Winner

A rare win-win

British Land

BRITISH LAND SCOOPED FIRST PRIZE IN THIS CATEGORY FOR ITS DEBT RESTRUCTURING IN AUGUST THAT BROUGHT TOGETHER ALL ITS OUTSTANDING CORPORATE DEBENTURES IN ONE TRANSACTION AND CREATED A NEW COMMON SECURITY POOL OF £1.8BN OF PROPERTY.

British Land

PRINCIPAL TERMS
Amount: Total £1.1bn.
Tenor/maturity date: 2011-2035.
Headline cost of borrowing reduced from around 5.7% to 5.3%.
Annual interest expense reduced by £11m.
Bookrunners: RBS, UBS.

British Land's Executive Officer, Peter Clarke, says: "We had a number of high-coupon legacy debentures, each with their own security pool and not trading at the right level in our view. We wanted to find a way of improving their attractiveness to bondholders and unlocking benefits for us."

Clarke says structuring this deal was complicated by the introduction of international financial reporting standards (IFRS): "We had to find a way of dealing with the accounting and this was a challenge. It did take quite a long time. The deal took place at the end of August but we had been working and discussing the best way to do this for a couple of years beforehand."

Clarke and his team created a single collateral pool for British Land's debentures. The pool included a £200m, a £250m and a £300m tranche, one of which was issued via a subsidiary.

Clarke says: "We created a huge pool giving investors £1.8bn collateral over 40 properties. This means that there is real diversity in terms of individual tenant risk, property sector and geographic spread. The intention was that the structure would be very attractive to investors."

The overarching aim was to provide debenture holders with security over a combined single pool rather than their current smaller security pools, providing greater transparency and liquidity. An additional £165m of assets was added to the pool to allow for the increase in the nominal amounts of bonds in issue.

Clarke says: "It is a much more appealing package and that has been borne out by the market, where all the tranches of these debentures are trading significantly tighter than before the deal."

The combined collateral pool provides the company with lower debt management and administration costs and creates a simplified, uniform secured debt structure for the non-securitised part of British Land. The recouponing also allows British Land to improve its earnings yield, which is important with the new REIT regime that started in January 2007, and allows some approximate symmetry with its investment property portfolio, which the market has repriced significantly over the last two years.

Clarke says: "I think this deal is highly innovative. We have taken what is effectively 19th century technology and updated it for a 21st century environment. We have taken an instrument which was a potential drag on the group's credit and turned it into something that is a positive for us and for our investors. A rare win-win deal."

Highly commended

Wellcome Trust

Biomedical research charity Wellcome Trust made history with its £550m 30-year fixed rate bond, becoming the first charitable foundation to issue a listed bond. The Aaa/AAA-rated bond met excellent demand, with tight pricing and an order book of £1bn, allowing an increase in size to £550m.

Danny Truell, Chief Investment Officer at Wellcome Trust, had his work cut out in the months leading up to launch in July: "We were the first to do this, so it was a challenge to get all our internal stakeholders on board. We had to demonstrate clearly to our executive, the board of governors and the Charity Commission what a bond issuance is and why we should do it."

Bookrunners JPMorgan Cazenove and Morgan Stanley helped to get all those involved up to speed with important aspects of bond issuance. Managing Director at JPMorgan Cazenove, John Mayne, says: "I was very impressed with the way the management responded to the deal. They embraced every aspect of what an issuance entails. They were extraordinarily efficient."

Wellcome Trust had to spend some time ensuring that it had the appropriate legal and tax frameworks in place before embarking on this new challenge.

Achieving the top credit rating from both S&P and Moody's impressed the market and allowed Wellcome to raise significant funds for research across the country.

Truell says: "We were awarded Aaa/AAA ratings without lengthy discussions and I think this is testament to the internal strength of the trust. The bond is so important because it provides money for charitable and medical research, but it also provides a roadmap for other charitable institutions, should they wish to do the same thing."