Suez acquisition – financing details revealed

Claudia Preece

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A consortium of Meridiam, Global Infrastructure Partners (GIP) and Caisse des Dépôts has completed the acquisition (31 January) of French utility Suez with details of the debt package now emerging.

Last June (2021), a consortium of investors came together to acquire the so-called "new Suez" after a protracted battle for the company, and approval from the boards of Suez and Veolia secured at the end of that month (30 June 2021).

They valued the company at €20.50 ($22.93) per share, giving it a total value of €10.4 billion.

The stakes held by the investors are:

- Meridiam – 40%
- GIP – 40%
- Caisse des Dépôts Group with CNP Assurances – 20% (CNP has 8%)

The acquisition debt structure and design was led by Santander and includes 3 facilities:

- €2.25 billion – term loan
- €2.25 billion – bridge loan
- €750 million – revolving credit facility (RCF)

The purpose of the financing is to remove execution risk and provide the consortium with certainty of funds. It is to be “refinanced in the short term via subsequent DCM issuances that will provide long-term financing at an attractive price, especially considering the low credit profile of the deal”.

The offer covered the terms of the MoU, signed 14 May 2021, between Suez, Veolia and the investors.

new Suez is a newly carved-out standalone sustainable group from an industrial and social standpoint with revenues of around €7 billion (of Suez’s total of €17bn). It includes:

- municipal water and solid waste activities in France (including CIRSEE, the main research centre in France)
- activities in Italy (including Suez's stake in Acea)
- the Czech Republic
- Africa (including Lydec)
- Central Asia
- India
- China
- Australia
- the world's digital and environmental activities (SES)

Veolia will retain circa €10 billion of Suez's revenues (including UK, Spain, US, Latin America, Australia and its water technologies businesses).

IJGlobal in April (2021) reported on Meridiam's intention to purchase a 40% stake in what is now known as new Suez.

Prior to the creation of new Suez, in October 2020, Veolia acquired a 29% stake Suez, and proceeded to seek full control of the company.

In February 2021, as the biggest shareholder in the target company, Veolia blocked a rival offer from GIP and Ardian. Following this, in March 2021, Veolia brought infrastructure specialists Meridiam on board as a leading long-term investor, so that Suez could maintain its independence under the partial ownership of Meridiam. (Veolia envisaged that the merger, ceteris paribus, would be completed in Q1 2022).

Later that month (March 2021), Ardian and GIP lodged a proposal which had the capacity to end the impasse in Veolia's campaign to take over Suez. Under the proposal, Ardian and GIP would carve out part of Suez's global operations – those in France as well as some international water activity, and its technology business. Veolia, meanwhile, would take on the remainder of Suez's business, as set out by the proposal. If Veolia were to withdraw its offer within 6 months, Ardian and GIP would make a full public offer for Suez.

However, in the end, Veolia attacked the plans as engendering the dismantling of Suez and accusing directors of putting personal interests first. It then lodged further protests against the proposed deal.

In May 2021 Suez and Veolia signed a definitive agreement to merge, with many conditions, including terminating any agreement on Cleanaway's proposal to buy Suez's local business and the suspension of any other significant disposal. On 11 April 2021 the respective boards reached an agreement in principle on key terms and conditions pursuant to the merger. A share price of €20.50 per Suez share was agreed.

In order to guarantee the terms of the merger, shareholders from both groups needed to:

- subscribe to social commitments for 4 years from the closing of the takeover bid
- undertake to maintain their positions over the long term

This entity is what is now known as "new Suez".