

Burger King Joins Loan Borrowers Funding M&A Deals Early
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By Krista Giovacco

Sept. 24 (Bloomberg) -- Burger King joins Scientific Games, Charter Communications, Albertsons/Safeway, Jacobs Douwe/D.E Master Blenders making payments to lenders on leveraged acquisition loans before the M&A transactions have closed.

"Investors prefer a funded facility because those should be more liquid and more tradeable," Reuben Daniels, co-founder of EA Markets LLC, said in a Sept. 18 telephone interview. "It's much less attractive for a company to fund into escrow than to have a delayed draw feature; a ticking fee is typically less expensive for borrowers".

Burger King's \$6.75b TLB backing Tim Hortons acquisition to fund into escrow after 31 days paying full spread and Libor floor; recommitments on loan due today. Scientific Games this month offered lenders to \$2b term loan B2 a ticking fee equiv. to 100% of margin from 31st day after allocation date; funds to be placed into escrow 10 business days after allocation.

Proceeds fund acquisition of Bally Technologies

NOTE: Placing funds into escrow is common practice when cos. sell HY notes backing M&A financings. U.K.'s Keepmoat selling GBP260m HY bonds for LBO deal; proceeds to be kept in escrow account until completion of acquisition due in 4Q.

"It's better for investors," if deals fund into escrow, Richard Farley, a partner at Paul Hastings LLP's leveraged finance group in New York, said Sept. 18 in a telephone interview. "It gets them compensated sooner and eliminates risk for closing. Banks always want to fund into escrow; they don't want the market to move away from them".

Charter Communications, Albertsons/Safeway, Jacobs Douwe also paid lenders ticking fees to compensate them for committing funds to M&A loans. Charter Communications \$3.5b TLG, allocated Aug. 12: ticking fee 100% of margin and Libor floor on funding; funds placed into escrow immediately on closing. Albertsons/Safeway \$4.55b TLB: ticking fee equiv. to full spread from 31 days. Jacobs Douw/D.E Master Blenders EU7.6b equiv TLs: offered ticking fees, TLB to pay margin equiv. after 3 mos.; merger with Mondelez coffee business due to close in 2015. NOTE: Loan settlement delays a "critical issue".

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