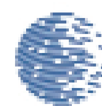
Overall winner

A perfect 10

Cable & Wireless



GETTING A DEAL AWAY WAS TOUGH ENOUGH IN 2009 FOR EVEN THE MOST ESTABLISHED PLAYERS, BUT HOW ABOUT SUCCESSFULLY COMPLETING ON A DEAL FOR AN ENTITY THAT DOESN'T EVEN EXIST? IN DOING PRECISELY THAT, TELECOMS COMPANY CABLE & WIRELESS GAVE A FLAWLESS PERFORMANCE THAT HAS MADE IT THE OVERALL WINNER OF DEALS OF THE YEAR.

PRINCIPAL TERMS

£230m convertible bond with five-year maturity and a coupon of 5.75% per annum payable semi-annually in arrears.

Bookrunners and lead managers: Barclays Capital, BNP Paribas and RBS Hoare Govett; passive bookrunner: Lloyds TSB Corporate Markets.

This deal has been described as the most complex transaction completed in 2009 because it was issued by one company but will transfer to another legal entity. Yet at the time the deal was executed, the entity – Cable & Wireless Worldwide – did not legally exist. As a result, it had no balance sheet, no outstanding bonds or indeed any credit benchmarks for investors to reference. A company that does not yet exist can have no independent equity trading track record, nor measure of liquidity, volatility or even starting market capitalisation.

Upsized from £200m, the £230m convertible bond was completed at the end of November 2009 and was designed to provide liquidity for a newly demerged entity, Cable & Wireless Worldwide. The demerger was not due to take place until 31 March 2010, so the finance was raised by Cable & Wireless plc, and the principal issuer of the convertible bonds will become Cable & Wireless Worldwide, subject to covenants, when the demerger completes.

For the business it was vital to secure the finance because the provision of long-term funding at competitive pricing, in conjunction with an extension to a rolling credit facility, was key to the demerger meeting the demands of the company's investors, customers and other stakeholders, such as the pension fund. They all wanted to see the new entity begin its separate existence with a strong balance sheet and excellent liquidity.

Despite the many complexities the book was covered 8.75 times and ultimately repriced well inside the original range, with the conversion premiums at the top of the announced range.

The deal and the associated bank financing were put together by a treasury team who were also arranging separate facilities for the other demerged entity as well as preparing for the demerger itself. Their execution of this deal was described as faultless.

Roger Burge, director of treasury and corporate finance at Cable & Wireless plc, says: "The convertible bond was Cable & Wireless Worldwide's debut offering in the debt capital markets, and the first of a series of bank and debt capital market transactions to finance the demerger of the Worldwide business from Cable & Wireless International.

"The hugely positive investor reaction to the deal reflected the success of the turnaround of the Worldwide business over the past three years, and gave us great momentum going into the rest of the demerger financing transactions."

The board said that a demerger was the right structure to drive further growth and value for shareholders by enabling both of the demerged businesses to pursue their strategies independently.

Announcing the demerger in November, Richard Lapthorne, chairman of Cable & Wireless plc, said: "I am pleased that we have been able to provide the key building blocks for how the demerger will work, including ensuring that both businesses have the right capital structures and lines of credit to support their individual strategies."

Julian Hall, RBS Global Banking & Markets, says: "The £230m convertible was the first critical step in C&W's demerger financing process, as successful execution was key to providing momentum to the wider financing programme.

"The transaction had challenging features to overcome with the demerger being over four months away, meaning that C&W plc shares had to be used as an interim substitute. As such there was no audited balance sheet, credit rating or established credit profile to fall back on for the ultimate issuer.

"Even with these challenges, the bookbuild was completed within 2.5 hours. The structure, marketing and pricing was a unique solution for a specific requirement; investors and issuer alike consider this to be a perfect solution with perfect execution."

Winner

DIY cure

Roche

REALISING THAT THE BANKS IN A HUGELY VOLATILE MARKET SIMPLY COULD NOT PUT TOGETHER A BRIDGE LOAN ON THE SCALE REQUIRED, ROCHE DECIDED TO GO DIRECTLY TO THE CAPITAL MARKETS ITSELF TO ARRANGE A $16.5BN BOND.

