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Enviva Completes Wilmington Terminal Drop-down Acquisition

BY CHRISTINA HALEY O'NEAL, POSTED OCT 11, 2017



Two Enviva domes located at the Wilmington terminal at the Port of Wilmington are 180 feet tall. (Photo courtesy of N.C. Ports)

Enviva Partners LP recently announced that the firm has completed the acquisition of Enviva Port of Wilmington LLC from Enviva Wilmington Holdings LLC, a joint venture between Enviva Holdings LP, Hancock Natural Resource Group Inc. and other affiliates of John Hancock Life Insurance Co.

The Maryland-based company agreed in May to the purchase for \$130 million pursuant to a contribution agreement between Enviva Partners LP (NYSE: EVA) and Enviva Wilmington Holdings, according to a news release.

“We are pleased to announce the completion of the Wilmington terminal acquisition, our third drop-down transaction since our IPO,” John Kepler, chairman and CEO of Enviva Partners, said in the release. “This acquisition adds a strategically located asset that complements our existing portfolio of plants and ports.

“Ownership and control over deep-water, dry bulk terminaling and storage facilities like the Wilmington terminal, the scarcest portion of our industry’s value chain, is a key part of our long-term growth strategy,” he added.

Enviva Port of Wilmington owns the deep-water marine terminal at the Port of Wilmington. Enviva signed a long-term lease on the port property and designed, financed and built the facility for \$35 million, according to N.C. Ports.

Its storage domes were constructed as part of its terminal facility, [began operating in late 2016](#). According to the release, the Wilmington terminal is capable of receiving product by rail line and truck, storing up to 90,000 metric tons of wood pellets, and loading onto Panamax-sized vessels for export. The Enviva wood pellets are exported to Europe as a waste wood product that is used to fuel power plants, replacing coal.

Enviva Partners owns and operates six plants, as well as a deep-water marine terminal at the Port of Chesapeake, Virginia. Enviva Partners also exports pellets through additional ports in Mobile, Alabama, and Panama City, Florida.

On Oct. 2, Enviva Partners made an initial payment of \$56 million for Enviva Port of Wilmington, adjusted in accordance with the terms the agreement for estimated working capital at the time of the closing, which was funded with borrowings under the partnership’s credit facility and cash on hand, officials said in the release.



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Upon first deliveries to the Wilmington terminal from Enviva Holdings' planned wood pellet plant in Hamlet, Enviva Partners will make an additional payment of \$74 million to Enviva Wilmington Holdings, subject to certain conditions.

The company expects to generate incremental adjusted earnings (before interest, tax, depreciation and amortization) of about \$5 million for 2018 and run-rate incremental adjusted EBITDA of about \$8 million in 2019, according to Enviva Partners' first-quarter report.

"Enviva currently exports an estimated 1 million metric tons of pellet cargo per year via 20 transoceanic ships from Enviva's terminal at the Port of Wilmington," Karen Tripp, vice president of communications and public affairs at Enviva, said in an email Wednesday. "The facility has the capacity to export 3 million metric tons of pellet cargo per year, with projections up to 80 transoceanic ships."

The company also built a wood pellet plant in Sampson County. Enviva Port of Wilmington will handle up to about 600,000 million metric tons per year of throughput volume from the partnership's production plant in Sampson County and is party to a long-term terminal services agreement to handle throughput volumes sourced to a third-party production plant, according to the release.

The Wilmington terminal is also expected to be the export point for the Hamlet plant when it becomes operational, officials said Wednesday. The plant is scheduled to be online by the end of 2018.

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