nigeria, where Perenco is in discussions with Shell to acquire fields.

The financing consists of a \$1 billion 4.5-year senior secured revolving borrowing base facility, with the option of increasing to \$2 billion, and a £500 million (\$758 million), 6.5-year standby letter of credit (LC) to cover North Sea abandonment costs.

The deal was led by mandated arrangers Societe Generale (bookrunner), BNP Paribas (bookrunner and facility agent), Credit Agricole (bookrunner), Citigroup and Natixis. Banks that joined with lead arranger status include Bank of Scotland, BTMU, ING Bank, Royal Bank of Scotland and Standard Chartered.

The debt is priced at 300-450bp over Libor on the revolving credit and 150bp on the LC, with fees of between 200-250bp.

Herbert Smith was borrower counsel with Lennox Paton advising on Bahamas law, Appleby on Bermuda law, Maples & Calder on Cayman law, Seward & Kissel on Liberian law, Stibbe on Dutch law and Baer & Karrer on Swiss law. Allen & Overy acted for the lenders.

Status: Signed 5 May 2010

Description: Reserves-based financing to fund acquisitions and capex

Sponsor: Perenco Petroleum

Mandated lead arrangers: BNP Paribas, Credit Agricole, Société Générale, Natixis, Citibank

Lead arrangers: Bank of Scotland, BTMU, ING Bank, Royal Bank of Scotland, Standard Chartered

Sponsor legal counsel: Herbert Smith

Lender legal counsel: Allen & Overy

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-in, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.