Deals of the Year 2000

COMPANY	TYPE	AMOUNT	LAUNCH DATE/MATURITY	RATING (MOODY'S/S&P)	COUPON (%)/PRICE
Blue Circle	Loan: a) Revolving Credit b) Revolving Credit c) Revolving Credit d) Term Loan	£1.6bn	17 May /4 tranches: a) £400m 364-day RC b) £300m 3-year RC c) £500m 5-year RC d) £400m 5-year TL	Baa1 / n/a	Spread of 125bp over Libor for greater than 3x debt to Ebitda, ratcheting down in increments of 25bp to a floor of Libor+50bp if net debt is less than 1.5x
	Arrangers: Greenwich NatWest, WestLB. *A further 19 banks joined in the underwriting group.*				
Cadbury Schweppes	Fixed Rate Bond	$300m	3 May / 2005	A2 / A	7.75%
	Joint lead managers: Deutsche Bank, JP Morgan Securities. **Co-lead managers:** ABN Amro, ING Barings BBL, Credit Suisse First Boston, UBS Warburg.				
Deutsche Telekom	Multi-currency Bond: US Dollars Euros Sterling Japanese Yen	$14.6bn: a) $3bn b) $3bn c) $3.5bn a) €2.25bn b) €750m a) £625m b) £300m a) ¥90bn	28 June 2005 2010 2030 2005 2010 2005 2030 2005	A2 / AA–	Coupon* 7.75% 8.00% 8.25% 6.125% 6.625% 7.125% 7.125% 1.5%
	Details: *Coupon subject to credit rating of company. In event of credit rating downgrade to below A3, (Moody's) and A– (S&P) coupon increases by 0.5%. If both agencies subsequently upgrade issuer to at least A3/A–, coupon reverts to original. **Bookrunners:** Deustche Bank, Goldman Sachs, Morgan Stanley Dean Witter. **Co-lead Managers:** ABN Amro (€), Bankgesellschaft Berlin (€), Commerzbank Securities (€), Daiwa SBCM Europe (¥), DG Bank (€), Dresdner Kleinwort Benson (£, €), HypoVereinsban (€), Landesbank Baden-Wurttemberg (€), Merrill Lynch (£),Société Générale (€), UBS Warburg (£, €), WestLB (€). **Co-managers:** BNP Paribas (¥), Credit Suisse First Boston($), JP Morgan Securities (¥, $), Lehman Brothers ($), Salomon Smith Barney ($), Merill Lynch ($).				
Energis	High Yield Bond	£300m	7 February / 2010	B1/ B+	9.125%
	Details: Call option: Callable in 2005 at 104.563; in 2006 at 103.042; in 2007 at 101.521; thereafter at par. **Joint lead managers:** Dresdner Kleinwort Benson, Goldman Sachs. **Co-managers:** Banc of America Securities, Barclays Capital, CIBC, TD Securities.				
Heidelberger Zement	Fixed Rate Bond	€1bn	7 February / 2007	Baa1/ BBB+	6.375%
	Joint lead managers: Deutsche Bank, Dresdner Kleinwort Benson, ING Barings BBL. **Co-managers:** BCI, BGB, CDC Marchés, Crédit Lyonnais, HSBC Markets, LBW, SE Banken, WestLB.				
Robert Walters	IPO	£135m	6 July	n/a	170p
	Global Co-ordintor: CSFB. **Co-lead managers:** WestLB Panmure, CSF Charterhouse.				
Trafford Centre	Securitisation A1 A2 B D1 D2	£610m £50,000 £340,000 £120,000 £50,000 £50,000	22 February 2014 2034 2030 2018 2023	 AAA AAA AA BBB BBB	 3m Libor+0.51% 6.50% 7.03% 3m Libor+1.65% 8.28%
	Bookrunners: Deutsche Bank, Royal Bank of Scotland.				
Vodafone	Senior Credit Facilities: a) Revolving Credit b) Revolving Credit c) Revolving Credit	€30bn €15bn €7.5bn €7.5bn	23 March a) One year* b) One year* c) Three years	A2 / A* (*upgraded from A– on 30 August)	Linked to rating and size of facility: Varying from Libor100bp to Libor+80bp.
	Details: *with six-month term-out option; **Arranging Banks:** ABN Amro, BNP Paribas, Bank of America, Barclays, Citibank, Goldman Sachs, Greenwich NatWest, ING Barings, National Australia Bank, Toronto-Dominion and UBS Warburg.				

