

Acquisition of Cory Riverside Energy, UK

Alexandra Dockreay

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When a consortium led by London-based infrastructure fund manager Dalmore Capital emerged as preferred bidder in the sale of UK energy-from-waste (EfW) company Cory Riverside Energy, there was some surprise that a team challenged by several partner drop-outs had made the highest fully-funded offer. The consortium fended off one rival from China and another combining European and Australian partners to buy the trophy asset.

The acquisition of Cory Riverside Energy – at a roughly £1.6 billion (\$1.85 billion) enterprise value – completed on 28 June (2018). The controlling shareholder had been Strategic Value Partners (SVP).

Buyers and sellers

Dalmore's winning consortium took over 100% ownership of Cory Riverside Energy on 28 June. The new owners and their shareholdings are:

- Dalmore Capital, through its [DCF3](#) fund, alongside co-investors from the UK and South Korea – 53%
- Semperian Capital Management, on behalf of [Semperian PPP Investment Partners](#) and TfL Pension Fund – 23%
- Fiera Infrastructure, through [Eaglecrest](#) fund – 13%
- Swiss Life Asset Managers, through fund [Swiss Life Funds \(Lux\) Global Infrastructure Opportunities II](#) – 11%

The deal represents the first EfW acquisition for Fiera Infrastructure and Swiss Life Asset Managers, while Semperian Capital Management's portfolio comprises social infrastructure PPP assets.

Distressed investment firm SVP had been the controlling shareholder of Cory Riverside Energy, and other shareholders included Commerzbank and EQT Credit II. Details of shareholders were emerging from documents even up to a couple of days before the final bid submission, one source advising one of the bidders said.

The group acquired the company in a [debt-to-equity restructuring](#) in mid-2015. SVP took the majority of £350 million junior debt, bought at a discount and converted to equity.

Under SVP's control, the company was simplified, keeping just the "jewel in its crown" – the Riverside Resource Recovery EfW plant in London, for which a [refinancing](#) was completed in March 2017. Biffa acquired the collections business, and Reconomy its waste brokerage business.

The company's name also changed from Cory Environmental to Cory Riverside Energy to reflect the new focus.

Valuation

IJGlobal understands that Dalmore's consortium has valued the company's equity at around £1.1 billion.

The assumed debt, meanwhile, comprises:

- roughly £413 million outstanding senior debt at the Riverside plant operating company level
- roughly £98 million of mezzanine debt owed to former shareholders led by SVP

Enterprise value would be up to a little over £1.6 billion.

Cory Riverside Energy's EBITDA for 2017 was £76 million. The valuation would, therefore, be as high as 21x the 2017 EBITDA.

Existing interest swaps on the existing debt could incur breakage costs of around £100 million as they are out of the money, sources say, though they have not been broken and the debt remains in place.

The sellers are said to have made more than 4x their investment.

Refinancing plans

A refinancing could take place within months sources say, though it will not be in the next few weeks. Final decisions have not been taken on what form the potential refinancing would take.

But there is one solid option for the new owners.

BNP Paribas has made commitments to the consortium that it could underwrite a long-term refinancing in full. BNP Paribas would syndicate it. This refinancing option could potentially replace both the existing Riverside plant debt and the mezzanine debt. Sources suggest pricing could be around 200bp and a tenor in the region of 20 years.

At the outset of the auction, the sell-side financial advisers were sounding out existing banks and the wider market to ascertain if they could offer improved terms on the existing debt, especially as in the meantime the company had won a £170-250 million contract to 2027 (extendable to 2035) to handle waste for the Tower Hamlets Borough, and as the debt market had improved. They were not raising a stapled financing, however.

On the previous refinancing of Cory in 2017, *IJGlobal* reported the seven-year term loan priced at a low 200bp spread initially, stepping up to the high 200s, and the senior 13-year institutional tranche around 250bp above Libor.

IJGlobal understands that Herbert Smith Freehills is legal adviser to the lenders on the upcoming refinancing.

The auction

SVP launched the auction of Cory on 8 February (2018) with the release of information memoranda. However, some prospective bidders had started preparing soon after the February 2017 refinancing.

Sources close to Dalmore Capital said the auction was “a challenging process” for them, because a number of partners that joined the consortium proceeded to drop out – in one case during the second round of the auction.

Amber Infrastructure dropped out earlier on, which various sources say was because of difficulty for its listed fund INPP to raise capital for a trophy deal after it had been trading at a discount. DIF was the partner that dropped out in the second round. There had also been some briefer, less formal talks with BlackRock and Basalt Infrastructure Partners, sources said. Macquarie was in talks to provide an equity bridge at one point, though it was not needed.

Two other final binding bids were submitted on 4 June from:

- Hong Kong-based Cheung Kong Infrastructure (CKI) – advised by RBC and KPMG
- a consortium of UK fund manager Equitix, Australian superannuation money manager QIC and German insurer MEAG – advised by HSBC

Canadian pension fund OMERS Infrastructure and state-controlled Singapore Power are said to have dropped out after making the shortlist. The earlier indicative phase is understood to have also drawn offers from UK water and waste company Pennon Group and UK fund manager Arcus Infrastructure Partners.

The Riverside EfW plant

The 66MW Riverside Resource Recovery Facility is the UK's largest EfW plant. It is located on the banks of the River Thames in Belvedere, East London and has been operating since 2011. It has been running at capacity, handling over 750,000 tonnes of waste diverted from landfill. The plant generated 528GWh of baseload electricity in 2016.

Cory Riverside Energy also owns a fleet of more than 50 barges, five tugs and 1,500 containers for transporting waste on the river directly to the Riverside plant.

The company has waste contracts with seven London boroughs, as well as various commercial and industrial contracts. The borough clients are:

- Bexley
- City of London
- Hammersmith and Fulham
- Kensington and Chelsea
- Lambeth
- Tower Hamlets
- Wandsworth

A source said there is a tender ongoing, in which Cory Riverside Energy has participated, for a contract with Bromley.

Growth opportunities for Cory Riverside Energy

Two projects for Cory Riverside Energy were announced ahead of the auction launching – a [data centre](#) to be powered by the EfW plant and a new mixed-generation energy park on adjacent land.

A public consultation launched in May (2018) for the [Riverside Energy Park](#), a proposed adjacent 96MW hub including EfW, anaerobic digestion, solar panels and battery storage.

Sources involved with bidders for Cory Riverside Energy said that while viewed as a viable project, there was no material development on the energy park during the auction and that there remains some delivery and execution risk associated.

Advisers

Buy-side:

- Macquarie Capital – financial
- Rothschild – financial
- Ashurst – legal
- Mott MacDonald – technical

Sell-side:

- Credit Suisse – financial
- JP Morgan – financial
- Linklaters – legal

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