Just the ticket for FirstGroup as it climbs aboard the big yellow buses

With one bold leap **FirstGroup** has become not only the largest operator of the famous yellow buses that ferry American children to school, it also takes control of the iconic long-distance, intercity Greyhound buses which crisscross North America.

Best known for running FirstGreatWestern train services out of Paddington and red buses on the streets of London, FirstGroup's $3.6bn (£1.9bn) acquisition, including debt, of US-based Laidlaw International, will mean for the first time that the majority of the British passenger transport group's revenues will be generated in North America.

FirstGroup was already in the US school bus market with its 1999 acquisition of Ryder Public Transportation Services, and by the start of this year Laidlaw was the only private sector company running more yellow buses in North America than FirstGroup.

The takeover sees FirstGroup also take ownership of Laidlaw's Greyhound buses, although FirstGroup chief executive Moir Lockhead said that the Greyhound business would be the subject of a "comprehensive review" of Laidlaw assets.

"This is the right deal at the right time at the right price," said Lockhead.

FirstGroup Finance Director Dean Finch said: "The transaction will increase debt from about £800m to £2.4bn – about four times earnings before interest, tax, depreciation and amortisation. However, we expect that level of debt to come down swiftly on the back of strong cashflows."

FirstGroup is raising the cash for the deal on both the equity and the debt markets.

It immediately raised £200m from a placing of shares via its brokers JPMorgan Cazenove and UBS at almost par to where the FirstGroup shares had been trading the night before the announcement of the deal.

Lockhead said the company was reserving its position to raise up to a further £175m via a rights issue on completion of the deal.

On announcing the deal, the company also said that it had entered into a two-tranche senior loan facility – a term facility and a revolving credit facility – of $3.75bn with HSBC, JPMorgan Chase Bank, and Royal Bank of Scotland. A subordinated equity bridge facility totalling $750m was put in place with JPMorgan Chase.

JPMorgan Cazenove and Tricorn Partners acted as financial advisers to the deal. Morgan Stanley acted as advisers to Laidlaw.

High-yielding hybrid bonds remain high-profile on the European capital markets.

The world's biggest brickmaker **Wienerberger** – the Austrian company which also recently became a major player in the UK with its acquisition of Baggeridge Brick – signalled it wanted to raise €400m of the debt-equity instruments paying a coupon of 7.25%.

In the event, with up to €5bn of orders Wienerberger raised €500m, pricing the coupon at 6.5%. A spokesman confirmed: "There was strong demand and elevenfold oversubscription."

Erste Bank of Vienna, Deutsche Bank and Dresdner Kleinwort oversaw the fundraising.

Australian finance house **Macquarie** has completed a multi-tranche refinancing of Thames Water after its consortium's bid vehicle, Kemble Water, took control of the London utility, the UK's largest water company.

Kemble paid £8bn to take ownership of Thames Water, paying £4.8bn for the equity owned in the utility by German power company RWE and assuming £3.2bn of debt.

The Kemble consortium brought in four banks to mastermind the refinancing of a little over £3.9bn: Barclays Capital, Dresdner Kleinwort. HBSC and Royal Bank of Canada.

A £1.6bn tranche over 18 months was raised, paying 50 basis points over Libor in the first year and 60 basis points subsequently.

A further £625m was raised, paying over five years. The finance will be repaid at 125 points over Libor in the first three years, rising to up to 140 points over in year four, and 160 basis points over in the final year.

Another £835m seven-year tranche of junior debt will pay 375 points over Libor in its first three years, 400 basis points over in the two years after that, and 500 basis points over in the final two years.

The financing package also includes a £700m capital expenditure facility over 18 months, paying 40 basis points over in the first year, and rising to 45 points over, along with an 18-month £200m working capital tranche on the same terms.

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

EQUITIES

ISSUER	AMOUNT	TYPE	NO OF SHARES	TRANCHE OFFER PRICE	PRICING DATE	EXCHANGE	BOOKRUNNER
QinetiQ Group plc	$273.47m	FO	67,766,766	$4.04	09/02/2007	London	Credit Suisse, JPMorgan, Merrill Lynch
JJB Sports	$99.16m	FO	20,500,000	$4.84	26/01/2007	London	UBS
Nestor Healthcare Group plc	$64.26m	FO	25,038,154	$2.57	12/02/2007	London	Investec Inc

FO=Follow on

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