

THE EXPORT CREDIT AGENCY DEALS OF THE YEAR BIGGER AND BETTER

Transaction: *Altera Shuttle Tankers \$367 million Senior and Junior Secured Amendment and Upsize Facility*

Winners: *DNB, Danske Bank, Korean Development Bank, Nordea, ABN AMRO, K-SURE, KEXIM*

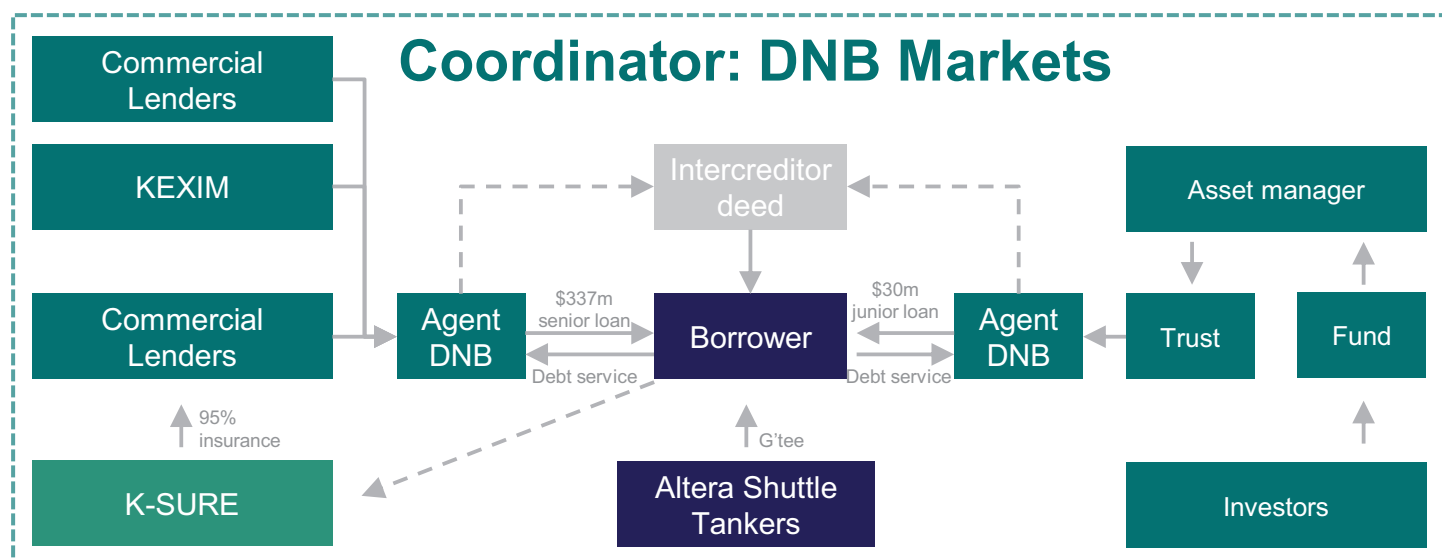
Export Credit Agency financing is also standard fare, done on strict OECD terms and conditions to ensure a level playing field among shipbuilding nations competing for newbuilding orders. There have been some innovations, including wrapping a commer-

cial tranche around the ECA tranche to smooth out the repayment schedule and lower interest costs as well as the ability to replace a portion of the KEXIM loan with guaranteed notes but, for the most part, what the OECD allows is what you get. This year we have

two winning transactions, both of which were non-traditional.

In the first winning transaction, DNB had to find a solution to accommodate Altera Shuttle Tankers' request to include a fourth vessel in an existing loan secured by three 148,200 DWT

shuttle tankers, built in 2017/2018, on time charter through May 2030 to the East Coast Canada Consortium, comprising ExxonMobil, Canada Hibernia, Chevron, Husky, Mosbacher, Murphy, Nalcor, Equinor and Suncor. On the basis of the long-term



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employment with strong counterparties, DNB and Altera were able to negotiate not only an upsizing of the deal, but also a material improvement in the overall terms of the existing facility.

In October 2020, the parties completed a \$106 million upsizing of the existing term loan to partially finance the Altera Thule, a sistership to the other three shuttle tankers. Currently under construction at Samsung Heavy Industries, the vessel is scheduled for delivery in 2022, and will join the others for operation off the

East Coast of Canada. The proceeds of the loan were used to refinance a previously secured bridge loan of \$100 million.

As shown in the chart below, it was a highly structured transaction, consisting of a \$337 million senior loan provided by five existing and new commercial banks and KEXIM, with K-SURE providing 95% insurance. Korean investors, through a trust and asset manager, provided a subordinated loan of \$30 million increasing the total facility for the four ships to \$367 million.

The transaction resulted in the overall improvement of the existing financing, including significant margin reductions, and beneficial pre- and post-delivery financing for the fourth vessel as described below:

- Upsize portion equivalent to an advance of approximately 90% of the fourth vessel's yard cost
- K-SURE margin reduction of 55 bps
- KEXIM margin reduction of ~50 bps
- Commercial margin reduction of 15 bps

- Removal of legacy requirements

The transaction showcases the banks' resilient support for the company and their creativity in transforming a simple commodity transaction into a structure which provided a highly favorable immediate solution, while providing long-term benefits in terms of both cost reductions and eased covenants.

WHEN IN NEED...

Transaction: *Stena AB SEK 10.67 billion Senior Unsecured Multi-Currency Revolving Credit*
Winners: *SEB, Svenska Handelsbanken, Nordea, Swedbank (Arrangers),
 Export Credit Guarantee Board of Sweden (Guarantor)*

In the second transaction — a reflection of the times — export credit guarantees were used not to finance a newbuilding but to provide liquidity for credit support. Stena AB and its ferry business were particularly hard hit by Covid-19, forcing Stena to address the uncertainty of the

longer-term effects of the virus, and ensure that sufficient liquidity buffers were in place. To that end, SEB, Svenska Handelsbanken, Nordea and Swedbank arranged a five-year SEK 10.67 billion (~\$1.1 billion) Multi-currency Revolving Credit Facility for which the Export Credit Guar-

antee Board of Sweden provided 75% cover. Although, as a frequent bond issuer, Stena could have potentially tapped that market, with the support of the Swedish State, the banks put together this liquidity package in a very short time. The fact that the well-being of the ferry business is of vital

importance to Sweden, as it is practically an island from an import/export business perspective, provided sufficient incentive to get the deal done.

