

# IN AT THE DEEP END



ABP group treasurer Nathan Dunton makes setting up a treasury function in the UK's largest ports business look like plain sailing

Words: **Sally Percy** / Photography: **Louise Haywood-Schiefer**



Ports are big business in the UK. Since the country is an island nation, around 95% of its imports and exports by volume go by sea. Yet most British citizens understand surprisingly little about our ports.

"It's one of those sectors that just happens and most people rarely know what goes on," observes Nathan Dunton, the Australian group treasurer of Associated British Ports (ABP). "But I like being part of an organisation that has such a pivotal role in the success of the UK economy."

ABP, which is the UK's largest ports group, receives around a quarter of the tonnage that comes into the UK annually. It owns 21 ports in England, Scotland and Wales, including Cardiff, Hull, Immingham and Southampton. Its role is largely that of a landlord, however, since its customers manage most of the daily port operations.

In 1962, ABP began life as the British Transport Docks Board, which was a national industry created by the Transport Act 1981 to manage former railway-owned docks in the UK. It was renamed ABP in the 1980s and floated on the London Stock Exchange. Then, at the height of the private equity boom in 2006, it was bought by a consortium of private investors led by investment bank Goldman Sachs and it has remained in private ownership ever since.

Dunton has been group treasurer of ABP since 2011. He joined the company after a nine-year stint at social housing group Circle Anglia, where he set up the treasury function from scratch before widening his remit to corporate finance. This entailed putting the basic building blocks in place – establishing bank relationships, setting up cash-flow forecasting and cash management, and understanding the operational parts of the business.

"We had very large development cycles in social housing," says Dunton. "Usually Circle aimed to build around 1,000 homes a year. At the peak, we were funding around £400m

of development and acquisitions." By the time he left, Circle had around 65,000 properties under management and a debt of over £2bn. He closed the company's last financing in 2007, issuing a bond just after Lehman's collapsed, "which was challenging, but we got it away".

The move from social housing to infrastructure was sparked by the desire for a fresh challenge and Dunton was intrigued by the ports business. Furthermore, the job of group treasurer at ABP – which was a newly created position – had a lot to offer. "Me, myself and I was the whole treasury team when I started," reflects Dunton. "But I like coming in with a clean sheet of paper and setting something up from scratch."

## Flying start

As it happened, Dunton's experience of setting up big debt structures and accessing the capital markets at Circle was to prove immediately useful at ABP. On the day he started, he found the company in the midst of finalising a new funding structure. It wanted to move away from bank debt and undertake a whole business securitisation so that it could access different sources of funding, in different currencies, using standard terms.

In December 2011, ABP issued its first bond, raising £500m. But it also had £1.9bn of bank debt, of which £1.75bn was due to mature before 2018. "My first role was to refinance all of the short-term debt," Dunton recalls. "In 2012, we did a lot of work on investor relations. We created our investor relations website and carried out investor calls to introduce ABP to investors, and to provide an update on the company structure and performance."

In 2013, ABP refinanced an £850m bridge facility, then, in 2014, it raised nearly £1bn through US private placements (USPPs) and refinancing bank facilities. "We have the ability to access the UK private placement market, but have found our existing banking group, which has been with us since 2011, and the



Nathan Dunton, Associated  
British Ports' group treasurer



## NATHAN'S TOP TIPS FOR SUCCESS

“Get qualified, get experience and get an understanding of the business you work in.”

“Be open to learning from others and always look to improve on what you have done so far.”

“The AMCT provided me with a good technical foundation and an introduction to where the markets operate quite differently in the UK. Membership also provides great opportunities to share ideas with other treasury professionals.”

“My favourite gadget is anything with an ‘i’ in front of it – iPhone, iPad, etc – since it is my window to the world.”

“What is the most difficult question my CFO could ask? They are all difficult, but I would be concerned about the one I should have already known the answer to.”



## NATHAN'S CURRICULUM VITAE

**2011-present**

Group treasurer,  
Associated British Ports

**2009-2011**

Director of corporate finance,  
Circle Anglia

**2002-2009**

Group treasurer,  
Circle Anglia

**1998-2001**

Treasury manager,  
Griffith University

**1994-1998**

Performance analyst,  
Suncorp Metway Bank

### **Qualifications:**

AMCT (2008)

USPP market more flexible to date,” Dunton explains.

What investors like about ABP is the diversity of the products that go through its ports. It handles coal, biomass, aggregates, fertilisers and building materials, among other products. “We have a large spread of commodities across different ports,” says Dunton, “which is fairly unique. In the recent economic downturn, ABP proved resilient as not all commodities were hit in the same way.” The other advantage that ports have is that they are tangible. “They are not going anywhere. You can go out and see them.”

