High-Yield Bonds

Reaching new heights

2003-04 continued to see good activity in the high-yield bond sector, boosted by the benign credit backdrop and relaxed perceptions of the general economic outlook.

Many non-investment grade issuers took advantage of strong investor demand by continuing to issue fixed and floating rate notes to refinance existing debt. The high-yield bond markets also proved attractive to venture capitalists seeking refinancing, a trend buoyed by high levels of venture capital activity during the year.

Interestingly, of the deals selected for awards in this category for 2004, two claimed to be major firsts – the largest high-yield sterling tranche ever and the largest-ever euro-denominated high-yield offering.

Cognis

€745m Floating Rate Loans and Notes and Fixed Rate Senior Notes (May 2004)

Global speciality chemicals company Cognis raised €745m as part of a three-tier offering in note and loan form to refinance existing debt, repay a vendor loan and fund a dividend to the equity sponsors.

Jochen Gann, Corporate Treasurer, said: "We underwent our three-layer recapitalisation approaching a wide range of different investor groups to achieve attractive terms on our finance instruments: €1.3bn senior debt refinancing, €400m second lien and €345m high yield bond."

Goldman Sachs, JPMorgan

Invensys

£625m High Yield Bond Issue (March 2004)

Invensys launched a £2.7bn refinancing package comprising equity, high yield and bank debt to refinance existing debt. The deal included £625m (net) of 7-year high-yield bonds.

"The refinancing we carried out in February and March has transformed Invensys by underpinning our debt maturities and improving the balance sheet, and has allowed us to concentrate on running the business and meeting customers' needs, rather than meeting financing deadlines," said Group Treasurer Will Spinney.

Deutsche Bank

ntl

£811m Fixed and Floating Rate Senior Notes (April 2004)

NTL was the first major European cable company to emerge from a restructuring and visit the capital markets after a challenging time. The deal comprised four tranches including a £375m tranche at 9.75% – the largest high-yield sterling tranche ever. NTL also entered into a new £2.4bn secured credit facility.

"The high yield notes offering was an important part of the overall debt restructuring, and enabled the company to reduce its overall cost of debt, extend maturities and further rationalise the debt structure," said Group Treasurer Daniel Jefferies.

Deutsche Bank, Goldman Sachs, CSFB, Morgan Stanley

Seat Pagine Gialle

€1.3bn of Senior Notes (April 2004)

SEAT Pagine Gialle's issue of €1.3bn of senior notes, due 2014, was the largest-ever euro-denominated high-yield offering. It was part of a wider financing arrangement initiated by the company to finance an acquisition; funds were also raised via a senior secured credit facility and subordinated bridge loan.

The deal was nearly three times over-subscribed, upsized from €1.15m and priced at the low end of price-talk.

CSFB, BNP Paribas, Barclays Capital, RBS

SGL Carbon Group

€270m High Yield Bond (January 2004)

SGL Carbon issued €270m of senior notes as part of a larger refinancing comprising senior secured credit, a syndicated loan and a rights issue. The placement was completed earlier than scheduled and the tranche, originally earmarked for the US, was not required.

"The aim of this comprehensive transaction was to place the company's balance sheet and finances on a sound footing. The company is now able to focus all its efforts on SGL Carbon achieving a substantial and sustainable improvement in its operating result in the coming years," said a spokesperson for SGL Carbon.

CSFB, Deutsche Bank

TUI

€625m of Senior Notes (April 2004)
€400m FRN (June 2004)

German travel company TUI issued a €625m fixed rate cross-over bond, due 2011, to refinance existing short and medium-term debt, diversify funding sources and extend debt maturity. The bond was distributed to 350 investors in 14 different countries. This was followed in June with a €400m floating rate note, due 2009, issued for the same purposes.

"Following the very successful placement of the cross-bond in May 2004, we were recommended to tap the market again" said a spokesman for the company.

RBS, Commerzbank and WestLB