Winner

Buyback bonanza

E.ON

THE COMPANY'S REPURCHASE STRATEGY WAS AMBITIOUS IN ITS SCALE AND IMAGINATIVE IN STRUCTURE, YET ASSEMBLED AND COMPLETED WITH ADMIRABLE SPEED DESPITE PREVAILING TOUGH CONDITIONS.

PRINCIPAL TERMS

E.ON completed the largest debt buyback by a European corporate since the onset of the financial crisis last January by repurchasing €1.8bn in bonds ahead of schedule. The two-stage tender offer was spread across six series of short-dated notes with an aggregate face amount of €7.2bn.
Bank of America Merrill Lynch and RBS acted as joint dealer manager and joint structuring bank.

E.ON made good on its promise to reduce its debt load and derisk its balance sheet in 2011, by repurchasing bonds ahead of schedule with a total nominal value of more than €1.8bn. It represented the largest debt buyback by a European corporate issuer since the financial crisis broke more than three years ago.

In January the group made a two-step tender offer to bondholders for repurchases across a total of six short-dated note series maturing between October 2012 and January 2014 with a €7bn nominal value.

The first step involved E.ON buying back €1.15bn of three bonds. A week later it made a further buyback offer of €650m for three further bonds via an auction. This latter stage involved E.ON bonds with a total nominal value of €777m being tendered, of which the group accepted €656m. This took the total repurchase to €1.81bn.

The judges agreed that the scale of the deal and the difficult regulatory environment it was completed in deserved recognition. Both the group and its banks were seen as having got ahead of investors in the high degree of flexibility that marked the deal, which was further enhanced by a consistently strong flow if information and good transparency. E.ON also "accommodated an investor-friendly approach to retail investors, while optimising the balance between buyback volume and attractive price levels for the issuer".

Despite this, execution was relatively swift. E.ON announced its debt reduction plans in November 2010 and the buyback was carried out over a two-week period the following January.

Henryk Wuppermann, E.ON's vice president of corporate finance, said: "We aimed for a significant reduction in gross debt by targeting six bonds with total outstandings of around €7bn. Given limited visibility for German high-grade issuers, the transaction was split into two sequential steps, so we could actively influence the overall result even in the middle of the deal. This allowed us to achieve significant size as a result of the first any-and-all part, as well as intensified price tension in the second step, a modified Dutch auction."