Biggest British private equity deal sealed

The £11.1bn takeover of **Alliance Boots** represents not only the latest in a string of megabids for FTSE 100 companies – a dozen blue chip London stocks have now been taken out over the last two years – but also the single biggest private equity-financed bid for a British company.

The complex bid by US private equity giant Kohlberg Kravis Roberts in league with Steffano Pessina, Alliance Boots' largest shareholder and its Deputy Chairman, was landed only after seeing off a last-minute counter-offensive by funds run by London private equity firm Terra Firma, acting with the Wellcome Trust.

The Terra Firma counter-offer was finally seen off after KKR and Pessina raised their offer to a knockout 1130p and a series of dawn raids on the stockmarket and investor pledges which saw it take control of 29% of Alliance Boots shares.

The heavily debt-financed takeover – around £8bn has been borrowed – sees KKR and Pessina control around 30% of the new company's equity each for an investment of around £1bn apiece. Together they share 100% of the voting rights. The remaining 40% of the equity is being distributed among minority co-investors including the banking syndicate putting up cash to provide the bridge equity.

The equity syndication and lending was underwritten by Barclays Bank, the BAS Capital Funding Corporation arm of the Bank of America, Citigroup, Deutsche Bank, JPMorgan Ventures, Royal Bank of Scotland and UniCredit through Bayerische Hypo- und Vereinsbank.

Acting on the deal for KKR and Pessina were UniCredit as lead adviser and JPMorgan Cazenove and Merrill Lynch acting as co-lead advisers and joint corporate brokers. Citigroup also acted as financial adviser.

Pessina, the Italian who was the original architect of last year's merger between Boots and Alliance UniChem, said the business needed to be taken off the stockmarket to accelerate development into new markets for a pharmacy-led healthcare and beauty group. "The markets we serve are changing dynamically," Pessina said.

Alliance Boots was advised by Goldman Sachs as lead financial adviser, with Credit Suisse and UBS acting as corporate brokers. Greenhill acted as independent financial adviser to Alliance Boots' independent directors.

It was the end of the road for another FTSE 100 giant, with the remnant of the great **Hanson** trading empire coming amid a flurry of deals aimed at winning global leadership in international aggregates and building materials.

The £9.5bn takeover of Hanson by Germany's HeidelbergCement was recommended by the British company's board.

It marks the end for Hanson, the quoted aggregates group which is the last vestige of the empire constructed by the late buccaneering British businessman Lord Hanson. His powerful industrial conglomerate once spanned industries ranging from chemicals to electricity and tobacco, but which was broken up in the mid-1990s.

The offer of 1100p a share for Hanson was around a 30% premium to where Hanson shares had been trading prior to news of Heidelberg's interest, and valued Hanson at around 12 times 2006 EBITDA earnings.

The offer valued Hanson equity at around £8bn and Heidelberg said it would be taking on around £1.5bn of Hanson debt.

Heidelberg was already involved in the UK market through its Castle Cement subsidiary, and the deal makes Heidelberg internationally the number one in aggregates, the second largest producer of ready-mixed concrete, and the fourth largest producer of cement.

The deal follows the recent US merger between Vulcan Materials and Florida Rock and other recent acquisitions in the UK market.

Cemex of Mexico, which recently acquired Rinker of Australia, had bought RMC; Lafarge of France acquired Blue Circle; and Aggregate Industries fell to a takeover by Holcom of Switzerland.

Heidelberg Chief Financial Officer Lorenz Naeger said the deal was initially financed through bank debt via the Royal Bank of Scotland and Deutsche Bank, whose offices in London and Frankfurt acted as financial advisers to the deal.

Naeger said the deal would be refinanced by a €500m placing of shares underwritten by the group's major shareholder Adolf Merckle, and the sale of €2bn of hybrid bonds which he said would carry an equity credit of 50%. Further funding would be raised through disposals – Heidelberg has already earmarked the €1.4bn sale of its French building materials supplier Vicat. Naeger added: "We will go to the bond market to refinance the balance, the remaining debt."

Hanson was advised by Rothschild on the deal with Hoare Govett acting as corporate broker.

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

EQUITIES

ISSUER	AMOUNT	TYPE	NO OF SHARES	TRANCHE OFFER PRICE	PRICING DATE	EXCHANGE	ISSUER NATIONALITY	BOOKRUNNER
Cineworld Group plc	$240m	IPO	61,381,075	$3.41	27/04/2007	London	UK	JPMorgan, Lehman Brothers
Wellstream Holdings plc	$465m	IPO	67,037,500	$6.31	25/04/2007	London	UK	Credit Suisse

IPO=initial public offering

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