DEALS OF THE YEAR 2012 Awards

BOXING CLEVER

THE TREASURER'S 2012 DEALS OF THE YEAR AWARDS RECOGNISE TREASURY TEAMS THAT WERE STRONG AND SKILFUL – AND OFTEN PUNCHED ABOVE THEIR WEIGHT

Lesley Flowerdew is tax and treasury director at engineering and design consultancy Atkins and chair of the Deals of the Year Awards judging panel

The Treasurer's 2012 Deals of the Year and Treasury Team of the Year Awards attracted a field of almost 100 entries from the UK and continental Europe, across eight different categories. This, in itself, says much about the prestige of winning one of these awards.

The entries were whittled down to a shortlist, which the judging panel discussed. We then chose the winners. In some cases, there was a clear-cut winner – an entry that stood head and shoulders above the rest. In most cases, however, the categories were so fiercely competitive that it was more difficult for the judging panel to reach a decision. But it was undoubtedly a pleasure to have a pool of top-quality entries to discuss and to debate.

At the end of the judging session, we reached decisions covering five different deal categories (as well as choosing an overall Deal of the Year) and three treasury teams. I would like to thank the members of the judging panel (see page 21) for being so generous with their time and for bringing their wealth of experience and insight to bear on the judging. My thanks also goes to everyone at the ACT for managing the process and to Lloyds Bank for sponsoring the awards and for hosting the panel on judging day.

Looking at the range of winners (and those that were highly commended), a few key themes emerged.

Firstly, pure financial innovation was rarely in itself a key success factor. This wasn't a year that saw many deals of a type that hadn't been seen before. (Iberdrola's 'dual law' offering was impressive, however, and we also wanted to give special mention to Air Liquide's targeting of socially responsible investors.)

Nevertheless, this was a year that saw great ambition and great courage. A number of the deals were related to significant, or even game-changing acquisitions. At a time when the media tells us we should be filled with gloom and despondency, it is good to see well-thought-out strategies for growth and expansion.

In many cases, this meant that we saw corporate treasurers doing several complicated things at once. They were tapping capital markets, arranging loan finance, working out hedging strategies and negotiating acquisitions – and all at a time when markets were difficult. On top of this, they had to do the 'day job' of managing the business's cash flows and risks. Often this involved small teams punching above their weight and putting in long hours to do what had to be done.

But a common thread running across all organisations was the work that treasury and finance teams put into managing their relationships with their advisers and finance providers. By being clear about what they wanted and expected from their partners, treasurers were able to bring out the best in them, making it possible to achieve much more than might otherwise be the case. And by being sensitive to the needs of their banks and of their debt and equity investors, treasurers secured deals that achieved their corporate's strategic aims because they also met the finance provider's requirements.

Probably the single most significant thing we saw was the determination of treasurers to do more and achieve more. Whether that meant negotiating better terms, more flexible arrangements, a more optimal mix of finance or, as in the case of the team awards, more efficient and effective management of the treasury function, we saw time and again how treasuries were driving value creation. It was inspirational to read their stories.

Deals of the Year Awards categories

Page 20
Bonds and overall Deals of the Year Awards winner
Page 22
Corporate finance
Page 23
UK loans above £750m
Page 24
European loans above £750m
Page 25
UK or European loans below £750m
Page 26
UK treasury team of the year (market cap above £2bn)
Page 27
UK treasury team of the year (market cap below £2bn)
Page 28
European treasury team of the year

DEALS OF THE YEAR 2012 Awards

Bonds category and overall Deals of the Year Awards winner

SCHAEFFLER

GERMAN ENGINEERING AT ITS BEST

LAST YEAR, SCHAEFFLER LAUNCHED ONE OF THE LARGEST BONDS OF ITS KIND, DESPITE HAVING A NON-INVESTMENT-GRADE BALANCE SHEET

Klaus Rosenfeld
Schaeffler CFO
SCHAEFFLER

Schaeffler has been described as "German engineering at its best". It makes specialist bearings and other metal components for the automotive industry and other industrial applications, and Schaeffler products are found in vehicles, aircraft and manufacturing plants all over the world.

