



BBI takes loss on Euroports sale

■ **ASSETS**
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BABCOCK & BROWN INFRASTRUCTURE has warned it will book a €120 million (\$208 million) loss on the part-sale of its Euroports business, after being forced to reduce the price on the sale of a 40 per cent stake in the debt-laden ports operator.

After already warning early this month that it had revised the conditions of the sale, Babcock & Brown Infrastructure yesterday disclosed the terms of the transaction had greatly changed since it was announced in December.

The original deal involved the BNP Paribas-backed Antin Infrastructure Partners and Babcock's unlisted European Infrastructure Fund taking a 29.7 per cent stake in Euroports for €121.5 million.

But Babcock & Brown Infrastructure conceded yesterday that the deteriorating European economy and the need to recapitalise the ports operator's balance sheet had changed the terms of the deal. Under the new contract Antin and the Babcock & Brown European Infrastructure Fund, which has since been taken over by the British Arcus Infrastructure Partners, will buy

an upfront 40 per cent interest in Euroports for €141.5 million.

"When the original deal was signed last year, there was no evidence at that stage of how severe this recession would be," said the chief operating officer of Babcock & Brown Infrastructure, Russell Smith, who also chairs the board of Euroports.

Under the new deal Antin and the Arcus fund, headed by the former Babcock & Brown executives Simon Gray and Toto Lo Bianco, will achieve better terms compared with the original deal. As part of the amended sale agreement Arcus and Antin could end up owning up to 60 per cent of Euroports by 2013 if the business performs better than expected, the stake could be reduced to 34 per cent.

Babcock & Brown Infrastructure declined to say how much money from the transaction was being injected into the Euroports balance sheet or into a "significant" capital reserve in the business. Under the deal Antin will buy convertible notes in Euroports, which will convert into a 5.97 per cent equity stake.

Babcock & Brown Infrastructure did not disclose the interest rate payable on the notes. Babcock & Brown Infrastructure securities rose 0.2c to 7.7c despite signs most of the money from the transaction will be soaked up in recapitalising Euroports and not go to Babcock & Brown Infrastructure.

Since late last year Babcock & Brown Infrastructure has been desperate to sell off stakes in its assets to raise capital. It has already sold a stake in its New Zealand energy transmission business Powerco to the Queensland Investment Corporation's infrastructure fund. In March it appointed Macquarie to help advise on the sale or part-sale of its Dalrymple Bay Coal Terminal, recently expanded at a cost of \$1.3 billion.

Given the collapse of Babcock & Brown Infrastructure's share price, it has shied away from issuing new shares. Its shares peaked at \$2.03 in May 2007.

It is yet to announce the outcome on the plans to internalise its management structure, foreshadowed in February. Mr Smith said a name change was also of paramount importance.

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