



# TRANSURBAN DEAL STORY



**Scotiabank®**

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## Scotiabank's North American debt capital solutions help Australia's Transurban Group keep commuters moving

Scotiabank recently showcased its ability to turn strong local relationships and global expertise into tailored, debt capital markets solutions for one of the world's largest toll-road operators.

To help Melbourne's Transurban Group (Transurban) satisfy its long-term capital needs, Scotiabank introduced the major Australian issuer to enthusiastic investors an ocean away. In November 2018 Scotiabank's Debt Capital Markets team successfully delivered a C\$650 million, 10-year maple issue – one of the largest ever maple transactions for an Australian corporate borrower – and then followed up in April 2019 with a US\$619 million equivalent US Private Placement (USPP) for Transurban Queensland (TQ), which earned overwhelming support among North American investors.

### **Leading Australia to North American markets:**

These distinct transactions are milestones in Scotiabank's decade-long lending and capital markets relationship with Transurban. As one of the world's largest toll-road operators – and one of Australia's largest publicly-listed companies – Transurban has built and managed toll routes on two continents over the past 20 years. Today they are recognized for enabling more than 1.5 million daily trips on its roads, from Australia's fast-growth cities, to Washington DC's express lane network, and more recently to the A25 toll road in Montreal, Canada.

Focused on "Keeping people moving," by designing roads that benefit communities for the long term, Transurban has exacting performance standards, and high expectations for its capital markets partners. Over the years, Scotiabank's Australian-based relationship managers and Asia Pacific-based product specialists have kept closely attuned to the infrastructure company's needs, helping to diversify its funding sources. These solutions have included balance sheet lending, acquisition loan facilities, derivatives lines for interest rate and currency risk management, and even Transurban's first foray into the Canadian dollar maple bond market back in 2012.

Transurban is one of many Australian-headquartered multi-nationals that Scotiabank has helped to raise debt from the North American markets. The Scotiabank team is

adept at assisting Australian corporates in accessing longer tenor, large volumes and competitively priced capital not readily available in the domestic markets.

### **Closely-attuned to client needs:**

Transurban's purchase of the A-25 toll road asset and concession in Montreal created a requirement for Canadian dollars for the company. By raising Canadian dollars directly from Canadian-based investors, Transurban could achieve a natural balance sheet hedge for this investment. Scotiabank's Global Banking and Markets team discussed market opportunities with the Transurban team to identify the funding solution that matched the company's financing priorities.

Craig Marran, Managing Director and Head, Debt Capital Markets, Asia Pacific, explained how, "We have consistent dialogue with the client about their requirements, and the maple market opportunity ticked all the boxes. Transurban was already well-known to Canadian investors from their previous Canadian dollar issue, and we mapped out the strong appetite for more exposure to this high-quality issuer from the sought-after, Australian infrastructure sector."

Scotiabank's advice was validated by the participation in a four-day roadshow with Transurban in three Canadian cities for more than 60 fixed income investors. The tour revealed robust support for the launch, and it increased the client's confidence that their full financing requirement could be completed in the 10-year tenor.

The end result: When the C\$650 million transaction was announced on November 5, 2018, the order book quickly grew beyond C\$1 billion through the morning, enabling the issuer to price at the tight end of guidance. With the final book distributed to 41 buyers, and the new bonds performing well in secondary trading, Transurban CFO Adam Watson commented that, "We received strong support from Canadian investors and we see this market as an attractive source to support diversified funding for our development pipeline and capital management strategy."

### **Garnering US investor interest:**

Transurban turned to Scotiabank again in Spring 2019 when TQ, owned jointly by Transurban Group, AustralianSuper and Tawreed Investments Ltd, sought refinancing for existing debt maturities and additional funding for capital expenses.

As a major operator of toll roads in Queensland, Australia's third largest state by population, TQ was on a growth trajectory, as it manages 81 kilometres of toll roads around the thriving state and fast-growing capital Brisbane. Like many

infrastructure, energy and utility companies in Australia, TQ was considering offshore capital markets with a greater ability to absorb longer tenors and greater volumes.

Recalls Clare Lewis, Director, Debt Capital Markets, in Sydney: “Our client’s priority was tenor, price and execution, and we recommended the USPP market since it offered the most attractive funding on a swapped back basis to Aussie dollars of all the world markets under consideration. We were confident their needs could be achieved at globally-competitive levels, with the option to raise a higher volume if desired.”

Observes Maeve McLaughlin, Scotiabank’s Head of Global Private Placements in New York: “Transurban knew first-hand how, for every transaction, we bring all our groups together, from our banking, derivatives and local DCM teams, to ensure the client has full coverage throughout the life of the transaction. This enables the Private Placement team to get to know the issuer really well, so we can communicate their story to US and global investors with whom we have strong relationships and ensure the best execution.”

Scotiabank hosted a nine-city roadshow across the US to update current investors and introduce potential investors to TQ, its growth path, expansion plans and preview the transaction. With a US\$619 million (A\$875 million equivalent) USPP priced on March 27, 2019, with senior secured notes across 10, 12 and 15-year tenors, investors showed strong interest in the transaction, with the issuance receiving approximately US\$2 billion in total demand. Ultimately, TQ successfully priced the transaction, and raised their maximum funding requirement at favourable levels, with 32 investors, including 14 parties who were new to the credit.

Concludes Scotiabank’s Maeve McLaughlin, “These transactions on behalf of Transurban really profile our distinct capabilities. As Canada’s international bank, we have the advantage of a meaningful banking presence in the Asia Pacific region. This translates to deep expertise among our local lenders and product specialists who work with the global team to identify opportunities for an issuer, talk about structure, pricing, expected transaction demand, and any currency solutions required. We draw upon our entire network, our deep relationships, and our markets expertise to offer unique North American Debt Capital Markets solutions to issuers across the globe.”

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