A further funding source for ABP has been the European Investment Bank (EIB), the EU’s non-profit lending institution. The EIB has put up money to assist the funding of a new berth at Southampton to cater for the largest container ships in the world, as well as the dredging and deepening of the port’s access channel. The EIB has also supported ABP’s investment in the Port of Hull to provide Siemens with

the necessary infrastructure to establish an offshore wind turbine and blade facility with a riverside berth export capability. “EIB funding is project-specific and involves a great deal of technical due diligence, which takes a long time,” Dunton notes. “But it is a cost-effective way to support projects that may not have otherwise proceeded without it.”

That’s not to say that financing a ports business is completely without its challenges. Because ABP is a statutory body corporate constituted by the Transport Act 1981 – rather than through the standard incorporation process – it does have to comply with certain restrictions when it comes to funding. Notably, it may only borrow money and give security for the purpose of developing its ports and port activity.

Overall, ABP’s new funding strategy has been a great success. The result of its refinancing activity is that bank debt as a proportion of overall funding has dropped from 75% in 2011 to around 20% today.



“I believe that the AMCT qualification provides a foundation to build on with practical experience that inevitably reduces the risk of day-to-day activities”

## VITAL STATISTICS

5

of the UK's largest 20 ports by tonnage are operated by ABP

£519.1m

was ABP's revenue in 2014

2,000

people are directly employed by ABP

84,000

jobs are supported by ABP around the UK

£857m

is the amount that ABP is planning to commit in capital and operational investment in Britain's regional economies over the next five years

177

is the age of the Port of Southampton

80%

is the proportion of ABP's waste that was recycled last year

21

ports are owned by ABP and their combined quayside stretches for more than 54 miles

100 million tonnes

of cargo annually, including more than 30 million tonnes of exports, are handled by ABP

£5.6bn

is the amount that ABP contributes to the UK economy every year

**Back to basics**

It wasn't just funding that kept Dunton busy in his new job back in 2011. He also had operational matters to contend with, the most pressing of which was improving the efficiency of the company's cash management.

Dunton started off by looking at what the company was doing with its money and how it was using forecasting. At the time, the individuals who were doing treasury work had no treasury qualifications or experience. Furthermore, the company had no real strategy with regards to its cash. This was something Dunton decided to rectify.

"The company was holding large amounts of cash and it was holding it short so that it was always there the next day," Dunton recalls. "But this created a culture in the organisation of 'We don't need to worry about forecasting because the money's always there'. So when we started reducing the cash holdings for the company, and started investing it in line with forecasts, we quickly realised that the forecasts could be a lot better. Even now, the forecasts have improved dramatically, but there is always room to improve."

In his first six months in the post, Dunton transformed the company's cash management strategy by moving investments away from riskier counterparties and making greater use

of longer-term deposits, which lowered risk and tripled the returns that it got. "The question I asked was: 'When did you last need £100m tomorrow?'" he reflects. "We did continue to hold quite a lot of cash until I got comfortable with the cash flows, but we now hold about a third of what we held when I joined."

In case you're wondering, Dunton has managed to reduce the size of ABP's cash pile from £120m to £40m, by paying back the company's revolving credit facilities. The money that it still has is mostly invested with relationship banks that provide the company with balance sheet and capital. "We're trying to target £20m in cash by the end of next year," Dunton explains. "That's enough headroom to meet our liquidity requirements over the course of a few months."

It's not just cash that Dunton has to manage. There is risk to think about, too. While ABP's FX exposures are minimal, it does have a "considerable energy requirement" that poses financial challenges. "Where we cannot manage pricing risk operationally, we will look to minimise the risk through commodity hedging," Dunton explains.

ABP's treasury team may have been non-existent when Dunton started, but it has since grown by one. He also has two staff members who are dedicated to insurance. The small size of the team is a major reason why Dunton looks

for ACT qualifications when he's hiring treasury staff. "I believe that the AMCT qualification provides a foundation to build on with practical experience that inevitably reduces the risk of day-to-day activities," he says. "It's a worthy investment that pays dividends to both the company and the treasury professional."

Looking to the future, ABP is focused on putting its customers first and developing its ports so that they meet the needs of its customers. An example of this is its investment in wood pellet biomass fuel storage at the ports of Immingham and Hull, which is to meet the demands of the UK biomass-fuelled power stations. Treasury's role in supporting strategy is to access the markets in a timely way, says Dunton. And he works closely with the CFO to present funding and risk management strategies to a committee representing ABP's owners.

Ports might be a big, complicated business in the UK, but treasury's role in making sure that everything runs smoothly in those ports is relatively simple. As Dunton puts it: "We just need to make sure the cash is there when they need it." ♥

Sally Percy is editor of *The Treasurer*