

European Sponsor of the Year 2012: Astaldi

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Astaldi's most high-profile project finance success in the last year was closing the financing for the Tuscany hospitals concession. Tuscany was one of the trickiest concessions to come to market in Italy in recent years because it featured multiple assets. Astaldi was also a contractor for the R60 billion (\$2 billion) Western High Speed Diameter concession. The current year is likely to bring benchmark financings for Astaldi in both Italy and Turkey.

Astaldi was established in the 1920s as a construction company for large civil works, but it was only towards the end of the last century that it started to diversify into the concession sector. During this period it reorganised its operations to reflect its increasing international outlook, focusing on six areas: Italy, Central Europe, Turkey and the Middle East, Algeria, Latin America, and North America. Revenues at Astaldi were up to about Eu2.3 billion based on the company's 2011 full-year financial figures, and profits were roughly Eu70 million.

The sponsor has been one of the major players in the development of PPP structures for social infrastructure in Italy. Astaldi signed a Eu125 million (\$170 million) financing in 2005 for the Mestre hospital project, which was the first project financing to close in Italy's healthcare sector. Astaldi is also the sponsor of the Milan Metro concession, which was the first project of its kind to use driverless technology.

Astaldi has been fairly prolific in closing projects in healthcare, and was able to draw on its experience from Mestre for the Tuscany hospitals concession. Although Mestre was a pathfinder deal, the project was far more straightforward than the Tuscany concession, which involved careful structuring in terms of risk apportionment and lender security because of its portfolio characteristics.

Astaldi signed a Eu172.5 million financing in August last year to support the construction of four new hospitals in the Tuscan municipalities of Prato, Pistoia, Lucca and Massa Carrara in central Italy. The 19-year debt came from a club of five banks: BBVA, Centrobanca, Credit Agricole, Dexia-Crediop, and UniCredit on a soft miniperm basis with cash sweeps hitting 100% by 2017. Astaldi was part of the sponsoring consortium, alongside Techint and Pizzarotti.

The deal's key innovation was the way Astaldi was able to structure the deal using an enhanced security package in order to attract cheaper funding without at the same time prejudicing the non-recourse nature of the deal. The project was one of the first transactions in Italy to make use of a floating charge, which acts as a general charge over all of the moveable assets and receivables of the concessionaire.

The deal was structured to support a potential bond refinancing and features a contingent mezzanine facility that would act as a credit enhancement in the event of a capital markets refinancing. Astaldi tries to give itself the best range of refinancing options, including using the capital markets, and most of its projects benefit from ratings from Moody's in the investment grade area. Rated projects include Tuscany hospital (AA3), Mestre hospital (A3), Milan subway line 4 (Baa2), Milan subway line 5 (Baa2), Gebze-Ismir (Baa2) and the third bridge over the Bosphorus (Ba1).

Astaldi has been expanding rapidly into other markets, and roughly half of its group revenue comes from jurisdictions outside Italy, according to its 2011 financial statement. In Turkey, Astaldi is part of the winning consortium for the

Gebze-Ismir toll road project and the third Bosphorus bridge project. The \$9 billion Gebze-Ismir project has hit a slight snag, given the nature of the size of the project and the absence of any subsidies under the terms of the concession, although the sponsors have held negotiations with the government to split the deal into two phases and the deal should sign soon.

Astaldi is also the preferred bidder for the 25-year Etlik hospital concession, which is expected to close shortly, and is likely to be only the second hospital concession to reach financial close after the Kayseri healthcare project. Outside Turkey, Astaldi is also, in a joint venture with Turkey's Içtaş, the engineering, procurement and construction contractor for the Western High-Speed Diameter project in Russia.

The winning consortium, comprising Gazprombank and VTB, signed the Rb60 billion financing for the project in June last year (see p52 this issue). The project was initially awarded to a consortium of European sponsors but had to be retendered because of the difficulty in obtaining enough interest from European lenders to finance a concession, which had a Ruble-denominated revenue stream.

Astaldi's involvement has led to negotiations between the sponsors the Italian export credit agency SACE about providing cover on a portion of the debt. The guarantee would be available in euros, and so should the sponsors decide to use the product it would help attract international lenders to the deal during a broader syndication.

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