



Five lenders club together to finance £400m+ Pinewood & Shepperton acquisition

By James Buckley - Tuesday, August 16, 2016 15:00

Aermont Capital's £400m+ acquisition of the company that owns the iconic Pinewood and Shepperton Studios - home to a host of blockbuster movies including the latest James Bond and Star Wars films - is being financed by a combination of a preferred equity acquisition loan and a rollover of an existing £135m senior debt facility.

Brookland Partners advised Aermont on arranging the overall debt package, which comprises the new facility from Real Estate Debt II S.à r.l and DRC European Real Estate Debt III No. 2 S.à r.l., two funds advised by DRC Capital, and a rollover of the existing £135m senior debt facility provided by Lloyds Bank Commercial Banking, RBS, HSBC and Barclays.

Aermont's £323.3m acquisition of the company also incorporates the existing drawn debt, taking the total value of the business to north of £400m.

DRC acted as the arranger and original lender on their element of the financing of the proposed acquisition by Picture Holdco Limited of Pinewood Group plc, one of the preeminent providers of studio and related services to the worldwide film and television industries and the owner of Pinewood and Shepperton studios.

Picture Holdco Limited is an English company indirectly owned by funds managed by Aermont Capital LLP, a London-based asset manager.

Picture Holdco Limited announced on Friday that it was making a formal offer for the acquisition of the entire share capital of Pinewood Group plc. The acquisition is expected to complete by way of a scheme of arrangement.

It is thought that Brookland was able to secure more competitive cost of funds by putting in place the preferred equity piece alongside the existing senior debt facility as opposed to running with a new single lender. It is also understood that DRC adopted more of a real estate lending approach, while the existing senior lenders had

taken more of a leveraged finance approach and looked at the overall corporate entity.

Pinewood Group announced last year that it was planning to increase the overall studio production space at Pinewood Studios by around 50%, comprising five new large stages, ten workshops, two production office buildings and associated infrastructure and landscaping.

Development has commenced, after the company secured the £135m funding package from the Lloyds/RBS/HSBC/Barclays syndicate. The funding, which included a £100m term loan and a £35m revolving credit facility, enabled the business to refinance its existing borrowings.

On 10 February, Pinewood Group announced that it had appointed Rothschild to assist with a strategic review of Pinewood's capital base and structure. The background to the review was that the company's shareholder register has been tightly held for a number of years, which has stifled liquidity in the company's shares and prevented it from obtaining a main market listing. Under the terms of the offer, each Pinewood shareholder will be entitled to receive 563.2 pence per share.

The issued share capital of Pinewood is being bought by Bidco, a newly-incorporated company indirectly owned by PW Fund III, one of the PW Funds, a series of funds advised by Aermont (formerly, PW Real Assets), which has a committed partnership capital of €1.5bn.

Aermont is a London-based independent asset management business that serves as investment advisor to each of the PW Funds. The PW Funds invest in real estate and real estate related opportunities, including operating companies with a real estate component in the UK and Europe, focusing on long-term value creation projects for assets and businesses.

Collectively, the PW Funds have received equity commitments of around €4bn made by investors that include prominent public and private pension plans and other institutions in Europe, the United States, Asia and the Middle East.

In a note to the London Stock Exchange on Friday, Lord Grade of Yarmouth, CBE, Chairman of Pinewood, said: "The board believes that Bidco can provide Pinewood with the platform required for future growth. The Pinewood Group has been

transformed in recent years but has been somewhat constrained in realising its ambitions due to the lack of share liquidity.

“As a result of the Strategic Review instigated by the board, Pinewood now has the prospect of a funding structure for the future. The board is encouraged by the commitment Bidco has already shown to management, to Pinewood's strategy for growth, and to the future of the iconic Pinewood Studios.

“The board believes that this transaction provides our shareholders with an attractive offer. Moreover the Board believes that following the transaction, Pinewood and clients will benefit from greater opportunities in the years ahead and the Board intends to recommend the offer unanimously.”

Léon Bressler, Managing Partner of Aermont, said: "Pinewood is an iconic brand at the heart of the global creative industries. The transformation of the business in recent years has been considerable and it is clear that there are more ambitions to be realised. We are excited about the potential to support the business as an independent company.

“Aermont has a strong track record in operating companies with a real estate component. We look forward to working with Pinewood's management team to deliver their compelling strategy for future growth, both in the UK and internationally.”

Brookland Partners and Jones Day advised Aermont/Picture Holdco. Paul Hastings advised European Real Estate Debt II S.à r.l and DRC European Real Estate Debt III No. 2 S.à r.l. Rothschild and Peel Hunt are financial advisors to Pinewood. PricewaterhouseCoopers is the financial advisor to PW Real Estate Fund III. Travers Smith LLP are retained as legal advisers to Pinewood.

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