Setting the standards

The Treasurer's Deals of the Year were selected in response to readers' feedback following a formal poll in this year's October edition. The 4,800 members, AMCT students and subscribers who receive *The Treasurer* every month were invited to nominate up to five of their favourite deals completed in the period between 1 October 1999 and 30 September 2000.

Any debt or equity financing raised by a corporate borrower in this period qualified for nomination. A panel of senior members of the Association then gave the top eight contenders the final seal of approval as *The Treasurer*'s official Deals of the Year 2000.

All nominations were noteworthy in their own right, and reaching a shortlist of eight was not easy. But the winning deals demonstrated traits that set them a stride ahead of the others. These transactions advanced the practice of issuing debt or equity and set new standards by which future deals will be benchmarked. The deals matched the criteria of showing good treasury management, innovative structure, efficient pricing and relative success in prevailing market conditions.

All of the transactions nominated and selected for the final list in this period deserve a special commendation, having for the most part been completed in what one senior syndicate manager described as 'a raging bear market'.

Secondary market performance can be volatile, as treasurers know all too well, and this year has been no exception. The Deals of the Year and nominations were primarily evaluated on their performance at the time of launch and its aftermath.

Success is also relative. In a market marred by frayed nerves, outperforming may be holding on to original spread levels or widening less than comparable issues for debt issues – or shedding less in price terms, where equities are concerned.

Corporations worldwide faced a series of hurdles in 2000. At the back end of the last millennium, issuers experienced tight liquidity conditions as the market all but closed down ahead of the year-end. Investors, issuers and intermediaries shut up shop to focus on the much-hyped Y2K crisis.

In hindsight, the event passed more or less unnoticed, proving many doomsday 'mongerers' wrong. But a long-anticipated fallout in the technology sector added further volatility to all markets and sent equities and bonds diving. A further cloud on the issuing horizon came from the sharp escalation in oil prices, which raised fears that a wavering world economy could be seriously destabilised.

Despite the challenges, the new millennium heralded a new dawn for corporate debt and equity financing.

A weighty pipeline of deals, many delayed from the final quarter of 1999, were raring to go. The new year brought more deals than in recent history. Many transactions were far bigger than a lot of people had anticipated and issues came from a wider credit sphere than the European market had seen before.

Investors embraced the new credit story with fresh gusto, as they became increasingly aware of the benefits of diversifying their investment portfolios. Issuers from all types of backgrounds ventured successfully into the markets in ways that only a year or 18 months ago would have seemed impossible.

The Treasurer salutes them all. Congratulations! ■

ULRICA MARSHALL

The nominations

Bond markets

Euro-denominated paper dominated eurobond issuance. The currency offered breadth of investors and an unparalleled depth, compared to a receding market for the sterling and dollar sectors. **Freddie Mac**, with its September deal, succeeded in establishing what many frequent issuers aspired to – a truly liquid, quasi-sovereign benchmark bond in the euro sector. The €5bn one-tranche transaction was particularly noteworthy for the issuer's commitment to maintaining a liquid market for the bonds by pledging to launch a new deal each quarter.

The year also brought innovation in the way in which bonds were distributed. The race was on to be the first-ever international bond sold and distributed solely through the internet. Issuers hoped to access a wider audience of retail and mid-market investors in the new technology era.

The World Bank achieved a resounding success in launching its $3bn five-year e-bond in January. The deal was marketed, sold and traded over the internet and allowed retail investors direct access to the offering. **Ford Motor Credit** laid claim to the title of being the first corporate to issue a $1bn three-year offering of bonds online. As a frequent issuer in the debt capital markets, it was convinced that the internet provided the distribution channel of the future, enabling the company to interact directly with its investor base.