PRINCIPAL TERMS
$16.5bn bond in six tranches.
Bookrunners: JP Morgan, Citi, Bank of America Merrill Lynch.

The pharmaceuticals sector continues to be marked by significant consolidation and the opening weeks of 2009 were enlivened by the culmination of Swiss drugmaker Roche's efforts to buy out the minority shareholders of long-time partner Genentech. Roche had initially acquired a majority stake of 60% in the US biotechnology group back in 1990.

After briefly going hostile in January with a $42bn bid, only weeks later Roche agreed a friendly deal to buy the 44% of Genentech it did not already own, by adding an extra $2 to an already sweetened offer of $93 per share and upping the deal's value to $46.8bn, the largest deal in Swiss history.

The acquisition brings Genentech's cancer treatments into the Roche portfolio, alongside the Swiss pharma giant's well-known Tamiflu anti-flu drug and tranquiliser Valium. The move also promises to generate annual cost savings of between $750m and $850m.

The first step in financing the acquisition was a $16.5bn bond. Arranged via tranches of $3bn for one year, $1.25bn for two years, $2.5bn for three years, $2.75bn for five years, $4.5bn for 10 years and $2.5bn for 30 years, it marked the largest-ever US dollar funding for an "unusual" financing at a time when market conditions were still very volatile.

The 144a bond deal was led by JP Morgan, with Citi and Bank of America Merrill Lynch also active. Passive participants included Santander, Barclays, BNPP, Credit Suisse, Deutsche Bank, Mitsubishi, Morgan Stanley, UBS and UniCredit.

Roche group treasurer Andreas Knierzinger says: "The offering marked the turning point in our efforts to acquire the outstanding minorities of Genentech. After months of negotiations to secure a bridge loan, we realised banks were simply not in a position to lend meaningful amounts. Directly accessing the debt capital markets was the only way to go. After encouraging feedback from a couple of key funds, we therefore decided to go out to the market ourselves."

Highly commended

Lufthansa

Europe's leading airlines were among several involved in capital-raising initiatives over the summer as the credit crisis bit into the industry's revenues and fuel costs again edged higher. Germany's flagship carrier launched two bond issues during the year. The second, completed at the start of July, was a €750m senior unsecured seven-year bond with a coupon of 6.5%. The proceeds helped the company to fund the acquisitions of BMI and Austrian Airlines as well as a planned €8bn spend on new aircraft and further acquisitions by mid-2012.

Lufthansa reported that demand was so buoyant that the bond was oversubscribed sevenfold. Investor distribution was very broad, with those in Germany, Italy and Switzerland particularly enthusiastic, despite the airline having issued a profit warning in June. This demand gave the group the ability to tighten the price guidance from an initial mid-swaps+350bp to +330bp and also made a longer-dated transaction a feasible option.

The bond was floated under the Lufthansa debt issuance programme and listed on the Luxembourg stock exchange. No financial covenants or coupon setup were needed, despite the group's low BBB rating.

Lufthansa's head of corporate finance, Markus Ott, says: "The scale of the transaction as well as the negotiated terms reflect the confidence placed in Lufthansa by retail and institutional investors. In particular, the strong domestic retail bid made this transaction an enormous success and a veritable benchmark. At the end, the order book showed €5bn with bids from more than 420 accounts."

Highly commended

Rio Tinto

Mining and exploration company Rio Tinto dug into a rich seam of corporate finance with one of the world's biggest rights issues in the middle of last year. It was a significant deal in anyone's book – the largest UK rights issue outside the financials – and won second place in the category that supplied the overall winner of the Deals of the Year Awards.

Establishing the mechanics to deal with the inherent complexities of the issue required innovative structuring, effective negotiations with regulatory authorities, stock exchanges and registrars across several jurisdictions.

Despite the complications, the rights issue was delivered within a remarkably short timeframe: the issue was announced on 5 June and just over four weeks later the deal had closed.

