



# Wesfarmers joins debt issue race

Tightening of credit spreads has made debt more attractive

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 DEBT ISSUES

WESFARMERS is the latest company to join a multi-billion-dollar wave of debt issues after yesterday pricing a five-year fixed-term note issue that was expanded from \$300 million to \$500m.

The notes were priced at 150 basis points over the bank bill swap rate (BBSW) and pay a semi-annual coupon of 6.2 per cent, according to insiders.

"Markets appear to have settled so we thought it was a good time to roll some debt over. . . who knows how long these things last," Wesfarmers finance director Terry Bowen said.

Described as "medium-term notes", the issue brings the total amount of debt raised by Australian corporates over the past two weeks to \$4.2 billion, as they seek to take advantage of improved sentiment in the wake of the European debt deal.

"The spate of issuance reflects the pent-up demand for debt in the non-financials," FIIG financial institutions & corporate research director Justin McCarthy said.

The tightening of credit

spreads for Australian companies has made debt more attractive, with the \$500m issue about 110 basis points cheaper than Wesfarmers' last foray into the debt market more than two years ago.

Since the credit crunch and ensuing global financial crisis, many companies had to raise cash by launching expensive equity issues as debt markets froze up.

In February 2009, Wesfarmers completed an equity market capital raising at \$13.50 a share. Yesterday, Wesfarmers ordinary shares closed at \$32.46.

Those who bought in are now sitting on profits of about 140 per cent while existing shareholders were forced to swallow heavily diluted earnings per share.

Retailer Woolworths showed that local demand for local debt issuance was going unmet when its \$500m hybrid was five times oversubscribed last week.

Woolworths expanded the issue later to \$700m and was able to get the subordinated hybrid note issue away at the lower end of expectations, 325 points above the

BBSW.

Later in the week, it was the turn of iron ore major Fortescue to announce a successful trip to the capital markets when it revealed it had raised \$US1.5bn in an eight-year fixed-rate issue paying 8.25 per cent that was callable after four years.

Mr McCarthy said the raising, conducted at a time when spot iron ore prices were recording big daily falls, "proved that the miners can still raise big licks of money overseas if they need to".

ANZ has raised about \$1.5bn in recent times in Australian dollars and sterling through floating rate notes and transferable certificates of deposit.

Air Services Australia has also taken the debt route, choosing to raise \$200m fixed at 5.5 per cent over five years.

ANZ, CBA, NAB and Westpac are the lead managers on the Wesfarmers transaction.

Settlement for the issue is expected on Friday.



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**Bond boom**

Name	Amount	Coupon/ Yield*	Maturity (years)	Type
Wesfarmers	\$500m	6.0%	5	Bond (fixed rate)
Fortescue Metals	\$US1.5bn	8.25%	8 (callable after 4 years)	\$US Bond (fixed rate)
Woolworths	\$700m	8.0%	25 (callable after 5 years)	Retail Hybrid (floating rate)
ANZ	£300m	6.0%	3	£ Bond (floating rate)
Air Services Australia	\$200m	5.50%	5	Bond (fixed rate)
ANZ	\$1bn	6.05%	4	Transferable Certificate of Deposit (floating rate)

\* Yields are at approximate market rates

Source: *FTI Securities Limited, Bloomberg, Insta*