# **BRIGHT LIGHTS**

The 2015 ACT Middle East Deals of the Year Award winners are shining examples of treasurers who have made a difference in challenging times, writes Matthew Hurn

Caution seems to be the watchword in the Middle East at the moment. Ongoing conflicts and sanctions, together with falling oil prices, have affected sentiment in the region.

The markets, too, are cautious. Last year, there was a spate of initial public offerings in the region, but the collapse in oil prices, together with more conservative investor sentiment, has contributed to far more muted conditions this year.

Alongside this, bank funding has become more expensive in some areas due to a shortage of US dollar liquidity. The capital markets are therefore looking an increasingly attractive option for Middle Eastern businesses that want to raise debt, which may mark the beginning of a trend for companies in the region to move away from traditional bank funding and explore alternative financing options instead.

But despite the sense of uncertainty that prevails, the Middle East continues to be a hub of activity. And this is as true for the region's treasury functions as it is for anything else. You only need to take a look at the impressive achievements of the 2015 ACTME Deals of the Year Award winners and runners-up to see how busy treasurers have been.

The deals that we highlight over the coming pages include an innovative shipping finance package and the first supply chain finance programme to be implemented by an airline in the region. But during the judging process, the judges considered a range of deals, including the \$ibn, 10-year convertible bond issued by marine terminal operator DP World, the \$250m Islamic finance facility secured by Kuwait-based mobile and data services operator Zain Group, and the \$500m debut sukuk launched by Dubai Aviation Corporation.

It is pleasing to see how treasury has continued to evolve in the Middle East over the past couple of years, with family businesses, such as Dubai-based logistics company Aramex, investing in their own treasury functions for the first time. Treasury is also gaining greater recognition as companies realise that they need to become more sophisticated about managing their cash and liquidity, risk and financing arrangements.

Raphael de Ricaud, a director of Rothschild, and one of the judges of the awards, was recently asked what he thought makes a standout treasury team in the Middle East. His answer was this: "The treasury teams that stand out have a leader who knows what the ACT is about."

On that note, I would like to take this opportunity to thank my fellow judges, who are treasurers or advisers working in the Middle East, for their help with evaluating the award entries. I hope that you enjoy reading about the winners and the runners-up.



Matthew Hurn is chairman, ACT Middle East, and executive director, head of finance, emerging sectors, at Mubadala Development Company

#### **JUDGING PANEL**

The 2015 ACTME Deals of the Year Awards were judged by:

- Matthew Hurn, executive director, head of finance, emerging sectors, Mubadala Development Company (chairman)
- Peter Matza, engagement director. ACT
- Andrew McMichael, group treasurer, Agility
- Raphael de Ricaud, director, Rothschild
- Gary Slawther, corporate treasurer, OCTAL
- Ricky Thirion, group treasurer, Etihad Airways

#### HOW THE AWARDS WERE JUDGED

This is the sixth year of the ACTME Deals of the Year Awards and there were four award categories in 2015:

- Treasury Funding (cash management, trade finance, supply chain finance, etc);
- Corporate Finance (all methods of capital raising and funding);
- Team of the Year, large enterprise; and
- Team of the Year, small-tomedium enterprise.

The deals and corporate financial management categories were judged according to the criteria of 'excellence in treasury':

- Sound treasury management;
- Efficient pricing;
- Optimal or innovative structure; and
- Relative success in prevailing market conditions.

The Teams of the Year were judged on:

- Sound treasury management;
- Strong technical knowledge and ability;
- Innovation in technology and systems; and
- Ability to build strong relationships with the company's bankers and advisers.

**Note:** In the event that a conflict of interest arose during the judging process, the relevant judge withdrew from the process and decision-making.

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"It's an innovative way of using supply chain finance that we haven't necessarily seen before"



2003 - the year in which Etihad Airways was established by Royal Decree

74% - the proportion of passengers who travelled through Abu Dhabi International Airport in 2014 and were carried by Etihad

568,648 tonnes - the amount of freight and mail flown by Etihad in 2014

{ CATEGORY TREASURY FUNDING – WINNER ETIHAD AIRWAYS }

### **LOOKING AFTER THE LINKS**

Etihad Airways' supply chain finance programme is helping to support the Abu Dhabi government's Economic Vision 2030

Etihad Airways, a national airline of the United Arab Emirates, is one of the fastest-growing airlines in the world.

