ACT Middle East
TREASURY, RISK AND FINANCE PROFESSIONALS
ACT

Triumph in adversity

MATTHEW HURN, PRESIDENT OF THE ACT AND CHAIRMAN OF THE JUDGING PANEL, OUTLINES THE CHALLENGING FINANCIAL CONTEXT IN WHICH THE MIDDLE EAST DEALS OF THE YEAR AWARDS HAVE BEEN ACHIEVED.

Congratulations to the winners and highly commended of the Middle East Deals of the Year Awards. This is the second year of these Awards and since their inauguration last year they have grown in significance, as evidenced by the quantity and quality of the nominations we received.

This has been a better year for corporate treasurers and their businesses than many predicted and the improving conditions gave the judging panel a difficult task in terms of choosing between several nominations in each category, with some notable variations in deal size. Even though transactions were better than expected, bond and equity markets remained difficult to access; and while the banking system stabilised, due to the actions of central banks, lending by banks remained constrained.

The judges were mindful of this changing and challenging market backdrop when considering the nominated deals and I would like to thank my fellow judges for their hard work throughout the entire process. They are all treasurers or advisers, with detailed knowledge of the treasury profession and the markets in the Middle East.

In every judging process there is a potential for conflicts of interest and it its worth stating that whenever this situation arose, the relevant judge removed himself from the process.

While these Awards recognise the work of some outstanding treasurers and their teams, current market conditions mean every treasurer is facing significant challenges and is playing a key role in keeping their company afloat.

The awards are split into three categories: bonds, loans and team of the year. The deals were reviewed and the loans and bonds categories judged based on the following criteria:

- sound treasury management;
- efficient pricing;
- optimal or innovative structure; and
- relative success in prevailing market conditions.

The team of the year, which can be in any or all treasury disciplines – cash management, corporate finance and funding, governance and risk management – were judged on the following criteria:

- sound treasury management;
- strong technical knowledge and ability;
- innovation in technology and systems; and
- ability to build strong relationships with the company's bankers and advisers.

The winners and highly commended should feel proud of their achievements and for the professionalism they have shown.

JUDGING PANEL
Matthew Hurn, Mubadala Development Company
Peter Matza, ACT
Andrew McMichael, Agility
Neil Miller, Norton Rose
Paul Reynolds, Rothschild
Ricky Thirion, Etihad Airways

CATEGORY	WINNER	HIGHLY COMMENDED
Bonds	KIPCO	Bahrain Mumtalakat
Loans	Abu Dhabi National Hotels	Kuwait Telecom VIVA
Team of the Year	Qatar Telecom	DP World

Winner

A hatful of firsts

KIPCO

THIS COMPELLING DEAL OFFERED CREDIT CURVE CONSTRUCTION AND AVERAGE DEBT MATURITY EXTENSION WITH FINANCIAL FLEXIBILITY AND ASSET LIABILITY OPTIMISATION.

This was a landmark transaction, notching up a hatful of firsts for KIPCO, an investment holding company in the Middle East and North Africa. It was the first international private sector corporate transaction from the Middle East and North Africa (MENA) region in 2009. It was the first US-denominated issue by a Kuwaiti institution since August 2007. It was the first BBB rated MENA issuer to return to the market following the financial crisis. And it was the first single-tranche issue from the region with a maturity longer than five years.

The proceeds of the issue were used to fund the company's strategic business plans and the transaction extended the maturity profile of the company's debt liabilities. The bond also raised Kuwait's profile at the macro level.

The combined order book closed 6.6 times oversubscribed in excess of $3.3bn and there was a strong secondary performance. The transaction successfully established a competitively priced liquid benchmark and a new pricing reference for MENA corporates. The transaction confirms KIPCO as a role model for private sector corporates in the MENA region and underlines its consistent ability to access debt capital markets.

Declan Sawey, group treasurer, says: "This deal is part of our strategy to align our funding base with our long-term assets. We place a lot of importance on listening to and engaging with debt investors to explain the Kuwait and broader Middle East story. The seven-year trade was extremely well supported and we restricted the size to ensure good demand for our subsequent 10-year deal in July this year.

"We are delighted that international investors continue to place their confidence in KIPCO."

In summary, it was a compelling deal, offering credit curve construction and average debt maturity extension with financial flexibility and asset liability optimisation.

PRINCIPAL TERMS
US dollar benchmark investment-grade emerging markets
$500m in single tranche, listed on the London Stock Exchange
Tenor: seven years
Date of completion: 6 October 2009
Ratings: Moody's Baa1, S&P BBB+
Arranger: BNP Paribas
Bookrunners: BNP Paribas, JP Morgan and Goldman Sachs

Highly commended

Bahrain Mumtalakat

Designed to refinance short-term liabilities and extend Bahrain Mumtalakat's liability maturity profile, this was the first issuance out of the GCC following the European debt crisis and the first-ever corporate issuance from Bahrain. The $750m deal was the sovereign wealth fund's inaugural bond issuance.

Zulfe Ali, vice president, corporate finance, says: "We had been watching the market closely and were fully aware that no new deals had been successfully completed out of the region for several months, and that several seasoned issuers had completed roadshows, but did not execute a transaction.

"The international bond offering addressed many of the key nearer-term objectives for Mumtalakat's capital structure: refinancing short-term debt with longer-term capital; optimising the mix of floating and fixed rate debt; enhancing Mumtalakat's liquidity profile; locking in historically attractive rates; and diversifying Mumtalakat's funding sources."