But while in engineering terms, this €10.7bn revenue, privately owned group doesn't put a foot wrong, its attempt in the midst of the 2008 financial crisis to take control of rival Continental resulted in shareholders tendering more shares than Schaeffler had wanted to buy. That left it with a 90% stake and more than €10bn of debt, provided by just four banks and due for repayment in mid-2013. It was a significant exposure risk for both sides. Refinancing in the capital markets was necessary, but Schaeffler was an almost completely unknown name to bond investors, especially in the US.

In February last year, the group launched a €1bn four-tranche offering as part of an €8bn refinancing package that increased the number of its banks to eight, and later to 11. Being regarded as a cyclical, European auto industry business would not have been a good thing in the middle of the euro crisis. But the success of Schaeffler's roadshows in Europe and the US shone through. "This is a company that's totally different to what you think it is," says head of investor relations Christoph Beumelburg. "When we started explaining to them, they immediately got it." Having been convinced about Schaeffler's global reach and high-margin, quality engineering, investor demand was so great that the bond offering was doubled to €2bn. Schaeffler wound up offering the largest debut dual-currency, high-yield bond since the financial crisis started.

Deal highlights

Issuer:
Schaeffler
Amount:
€2bn equivalent
Structure:
Four-tranche, senior-secured, high-yield bond
Rating:
B1 (Moody's)/
B (Standard & Poor's)
Currency/tenor:
€/5yr; €/7yr; $/5yr; $/7yr
Interest rate:
7.75%; 8.75%; 7.75%; 8.5%

Schaeffler also had the confidence to agree to the bonds ranking *pari passu* with the loans, giving full 'one euro, one vote' enforcement voting rights. Market support for Schaeffler in the wake of this deal allowed it to return to the high-yield market for another €326m in July, while in December Schaeffler's banks agreed to more flexible covenant and repayment terms for €5.6bn of debt.

"We are in a much, much better position," says Beumelburg. "We must have done something right."

50
Schaeffler operates in more than 50 countries across six continents

15.8%
EBIT margin in 2011

1,832
number of patent registrations in 2011

€10.7bn
group revenue in 2011

40
number of R&D centres worldwide

6,500
new jobs created in 2011

What the judges said

"In a strong list of entries, Schaeffler stands out. Two or three years ago, it wouldn't have been able to do this deal. It has done a lot of work to prepare for it."

DEALS OF THE YEAR 2012 Awards

Bonds category

SETTING THE BENCHMARK

THE RUNNERS-UP IN THE HIGHLY COMPETITIVE BONDS CATEGORY EXCELLED BY SETTING THE STANDARD FOR OTHER ISSUERS IN THEIR FIELDS

Highly commended:

UNIVERSITY OF CAMBRIDGE

The University of Cambridge launched the first benchmark bond issue by a UK university in September when its £350m 40-year issue came to market. With its Aaa credit rating (Moody's) and stable outlook, the renowned establishment has a better rating than the UK government, which enabled it to lock in a coupon of just 3.75%. Bankers to the issue said that this deal established a clear pricing benchmark for UK universities and, indeed, for the best universities globally. The funds will allow the university to accelerate various capital projects that will keep it at the leading edge of the academic world and support its formidable research capability. "Getting the pricing and reception right for a debut borrower in a new sector is one of the hardest things to achieve," says a banker. "These guys aced it first time out."

Special recognition:

AIR LIQUIDE

Air Liquide's €500m bond issue in September was the first ever socially responsible investment (SRI) euro benchmark bond, and as such deserves special recognition. The nine-year bond was specifically targeted at the fast-growing SRI-investor base (estimated to have some €2.3 trillion in funds under management). Its proceeds were used to refinance the growth of the home healthcare division, which secured an environmental, social and governance (ESG) rating from specialist rating agency Vigeo. But not only did Air Liquide tap into a new investor base (with more than 50% of the orders coming from investors with SRI mandates), the deal was priced at just 15 basis points over French sovereign bonds and with no premium to a vanilla bond issue. Socially responsible, financially responsible.

