Winner

A heady brew

Marston's

MARSTON'S PIONEERING OF A FORWARD START REVOLVING CREDIT FACILITY AT THE BEGINNING OF 2009 VALIDATED THE MODEL AS A MEANS OF SECURING MEDIUM-TERM LIQUIDITY FOR BORROWERS FACING REFINANCING RISK AND WAS SWIFTLY ADOPTED AS THE CAPITAL MARKETS WITHERED.

PRINCIPAL TERMS
£295m forward-start revolver with a three-year tenor.
Bookrunners: Barclays Capital, HSBC; participants: Lloyds Banking Group, Royal Bank of Scotland, Alliance & Leicester.

The success of this transaction, coming at the start of 2009, endorsed the forward start structure and set a precedent for the market. The deal extended Marston's debt maturity profile and amended the covenant levels in its current facility, paving the way for the brewer and pub owner to raise £165m from a rights issue.

The facility, which also helped the company deleverage its balance sheet, validated forward starts as a means of securing medium-term liquidity for borrowers facing a potential refinancing risk.

After banks' ability to cope with the forward start structure was successfully tested, it was swiftly adopted across the market, becoming the go-to solution for securing commitments when liquidity in the capital markets evaporated during the first half of 2009.

Fee details were not publicly disclosed, but the participation fees paid to the banks were on a par with those paid by corporates higher up the credit spectrum that came to the market a month or two after the group.

Marston's finance director, Andrew Andrea, says: "A three-year forward start revolving credit facility, following on from our existing facility, secured finance for Marston's at favourable terms for over four years in a difficult market.

"It was a bold step and an innovative deal, which others have since repeated at greater cost. The strong support of our relationship banks throughout the process was critical to its success."

Highly commended

Premier Oil

This transaction supported one of the very rare merger and acquisition deals that were struck during the first quarter of 2009: Premier Oil's $505m acquisition of the North Sea gas exploration unit of Canadian group Oilexco, which was faced with bankruptcy.

An equity rights issue of £171m financed the UK-based company's acquisition, with the balance coming from new debt committed by five mandated lead arrangers.

Premier Oil's group treasurer Malcolm Ward says: "To secure this debt funding and to preserve the capacity required for its existing growth programme in Asia, Premier negotiated a new bank facility of $550m.

"Given the weak state of the bank markets at the time, and in particular the lack of syndication appetite, Premier Oil secured a commitment of $110m each from four existing relationship banks and one new bank [Lloyds TSB, Barclays, HSBC, RBC and BTMU]. This was subsequently syndicated to most of Premier Oil's existing bank group, plus two new banks."

The transaction was marked by a quick turnaround by all parties from initial engagement to a fully credit approved and underwritten document despite the target being in administration.

It was also regarded as being correctly priced and structured, despite "incredibly challenging" market conditions – as evidenced by the response of the banks.

The bridging loan enabled Premier Oil's finance and treasury team to strengthen the company's presence in the independent gas exploration and production market and also cemented its relationships with its core bank.