

# EQUATE's US\$500 million facility: A triumphant maiden Sukuk issuance

EQUATE Petrochemical in February issued its maiden Sukuk worth US\$500 million under its US\$2 billion Sukuk certificate program to overwhelming success, attracting over 270 investors and an orderbook of US\$3.7 billion. Speaking to Kuwait Finance House (KFH) investment arm KFH Capital, one of the global coordinators, DURGAHYENI MOHGANA SELVAM delves deeper into the exciting deal.

The well-received paper achieved favorable pricing with initial price thoughts set at MS+210bps and finally priced at 3.94%, payable semi-annually and a spread to benchmark of 175bps.

**“ The Sukuk only needed to tap the international liquidity EQUATE presented ”**

Despite this being EQUATE's first Islamic issuance, the firm's solid branding on the international stage and strong presence in the capital market paved the way for a smooth sale.

“The curve was already there. The Sukuk only needed to tap the international liquidity EQUATE presented,” KFH Capital explained. This was further underscored by the petrochemical company's latest bond issuance under the US\$4 billion global medium-term note program established in October last year which contributed to the demand and expectations for the Sukuk. “Investors have monitored EQUATE's recent successful bond issuance and were confident that the debut Sukuk will follow the same success,” KFH Capital said.

Issued on the 21<sup>st</sup> February 2017, the paper was oversubscribed 7.4 times, with exceptionally high orders from

international high-grade and emerging markets investors.

“Being a leading player in the petrochemical industry, [a] majority of the Sukuk orders were placed by Kuwaiti and GCC investors,” KFH Capital noted.

The investor pool was also significantly diverse in terms of geography and type. “In terms of the geographical distribution, more than half of the Sukuk issuance was distributed to the Middle East investor base (65%), while Europe (including the UK) accounted for 23%, Asia formed 11% and other regions formed the remaining 1%,” said KFH Capital. Banks, financial institutions and private banking collectively formed the largest portion of the investor type at 63%, followed by fund managers and hedge funds at 31%, insurance and pension funds at 2% and others at 4%.

The issuance was a unique initiative for KFH Capital. “In regards to [the] domestic market, most of the transactions were from government or financial institutions. Working with a corporate institution was definitely an interesting endeavor for KFH Capital,” the finance house quipped.<sup>(2)</sup>

<b>Governing law</b>	English law
<b>Listing</b>	Irish Stock Exchange
<b>Rating</b>	Obligor: 'Baa2 (Stable)'/ 'BBB+ (Stable)' (Moody's/S&P)  Issuer: 'Baa2 (Stable)'/ 'BBB+ (Stable)' (Moody's/S&P)
<b>Structure</b>	Ijarah and Murabahah
<b>Investor breakdown</b>	Investor base: Middle East 65%, Europe (including the UK) 23%, Asia 11%, other regions 1%.  Investor type: Banks, financial institutions and private banking 63%, fund managers and hedge funds 31%, insurance and pension funds 2% and others 4%.

## EQUATE Sukuk Issuance

US\$500 million



21<sup>st</sup> February 2017

<b>Issuer and trustee</b>	EQUATE Sukuk SPC
<b>Obligor</b>	EQUATE Petrochemical Company and The Kuwait Olefins Company
<b>Guarantor</b>	The Kuwait Olefins Company
<b>Size of issue</b>	US\$500 million under EQUATE's US\$2 billion Sukuk certificate program
<b>Mode of issue</b>	Reg S, senior unsecured
<b>Purpose</b>	General corporate purposes
<b>Tenor</b>	Seven years
<b>Issuance price</b>	100%
<b>Profit rate</b>	3.94%
<b>Payment</b>	Semi-annually (21 <sup>st</sup> August, 21 <sup>st</sup> February)
<b>Currency</b>	US dollar
<b>Maturity date</b>	21 <sup>st</sup> February 2024
<b>Global coordinators</b>	KFH Capital, NBK Capital, Citigroup Global Markets, HSBC Bank and JPMorgan Securities
<b>Joint arrangers</b>	KFH Capital Investment Company, NBK Capital, Citigroup Global Markets, HSBC Bank, JPMorgan Securities, MUFG Securities EMEA, Mizuho International, National Bank of Abu Dhabi, SMBC Nikko Capital Markets