How the awards were judged

In each category, we consider all types of deal, whatever their size or complexity, and judge them according to our criteria of sound treasury management, efficient pricing, optimal and innovative structures, and relative success in the prevailing market conditions. The team awards recognise treasury teams' considerable and enduring contributions to their companies.

Meet the judging panel

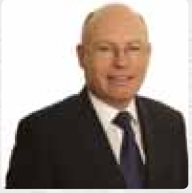
***The Treasurer*'s 2012 Deals of the Year and Treasury Team of the Year Awards were judged by:**

Lesley Flowerdew, tax and treasury director, Atkins (chair)
Veronique Dersey, group vice president – head of capital markets, ABB
Mary Finn, treasurer, Burton Foods
Philip Learoyd, head of funding and treasury risk, SABMiller
Peter Matza, engagement director, ACT
David Reitman, partner, KPMG Corporate Finance
Richard Sedlacek, executive director, Rothschild
Charles van der Welle, director of treasury, ITV
Paul Watters, senior director, Standard & Poor's
Henryk Wuppermann, vice president of corporate finance, E.ON

Corporate finance category winner
GKN

GROWTH ENGINE

A KEENLY PRICED ACQUISITION, WELL-RECEIVED BOND AND EQUITY ISSUES, AND SOME CLEVER FX RISK MANAGEMENT. IT ADDS UP TO A CORPORATE FINANCE DEAL THAT GKN CAN BE PROUD OF



GKN group treasurer Derek Butler: "We could have done more if we wanted, but we just didn't need it"

GKN PLC

GKN may be better known for its high-tech automotive activities, yet aerospace brought in almost a quarter of the group's £6.1bn revenue in 2011. Last July, this division took a significant step forward with the £633m acquisition of Volvo's aero engine components business, which had sales of £600m.

As it was GKN's third major acquisition in the space of a year, the company was determined not to harm its credit rating. This was just one notch below investment grade and with a positive outlook with Standard & Poor's and Moody's. "We could have funded it all through debt, but we wanted to convince the rating agencies that we meant business," says group treasurer Derek Butler. "We went to them during the auction process to determine what would be the funding mix that would make sure we weren't downgraded."

The result was a placing of just under 5% of the equity to raise £140m, at a share price that was actually at a premium to the previous day's close.

In August, sterling and euro roadshows were announced, taking GKN to around 80 potential investors in London, Edinburgh, Amsterdam, Paris and Frankfurt. The company had aimed to raise £350m, but sterling investor interest was so great that orders came in for £2.8bn: the deal was upscaled to £450m and the pricing was tightened. "We could have done more if we wanted, but we just didn't need it," Butler says. As for the pricing, the 5.375% coupon was 50 basis points less than had been allowed for six months before when the board was looking at the proposal.

Volvo Aero's financial performance had been volatile in part because, even though it was a US-dollar business based in Sweden, there were no hedges in place. Knowing there would be a "99.9% probability" that the deal would be signed and completed, GKN went into the FX market and hedged most of the unit's 2013 and 2014 exposures, and some of its exposures out to 2018. With no regulatory or other hurdles anticipated, the company felt confident to completely hedge the consideration for the transaction, which resulted in a "significant gain" by the time the deal completed three months later, Butler says. "The transaction was eps-positive and the funding and the relationship banking worked well."

Deal highlights

Acquirer/issuer: GKN
Acquisition: Volvo Aero
Purchase price: £633m
Structure: £140m share placing and £450m bond
Rating: Ba1 (Moody's)/BB+ (Standard & Poor's)/ BBB- (Fitch)
Interest rate: 5.375%
Tenor: 10 years

What the judges said

"It's a classically executed piece of corporate finance funding. This is exactly how it should be done."

Highly commended
LINDE

In a volatile equity market, Linde pulled off a €1.4bn equity private placement without pre-emptive rights for existing shareholders – the second-largest straight equity deal in Germany last year. The industrial gases group, capitalised at around €25bn, wanted to partly refinance its €3.7bn acquisition of US respiratory care company Lincare. The deal was executed on a very short timetable: it was announced after the market closed on 9 July as an accelerated book-build offering. By the time the markets opened the next day, strong support from UK and US investors, including some existing investors, had more than met the company's requirements. The deal was priced at a discount of just 5.3% to the previous day's close. The shares performed strongly in the immediate aftermarket.

