Winner

Liquidity rebuilt

OHL

FOR SPANISH CONSTRUCTION COMPANY OHL, AN EXCHANGE OFFER AND NEW ISSUE WITH CROSSOVER PRICING WAS PART OF AN INTEGRATED PACKAGE AS IT SOUGHT TO IMPROVE ITS MATURITY PROFILE AND LIQUIDITY WHILE ALSO DIVERSIFYING DEBT FUNDING SOURCES.

PRINCIPAL TERMS
€700m 7.375% new issue high-yield notes due April 2015 and concurrent exchange offer for 5.00% notes due 2012.
Joint bookrunners Citi, Credit Agricole, RBS, Santander, and Société Générale

The OHL financial package consisted of a new high-yield bond, a concurrent exchange offer for an outstanding bond, and a €240m forward-start facility. The company deemed the exchange offer highly successful, with investors tendering 59% of the amount targeted and 29% of the amount outstanding, €178.4m.

The €700m high-yield bond – €520m of which was new money – was priced at par to yield at 7.35%, the tight end of the initial price talk.

Like many of the winners this year, the deal was struck in choppy market conditions and OHL inevitably felt investor concern as the southern European sovereign debt crisis was reaching its peak as it met the market.

But investors were won over by OHL's strong cross-over and recovery story and the deal has put in place stable, long-term funding at competitive prices, paving the way for bond issues in the future.

The company carefully conveyed the credit story to investors during a four-day roadshow that covered London, Frankfurt and Paris, the key hubs for euro investors. Targeting investment-grade investors along with the traditional high-yield community ensured the available liquidity was maximised, as proved by the three times oversubscription.

Francisco Melia Fullana, OHL's director of corporate finance, says: "This deal has been good for OHL since it has allowed us to advance in our financial policy of covering permanent needs with long-term financing, based in the capital markets. It has increased OHL's excellent exposure in the international capital markets and the group's investor portfolio, therefore giving the group more financial flexibility.

"We consider this deal of great importance, especially in difficult market conditions, where liquidity has become a scarce commodity and financing costs have peaked. It allows the OHL group to diversify its financing sources, relying less on bank financing, and extend its maturity profile, diluting the concentration of refinancing needs."

Highly commended

Dignity Finance

A highly commended was thoroughly deserved by Dignity Finance, a provider of funeral-related services, for the combined effect of a consent solicitation, tap issue and equity release, which produced perhaps the first pure corporate releveraging exercise since the onset of the credit crunch.

The company successfully negotiated with bondholders to win a number of operational and financial flexibilities in its covenant packages. It also took the opportunity to make a one-off equity release funded by new long-term capital market issuance at a premium and secure an extremely competitive blended funding rate of 160bps over gilts.

The exercise involved detailed discussions of covenant amendments and interlinking three transaction timetables for a bond consent solicitation, a secured bond new issue and an equity release. The upshot was in September 2010 the company raised £80m in debt through tap issues and returned £60m to shareholders. The deal was complex and detailed and won the overwhelming support of both debt and equity investors.

Dignity FD Steve Whittern says: "I am delighted this transaction achieved all its objectives. The releveraging provided more bonds for investors at an attractive cost of funding to the group. Rebalancing the capital structure with this cheaper debt created value for equity shareholders. Finally, the changes made to the covenants have given the group further flexibility to grow in the future."