DC advisory

DATE

June 27, 2019

SECTORS

Infrastructure

DEAL LOCATIONS

DEAL TEAM

Neale Marvin
Managing Director

Phillip Hyman
Managing Director

Simon Casey

DC Advisory advised Beacon Rail Leasing on the refinancing of its senior debt facilities

Background

- Beacon Rail Leasing (Beacon) owns a diverse portfolio of 337 locomotives (diesel, electric, and dual-mode locomotives operating in freight and passenger services), 550 passenger vehicles (electric units, diesel units, and coaches) and 969 freight wagons
- Beacon's fleet operates in 16 markets across Europe, with c. 60% of its revenue originating in the UK
- In 2017, the company was acquired by the Infrastructure Investment Fund (IIF), a fund managed by J.P. Morgan Asset Management

Process

- DC Advisory (DC) was engaged by Beacon as sole financial advisor to raise a total of €1.45bn of senior debt facilities (including c. €350m of unfunded revolving credit facilities) to refinance Beacon's existing debt and provide additional capacity to finance future rolling stock procurements and acquisitions
- DC facilitated a comprehensive refinancing process, engaging various sources of liquidity in order to address a number of key objectives:
  - Developing a long-term, permanent capital structure incorporating both long-dated PP debt and bank term facilities in Sterling and Euro to reduce refinancing risk and secure a low cost of debt
  - Allowing Beacon the operational flexibility befitting a steady-state, investment-grade company through improved documentation
  - Putting in place revolving capex, working capital, liquidity and maintenance reserve

facilities, alleviating the need for reserve accounts

- As part of the process the DC team delivered a number of detailed work streams including key marketing materials (e.g. management presentations, IM and RFP), business planning, due diligence, financial modelling and sensitivity analysis, debt structuring, and full documentation negotiations

Outcome

- DC delivered a highly competitive refinancing package, the primary features of which were:
  - A new, multi-creditor platform incorporating both banks and institutional lenders
  - A significantly extended and diversified maturity profile
  - Improved covenants and terms, resulting in greater operational and financial flexibility
  - A reduction in the overall cost of debt in spite of a longer average tenor