

HOT PROPERTY



Grosvenor group treasurer David Peters has many strings to his bow, including two successful USPP issuances and a bevy of robust banking relationships

Words: **Sally Percy** / Photos: **Charles Best**

“Music and maths go together,” says Grosvenor group treasurer David Peters. “Because it’s all about counting. A lot of good mathematicians are also musicians and vice versa.”

And Peters should know. He originally trained as a violinist, attending Britain’s oldest specialist music school, the prestigious Purcell School for Young Musicians, between the ages of nine and 14. But following a change in family circumstances, he left and later joined the Marks & Spencer finance team on a youth training scheme. It was while working for the retail giant for 11 years that he passed his CIMA accounting exams and had his first taste of treasury.

“I had always loved the financial markets, so I asked if I could move into treasury and become a dealer.”

In 1999, Peters decided to broaden his horizons by leaving M&S and joined telecommunication company Marconi as a treasury analyst. “I saw boom and bust in two years, which is the best education anyone can get,” he says of his time at the conglomerate, which subsequently collapsed after its ambitious acquisition strategy resulted in it wracking up debt of £4.3bn by June 2002 from a cash position of £1bn. He started studying for his AMCT while at Marconi, but with the situation there fast deteriorating, he jumped ship to Swiss agrichemical giant Syngenta in 2001. He stayed at Syngenta for five years, during which time he completed his AMCT, which turned out to be a prerequisite for his next role. In 2006, he applied for a job at property company Grosvenor, attracted by both the organisation and the product.

Grosvenor is a privately owned company. Its shareholders are the trustees of the Grosvenor Estate, including the sixth Duke of Westminster, who hold the shares and assets ‘in trust’ for the benefit of current and future members of the Grosvenor family. It carries out three principal activities throughout the world: direct investment in real estate through three regional operating companies; indirect investment in real estate; and fund management, which operates across all regions. Of the three regional operating companies within the group, Grosvenor Britain & Ireland comprises 66.9% of direct

property assets. A further 21.8% of property assets sit in Grosvenor Americas, while 11.3% fall within Grosvenor Asia Pacific. Grosvenor Fund Management manages over £2bn of equity.

Each of the regional operating companies has its own finance team that carries out its own treasury activities and reports to its own FD. But, as the treasurer for the Grosvenor Group, Peters directly manages the debt facilities for the group, Grosvenor Britain & Ireland and Grosvenor Fund Management’s UK operations, while also coordinating other treasury activity around the group. In addition, Grosvenor’s

treasury team provides advice on treasury issues to the family office. “If the family is looking to buy an interest in dollars or euros, I have a role in that, as well as its funding requirements and risk management,” Peters explains.

When Peters first joined Grosvenor in 2006, there was no common treasury system and little transparency around the group’s exposure and breadth of banking relationships. He was treasurer of Grosvenor Britain & Ireland, but successfully argued that, as a big, international company, the group needed a central, and not a devolved, treasury, which he should take charge of. He rolled out the Wallstreet Treasury software across the group, putting in place some useful reports, and discovered that the group had £2bn in managed debt facilities and around 30 banking relationships overall. (This has since risen to around 40.) He also set up an in-house bank, started lending around the group, and introduced common treasury policies and procedures.

“In his early days in the job, Peters devoted time to understanding, and developing, his relationships with the group’s core banks. Between them, a small number of top UK and European banks supplied up to 70% of the group’s total funding. When the financial crisis broke out in 2008, his efforts paid dividends: local projects in need of funding found they could leverage the banking relationships that existed on a group basis and quickly resolve financing issues. “That strategy of pushing our top relationships around the group became core to bank lending across the group,” says Peters.





GROSVENOR IN NUMBERS

6

the size of
Grosvenor's group
treasury team

£12.5bn

the value
of property
assets under
management

£2.9bn

the value of
shareholders'
investment in
the group

£80.8m

group profit
in 2011

9%

property portfolio
return on
investment in 2011

335

the number of
years that Grosvenor
has had a banking
relationship
with RBS

95%

the occupancy of
Grosvenor buildings
in 2011

While its banking relationships remain key to Grosvenor, the group has since embarked on a strategy of diversification. It recognises that, in a changing regulatory environment, it might not be prudent to rely on a small number of banks and it can also benefit from expanding its banking relationships in countries such as Canada and China. In 2011, Grosvenor Britain & Ireland decided to tap the US private placement (USPP) market. Finding the US a natural source of investors for the group, it returned to that market again this year. "US investors love our assets, love our history and love our story," Peters explains.