However, telecoms giant **Deutsche Telekom** stole most issuers' thunder with its whopping $14.6bn multi-currency issue launched in June. The deal was able to lay claim to seven superlatives, ranging from the largest global bond to the first simultaneous four-currency offering. (See full details on page 48.)

Alcatel, the French telecoms equipment group, gained praise for its €1bn five-year benchmark bond. A speedy execution ensured that the company was able to take advantage of an opening in the market, which may have proved short-lived given the hefty borrowing requirements from the telecoms sector as a whole. Demand for the paper proved so strong, though, that the single-A rated company immediately increased the offering from €750m to €1bn. Alcatel successfully established a five-year reference on its credit curve and broadened its investor base further.

Another French company, **Groupe Danone**, received nominations for its inaugural €700m two-tranche transac-

> "Euro-denominated paper dominated eurobond issuance. The currency offered breadth of investors and an unparalleled depth"

Trends for the funding year ahead

Based on conversations with banking and treasury professionals, we were able to establish a number of expected trends for the year ahead.

Corporates and banks agree that the coming year should see an improved stability to a market that has been plagued by high levels of volatility in the past 12 months. The consolidation and continued merger activity, across all sectors, should keep up the pressure on performance and delivery, as the weeding-out process distinguishes the weaker names from the stronger ones.

A business plan backed only by plenty of enthusiasm will no longer hold the same lure as an established and proven track record in investors' eyes, whether for equity or debt financing. But an uncertain economic prospect could tip the balance in favour of debt instruments, adding further to the depth and maturity of the credit curve in Europe. An increasingly savvy investor audience will welcome these diversification prospects.

The way corporates issue also looks set to evolve. The Pot system is already fully operational in the US and is becoming increasingly common in the eurobond markets. The Pot system is where the lead manager controls a substantial proportion of the issue by taking demand from big investors into a central ordering pot irrespective of which selling institution takes the order. It offers greater transparency to the way in which deals are syndicated. Losing some of the secrecy, which has traditionally surrounded bond issuance, can only be beneficial to issuers, and demands greater accountability from lead banks.

The impressive growth in the European convertibles and hybrids sector looks set to provide further opportunities for borrowers in 2001. The success of certain exchangeable bonds during the year has sparked heightened interest in such vehicles, which allow borrowers to lock-in a low coupon on their debt, while offering conversion into a covered holding of stock on the borrowers investment portfolio.

Single-deal volume of issuance have reached new highs in the past year, and this trend is expected to be fuelled further by the continuing mergers and acquisition drive in Europe. The credit markets has also deepened and matured as a result of this activity and can be expected to further emulate the sophistication of the US credit markets in the coming year. For many sectors of industry and commerce, the coming year represents the 'end game' in the battle for leadership positions, and we can look forward to another hectic year for financing of all kinds. ■

Nominations

☐ **Alcatel** *September 2000*
€1bn 5.875% bond due 2005
HSBC-CCF, Deutsche Bank

☐ **Anglian Water** *April 2000*
£150m 3.875% above the UK RPI due 2020
HSBC

☐ **Allianz-Siemens** *March 2000*
€1.7bn 2% exchangeable on Siemens stock. Due 2005
Goldman Sachs

☐ **Claims Direct** *July 2000*
£108m initial public offering
Equities – IPO July 2000

☐ **Colt Telecommunications** *December 1999*
£400m primary equity issue
Morgan Stanley Dean Witter

☐ **Danone** *€700m July 2000*
€350m 5.625% and €350m 3m euribor + 0.20% due 2003
Merill Lynch, Société Générale

☐ **DHL International** *September 2000*
$610m term loan due 2012
Bank of Tokyo-Mitsubishi Barclays, BCI, Citibank/SSSB, Crédit Lyonnais, Deutsche Bank, ING-Barings and KfW

☐ **Ford Motor Credit** *January 2000*
$1bn bond due 2003
Lehman Brothers

☐ **Fosters Brewing Group** *August 2000*
$400m 4.75% subordinated, unsecured convertible bonds due 2003
UBS Warburg

