

Latin American Social Infrastructure Deal of the Year 2011: La Florida and Maipu

01/03/2012

Grupo Sanjose closed the financing for the UF6.301 million (\$238 million) La Florida and Maipu hospitals concession in Chile on 11 February 2011. The deal was the first healthcare concession in a country with a long history of private investment in infrastructure. The countrys health ministry, Ministerio de Salud, a novice grantor, and public works ministry, Ministerio de Obras Publicas (MOP), a veteran, plan to build on this first deal with at least eight additional hospitals around the country.

The construction plus 15-year design-build-finance-operate- maintain concession includes two hospitals in the Santiago metropolitan area. La Florida will cover 72,000 square metres with 391 beds and Maipu will cover 70,000 square metres with 375 beds. The concession includes supplying medical equipment, a marked departure from the UK, Canadian and Australian model. Sanjose Constructora is the engineering, procurement and construction contractor for the hospitals. Operations are scheduled to begin by the end of this year.

BBVA was lead arranger of the Chilean UF-denominated \$212 million equivalent term loan and \$16 million equivalent VAT revolver financing for project company Concesionaria Sanjose Tecnocontrol. The debt has a tenor of construction plus 15 years and the package priced at 175bp over CLP, which was fixed at 4.37%, during construction and then decreasing to 125bp over CLP during operations. Lenders received a participation fee of between 25bp to and 112.5bp, a 100bp availability fee and a 75bp structuring fee. Banco Bice, Banco Consorcio, Corpbanca, Banco Estado, Itau BBA, Scotiabank, Banco Security participated, leading to a 1.55x oversubscription.

Grupo Sanjose, which is headquartered in Spain, had to renegotiate its corporate debt with Spanish lenders before it could close on the La Florida and Maipu financing. In 2009, before it had won the concession for the two hospitals, it had refinanced its corporate debt as a six-year bullet with 19 banks. The refinancing, which recognised Sanjoses acute exposure to the sickly Spanish real estate market, included prohibitions on any additional indebtedness.

Chilean lenders also worried about this real estate exposure, and required Sanjose to set up a wholly-owned subsidiary in Chile to own the concession and create clear separation between it and the Spanish parent. Grupo Sanjose provided a support agreement to lenders during construction, but at the same time the project raised a local standby letter of credit during this period. In addition, BBVA (Spain) has agreed to buy 15% of the equity in the concession once operations commence, according to sources at the bank.

The health ministry will make availability payments to the concessionaire through the MOP. Capital costs will be recovered with the proceeds of eight UF1.11 million annual payments, while a UF240,000 semi-annual payment will cover operations. The ministries will make variable payments for usage that goes beyond the facilities design capacity.

Miguel Zorita Lees, chief executive of Grupo Sanjose, says the grantors have created a concession model where the risk allocation responds to the requirements of the government, developers and investors. He believes that other countries might benefit from the example, but that Chile will need to persist with its hospital programme or risk interested investors going elsewhere.

The country has not awarded any new hospital concessions since La Florida and Maipu three years ago, but plans more new hospital deals. Prequalification documents for a long-term concession of Antofagasta hospital were released in March 2011 but the deal has yet to move forward. The MOP says the delays are down to on-going project development work and the creation of concession definitions that will work across all of the health ministrys planned projects. The health ministry increased the slate of planned hospitals to ten from eight in 2010.

Zorita says that Grupo Sanjose plans to bid on the new deals and is working with a number of regional investors to create a new fund that would invest in healthcare concessions in Chile, Colombia and Peru. Outside Chile, Peru is the only other country with an active hospital concessions programme, which its national health provider ESSALUD is developing.

Concesionaria Sanjose Tecnocontrol

STATUS: Closed 11 February 2011

SIZE: \$283 million (UF 6.301 million)

LOCATION: Santiago, Chile

DESCRIPTION: 18-year DBFOM of the La Florida and Maipu hospitals

GRANTOR: Ministerio de Salud and Ministerio de Obras Publicas

SPONSOR: Grupo Sanjose

EQUITY: \$55 million

DEBT: \$212 million term loan and \$16 million VAT revolver

LEAD ARRANGER: BBVA

PARTICIPANTS: Banco Bice, Banco Consorcio, Corpbanca, Banco Estado, Itau BBA, Scotiabank, Banco Security

FINANCIAL ADVISER: BBVA

SPONSOR LEGAL: Molina Rios (local), Ashurst (Spain)

LENDER LEGAL: Chadwick & Aldunate (local), Uria Menendez (Spain)

EPC CONTRACTOR: Sanjose Constructora

FINANCIAL MODELLER: Jeria, Martinez y Asociados

GENERAL CONSULTANT: PwC

TECHNICAL CONSULTANT: Cruz y Davila Ingenieros

INSURANCE CONSULTANT: Marsh

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.