Winner

Right chemistry

Croda

CRODA

CRODA'S ACQUISITION OF UNIQEMA WAS SEEN AS A BOLD MOVE FOR THE YORKSHIRE-BASED COMPANY AND WAS PRAISED BY THE JUDGING PANEL AS A GOOD EXAMPLE OF AN EXCEPTIONALLY WELL-EXECUTED, SMOOTH-RUNNING DEAL.

PRINCIPAL TERMS
£450m revolving credit facility and term loan.
Maturity: five years.
Bookrunners: Barclays Capital, RBS.

Although only a small part of ICI, Uniqema is a much larger company than Croda, presenting a challenge for the company in this transaction. Croda Finance Director Sean Christie says: "We have a turnover of £300m and Uniqema has a turnover of over £600m. In my view that was one of the key challenges for the acquisition."

As a part of ICI, Uniqema was a manufacturer of specialist chemicals used in a wide range of products. Both Croda and Uniqema operate in a number of different countries and use the same kind of production facilities, which has helped to unify the two companies since the acquisition.

Christie says: "There are, in fact, a lot of similarities between the two companies in terms of products and the markets in which we operate. This helped to make integration easier but we still had a lot of work to do to complete the deal and bring both Croda and Uniqema together efficiently."

Croda made its first bid for Uniqema in 2004, but was unsuccessful. Two years later, it tried again. The bid, similar to the original, was accepted and Croda went ahead with RBS and Barclays Capital to obtain a £450m revolving credit facility and term loan.

Nigel Pavey, Director at Barclays Capital, says: "The £450m loan to support Croda's acquisition was a textbook example of how efficiently a major transaction can be put in place – particularly as this was the company's syndicated loan debut. It attracted very strong support from lenders and was significantly oversubscribed."

Croda's announcement details the acquisition of Uniqema as structured principally as a sale of shares, with one exception of a site in India which will be effected as an asset sale from its current owner, ICI India.

Since the deal was signed last June, Croda has made significant changes to the way Uniqema operates.

Christie says: "Our goal was to make sure that the business was integrated by January 2007 and we have achieved this. Key structural changes were very important and to make sure this is a real success we had to work hard to move quickly. It has been a very busy few months for all of us but we are encouraged by the progress so far."

Highly commended

Seton House Group

Seton House Group (SHG), formerly Britax, undertook a £140m financing and acquisition facility to refinance its balance sheet while creating a degree of flexibility for future divestments and acquisitions.

Doug Robertson, Finance Director at SHG, says: "We had completed the sale of one of our businesses and this generated cash which enabled us to restructure our balance sheet.

"Prior to the sale, the business contained quite a number of relatively expensive debt instruments. We wanted to remove those and replace them with a more acceptably priced debt with terms and conditions that gave us flexibility for the future."

Flexibility was a vital part of the transaction for the group as it was aware that future corporate activity would be a key feature of the company's development.

Robertson says: "We wanted to incorporate as much into the facility agreement as we could so that it would allow us to engage in commercially driven activity without having to constantly revert to the bank syndicate for consent and approval."

The deal strikes the right balance between giving the company the flexibility it needs and providing the appropriate level of protection to the lenders.

Jeremy Perl, Director of DCM Loan Syndications at lead arranger Lloyds TSB, says: "The deal was structured around the company's need to manage its forecast debt requirements, allowing SHG to undertake corporate activity without triggering a refinancing."

Robertson says: "We were very pleased with the underlying terms and pricing, with the covenant headroom and with the freedom it gave us to enter into corporate transactions and activities that might in other circumstances have required prior reference to the bank syndicate."

Mandated lead arrangers were Allied Irish Banks, Lloyds TSB and Bank of Scotland.