☐ **France Telecom** *June 2000*
€30bn revolving credit. Due 2001 and 2003
Barclays, BNP Paribas, Citibank/ SSSB, CSFB, Morgan Stanley Dean Witter and Société Générale

☐ **Freddie Mac** *September2000*
€5bn eurobond due 2010
Deutsche Bank, SSSB and UBS Warburg

☐ **Gas Natural** *January 2000*
€525m 6.125% bond due 2010
Merill Lynch, Invercaixa

☐ **Granada Media** *July 2000*
£1.3bn initial public offering
CSFB, Lazard and ABN Amro Rothschild

☐ **Interbrew** *July 2000*
€6bn loan in five tranches with maturities up to five years
ABN Amro

☐ **Integrated Accommodation Services (UK Spy Centre)** *June 2000*
£406.8m 6.48% bond due 2029
Deutsche Bank

☐ **Invensys plc** *August 2000*
$2.35bn revolving credit facility due 2001 and 2005
Barclays Capital

☐ **Marconi** *September 2000*
$1.8bn Yankee bond: $900m due 2010, $900m due 2030
Morgan Stanley Dean Witter

☐ **Pacific Century Cyberworks** USD12bn *February 2000*
$12bn syndicated loan due 2000 and 2001
BOCI Capital, HSBC, BNP Paribas, Barclays Capital

☐ **QXL** *£54.6 October 1999*
£54.6m initial public offering
Credit Suisse First Boston

☐ **Ryanair** *March 2000*
€176m primary secondary equities offering
Morgan Stanley Dean Witter

☐ **SkyePharma** *May 2000*
£59.4m 6% convertible bond due 2005
Société Générale

☐ **TI Group** *July 2000*
€300m 6.375% bond due 2005
Deutsche Bank, Salomon Brothers International

☐ **Unilever** *August 2000*
$6bn FRN 3M $ libor+0.03% and €1.5bn FRN 3M euribor + 0.0625% due 2001
ABN Amro, Deutsche Bank Alex Brown, Goldman Sachs, UBS Warburg

☐ **United Biscuits** *March 2000*
£1.273bn LBO debt facilities due 2014 through 2034
Deutsche Bank

☐ **Vodafone** *March 2000*
£3.23bn primary equity
Deutsche Bank, Goldman Sachs

☐ **World Bank** *January 2000*
$3bn 7% global bond due 2005
Goldman Sachs, Lehman Brothers

tion. The three-year deal, split into equal offerings of fixed and floating debt, created price tension between the separate investor bases. Danone was able to issue at the lower end of the indicated spread range, while reaching the widest possible audience of investors for its coveted retail name.

Other newcomers to the debt markets had similar results. **Gas Natural**, the Spanish utility, celebrated its recent euro medium term note (E-MTN) programme by launching a well-received €525m 10-year bond. The success of the deal, which was launched at the tighter end of the indicated spread range, highlighted the value of a well-organised roadshow and the possibilities in the capital markets for corporates across Europe.

The UK's leading engineering firm, **TI Group**, made a successful debut in the euro-denominated sector with its €300m five-year deal. The group overcame obstacles presented by a relatively low name recognition outside the UK ly placed with US investors, while the €1.5bn tranche reached Unilever's traditional investor base. The rarity of the Unilever name and the demand for paper in the 13-month maturity ensured a successful deal for the Anglo-Dutch consumer conglomerate, despite a recent rating downgrade by Moody's to A1.

A 20-year offering from UK water utility **Anglian Water** took advantage of a shortage of long-dated paper in the sterling sector. The £150m index-linked structure was fully sold at launch and allowed the utility to issue at the lower end of the indicated spread range and at a double-digit tightening of the spread from 2023 issue in the conventional sterling market.

British telecoms group **Energis** defied market scepticism to issue a thoroughly successful £300m high-yield bond in the first quarter of 2000. The strength of demand prompted the firm to increase its offering from the originally planned £200m, while remaining neatly within further incentivised by a ratings-linked margin. (See full details on page 55.)