The deal was intended to help meet significant debt repayment obligations in relation to Rio Tinto's $38.7bn acquisition of Canada-based Alcan in 2007. The rights issue would also strengthen the company's balance sheet and enable corporate cashflows to be used for expansion and investment.

The total offer size of $15.2bn was split between two entities: Rio Tinto public limited company raised $11.8bn while Rio Tinto limited raised $3.4bn.

The market received the deal positively, and there was significant demand from investors for sub-underwriting. On the day the rights issue was announced, the share price rose 8.4% in Australia and 10.3% in the UK. The issue was a virtual sell-out, with 97% and 95% take-up of rights in the UK and Australia.

Ulf Quellmann, global head of treasury, says: "This was the first ever equity issue by a dual-listed company and the largest by a mining company. It was the third largest rights issue ever in the UK, the largest ever in Australia and fifth largest ever in the world. The placing included two principal currencies [Australian dollar and sterling], two time zones and a large international shareholder base as well as regulatory authorities in the UK, US and Australia.

"The rights issue received strong support from a wide range of constituencies, including shareholders, press and equity analysts as well as credit markets and rating agencies. Rio Tinto's credit ratings were either reaffirmed with a stable outlook [Moody's] or, in the instance of S&P, upgraded by one ratings notch."

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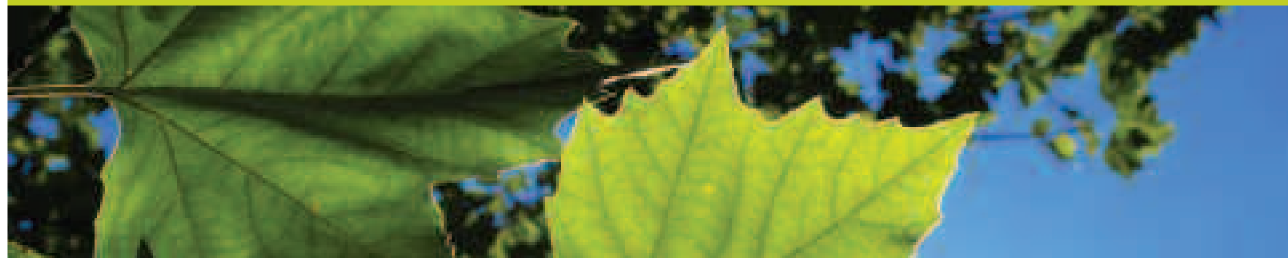

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Winner

Jumbo lift-off

Wind

WIND TELECOMUNICAZIONI'S ISSUE OF €1.25BN AND $2BN SENIOR NOTES WAS A HUGELY COMPLEX REFINANCING LIABILITY MANAGEMENT TRANSACTION THAT KICKSTARTED THE EUROPEAN HIGH-YIELD MARKET FOR TRADES OF JUMBO SIZE.

PRINCIPAL TERMS
€1.25bn and $2bn senior notes bearing 11.75% and due 2017.
Joint global co-ordinator: Credit Suisse; bookrunners: Deutsche Bank, Credit Suisse, Banca IMI.

Italy's privately owned telecoms group Wind Telecomunicazioni tested the European market for high-yield senior notes over the summer with an offering worth €2.7bn in total that was completed just after a market hiatus of nearly two years. The issue marked an opening up of the European high-yield market for trades of jumbo size.

It was also one of the most complex and high-profile refinancing liability management transactions attempted by a European high-yield issuer. It required consents from €4.2bn of senior bank debt in four different tranches and €700m of second lien, as well as €1.5bn of bondholders split into tranches of €950m and $650m.

Credit Suisse reported significant investor appetite for the deal, with more than 200 accounts in each of the euro and dollar books, resulting in strong oversubscription.

The deal provided Wind, the third-largest mobile operator in Italy, with improvements in its debt maturity profile. It proactively addressed the pays-in-kind (PIK) loan refinancing of Wind's holding company, Weather Acquisitions Holdings Finance, well ahead of its contractual maturity in December 2011, while extending Wind's average debt maturity. There are now no further refinancing events until 2012. It also provided an upstream dividend of €500m for supporting companies within the Weather group.

