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Abengoa restructuring plan receives boost from creditors

Alistair Dawber in Madrid

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A tower at the Abengoa solar plant near Seville

Abengoa has won approval from 75 per cent of creditors it needs to push through a restructuring plan that it hopes will help it avoid the biggest corporate bankruptcy in Spanish history.

The heavily indebted renewable energy group had required the support of 60 per cent of lenders by Monday morning to secure a standstill agreement, designed to give it more time to convince the market that its restructuring plan is viable.

Ahead of a hearing in its home city of Seville, the company announced that 75 per cent of lenders had backed the agreement.

The news suggests that the company, which has a debt pile of €9.4bn, is likely to secure the level of backing it needs to press ahead with the full restructuring — also three-quarters.

“This key step in the restructuring process of Abengoa . . . will permit the company to complete the Financial Viability Plan that has already been accepted by lenders in order to stabilise business and protect its leadership in the energy and environmental sectors,” the company said.

A person close to Abengoa said it expected to have the deal implemented by May or June, when new management will be in place. Delays in the Spanish legal system and the complexity of the agreement present the only risks to the deal falling behind schedule, the person said.

“This is good news for Abengoa,” said Maxime Kogge, an analyst at Spread Research. “It appears to have gone quite smoothly. Now the company has to work hard to rebuild confidence among its suppliers and trade partners in the sector.”

Under the restructuring proposals, Abengoa would receive €1.5bn-€1.8bn in fresh funding. The company raised €137m in emergency loans last week to pay suppliers and staff wages. Those lenders that extended the funding, which included Elliott Management, KKR and Oak Hill Advisors, would receive 55 per cent of the equity in the company. Investors, would be among the new backers.

Existing creditors, who face a 70 per cent haircut as part of the restructuring deal, would get 35 per cent of the shares in compensation. The shareholding of existing equity holders, including the founding Benjumea family, would fall to 5 per cent.

“There have certainly been some mistakes along the way with Abengoa,” said Pedro Nueno, emeritus professor of entrepreneurship at the IESE business school. “But it looks like the business plan it now has in place is the correct one. It has been able to raise some short-term cash, which shows that investors want it to keep breathing. The cost to everyone involved of Abengoa going bankrupt is high — the creditors also have a lot to lose.”

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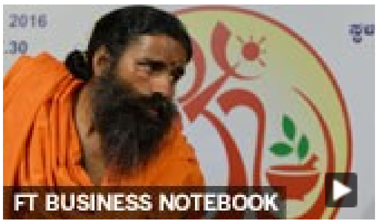

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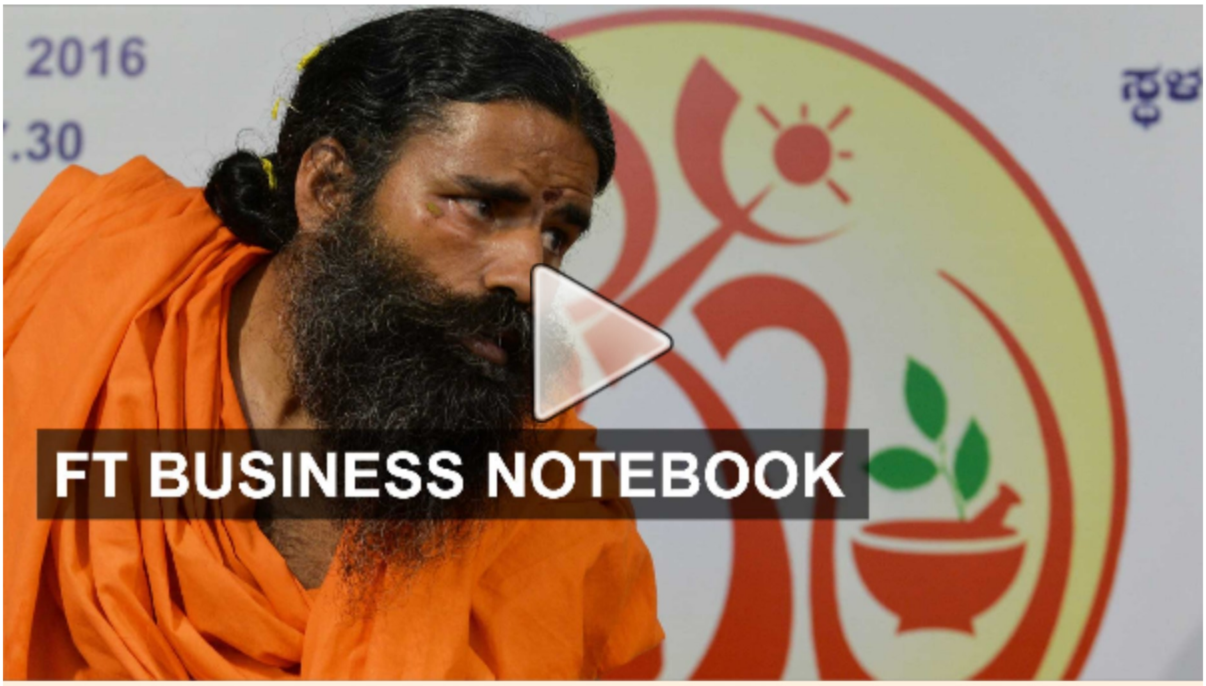

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