

Turns out, one of the biggest infrastructure projects in WA was engineered by a banker.

The Dampier to Bunbury Natural Gas Pipeline (DBP) is a critical piece of Western Australian infrastructure, delivering power to local industry and providing the fuel residents need to heat their homes and cook their meals. Facilitating a groundbreaking domestic bond issue to fund its infrastructure was Rob Kenna of the Institutional Banking and Markets (IB&M) team. Rob and his team recapitalised DBP with an Australian dollar bond issue and connected them with a pool of Australasian investors who will continue to provide the company with funding for years to come. With Rob's assistance, DBP achieved the most competitive terms available in any market at that time—foreign or domestic.

Testing the waters

When DBP sought to fund infrastructure improvements, they had several options available to them. One such alternative existed in the offshore markets—a fairly common source of long-term debt for many Australian companies. So indeed, for a time, DBP investigated these markets along with a range of other options. This changed, however, as market conditions grew increasingly volatile. Market instability, together with the impact of a foreign basis swap, made the offshore markets significantly less appealing. The cost of doing business there was just too high.

A solution appears

Around this time, Commonwealth Bank's IB&M team engaged DBP with the prospect of refinancing roughly half of their debt through an Australian dollar bond issue. As a lead banker since 2004, the Bank had a track record with the company that included the establishment of six separate debt facilities. Although the domestic bond market was not necessarily the most obvious funding channel, the IB&M group realised it would offer the most attractive terms the market could bear out at that time. What's more, Rob and his team had sufficient market knowledge to determine that investors would ultimately fund significant volumes to DBP. How? According to Rob, it came down to the Bank's extraordinarily close relationship with infrastructure asset investors. "We provided the necessary investor connections throughout Australasia as well as the resources to get them involved,"

Rob said. For DBP that assurance was critical. "DBP needed assurance that the depth of institutional demand in Aussie dollars would be sufficient to ensure good pricing outcomes and that a bulk of their refinancing demands would indeed be supported."

Support in a hurry

"It was critical we got this done for the company in a very short time frame," Rob said. "We were in an improving market but had been through an extremely challenging period. They had spent considerable time and money working through an alternative that ultimately proved unappealing to them. We made a commitment to them that we could get it done, but we were mindful we had very limited time."

A number of firsts

In late December the Bank was lead arranger on a \$575 million domestic bond issuance, supported by more than 20 institutional investors. This was the largest nonfinancial corporate transaction completed in Australia in 2010. The Bank also participated in a \$450 million syndicated debt facility, spreading DBP's debt maturity profile across seven years. For DBP to receive a seven-year tenor was groundbreaking. But even more importantly, it reduced DBP's refinance risk and made their story more compelling to ratings agencies.

Debt that works for DBP

Through its partnership with the Bank, DBP has successfully restructured over \$1 billion in maturing debt. Today they have favorable terms as well as an institutional investor base to help meet their future funding needs. It is of no small consequence that their investors have seen gains from the transaction. "DBP has new relationships to draw upon. And going forward, they'll be building a track record of reliability," Rob said. He attributes his client's successful outcome to the power of the Bank's Total Capital Solutions capabilities. "We were able to pull together pieces from the debt capital markets, leverage our investor relationships and deliver a holistic solution for the company," Rob said.

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A groundbreaking outcome, by all accounts

Beyond the positive impact on DBP's bottom line, the deal reinforces the viability of the Australian market as a meaningful source of finance for a broad audience—an audience that the bulk of debt capital market participants had not recognised before this transaction. "The considerable size of the transaction demonstrates there is significant depth in Australia and that companies across the investment grade spectrum can look to Australia for financing for \$500 million and up," Rob said. "Moreover," Rob added, "the fact that DBP did the transaction in this market shows it was the most competitive financing solution at that time."

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