MAY 2017

GET IN TOUCH

The search for yield continues...

Techniques honed in the more mature US leveraged finance market continue to be imported into European deals and then across to the APAC markets, requiring skilful reworking in some cases to reflect the different legal and insolvency regimes and marketplaces. The march of the direct lenders continues with many now able to take significant tickets and being welcomed by governments in many jurisdictions where previously traditional banks have dominated. The articles in this edition reflect these continuing trends, and of course some regulatory issues, with insights from our US, London, Italian, French, Chinese and Australian teams. Given the cross-over between leveraged loans and high yield bonds we have also included an update for you on what we are seeing currently in HYB terms.

We do hope that you find this edition useful. Feel free to get in touch if you'd like to discuss any topic with us further.

In this edition:

ITALY: Opening the door for alternative lenders

Those of you who have worked on a leveraged loan by non-Italian lenders to an Italian business before 2012 will probably remember it as a rather painful experience, involving fronting bank structures to circumvent withholding tax exposure and the need for banking licences; complex security packages framed by a debtor friendly legal environment and high registration taxes. Happily, over the last few years, the Italian Government has taken many steps to improve the ease of secured lending to Italian businesses. In particular, they have promoted the ability of alternative lenders to lend to Italian businesses and many issues which used to cause complexity have now been addressed. More

China's recent market interventions to discipline capital flows impact Chinese buyers

While Renminbi depreciated significantly in 2016, China's outbound investments have soared to a record high as a result of its "going out" strategy and "one belt, one road" initiative. This has resulted in China's foreign exchange reserves dropping to a record low in recent years. To defend its currency and to curb capital outflow, the Chinese governmental authorities have stepped up their control over outbound investments and acquisitions, aiming at combating irrational or false outbound investments and reducing acquisition risks. More

European High Yield Bonds: Recent trends affecting the covenant package

The trend of more issuer-friendly covenants in European High Yield Bonds has continued, particularly over the past six months. Here is a quick summary of the key changes to the covenant package we have noticed. More

Third Circuit enforces make-whole premium for secured lenders in Energy Future Holdings bankruptcy

Bond indentures and loan agreements often include make-whole provisions to provide protection to lenders and investors in the event of debt repayment prior to maturity. Make-whole provisions work to compensate the investor/lender for any future interest lost when the issuer/borrower repays the note prior to a specific date. The make-whole premium is based on a present value calculation that discounts the payments that would have been received had the debt not been repaid, and is intended to make the investor/lender whole for the payments remaining on the bond/note. A recent Third Circuit decision suggests that the way make-whole provisions are drafted in debt instruments can be crucial in determining the applicability and enforceability of make-whole premiums. More

Debt financing in Australia - an evolving market

Following the trend that has been seen in the US and Europe over the past few years, the landscape for debt financing of PE deals in Australia has recently evolved from being a bank-dominated market to being dominated by non-bank lenders. More

UK Corporate Interest Restriction

In our May 2016 issue we covered European developments on interest deductibility following the OECD's Base Erosion and Profit Shifting Project. At that point, the UK Government had just launched its second consultation on the OECD's recommendations. Fast forward a year and the UK's new corporate interest restriction is likely to become law (possibly from 1 April 2017), depending on the outcome of the election in June and a new Finance Bill subsequently being introduced to Parliament. More

How secured lending in France by alternative lenders is becoming easier

France is bolstering its efforts to make Paris a more attractive financial centre. Direct secured lending by non-traditional lenders is part of the plan. Several recent regulations in France (with more due to be enacted in 2017) demonstrate France's willingness to introduce flexibility where previously the country had a more conservative approach. This article outlines these changes. More

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People News

Stacey Rosenberg has joined the team. Stacey is a well-known practitioner based in LA. Stacey combines her in-depth market experience and transactional knowledge with a unique focus on the entertainment industry.

We are also delighted to announce that **Harriet Roberts** in our London office has just been promoted to Senior Associate.

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A selection of our recent experience

Intermediate Capital Group plc
Advising on the first ever Australian dollar denominated and Australian law governed Term Loan B facility for Iron Mountain's acquisition of Recall Australia.

Phoenix Group
Advising the senior lender group on the financing for the acquisition of the Abbey Life insurance business by Phoenix Group

Cognosante Holdings, LLC
Advising on a senior secured revolving and term loan facility for the refinancing of an existing credit facility, the acquisition of Business Information Technology, LLC, and for general corporate purposes.

Creston PLC
Advising the senior lenders on the financing for the acquisition and subsequent take-private of Creston PLC

Ares Management and Santander
Advising the lenders on the financing for the acquisition of Timico Technologies by Lyceum Capital

Avenue, Northleaf and HSBC
Advising the unitranche and super senior lenders in connection with the acquisition by Vitruvian of the aviation data services business of AXIO Aviation and OAG

Permira and Investec
Advising the unitranche and super senior lenders on the refinancing of the debt facilities of the Autovista Group

Barings
Advising Barings on the unitranche facility to support the acquisition of Michell Instruments by Battery Ventures

Alcentra and RBS
Advising the lenders on the financing of Equistone's acquisition of Apogee Group

QUESTIONS OR COMMENTS?

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