Knowing that its suppliers are essential to the success of its business, Etihad wanted to offer them a new source of credit and liquidity to help them improve their access to cash flow and to contribute to building a sustainable, vibrant economy in the region.

It also saw supply chain finance (SCF) as a way to support the Abu Dhabi government's Economic Vision 2030 to improve access to finance for suppliers in the region and to strengthen the overall supply chain.

So Etihad launched its own SCF programme, which consists of two phases. During the first phase, a select number of pilot suppliers are being onboarded. During the second phase, SCF will be rolled out to the remaining key suppliers, comprised of non-oil suppliers.

Citi is providing the SCF facility and performing the role of paying agent for the suppliers that are registered under the programme. The programme is fully automated from end to end, using hostto-host connectivity on a dedicated SCF platform.

SCF will benefit Etihad's suppliers by assisting them to receive early payments related to their receivables and giving them access to an alternate source of financing based on Etihad's credit rating.

From Etihad's point of view, the programme helps to cement the buyersupplier relationship and to strengthen its supply chain. It will also enable it to achieve considerable improvements in cash flow and working capital. Furthermore, the

programme is aligned with

Etihad goals of centralisation and automation. By digitising information through the use of electronic invoices, SCF will improve treasury efficiency.

Ricky Thirion, Etihad Airways' group treasurer, said the deal is one of the first SCF transactions in the Middle East and the first for an airline outside the US. "It has achieved its objectives and Etihad is now looking at expanding the programme even further, by including additional suppliers and potentially rolling it out across different Etihad businesses."

Sanjeev Ganjoo, director and head of treasury & trade solutions (Abu Dhabi) at the nominating bank, Citi, said that the programme had "enhanced Etihad's reputation as an innovative and sophisticated treasury operation, while achieving process benefits, such as automation of invoices".





**Ricky Thirion:** "Etihad is improving access to finance for its suppliers"

### **Deal highlights**

Issuer: Etihad Airways Provider: Citi Structure: Supply chain finance programme

The Treasury Funding Award is proudly supported by Abu Dhabi Commercial Bank



### Highly commended BASF Turkey

Chemical giant BASF centralised and standardised treasury practices across the Middle East and North Africa (MENA) into a regional treasury centre in Turkey.

As part of this process, it achieved a centralised and uniform approach to documentation across MENA, which was coordinated from Turkey. It also established direct connectivity between its bank and back-office system to allow regional reporting and efficient data analysis.

A key benefit that the company secured by going down the regional treasury centre route was the fully automated and centralised distribution of salary payments. BASF is also finalising the implementation of SWIFTNet, including MT940 reconciliation.





"Shipping and ships are not easy assets to finance these days. I liked the structuring of the deal. It caught my eye"



1,800<sup>+</sup> – the number of people who are employed by Tristar 15 - the number of countries in which Tristar is present

\$700m - the target revenue that Tristar is aiming to achieve by 2017

 $\{ CATEGORY \, CORPORATE \, FINANCE - WINNER \, TRISTAR \, TRANSPORT \, \}$ 

## DELIVERING THE GOODS

Logistics provider Tristar was able to pay for six tankers, thanks to an innovative financing arrangement

Dubai-based Tristar Transport Group is a logistics provider within the oil, gas and chemicals industry. Established in 1998, it is now majority-owned by logistics giant Agility.

In November 2013, Tristar entered into an agreement with an international oil company to buy six fuelefficient tankers that it would allow the oil company to charter out. Technically, the tankers are owned by a special-purpose company that is funded with equity from Tristar, as well as a junior tranche of debt provided by Banco Santander and a senior tranche of debt provided by four other banks.

Once built, the tankers will be put on a 10-year 'bareboat charter' (where no crew or provisions are included as part of the agreement) to Tristar and simultaneously on a seven-year time charter to the oil company. As the charter obligations do not cover the balloon amount of the senior loan after 10 years, Tristar arranged a residual value insurance provided by a speciality insurance company for the senior loan amount. In addition, the junior lender was willing to take the asset risk on its books.



