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La Trobe Senior Secured Term Loan | 8.4% Forecast YTM

By Matthew Macreadie

Investors will be familiar with one of our top picks in the Secured Term Loan market issued in 2023 from La Trobe.

The Borrower is a newly incorporated special purpose entity formed by Brookfield in May 2022 to acquire La Trobe for a cash purchase price of A\$1,468m, of which \$400m was financed by the Loan, implying a loan to value ratio of 27% and a debt to EBITDA ratio of 1.7x FY22 EBITDA.

The Loan is guaranteed by La Trobe and has first ranking security over La Trobe's assets and business at the La Trobe parent company level.

Our initial assessment of value for investors remains:

1. Superior returns when compared to equivalent credits in the bond market.
2. Superior investor protections via stringent covenants driven by a syndicate of banks lending from their balance sheet.
3. Strong capital protections via senior secured structure.

Due to the small number of investors holding the notes (bank syndicate and small private credit funds) and strong relative value, we have found it difficult to acquire the deal for investors in the secondary loan market, however, today we can offer a small parcel of up to A\$1m to our investors in parcels of A\$50,000 minimum face value.

Pricing

LaTrobe Term Loan	
Volume	\$50,000.00
Coupon	1mBBSY + 5.75% (9.89%p.a)
YTM (Forecast)	8.39%
RY	9.65%
Trading Margin	457bps
Clean Price	\$102.500
Gross Price	\$102.663
Total Cost	\$51,331.50

Structure and covenant summary

Issue	LATRB Float 28Aug2027
Issuer/Borrower	AMC AusCo 4 Pty Ltd, a newly incorporated SPV which is wholly owned by the Sponsor
Guarantors	La Trobe and each of its wholly-owned subsidiaries
Ranking	Senior Secured
Rating	Unrated
Financial Covenants	<p>Restrictions on dividends / cash leakages to shareholders subject to:</p> <p>Pro-forma Net Leverage Ratio of <2.25x (for distributions from retained net income)</p> <p>Pro-forma Net Leverage <2.00x (for other distributions)</p> <p>Minimum AUD\$25m pro-forma cash</p>
Additional Protections	<p>Leverage based cash flow sweep grid of 75% with step-downs to 50%, 25% and 0% based on Net Leverage Ratio of 2 3.00x, >2.25x ≤ 3.00x, > 1.75x ≤ 2.25x, ≤ 1.75x</p> <p>Incremental debt incurrence limited to the greater of \$50m or 0.25x EBITDA, or if exceeding this cap the incremental debt must not result in Net Leverage Ratio ≥ 2.31x</p> <p>Any amortization event in an INSTO segment bank warehouse facility triggers a mandatory 75% cashflow sweep on this Loan and full prohibition on distributions to shareholder</p>

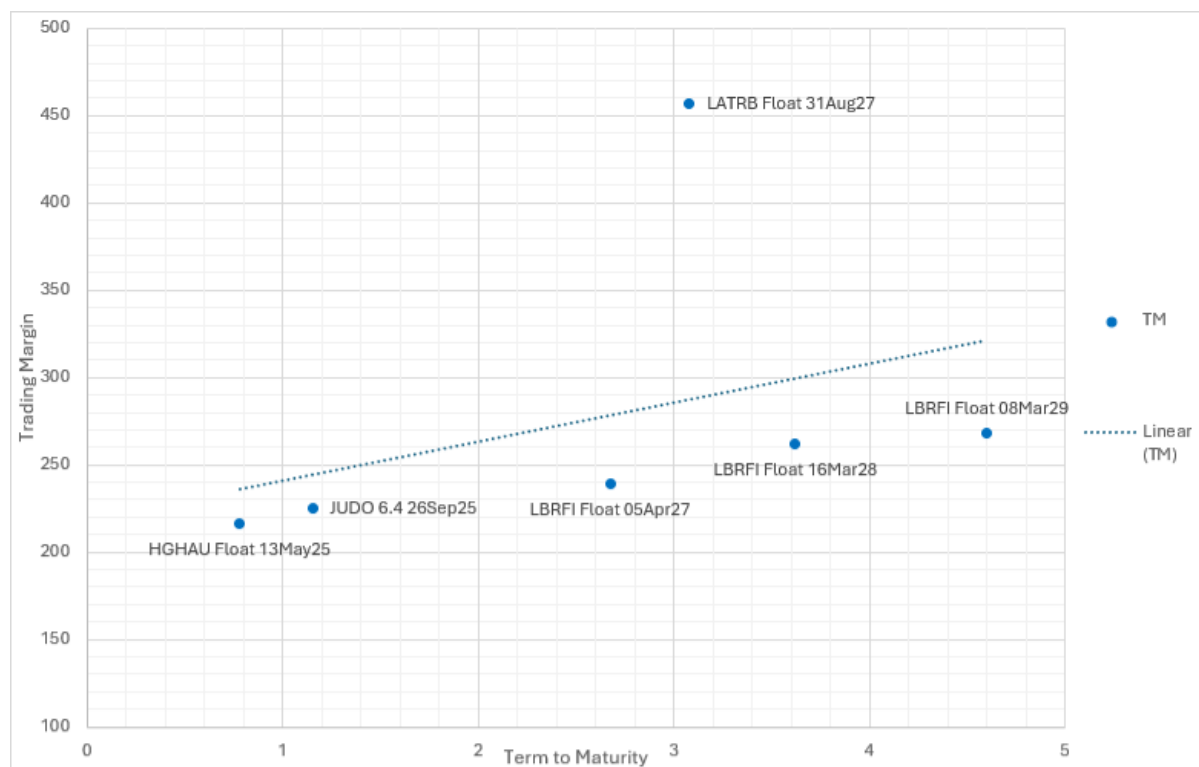
Comparable issuers in the bond market are Liberty Financial, Judo Bank and Heartland Bank. A summary of their structure is:

1. Senior Unsecured

2. Covenants of:

- Coupon increases for rating downgrades
- Negative pledge
- Cross default provisions
- Change of control protections

Relative Value



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