Investment-Grade Bonds

An issue of size

2003-04 was a slow year for the investment-grade bond market, witnessing the typical decline experienced in new corporate bond supply across markets and currencies. This was due to the high levels of corporate refinancings in 2002-03 to take advantage of low yields and strong demand; limited recovery in M&A activity; and increased focus by corporates on internal cash generation.

A number of blue chip names issued investment-grade bonds – with particularly long tenors – for refinancing purposes. They saw very healthy investor demand well beyond their initial expectations with many deals up to four times over-subscribed. This encouraged many corporates to upsize their original deals.

€1.2bn Fixed and Floating Rate Bond Issue (June 2004)

Cadbury Schweppes launched €600m of 4.25% notes, due June 2009, and a €600m FRN, due June 2007, to refinance existing bank debt and commercial paper. The 5-year tranche was upsized from an initial €500m while the 3-year FRN was upsized from €300m.

"Having visited the sterling and dollar markets in 2003, we were keen to launch a successful inaugural euro issue," said Director of Treasury Tim Owen. "Demand for the 3-year FRN was well above expectations and we were pleased to see other issuers follow us into this market shortly afterwards."

ABN AMRO, BNP Paribas, Dresdner Kleinwort Wasserstein

£250m Bond Issue (December 2003)

Transport Company First Group issued 6.125% bonds, due 2019, to reduce dependency on banks, lengthen the life of its debt portfolio and achieve good covenants and pricing.

Ian Weldon, Group Treasury and Tax Director, said: "The first objective was surpassed when the deal size was increased from £200m to £250m in response to strong investor demand, and the second by pushing the maturity out to 15 years.

"To improve pricing, the launch was timed to exploit favourable market conditions, specifically from gilt redemptions in early December."

Cazenove, HSBC, RBS

$1bn Global Bond Issue (November 2003)

ICI Wilmington executed a $1bn global offering in two tranches to refinance existing debt, establish its name and credit history with US investors and take advantage of favourable market conditions.

The deal comprised a $500m tranche, due in 2008, and a $500m tranche, due in 2013, and followed a two-day targeted roadshow. It generated an order book of more than $4bn from 167 accounts during the marketing period.

"Last year was a difficult year for us, but the pricing and appetite we saw was fantastic," said David Blackwood, Group Treasurer at ICI.

Citigroup, Barclays, UBS

£200m Bond Issue (November 2003)

The longest-dated outstanding tobacco sector deal in the European bond markets by five years, Imperial Tobacco's £200m offering, due 2018, witnessed strong demand from investors. A book in excess of £350m was built in the first hour of marketing; the book closed within 24 hours, 3.5 times over-subscribed.

John Jones, Group Treasurer at Imperial Tobacco, said: "The maturity, price and speed of execution all appealed and it was very pleasing to see so much demand from sterling investors so quickly."

HSBC

£400m Bond Issue (March 2004)

Marks & Spencer became the first UK company to turn to the capital markets specifically for pension fund deficit funding. The £400m bond issue, due 2014, was more than four times over-subscribed and priced at the tight end of initial price talk. The 'pension fund deficit' story was well received by both investors and the media.

"The £400m bond tax-efficiently replaced an off-balance sheet pension deficit liability with a direct obligation of the sponsoring company," said Sue Harris, Group Treasurer.

HSBC, Morgan Stanley

€750m Eurobond (March 2004)

Rolls-Royce issued a 4.5% eurobond, due 2011, following a full European roadshow which marked its return to the eurobond market after four years. Orders came to €2.5bn, making this issue three times over-subscribed.

"This was a great deal in a market depleted of new issuance....we were delighted with the investor response and speed of execution," said Alan Semple, Deputy Group Treasurer at Rolls-Royce. "This issue strengthens our financial position and re-establishes our footprint in the market."

BNP Paribas, Citigroup, JPMorgan