The group's French rival, **France Telecom**, also tapped the deep pockets of the syndicated loan market to finance the acquisition of **Orange plc**. Its 364-day and three-year financing package added up to a hefty €30bn, yet had little difficulty in selling down the revolving credit facility. A ratings-linked ratchet feature compensated creditors with an additional margin for any downgrade in France Telecom's credit rating and boosted the loan's appeal.

Another jumbo loan came in the shape of a $12bn facility to finance **Pacific Century CyberWorks**' acquisition of Hong Kong's dominant telecoms group, Cable & Wireless HKT. The deal catapulted the group into the top five listed on the Hong Kong Stock Exchange and was the largest corporate takeover in Asia. At the time of underwriting, the facility held the title of the biggest loan raised in Asia.

"Rising costs of the third-generation mobile phone licences in Europe and heightened M&A activity made most European telcos turn to their bankers for backing"

and set an important ethical standard for future multi-currency issuers by extending the covenants for its earlier sterling transaction to its euro investor base.

Food and drinks group **Cadbury Schweppes** returned to the bond markets following a four-year absence with a $300m five-year offering (See full details on page 47). The rarity and retail appeal of the name ensured an oversubscribed deal in a generally quiet sector, proving that the right name, in the right sector at the right time will always sell.

The relatively unknown **Heidelberger Zement**, a German building materials group, overcame lack of familiarity by an effective roadshow and an impressive sales effort. The €1bn seven-year deal gave the issuer a heavily oversubscribed first issue since gaining its Baa1/BBB+ credit ratings. (See full details on page 52.)

The darling of the debt capital markets, **Unilever**, reasserted its position with a short-dated dual currency floater to finance the acquisition of Bestfoods in the US. A $6bn tranche was private- the indicated price range. (See full details on page 49.)

UK-based electronics giant **Marconi** waded into the US domestic market with a $1.8bn Yankee bond and gained a joint title as the largest ever corporate offering in the category.

The deal was split into a 10-year and a 30-year tranche and refinanced bank debt raised for the acquisition of Reltec and Fore Systems in the US.

Syndicated loans

The loan market yet again succeeded in surprising the market as to the depth of financing available in the sector. The escalating costs of the third generation (3G) mobile phone licences in Europe and heightened merger and acquisition (M&A) activity made most European telcos turn to their bankers for backing. **Vodafone**'s €30bn senior credit facility was the largest syndicated loan raised in the global syndicated loan market. The proceeds were needed for the acquisition of **Mannesmann**, the German telecoms firm. Investors were

Activity in the syndicated loan market was also rife outside the telecoms sector. **DHL International**, the air express freight service, impressed the markets with its 12-year $610m oversubscribed loan. The funding was put in place to finance a fleet of 23 Boeing aircraft that would be converted from passenger to freight configuration, in one of the largest aircraft debt deals of the year.

Elsewhere, Belgian brewer **Interbrew** raised €6bn in a five-tranche loan with maturities of 364 days and five years. The firm defied the prevailing poor market conditions to net a well-received transaction. The proceeds supported the company's successful £2.3bn bid to acquire **Bass**' brewing business.

Construction material supplier **Blue Circle** undertook a successful defence bid against the unwanted attention of French rival **Lafarge** in March. (See full details on page 46.) The firm was able to raise £1.6bn from the loan markets within a short period of time to maintain its independence and, therefore, raised the stakes in game of hostile takeovers.

In August, technology group **Invensys** was able to increase the size of its revolving credit facility by $350m to $2.35bn, even though the pricing of Libor+27.5bp to 37.5bp was seen as aggressive for the one and five-year terms. The facility was heavily oversubscribed.

Finalrealm's £1,273m public-to-private acquisition of **United Biscuits** gave rise to the largest ever financing for a European leverage buyout. The facility included £588m of senior debt, £325m of high yield bridge finance and £360m of asset disposal bridges.

