DEALS OF THE YEAR 2012

ProjectFinance
Deals of the Year 2012

European Healthcare Deal of the Year 2012

Tuscany Hospitals: Floating freedom

On 8 August last year, SA.T, a consortium comprising Astaldi (35%), Techint (35%) and Pizzarotti (30%), signed a Eu172.5 million ($230 million) non-recourse financing for the construction of four hospitals in Tuscany, Italy. The deal was the largest healthcare transaction to close in Europe last year, and the project documents signed during the middle of a turbulent period in Italian financial markets.

The deal is first multi-asset PPP financing to close in Italy and involved careful allocation of risk and creation of lender security because of the complexity of the governance of the awarding authority and the portfolio characteristics of the revenue stream. "The deal is quite novel for the Italian project finance market" says Marco Cerritelli, partner at CBA Studio Legale e Tributario, which advised the lenders on the financing. "For the first time in Italy we organised a transaction on a multi-asset basis in the concession sector, whereas the private sector are more aware of the portfolio techniques. Adapting these portfolio techniques to a public concession was one of the challenges."

The project entails the construction of four new hospitals under a 23-year and 2-month design, build, finance, operate and maintain concession. The project was launched as part of a regional health plan aimed at renewing, expanding and increasing the efficiencies of the existing hospital capacity. The four new hospitals will replace existing hospitals in the municipalities of Prato, Pistoia, Lucca and Massa Carrarra.

Sistema Integrato Ospedali Regionali, an entity established as a cooperation agreement between the four municipal healthcare authorities, awarded the project to the Astaldi-led consortium in September 2007. The sponsors are expected to complete construction on all four by the middle of 2013.

The sponsors closed the financing as Eu172.5 million in non-recourse debt, split between five lenders – BBVA, Centrobanca, Credit Agricole, Dexia-Crediop and UniCredit. The financing breaks down into a Eu133 million term loan, a Eu10 million cost overrun facility, a Eu18.5 million revolving credit facility, a Eu8.3 million grants bridge facility and a Eu2.5 million working capital facility.

Both the term loan and the cost overrun facilities have legal maturities of 19 years and 5 months, although from 2017 cash sweeps reach 100%, with the aim of reducing the maturity of both facilities to 14 years. The tenor for the VAT facility is 5 years and 5 months, while the tenor for the grants bridge facility is 2 years and 11 months. The working capital facility has a maturity of 18 years and 11 months.

Both the term loan and the cost overrun facility are partially amortising and have regular 6-monthly repayments after the start of operations, which is designed to mirror the availability payments. The VAT facility and the grants bridge facility have bullet repayments. The working capital facility is revolving in nature, although any outstanding amounts will be met through four semi-annual repayments following its expiration.

The financing is then rounded off with roughly Eu39 million in equity and contingent equity from the sponsors, and the remaining Eu220.5 million taking the form of grants from the public authorities. The pricing on the term loan is relatively subdued, and starts at 420bp during the construction and rises to 485bp following a series of step-ups during the operational phase.

Margins in Italy remain stubbornly high and are usually in excess of 500bp. One of the reasons that the sponsors were able to attract such comparatively low margins in comparison was because the deal was structured to give the lenders greater security over the key assets and cashflows in exchange for cheaper funding.

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The deal was one of the first transactions in Italy to make use of a floating charge, which acts as a general charge operating over all of the moveable assets and credits of the concessionaire in addition to the usual specified mortgages, pledges and securities securing the loan. The time it took to put these charges in place was one of the reasons for the lag between signing and financial close.

The sponsors were adamant that they wanted a solid underlying structure in place in order to allow for a refinancing in the project bond market. The financing structure for Tuscany hospital should allow investors to participate at sponsor-friendly yields. PF

SA.T. SpA

STATUS
Signed 8 August 2012, financial close 11 October 2012

SIZE
Eu432 million

DESCRIPTION
Construction of four new hospitals in the municipalities of Prato, Pistoia, Lucca and Massa Carrarra in central Italy

GRANTOR
Sistema Integrato Ospedali Regionali

SPONSORS
Astaldi (35%), Techint (35%), Pizzarotti (30%)

MLAS
BBVA (hedging bank, documentation bank), Centrobanca, Credit Agricole (documentation bank), Dexia-Crediop (account bank, hedging bank), UniCredit (agent bank, account bank, hedging bank)

SPONSORS' FINANCIAL ADVISER
UniCredit (during tendering phase)

LENDERS' LEGAL ADVISER
CBA Studio Legale e Tributario

LENDERS' INSURANCE ADVISER
AON

TECHNICAL CONSULTANT
Protos

EPC CONTRACTORS
Astaldi, Pizzarotti

O+M CONTRACTORS
Astaldi, Techint, Pizzarotti