Winner

The long game

Abu Dhabi National Hotels

A LONG-TENOR LOAN WILL ENABLE THE BUSINESS TO BUILD ON AN IMPRESSIVE RECORD OF DEVELOPMENT.

Founded more than 30 years ago, Abu Dhabi National Hotels started off by buying three hotels from the government. Since that time the business has grown in size and diversity into a broad-based hotel, tourism, transport and catering group.

The AED1.5bn loan facility was oversubscribed by the four participating banks. This was a remarkable achievement given the fact that this was the maiden syndicated loan by the company and the transaction took place against a background of continuing challenging market conditions for the hospitality and real estate sectors.

The facility ensured that the company was able to meet its funding objectives. In particular it benefited from the long tenor of the loan.

The seven-and-a-half-year facility will be used to finance the company's ongoing development.

New development projects in the pipeline include the Grand Canal Abu Dhabi, to be operated by JW Marriott; the Park Hyatt in Saadiyat Island; the Sofitel Jumeirah Beach Hotel in Dubai; and the Capital Centre Hotel in Abu Dhabi National Exhibition Centre.

PRINCIPAL TERMS

Loan: AED1.5bn denominated in a single AED tranche
Date of completion: 31 March 2010
Tenor: 7½ years to 27 July 2017
Pricing: Margin of 4% over EBOR, with an interest period of three months
Lead arranger: National Bank of Abu Dhabi
Other banks: Abu Dhabi Commercial Bank, Standard Chartered Bank and Union National Bank

Highly commended

Kuwait Telecom VIVA

VIVA Kuwait's trade payables restructuring facility deal was an innovative way to restructure current debt efficiently and cost-effectively, and is set to save the company up to $30m in funding costs.

The company says the restructuring fees were competitive despite the difficult economic conditions in the region. As well as saving millions the company keeps its assets free of charges, relieving a big pressure on its cashflow requirements.

Ramez Sabawi, treasury director of VIVA Kuwait, says: "This deal was crucial for our cashflow management and financial forecasting. We needed to extend our due payments in a way that gives us flexibility and more control over our financials without burdening our balance sheet with heavy borrowing and all its related finance costs."

It was also a deal where the team learnt a lot. "We learned to think out of the box and never stop at any hurdles," says Sabawi. "There were many times when we were stuck during our nearly six months of negotiations. We learned how to co-ordinate our efforts and hard work in a team spirit, not only within VIVA itself but with the highly professional team of Huawei [the vendor] as well."

He specifically mentioned the support of his CFO: "On occasion we had to consult our CFO Abdulaziz Al-Qatie, who acted as our last resort for consultations and provided advice to resolve some critical points during our negotiations."

The result was good news for both parties, says Sabawi: "Huawei is so happy with this deal that it will use it as a basis for its financial dealings with many of its clients worldwide."

Winner

Clear connections

Qatar Telecom

A TEAM THAT SHOWS IMMENSE PROFESSIONALISM IN EVERYTHING THEY DO, WHILE ALWAYS WORKING HARD TO IMPROVE.

Qatar Telecom's treasury team picked up the first ever ACT Middle East Team of the Year Award for all-round sound treasury management.

Qtel is licensed to provide fixed and mobile telecom services in the state of Qatar. It has a vision to provide telecom services across the Middle East, North Africa the Indian subcontinent, and South East Asia. The company provides coverage to 560 million people and has nearly 60 million subscribers.

Managing the treasury aspects of over 15 international operations in the Qtel group, the team is a model of sound treasury management. It displays a professional and proactive approach to refinancing risk – for instance, in the way it handled a $2bn dual-tranche deal.

And members of the Qtel treasury team have a similar approach to the workload on a day-to-day basis, managing the domestic financing requirements of each international operation in a professional and optimal manner, looking at both cost and liquidity.

Qtel's operations are internationally diverse, including the Philippines, Pakistan and Indonesia, for instance. In each case the team works hard to ensure that prudent foreign exchange and interest rate risk management policies are adopted and fit in with the group's wider treasury policy.

Finally, the team is constantly working to improve – for instance, developing best practice in group-wide cash management policy.

Overall the team gives the impression of solid professionalism, good access to the board when required and a track record in fundraising, with over $12bn raised in various facilities and bond issues. And they continue to move forward with initiatives such as the implementation of a SWIFT project.

WHY THEY WON

Licensed to provide services in Qatar, the business has ambitions to expand across the region; its prospects could not be better than with this model of treasury management behind it

Highly commended

DP World

The treasury team at DP World is hailed for its dedication and superb achievements in the capital markets and funding. Of particular note is its $3bn syndicated sukuk. The company is involved in marine terminal operations and development, logistics and related services in 27 countries, so the treasury team has to cope with a global coverage.

The current group treasury department was set up in 2006. The eight-member team is responsible for group funding, liability and other sheet balance management. Relationships with financial partners, counterparty risk, investment of liquid resources and liaison with ratings agencies are also among its responsibilities.

The team is divided into groups to manage compliance, control and trading, and funding activities. It works closely with the tax insurance functions as well as the investment relations and financial controller departments.

Capital market work includes achieving ratings for DP World, placing the first long-dated and sukuk bond (2017), placing the largest long-term conventional bond in the region (2037), establishing a $3bn five-year revolving credit facility and working on the 2007 DP World initial public offering.