

Case Study

SCT Logistics



Issue Date	June 2019
Series	Floating Rate Note
Amount	\$60m
Maturity	3 June 2024
Term	5 years
Coupon	BBSW +4.70% p.a.
Series	Fixed Rate Note
Amount	\$40m
Maturity	3 June 2024
Term	5 years
Coupon	6.50% p.a.

Issuer Profile

SCT Logistics (“SCT”) is Australia’s largest private rail freight operator with a 45-year operating history. SCT provides a full suite of vertically integrated, national logistics services, at the core of which is Australia’s most modern rail freight operation and national terminal footprint. The business was established in 1974 as a rail line-haul service by Peter Smith, and ownership of the business has remained with the Smith family.

Issuer Need

SCT has a substantial fleet of trains, wagons and trucks with a useful life of up to 20+ years. There was an asset and liability mismatch as their financing arrangements and domestic bank appetite was predominantly equipment financing with 3 to 5 years terms and paid on an amortising basis. SCT set out to improve the capital structure in 2015 through a FIIG-arranged note and align the maturity profile of the debt with the life of its assets. The 2019 FIIG-arranged issue extends the financing arrangement with investors keen to continue supporting SCT.

FIIG Solution

FIIG acted as sole lead arranger for the dual-tenor issue, which comprised a five-year floating rate note series of \$60 million and a five-year fixed rate note series of \$40 million. The proceeds of the bond were used to refinance the 2015 FIIG-arranged dual series \$85m notes under a “consent and exchange” arrangement, and provide headroom for future growth capital expenditure. The two tranche structure optimised flexibility in rates whilst providing diversity for investors, highlighting the sophistication of the unrated bond market.

Client Testimonial

SCT Managing Director Geoff Smith said, “Following the successful raising of \$100M, we are delighted that for the second time now the FIIG team has been able to deliver us a flexible funding solution. This raising provides us with the available capacity to meet our future investment needs and is a reflection of the understanding and backing the FIIG team have of the SCT business and its future plans. Importantly, the package put together was executed in a highly efficient and commercial manner which enabled our Executive and Management team to get on with business”.

FIIG Contact

Andrew Butler

Director - Debt Capital Markets

FIIG Securities Limited

Ph. (03) 8668 8855

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