

# Winner Funding people businesses

## Management Consulting Group



BOTH THE WINNER AND THE HIGHLY COMMENDED IN THIS CATEGORY PROVED THAT PEOPLE BUSINESSES WITHOUT SIGNIFICANT ASSET BACKING CAN STILL ATTRACT GREAT FUNDING IF THEY HAVE A GREAT BUSINESS DEAL TO DO.

### PRINCIPAL TERMS

Amount: £110m multi-currency club facility split into two term loans (\$50.6m and €37m) and two revolving credit facilities (€60.7m and €44.5m) with a five-year tenor. Completed Sept 2007. Bookrunners: Barclays, HSBC and Lloyds TSB, financial advisor NM Rothschild.

London-quoted MCG wanted to fund the acquisition of Kurt Salmon Associates, a US-based management consultancy. The debt raised provided funding for the cash element of the consideration and refinanced existing debt.

The acquisition was a must-have for MCG, greatly increasing its profile in the US consulting market. In nominating the deal, Ranjit Munro, Managing Director at NM Rothschild, wrote: "The M&A time frame was extremely tight, making it necessary to approach the market during August. Timing was also non-negotiable from the vendor's perspective, so deliverability of the financing despite market conditions was key."

This was one of the first transactions in the UK to be negotiated and signed entirely during the turbulence in the credit markets. In addition, the timetable from launch to signing was three weeks. The nature of MCG's activities in the unpredictable asset-light business of

consulting made the result a real reflection on the skills and reputation of the management team.

The deal increased MCG's leverage, relaxed its covenants and gave it significant operational and strategic flexibility while keeping the same margin grid. The company also broadened its banking group from one relationship bank to three, improving its strategic financing options.

Craig Smith, Group Finance Director at MGC, said: "We are delighted with our £110m facility. We were pleased with the support from our three banks, Barclays, HSBC and Lloyds TSB, two of whom were newly introduced to our relationship group, who worked together to deliver funding to a very tight deadline. Throughout the process we appreciated the invaluable advice of the debt advisory team at Rothschild, who guided us through our largest borrowing to date, in difficult credit markets, to reach a great end result."

# Highly commended Northgate Information Solutions

Acquisition and refinance facilities of £500m with a five-year tenor were used to support Northgate's cross-border acquisition of Arinso. In nominating the deal, David Rome, Managing Director and Head of UKCB Corporates for Loan Capital Markets at RBS, wrote: "The transaction gained momentum following a very impressive banking meeting at which the strength of both companies and acquisition rationale was well conveyed."

By combining euro and sterling tranches, the facility contributed to the effective hedging of currency exposures. Nick Farrimond, Group

Chief Accountant at Northgate, said: "The debt facilities provided by our four principal bankers [ABN AMRO, Barclays, Lloyds TSB and RBS] had to be arranged at very short notice, based on fast-changing information through an intense 72-hour period.

"This facility was put in place to enable us to complete a transformational deal and we accepted we might have to trade some flexibility or margin for speed. Despite this, there was very little we could have done to improve the deal even given unlimited time. The flexibility of the package and the margins negotiated are exceptional."

# Winner

## A ringing success

### Vodafone



A DYNAMIC DEPARTMENT WITH A REMIT THAT EXTENDS ACROSS GLOBAL OPERATIONS, VODAFONE'S TREASURY IS AN IMPRESSIVE SETUP.

**G**erry Bacon, Group Treasurer and Chief Financial Officer of Vodafone Group Services, describes his treasury department as a "thoroughly enjoyable place to work. Not only are we blessed with talented people but also have good systems and challenging deliverables."

Bankers, financial advisers and treasury professionals all paint a picture of professionalism and competence. One banker described the Vodafone treasury as "very dynamic and able to move quickly in the capital markets". Over the past year, the City has been impressed by Vodafone's ability to transact a number of long-dated transactions at "very favourable levels".

While some treasury departments have a silo mentality, it is not an accusation levelled at Vodafone's treasury team. One banker told *The Treasurer*: "As a treasury they are highly integrated within the wider Vodafone business. From our experience they come across more as economic value-added managers, rather than a risk management, funding or control function."

Bacon explained some of the challenges facing Vodafone's

treasury: "As Vodafone has subsidiary operations in 17 countries, and joint ventures, associates and partner market/franchises operations in a further 40, we are truly global. This allows us to fund in Europe, US and less often India, South Africa, Japan, Australia and elsewhere."

The talented team is well known in the City. One banker said: "They have confidence and the experience to debate markets to the point where we treat them as a counterparty rather than a corporate client. Staff are highly skilled and can develop their skills through various roles within the treasury and outside into complementary finance functions, including corporate finance and insurance."

But it is the ability to manage a global operation which remains hugely impressive. Bacon said: "We have staff located mainly in Newbury, UK, but also in Germany, India and the US, giving us 24-hour coverage, which is helpful when M&A is heavy."

"2007 was another busy year for the department culminating in a competitive bid for a mobile business in India with an enterprise value of \$19bn which was debt financed, firstly in the bank and commercial paper markets and later in the US and euro bond markets."

# Highly commended

### Tesco

**U**nder the leadership of Nick Mourant, Tesco treasury has made progress in its ambition to be recognised as one of the top five teams in Europe. Tesco runs a centralised treasury for cash management and foreign exchange on behalf of its retail subsidiaries around the world.

Mourant said: "Despite being a small department, we are very active. Highlights include delivery of an ongoing sale and leaseback, and a share buyback programme, as well as a number of benchmark issues in the debt capital markets."

Tesco's treasury team never let up in 2007. Deals handled by the team included three benchmark bond deals across the curve and in a range of currencies (€600m 40-year, £500m 50-year, \$2bn 10-year and 30-year). All the deals saw strong investor demand and pricing inside initial guidance. Timing was also excellent. Tesco has an active

hedging policy with both the interest rate and currency risk being managed on these transactions whether directly with banks or through an auction process.

Richard Dakin, Managing Director for Major Corporates at Lloyds TSB Corporate Markets, said: "One of the key attributes of the team is its general philosophy. What was good yesterday may not be good today, so challenge everything. The groundbreaking 50-year bond Tesco issued last year reflects this philosophy."

Tesco's treasury is ahead of the curve in terms of its ability to manage treasury risks, actively seeking out effective products and solutions that suit its needs. It works to be strategic rather than opportunistic in funding. It is not afraid of trailblazing, nor will it be pressurised into merely replicating the actions of its peers. The team looks at what suits their strategy best and acts accordingly.