

Kenya Green Bond Programme

The Acorn Green Bond – case study

Summary of success factors and support provided by FSDA/GBPK for the Green Certification

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Success factors of the Acorn Green Bond

The Acorn Green Bond was issued in October 2019 after a 3-year hiatus in the local corporate bond market characterised by corporate governance failures and defaults and where the historically most active investors (banks) had enacted soft-policies against local corporate bond investments. In this challenging environment, Acorn was a successful issuance due to three main factors:

1. A solid issuer operating in a promising market segment and with excellent track record

- Underlying asset class with strong growth potential: Real Estate asset class with low volatility and due to macroeconomic and demographic trends with significant growth potential and opportunities to produce stable, long-term returns for investors.
- Well capitalised issuer, backed by leading international Private Equity firm Helios with strong track record in the sector.



2020 WINNING DEALS

Project Finance Deal of the Year

Acorn Projects

KES4,261,000,000

12.25%

October 2019

Senior Secured and Guaranteed Fixed Rate Green Project Bond



A senior, secured and guaranteed bond

2. The bond offered robust security to bond holders

- **Issuance by a Special Purpose Vehicle** (Acorn Holdings Subsidiary)
- **Funding of coupon payments:** Equity from AHL
- **Pricing:** Fixed rate for every tranche priced off 5 year Kenya Govt treasury + premium
- **Principal Security:** Land and improvements thereon
- **Credit Enhancement:** 50% Guarantee of Principal **and** Interest from GuarantCo UK (Rating AA-Fitch and A1 Moody's)
- **Drawdown Mechanics:** Each drawdown subject to pre-approval by the Lender's Technical Advisor (LTA).

Security package:

- ✓ Debenture of all assets of Issuer and Project Entity
- ✓ Legal charges over all properties to be acquired by the Project Entities
- ✓ Charge over the Debt Service Reserve Account (DSRA) –to cover 3 month interest payments
- ✓ Charge over collection accounts of each Project Entity
- ✓ GuarantCo and AHL guarantees
- ✓ Pledge over partnership interest of AHL in the Issuer in each Project Entity
- ✓ Assignment of rental income of properties constructed in each Project Entity



GuarantCo
GUARANTEES FOR DEVELOPMENT



MOODY'S



FitchRatings

Market leading best-practices, including Green design & certification

Acorn is a progressive and market leading service provider in student housing, with state of the art designs including resource efficient and green features in line with **international best-practice and international investor requirements**.

3. Investors recognised the following benefits associated with green designs and certification:

- Green building designs **reduces risks (compliance, construction) and operational costs**, it enhances service delivery and delivers value to occupants and thereby overall a lower risk / higher value asset for investors
- **Lower operating costs** contributing to better occupancy rates as value for money is realised
- **Overall a better risk-return profile of investment alongside reputational benefits** to investors by investing in efficient, sustainable and low-carbon assets.
- **Meeting the international anchor investors' requirements** (PIDG - EAIF and GuarantCo) which were critical for success

The Green Bonds Programme engaged with Acorn from the very outset of issuance preparation and Acorn adopted Green Certification as part of the issuance strategy. Acorn achieved maximum cost-benefit by incorporating the green (EDGE and CBI certifications) early into the building design and issuance process.



THANK YOU

