METINVEST

October 09, 2020

Metinvest extends bond maturity profile

Metinvest, the vertically integrated steel and mining group of companies (jointly referred to as “Metinvest” or “the Group”), has successfully extended the maturity of its outstanding Eurobonds, taking advantage of favourable market conditions. While being effectively a debt-neutral liability management exercise, all bonds due in 2021 and 38% of those due in 2023 have been extended to 2027.

The Group conducted two simultaneous transactions:

- capped tender offers to purchase for cash the US$118,020,158 7.50% Senior Notes due 2021 (the **“2021 bonds**”), of which US$115,309,027.07 were then outstanding, and the US$944,515,000 7.75% Senior Notes due 2023 (the “**2023 bonds**”), of which US$504,515,000.00 were then outstanding, with a concurrent consent solicitation in respect of the 2021 bonds to include an issuer call option

- a new Eurobond offering of US$333 million seven-year maturity bearing a fixed-rate coupon of 7.65% per annum, due on 1 October 2027

The international financial community expressed significant interest in the transactions. The new offering was oversubscribed almost five-fold, as the final book exceeded US$1.6 billion, which made it possible to significantly tighten the issue price during the bookbuilding process and price at a final yield of 7.95%. Meanwhile, early tender participation was 90.3% for the 2021 bonds and 46.7% for the 2023 bonds.

Yuriy Ryzhenkov, CEO of Metinvest, said: “I would like to thank the global investor community – those of you who have been with the Group for a decade now since the debut Eurobond placed in 2010, as well as those who are new to the Metinvest story – for such strong support. This is an excellent testament to the Group’s investment appeal, credibility and trustworthiness.”

Alexander Lyubarev, Director of Corporate Finance and Treasury of Metinvest, said: “Being committed to prudent liability management, we are working systematically to make the Group’s debt maturity profile as smooth as possible to provide Metinvest a more stable and longer-term capital structure with lower refinancing risk. Given the heightened volatility in international capital markets in the post-Covid world, we are satisfied with the transaction structure that we decided to proceed with, as it enabled us to deliver the best possible outcome for the Group. Importantly, any such transaction requires a team effort and I would like to thank everyone involved in this transaction for their personal contributions to make it happen.”

Transaction details

On 15 September 2020, Metinvest announced its intention to issue new notes and launched tender offers to purchase for cash the 2021 bonds and the 2023 bonds. The tender offers were subject to a cap of US$320 million, which covered all amounts payable for such purchase and redemption (excluding interest accrued), provided that the amount of principal outstanding under the 2023 bonds would remain above US$300 million following this transaction. Concurrently, Metinvest also launched a consent solicitation in respect of the 2021 bonds to include the issuer's call option.

Following an intensive two-day marketing campaign, on 17 September 2020, Metinvest successfully priced a US$333 million, seven-year bond at a yield of 7.95% and bearing a fixed rate coupon of 7.65% per annum. The issue price was 98.429% of the principal amount. Most of the bond investors came from the UK (64%), the US (19%) and continental Europe (14%). The investor distribution by type was as follows: fund managers – 90%, banks – 4%, insurance companies and pension funds – 3%, as well as hedge funds and others – 3%. Credit rating agencies Fitch and S&P assigned the new issue a rating at the level of 'BB-' and 'B', respectively.

On 28 September 2020, on the expiration of the early tender and consent solicitation deadlines:

- US$104 million (or 90.3%) of bondholders participated in the tender offer for the 2021 bonds, all of which Metinvest accepted

- US$235 million (or 46.7%) of bondholders participated in the tender offer for the 2023 bonds, of which Metinvest accepted US$193 million after applying the scaling factor

- the consent solicitation in respect of the 2021 bonds passed successfully, as 92.5% of bondholders gave their consent to amend the redemption conditions of this series

While both tender offers will formally expire on 13 October 2020, no further tender instructions will be accepted by Metinvest.

On 1 October 2020, the settlement of the new offering and the early settlement of the tender offers was completed. As a result, the aggregate principal amount now outstanding under the 2021 bonds and the 2023 bonds is US$11,187,021.53 and US$311,238,000.00, respectively.

The remaining 2021 bonds will be redeemed in full on 16 October 2020.

Deutsche Bank and Natixis served as joint global coordinators and, together with IMI Intesa Sanpaolo and Raiffeisen Bank International, acted as joint bookrunners of the new bond offering and joint dealer managers for the tender offers and consent solicitation. On the legal side, Allen & Overy and Avellum advised Metinvest, while Linklaters and Sayenko Kharenko supported the bookrunners.