

# Bonds, loans and equities

**Kingfisher**, Europe's largest DIY group which trades in the UK as B&Q has raised around £380m via a €550m seven-year Eurobond issue which attracted strong support because it contained an investor protection clause against the takeover of the group.

The decision to include a change-of-control clause comes as more and more investors demand better protection in the event of takeover.

Kingfisher Finance Director Duncan Tatton-Brown said the change-of-control clause was offered to investors on the direction of the company's three advisers, BNP Paribas, Royal Bank of Scotland and Société Générale.

"We were advised to, as market practice is heading that way," said Tatton-Brown, adding that the inclusion of such clauses was a general market issue rather than one specific to Kingfisher.

"We were relatively indifferent as to whether we would have the clause or not, but we took best advice and the bond issue has been well received," he said. "Bonds give lower returns than other forms of investment and the concern for investors is therefore managing the downside risk."

"What has become apparent is that there is significant downside risk to bond investors in a leveraged buy-out of a company."

It appears bond investors are prepared to pay for a change-of-control rule in which they can sell their bonds back to the company by accepting a lower coupon in return.

The Kingfisher seven-year bond was priced at a coupon of 4.125%, 78 basis points (bp) over the Euribor rate – a tighter pricing than previous Kingfisher issues which did not include the clauses, including a 2010 €500m Eurobond issue with a coupon of 4.5%.

**Britvic**, the soft drinks empire behind the likes of Tango, Robinson's Barley Water and Pepsi in the UK, has floated on the Stock Exchange after finding itself in the extraordinary position of having three longstanding major shareholders who for historical reasons are all willing sellers at the same time.

Britvic was created in its current form 20 years ago as the soft drinks arm of brewers Bass, Whitbread and Allied Breweries. However, over time and after takeovers, none is now involved in brewing or soft drinks, having respectively turned into the InterContinental Hotels Group, the Whitbread leisure company and international spirits group Pernod Ricard.

"As a UK-based soft drinks company, we no longer made sense to our three largest shareholders," said Britvic FD John Gibney. "We did not fit with them and were no longer of any use as a strategic investment. While they had all been incredibly supportive it was clear they were unlikely to support our expansion plans."

Gibney credited the successful exit of all three shareholders at the agreed price of 230p a share,

valuing the company at nearly £500m, to the negotiating skills of Britvic's advisers Citigroup and Deutsche Bank.

"They demonstrated that this was how the market was going to price us in an initial public offering," said Gibney.

InterContinental Hotels Group sold its entire 47.5% stake of 102 million shares, and Whitbread and Pernod Ricard also sold their 23.75% stakes in their entirety. Pepsico, which has a 20-year UK bottling deal with Britvic, remains a 5% shareholder.

One of Europe's most indebted companies, **France Telecom**, which has around €61bn of loans and bonds outstanding, has issued a 20-year £350m sterling bond.

The issue, arranged by Dresdner Kleinwort Wasserstein, HSBC and Royal Bank of Scotland, will pay a coupon of 5.25%, 105bp over gilts.

It is the first sterling bond issue from France Telecom in nearly two years after it last raised £500m in a 30-year bond.

The issue is part of around £1.5bn raised in the last year, much less than in previous years. A spokesman for France Telecom said: "The group has seized a window of opportunity in the bond markets to optimise the refinancing of its debt denominated in sterling."

Robert Lea is City Correspondent of the *London Evening Standard*.

## INTERNATIONAL LOANS

BORROWER	DEAL TYPE	AMOUNT	TRANCHE MARGIN	PARTICIPATION FEE	CREDIT DATE	BOOKRUNNER
LEGAL & GENERAL GROUP	Investment grade	\$1,736m	15	7.5bp for 100m arranger, 6bp for 75m co-arranger	9 Dec 2005	Bank of America, Citigroup, RBS, SG Corporate & Investment Banking

## INTERNATIONAL EQUITIES

ISSUER	AMOUNT	TYPE	NO OF SHARES	OFFER PRICE	PRICING DATE	EXCHANGE	FEES (%)	BOOKRUNNER
LANCASHIRE HOLDINGS	\$963m	IPO	182 million	\$5.00	12 Dec 2005	AIM		Merrill Lynch

IPO=Initial Public Offering

All data provided by Dealogic. [www.dealogic.com](http://www.dealogic.com) 