Wal-Mart checks out the Japanese market

The world's biggest retailer has looked to the East to prise open financial markets in the grip of the credit crunch. **Wal-Mart**, the giant US supermarkets group, has sold Y100bn of samurai bonds worth around $930m. Not only is it the largest such issue by a non-financial company this year, it reinforces the 2008 trend for foreign multinationals to tap the Japanese investment community. The issuing of samurai bonds – paper sold by foreign institutions to Japanese investors – is up by around 50% this year by value, making it the most successful year for the securities since 2000.

It is also the first samurai to have been issued by a US company since Ford more than three years ago. On the one hand, samurais are seen as an important source of financing for multinationals at a time when the debt markets have been largely closed and have remained tough since the credit crisis erupted a year ago.

On the other hand, Japanese investors, with interest rates at 0.5%, have a keen appetite for such low-risk and relatively high-yielding paper. It also allows Japanese institutional investors to diversify away from the financial sector.

Wal-Mart, which owns Asda in the UK, is also well known in Japan where it owns the Seiyu supermarket chain. Wal-Mart's samurais which were almost twice oversubscribed were sold in three tranches.

A Y25bn three-year samurai will pay a coupon of 1.72%, a spread at launch of yen Libor plus 40 basis points. A second Y25bn tranche matures in 2013 paying 2.01%, 50bp over yen Libor.

The third tranche, raising Y50bn and with a five-year maturity, is to pay a coupon set at 50bp over yen Libor. A Wal-Mart spokesman said the issue, which came after a three-day roadshow in Tokyo, was aimed at diversifying its funding.

Mitsubishi UFJ, Mizuho and Nikko Citigroup acted as joint bookrunners.

The difficulties in the credit markets was the backdrop to a £250m fundraising by **Aegon UK**, a deal that could start a new trend in the life assurance sector.

In a bid to free up capital, the UK arm of the Dutch insurance group said it had securitised a portion of the life policies on its books to take the future profits from the policies earlier.

Barclays Capital structured the securitisation.

BAE Systems' takeover of the UK government's main counter-terrorism IT consultant **Detica Group** was one of the few deals to light up a moribund mergers and acquisitions market.

BAE, the UK's leading defence company, said it is to pay £531m for Detica, the national security and software specialist.

The agreed offer of 440p a share was 57% higher than Detica's share price before it revealed it had received an approach. It was also 66% above the one-month average price for Detica shares and 70% higher than its six-month average.

With Detica making adjusted pretax profits of £25m on revenues of just over £200m in the year to 31 March and earnings of 12.9p a share, the offer represented a take-out multiple of 34.1 times. It is the first deal of BAE's chief executive-elect Ian King. "Our existing activities and structure will provide a platform for us to apply Detica's capabilities into the US homeland security market," he said.

BAE was advised by Deutsche Bank and its broker was UBS. Detica's broker and financial advisor was RBS Hoare Govett, while Ernst & Young acted as the board's adviser on rule 3 of the London takeover code.

Investors in prospectors were offered an interesting proposition in oil under the sea off the south-east coast of Ireland. **Providence Resources** raised €42m through a convertible bond to fund a drilling programme off Wexford.

Oil was discovered there as long ago as 1971 but only now has the Dunmore field been considered commercially viable. Denominated in €100,000 units, the convertible will carry interest of 12% and mature in July 2012. Investors wishing to convert the paper into shares in Providence can do so from 29 September 2008 at 10 euro cents a share – a 19% premium on Providence shares at the issue date.

Cenkos Securities acted for Providence in the placing. Providence chief executive Tony O'Reilly jnr said: "We are particularly satisfied given the current volatility of the equity and debt markets to have successfully completed this financing."

Robert Lea is City correspondent of The London Evening Standard.

LOANS

BORROWER	DEAL VALUE $M	CREDIT DATE	DEAL NATIONALITY	TRANCHE INSTRUMENT TYPE	MANDATED LEAD ARRANGER	BOOKRUNNERS
Invensys	795	15/07/2008	UK	Revolving credit	HSBC, Lloyds TSB Capital Markets, RBS	HSBC, Lloyds TSB Capital Markets, RBS

BONDS

ISSUER	DEAL PRICING DATE	DEAL NATIONALITY	MARKET TYPE	DEAL TYPE	FACE TRANCHE VALUE £M	CURRENCY	COUPON	YEARS TO MATURITY	BOOKRUNNER	S&P RATING (LAUNCH)
Cadbury Schweppes Finance plc	10/07/08	UK	Euro market public issue	Corporate bond: investment-grade	350	Sterling	7.25%	10	BNP Paribas, HSBC, RBS	BBB
Scottish & Southern Energy plc	11/07/08	UK	Euro market public issue	Corporate bond: investment-grade	600	Euro	6.13%	5	Barclays Capital, BNP Paribas, Dresdner Kleinwort, RBS	A

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