**Tristar team:** Eugene Mayne, CEO (left), and Shailesh Bildikar, general manager – shipping (right)

Ultimately, Tristar managed to achieve a financing of the vessels with limited commitment from its side due to the junior debt, which reduced the amount of equity needed, and the residual value insurance, which transfers the loan balloon risk to the provider of the residual value insurance, while keeping the upside potential of the asset values for Tristar.

The transaction benefits from a fixed-rate loan that allows Tristar to have a firm projection of its payments during construction, as well as during the 10-year operating period. The hedging takes into account every single drawdown of the six vessels as well as monthly, annuity-style repayments. Overall, Tristar secured the funds at a fair and competitive rate, which gave it 90% loan-to-value financing.

Oliver Ebner, executive director, project finance, at the nominating bank, National Bank of Abu Dhabi, said: "The transaction was priced very sharply. It carries a low margin on the senior debt to reflect the strong, seven-year charter of the international oil company, and an upfront fee that is below comparable shipping transactions."

Agility group treasurer Andrew McMichael said that "perseverance, an excellent team and a desire from all to close the deal" were what ultimately got the transaction across the line.

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### **Deal highlights**

Borrower: Tristar Transport Group, a subsidiary of Agility Junior lender: Banco Santander Senior lenders: Abu Dhabi Commercial Bank, National Australia Bank, National Bank of Abu Dhabi and National Bank of Kuwait Structure: Structured lease backed by a syndicated loan to finance six vessels Amount: \$30m (junior debt) and \$151m (senior debt) Tenor: 10 years

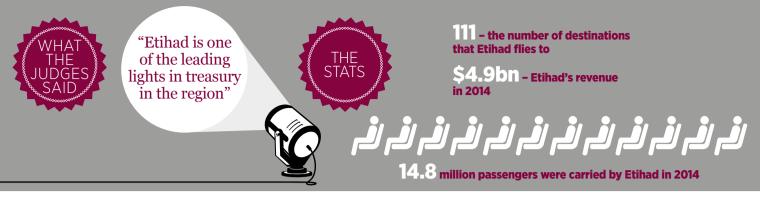


Etisalat, a United Arab Emirates-based telecommunications provider, undertook the region's largest-ever bond issue by a corporate entity in order to partially fund the acquisition of a 53% stake in Maroc Telecom.

The dual-currency (euros and US dollars), four-tranche deal raised the equivalent of around \$4.3bn and received considerable interest from the market. The order book for the two euro tranches reached €7.9bn, while the combined US tranches attracted \$8.2bn in orders. Overall, it was the biggest order book ever seen for a non-sovereign issuer in the Middle East and Africa.

This helped the company to price at the tightest spreads over mid-swaps by an issuer in the Gulf Cooperation Council since 2009.





 $\{ {\rm CATEGORY\,LARGE\,CORPORATE\,TREASURY\,TEAM\,OF\,THE\,YEAR-WINNER\,ETIHAD\,AIRWAYS} \, \}$ 

### **FLYING HIGH**

A comprehensive transformation project has enabled the Etihad Airways treasury team to take off

Under the leadership of group treasurer Ricky Thirion, a 45-strong treasury team has revolutionised treasury management at United Arab Emirates-based Etihad Airways.

It did this by centralising treasury activities and changing existing practices during a period of rapid growth for the business. Local methods for measuring success and failure in treasury were replaced with global objectives and methods for measuring success. The group moved from having a number of back offices with no uniform standards to having a single global back office with standardised practices. It also overhauled its systems, moving away from having multiple systems in different locations to having a coordinated system architecture.

Now, Etihad holds finance team meetings once a year



Members of Etihad Airways' award-winning treasury team

where local finance managers are flown in from all destinations to meet and discuss best practice. Members of the treasury team also travel to various countries to meet, guide and coach the country general managers and their teams on how to efficiently operate from a treasury and banking perspective.

In 2014, Etihad's treasury raised approximately

\$3.7bn worth of financing. It also dealt FX transactions totalling \$3.6bn with 30 counterparties across 51 currencies. In addition, it manages the group's aviation and non-aviation insurance and has recently unveiled an innovative supply chain finance programme (for more, see page 10).

