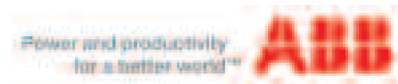
Winner

Quick on the draw



ABB

PARTICULARLY SENSITIVE TO LIQUIDITY RISK AFTER WEATHERING ITS OWN CRISIS A FEW YEARS PREVIOUSLY, ABB COOLLY REPLACED ITS $2BN REVOLVER A YEAR BEFORE IT EXPIRED.

PRINCIPAL TERMS
$2bn syndicated loan.
Bookrunners/lead arrangers: a total of 29 relationship banks.

Swiss-Swedish engineering group ABB invited all its 31 core relationship banks to participate in a refinancing, which aimed to replace a year ahead of its July 2010 expiry date a $2bn five-year revolving credit facility originally agreed in 2005 through bookrunners Barclays Capital, Citigroup, Credit Suisse and HSBC. The new three-year revolver pays a margin of 100bp over Libor and an upfront fee of 65bp, a commitment fee of 40bp, and a utilisation fee ranging between 25bp and 50bp.

All but two banks committed themselves to the new facility, which runs to October 2012, leading to a huge oversubscription. As a result, the facility was upsized from an initial $1.5bn to $2bn.

The success of the refinancing reflects ABB's knowledge of its banks' requirements and the process involved. ABB led the transaction itself, carefully timing it to benefit from improving market conditions.

ABB group treasurer Alex Hall says: "Having lived our own crisis a few years ago, we are particularly sensitive to liquidity risk, so our strategy was to refinance our $2bn revolver a year early once a market window offering reasonable conditions opened.

"ABB has grown significantly in emerging markets in recent years and we wanted to re-align our financial footprint with our business footprint. We also wanted all our financial partners to provide balance sheet support to the company, hence the presence of 'pure' investment banks in the syndicate. We targeted new low (post-crisis) pricing for our sector and balanced our requirement for no covenants with a more bank-friendly three-year maturity.

"In the end 29 banks signed up, increasing coverage for us across South America, the Middle East and Asia, including two Chinese banks and three investment banks. Success was due to starting early in the preparation so we could fire when the window opened, cultivating a strong group of relationship banks and also the very visible commitment from our senior management to the project."

Highly commended

Enel

Italian gas and electricity group Enel needed to raise €8bn quickly as Spanish engineering and construction group Acciona, which had co-acquired Endesa with Enel, was keen to exercise its put option and sell off its 25% stake in the Spanish energy company.

The deal consisted of two term-loan tranches of €5.5bn and €2.5bn, permitted via an "accordion option" in the original €35bn acquisition deal signed in 2007. The 2012 maturities were extended to 2014 for the €5.5bn tranche and to 2016 for the €2.5bn tranche.

Despite tenor constraints in the market usually limiting maturity to three years, Enel managed to raise five and seven-year money through a forward start structured to extend the maturity and reduce the refinancing risk. It was efficiently priced and structured, not only because a large group of arrangers were involved but also through use of a retail syndication phase.

The relationship banks also benefited from the substantial improvements in their overall regulatory requirements compared with the original acquisition facility, and from gaining direct recourse to Enel, rather than having a margin loan at the Acciona level.

Enel's head of group finance, Alessandro Canta, says: "The €8bn facility that financed the acquisition of Acciona's 25% stake in Endesa was a landmark in the corporate debt capital markets given their strong deterioration prompted by the banking system collapse in September 2008.

"The facility increase was closed in a syndicated loan market which, at that particular moment, was showing very low volumes and activity. The deal has shown Enel's ability in matching the interest of the banking system in corporates that have a strong credit rating with bank needs in terms of size, maturity and target cost of debt."