Redefining the jumbo

One of the significant developments over the past year has been the increase in size of corporate deals and the number of such transactions in the Euromarket.

Jumbo

'Jumbo' deals were generally accepted to be any transaction over $1bn. In the period 1985-98, the average number of such deals per annum was 24, with one per annum over $5bn, and only one above $10bn. These numbers were blown out of the water in 1999 when a total volume of $446bn was written, with 48 above $1bn, five above $5bn and six over $10bn.

More impressive still was that in the latter category two deals exceeded the $20bn threshold for the first time and all raised considerably more in syndication than the amount required.

The driver of this is not hard to identify. Corporate consolidation on the back of buoyant market capitalisations, in a low interest rate environment facilitated the use of syndicated loan debt as the primary source of funds.

Super jumbo

Clearly the definition of a jumbo has changed, with market practitioners applying the term now to a transaction in excess of $10bn and attributing 'super jumbo' to those above $20bn.

How long will this benchmark hold? Not long is my guess, with corporate consolidation continuing and combined market capitalisations moving ever upwards. Rumours and observation already suggest that a $30bn-plus deal is not far away.

Next step up

The good news for the corporate treasurer is that, when the chairman calls saying that the company wishes to purchase Massivemultiple Plc for a price equivalent of the GDP of an EU member state and requiring you to arrange the funding, the market has shown that it has the capacity to handle these deals and can even exceed its own expectations.

When National Australia Bank, as one of the lead arrangers, signed the largest Euromarket corporate loan for the Vodafone AirTouch deal in February last year, we little imagined that we would be losing that record within days to the Olivetti/Tecnost €22.5bn deal – only to retake it within the year with a global record-breaking €30bn transaction for Vodafone AirTouch, which last month raised a staggering €95bn from lead arrangers and sub-underwriters.

Given this, I am confident that the syndicated loan market will take the next benchmark in its stride. ■

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INTERNATIONAL LOANS

These are a selection of loans announced recently. The details, updated to the middle of last month, were supplied by *IFR Securities Data, London* and other sources.

Borrower	Type	Amount (m)	Term (yrs)	Margin Libor+ (bp pa)	Commit. (bp pa)	Front-end (type)	(bp)	Arranger (s)
British Energy	RC	GBP350	5	47.5	22.5	Co-Arr Lead Man Man	27.5 20 15	Deutsche Bank HSBC
	RC	GBP200	364-days	40	12.5	Co-Arr Lead Man Man	(a) (b) (c)	

Syndication in process.
Comment: (a) 15bp for GBP35m. (b) 12.5bp for GBP25m. (c) 10bp for GBP12.5m. Proceeds will be used to finance the acquisition of the Eggborough power station from National Power.

Borrower	Type	Amount (m)	Term (yrs)	Margin Libor+ (bp pa)	Commit. (bp pa)	Front-end (type)	(bp)	Arranger (s)
ED&F Man	L/C	USD550	364 days	80	40	Lead Man Man	(a) (b)	Barclays Chase Manhattan Credit Lyonnais
	Revolver	USD100	3	100	40	Lead Man Man	(c) (d)	Fortis Bank Greenwich NatWest Rabobank

Syndication in process.
Comment: (a) 10bp flat USD25m. (b) 6bp flat for USD15m. (c) 15bp flat for USD10m. (d) 10bp flat for USD5m.

Borrower	Type	Amount (m)	Term (yrs)	Margin Libor+ (bp pa)	Commit. (bp pa)	Front-end (type)	(bp)	Arranger (s)
Premier Oil	RC	USD220	3	125	50	Co-Arr Lead	(a) (b)	ABN AMRO Bank Barclays Chase Royal Bank of Scotland

Syndication inp rocess
Comment: (a) 45bp for USD20m. (b) 30bp for USD15m. The deal refinances the borrower's USD200m seven-year revolver arranged in 1995.

Borrower	Type	Amount (m)	Term (yrs)	Margin Libor+ (bp pa)	Commit. (bp pa)	Front-end (type)	(bp)	Arranger (s)
Thomson CSF	RC	GBP1320	364-days	35	12.5	Sen Co (a)	(c)	
	RC	GBP330	364-days	35	12.5	Co-Arr (b)		

Syndication in process.
Comment: (a) 11.5bp for GBP75m. (b) 9bp for GBP50m. (c) ABN AMRO, Barclays, BNP Paribas, Chase Manhattan, Credit Agricole Indosuez, Credit Suisse First Boston, Deutsche Bank, SG. Proceeds will support the acquisition of Racal Electronic for GBP1.3bn.

RC = revolving credit, TL = term loan, M = mezzanine.