Eversholt Rail Group

**Project type:** Acquisition  
**Project size:** £2.1 billion  
**Role:** Mandated Lead Arranger, Hedge Provider & Execution and Bookrunner

Lloyds Bank Corporate Markets has funded its third major deal involving a rolling stock company this year - the acquisition of Eversholt Rail Group by a consortium of infrastructure investors.

**Background to the deal:**

Eversholt Rail Group, formerly HSBC Rail Ltd, is one of the three major rolling stock companies (ROSCOs) in the UK, created in 1994 through the privatisation of British Rail.

The firm owns and manages a fleet of over 4,000 vehicles and provides various services to the passenger and freight markets including operating leases, procurement, refurbishment, engineering support and maintenance improvements.

When its parent company decided to dispose of the asset, a group of leading infrastructure investors developed a consortium and secured an appropriate debt package to secure the deal.

**The partnership:**

In November 2010, Eversholt Investment Group (EIG) agreed to buy the business in a deal which valued Eversholt Rail Group’s gross assets at approximately £2.1 billion.

The EIG consortium comprises funds managed by 3i Infrastructure plc, Morgan Stanley Infrastructure Partners and STAR Capital Partners, with each member taking an equal stake in the business.

Lloyds Bank Corporate Markets played a central role in structuring the accompanying £1.7 billion package of senior facilities which enabled EIG to complete the transaction.

**A group effort:**

- A number of teams within Lloyds Bank Corporate Markets took on important roles in the deal including:
  - The Project Finance team acting as mandated lead arranger and bookrunner on £1 billion of acquisition, capex and working capital facilities as well as providing a £26.5 million cash backed Letter of Credit to support existing commitments.
  - Our Debt Capital Markets division undertaking a joint lead manager role on a £700 million two-part sterling-denominated bond issue and providing certainty in a volatile market by offering a ‘bridge to bond’ facility.
  - The Rail Finance team using its specialist knowledge to corroborate transaction assumptions and ensuring the credit approval process was completed as quickly as possible.
  - Our Sales & Derivative Structuring division working closely with the vendor and acquirer to develop a hedging strategy for the transaction.
  - The Loan Syndication team ensuring the deal was structured and priced “on-market.”

**Highlights:**

- Taking a lead role on our third major UK rail infrastructure deal in 2010 (following the bond refinancings of Angel Trains and Porterbrook)
- Becoming one of the only banks to have been involved in all five significant deals in the ROSCO space over the last three years
- Drawing on various specialisms within the Lloyds Bank Corporate Markets to quickly gain credit approval and provide the client with the optimal set of facilities
Viewpoint:

Neil King, Partner in the Infrastructure team at 3i Investments plc, Investment Adviser to 3i Infrastructure plc, said: "We are delighted to be acquiring Eversholt. Its strong market share, well-diversified customer base and high quality cash flows from leases contracted over the medium to long term make this an attractive asset with strong infrastructure characteristics.

"Lloyds Bank Corporate Markets played a key role in this transaction. We were able to draw on a broad range of disciplines and expertise from within the Group to ensure the debt funding package and associated facilities will allow us to deliver the full potential of the Eversholt business."

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