

DEAL REPORT: WEBJET RECAPITALISATION 2020

This edition of the Deal Report continues the focus on restructuring and recapitalisation transactions with a summary of the recent emergency capital raising undertaken by travel bookings business Webjet Limited (ASX: WEB), one of the first such significant capital raisings undertaken in response to COVID-19.

APRIL 2020

PARTIES

Company: Webjet Limited (**Webjet**).

JLMs and underwriters: Goldman Sachs Australia Pty Ltd; Credit Suisse (Australia) Limited; and Ord Minnett (**JLMs**).

Other relevant parties: Bain Capital Credit LP (**Bain**) as a sub-underwriter of the entitlement offer and participant in the institutional placement.

TRANSACTION SNAPSHOT

Webjet successfully raised a total of \$346 million in the form of a fully underwritten, 1 for 1 non-renounceable pro-rata entitlement offer for new ordinary shares together with an underwritten institutional placement (**Capital Raising**).

On its initial announcement, the Capital Raising was partially underwritten and expected to raise a total of \$275 million. The transaction was upsized to \$346 million and fully underwritten following announcement after an approach from Bain to participate in the Capital Raising through a subscription for shares in the institutional placement and an agreement to sub-underwrite a portion of the entitlement offer.

TRANSACTION HIGHLIGHTS

- + Webjet raised \$346 million from institutional and retail shareholders by:
 - a fully underwritten, 1 for 1 accelerated non-renounceable pro-rata entitlement offer to raise up to \$231 million comprised of an institutional component (**Institutional Offer**) and a retail component (**Retail Offer**) (**Entitlement Offer**); and
 - an institutional placement of \$115 million (**Placement**).
- + Under the Retail Offer, in addition to the entitlement to subscribe for 1 new share for each existing share held, the Capital Raising contained a top-up facility which allowed eligible retail shareholders to apply for additional new shares up to 100% of their entitlement, to the extent that capacity under the Retail Offer was not fully taken up by other shareholders.
- + Webjet initially sought to raise a total of \$275 million through a partially underwritten entitlement offer to raise a minimum of \$174 million and a maximum of \$231 million, and a fully underwritten placement to raise \$101 million. This was revised the day following that announcement, after the JLMs agreed to fully underwrite the entitlement offer, and Bain agreed to sub-underwrite part of the Retail Offer and subscribe for \$25 million in the Placement.



PARTICIPATION BY BAIN

Following the initial announcement of the Capital Raising, Bain agreed to a participation with an ultimate commitment of \$90 million through a subscription for shares in the Placement and a potential commitment of up to an additional \$65 million through a partial sub-underwriting of the Retail Offer. Bain's participation was as follows:

- + Bain agreed to subscribe for \$25 million worth of shares in the Placement (equating to 4% of Webjet shares outstanding post the completion of the Capital Raising);
- + Bain entered into a sub-underwriting agreement with the JLMs whereby it had agreed to sub-underwrite up to 12 million new shares under the Retail Offer; and
- + subject to obtaining FIRB approval, Bain agreed to sub-underwrite up to an additional 26 million shares under the Retail Offer.

To the extent that there was a shortfall under the Retail Offer and Bain's FIRB condition had not yet been satisfied, Bain agreed to acquire economic exposure to the number of shortfall shares that Bain was not able to acquire due to the foreign investment restrictions by entering into a total return swap with an affiliate of Goldman Sachs Australia Pty Ltd.



USE OF ASX TEMPORARY EXTENSIONS

As a result of the COVID-19 pandemic, ASX recognised the need for listed entities to urgently raise capital and implemented a number of temporary measures to assist, including, on 31 March 2020, granting the Class Waiver Decision – Temporary Extra Placement Capacity, which increased placement capacity under Listing Rule 7.1 to 25% from 15% without requiring shareholder approval.

This allowed Webjet to extend the aggregate amount of the Placement to above 15% without the need to seek shareholder approval for the Capital Raising.



PRICING

The price for the Entitlement Offer and Placement was \$1.70 per share which represented a 31.7% discount to the theoretical ex-rights price of \$2.49.



SHAREHOLDER SUPPORT

As noted above, shareholder approval for the transaction was not required as the various limbs of the Capital Raising fell within the recently extended ASX capacity thresholds. The transaction was well supported by shareholders with:

- + the Placement upsized to \$115 million;
- + participation of 90% in the Institutional Offer; and
- + participation of approximately 72.7% in the Retail Offer with the shortfall being met by those retail investors who applied for additional shares in excess of their entitlement – meaning that no shortfall shares under the Retail Offer were issued to underwriters or sub-underwriters.



USE OF PROCEEDS

The proceeds from the Capital Raising were retained to strengthen Webjet's balance sheet in light of the continued impact of COVID-19 and associated travel restrictions and will be applied to cover operating costs and capital expenditure throughout 2020.



BANKING FACILITIES

In addition to the Capital Raising, Webjet obtained covenant relief under its banking facilities, subject to the addition of a new covenant. The relief and that additional covenant comprise:

- + a waiver of the leverage covenant for the 30 June 2020 and 31 December 2020 test dates;
- + the amendment of the leverage covenant for the 30 June 2021 test date to be determined on the basis of annualised EBITDA for the 4-month period ending 30 June 2021; and
- + the introduction of a liquidity covenant requiring minimum liquidity of \$100 million at all times.



UNDERWRITING

The JLMs agreed to fully underwrite the Entitlement Offer subject to the inclusion of typical termination rights.

The JLMs received the following fees in connection with the Capital Raising:

- + under the institutional offer, a management and arranging fee of 1% and an underwriting fee of 2% of the Institutional Offer proceeds;
- + under the Retail Offer, a management and arranging fee of 1% and an underwriting fee of 2% of the Retail Offer proceeds; and
- + a discretionary incentive fee of 0.5% of the Entitlement Offer.

Bain separately received a sub-underwriting fee under its sub-underwriting agreement with the JLMs – the terms of which were not disclosed.

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