The deal also creates an appropriate window for refinancing of senior credit facilities, provisionally scheduled for 2012. The post-transaction maturity profile allows new senior facilities for a tenor of up to five years, while the amendment will give Wind the ability to raise secured notes to refinance its senior debt and further enhance its refinancing options.

Wind also asked bondholders to waive or amend some of the terms of its borrowings. As an incentive it offered existing noteholders an early consent fee of 7% of the face value of their investment. The company also increased the coupon on the outstanding euro notes to 11% from 9.75%, and on the dollar bonds to 12% from 10.75%.

Highly commended

Euroports

This deal aimed to ensure the solvency of Euroports in the immediate aftermath of the collapse of Babcock & Brown, which before August 2009 held 100% of the equity via its separately listed satellite infrastructure fund.

A complicated and interlinked set of eight transactions had to be negotiated and closed simultaneously in UK, Belgium, Luxembourg, Finland and Australia. They included two facilities of €100m and €80m, mezzanine debt of €25m, a deferred acquisition consideration of €35m, a €96m obligation to buy out minority partners, plus €35m in other obligations requiring immediate payment and a €379m litigation claim.

Euroports attracted new equity investors offering €140m to recapitalise the company conditional on it settling or restructuring total short-term obligations of €400m and funding/mitigating a material litigation claim. A team of three individuals led by the UK treasurer successfully extended debt maturities with UK-based lenders and negotiated settlements with all the non-financial creditors to accept partial upfront payment and advantage terms for the deferred amounts.

Each obligation had to be structured to protect the new investors' equity interest and ensure that any future non-payment of the restructured obligations would not trigger the group's insolvency. The new loans are all covenant lite and, in the case of the non-bank lenders, non-payment cannot trigger a borrower insolvency.

Winner

Rebuilt to last

Barratt Developments

BY RESTRUCTURING LOANS AND RAISING EQUITY, BARRATT FORCED ITS NET DEBT BACK INTO THE COMFORT ZONE.

PRINCIPAL TERMS
Term loans of £484m and £750m, new £400m revolver and extension of existing £400m revolver. Bookrunners: RBS, Barclays, HSBC, Lloyds TSB.

Against the backdrop of a rocky housing market, homebuilder Barratt amended and extended its core banking facilities to ease the pressure on its working capital in conjunction with a successful equity rights issue.

Focusing on conserving cash and reducing debt, Barratt succeeded in amending all its bank facilities and private placement notes with a heavily negotiated, bespoke and well-structured covenant package in return for debt prepayment. It demonstrated sound treasury management without any significant increase in finance costs, reshaping Barratt's financial profile to take advantage of an improving housing market. It satisfied the needs of Barratt's principal creditors – both banks and noteholders – and kept shareholders happy.

At the time the group admitted that its £721m cash call had rescued it from a point of no return. Barratt had borrowed £1,234m to acquire housebuilder Wilson Bowden in 2007 and repayment was falling due. Its negotiation of two term loans to repay the legacy acquisition facility was measurably helped by its launch of a rights issue to repay the term loans. On completion of the rights issue, the £484m loan would be reduced to £291m, the £750m term loan to £450m, and the two revolvers to £350m each.

With net debt tumbling as a result from £1.3bn to £708m, the company was able to develop sites that it would otherwise have been too constrained to open. The deal made it into the pages of The Treasurer, with group treasurer Bob Williams saying it had enabled the company to pay down debt and cancel facilities, so strengthening the balance sheet and substantially reducing gearing. On a proforma basis the balance sheet has moved from gearing at June 2009 of 89% (debt to net tangible assets) to a proforma of around 34%.

Highly commended

Wolseley

Like Barratt, building materials company Wolseley was caught in the savage construction downturn. A €1bn forward start provided welcome refinancing and liquidity to assist the equity story in a subsequent £1bn rights issue.

A four-year deal with a two-year extension was signed in March 2009 against a backdrop of speculation over a possible covenant breach. Established ahead of the rights issue, it eliminated the refinancing risk that equity investors would focus on.

