

Protecting infrastructure acquisition financing with deal-contingent hedging

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This challenge is particularly acute when completion of transactions is subject to uncertainty, requiring investors to balance protection against adverse rate movements at signing with flexibility should a deal not complete.

A London-based asset manager faced this challenge while acquiring a US-based chemicals supplier using a mix of debt and equity. The proposed debt structure exposed the company to rising interest costs on floating-rate debt while the deal timeline required a hedging solution that could be implemented pre-closing and remain effective post-closing.

The client therefore needed a tailored solution that could provide deal-contingent flexibility while delivering long-term interest rate protection.

Leveraging its infrastructure and credit expertise, Macquarie designed the hedge to fall away if the acquisition did not complete yet remain in place if it closed, ensuring protection for the client.

This approach helps alleviate some market constraints faced when addressing these risks.

In addition to delivering the hedge, Macquarie supported the acquisition through a \$US52.5 million loan commitment, providing both financing and risk management solutions as part of the transaction.

This transaction demonstrated how Macquarie's integrated lending and markets capabilities can help infrastructure investors benefit from coordinated and comprehensive solutions that meet their complex financing requirements.

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