

# Bayport Management Ltd

Business Registration number: C08054787

## Communiqué

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*Bayport Management Ltd announces standstill agreement and is in constructive negotiations with creditors to address its capital structure, cash interest obligations and debt maturities*

### Background

As highlighted in the publication of the unaudited fourth quarter and full year 2023 results, Bayport Management Ltd (“**BML**” or the “**Holding Company**”) and its subsidiaries (together with the Holding Company, the “**Group**”) experienced good growth in its loan book by c.8.5% to US\$1.288bn, underpinned by a healthy operating model driven by high-quality customers, strict affordability criteria and strong payroll collections, resulting in low non-performing loan ratios across its operating entities.

However, the Holding Company’s liquidity position has tightened on the back of the negative impact of foreign exchange movements, principally due to a weakening of African currencies against the US dollar, in addition to the sustained period of elevated global interest rates. These factors have impacted the Holding Company’s liquidity position and cash flows, thereby impacting its ability to meet its existing debt service and interest obligations, which are elevated due to the increase in variable rate funding.

### Upcoming payment default

The challenges outlined above have necessitated the need for a comprehensive sustainable solution to address the Holding Company’s capital structure, cash interest obligations, and debt maturities. Due to a combination of circumstances set out above, the Holding Company is not in a position to pay the interest due on 21 May 2024 (for the interest period ending 20 May 2024) on its US\$250m Senior Unsecured Callable Fixed Rate Social Bonds due May 2025 with ISIN NO0012496688 (the “**Senior Bonds**”) and its US\$50m Subordinated Social Bonds due November 2025 with ISIN NO0012496696 (the “**Subordinated Bonds**” and, together with the Senior Bonds, the “**Bonds**”). The failure to pay interest under the Senior Bonds will constitute an event of default under the terms and conditions of the Senior Bonds and will trigger cross default provisions under the Holding Company’s other financial indebtedness. The failure to pay interest under the Subordinated Bonds will only be deemed to constitute a default under the terms and conditions of the Subordinated Bonds if the failure to pay continues for 30 calendar days beyond the due date. The Holding Company is also not in a position to repay the principal or interest on its US\$60m revolving credit facility, both becoming due for payment on 20 May 2024, resulting in a cross-payment default arising under the Senior Bonds.

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### Engagement with creditors and current recapitalization proposal

Over the first almost five months of 2024, BML has actively engaged with its creditors including: (1a) holders of its Senior Bonds representing in excess of 41% of the principal amount of the Senior Bonds outstanding that have formed into an ad hoc group (the “**Senior Bondholder AHG**”); (1b) separately, additional holders of its Senior Bonds together holding in excess of 33% of the nominal amount of Senior Bonds outstanding; (2) holders of the Subordinated Bonds together holding approximately 73% of the nominal amount of Subordinated Bonds outstanding; and (3) all of its bilateral and syndicated lenders, in each case to work towards a solution.

As a result, BML has entered into a standstill agreement with approximately 61% of its creditors (by principal value) across its bilateral and syndicated credit facilities, Senior Bonds and Subordinated Bonds and is in continued discussions with creditors to increase this level of support. The standstill agreement is effective until 30 August 2024 (subject to limited individual termination rights for creditors, and a collective right for a majority of consenting creditors to terminate it before 30 August 2024, which they may do on 5 business days’ notice from 31 July 2024). The standstill agreement restricts consenting creditors from taking enforcement action (subject to very limited exceptions) during the standstill period in respect of known and anticipated events of default and thus extends the runway to finalize the transaction terms of the recapitalization solution described below.

As it currently stands, the recapitalization transaction is anticipated to involve an amendment and extension of BML’s credit facilities, the Senior Bonds and the Subordinated Bonds (the “**Transaction**”), with the intention of (i) extending maturities to June 2027 (senior debt) and December 2027 (subordinated debt), (ii) amending covenants, and (iii) reducing cash-pay interest (switch to partial pay-if-you-can structure). The Transaction also anticipates a new money capital raise with funds to be utilized towards the enhancement of liquidity, anticipated to be in the region of US\$20m, with the final amount, terms and structuring to be determined.

The Group reiterates that its core operating entities are performing well and that discussions with respect to the Transaction are in relation to debts of BML (the Holding Company) only. The impact of negative foreign exchange movements coupled with a rise in variable rates have created a temporal issue in relation to liquidity and debt service, which BML, together with creditors of the Holding Company, are seeking to resolve as soon as possible. The board’s, along with management’s, focus for the coming weeks will be on continuing to work steadfastly with its lenders, the Senior Bondholder AHG and the other holders of its Bonds to conclude a Transaction that is optimal for BML, its Group as a whole and its stakeholders.

BML’s cash flow available for debt service (consisting of dividends and intercompany transfers from/to operating companies, as well as operating expenses) is forecast to increase from c.\$44m in FY23 to c.\$63m by FY28. The current book equity value of operating companies is forecasted to increase from c.\$446m as of Dec-23 to c.\$768mm in Dec-28. BML intends to provide timely updates to all of the Group’s stakeholders on notable developments.

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In relation to the Transaction, BML has engaged Houlihan Lokey as financial advisor and DNB Markets as consent solicitation agent for the Bonds, and retained White & Case LLP as legal advisors to the Holding Company. BML has been informed that the Senior Bondholder AHG has retained Cadwalader, Wickersham & Taft LLP as legal adviser.

By order of the board

Bayport Management Ltd

Date: 20 May 2024

*Bayport Management Ltd is required to make public this information in accordance with EU Market Abuse Regulation. The information was released for publication, through the agency of the contact person set out below, on 20 May 2024.*

*This notice is issued pursuant to Listing Rule 11.3 and 11.5 of the Stock Exchange of Mauritius Ltd. The Board of Directors of Bayport Management Ltd accepts full responsibility for the accuracy of the information contained in this Communiqué.*

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