

LGB Investments

CASE STUDY

Greenside Way Property LLP

LGB Investments arranged an issue of loan notes to replace a five year term loan at Greenside Way Property, a LLP which was established to hold the property asset of private equity-backed Industrial Latex Compounds. This presented an attractive opportunity for investors due to the company's prominence in its sector and the generous yield payable.

Following the acquisition of Industrial Latex Compounds (ILC) by a Manchester private equity (PE) firm in 2013, LGB Investments was asked to arrange an issue of loan notes to replace a five year term loan at Greenside Way Property, established to hold the company's facilities as a property asset. The PE firm wanted to minimise the amount of equity required to purchase the company and was willing to pay a generous interest rate for medium term debt with limited covenants.

A UNIQUE OPPORTUNITY TO INVEST IN ASSET-BACKED PROPERTY FIRM

LGB Investments believed this was a unique and attractive opportunity for its private investor clients. As a mid-sized firm, ILC was well-established and had recently secured the backing of a private equity investor which was committed to its medium-term growth. The firm was prominent in its sector and was committed to paying down the debt progressively during the life of its note. The loan notes were secured on the property assets and a first fixed charge on the other assets of the LLP, considerably reducing the potential risk for investors.

ATTRACTIVE LOAN NOTE TERMS SECURED FOR INVESTORS

Investors received a 9% interest rate income for four years paid quarterly, with an initial LTV of 59.5%. The loans were partially amortised over the life of the loan notes, which would have reduced the LTV ratio to 44.6% assuming a constant property value. The loans could be repaid early by the issuer at par, subject to a repayment fee of 2.5%. Once established, LGB monitored the programme on a quarterly basis ensuring all the covenants were adhered to.

LGB INVESTMENTS CHARGED WITH MONITORING PERFORMANCE OF UNDERLYING BUSINESS

As Security Trustee, LGB & Co. was charged with ensuring that the underlying business continued to perform and engaged with the issuer on a range of potential corporate transactions, including acquisitions. In December 2017 the partners of Greenside Way Property advised they intended to repay all outstanding loan notes in full five months prior to the maturity date as they were restructuring the ownership of the property from an LLP to a Limited Company.

OUTSTANDING PRINCIPAL AMOUNT AND REDEMPTION FEE PAID TO LOAN NOTE HOLDERS

The property on which the loan notes were secured had increased in value and the partners at Greenside Way Property were able to secure a long-term bank commercial mortgage at more attractive rates. Loan note holders received accrued interest and principal as well as a redemption fee of 2.5% on their outstanding principal amounts. They had benefitted from an attractive investment for more than three and a half years, which was closely managed by LGB & Co. as Security Trustee.



KEY FACTS

9%

The four-year loan notes paid investors a 9% yield on a quarterly basis

59.5%

The initial LTV on the property was 59.5%

2.5%

Investors also received a 2.5% redemption fee of the outstanding principal

“ I was fortunate in being introduced to LGB in early 2014, with bank interest rates being so low I was looking for investment help. LGB provided a mixture of reasonably high interest loans together with tax efficient investments in smaller firms with reasonable prospect of capital gain. I have come to appreciate the care taken to select investment opportunities that are an advantageous mixture of risk and opportunity.

HUGH HUMPHREYS
INVESTMENTS CLIENT