Winner

Playing a blinder

Arsenal

THE FOOTBALL CLUB'S REFINANCING IN JULY 2006 TOOK TOP SLOT IN THIS CATEGORY FOR ITS INNOVATIVE AND EFFECTIVE STRUCTURE IN A VOLATILE INDUSTRY.

PRINCIPAL TERMS
£260m asset-backed securities, consisting of £210m maturity 2029, and £50m fixed-rate note maturity 2031.
Bookrunners: Barclays, RBS.
Debt advisor: Rothschild.

Arsenal FC succeeded in the sale of £260m secured long-dated bonds to refinance the shorter-term construction loans used to fund its new Emirates stadium, which was completed in time for the start of the 2006/07 season.

Keith Edelman, Managing Director at Arsenal FC, says: "One of the most important aspects is that the stadium was completed on time and on budget. It has been very successful because of the good performance of the stadium."

The deal consists of two parts. Tranche one is a £210m fixed-rate note which pays interest semi-annually, begins scheduled amortisation immediately and has a 13.5-year weighted average life.

The £50m A2 tranche is a floating-rate note that pays interest quarterly and has a seven-year expected maturity, despite its 25-year legal maturity since it is assumed Arsenal will prepay the debt before the margin steps up to 2.5x in 2013.

Edelman says: "There have been two previous securitisations of football clubs which did not go particularly well. We really had to overcome some of the problems of the previous deals in terms of structuring. We had to be sure that we were doing all we could to inform investors that this was a good deal for them."

Edelman says that the club had to counter fears of spiralling wage costs and transfer fees related to its FA Premier League status and to provide investors with a clear strategy for managing this.

Finula Cilliers at Rothschild debt advisory believes the entire stadium project and financing deserves recognition for its success in completing on time and on budget.

She says: "The securitisation is a great partnership between the football club being able to run itself as a football club and the interests of bond investors. They definitely got the balance right."

The transaction has been a great success story for Arsenal to sell to the market.

Edelman says: "We are the only football club to have achieved investment-grade. Getting that from the rating agencies was a challenge in itself."

The deal was extremely beneficial to the club, substantially reducing interest rate costs and increasing its debt maturity within a structure that allows financial flexibility.

James Miller, Head of Corporate Securitisation at bookrunner RBS, says: "The structure balanced the need to protect investors over the long term while allowing the club the operational flexibility to continue to achieve success both on and off the pitch. The deal was a great success for the club and has potential to open up a new asset class to the securitisation sector, although any deal will have to address adequately the same concerns investors had regarding this sector."

Highly commended

Vega ContainerVessel/CMA CGM

Securitisation of shipping vessels had not been done before CMA CGM's deal in 2006. The French-based shipping/lease company embarked on a journey that involved the securitisation of 12 new container ships. The issuer, Vega ContainerVessel is a financial vehicle for container ship leasing; the ultimate beneficiary was CMA CGM.

Similar transactions had been done with container and shipping loan portfolios but with such an unpredictable market, the rating agencies steered well clear of the vessels themselves.

This makes this transaction – an $800m financing package launched simultaneously in three different markets to fund new vessels – an innovative structure and worthy of recognition.

Helene Mizrahi-Walden, Head of Transportation of Securitisation at BNP Paribas, says: "Each market required very different things. We had to make sure we were going to each and presenting something that complements them. To cross the border into different financial markets can be very difficult. It was a challenge for us."

The transaction consisted of three classes: $253.7m senior notes wrapped by XL Capital Assurance and triple-A rated by S&P and Moody's; $245m subordinated and unrated loan pre-placed with an experienced shipping bank; and a $300m unrated corporate bond issued directly by CMA CGM.

BNP Paribas acted as the sole arranger and bookrunner on this transaction.