Winner

Driving force

FirstGroup

INVESTMENT-GRADE BONDS ARE SEEN AS THE BLUE RIBAND EVENT OF THE DEALS OF THE YEAR, AND THIS YEAR'S WINNER HELPS TO MAINTAIN THAT REPUTATION. A RARE BBB-CORPORATE ISSUE IN 2008, FIRSTGROUP'S DEAL TOOK PERFECT ADVANTAGE OF A LIMITED WINDOW OF OPPORTUNITY.

PRINCIPAL TERMS

- **£300m 10-year bond at a coupon of 8⅛%, completed September 2008.**

Bookrunners: Barclays Capital and RBS.
Debt adviser: NM Rothschild and Sons.

Only a limited number of BBB-rated companies issued a bond during 2008 when the credit crunch froze corporate ambitions as solidly as it did the markets. Not surprisingly, there were even fewer BBB- issues, but FirstGroup was one that did come off.

While others stood on the sideline, the world's leading passenger transport company – owner of bus and rail companies in the UK, as well as the yellow school bus and Greyhound coach businesses in the US – drove ahead with its ambitions.

Treasurer Ian Weldon was trusted by the board to refinance a $1.5bn acquisition term loan due 2010, which had been taken out to finance the 2007 acquisition of US Laidlaw, a leading supplier of US school and public bus services.

One of FirstGroup's sources of debt was this investment-grade bond. The £300m of 8⅛% bonds due in 2018 was the company's third issue in six years and was a perfectly timed issue.

After months of careful preparation and a UK roadshow, the issue was priced the week before the collapse of the Lehman Brothers sent shockwaves through the financial world and the real economy. FirstGroup's issue showed that while good planning is vital a little bit of luck also helps.

Weldon said: "This sterling-denominated bond transaction refinanced part of the company's $2.25bn of acquisition bridge finance, due February 2010, and was a component part of a refinancing plan approved by the board in early 2008.

"The roadshow, price guidance and completion, alongside a swap auction for cross-currency swaps, were all completed during some interesting weeks in September 2008.

"The company was pleased with investor feedback, quality of the final book and terms."

Highly commended

GlaxoSmithKline

This was a blockbuster of a deal: a $9bn bond completed in early May 2008 with tenors of two, five, 10 and 30 years. It was the largest pharmaceutical bond in history, the largest corporate US dollar deal since 2001 and the largest corporate Yankee since 2000.

The deal was upsized from $6bn to $9bn with the addition of a two-year floating-rate note. Given GlaxoSmithKline's cashflows the dollar issue is a natural hedge to its balance sheet.

Myles McBride, head of UK debt capital markets at Citi, described it as "a textbook example of execution in volatile markets".

Preparation on the well-known seasoned issuers (WKSI) shelf registration statement had begun in late 2007 in order to allow flexibility to fund at the optimal time in 2008. Thorough preparation of both documentation and marketing materials allowed maximum flexibility within GSK's issuance windows.

And when additional liquidity was available, the company took advantage of demand and secured funding at levels, which, with hindsight, have proved highly attractive.

Writing about the deal in the July/August 2008 issue of The Treasurer, Sarah-Jane Chilver-Stainer, vice president and group treasurer at GSK, said: "Accessing the US markets is not for the faint-hearted. GSK has a particular style of debt issuance. Due to numerous black-out periods, we will never be an opportunistic issuer, but tend to come to the market in size when all the stars are aligned."

The bookrunners were Citi, JPMorgan and Lehman Brothers.