

Autopistas de Antofagasta toll road refinancing, Chile

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Chilean fund Inversiones Infraestructura Dos' refinancing of the Autopistas de Antofagasta toll road concessionaire demonstrates the high level of liquidity in the Chilean market, and a growing appetite among local institutional investors to provide direct loans to infrastructure projects.

The dual-tranche refinancing prepaid bank loans provided by four lenders – Santander, Corpbanca, Banco BCI and BBVA – in 2010. The sponsor managed to increase the size of the original facility from UF5.4 million (\$219.5 million) to UF7.0 million, extend the tenor and achieve a materially better pricing on the debt.

Santander, one of the four banks to originally fund the project, underwrote the entire debt package and syndicated the deal to local commercial lenders Banco Estado, Banco BCI, as well as four insurance companies, MetLife, Vida Security, Confuturo and Bice Vida.

The deal comprises a short, nine-year tranche for UF4 million and a long, 14 year tranche for UF3 million. A combination of banks and insurance companies participated in both tranches, but the shorter tranche comprised mostly commercial lenders while insurance companies dominated the longer tranche.

The transaction allowed for the releveraging of the 320km toll road, which had been open to traffic for just under two years, but which was already performing above the original base case in terms of forecasted traffic levels. Ramp up was already at a good level, so the sponsor decided to look for a financing as the rates were better than those achieved in 2010, *IJGlobal* was told by sources close to the deal.

A good match

The Antofagasta refinancing is evidence of an increased appetite for infrastructure assets from institutional investors, such as insurance companies, over the last couple of years in Chile. The pipeline of fixed income bond transactions in Chile has not been particularly active in recent years, and consequently long-dated syndicated loans denominated in Unidad de Fomento (UF) have become more attractive to these investors.

A change to regulations surrounding the investment by these companies into infrastructure assets was introduced last year (2015). Local banks now have to hold at least a 5% exposure for the life of the deal, compared to 10% previously. The new requirement is understood to be aimed at promoting this kind of financing on behalf of these institutions. Insurance companies are expected to be a lot more focused on these kinds of deals in the near future in Chile.

"We look for long deals at a fixed rate in UF", a Chilean institutional investor told *IJGlobal*. "Most deals in the market are peso- or dollar- denominated, or too short. But we do expect to be involved in more deals".

While some local banks, as in this deal, are demonstrating a willingness to participate in syndications alongside institutional investors, it is sometimes difficult for these players to compete with European banks which can offer attractive terms at a floating rate and do not require prepayment protections. "We need a black out period, just like in a bond term" they said.

Transaction pipeline

There could be more toll road refinancings on the horizon in Chile. A number of highway concessions awarded in the 1990s are approaching maturity. Some of these projects will be retendered by the MOP, but other concessionaires are negotiating directly with the government to extend the term of the concession, to carry out additional improvement or expansion works along the roads. These concessionaires are expected to refinance the existing project debt.

While the energy sector in Chile is very active, particularly in renewables, financings underpinning these projects are typically dollarised, which would require swaps for Chilean insurance companies. But there are potentially opportunities for activity from institutional investors in this space also, *IJGlobal* was told.

Autopista de Antofagasta

Sweden-based Skanska won the 20-year concession to design, build, operate and maintain the Antofagasta toll road in 2010. Construction works included 120km of new lanes, the upgrading of 200km and service roads and intersections. Skanska sold an initial 50% stake in the concessionaire to Inversiones Infraestructura Dos in 2011 for around SKr275 million (approximately \$40 million). The Chilean firm acquired the remaining stake from Skanska for SKr400 million at the end of 2014. The divestment represented the last of Skanska's Latin American operations.

Inversiones Infraestructura Dos is owned by two Chilean public investment funds – Fondo de Inversión Público Penta Las Américas Infraestructura Dos and Fondo de Inversión Público Penta Las Américas Infraestructura Tres – which are both administrated by Chilean fund manager Penta Las Americas.

The Antofagasta highway, which runs through Chile's northern mining region has provided a more reliable and secure route between mines and ports. The road entered partial operation in 2012 and reached full service at the end of 2014.

Advisers

Santander was financial adviser and agent bank. Alcaíno Abogados provided counsel to the sponsor and Morales y Besa advised the lender group.

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