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■ International bond market...

TGU raises US$525 million

FOR the first time in nearly a decade, Trinidad Generation Unlimited (TGU) has returned to the international bond market, raising US$525 million to help refinance its existing debt and improve its financial footing.

The State-owned power company priced a new eight-year bond at an interest rate of 7.75%, which investors will receive annually. The money will go toward buying back an older US$450 million bond that is due in 2027.

'Proceeds from the transaction will be used to fund the repurchase of TGU's outstanding US$450 million of 5.25% senior notes due 2027. Originally issued in 2016 for US$600 million, these amortising bonds are the only notes the company has ever issued,' it stated.

The bond, which will be repaid in six parts starting in late 2030, drew strong interest from investors and was priced slightly better than early estimates.

'The State-owned power generator priced the eight-year senior unsecured note at a yield of 8.125%, tightening from initial price thoughts in the mid-8% area. Final guidance was set at 8.25%, plus or minus 12.5bp, before launch. The bond will amortise in six equal semi-annual instalments starting in December 2030,' it stated.

'The company is offering to pay US$1,009.50 per US$1,000 of original principal, adjusted by an amortisation factor of 83.33%, reflecting a prior principal repayment. The tender offer launched on June 2,' it stated.

Ratings agencies S& P and Fitch both gave the new bond BB ratings, with S& P noting the deal would improve the company's cash flow and liquidity. Fitch said the move would help TGU cut down its debt over time.

In a June 6 report, S& P described the transaction as a 'pure liability management initiative' that would improve liquidity and extend the average debt tenor to over five years.

S& P and Fitch respectively assigned BB+ and BB ratings to the new notes, with S& P revising the company's outlook to stable from negative. S& P highlighted TGU's strong liquidity position, with US$236m in cash as of March.

Fitch cited TGU's strategic role in Trinidad and Tobago's energy sector, its status as a State-owned enterprise, and the stability of its revenue stream, which is underpinned by a long-term power purchase agreement through 2041.

Fitch also noted the refinancing is expected to support 'structural deleveraging', with leverage projected to decline to around six times Ebitda, down from 11.6 times in 2022.

Deutsche Bank led the new bond offering, while CIBC and First Citizens Bank acted as co-managers.

This marks a broader return to global markets for Trinidad and Tobago. The government itself raised US$750 million in 2024 after getting high marks from the IMF for its economic recovery.

'Trinidad and Tobago last accessed the bond market about a year ago. The sovereign raised US$750m through a ten-year bond in June 2024 that priced to yield 6.4% after receiving praise from the IMF for its economic recovery and strong external position,' it stated.

TGU, according to its website, owns and manages a major fuel-efficient 720-megawatt (MW) combined-cycle
power plant in Trinidad and Tobago.

'The TGU facility is the largest combined-cycle power plant in the Caribbean and currently supplies approximately 50% of Trinidad and Tobago's electrical energy. TGU is owned by the National Investment Fund Holding Company Limited (NIF); the latter is a wholly owned entity of the Government of the Republic of Trinidad and Tobago' it stated.

'TGU is fully staffed by nationals whose exceptional expertise and performance allow us to meet the rigid standards of health, safety and environment, as well as operability and reliability of the facility,' it stated.