

It's back to the big time

It was as if the more-than-a-year-long credit crisis and traditional summer lull had never happened when this year's already record corporate bond issuance was pushed to new highs by heavyweights from the European company scene tapping the market.

According to debt market analysts, the credit markets remain unsated. "It's on fire," said one. Investors on the other side of the deal are also continuing to demand corporate credit.

And the market was equally intrigued by the fact that non-financials were also making the running. Among the bigger sales jobs was one for **BMW**, the world's biggest maker of luxury cars, which offered €1.5bn of bonds, priced to yield 133 basis points over the benchmark mid-swaps rate. Bank of America Merrill Lynch, Deutsche Bank, DZ Bank and HSBC managed the five-year bond issue.

The company said that the money was destined for its financing function, to help kickstart the sale in cars, which for the most part are not paid for outright by consumers but financed through hire purchase schemes.

Not far behind in the car lot was **Fiat**, selling €1.25bn of convertible five-year bonds with a fixed 7.625% dividend.

Similar to BMW's bonds, the notes were issued by the finance and trade arm of the motor manufacturer. Lead managers BNP

Paribas, Royal Bank of Scotland and Société Générale reported a strong oversubscription and initial orders worth around €8bn.

Dutch telecoms giant **KPN** was also in the market but not for Eurobonds.

KPN said it was issuing £850m of 20-year sterling-denominated bonds priced to yield 175 basis points over the equivalent UK gilt.

KPN said the money was to refinance borrowings and help general cashflow.

In addition to extending the maturity profile of its stock of debt, KPN said it needed to maintain maximum investment flexibility while continuing to expand its operations. The company said it wanted to keep its net debt-to-EBITDA underlying earnings ratio at between 2 and 2.5.

Bank of America Merrill Lynch, BNP Paribas and Royal Bank of Scotland acted as joint bookrunners on the transaction.

Kangaroo bonds meanwhile were on the menu for **Holcim**, the Swiss cement maker and its Australian arm.

Holcim got its A\$500m offering away to a total of 86 corporate bond investors, who put in bids for up to \$900m of stock.

The three-year Aussie dollar-denominated issue was priced at 350 basis points over the equivalent market swap, allowing the bookrunners to ultimately rein in the final margin to 335 basis points.

The offer, run by National Australia Bank, Royal Bank of Scotland and Westpac Institutional Bank, was the largest non-financial corporate bond issue down under this year and the biggest there in nearly three years.

Is this the shape of things to come?

Following on from the successful \$750m raising of hybrid capital in Asia in high summer, the new chief executive of British insurance giant **Prudential** indicated that the Far East could be the market in which to undertake future fundraisings.

The Pru has made no secret of its intentions to expand aggressively in Asia. Now it is indicating that this could also be the market in which it will raise capital and possibly expand its shareholder base away from the traditional heavy London bias.

"Asia is a great opportunity for us because there is so much wealth being created there and therefore it is also a source of capital for the world," said Tidjane Thiam, who took over as Prudential chief executive on 1 October.

Managed by BNP Paribas, Citi, HSBC and Royal Bank of Scotland, the Pru fund-raising was, said the company, aimed at defending corporate capital requirements and supporting business growth in the region.

Robert Lea is City correspondent of the London Evening Standard.

CORPORATE BONDS

DEAL PRICING DATE	DEAL TYPE	VALUE	ISSUER	DEAL NATIONALITY	COUPON	MATURITY DATE	BOOKRUNNERS
02/09/2009	Investment grade	CHF450m	Holcim AG	Switzerland	4%	11/09/2018	UBS, Credit Suisse, UniCredit Group, Zuercher Kantonalbank (ZKB)
08/09/2009	Investment grade	€1,500m	BMW Finance NV	Germany	4%	17/09/2014	Bank of America Merrill Lynch, Deutsche Bank, DZ Bank, HSBC
08/09/2009	High yield	€1,250m	Fiat Finance & Trade Ltd	Italy	7.625%	15/09/2014	BNP Paribas, RBS, SG Corporate & Investment Banking

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