



"MAF stands out for me because it's a family group getting rated and accessing the debt capital market"

"It's a manifestation of a pretty slick treasury operation"



\$4.8bn MAF's annual turnover 100 million the number of visitors to MAF shopping centres each year 99.6% the proportion of MAF that is owned by Mr Majid Al Futtaim

{ CATEGORY TREASURY FUNDING – WINNER MAJID AL FUTTAIM}

SELLING LIKE HOT CAKES

Sukuk issued by retail developer Majid Al Futtaim were top of investors' shopping lists earlier this year

The standout entry in this category came from Dubai-based shopping centre developer Majid Al Futtaim Group (MAF).

Following the 2008/9 financial crisis, MAF decided to diversify its funding sources, envisaging that the company's competent management, financial strength and sound corporate governance would enable it to access the public debt market. As European markets were still cautious about the Middle East, particularly Dubai, MAF opted for Islamic finance instead. It was flooded by interest from Islamic institutions that wanted to lend to it or buy its debt.

In January 2012, MAF issued \$400m in sukuk (Islamic bonds) with a five-year tenor. This was MAF's debut issuance and the first by a private UAEbased corporate entity in international markets for over four years. It was also the first US dollar-denominated benchmark sukuk by a corporate since January 2011.

Overall, 14% of the sukuk allocations went to investors in Asia, with 32% going to investors in Europe and 54% to investors in the Middle East. Banks accounted for 52% of the issue, with fund managers snapping up 42% and private banks 6%.

MAF is a private company and the deal demonstrated its ability to access a range of funding and the appeal of its credit story to a broad investor base. Officially priced at 5.9% to 5.95%, the order book quickly grew to more than \$1bn, which meant MAF could tightly price the transaction at 5.85%. The sukuk then performed well in the secondary market, with a spread of 428bp over mid-swaps.

This deal was an excellent example of treasury leadership and strategic thinking as it was preceded by months of coherent actions that included: internal alignment of business plans and financing implications; pre-emptively addressing disclosure and governance structure requirements; obtaining a credit rating from Standard & Poor's and Fitch; and a methodical investor education process.

The execution was managed well and involved both Islamic and international banks. The success of the sukuk was such that it enabled MAF to access conventional banking finance on more competitive terms since it showed that the group could access alternative liquidity sources and, at the same time, lengthen the average life of the outstanding debt. Indirectly, MAF's investment grade rating gave out strong positive signals to the banks' credit committees.

Daniele Vecchi, senior vice president (treasury) at MAF, explains what the nine-strong treasury team did to underpin the success of the sukuk. "We presented the credit story well in advance, so most of the investors knew us and, even more importantly, knew our differentiation factors. Secondly, we assembled a team of banks with strong distribution and the ability to support the transaction with leading orders."

Deal highlights

Issuer: MAF Sukuk Ltd Obligor: Majid Al Futtaim Properties Structure: Sukuk wakala Sukuk assets: Sharia-compliant real estate assets Guarantor/Sukuk ratings: BBB (Moody's)/BBB (S&P) Amount: \$400m Interest rate: 5.85% p.a. Tenor: Five years



He continues: "We selected an affordable size and we approached the market from a position of strength, meaning that we were not forced to issue. We presented ourselves as committed to the public market, but opportunistic from an execution perspective. Lastly, the sukuk structure was innovative, but straightforward at the same time."

Vecchi says the rating and the sukuk are considered great successes for both MAF and its treasury team. Teamwork was vital, he explains, as treasury liaised with MAF's individual businesses as well as the group's internal legal and finance teams. "MAF deputy treasurer Shrimati Damal and funding expert Irfan Murtaza did most of the heavy lifting in terms of the documentation and the transaction execution," he reveals.



Daniele Vecchi, MAF's senior vice president (treasury)