

# NCBFG mortgages GHL shares for US\$300M bond



Prime Minister Kamla Persad-Bissessar



NCBFG chairman Michael Lee Chin





GHL chief executive Ian Chinapoo

Jamaican financial powerhouse, NCB Financial Group (NCBFG), has agreed to pledge all of the shares of its majority-owned subsidiary, Westmoorings-based Guardian Holdings Ltd (GHL), as collateral for its delayed US\$300 million bond.

The move, which is unprecedented in Caribbean corporate history, exposes GHL to additional risks if NCBFG does not meet its debt obligations. NCBFG has over US\$250 million in debt obligations maturing this year.

NCBFG owns 61.77 per cent of GHL's ordinary shares.

To address the maturing debt, NCBFG launched a senior unsecured bond that should have priced and closed in early June.

However, the offer was not priced, and investors remained puzzled on the silence by NCBFG.

NCBFG updated the T&T Stock Exchange on Monday where it revealed that the offer was now a senior secured bond and that an amended and restated offering memorandum was released.

NCBFG expects the offer to price and close shortly.

"The notes will be secured by a first-priority charge over the shares in Guardian Holdings Ltd, which is owned by NCBFG. Therefore, in the event of the notes' default, available mechanisms allow the use of collateral and the related proceeds to repay the notes.

As a result, our rating on the proposed notes remains at the same level as the issuer credit rating, given the notes' seniority," Fitch explained.

The memorandum explained that NCBFG would pledge all of its 143,326,379 shares held in GHL as collateral for the bond.

However, 127,873,515 GHL shares are already pledged for US\$166.76 million worth of debt.

Contacted for comment, GHL chief executive Ian Chinapoo said, "We can clarify that GHL shares were previously pledged as collateral to regional bondholders for debt, which is to be fully repaid by this (US\$ 300 million) bond offering.

So, substantially this represents no change for GHL."

Chinapoo confirmed that the GHL debt that is being paid off by some of the proceeds of the NCBFG bond totalled US\$173.51 million.

"The US\$173,513,383.40 of the net proceeds from this offering of the Notes will be held in the Escrow Account until the prepayment of each item of Designated Escrow Debt no later than the dates set forth in the Escrow Release Schedule described in 'Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption'."

GHL traded at \$16 on Wednesday on the T&T Stock Exchange.

That valued NCBFG's shares at \$2.29 billion or US\$337.74 million.

Speaking in October 2023, when she was Leader of the Opposition, Prime Minister Kamla Persad-Bissessar drew attention to the interconnectedness of NCBFG and GHL.

"There can be a cascading failure within our financial system due to the numerous interconnecting linkages among the NCB Financial Group, Guardian Holdings Ltd (GHL), local banks and financial institutions within our country," she said.

Guardian Life Ltd (GLL) purchased the insurance and annuity business of NCB Insurance Agency and Fund Managers Ltd in September 2020 for J\$4.90 billion or US\$30.38 million. GLL will now purchase the pension fund management portfolio from NCB Insurance Agency under a planned

internal reorganisation.

The preliminary memorandum offer document for the US\$300 million bond indicated that NCBFG is pursuing various strategic transactions to generate cash flow to reduce the group's debt. These potential transactions could potentially raise J\$24.8 billion (US\$154.90 million) in aggregate cash flows.

One such transaction was the sale of Thoma Exploitatie BV by Guardian Holdings Ltd (GHL) on January 24 for J\$20.5 billion (US\$128.05 million). NCBFG recorded an after-tax gain of J\$15.1 billion (US\$97 million), of which J\$9.4 billion (US\$60 million) was attributable to NCBFG shareholders.