

Best Securitisation of North American Assets

Hertz Vehicle Financing LLC, Series 2005-1 and 2005-2

Hertz Corp

Bookrunners: Deutsche Bank, Goldman Sachs, JP Morgan, Lehman Brothers, Merrill Lynch

Guarantors: Ambac, MBIA

\$4.3bn December 2005

The US M&A revival of the past two years has seen acquisition targets grow increasingly bigger, with takeovers involving some giant deals such as last year's \$11.3bn leveraged buy-out of SunGard. That deal was financed in the traditional bank and bond markets, however its size stretched the markets to the limit.

So when CCMG Holdings, a consortium comprising Clayton, Dubilier & Rice, The Carlyle Group and Merrill Lynch Global Private Equity, successfully bid for Hertz after it was auctioned off by

Big game hunting

Ford last year, they needed alternative sources of finance to fund the \$15bn LBO — the second biggest since KKR's \$25bn acquisition of RJR Nabisco in 1989.

Working together with a group of five banks, CCMG turned to securitisation to raise \$4.3bn of the total acquisition costs by expanding the companies existing securitisation programme, which parcelled lease payments, repurchase agreements with manufactures and proceeds from the sale of ex-lease vehicles.

The deal, Hertz Vehicle Financing LLC, issued two series of class 'A' notes, rated triple-A by virtue of a financial guaranty insurance by MBIA (series 2005-1) and Ambac. (series 2005-2).

The securitisation was launched simultaneously with a financing package including an asset based loan, term loan, senior and subordinated bonds.

"We provided a backedstop commitment to ensure the company would have financing for the purchase," says Richard D'Albert, co-head of the Global

Securitized Products Group at Deutsche Bank in New York. "The securitisation and the corporate bank and bond financings were co-ordinated to close simultaneously with the acquisition of the company from Ford."

Hertz Vehicle Financing wins this year's award for Best Securitisation of North American Assets hands down for showing that securitisation is now an integral part of LBO financing; not so much an alternative to the bond and bank route, but complimentary to it, expanding the potential for the LBO market as a whole.

"As LBO transactions pierce the \$10bn mark, you need to be more versatile in how you raise financing," says D'Albert.

"The benefit of the structured finance market is that it's used to size," he adds. "As the deals get bigger you have to turn to the capital markets that can absorb these deals. Securitisation is able to handle that kind of size without the pressure on spreads."

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