Overall winner

King of deals

InBev

AN OUTSTANDING TRANSACTION IN THE EUROPEAN LOANS CATEGORY FOR DEAL SIZES OVER £750M AND A WORTHY OVERALL WINNER OF OUR DEALS OF THE YEAR AWARDS, INBEV PULLED OFF A MEGA FINANCING DEAL TO GO WITH A MEGA TAKEOVER.

PRINCIPAL TERMS

- **$45bn senior acquisition facilities consisting of: tranche A, $12bn, term loan one+one year; tranche B, $7bn, term loan, one year; tranche C, $13bn, term loan, three years; tranche D, $12bn, term loan, five years; tranche E, $1bn, RCF, five years.**
- **$9.8bn subordinated equity bridge facility consisting of a $9.8bn term loan for six months.**

Bookrunners and mandated lead arrangers: Barclays, BNP Paribas, Deutsche Bank, Fortis, ING, JPMorgan, RBS and Santander.

European brewer InBev acquired its US rival Anheuser-Busch in an audacious hostile bid totalling $52bn. A key plank in the success of the takeover was the $45bn syndicated senior facilities and $9.8bn subordinated equity bridge facilities arranged by InBev.

The merger is the largest ever transaction in brewing and one of the largest syndicated facilities ever raised. It completed in July 2008, with the merged company rebranding itself Anheuser-Busch InBev, and was successfully syndicated without a flex in terms and conditions despite tough financial market conditions.

The transaction sparked a number of key issues:

- The original bid was hostile, raising challenges to timing, structure (price/acceptance levels unknown) and syndication.
- InBev was unrated initially, but the deal led to an investment-grade rating for debt capital market access.
- A standby equity underwriting underpinned the subordinated bridge to the rights issue.
- Tranches were sized to accommodate debt capital market issuance and asset disposals.

Ricardo Rittes, vice president of treasury, risk management and global financial markets at InBev, said: "To structure such a large transaction in a restrictive environment, InBev had no choice but to select the best-prepared banks, which we expected to be able to lead the transaction towards a successful closing even during difficult times. As a result, in addition to the first-class technical and execution capabilities, we required full dedication, a client-driven and long-term relationship attitude and open and straightforward communication."

Although InBev was the world's most profitable brewer it had no direct presence in the North American market, so Anheuser-Bush, the largest US brewer and producer of Budweiser, the world's best-selling beer, was an attractive target.

Syndication at the primary phase was highly successful, attracting over $12.75bn in commitments from the market despite the size of the deal and difficult market circumstances.

Rittes said: "This deal has been a relationship-defining one and has been understood as such by the number of banks that have supported us. We were advised early on in the process that senior management participation would be key in the process and we have been deeply involved during every single step of the syndication process, from inception to funding. We have worked hand in hand with the leading group of banks and met with many potential investors in the deal. The acceptance and positive feedback have been exceptional in this difficult market and we believe this is due to the strong commitment and expertise of our banking group coupled with our close involvement and the quality and resilience of the InBev business."

The stock market supported the transaction too and although suffering under the prevailing market conditions, InBev's share price performed well on announcement. The merged entity is the largest beer and brewing company in the world, providing strong positions on both mature markets and high-growth emerging markets. On a pro forma basis for 2007, a combined company would achieve global net sales of €26.6bn, and EBITDA (earnings before interest, depreciation and amortisation) of €7.8bn.

RBS executive director Peter Elleman said: "The InBev deal defied the market turndown last year with successful syndication to the lead banks' final holds. This was driven by the company's sensible view on pricing, a willingness to secure solid investment-grade ratings (BBB/Baa2) with a sizable equity injection, the resilience of the cash-generative global brewing model, and their tremendous banking relationships. Inbev has already begun to deliver on the refinancing story behind the transaction with the $9.8bn equity raising late last year and an initial $5bn of bonds being placed in January 2009, further enhancing InBev's reputation for delivery."

Clearly, InBev's financing was a king among treasury deals.

Highly commended

Nestlé

This was a deal struck late in the year – Nestlé finalised in the middle of November – for a €5bn one-year revolving credit facility for general corporate purposes. Its unique feature was that it was the first broadly syndicated facility on the European loan market carrying a margin linked to the borrower's credit default swap (CDS) spread.

Nestlé completed a successful renewal with more than €5bn of commitments raised in challenging and volatile markets. The company even saw a number of lenders raising their commitment. The deal was also significant because of Nestlé's ability to minimise upfront and ongoing costs for an undrawn facility, while offering market compensation for lenders in the event of a drawdown.

The Nestlé global treasury said: "We were very pleased to do the deal given the difficult credit conditions prevailing late in 2008. It underlined the strength of the Nestlé name and the relationship we have with our bankers. Although we do not intend to draw on the facility, it provides us with the necessary support to continue operating our very successful commercial paper programmes."

The benefit to the company of doing the deal was its maximisation of liquidity during a time when market conditions are so challenging. Given that Nestlé does not intend to draw down the facility, the deal also maintained a fixed low ongoing cost for the company. The final benefit is that the facility has enabled Nestlé to maintain an adequate provision of backstop facilities against its commercial paper programmes.

Despite the volatile market conditions the support of Nestlé's relationship banks, both corporate and investment, ensured a successful outcome.

Richard Basham, Citi's co-head of loans and leveraged finance in EMEA, said: "The innovative CDS-linked pricing effectively articulates the message that Nestlé regards the facility as a true backstop and is therefore unlikely to be drawn. The move towards a dynamic pricing was viewed positively by lenders and helped to maximise liquidity in a difficult market."

The bookrunner was Citi.