TRANSACTIONS & ENGAGEMENTS

Infrastructure Finance

Independent Treasury, Hedging & Capital Markets Adviser

South African Toll Road Public Private Partnership

EXECUTIVE SUMMARY

Lionel Kruger acted as Independent Treasury, Hedging & Capital Markets Adviser on the refinancing of a major South African toll road public private partnership.

The engagement formed part of a ZAR 3 billion refinancing programme, providing independent treasury, hedging and capital markets advice on financing structures, lender pricing and interest-rate risk.

A principal focus of the mandate was the commercial assessment of the approximately ZAR 1.5 billion inflation-linked ('real rate') debt tranche, including evaluation of lender margins, pricing competitiveness and the relative merits of alternative interest-rate structures.

COMMERCIAL CONTEXT

Long-term infrastructure concessions require financing structures capable of supporting predictable cash flows over multi-decade concession periods. Refinancing decisions must balance funding costs, interest-rate risk, execution certainty and commercial flexibility while satisfying lender and investor requirements.

Independent treasury and capital markets advice provides sponsors with an objective assessment of financing proposals, helping management determine whether lender pricing and funding structures accurately reflect prevailing market conditions.

SCOPE OF ENGAGEMENT

- Treasury and capital markets advisory
- Assessment of inflation-linked and nominal debt structures
- Independent evaluation of lender pricing
- Commercial assessment of interest-rate exposure
- Treasury support during lender negotiations
- Independent review of refinancing proposals

COMMERCIAL OUTCOME

Lead lenders initially proposed a financing margin of approximately 350 basis points on the inflation-linked debt tranche, reflecting the perceived complexity and execution risk of the transaction.

Independent treasury and capital markets analysis provided management with an objective benchmark against prevailing market conditions, strengthening the commercial evaluation of lender proposals during negotiations.

The refinancing ultimately completed at approximately 305 basis points, materially improving the long-term economics of the financing while maintaining execution certainty across the broader ZAR 3 billion refinancing programme.

LKA PERSPECTIVE

Successful infrastructure refinancings are rarely defined by the lowest headline funding cost. Long-term success is more often determined by the quality of financing decisions, pricing discipline and risk allocation. Independent treasury, hedging and capital markets advice complements legal and financial advisers by providing objective analysis of lender pricing, market execution and interest-rate structures, strengthening management's negotiating position throughout the refinancing process.

Career Note: This engagement was undertaken by Lionel Kruger prior to the establishment of Lionel Kruger & Associates Limited. It forms part of his personal professional advisory track record, which continues through the firm's current infrastructure, treasury and capital markets advisory engagements.