

Winner

Perfect control

Invensys

IN THE UK AND CONTINENTAL MID-MARKET SECTOR, THE INVENSYS LOAN IS A KEY EXAMPLE OF STRONG INVESTOR DEMAND FOR AN INTERNATIONAL CORPORATE WITH IMPROVING CREDIT FUNDAMENTALS AND SIGNIFICANT ANCILLARY OPPORTUNITIES FOR ITS BANK GROUP.

invensys®

PRINCIPAL TERMS

■ £400m five-year revolving credit facility/bonding line for general corporate purpose, completed 15 July 2008
Bookrunners and mandated lead arrangers: HSBC, Lloyds TSB and RBS.

Invensys originally set out to raise a facility of £350m but that was increased to £400m following oversubscription. A global technology and controls company, Invensys has made significant steps towards attaining investment-grade status over recent years. It has extensively revised and simplified its capital structure and reduced absolute debt levels.

The company has divested non-core businesses, allowing it to focus on profitable areas while the disposal proceeds have been used to pay down debt and engage in cost reduction programmes.

The refinance facility was structured to reflect the progress made by the company, with restrictions on disposals and the payment of dividends falling away on the achievement of an investment-grade rating. This provides Invensys with the flexibility to drive the business forward while also ensuring that lenders retain an appropriate degree of control.

Karl Fenlon, vice president for group treasury and taxation at Invensys, said: "Refinancing was a key target for Invensys in 2008,

marking the end of a recovery process and, through investment-grade style covenants, enabling a more active business development programme. The offer was oversubscribed with support from our target banks, and had lower margins than the facilities it replaced. It also helped us increase our credit rating two notches to Ba1/BB+."

Claire Carter, associate director at Lloyds TSB Corporate Markets, said: "Invensys should be highly commended for the way in which it managed the refinancing process. The treasurer was cognisant of balancing the company's improving credit profile with market conditions and the company played a key role, together with the bookrunners, in identifying suitable banks to be brought into the facility ensuring that risk-reward criteria were fully met."

The success of the refinancing can also be attributed to the borrower's careful management of its banking relationships throughout the syndication process. As a result Invensys has an enlarged, international banking group which is well placed to support its growth and development.

Highly commended

Coats

This \$625m five-year facility was designed to appeal to Coats' relationship banks, which provide commercial services to its global subsidiaries. Graham Buckland, managing director at Barclays Capital, said: "It is a global credit facility, available to any Coats subsidiary, in any currency, at any branch of any participating bank. It replaced an increasingly restrictive and expensive leveraged facility with a corporate-style syndicated loan, resulting in annual savings of \$3.5m."

The ancillary structure extends the central facility credit protection to the local branches of senior lenders. Group treasurer Charles Barlow said: "This is a Martini facility: any time, any place, any where. Its structure is unique: a syndicate bank is indifferent whether its

lending to Coats plc in the centre or to Coats subsidiaries in India or China. This enables us to get debt into subsidiaries as and when we need it, regardless of their individual credit standing.

"In syndicating the transaction, it was extremely important to leverage our subsidiaries' relationships with our banking partners. As Coats is in 72 countries around the world, wherever possible our subsidiaries use our global relationship banks in those countries. This provides syndicate banks with a steady stream of ancillary business – an extremely important factor in their decision to utilise their scarce capital to fund us."

Bookrunners were Barclays Capital, HBOS and HSBC, and RBS was mandated lead arranger.