



Best Africa Project Finance Deal:

Ambatovy Nickel, Madagascar



As the largest-ever project financing in sub-Saharan Africa and among the biggest in the global mining sector, the US\$2.1bn funding for the Ambatovy Nickel mining scheme in Madagascar was by far the stand-out deal on the continent in 2007. It was the first project financing in Madagascar, but nevertheless the borrowers – Ambatovy Mineral and Dynatec Madagascar, a subsidiary of Canadian energy and mining company Sherritt – managed to stretch the tenor of the multiple tranches to 17 years and bring on board five export credit agencies (ECAs) and development banks. Rothschild acted as financial adviser to the developers.

Total project costs of the planned open-pit mine, located in the central highlands some 130km from the capital Antananarivo, are estimated at about US\$3.6bn, giving a debt/equity split of roughly 58/42. Construction and full commissioning is expected to take five-six years, after which the facility will produce 60,000 tonnes a year (t/y) of nickel, 5,600 t/y of cobalt and 190,000 t/y of ammonium sulphate, while first nickel output of some 10,000 t/y is expected in 2010. Sherritt is the technology supplier to the project and owns a 45% equity stake, while the equal long-term nickel offtakers – Japan's Sumitomo Corporation and Korea Resources Corporation (Kores) – will each take 27.5% holdings. Canada's SNC Lavalin, the engineering, procurement and construction contractor, is due to acquire 5% out of Sherritt's holding.

Thanks to the involvement of Sumitomo and Kores, Japan Bank for International Co-operation (JBIC) and Export-Import Bank of Korea (Kexim) were involved in US\$1.35bn of the US\$2.1bn debt package. JBIC both covered a commercial tranche and extended a direct loan, respectively of US\$210mn and US\$490mn, while Kexim did the same to the tune of US\$195mn and US\$455mn. In addition, Export Development Canada provided a US\$300mn facility, while the European Investment Bank and the African Development Bank lent US\$300mn and US\$150mn – all the tranches carrying the same 17-year tenor. Remaining project costs will be met by shareholder equity and loans.

The US\$405mn commercial tranche was structured as a club deal –

with nine mandated lead arrangers (MLAs) signing up to both the JBIC and Kexim tranches, which each carried step-up pricing of 62.5bp pre-completion, 147.5bp for post-completion years one-four, 167.5bp for the following four years and 187.5bp for the remainder of the term. The MLAs were, in order of ticket size, Bank of Tokyo-Mitsubishi UFJ, Sumitomo-Mitsui Banking Corporation, Calyon, ING, Societe Generale, Mizuho Financial Group, BNP Paribas, Shinhan Bank and Woori Bank. The risks to lenders of fluctuating nickel prices were offset by the current buoyant state of global commodities markets and predictions of strongly growing world demand for both nickel and cobalt over the coming years, as well as by the ECA cover.

The life of the mine is estimated at 27 years and is likely to contribute about US\$120m a year to Madagascar's GDP, rendering the project of great importance to the island's economic development.

Deal factfile

Sponsors: Ambatovy Mineral, Dynatec Madagascar

Developers: Sherritt International Corporation (45%), Sumitomo Corporation (27.5%), Korea Resources Corporation (27.5%)

Amount: US\$405mn

Tenor: 17 years

Mandated lead arrangers: Bank of Tokyo-Mitsubishi UFJ, BNP Paribas, Calyon, ING, Mizuho Financial Group, Shinhan Bank, Societe Generale, Sumitomo-Mitsui Banking Corporation, Woori Bank

Export credit agencies/development finance institutions: African Development Bank, European Investment Bank, Export Development Canada, Japan Bank for International Co-operation, Export-Import Bank of Korea

Financial advisor to sponsors: Rothschild

Legal advisor to sponsors: Sullivan & Cromwell