

Waste Credit Governance Committee
Friday, 9 December 2022, 10.00 am, County Hall, Worcester

Agenda

Item No	Subject	Page No
5	Technical Update - Energy from Waste (EFW) Plant Reporting Requirements – Appendix 4 - KPMG review summary update report	21 - 24

This page is intentionally left blank

Extract from draft closing KPMG Report on extending the duration of the Waste Management Services Contract for a period of five years until 11 January 2029 which also involves extending the existing loan by a further 5 years.

Overview of draft Senior Debt covenants below, subject to finalisation of the model:

The STLFA cover ratio covenants have not changed in the Amended STLFA. The minimum ADSCRs and LLCR for the purpose of determining default and “Lock-up”^[1] remain the same, however, the Updated BFM, (which will become the AFM at the Effective Date), shows higher base case ratios [in all periods] versus the 2014 BFM.

The revised forecast appears to provide a higher “buffer” against lock-up for the Borrower, and the forecast buffer against default has also increased. Actual performance may not match forecast performance, however, the Updated BFM shows an improved base case minimum ADSCR and LLCR position for Lenders. This is largely because:

- Facility A amortisation ends in December 2022,
- Facility B amortisation is relatively small, and
- The Borrower forecasts strong financial performance after accounting for the variation discounts.

The tables below summarises the overall position versus 2014.

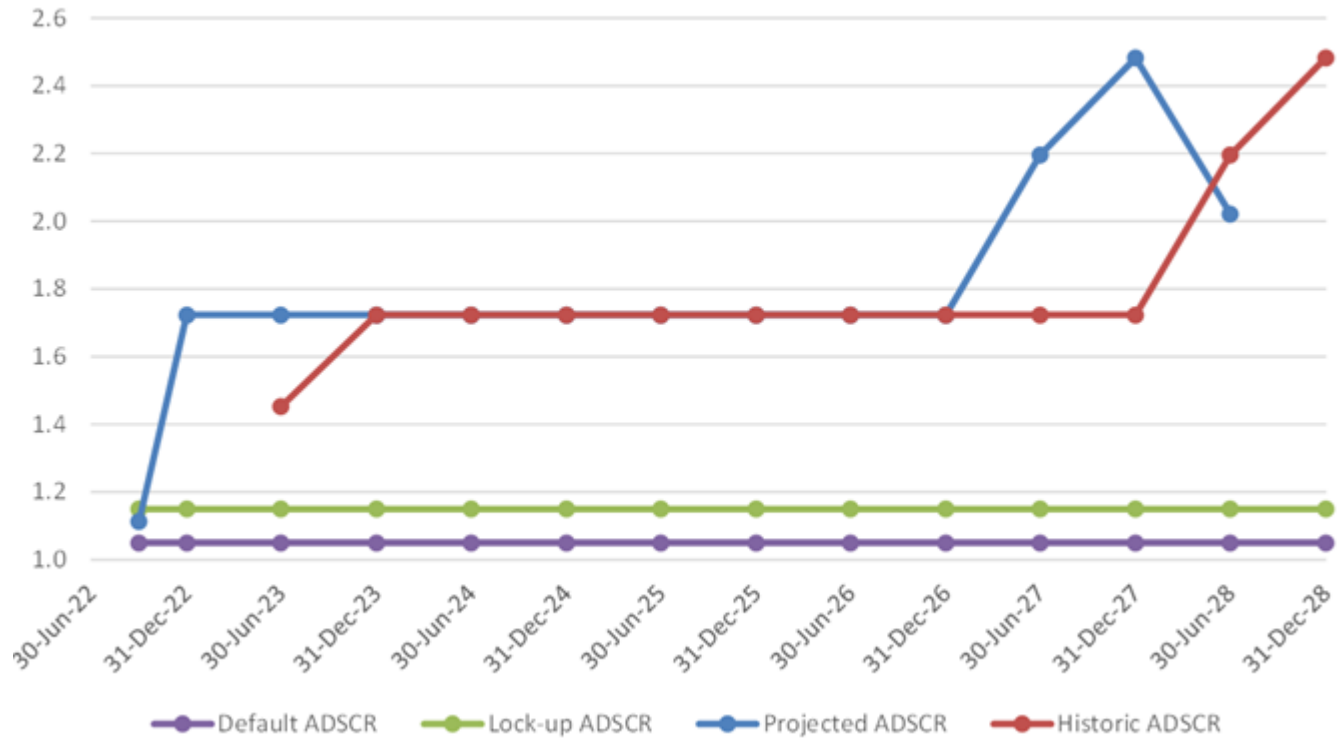
^[1] Lock-up refers to the ADSCR below which the Borrower would not be permitted to pay dividends and therefore funds are “locked-up” in the entity.

Table 1 STFLA Cover Ratio Covenants

	STLFA Covenant			2014 BFM Actuals		2022 Updated BFM		Reasonableness
STLFA Covenant	Average ⁽²⁾	Lock-up	Default	Average	Min	Average ⁽³⁾	Min	
Historic Annual Debt Service Cover Ratio ("Historic ADSCR")	1.35x	1.15x	1.05x	1.35x	1.35x	1.80x	1.45x	12-mth historic ADSCR is market standard and consistent with the 2014 STLFA.
Projected Annual Debt Service Cover Ratio ("Projected ADSCR")	1.35x	1.15x	1.05x	1.35x	1.35x	1.79x	1.11x ⁽⁴⁾	12-mth projected ADSCR is market standard and consistent with the 2014 STLFA.
Loan Life Cover Ratio ("LLCR")	1.40x	1.20x	1.10x	3.54x	3.12x	9.67x	4.69x	The LLCR covenant is market standard and consistent with the 2014 STLFA.

Table 2 ADSCR profiles over the loan extension period

Annual Debt Service Cover Ratios



This page is intentionally left blank