UK loans above £750m category winner

MELROSE

MAKING A BIG DEAL

LAST YEAR, FTSE 100 GROUP MELROSE SNAPPED UP METER BUSINESS ELSTER, FINANCED BY A LARGE RIGHTS ISSUE AND PLENTY OF DEBT

Melrose group treasurer Garry Barnes: "We like to have plenty of headroom"

Melrose makes its money by buying manufacturing businesses, improving them operationally and financially, selling them again, then returning cash to shareholders when it can. 'Buy, improve, sell' is its motto.

But to understand Melrose properly, it's important to understand what it is not. It isn't a private equity (PE) vehicle, because it doesn't use high levels of gearing to generate returns. Nor is it buying into heavily cash-generative businesses just to get its hands on the cash. As group treasurer Garry Barnes says: "We invest a lot of the cash to grow the margins and improve their operational efficiency, and hopefully sell them on for better multiples."

At the end of 2011, Melrose had a revolving credit facility (RCF) that was a bit too large for its needs, and was less than a year and a half away from expiring. Refinancing it with a £600m facility would get it into the year-end accounts. All well and good. Then, in 2012, Melrose spotted its next acquisition, the German-based, US-listed meters and controls business Elster. Melrose got approval from PE house CVC, which owned 62% of Elster, then got the backing of the board for its £1.5bn bid.

Melrose raised £1.2bn in a rights issue – at that time, the largest in 2012 – and decided to rip up and start again with its debt finance. On the debt side, "When this big acquisition came up, we decided to basically tear up the old RCF and start with a brand new facility," says Barnes.

Seven banks were involved in providing £1.5bn of new five-year facilities in sterling, dollars and euros, even though it wasn't a great time to be trying to raise a lot of money. And though it was more than Melrose needed, "We like to have plenty of headroom. We always like to make sure we've got sufficient cash," Barnes says.

There was no shortage of complications along the way; one danger was that Melrose might wind up with not much more than 62% of the Elster shares (CVC's stake), leaving it with a potentially troublesome investment and restrictions on Melrose's ability to manage the business.

Two months later, however, Melrose secured tenders for 99.6%, allowing it to squeeze out the remaining investors, take full control and start generating more returns for shareholders. In September, the group was promoted to the FTSE 100 index.

Deal highlights

Issuer:
Melrose
Amount:
£1.5bn equivalent
Structure:
Tranche A £180m term loan; Tranche B \$500m; Tranche C £690m RCF; Tranche D €300m RCF; Tranche E £70m RCF
Tenor:
Five years

What the judges said

"A unanimous choice. A transformational deal by a company that has a very good track record with smaller acquisitions."

Highly commended

THE CO-OPERATIVE

Last year, the mutual retailer The Co-Operative struck a five-year deal to refinance its core working capital facilities with a £500m RCF and a £450m term loan. The deal wasn't without its complications for the BBB- rated group: regulatory ring fences between the retail and the financial services parts of the group added complexity, not least as negotiations were also under way for Project Verde, the purchase by the Co-op of 632 Lloyds Banking Group branches. Also noteworthy was the arrangement that allowed the size of the facilities to be expanded by allowing banks delayed in primary syndication to join the group post signing of the facility agreement, thereby maximising liquidity, but minimising the timeframe for execution.

DEALS OF THE YEAR 2012 Awards

European loans above £750m category winner

IBERDROLA

PLENTY OF CHOICE

SPANISH ENERGY GROUP IBERDROLA FACED A DIFFICULT CHALLENGE WHEN IT TRIED TO REFINANCE A €1BN FACILITY, SO IT OFFERED ITS BANKS MENU-STYLE OPTIONS

Iberdrola director of finance and treasury Jesús Martínez Perez: "Our philosophy is we work with the banks"

IBERDROLA

With the euro crisis, one of the critical risks faced by lenders was the 'redenomination risk' that they might lend euros, say, but later be repaid after a euro break-up in a devaluing national currency, such as new drachmas or pesetas. Keen to refinance and reduce a €1.2bn facility, Iberdrola conducted what one banker described as a "thoughtful" pre-screening process to get a good understanding of what the critical needs were for lenders. What emerged was that different lenders had very different needs.

