

Axione Infrastructures refinancing, France

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Axione Infrastructures' (AI) recent bond issue - to refinance 11 of its network concessions - saw the French company achieve long term financing of 11 years, a tenor longer than is typical for the telecommunications sector. The €189.1 million (\$255 million) issue to refinance the consolidated network concessions also represents the first project bond involving digital infrastructure for Europe.

In addition this issue is the first telecoms deal to use the European Investment Bank's (EIB) project bond credit enhancement (PBCE) product. Out of the €230 million of unused EU budgetary funding committed to the pilot scheme, the EIB had specifically dedicated €20 million to financing high speed broadband projects. This is a higher proportion than for the energy sector, which received only €10 million, whereas transport took €200 million.

France has a high proportion of rural communities and so the French government has made the roll out of broadband and fibre optics to its countryside a major national priority to stimulate economic growth and meet modern-day demands.

Accessing long-term debt

From 2003-2013 Axione signed design, finance, roll-out, operate concessions with local authorities, with durations of 15 to 20 years. The total costs were about €500 million, of which local authorities met about 50% with subsidies. The last concession will mature in 2027.

AI's long-dated concessions meant that AI sought amortising long-term debt to replace a 2009, €189 million bank loan maturing at the end of 2014. Anne-Christine Champion, global head of infrastructure and projects at Natixis, said that the first element of the refinancing was to achieve long-term debt. In addition she said the pricing achieved on the deal was competitive.

From mid-2013 AI's shareholders were engaged in discussions with the EIB. They decided to use the EIB's credit enhancement support product because it could offer significant comfort to long-term institutional investors, particularly as AI bears all demand risk.

On 23 July 2014 FCT France Broadband Infrastructures priced a €189.1 million issue, with a steadily amortising tenor of 11 years. The bonds are listed on the Euronext Paris stock exchange with a coupon of 2.622%. Natixis placed the bonds to European institutional investors. The investors also subscribed to a €20 million undrawn capital expenditure facility.

The EIB provided an unfunded, subordinated letter of credit equivalent to 20% of the senior debt. Moody's rated the debt Baa2, after a 1.5-notch upgrade as a result of the EIB enhancement.

AI mandated Natixis as financial adviser, sole bookrunner, rating adviser and lead arranger. Credit Agricole and Santander were also co-arrangers.

Under the French legal system, a French securitisation vehicle (FCT) issued the bonds to investors. Natixis as fronting bank advanced a term loan of exactly the same size to the project company and the receivables pass through Natixis to the issuer and then on to bondholders.

Axione Infrastructures - the company

AI, as a standalone broadband and fibre-optic business, is relatively small in the telecoms sector compared with major cable and mobile operators with much larger balance sheets. In 2013 AI recorded EBITDA of €28 million. Orange and AI have a duopoly in France's residential and enterprise broadband networks, though AI has a competitive advantage as it offers TV, voice and internet. Its clients are Internet service providers, with SFR and Bouygues Telecoms the main residential clients.

In 2009 shareholders Bouygues Energies & Services (15%) and state bank Caisse des Dépôts (30%) established AI to consolidate Axione's 12

concessions in one company. FCPR FIDEPPP (an infrastructure fund managed by Mirova and fully subscribed to by BPCE, which is the majority shareholder of Natixis) proceeded to buy a 55% share in AI.

In 2009 Calyon, Caisse d'Épargne and Santander provided €189 million of debt and the shareholders invested in €30.1 million of mezzanine bonds and €38 million of equity. 80% of AI's capital is invested with the remainder allocated to periodic updates.

France's rural broadband plan

It was only from 2004 that French local authorities could legally become neutral network operators and activate fibre under the Public Initiative Network (PIN) framework.

In early 2013 President François Hollande launched his superfast broadband plan, the *Plan France Très Haut Débit*. It aims to raise €20 billion in public and private investment to connect the whole country in 10 years. Under the €13-€14 billion PIN framework part of the plan, public subsidies and loans from Caisse des Dépôts and EIB will supplement private investment.

Since 2013 the pilot phase of the AIB's PBCE initiative has rolled out across Europe. AI is the first telecoms project to reach financial close with the PBCE, and the fourth PBCE deal to close, after financings in Spain, the UK and Belgium.

Champion explained that whilst it is true that the project finance approach is used less often in telecoms than other sectors such as transport, there is a market every year. Several recent structured debt deals in Europe include Antin Infrastructure's purchase of [Bouygues Telecom's mobile towers](#) in 2012 and the UK operator [Arqiva this year launched a refinancing](#) of commercial bank debt partly through a US private placement and with an EIB loan. Natixis is also structuring a [US-Brazil sub-sea telecoms cable, Seabras-1](#).

Champion added, "There was certainly good institutional appetite for this deal. There is still a great need for broadband infrastructure across Europe and we think this deal will pave the way for future transactions."

Advisers

Linklaters was legal adviser to Natixis, and White & Case advised the European Investment Bank. Clifford Chance advised AI. AT Kearney provided technical advice and Marsh insurance advice.

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