Credit crunch does little to take edge off fundraising appetite

The unprecedented late-summer credit crunch has not shut the door on major fundraisings, as shown by the €13.5bn package arranged for German tyre giant **Continental**.

Led by Citi and Goldman Sachs,39 banks joined the syndication to put in long-term financing for Continental's takeover of the VDO Automotive business of Siemens.

The loan and credit package would be repaid in time, said Continental, by an increase in shareholders' equity totalling no more than 10% of the current issued share capital and by the issuing of bonds.

"We were able to rely on banks with whom we have had dealings, while simultaneously winning over new banks, particularly from Asia, a region where we are growing," said Continental Chief Financial Officer Alan Hippe, who admitted that the funding came amid "challenging conditions in the financial markets".

Details of the loan package were not immediately available.

Demand to support good-quality bond offerings was much in evidence when Italian energy giant **Enel** entered the market for funds to back its joint €42bn takeover of Spanish counterpart Endesa.

As part of a refinancing of substantial lines of credit – thought to be the largest-ever syndicated loan – supporting the Endesa takeover, Enel made a three-tranche bond issue totalling $3.5bn.

With substantial demand out of New York where Enel was making its debut in the US bond market, there were applications totalling $6bn for the paper.

Lead-managed by Deutsche Bank, Citi, Credit Suisse and JPMorgan, and supported by Goldman Sachs and Morgan Stanley, Enel issued $1bn of five-year bonds paying a fixed rate of 5.7%; $1.5bn of 10-year bonds paying interest fixed at 6.25%; and a further $1bn of bonds with 30-year maturities paying a rate of 6.8%.

"This was part of the refinancing of the €35bn line of credit that was arranged specifically for the Endesa operation," said Enel's Chief Financial Officer, Claudio Machetti.

"I was able to appreciate the professionalism of the people in American finance. It was a lesson. They ask lots of very hard questions before handing over their money."

The seemingly undiminished appetite in European markets also enabled **Carrefour**, the giant French retailer, to get away a €1.25bn seven-year bond.

Lead-managed by Barclays Capital, Citi, Merrill Lynch and Natixis, the unexpected offering attracted an order book of €6.5bn, and was ultimately priced at 55 basis points over mid-swaps – the tight end of previous guidance.

Carrefour, reckoned to be the world's second biggest retailer, has a reputation for aggressively pricing its bond issuances.

The restructuring of the **Costain** construction group continued with a £60m rights issue in which one of its main shareholders significantly diluted its investment.

Costain said it was raising the money through a three-for-four rights issue of new shares priced at 23p a share.

In conjunction, the company said it had also negotiated extended and enhanced banking facilities to a total of £200m from the previous level of £125m.

Chief Executive Andrew Wylie said the fundraising and strengthened balance sheet would enable it to deliver its "being number one" strategy and ensure it could service its £1.6bn order book.

"The company expects that consolidation within the UK construction market will continue and that a small number of large firms will dominate the market," he said.

The rights issue was overseen by financial adviser and sponsor Hawkpoint, and handled by joint brokers Dresdner Kleinwort and Arbuthnot.

In the placing, 35% shareholder Daedalus said it sold most of its rights shares on to Dresdner Kleinwort at 24p. Dresdner said it had then sold on more than half of that to Arbuthnot at 27.785p. As a result, Daedalus's shareholding was reduced to 22%.

Robert Lea is City Correspondent of the *London Evening Standard*.

EQUITIES

ISSUER	DEAL PRICING DATE	DEAL NATIONALITY	TRANCHE VALUE	DEAL VALUE	BOOKRUNNER PARENT	MATURITY DATE	COUPON
E.ON	21/09/2007	Germany	$2,460m	$4,914m	ABN AMRO, BNP Paribas, Citi, RBS	October 2012	5.125%
Carrefour SA	27/09/2007	France	$1,762m	$1,762m	Barclays Capital, Citi, Merrill Lynch, Natixis	October 2014	5.125%
Enel Finance International SA,	14/09/2007	Italy	$1,497m	$3,492m	Citi, Credit Suisse, Deutsche Bank, JPMorgan	September 2017	6.25%

All data provided by Dealogic. www.dealogic.com