Wolseley has since had its NAIC-2 investment-grade private placement restored. The deal highlights the importance of a correctly structured facility coupled with a market-cleaning price and a proactive borrower willing to engage with its banking group.

The facility comes into effect in August 2010 when the existing revolver matures, and expires in 2013. Mike Verrier, group treasurer of Wolseley, says: "This loan was a cornerstone in the financial restructuring of the group. It was groundbreaking in extending the maturity of forward start facilities to well over four years from the previous limit of three years and was the first forward start to allow for self-syndication. To complete this transaction in less than four weeks from inception was only possible because the strong banking relationships we had built up over many years and the ability and commitment of our five core banks – Barclays, BNP, Calyon, Lloyds and RBS – to work together in extremely difficult times to support us."

SPECIAL MENTION: CONNECT PLUS (M25)

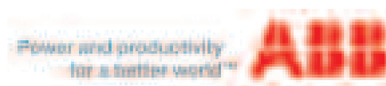
This deal won a unique special mention from the judges. Connect Plus (M25) was appointed to design, build, finance and operate an M25 project. A key part of the private finance initiative (PFI) project funding was a £709m term loan facility and a £247m European Investment Bank guarantee facility. Signed in May 2009, the loan had a tenor of 27 years (close to the life of the PFI's 30-year M25 concession and providing certainty of funding) and the guarantee five and a half.

The financing demonstrated that liquidity existed for complex, long-term deals and helped bring confidence back to the UK loan markets.

Winner

Quick on the draw

ABB



PARTICULARLY SENSITIVE TO LIQUIDITY RISK AFTER WEATHERING ITS OWN CRISIS A FEW YEARS PREVIOUSLY, ABB COOLLY REPLACED ITS $2BN REVOLVER A YEAR BEFORE IT EXPIRED.

PRINCIPAL TERMS
$2bn syndicated loan.
Bookrunners/lead arrangers: a total of 29 relationship banks.

Swiss-Swedish engineering group ABB invited all its 31 core relationship banks to participate in a refinancing, which aimed to replace a year ahead of its July 2010 expiry date a $2bn five-year revolving credit facility originally agreed in 2005 through bookrunners Barclays Capital, Citigroup, Credit Suisse and HSBC. The new three-year revolver pays a margin of 100bp over Libor and an upfront fee of 65bp, a commitment fee of 40bp, and a utilisation fee ranging between 25bp and 50bp.

All but two banks committed themselves to the new facility, which runs to October 2012, leading to a huge oversubscription. As a result, the facility was upsized from an initial $1.5bn to $2bn.

The success of the refinancing reflects ABB's knowledge of its banks' requirements and the process involved. ABB led the transaction itself, carefully timing it to benefit from improving market conditions.

ABB group treasurer Alex Hall says: "Having lived our own crisis a few years ago, we are particularly sensitive to liquidity risk, so our strategy was to refinance our $2bn revolver a year early once a market window offering reasonable conditions opened.

"ABB has grown significantly in emerging markets in recent years and we wanted to re-align our financial footprint with our business footprint. We also wanted all our financial partners to provide balance sheet support to the company, hence the presence of 'pure' investment banks in the syndicate. We targeted new low (post-crisis) pricing for our sector and balanced our requirement for no covenants with a more bank-friendly three-year maturity.

"In the end 29 banks signed up, increasing coverage for us across South America, the Middle East and Asia, including two Chinese banks and three investment banks. Success was due to starting early in the preparation so we could fire when the window opened, cultivating a strong group of relationship banks and also the very visible commitment from our senior management to the project."

Highly commended

Enel

Italian gas and electricity group Enel needed to raise €8bn quickly as Spanish engineering and construction group Acciona, which had co-acquired Endesa with Enel, was keen to exercise its put option and sell off its 25% stake in the Spanish energy company.

The deal consisted of two term-loan tranches of €5.5bn and €2.5bn, permitted via an "accordion option" in the original €35bn acquisition deal signed in 2007. The 2012 maturities were extended to 2014 for the €5.5bn tranche and to 2016 for the €2.5bn tranche.