Jesús Martínez Perez, director of finance and treasury, had not seen such divergent interests before. It would have been easy to conclude that it's not possible to please everyone, and to proceed with the refinancing using a smaller banking group. And that probably would have been possible. But it ran contrary to Iberdrola's preferred working relationship with its core banks.

"We had the possibility to close the transaction with fewer banks or to try to be flexible and try to include all our core banks," says Martínez Perez. "Our philosophy is we work with the banks."

The solution, then, was to offer lenders a menu. Two issues stood out: the governing law for the lending and the type of facility. Each lender could decide whether to opt for an English law or Spanish law contract.

There was no clause in the documentation that dealt specifically with what would happen if the euro broke up. "We didn't have any position as to whether it was better to use Spanish or English law," Martínez Perez says. But most banks assumed that English law would protect them better in the worst-case scenario.

Lenders could choose to join the €536m three-year term loan, or the €464m five-year RCF. Ultimately, 70% of loan providers and 80% of credit line providers opted to be covered by English law.

Not only did this deal structure mean that Iberdrola had almost all the banks it wanted to include, it also meant that it paid a lot less than it might have had to. There is no doubt that Iberdrola, though itself an investment-grade asset, is being "penalised because we are a Spanish company, even though we have 45% [of revenue] outside of Spain," Martínez Perez argues. But, as one banker spells out, Iberdrola's menu-driven financing structure "notably increased appetite and enabled competitive pricing when compared with similar transactions".

Deal highlights

Issuer:
Iberdrola
Amount:
€1bn syndicated facility
Structure:
€536m three-year term loan; €464m five-year RCF
Rating (at time of deal):
Baa1 (Moody's); BBB+ (Standard & Poor's); BBB+ (Fitch)

What the judges said

"An investment-grade Spanish corporate offered a novel option to attract international lenders. Well researched and executed."

Highly commended

SCHAEFFLER

Schaeffler's €8bn refinancing package was one of the largest transactions of its type last year, and helped this German engineering company diversify its funding sources. A mix of around €5bn (equivalent) in term loans (euros and dollars, three to five years), a €1bn RCF (three years) and a €2bn bridge to bond improved Schaeffler's balance sheet structure, pushed out tenors and introduced the privately owned company to the capital markets. Banks were attracted to the deal, with the banking group doubling to eight banks, before later being joined by another three. Schaeffler's management team conducted an extensive marketing effort on both sides of the Atlantic to ensure the success of this deal.

UK or European loans below £750m category winner

TOM TAILOR

DETAIL IN RETAIL

GERMAN FASHION RETAILER TOM TAILOR SECURED COMPLICATED, MULTI-FACETED FINANCE ARRANGEMENTS TO SUPPORT AN ACQUISITION AND FUND FUTURE GROWTH

Tom Tailor CFO Axel Rebien: "I would classify it as a 360-degree deal"

German fashion retailer Tom Tailor floated on the Frankfurt Stock Exchange in March 2010 after five years in PE ownership. But it was still relatively little known in the financial markets last year, when the management team saw an opportunity for a transformational acquisition. Buying Bonita, a privately owned group, would double the size of the business, take it into the 40+ age group that was at the opposite end of Tom Tailor's teens/young adults market, and give it access to a state-of-the-art retail logistics operation that had plenty of spare capacity to take on Tom Tailor's business as well.

But because this was almost a merger of equals, it was going to be difficult for Tom Tailor to pay for Bonita. "I would classify it as a 360-degree deal," says Tom Tailor CFO Axel Rebien. "We had to respect the equity side and we had to find a way to leverage the company. We really didn't want to exceed 2.5-times debt to EBITDA."

The agreed €220m purchase price was made up of around €145m in cash and the rest in freshly minted Tom Tailor shares. But this would have given the seller a stake of more than 24.9% in the combined business, the level at which a compulsory takeover bid is triggered. So another €20m of shares (equal to around 10% of the original equity) had to be issued to the market via a book-build to dilute the vendor's stake. The result was a huge 46% increase in the equity base.

