

Winner

Drill for victory

MB Petroleum Services



THE JUDGES AGREED THAT THIS DEAL MIGHT HAVE CAUSED SLEEPLESS NIGHTS BUT IT SUCCESSFULLY ACCESSED INTERNATIONAL INVESTORS AND NEW FUNDING SOURCES.

Against some strong competing entries, the panel decided that this transaction by drilling and well services provider MB Petroleum Services (MBPS) was a winning contender on many levels. It represented the first time an Omani credit had tapped international investors since May 2004, and was also the first-ever high-yield issuance out of the region.

The issuer, MBPS Finance Company, is a special purpose vehicle wholly owned by MBPS, which itself a wholly owned subsidiary of the MB Holding Company (MBHC). Both MBPS and MBHC are incorporated in Oman.

The purpose of the deal was to repay existing term loans and short-term credit facilities of MBPS, repay all outstanding borrowings under three existing bridge loans raised to fund the acquisition of a 49% stake of MB Century that MBHC did not own, and for general corporate purposes.

The transaction marked a milestone for MBPS in diversifying its funding sources away from short-term bank funding and in terms of balance sheet management, particularly in the context of the historically low interest rate environment. It also reflected the company's commitment to access the international capital markets, which it regarded as far more optimal and complementary to the capital-intensive nature of the underlying business.

Sushil Srivastava, chief financial officer of MBHC, says: "Success in

issuing bond on the international capital markets was an important achievement for MB Holding Group. We are pleased as the primary objective of bond issuance, which was to put MB on the map of global capital markets, has been achieved. This will pave the way for future capital market activity to support the growth of MBPS as well as other MB group subsidiaries."

"As MBPS was a first-time issuer and the transaction represented the first high-yield issuance from a private company, we had to face a number of challenges," says Srivastava. "Many investors' views were tarnished by Dubai and Blue City. A numbers of investors outside the region were not knowledgeable about Oman. Middle East investors are not fully conversant with high-yield bond covenants and many investors do not have a mandate to buy sub-investment grade bonds, so there was relatively light interest among regional investors."

PRINCIPAL TERMS

Bond: \$320m in single tranche, listed on Euro MTF market of Luxembourg Stock Exchange, Reg S, 11.25% 5NC3 senior notes

Tenor: five years. **Date of completion:** 15 November 2010

Ratings: Fitch BB-, S&P B+

Bookrunners: Barclays Capital, HSBC and Standard Chartered Bank were joint bookrunners/lead managers

Highly commended

IPIC

Sovereign wealth fund International Petroleum Investment Company (IPIC) already owned a 47% stake in CEPSA, Spain's second-largest oil company. In February 2011 it announced a public takeover offer to acquire all the shares it did not own. At the end of the month it launched a seven-day pan-European roadshow to ascertain investor appetite for a dual-currency bond issue in tranches of €1.25bn with a five-year tenor, €1.25bn with a 10-year tenor and £550m with a 15-year tenor.

Around 600 investors contributed to a total euro tranche book exceeding €7.4bn and nearly 100 investors contributed to a book of around £1bn for the sterling tranche.

Edward Hesson, IPIC's manager, treasury and corporate finance, says: "Capital markets access marked an important step in our evolution. The new depth in liquidity, investor diversity and broad access to currencies complements our already substantial capital base and ensures IPIC can maximise efficiencies in its capital structure."