Network Rail ties another kangaroo down

UK rail infrastructure company **Network Rail** is halfway through a £20bn multicurrency note programme underpinning its huge investment in the rail network's tracks and signalling systems.

Sixteen months after it first tapped the Australian debt securities market, the company has gone back down under, issuing a A$500m (£200m), 10-year bond, paying a coupon of 6% and priced at 40 basis points above the relevant government benchmark bond.

"We originally launched a A$300m issue but upsized when we saw the strong demand," said Samantha Pitt, Head of Corporate Finance and Capital Markets at Network Rail.

"There was 80% demand from domestic Australian investors, and whereas in 2005 we did a five-year issue, this time around 10 years was the maturity preference of investors.

"We have told the Australian market that kangaroo bonds have a strategic place for us. We won't be here every other week but we will come back every 12 to 18 months. We expect to be back in the next calendar year, 2007."

Network Rail launched its £20bn programme in October 2004 and enjoys a triple A rating from the credit agencies because it has been given the direct and explicit support from the UK government in the form of a financial indemnity from the Secretary of State for Transport.

Signed up to support the programme are UBS, Barclays, Citigroup, Dresdner, HSBC, Merrill Lynch, Royal Bank of Canada and RBS. UBS and Citigroup are working on the latest kangaroo bond deal.

Network Rail has spread its net wide, having also issued in sterling, Eurodollars, Swiss francs, Norwegian kroner and Maple bonds in the domestic Canadian market.

"Diversification is the key for us," said Pitt. "We do not want to simply rely on one pool of investors in London."

A buoyant sterling bond market saw **Saint-Gobain** raise £600m to help refinance last year's £3bn acquisition of UK plasterboard group BPB.

A global market leader in building materials, French-based Saint-Gobain issued a 10-year £300m bond yielding 100 basis points over the 2015 gilt, and raised a further £300m through an 18-year bond yielding 125 basis points over the 2025 gilt.

"It went very well," said Daniel Biarneix, Deputy Finance Director of Saint-Gobain, whose only other sterling bond, a £150m issue, matures in 2008.

The £600m issue was managed by Barclays Capital, HSBC and RBS, and follows a €1.8bn Eurobond issue in May, which was also aimed at refinancing the BPB acquisition.

Xstrata, the Swiss-headquartered, London-listed mining giant, has followed up its monster $5.5bn rights issue to help pay for the $17bn acquisition of Canadian copper and nickel miner Falconbridge with a $2.25bn multi-tranche, fixed and floating, dollar-denominated bond issue.

The rights issue, the largest secondary share offer in London since British Telecom's £5.9bn cash call five years ago, is the fifth largest in European capital markets history behind other fund-raising deals from France Telecom, Deutsche Telekom and BNP Paribas.

The one-for-three rights issue, priced at a 43% discount to the previous day's close, was raised to pay down a $7bn bridging loan on the Falconbridge deal provided by Deutsche Bank and JPMorgan, who also acted as brokers and underwriters to the new share issue.

The size of the equity issue was actually smaller than first envisaged.

"The buoyant cashflow generation of the enlarged Xstrata following the first six weeks of ownership of Falconbridge exceeded our expectations and enabled us to reduce the size of the rights issue from the anticipated $7bn to approximately $5.5bn," said Xstrata Chief Executive Mick Davis.

The subsequent debut global bond offering saw Xstrata raise a $1bn 10-year bond with a coupon of 5.8%, a five-year $750m bond paying 5.5%, and a floating-rate note dated 2009 and paying 0.35% over three-month Libor.

The bookrunners on the bond issues were JPMorgan, Barclays Capital and RBS Greenwich Capital.

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

BONDS

BORROWER	DATE	CURRENCY	TRANCHE VALUE	DEAL VALUE	TRANCHE COUPON	TRANCHE OFFER PRICE	TRANCHE YEARS TO MATURITY	TRANCHE SPREAD TO BENCHMARK	BOOKRUNNER PARENT
Network Rail Infrastructure plc	3/11/06	Australian dollars	$387m	$387m	6.0%	100%	10	40bp	Citigroup, UBS
Reed Elsevier (Investments) plc	11/10/06	sterling	$741m	$741m	5.6%	99.1%	10	100bp	RBS, Barclays Capital, BNP Paribas

EQUITIES

ISSUER	DATE	TYPE	DEAL VALUE	TRANCHE SHARES OFFERED	TRANCHE OFFER PRICE	EXCHANGE	BOOKRUNNERS
Xstrata plc	30/10/06	Follow on	$5,596m	235.8m	$23.63	London, Swiss OTC	Deutsche Bank, JPMorgan

All data provided by Dealogic. www.dealogic.com