The team continued to play a key role in the implementation of the

### Highly commended DP World

The treasury team of Dubai-based marine terminal operator DP World impressed judges in this category with the groundbreaking financings that they undertook in 2014. These included the \$3bn refinancing of syndicated conventional and Islamic term revolving credit facilities and a \$1bn convertible bond. The team also demonstrated strong technical ability and

sound relationships with the group's bankers, advisers, rating agencies and investors. The law firm that nominated DP World for the award said that the team had "consistently shown strategic foresight" and was "always acutely aware and knowledgeable" about the commercial, legal and administrative sensitivities and issues that accompany all significant projects.



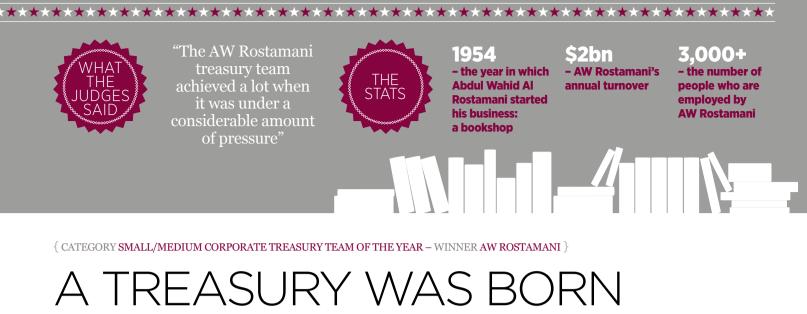
company's strategy in 2014, particularly in the area of M&A. It also focused heavily on people development, launching an ACT Treasury Fundamentals programme, which has been rolled out across all Emirati employees and selected expatriates.

Thirion put the team's success down to the strong support it has received from Etihad's executive management team and board. He added that treasury team members themselves have a strong idea of their individual responsibilities as well as a sound team ethos. "There is a strong, positive, proactive and performance-driven team culture with a focus on mentoring new team members and learning from each other."

Yigit Arslancik, managing director at nominating bank HSBC global banking and markets, said: "The Etihad treasury team remains at the leading edge of ongoing developments in both the aviation and finance industries."

The Large Corporate Treasury Team of the Year Award is proudly supported by **HSBC** 





AW Rostamani has delivered a veritable masterclass in transforming a function in a short space of time

The treasury team of United Arab Emiratesbased conglomerate AW Rostamani consists of just three people, including group treasurer Omar Abu Shaqra. Under Abu Shaqra's leadership, it has evolved from being a small component of the group's accounting department to being a fully fledged, discrete department in its own right over a period of two years.

In his quest for operational excellence, Abu Shaqra reassigned responsibilities, introduced new policies and implemented a treasury management system. He also transferred activities that did not belong in treasury to other departments and spent time educating his team in treasury policies and procedures. The move from manual to automated processes was a significant achievement.



Today, AW Rostamani's treasury has centralised its main functions, including liquidity and risk management, systems implementation, cash pooling and in-house banking. But it has decentralised certain other functions – such as cash forecasting and account management – to businessunit level. As a result of all the work that has been done, AW Rostamani's group treasury now operates in a simplified, more streamlined and efficient manner. This is just as well, given that it not only supports the group, but also its 10 subsidiaries.

Still, that doesn't mean that the team has any plans to stand still. As Abu Shaqra said: "We are always looking to improve our services, so this will require my team to keep looking around and thinking outside of the box."

Paul Bramwell, senior VP at treasury software provider SunGard, which nominated the team for the award, said that Abu Shaqra should be recognised for his achievements and for the "added value that he has brought to the business within a short period of time".





**Omar Abu Shaqra:** Created an excellent treasury function

### Highly commended Lamprell

Lamprell is a family-owned business, based in the United Arab Emirates. It is focused on small, offshore energy-sector projects, such as the repair and modification of drilling rigs. Deputy CFO Tony Wright heads treasury operations and his small team handles cash and liquidity management, as well as market risk management, for the various projects undertaken by the company. In 2014, the team successfully closed a \$600m syndicated facility with a group of relationship banks in order to support ongoing projects and orders estimated to be close to \$4.9bn and scheduled for completion from 2016. The nominating bank noted the "professionalism" of the team and its "close collaboration with its banking partners".

The Small/Medium Corporate Treasury Team of the Year Award is proudly supported by **HSBC** 

