

A Spoonful of Sugar Helps the Medicine Go Down in Brazilian Debt Restructurings

By Douglas A. Doetsch, Ash McDermott and Eduardo Lima

In August 2021, Raízen S.A. (one of the largest integrated energy companies in Brazil) merged with Biosev S.A. and Biosev Bioenergia S.A (sugar, ethanol and biomass producing businesses previously owned by the Louis Dreyfus group). Shortly prior to the completion of that merger, the agreement for which was signed in February 2021, Raízen completed one of the biggest initial public offerings in Brazil ever.

It was a condition precedent to the completion of the merger that over \$1 billion of existing debt facilities within the Biosev group were repaid. These debt facilities included US dollar denominated ACCs (*Adiantamento sobre Contratos de Câmbio*) and syndicated pre-export finance facilities advanced by a group of seven international banks (ABN Amro, BNP Paribas, Credit Agricole CIB, ING, Natixis, Rabobank and Société Générale), as well as various bilateral loans from various Brazilian commercial banks (or Brazilian branches of international banks) and development banks. Mayer Brown acted as Brazilian, English and New York counsel for the international banks over an 18-month period leading up to the successful completion of the debt restructuring, working closely with FTI as financial advisers. Norton Rose Fulbright and FLH Advogados acted

as counsel to Louis Dreyfus and Biosev on the debt restructuring, with Alvarez & Marsal as financial advisers. Pinheiro Guimarães and White & Case acted as counsel to the Brazilian banks.

The transaction was very complicated, involving multiple institutions and advisers on the M&A process and the debt restructuring. The merger proceeds paid to the Louis Dreyfus group by Raízen were insufficient to repay in full the existing indebtedness owed to the international and Brazilian lenders. As a result, the remaining outstanding debt balance owed to all banks had to be moved to a separate Brazilian holding company owned by the Louis Dreyfus group that was also to be the owner of a small percentage of shares in Raízen as a result of the merger. The terms governing this outstanding balance, and the credit support, security and intercreditor discussions relating to it, were highly bespoke and required lengthy negotiations and innovative drafting solutions under both English and Brazilian law documentation. The closing mechanics occurred over a three-week period and involved foreign exchange transactions, escrow arrangements in multiple bank accounts in Brazil and New York and parties in Europe, New York and Brazil.

As a result of the collaborative efforts of all principals and advisers involved,

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the transaction completed, enabling Biosev to restructure all of its indebtedness on a consensual basis, without creditors needing to commence proceedings in the Brazilian courts.

Despite the title of this article, Mary Poppins was not involved in the transaction, and at various points during the negotiations, a positive outcome for Biosev and its creditors was not always an inevitability and needed more than fairy-tale wishful thinking to bring about. It is a good example of what is possible when all stakeholders engage in a collaborative and proactive manner, instructing experienced advisers (both financial and legal) early on.

MB deal team: Doug Doetsch, Eduardo Lima, Ash McDermott, Ed Parker, Priscilla Santos, Guilherme Tranquillini, Erica Arcudi, Clare Betteridge, David Fraher, Theo Scott, Chris Street, Dan Whitmore and Julia Wyszomirska.

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