E.ON in borrowing surge

German powerhouse **E.ON** is limbering up for the biggest syndicated loan in the history of corporate Europe. With Europe and Germany in particular becoming the corporate debt-raising centre of the world this year, E.ON has brought in Deutsche Bank, Citigroup, HSBC and JPMorgan, which are expected to start arranging and marketing the company's €32bn borrowing plans this month.

The loan is to be put in place to finance the €29bn acquisition of Spanish energy company Endesa.

The deal is E.ON's first step into the Iberian energy market, although closure has been delayed as the Spanish regulator has raised a host of caveats about the first foreign takeover of a utility in the country.

The deal also puts E.ON's pan-European ambitions into sharp relief, indicating that it aims to make an early and decisive entry into each domestic market as it liberalises.

A giant of the German electricity and gas market, where it also operates nuclear power stations, E.ON's acquisition of Powergen made it one of the biggest operators in the UK – the first European country fully to embrace open energy competition.

The €32bn fundraising tops an extraordinary year so far for a German corporate debt market that appears to be on fire.

German deals – the E.ON loan, the €15bn raised for Linde's acquisition of BOC, the €14bn of funds raised to back Merck's aborted takeover of arch-rival Schering, and the €12.5bn refinancing of Volkswagen – represent four of the five biggest deals globally this year.

The immediate refinancing of part of **Linde's** acquisition of its British Gas rival BOC via a €1.05bn hybrid bond has made Linde not only the first company ever to launch two hybrid bonds but also the first outside the finance sector to offer a sterling-denominated tranche.

The hybrid bond – which is a cross between index-linked and convertible bonds, thereby gaining a partial equity element – was lead-managed by Barclays Capital, Citigroup, Dresdner Kleinwort and UBS.

Hybrids tend to be high-yielding because they rank further down the credit queue than conventional bond financing.

The 50-year bonds, maturing in 2066, were issued in two tranches: a £250m sterling-denominated offering and a €700m euro-denominated slice.

The euro hybrid bond is paying a 7.375% coupon at 312.5bp over Euribor for the first 10 years and, if not called, a floating rate of 412.5 points over Euribor.

The sterling offer with a coupon of 8.125% is priced 345 points over the equivalent gilts. If the bond is not called before 2016 it will pay a floating rate above Libor.

Demand enabled Linde – which issued its first hybrid bond in 2003 – to make significant savings on the pricing.

"The successful transaction was significantly oversubscribed," said a spokesman for Linde. "In a volatile market environment, the issue was priced at the tight end of the revised price guidance."

The giants of European football will be eyeing up the spectacular £260m securitisation refinancing of top English club **Arsenal.**

The issuing of the bonds, marketed by Barclays and Royal Bank of Scotland, are secured by fixed and floating charges on the Gunners' new 60,000 all-seater Emirates Stadium and its match ticket revenues.

Paying a skinny 5.28%, the fixed-rate bonds have an average life of nearly 16 years.

Investors are effectively protected by a credit insurance wrap from Ambac Assurance.

The issue secures the transition of the North London club's move away from its long-time home at Highbury. It is the first publicly offered securitisation by a football club in a market which has been spooked by a number of high-profile clubs, most notably Leeds United, getting into financial trouble and failing to keep up payments on the asset-backed bonds.

After the Arsenal deal received positive support from the credit agencies, Arsenal managing director Keith Edelman said: "It's the first football securitisation to be rated investment-grade. Arsenal is the first football club ever to get that."

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

BONDS

BORROWER	DATE	CURRENCY	TRANCHE VALUE	DEAL VALUE	TRANCHE COUPON	TRANCHE OFFER PRICE	TRANCHE YEARS TO MATURITY	TRANCHE SPREAD TO BENCHMARK	BOOKRUNNER PARENT
AXA	29 June 06	euro	$1,252m	$2,798.02m	5.8%	100%	Perpetual	173.9bp	Merrill Lynch, Barclays Capital, Citigroup, SG Corporate & Investment Banking
AXA	29 June 06	sterling	$910m/ $637m	$2,798.02m	6.7%	100%	Perpetual	183bp/ 203bp	
SAB Miller plc	27 June 06	US dollar	$300m	$1,747.73m	3-month Libor+30bp	100%	2.989	30bp	JP Morgan, Barclays Capital, Morgan Stanley
SAB Miller plc	27 June 06	US dollar	$848m	$1,747.73m	6.5%	99.8%	9.989	133bp	

All data provided by Dealogic. www.dealogic.com