Vaillant draws on acquisition

The €625m term loan and revolver launched by Vaillant Hepworth in June 2004 demonstrated how an acquisition that comes together smoothly and outperforms expected operational and financial goals can get unheard-of support in refinancing.

The Vaillant Hepworth transaction, which included a €325m term loan and a €300m revolving credit facility, was arranged to refinance €830m of leveraged acquisition facilities. It was recognised by *The Treasurer*'s voters and its Deals of the Year panel of judges for its speed of execution and the fact that it was nearly 60% oversubscribed.

"We invited 18 banks in and 18 banks accepted and put their money on the table," says John Foldes, Group Finance Director of the Vaillant Group. "Not only that but we ended up being offered 56% more money than we needed, and the speed with which we completed the deal was also impressive." The deal went straight into a successful syndication on 2nd June and had closed by 30 June. An indicator of its success was that it did not end up on the books of the MLAs and interim financing was not required.

All of the banks invited to participate in syndication, apart from one, had taken part in Vaillant's original financing for the purchase of Hepworth in the summer of 2002. "They all knew us and have been working with us over the past two years. I think that the deal was so well-received, in part, as a result of our excellent operational performance and, in part, the way we have continuously exceeded targets. We have managed to win trust by over-delivering and over-performing since we launched the original deal," says Foldes.

Joint managing directors Michel Brosset and Claes Goeransson added: "The deal was possible because this company has performed so well since the acquisition of Hepworth. Our performance has allowed us to pay back the credit much sooner than expected, which has given us an excellent profile in the market."

Rachel Watson, Director of Debt Finance and Advisory at HSBC, describes the timing of the deal as perfect: "In terms of the backdrop of the market, conditions were quite favourable. The deal was done a little earlier than expected, and was very much helped by the current lack of supply in the loans market and liquid conditions for borrowers. The result was that they could complete the deal in a very quick timeframe and get a cheaper price as a result."

Flexible financing

The inclusion of a £300m revolving credit facility in the deal served a fundamental role in meeting the company's needs. "Previously we had an £80m revolver, but the £300m RCF gives us much greater flexibility, for example for future acquisitions. As this is designated for general corporate purposes not just for working capital it gives us much more room to manoeuvre," says Foldes. "It

VAILLANT GROUP

Principal terms

Amount €625m term loan and RCF
Spread EURIBOR +135bps
Maturity 2009
Bookrunners Commerzbank Securities, HSBC, RBS

success

also allows us to minimise our interest arbitrage as it can be redrawn so we do not need to hold excess cash deposits with banks."

Watson adds: "The refinancing gave Vaillant Hepworth a lot more room to manoeuvre than they had with the leveraged deal. The documentation is much better for the group, particularly in terms of fewer restrictions on acquisitions, disposals and moving assets around the group. Many of the constraints associated with a leveraged deal have been removed and at a much cheaper cost. So all in all it was good news for Vaillant."

The deal was also noted for the fact that a German Mittelstand company made such rapid progress in its financing and refinancing in such a short period of time. "If you are talking about France Telecom or DaimlerChrysler they are in a different league but for a mid-sized German corporate that is family-owned it is quite rare to get the profile and enthusiasm that we have seen with this transaction, and this reflects the outstanding operational performance of the company," says Foldes.

The deal also stands out, according to Declan McGrath, Managing Director and Head of European Corporate Loans Market at RBS, because it was conducted by a non-investment-grade company trying to get back on track to investment-grade; it expects to achieve this status by 2006. "The fact that it was so well-received given Vaillant Hepworth's current rating is quite an achievement," he says, adding: "The main reason why this deal was so successful was the quality of the management. They are very good at what they do and know their stuff very well. They had worked closely with their banks, so working with the company in partnership to put banks for the transaction together was much easier."

Highly-commended

Auna was highly-commended for its €4.5bn syndicated facility in July 2004, one of the largest structured telecoms transactions of the year in a still depressed telecoms market. The deal followed disappointing market receptions for a number of cable deals in the first quarter of 2004.

Due in 2010, Auna's facility comprised a €3.5bn, six-year amortising term loan and a €1bn, 6.5-year revolving credit. It was conducted to consolidate all existing group debt, from both the mobile operation – Amena – and the cable operation - Auna Cable – as part of a major corporate restructuring by Auna.

Although there was targeted syndication to a limited number of entities, the transaction was substantially oversubscribed, raising more than €5.2bn from 34 banks across Asia, Europe and the US.

Auna's success was attributed to its profile, financial and business strategy and competitive position in an attractive Spanish macroeconomic environment and telecoms market.

The bookrunners on the deal were ABN AMRO and RBS.