



Private Equity – Case Study

An AUD denominated fund was selling a New Zealand based portfolio company and the sale required government approval. The transaction value was approximately NZD500m with debt in multiple currencies and associated interest rate swaps.

The private equity firm was very concerned about the foreign exchange risk between commercial terms of the sale being agreed and the final closing of the deal, which was contingent on government approval.

Rochford advised and implemented the following strategies:

- Analysed and quantified the risks involved, then evaluated the hedging solutions available, for example forwards, options and deal contingent structures.
- Managed counterparty negotiations covering pricing, structure, documentation, and execution.
- Provided independent valuations of the existing interest rate swaps, negotiated, and executed their termination with banking counterparts.

With our support:

- The Private equity firm executed a deal contingent forward that allowed them to protect their investors from the foreign exchange risk in a cost-effective manner. This significantly reduced the potential liability on the derivative if the government approval wasn't forthcoming and the deal collapsed.
- The existing interest rate swaps were exited in an efficient process significantly reducing potential exit costs to the portfolio company.