

# Tesco puts dollar bonds in trolley for first time

British supermarket giant **Tesco** is aiming to crack the US market in more ways than one. In the same month that it took its first giant stride into the US market with its Fresh and Easy neighbourhood stores, Tesco also launched its first-ever dollar-denominated bond.

In the offering, there was \$810m of 10-year notes paying 5.5%, plus \$1.15bn of 30-year notes paying 6.15%. The bonds mature mid-November 2017 and 2037.

A spokesman for the company said: "The net proceeds of the offering will be used to refinance certain short-term indebtedness of the issuer and for general corporate purposes."

The company has around £575m of bonds maturing within the next 12 months.

But in the City those "general purposes" were widely expected to include Tesco's watershed break into the US market.

The bond issue is Tesco's largest in more than a year and a half. The company has around £5bn of bonds outstanding.

As its big launch in the US began to take shape – an initial six stores in southern California were being opened – the dollar-denominated bond offering was seen as an opportunity to tap into US investor appetite for Tesco and could satisfy demand to widen its investor base. Tesco's initial plans are for 50 stores to be in place by the end of February.

The fundraising was organised by Citi and JPMorgan Cazenove.

Word is that Tesco is committing at least £250m a year to chasing its American dream

although it made the point that the fundraising and its US expansion were not directly related.

Chief Executive Sir Terry Leahy said: "We will open around 50 stores in this financial year. We'll obviously open more in the next financial year.

We've got most of these stores secured for the next year as well. Clearly, it's a loss-making business to begin with but the positioning of the business and all of the plans are bang on target."

The credit crunch may have been biting in the wider market but large European corporates were still very active. **Veolia Environnement**, the utilities and waste business which used to be part of Vivendi Corporation, issued a \$500m sterling-denominated 30-year bond issue.

The company which is best known in the UK for its water companies in the south east, such as Three Valleys north and west of London, and its municipal refuse collection businesses, set the bond price, which pays 150 to 155 basis points over gilts.

The company was advised by Barclays Capital, HSBC and Royal Bank of Scotland.

**WPP**, the giant advertising and marketing company which trades as JWT, O&M, Y&R and Hill & Knowlton, was also in the market raising more than £500m.

The company led by marketing guru Sir Martin Sorrell raised £200m via a 13-year bond, maturing 2020 and paying 6.375%, 154 basis points over the equivalent gilt.

WPP raised a further €500m through a seven-year tranche paying 5.25%.

Lead managers on the offering were Citi, HSBC and Royal Bank of Scotland.

In such markets, offering the largest unrated euro-denominated hybrid in history was brave. Austrian steel processor **Voestalpine** offered up a perpetual non-call seven-year bond to raise €1bn and cover a recent major acquisition. In the face of market scepticism, the leads – Dresdner Kleinwort, Erste Bank and UBS – got it away at 255 to 265 basis points above mid-swaps.

Voestalpine Financial Officer Robert Ottel said the offering had been a success: "We structured the hybrid with two things in mind: we wanted to achieve tax deductibility and IFRS equity treatment."

Though the credit markets were slow, the Euronext bourse was still able to get a €1bn-plus equity offering away. **Bureau Veritas**, one of the biggest testing companies in the world, was, perhaps fittingly, in the vanguard of companies testing the capital markets.

The biggest French flotation this year, Bureau Veritas was valued at €4.1bn.

A clutch of banks managed the flotation: BNP Paribas, Deutsche Bank, Goldman Sachs, HSBC and Société Générale.

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## BONDS

DEAL PRICING DATE	ISSUER	TRANCHE VALUE (PROCEEDS)	DEAL VALUE (PROCEEDS)	BOOKRUNNER PARENT	MATURITY DATE	COUPON
29/10/2007	Tesco plc	\$846m	\$1,990m	Citi, JPMorgan	15 November 2017	5.5%
29/10/2007	Tesco plc	\$1,144m	\$1,990m	Citi, JPMorgan	15 November 2037	6.15%
30/10/2007	WPP Finance SA	\$409m	\$1,130m	Citi, HSBC, RBS	6 November 2020	6.375%
30/10/2007	WPP Finance SA	\$720m	\$1,130m	Citi, HSBC, RBS	30 January 2015	5.25%

All data provided by Dealogic. [www.dealogic.com](http://www.dealogic.com)