Securitisations

Financing through securitisations reached new levels in 2000. **The Trafford Centre** was the first securitisation of a shopping centre in Europe and paved the way for a host of copycat issues. The deal enabled **Peel Holdings**, the company behind the transaction, to raise £610m in maturities ranging from 14 to 34 years. (See full details on page 54.) In June, the £406.85m offering from special purpose company **Integrated Accommodation Services**, or more commonly referred to as the **UK Spy Centre**, conjured up images of 007 making a foray into the bond markets.

The triple A-rated deal was the largest ever insured bond issue under the UK's private finance initiative and raised funding to build and service a new headquarters for the UK Government Communications HQ.

Equities

The equity markets had a turbulent year but offered opportunities for several newcomers to launch initial public offerings, while more established names were also able to access the markets for primary issuance. **QXL.com**, the online auctioneer, entered the public arena with a £54.6m offering in October 1999. Despite riding high on the wave of dot-com support, the market for IPOs was difficult and volatile at the time. But QXL succeeded in issuing in the middle of the indicated price range, thanks to strong interest from small cap and technology investors.

Claims Direct, the personal injury specialist, broke new ground for the sector by venturing into the equity capital markets with a £108m initial public offering. The deal, which came just before the summer holiday lull, was deemed a resounding success and saw Claims Direct's share price rise from an issue price of 180p to 197.5p by the end of the day.

Another first came when recruitment consultant **Robert Walters** launched an initial offering of £135m and saw its share price rise by more than 8% on the first day of trading. The deal was regarded as an impressive debut, in defiance of the prevailing negative sentiment. (See full details on page 53.)

Granada Media, a spin-off from parent media and catering group Granada, launched a highly praised initial offering of 261 million shares, worth £1.3bn, in July. The issue of primary shares to the tune of 17% of Granada's market capitalisation was 5.5 times oversubscribed.

Irish airline operator **Ryanair** was congratulated on its €176m primary and secondary equity issuance in March. It was able to take advantage of an opportunity to issue by restricting the issue to a 5% capital increase, which circumvented the need to offer the stock to existing shareholders.

Vodafone Group, then Vodafone Airtouch, grabbed the headlines in March with the sale of 925 million shares, worth £3.23bn. Despite being the largest single-block trade in history, demand was such that the lead managers cleared their positions within an impressive 90 minutes.

Another telecoms group, **Colt**, issued £400m of equities in December 1999 to investors' delight. The deal was almost eight times oversubscribed and prompted the UK-based group to revise upwards its financing package, which included high yield and convertible issuance. The funds were raised to finance the launch of digital subscriber services across the leading economies in Europe.

Equity-related

The past year offered excellent conditions for new issuance in the convertible bond market tempting many new names into the sector. With the turbulence in both bond and equity markets, investors turned to convertible issues offering the security of a debt instrument and the potential upside of the equity should the underlying stock outperform.

UK-based **SkyePharma** was the first European biotechnology group to turn to the convertible bond market for funding in a £59.4m offering. Investors were wooed by the innovative reset clause, which would lower the conversion price should the underlying share price underperform. This feature was particularly appealing given the daily rollercoaster rides of the equities markets spearheaded by the US tech-laden index, Nasdaq.

SkyePharma defied the negative market sentiment in the equities markets and the biotech sector to launch a deal more than three times oversubscribed.

> "Investors turned to convertible issues offering the security of a debt instrument and the potential upside of the equity should the underlying stock out-perform"

Australian drinks group **Fosters** offered an appealing brew to its investors in the shape of a $400m three-year convertible bond. The issue part-financed an A$2.6bn acquisition of US wine producer **Beringer Wine Estates**, which called for a speedy and successful transaction. Fosters was able lock-in a significantly lower coupon on its funding than it would pay for senior debt and the US dollar denomination, placed outside the US within a 24-hour period, ensured favourable US tax treatment.

Allianz, the German insurance group, captured the market's interest with its five-year €1.7bn bond exchangeable into the German engineering group, **Siemens**, stock. The 2% to March 2005 exchangeable issue benefited from Allianz' triple-A credit rating and appealed to investors who wanted a low-risk exposure to the European technology sector. The conversion premium was at 37.9%.

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