

# Winner

## Top flight

### BAA

THE OBJECTIVE OF THIS EYE-CATCHING DEAL WAS TO REPAY £4.5BN OF SENIOR ACQUISITION FACILITIES AND REFINANCE THE COMPANY'S ASSETS THROUGH A SALE OF NON-CORE ASSETS, CREATING A STABLE RATED DEBT PLATFORM FOR THE FUNDING OF BAA'S AIRPORTS.



#### PRINCIPAL TERMS

- £13.3bn, including £4.5bn of bonds migrated to a new structure and £4.4bn of new bank facilities.

- £7.15bn of bank facilities.

Joint dealer managers on the liability management process: Citi and RBS.

This huge refinancing included the creation of an investment-grade rated debt programme, the migration of £4.5bn of existing bonds into a ringfence by a liability management exercise and the finance of various airports by a seven-year bank facility.

Jaron Stallard, associate director for loan capital markets at RBS, said: "The provision of £7.15bn of bank facilities and in particular the £4.4bn bond backstop facility was crucial to the successful completion of the wider £13.3bn BAA refinancing. The bond backstop facility enabled the refinancing to close irrespective of the conditions in the bond market. The ability to form such a broad bank group in the face of deteriorating market conditions and at a crucial stage in BAA's regulatory discussions was testament to the relationship of BAA and its shareholder with its key banks.

"The BAA refinancing required the simultaneous close of numerous workstreams, including Europe's largest ever bond migration, a sub-debt facility migration and a separate financing. The success of this transaction, the largest of its type ever successfully executed, has

established a stable, long-term financing platform for investment in BAA's airports."

The refinancing presented big challenges: the Civil Aviation Authority proposed a greater reduction in weighted average cost of capital and lower tariffs than anticipated; there was a constant threat that rating agencies would downgrade existing bonds to junk; the need to raise a large volume of debt in challenging markets; the possibility of hedge funds acquiring a blocking stake; and a junior/second lien consent process with more than 100 financial participants.

Graham Bahan, head of liability management in EMEA at Citi, said: "The BAA transaction involved one of the most complex liability management exercises ever undertaken and included a consent solicitation to exchange nine series of sterling and euro-denominated bonds totalling €6bn equivalent into a newly created, ring-fenced financing structure. The execution was undertaken within a tight timeframe during some of the most challenging market conditions of the past year."

# Highly commended

## Barratt Developments

A covenant reset for a housebuilder in the middle of a housing slump doesn't sound like the easiest of tasks. But, like all UK house builders, Barratt faced the problem of the sudden collapse of the UK housing market threatening its gearing and interest cover covenants in its bank facility and private placements.

Under strict confidentiality and with a consensual and relationship-driven approach, Barratt's finance director Mark Pain and group treasurer Bob Williams contacted all banks and private placement holders to propose the temporary replacement of the interest cover with a cashflow covenant and the rebasing of the gearing covenant. A hard fortnight of midnights and transatlantic calls followed, at the end of which approval was given and the deal

announced at the time of the company's scheduled equity interim management statement.

Williams said: "While the group was operating within its committed facilities and its current banking covenants, it was possible to anticipate market conditions where this may not have been the case. As a result we agreed to restructure our covenant package well in advance as an appropriate, prudent response to current market conditions."

Francis Burkitt, managing director of Rothschild, Barratt's debt advisor, said: "This was the first high-profile UK corporate covenant reset in 2008. Barratt received credit for being the first major house builder to recognise the problems and take decisive and successful action."