On the debt side, being a German fashion retailer raised some concerns given the uncertainty in the eurozone. So banks weren't ready to commit to five-year funding. A 'three-year + one year + one year' structure was agreed for the bulk of the new facilities, giving Tom Tailor the right after the first year to ask each bank to extend the tenor from three years to four, and then again after the second year to ask to extend the tenor to five years.

Tom Tailor raised more than twice as much finance than it needed to pay for the acquisition, but it seemed an opportune time to get funding for working capital and future store roll-outs. One small €20m bridge-to-equity tranche was found not to be needed after the success of the share issue. Another €80m bridge tranche will see the company return to the capital markets before long.

For the other three facilities – a term loan, an RCF and a guarantee facility – Tom Tailor had to negotiate with five banks. "That was a bit tricky because we had to negotiate with everybody," says Rebien.

One banker says: "The Tom Tailor management team certainly helped bring the banks in, giving them a good spin on what the relationship could be."

Deal highlights

Issuer:
Tom Tailor
Amount:
€475m
Structure:
Tranche A1 (€20m, bridge to equity, cancelled before drawdown); Tranche A2 (€80m bridge to debt); Tranche B1 (€100m term loan); €137.5m RCF; €137.5m guarantee facility
Tenor:
Tranche A1: 6m+6m; Tranche A2: 12m+6m+6m; All other facilities 3yr+1yr+1yr
Equity issue:
Share capital was increased by 46% through issue of shares to vendor and rights issue

What the judges said

"A transformational deal in a difficult market shows the value of staying close to your stakeholders."

Highly commended

DS SMITH

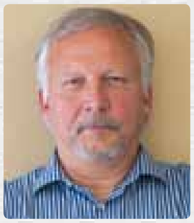
Packaging group DS Smith's €1.6bn acquisition of SCA Packaging was an ambitious move that doubles group turnover to around £4bn. The loan finance to make that happen comprised a €300m bridge facility and a €400m term loan, set alongside a £466m rights issue. The deal was launched at a difficult time in the markets, with considerable concerns around the eurozone. But DS Smith had great confidence and strong relationships with its banking partners, ensuring that the financing could be delivered.

UK treasury team of the year (market cap above £2bn) category winner

SABMILLER

BREWING UP SUCCESS

SABMILLER STARTED 2012 WITH A HUGE, IN-DEMAND BOND ISSUE. IT THEN LEVERAGED 'SKILL AND SCALE' BY ROLLING OUT REGIONAL TREASURY CENTRES



SABMiller group treasurer David Mallac: The company is "in a great position for the next acquisition"

CHARLIE BEST

Brewing giant SABMiller won last year's Deals of the Year Award in the large loan category thanks to the $12.5bn acquisition of Fosters.

But this company doesn't rest on its laurels. In January 2012, the company went into the bond market, looking to raise $4bn to repay about half of the $7.85bn of bridge finance. Markets had been quiet until then, and large issues by two other companies had struggled. But an order book worth $25bn soon built up for SABMiller's issue. By the close of the deal, it had raised $7bn.

"We thought, if we get $3bn, that will be a good day," says group treasurer David Mallac. "Seven billion dollars didn't even enter our minds. That puts us in a great position for the next acquisition that SABMiller might do."

The company's success in winning the large team award this year, however, doesn't rest solely on a big and successful bond issue. The team has also made treasury more relevant to the business by establishing regional treasury centres to cover Europe, Africa and South Africa, Asia-Pacific and the Americas. It is apparent that huge benefits, worth millions of dollars, will be had from better cash management and significantly improved bank pricing and FX costs. 'Leveraging skill and scale' is the mantra that Mallac repeats.

One other critical benefit is that the in-country FDs are now in-house ambassadors for this 'culturally alien' change that's being rolled out worldwide. SABMiller is a very decentralised organisation: "It is not within our DNA to send missives from the board saying, 'You will do this'," explains Mallac. "It does require influence and persuasion. Our biggest marketing tools right now are the finance directors who have been through the exercise and have seen the benefits."

