UK equity-linked issuance

A number of important equity-linked transactions involving UK corporates have come to market since early November 1998. *Table 1* provides summary details. The deals shown have the following attributes:

- exchangeables have become an important driver of new issue volume for the UK equity-linked sector – this is a similar trend to European equity-linked issuance where exchangeables now represent approximately 50% of equity-linked new issuance;
- all underlyers are FTSE 100 companies, offering equity-linked investors exposure to the benchmark corporates in the UK equity market; and
- the telecom/cable/media sector is the dominant underlyer for recent deals, a departure from the property-sector orientation of the UK equity-linked market of the past five years.

Importantly, the credit quality of the issuer, currency denomination of the issue and bond maturity, have all shown much variation in the transactions.

There are several key reasons for new issuance. The unwinding of equity crossholdings at what is perceived to be attractive equity market valuations (Pathe/BSkyB/Accor/Compass); to take advantage of favourable equity-linked market conditions and to lock in attractive long-term funding; to diversify the sources of capital raising and minimising annual cash cost (Telewest, Colt); and to use the structural flexibility of the equity-linked product to create tailored securities to suit specific corporate needs (for example, National Grid/ Energis, with its mandatory conversion feature to guarantee the sale of the underlying shares and to contribute towards the inclusion of Energis in the FTSE 100 index).

The outlook for equity-linked new issuance in the UK for the remainder of 1999 remains positive, despite current nervousness across markets. The important positive drivers include the ability to execute offerings on an accelerated basis in one to two days, with the majority of legal and documentation completed post-pricing; the expected continued acquisition activity by UK corporates and the need to raise financing; and the general perception that equity markets are at or near their peak and that UK interest rates are at or near their lows for this cycle. ■

GAVIN BRAKE
Goldman Sachs

TABLE 1 Equity-linked transactions involving UK corporates

Date Announced	Issuer	Underlyer	Amount & currency	Maturity (years)
3 Nov 1998	Pathe SA	BSkyB PLC	FRF 1,150m	5
24 Nov 1998	Airtours PLC	Airtours PLC	GBP 300m	5
19 Jan 1999	National Grid Group PLC	Energis PLC	USD 402m	4
4 Feb 1999	Telewest PLC	Telewest PLC	GBP 300m	8
17 Feb 1999	Railtrack PLC	Railtrack PLC	GBP 400m	10
25 Feb 1999	Colt Telecom PLC	Colt Telecom PLC	EUR 295m	7
2 Mar 1999	Accor SA	Compass Group PLC	EUR 433m	3
		Total issuance	**£1.8bn equivalent**	

INTERNATIONAL EQUITIES

These are a selection of issues announced recently. The details, updated to the middle of last month, were supplied by *IFR Securities Data, London* and other sources.

Issuer	Amount raised (m)	Type of issue	No shares (m)	Offer price	Pricing date	Exchange listing	Fees (%)	Bookrunner
Agfa Gevaert NV	EUR847 EUR693	S	38.5 31.5	EUR22	31 May/99	Brussels Frankfurt		Deutsche Bank AG Goldman Sachs
Anglo America Corp	GBP402.06	S	12.64	GBP31.8	24 May/99	London	(a)	Cazenove & Co Warburg Dillon Read
Beate Uhse GmbH & Co KG	EUR60	P, S	8.4	EUR7.15	26 May/99	Frankfurt		Commerzbank AG
Comment: Proceeds will be used to finance expansion across Europe.								
Continental AG	EUR100.6 EUR145.5	P	4.68 6.77	EUR21.5	18 May/99	Frankfurt	2.3	Deutsche Bank AG Lehman Brothers Dresdner Kleinwort Benson
eToys	USD166.4	P	8.3	USD20	19 May/99	NASDAQ		Goldman Sachs
HSBC Holdings	GBP332.2 GBP271.8 HKD12558.5*(a)* HKD3139.6*(a)*	P	15.81 12.94 47.4 11.8	GBP21 HKD265	10 May/99	London Hong Kong		HSBC Investment Banking
Comment: (a) Proceeds will be used in the proposed acquisition of Republic New York Corporation and Safra Republic Holdings SA.								

P = primary; S = secondary; IPO = initial public offering; D = demerger.