Winner

Hit the gas

Continental

WHAT GAVE CONTINENTAL THE FINANCIAL FIREPOWER TO SEE OFF ITS RIVALS AND BECOME A SUPERLEAGUE AUTOMOTIVE PLAYER THROUGH THE €11.4BN ACQUISITION OF SIEMENS VDO WAS A €13.5BN COMMITTED CREDIT FACILITY WHICH WON THIS YEAR'S LOANS FOR CONTINENTAL EUROPEAN CORPORATES AWARD.

Continental

PRINCIPAL TERMS
Amount: €13.5bn multicurrency syndicated loan and a €1.5bn accelerated capital increase.
Bookrunners: Citi, Goldman Sachs and Dresdner Kleinwort.

According to Stefan Scholz, Head of Finance and Treasury at Continental, the timing of this deal could have been far worse: "Before the sub-prime crisis started we had a signed agreement with two banks and started the syndication in the beginning of September just after the summer break."

The logic of the acquisition was inexorable and the price reasonable. "In the end only three banks left the team of banks [lenders under the former €1.5bn revolving credit facility], which was really a strong signal," said Scholz. "We could win other banks to join the club. I am happy with the quality and quantity of our 39 banks as they do not just represent the quality we need but also the future regional footprint of Continental."

In nominating the company for this award, Jonathan White, Managing Director of Citi, wrote: "This was the first major deal to launch after the full impact of market volatility and its impact on banks' balance sheets and funding costs became obvious. Syndication generated an oversubscription of circa 10% – a great success given the transaction size in the context of the market environment. The transaction was closely watched as the market test in the new credit environment; the successful syndication set a positive tone for subsequent investment-grade bank financings."

Scholz added: "I had worked with the same internal team in other less meaningful but still very complex transactions before. This allowed us to deal with the strong time pressure. It has been a great example of how you can get a transaction done when everyone works together knowing what to do and doing their part.

"We are a small lean team here at Finance and Treasury, but this allows us to work in a very efficient way. Our internal lawyer, one of the key players, and myself have developed the same understanding of the key issues and the priorities which reduced the time to be spent for internal coordination.

"It also turned out to be beneficial that Continental had prepared a term sheet in advance, which reduced the time of negotiation with the banks substantially."

Highly commended

HeidelbergCement

The combination of HeidelbergCement and Hanson was the largest ever transaction completed in the buildings material sector and the third largest move by a German acquirer into the UK.

For Henner Böttcher, Group Treasurer at HeidelbergCement, the timing was perfect: "Larger competitors were tied up in other deals [Cemex/Rinker] or strongly committed to organic growth [Lafarge/Holcim], and loan markets were in exceptionally good shape. The syndication process (from invite to accession took four weeks) as well as the M&A process (from announcement to closing took four months) were executed within unprecedentedly short periods of time, which was evidence of a particularly stringently managed process, with zero time slippage between the dates for accession mentioned in invite letters and the actual date."

The transaction was clearly designed to offer only a market-clearing pricing and structure.

This was evidenced by only mandating two banks (Deutsche Bank and RBS) to lead the deal, skipping the sub-underwriter phase/fees, achieving an exceptionally high hit rate of relationship banks committing to the transaction (60% of the commitments were for the top level), an only modest degree of oversubscription which was clearly below levels recorded by comparable transactions, and margins that were in line with rather tight credit default swap levels.

Winner

Forging a takeover

Cookson

COOKSON'S DEAL TO FINANCE THE ACQUISITION OF A FOUNDRY COMPANY SET A PRECEDENT FOR UK CORPORATE SYNDICATED FACILITIES AND, DESPITE COMING AS THE QUEUES LENGTHENED OUTSIDE NORTHERN ROCK, PROVED THAT THE LOAN MARKET WAS STILL OPEN FOR WELL-STRUCTURED TRANSACTIONS.

PRINCIPAL TERMS
Amount: £950m debt facility in four tranches ($400m, £300m, €150m and £350m). First tranche tenor 364 days + one year term-out option, other tranches five years.
Bookrunners: Barclays, HSBC, Lloyds TSB and Royal Bank of Scotland.

For FTSE 250 materials science company Cookson Group, the purpose of this deal was to fund the acquisition of Foseco and refinance existing bank facilities and US private placement loan notes.

Orla McMahon, Senior Director for UKCB Corporates in Loan Capital Markets at RBS, wrote in nominating the deal: "The deal was undertaken post-credit crunch in a highly volatile and challenging market environment, but was highly successful, with strong bank support from new as well as existing banks, resulting in significant oversubscription."

Tony Harrison, Group Head of Treasury and M&A at Cookson, said: "We invited four relationship banks to underwrite the acquisition facility on September 14, the day queues were forming outside branches of Northern Rock. The banks' immediate reaction was 'great acquisition, sensible financing package but lousy timing'. We were therefore delighted with the successful completion of the £950m debt facility, which together with the £150m equity placement will allow us to complete the all-cash proposed acquisition of Foseco, refinance existing debt and readdress Cookson's capital structure.

"We received strong support from Cookson's and Foseco's existing banks and were able to bring in a manageable number of additional banks without resorting to general syndication, a pleasing result given the increasing prevalence of failed syndications. The successful outcome, achieved in spite of the liquidity crunch, was down to the proposed transaction having a clear and compelling industrial and financial rationale, a well-structured financing package, significant attention to planning and information flow, and a great team effort from our banks and the Cookson management team."

Given the expected growth in profitability and good level of synergies, the acquisition is forecast to generate a return on invested capital in excess of the weighted average cost of capital in 2009, the year the integration process completes.

Highly commended

Rio Tinto

If there was one elephant in the corner in this year's Awards, then it was Rio Tinto's $40bn deal to finance the acquisition of Alcan. In the end the deal was simply too big to ignore. As Ian Ratnage, Global Head of Treasury at Rio Tinto, put it: "Our $40bn acquisition finance facility has been nominated as Deal of the Year due to its size, speed of execution and the excellent terms given the difficult market conditions that were becoming evident at the time of underwriting and the deterioration in markets when the deal was sub-underwritten in mid-August.

"The success of the transaction was down to the excellent bank group selected by Rio and the excellent team at Rio.

"This was the largest all-cash acquisition financing ever raised in the UK and the fourth largest globally.

"The finance was raised in the space of 10 days during what was a competitive bid process for Alcan, and the Rio treasury team had to restructure the bank group at the 11th hour due to one bank dropping out due to a conflict."

The acquisition of Alcan is expected to be value-enhancing to Rio Tinto shareholders and earnings and cashflow accretive in the first full year.

Credit Suisse, Deutsche Bank, RBS and Société Général CIB were the bookrunners and mandated lead arrangers.