Loan market continues apace

Contrary to many an opinion that had been circulating earlier on in 1999, the loan market continued apace right through to the end of the year. Not only was there no discernible liquidity squeeze, but the market appeared doubly determined to prove that it really had come of age in its ability to support major corporate activity.

Size matters...

Late in 1999, we witnessed new acquisition-led deals for Whitbread, Dixons, RMC and Vodafone. For the second time in the year, a Vodafone facility broke new ground for the sheer size of the requirement. Earlier last year, the first Vodafone deal had been quickly usurped by Olivetti in the size race. While the new Vodafone facility has regained top spot, its unqualified market support at arranger level, especially late on in 1999, seemed to suggest that even bigger transactions lay just around the corner. Those transactions are certainly viable now.

A new-found confidence

The major factors behind the market's new-found confidence are naturally, in the first instance, reward. Return on offer through both margin and fees now enables banks to commit their balance sheet in significant amounts.

The development of the secondary market should also be recognised as playing a full part. The additional liquidity that has been created has bolstered the confidence of all underwriters that their positions can ultimately be managed much more effectively than in the past. Newer investors have also been unearthed, as placement ability has become more astute.

Finally, it is undeniable that market flex protection and wider transferability clausing has enabled a more bullish approach to the management of underwriting risk.

Healthy expectations

All in all, the experiences of 1999 point quite clearly to a very healthy loan market in 2000 with expectations that acquisition activity will again drive the market. ■

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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)	Fees: Commit. (bp pa)	Fees: Front-end (type)	Fees: Front-end (bp)	Arranger (s)
BBA Group	RC	GBP400	5	45	20	Co-Arr Lead Man Man Util	17.5 15 12.5 5	Barclays Chase Manhattan HSBC
Syndication in process. *Comment: The proceeds will be used to refinance existing debt and for general corporate purposes.*								
Drax	TL	GBP1300	15	180		Co-Arr Sen Man Man Co-Man	*(a)* *(b)* *(c)* *(d)*	Chase Manhattan Deutsche Bank IBJ
Syndication in process. *Comment: (a) 35bp to underwrite, further 55bp on final take. (b) 50bp for GBP30m. (c) 40bp for GBP20m. (d) 30bp for GBP10m. Facility being arranged to support the acquisition of Drax power station by AES Corp from National Power.*								
Enitel	RC TL	NOK150 NOK1515	8 8	250 250	*(a)*	Co-Arr Lead Man	65 50	*(b)*
Syndication in process. *Comment: (a) 50% of applicable margin. Financing supports the sale of Telia Norge from Telia to Enitel. (b) Chase Manhattan, BAYLAB, Christiana, CIBC, Fortis, WestLB.*								
RMC Group	RC TL TL	GBP50 GBP1000 GBP450	1 5 5	125		Sen Cor-Arr Cor-Arr	(a) (b)	Warburg Dillon Read
Syndication completed November 1999. *Comment: (a) 80bp all-in, split 50bp on underwriting and 30bp on final take. (b) 45bp alll-in, 20bp to underwrite GBP125 and 25bp on final take. Proceeds will be used to support the acquisition of cement producer Rugby Group.*								
Vodafone	RC RC RC	EUR15000 EUR7500 EUR7500	1*(a)* 1*(b)* 3	(c)	15 20 25	Arr Sub-under	(d) 50-55	(e)
Arranger phase completed. *Comment: (a) six-moth term-out option. (b) 12-month term-out option. (c) Linked to rating and size of facility. (d) For EUR3bn underwriting commitment 60pb all-in. (e)Bank of America, Barclays, Citibank, Goldman Sachs, Greenwich NatWest, ING Barings, National Australia Bank, Toronto-Dominion, Warburg Dillon Read.*								

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