Meanwhile, SABMiller is moving away from a 'one-size-fits-all' approach to funding its businesses. Now, more effort is going into making each business's balance sheet more appropriate for its circumstances (allowing for things such as strategic alliances), making the business more efficient with benefits to the profit and loss.

Add to that more attention to working capital – "Your own liquidity is your best liquidity," Mallac says – which is easy to overlook in a hugely cash-generative business. Treasury is now working more closely with procurement on supplier terms, as well as embedded currency or financing risks that buying teams may inadvertently have built into supplier contracts. "We feel we are making a difference in terms of it being a value-add to the business," says Mallac. "I think treasury has a lot of credibility because of what we're doing."

What the judges said

"SABMiller has carried off a lot of high-quality work, with a large and very successful bond issue and in building and developing a multi-location team around the world to better meet the company's needs."

Special recognition

TRANSPORT FOR LONDON

From a standing start, a new treasury team at Transport for London (TfL) has had a remarkable year, returning to the bond market for the first time since 2006, with two well-received sterling issues. This gave the transport authority its cheapest form of debt capital, including central government sources, with the tightest credit spread of any AA borrower in over a year. But TfL has no explicit government guarantee – it has to persuade investors of its credit strengths – and is the only quasi-government body empowered to use derivatives. And, of course, the treasury team played a full part in TfL's success during the 2012 Olympic and Paralympic Games. A world-class business is being served by a world-class treasury.

UK treasury team of the year (market cap below £2bn) category winner

MOTABILITY OPERATIONS

IN TOP GEAR

A SMALL TREASURY TEAM THAT DIDN'T EXIST A FEW YEARS AGO PUT ITS FOOT ON THE ACCELERATOR TO DELIVER TRANSFORMATIONAL CHANGE AND REFINANCING

Motability head of treasury David Mead: "It's an unsung organisation"
Motability Operations Group plc

This year's small treasury team award goes to an organisation that didn't even have a treasury team four years ago. The more you know about Motability Operations, the more that will surprise you – and the more its achievements will impress.

Motability Operations is owned by the four main UK banks, but is a not-for-profit organisation, separate from the registered charity called Motability. But, obviously, they are very closely connected: Motability Operations has a contract with the charity to run the Motability Scheme, through which disabled people can waive part of their state disability benefit to acquire a car for themselves or a parent or carer (there is a separate, much smaller scheme for powered wheelchairs and scooters). It is, in a sense, the delivery vehicle for the charity.

So it is Motability Operations that buys, finances and maintains the fleet – at last count more than 613,000 cars. And, with revenue in excess of £5bn and £3bn of leased assets, it's surprising that it has such a low profile – and such a new treasury. "It's an unsung organisation," says David Mead, who joined Motability Operations as head of treasury in 2007.

Historically, the organisation was a partnership between the four major UK banks. The assets were effectively funded on a partnership structure by way of leases from the banks themselves, so the cars were sitting on the banks' own balance sheets. The separate unit, Motability Operations Ltd, was simply an administration business, but it didn't own the assets. Mead, who knew about Motability in his previous role at HSBC, says that the operation had become so large that the banks and Motability both realised the partnership structure "really wasn't fit for purpose any more. It needed to be set up as a stand-alone independent organisation with its own corporate structure."

Mead's role was to transfer the assets to the new organisation (without crystallising a tax liability), manage the relationship with the banks through the change process and establish a treasury operation from scratch. The transfer took place in 2008 and, from 2009 onwards, Motability Operations has been shifting its funding to the capital markets, where it has raised some £3bn over the past three years. It has also been putting in place treasury technology, systems and people of the quality that you would expect to find in a FTSE 100 company.

It's been a journey to build what is now a "steady state, typical treasury function", says Mead, who has just three other people in his team. But while 2012 marks the culmination of that journey, it hasn't stopped driving forward. In fact, Motability Operations completed a £2bn refinancing of its bank facilities, which would have been one of the biggest such deals in the UK in 2012.

