

Bonds, Loans and Equities

Well-known treasurers are taking advantage of the market conditions to broker deals that are enough to turn their peers green with envy at the moment. The treasury team at Britain's biggest retailer **Tesco** successfully completed a seven-year £1.75bn club deal on 20 July. The loan facility, undrawn at this stage, has a margin of 15bp, paying a 4.5% yearly fee. It will be used as a backstop, replacing a previous facility of £600m, most of which was on one-year terms.

The current trend among highly rated companies for self-arranging has been used by Tesco to cement long-established banking relationships into a structured group, says Keith Richardson, Deputy Group Treasurer of Tesco.

Completed in seven weeks with the original target of £1.5bn, Richardson said: "We outdid our goal because there was good take-up. I've worked very closely for lots of years with most of the banks in this club. It was easier to deal directly with the banks than have an intermediary."

Now with just 15 core banks, Richardson said the supermarket group plans to better focus its work with the banks so that "we understand their needs and they ours".

Richardson is also to up the ante in the group's banking strategy. The treasury team has established metrics, similar to those used by banks to score corporates, and is turning the tables. "In time it will help us to have more open discussions with the banks," explained Richardson.

Vodafone was recently in the market with a \$4.675bn loan facility to refinance an existing facility. The treasury team took advantage of the favourable market conditions to negotiate a seven-year revolving credit facility at a margin of 15bp with a commitment fee of 4bp.

Compare this to a five-year loan self-arranged last year by Vodafone at a margin of 25bp and it is clear to see how the market continues to move in favour of corporates.

The Newbury-based mobile phone company was able to negotiate the attractive rate because of its A2/A rating backed by a well-known, strong treasury team.

"Although market conditions were favourable extensive negotiations were required to meet our target amount. Prior to receiving commitments we met with each of our existing

relationship banks to discuss the proposed pricing and to outline available ancillary business," said Andrew Binnie, Senior Assistant Treasurer.

The loan, which was self-arranged, is to be used as a liquidity backstop and for general corporate purposes, Binnie said. Signed on 24 June, the loan replaces a three-year facility negotiated in 2003. Vodafone has been self-arranging loans since 2000. For a highly rated company like Vodafone self-arranging is attractive as it allows more financial freedom to structure the facility and negotiate terms, not to mention the cost savings.

EMI, the British music company, was recently in the market with a self-arranged loan. Treasurers secured a five-year, £4.5m credit facility. The loan is structured around a ratio grid pertaining to leverage where margin ratchets depending on what the ratio is. Nine of the music giant's core banks were involved in the club deal. The company has used a similar methodology in the past to secure self-arranged loans.

Send news of deals to Michelle Perry, mperry@treasurers.co.uk.

INTERNATIONAL EQUITIES

ISSUER	AMOUNT	TYPE	NO OF SHARES	OFFER PRICE	PRICING DATE	EXCHANGE	FEES (%)	BOOKRUNNER
PARTYGAMING	£1bn	IPO	781.6m	116 pence	24 June	London	-	DresdnerKW
The online casino's debut straight into the FTSE100 is the largest in London for two years. At final pricing the book was more than three times oversubscribed valuing the company at £4.64 billion.								
RHM	£672.4m	IPO	244.5m	275 pence	19 July	London	-	Credit Suisse First Boston
Owner of household brands like Hovis, Kipling cakes and Bisto gravy, the food maker's float is the second largest in London after PartyGaming's debut this summer. The numbers take account of the overallotment option (greenshoe) exercised a few days after the IPO.								
ASSTEAD GROUP	£70m	P/OO	73.4m	95 pence	7 July	London	-	JP Morgan Cazenove

UK plant machinery and hire company Ashtead Group will use the proceeds of the P/OO to repay early the convertible loan note with Rentokil Initial plc.

IPO = Initial Public Offering P/OO = placing and open offer