Overall winner

A perfect 10

Cable & Wireless

GETTING A DEAL AWAY WAS TOUGH ENOUGH IN 2009 FOR EVEN THE MOST ESTABLISHED PLAYERS, BUT HOW ABOUT SUCCESSFULLY COMPLETING ON A DEAL FOR AN ENTITY THAT DOESN'T EVEN EXIST? IN DOING PRECISELY THAT, TELECOMS COMPANY CABLE & WIRELESS GAVE A FLAWLESS PERFORMANCE THAT HAS MADE IT THE OVERALL WINNER OF DEALS OF THE YEAR.

CABLE & WIRELESS

PRINCIPAL TERMS

£230m convertible bond with five-year maturity and a coupon of 5.75% per annum payable semi-annually in arrears.

Bookrunners and lead managers: Barclays Capital, BNP Paribas and RBS Hoare Govett; passive bookrunner: Lloyds TSB Corporate Markets.

This deal has been described as the most complex transaction completed in 2009 because it was issued by one company but will transfer to another legal entity. Yet at the time the deal was executed, the entity – Cable & Wireless Worldwide – did not legally exist. As a result, it had no balance sheet, no outstanding bonds or indeed any credit benchmarks for investors to reference. A company that does not yet exist can have no independent equity trading track record, nor measure of liquidity, volatility or even starting market capitalisation.

Upsized from £200m, the £230m convertible bond was completed at the end of November 2009 and was designed to provide liquidity for a newly demerged entity, Cable & Wireless Worldwide. The demerger was not due to take place until 31 March 2010, so the finance was raised by Cable & Wireless plc, and the principal issuer of the convertible bonds will become Cable & Wireless Worldwide, subject to covenants, when the demerger completes.

For the business it was vital to secure the finance because the provision of long-term funding at competitive pricing, in conjunction with an extension to a rolling credit facility, was key to the demerger meeting the demands of the company's investors, customers and other stakeholders, such as the pension fund. They all wanted to see the new entity begin its separate existence with a strong balance sheet and excellent liquidity.

Despite the many complexities the book was covered 8.75 times and ultimately repriced well inside the original range, with the conversion premiums at the top of the announced range.

The deal and the associated bank financing were put together by a treasury team who were also arranging separate facilities for the other demerged entity as well as preparing for the demerger itself. Their execution of this deal was described as faultless.

Roger Burge, director of treasury and corporate finance at Cable & Wireless plc, says: "The convertible bond was Cable & Wireless Worldwide's debut offering in the debt capital markets, and the first of a series of bank and debt capital market transactions to finance the demerger of the Worldwide business from Cable & Wireless International.

"The hugely positive investor reaction to the deal reflected the success of the turnaround of the Worldwide business over the past three years, and gave us great momentum going into the rest of the demerger financing transactions."

The board said that a demerger was the right structure to drive further growth and value for shareholders by enabling both of the demerged businesses to pursue their strategies independently.

Announcing the demerger in November, Richard Lapthorne, chairman of Cable & Wireless plc, said: "I am pleased that we have been able to provide the key building blocks for how the demerger will work, including ensuring that both businesses have the right capital structures and lines of credit to support their individual strategies."

Julian Hall, RBS Global Banking & Markets, says: "The £230m convertible was the first critical step in C&W's demerger financing process, as successful execution was key to providing momentum to the wider financing programme.

"The transaction had challenging features to overcome with the demerger being over four months away, meaning that C&W plc shares had to be used as an interim substitute. As such there was no audited balance sheet, credit rating or established credit profile to fall back on for the ultimate issuer.

"Even with these challenges, the bookbuild was completed within 2.5 hours. The structure, marketing and pricing was a unique solution for a specific requirement; investors and issuer alike consider this to be a perfect solution with perfect execution."