

DEALS OF THE YEAR 2013

European Airports
Deal of the Year 2013

Zagreb: New hub

ProjectFinance

Deals of the Year



Zagreb Airport is the first PPP in Croatia since the country's accession to the European Union in July 2013. The ZAIC-A consortium will build and operate a replacement terminal to serve a forecast increase in both business and tourism travel to the capital.

The centerpiece of the €331 million (\$452 million) project is the construction of a 65,000m² passenger terminal for Croatia's capital city, which will increase the capacity of the existing crowded facility from 2 million to 5 million passengers per year. Design and construction of the terminal will cost €243 million, with €88 million to be spent on maintenance over the 30-year life of the concession.

The sponsors of concession company Meunarodna Zračna Luka Zagreb (MZLZ) are Aéroports de Paris Management (AdP, 20.77%), Bouygues Bâtiments International (20.77%), Marguerite Fund (20.77%), the International Finance Corporation (IFC, 17.58%), TAV Airports (15%), Viadukt (5.11%). Bouygues will carry out construction over three years as lead contractor, with Viadukt as a subcontractor. AdP and TAV will operate and maintain the airport.

The upgrade is designed to make Zagreb a hub for travel to the Balkans, in place of Vienna, which currently fulfills that role. "In early 2012 the market was a little shy about this type of transaction, with traffic risk and upfront investment. However support from the IFC, EIB and European Commission was strong, as this is an example of infrastructure investment relaunching the economy, and it motivated investors," says Eric Fleurisson, airport development director at Bouygues Bâtiments International.

In April 2012 Croatia's Ministry of Sea, Transport and Infrastructure awarded a 30-year design, build, finance, operate and maintain concession to the ZAIC-A consortium. A portion of the equity was due to come from the state Croatian insurance company Crosig, but it pulled out in July 2013 after it was privatised. The Marguerite Fund was able to step in once Croatia became a part of the EU.

The sponsors reached financial close on 5 December 2013. Deutsche Bank, the sponsors' financial adviser, put together the non-recourse package. The senior debt breaks down in to an €80 million term loan from the EIB, a €35 million term loan from the IFC and an €80 million term loan from two commercial banks: Deutsche Bank (50%) and UniCredit Bank Austria (50%).

All of the senior debt has a tenor of 17 years, though with a soft mini-perm feature. There is 75% cash sweep after eight years going up to 100% after ten years. This, combined with pricing step-ups, serves an incentive to refinance. UniCredit's local subsidiary Zagrebačka Banka provided a €3.1 million VAT facility with a tenor of 4 years and 5 months.

The total equity contribution from the sponsors is €107

million, including €25 million of undrawn stand-by equity. The total investment came to €331 million, with the remainder met with pre-completion revenues from the existing terminal and shareholder loans during construction. The debt/equity ratio is therefore about 60/40.

Lenders benefit from a reserve account during the ramp-up phase, measures that would reduce leverage if operational performance falls short, and the €25 million in stand-by equity. The Croatian government has given the project company clarity about revenues by offering a flexible tariff regime in line with EU regulations. The government also provides compensation equivalent to all outstanding debt and hedging exposure in the event of termination through sponsor or grantor default.

The engineering, procurement and construction contract is fixed-price lump-sum and date certain. Bouygues has already constructed three new airport terminals in Cyprus and Canada, while Aéroports de Paris and TAV Airports now operate 22 and 13 airports, respectively. PF

STATUS

Financial close 5 December 2013

DESCRIPTION

Construction of a new airport terminal in Zagreb, Croatia under a DBFOM concession.

SIZE

€331 million

SPONSORS

Aéroports de Paris Management (20.77%), Bouygues Bâtiments International (20.77%), Marguerite Fund (20.77%), IFC (17.58%), TAV Airports (15%), Viadukt (5.11%)

GRANTOR

The Croatian Ministry of Sea, Transport and Infrastructure

LENDERS

EIB, Deutsche Bank, IFC, UniCredit

SPONSORS' FINANCIAL ADVISER

Deutsche Bank

SPONSORS' MODELLING ADVISER

PwC

GRANTOR'S FINANCIAL ADVISOR

Deloitte

SPONSORS' LEGAL ADVISERS

Pinsent Masons, Porobilja & Porobilja

LENDERS' LEGAL ADVISERS

Norton Rose Fulbright, Montenegro & Partners

GRANTOR'S LEGAL ADVISER

Hanzecovic

LENDERS' INSURANCE ADVISER

Willis

LENDERS' TECHNICAL ADVISER

Atkins

GRANTOR'S TRANSACTION & TECHNICAL ADVISER

Intervistas

ENVIRONMENTAL CONSULTANT

Egis

TRAFFIC ADVISERS

Mott MacDonald, Avia Solutions

INDEPENDENT ENGINEERS

Arup, Ucka