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Project Finance deal

Angamos

AES Gets Tough

AES's sizable pipeline of projects in LatAm gives it an enviable position when it comes to bargaining with lenders. Chilean unit AES Gener succeeded in closing in October 27 a $989 million project financing with a 17.5-year tenor. Its completion is a testament to the borrower's ability to lean on banks while at the same time proactively ceding ground on price.

The borrower made full use of its clout. "Gener and AES are two companies you don't want to disappoint," says Tobey Collins, the Santiago-based CFO of AES Gener. "We had to remind them of the relationship and the future business." The Virginia-based power generation company has a long pipeline of high quality projects already lined up in the region, including Trinidad & Tobago and El Salvador.

But AES also realized that in such a market, a successful deal would rely heavily on its ability to convince all participants, especially banks and export credit agencies, of the high caliber of project and sponsors.

"This deal required a higher level of attention to detail at every level of analysis," says Collins. "That includes responding to every question and due diligence request," she adds.

When banks began to express discomfort with pricing, it was AES who spearheaded negotiations to address this, says Collins. The loan was originally launched at Libor plus 90 basis points for a covered $715 million tranche, and 135-190 basis points for the commercial and letter of credit (LC) tranches.

"We led the pricing discussion," says Collins. "We were going to do it once and do it right," she adds, noting that AES realized that the banks' request was a fair one, given how the market was moving.

Pricing was flexed twice between August and October: the covered tranche rose to Libor plus 120 and again to Libor plus 150 basis points, while the LC and commercial tranches jumped to 175-220 basis points over Libor, and again to 205-250.

Angamos also saw the first major participation of the Korean Export and Import Corporation (KEIC). Its role in guaranteeing the lion's share of the facility – a $715 million so-called KEIC tranche – allowed the project to increase its debt load.

"There's no way we could have raised $1bn without a covered tranche," says Chad Canfield, head of project finance at AES. While a guarantee is often used as a credit enhancement, in the case of Angamos it was used to draw in participants that might have otherwise hesitated to buy tickets in such a difficult market.

Angamos beats impressive competition like Peru LNG and the São Paulo Metro Line 4. The basic structure remained intact and the company raised almost its entire targeted amount at a tenor that is unlikely to be matched in the region any time soon. **LF**