The group has raised £215m overall from the USPP through two tranches of bond issuance. The tenors of the first tranche of £125m were for 20 and 30 years, while the tenors of this year's tranche of £90m were for 10 and 25 years. "We could see more value in the shorter end because interest rates have gone through the floor over the past year," says Peters. Grosvenor also succeeded in limiting its currency risk by asking investors to take that instead and pay the group in sterling – a market first. The group will mainly use the money to fund development work on its London estate: 120 hectares of Mayfair and Belgravia.

➤ For Grosvenor, issuing through the USPP market has several advantages, not least the fact that the funding is unsecured. Due to its private status, the group does not want to be rated, which means it normally has to provide security. "We have other capital markets instruments on a secured basis," says Peters. The USPP market is also now more cost-effective for the group than either the UK private placement market or the UK bond market would be. "In the US, a company's pricing is far tighter than in the UK as investors have a bigger market in which to compare pricing," Peters explains. Three institutional investors participated in Grosvenor's most recent USPP issuance and he describes the group's relationship with its USPP investors as bilateral – closer to a banking relationship than the trilateral relationship a company would typically have with investors that buy and sell its notes following a bond issuance.

The result of Grosvenor's foray into the USPP market, together with its variety of other funding options, including bank loans and the capital markets, means the group now has what Peters describes as a "nicely diversified long-term debt portfolio". It has more than 125 debt facilities around the group, totalling some £4.3bn, in nine currencies, with 46 lenders.

It's not hard to see the appeal of Grosvenor to US investors, or any other investors for that matter. It's a conservative company that isn't highly geared and has a diversified range of assets by sector and location. Grosvenor's portfolio is fairly evenly split between commercial, retail and residential, so it



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compares favourably from a risk perspective with competitors, many of which are entirely commercial.

At present, Grosvenor has £237m in cash reserves, which will be invested with good banks and money market funds until they are needed. "The whole of the banking sector being downgraded means spreading money around is quite difficult," observes Peters. He reveals that the group is "fairly exposed" to the eurozone crisis because 24% of its economic property interest is in Europe, but takes action to manage the exposure. "We're always stressing ourselves on a very conservative basis and reviewing the risks," says Peters. "We have hedged cash flows. We don't hedge balance sheet because we're a long-term investor. But we've hedged our cash flows longer than we would normally do in euros." For example, the group has hedged its cash flows from a shopping



centre in the Liffey Valley in Dublin, Ireland, until 2016. It also hedges cash dividends from European assets “just to be prudent”. “It acts as a hedge on the balance sheet anyway,” says Peters.

Grosvenor’s CEO, Mark Preston, has outlined the ‘Big Six’ strategic priorities for the group: optimising capital planning, which includes allocating more capital to aid expansion in Asia; increasing the returns generated from proprietary capital; reinvestment in the core London estate; driving the fund management business forward; investment in its people; and a continued commitment to sustainability. “We have a big focus on sustainability,” says Peters. “If we’re doing a project, we have to understand the sustainability of the project and be able to explain to the banks why spending more money upfront in sustainable investment will help to get a better return on the property in the long term.”

By his own admission, Peters “fell into finance”. And while maths and music may share similarities, they also differ in many respects. But the man who seemed destined to take after his grandfather and become a violinist in the London Philharmonic Orchestra has found that within the treasury profession, he can still hit the high notes. ♡

Sally Percy is editor of *The Treasurer*

DAVID’S TOP TIPS FOR SUCCESS:

- 1 “Relationships are key, both internally and externally, with other treasurers. Networking is very important, as is doing presentations and getting known. I would say capital market relationships are now becoming more crucial than banking relationships.”
- 2 “Get to know your business and how treasury can really help the business. You’re basically a financial adviser to a company.”
- 3 “Honesty is important as a treasurer. So is communication of what you do to the rest of the business, so they understand what you do.”
- 4 “When I took my AMCT exams, I had already been in treasury for a few years. It cemented what I already knew. I really loved doing the treasury exams and if I had another job I’d like to do, it would probably be teaching treasury exams.”
- 5 “My favourite gadget is my iPad. I like the Bloomberg and the *Financial Times* apps and having all your documents in one place.”
- 6 “What’s the most difficult question my FD could ask? As a professional treasurer, you should be able to answer all the questions.”
- 7 “The best way to relax after a long day is to play the violin.”

DAVID’S CURRICULUM VITAE

2007-present

Group treasurer, Grosvenor Group

2006-2007

Treasurer, Grosvenor Britain & Ireland

2001-2006

Treasury operations manager, Syngenta

1999-2001

Treasury analyst, Marconi

1987-1999

Various accounting roles and treasury dealer, Marks & Spencer

Qualifications

AMCT, CIMA