Despite tenor constraints in the market usually limiting maturity to three years, Enel managed to raise five and seven-year money through a forward start structured to extend the maturity and reduce the refinancing risk. It was efficiently priced and structured, not only because a large group of arrangers were involved but also through use of a retail syndication phase.

The relationship banks also benefited from the substantial improvements in their overall regulatory requirements compared with the original acquisition facility, and from gaining direct recourse to Enel, rather than having a margin loan at the Acciona level.

Enel's head of group finance, Alessandro Canta, says: "The €8bn facility that financed the acquisition of Acciona's 25% stake in Endesa was a landmark in the corporate debt capital markets given their strong deterioration prompted by the banking system collapse in September 2008.

"The facility increase was closed in a syndicated loan market which, at that particular moment, was showing very low volumes and activity. The deal has shown Enel's ability in matching the interest of the banking system in corporates that have a strong credit rating with bank needs in terms of size, maturity and target cost of debt."

Winner

A heady brew

Marston's

MARSTON'S PIONEERING OF A FORWARD START REVOLVING CREDIT FACILITY AT THE BEGINNING OF 2009 VALIDATED THE MODEL AS A MEANS OF SECURING MEDIUM-TERM LIQUIDITY FOR BORROWERS FACING REFINANCING RISK AND WAS SWIFTLY ADOPTED AS THE CAPITAL MARKETS WITHERED.

PRINCIPAL TERMS
£295m forward-start revolver with a three-year tenor.
Bookrunners: Barclays Capital, HSBC; participants: Lloyds Banking Group, Royal Bank of Scotland, Alliance & Leicester.

The success of this transaction, coming at the start of 2009, endorsed the forward start structure and set a precedent for the market. The deal extended Marston's debt maturity profile and amended the covenant levels in its current facility, paving the way for the brewer and pub owner to raise £165m from a rights issue.

The facility, which also helped the company deleverage its balance sheet, validated forward starts as a means of securing medium-term liquidity for borrowers facing a potential refinancing risk.

After banks' ability to cope with the forward start structure was successfully tested, it was swiftly adopted across the market, becoming the go-to solution for securing commitments when liquidity in the capital markets evaporated during the first half of 2009.

Fee details were not publicly disclosed, but the participation fees paid to the banks were on a par with those paid by corporates higher up the credit spectrum that came to the market a month or two after the group.

Marston's finance director, Andrew Andrea, says: "A three-year forward start revolving credit facility, following on from our existing facility, secured finance for Marston's at favourable terms for over four years in a difficult market.

"It was a bold step and an innovative deal, which others have since repeated at greater cost. The strong support of our relationship banks throughout the process was critical to its success."

Highly commended

Premier Oil

This transaction supported one of the very rare merger and acquisition deals that were struck during the first quarter of 2009: Premier Oil's $505m acquisition of the North Sea gas exploration unit of Canadian group Oilexco, which was faced with bankruptcy.

An equity rights issue of £171m financed the UK-based company's acquisition, with the balance coming from new debt committed by five mandated lead arrangers.

Premier Oil's group treasurer Malcolm Ward says: "To secure this debt funding and to preserve the capacity required for its existing growth programme in Asia, Premier negotiated a new bank facility of $550m.

"Given the weak state of the bank markets at the time, and in particular the lack of syndication appetite, Premier Oil secured a commitment of $110m each from four existing relationship banks and one new bank [Lloyds TSB, Barclays, HSBC, RBC and BTMU]. This was subsequently syndicated to most of Premier Oil's existing bank group, plus two new banks."

The transaction was marked by a quick turnaround by all parties from initial engagement to a fully credit approved and underwritten document despite the target being in administration.

It was also regarded as being correctly priced and structured, despite "incredibly challenging" market conditions – as evidenced by the response of the banks.

The bridging loan enabled Premier Oil's finance and treasury team to strengthen the company's presence in the independent gas exploration and production market and also cemented its relationships with its core bank.