The Motability Operations treasury team, from left to right: Jason Carpenter, David Mead, Dominic Hart and Denice Boudry

It did the same with its International Swaps and Derivatives Association agreements. These were perhaps fit for purpose back in 2008, but were probably executed quickly amidst the turmoil of the reorganisation that was taking place then, Mead concedes. "We needed to look at them again and rewrite them to give us more flexibility, making them more 'industry standard' and boilerplate."

And, as if that wasn't enough, last year Motability issued a dual-tranche bond of £300m (20 years) and €550m (seven years), the latter being fully hedged back into sterling.

From nothing, Motability's treasury team has come a long way in just a few years – and it's still in top gear.

What the judges said

"This is the right year to recognise Motability's journey. A small team has taken on two or three big things at the same time and done them well."

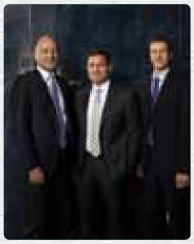
DEALS OF THE YEAR 2012 Awards

European treasury team of the year category winner

LINDE

TERRIFIC TEAMWORK

THE TREASURY FUNCTION OF GERMAN INDUSTRIAL GASES PRODUCER LINDE IS AGILE AND INNOVATIVE WHEN IT COMES TO MANAGING RISK



The Linde treasury team: Its members come from a range of backgrounds

THE LINDE GROUP

MARC OEDER

The crowning glory of 2012 for German industrial gases group Linde was its $4.6bn acquisition of the US listed healthcare company Lincare, and the financing package surrounding that. The move doubled Linde's exposure to the US market and doubled its healthcare sales. The treasury approach to this deal was typical of Linde's style: be cautious, and yet, at the same time, opportunistic and innovative. Although these attributes don't always sit well together, in Linde's case the group remains sharp and agile, so that it can take risk out at every opportunity.

Little over a week after announcing the takeover last July, Linde was already able to repay €1.4bn of its acquisition finance facility thanks to an equity issue via an accelerated book-build, which increased the number of shares in issue by 7.5%. But at that early stage, the company had neither shareholder approval nor anti-trust authorities approval for the takeover. "We wanted to show to the market that we really care about our rating, we really care about risk," says Sven Schneider, head of group treasury. "Even if the deal were to fail, we considered the risk of being over-capitalised to be a smaller risk than being exposed to market turmoil on the equity side."

In September, Linde sought to pay down another large slice of the debt finance through a €1bn eight-year bond. Again, the company managed to play a win-win situation: at the time, the euro was facing a serious crisis, with much commentary suggesting that one or more countries would have to leave the euro. As pressure mounted on the European Central Bank (ECB), Linde – which had been upgraded from A- to a very healthy single A in March 2012 – got its issue away with a coupon of just 1.75%. The next day, ECB president Mario Draghi announced plans for a new policy of open-market transactions – a step that went a long way to take pressure off the euro. "If he had not made such a bold statement, then you are much better off having €1bn on your balance sheet because the euro crisis would have been even worse," Schneider recalls. "And we thought that if he does [make a major announcement], then maybe investors would go back to the periphery" – which could have made it more difficult for conservative Linde to raise money.

A few weeks later, Linde demonstrated its skill at grabbing 'super-opportunistic' openings when some banks suggested that the Norwegian krone market was ripe for being tapped. A five-year, NOK2bn issue (around $350m) was the result, paying down yet more of the Lincare facilities.

Linde has a relatively small team of 30 in treasury, worldwide. In particular, the capital markets side has just two people (or three, if Schneider counts himself). "That explains in part why we are quite proud of our achievements," he says. "On the other hand, we were nearly dead at the end of last year!"

Linde's business model involves it producing, operating and selling locally, which reduces FX risk. And it's been expanding in emerging markets in recent years, with more than half of its capex going into such high-growth markets.

These, however, can create challenging financing and 'trapped cash' problems. Clearly, investment financing in Venezuela or Vietnam is not the same as in Spain. This is one reason why Schneider opened a regional treasury in Singapore in 2012 (another one of the team's achievements in the past 12 months).

Schneider believes that the team benefits from having members from a range of backgrounds. "It also helps to have international team members, especially for a truly global company like Linde."

What the judges said

"This was a typically excellent corporate finance deal in a complex process, with very good investor relations management. A really good set of work by a small team."