

Endesa Deal Podcast Transcript

Speaker key

SK	Stephen Kensell – Partner
DG	Denise Gibson – Senior Associate
PS	Paul Sephton – Associate
ST	Sophie Townsend – Trainee
JC	Judi Coe – Interviewer

Speaker	Speech
JC	<p>Hello, my name is Judi Coe and I'm at Allen & Overy talking to the team who worked on the landmark Endesa deal. Let me introduce you to Stephen Kensell, the lead partner on the deal, Senior Associate Denise Gibson, Associate Paul Sephton and Sophie Townsend, the trainee who worked on the deal.</p> <p>Can you explain the background and context of the deal, Stephen?</p>
SK	<p>Sure. The transaction was part of an industrial saga which involved Endesa, a Spanish privatised energy company, and there was a long battle for control of that company. In Europe there's consolidation of energy companies - energy companies joining together to become one - and there was a long-running struggle for control of Endesa. And two of the main players in that struggle were Eon, which is a German energy company, and Enel, which is an Italian energy company controlled by the Italian State.</p> <p>The battle really culminated in 2007 when first Eon attempted a takeover of Endesa and effective failed to achieve control of the company. Enel then came along and did a deal with Eon, which then resulted in Enel joining up with a Spanish company called Acciona and taking joint control of Endesa. So Enel and Acciona joined forces to basically replace Eon in the picture and launch a joint takeover for Endesa which was successful.</p> <p>Our role in the transaction was in relation to Enel's financing. Enel needed to raise a very big loan to pay for the acquisition. It was €35 billion which, at the time, was the biggest loan in European history and we represented the banks who provided that loan to Enel.</p>
JC:	<p>What did you do, Denise? What was your involvement?</p>
DG:	<p>This deal had a lot of sensitivity and time pressure, so Stephen and I were effectively mandated and then had to document the deal and work with the banks to make sure that the bid could be launched on the Tuesday following the Easter weekend. So we actually had a few days where we had people camped in the premises here at A&O and we were running back and forward, trying to agree the terms for the financing.</p> <p>The other role I played was in bringing together our colleagues in Luxembourg, Madrid and also in Italy who all played a really instrumental role.</p>
JC:	<p>So it was truly cross-border?</p>

DG: Absolutely, yes. I mean Enel was obviously a borrower in the deal and as it was an Italian borrower we were working very closely with our Italian colleagues. But there was also, for various reasons, a Luxembourg borrower within the deal. So that's why there was the Luxembourg element and we involved a team of our lawyers out in Luxembourg to help us.

And then on the corporate side, as it was a Spanish takeover, our colleagues in Madrid were able to really get involved and assist us on that.

JC: And what about your involvement, Paul? What did you do?

PS: I was involved towards the end of the deal, once it had actually been signed. The facility was syndicated, which means that the group of banks involved was widened to incorporate more parties. So parts of the loan were effectively sold off. I was involved at that stage, liaising with the various banks that were looking to participate in the facility and putting together documentation to allow them to do so.

SK: The first part of the deal was the €35 billion loan which happened at Easter in 2007. Now, as I said before, it was a joint transaction between Enel and Acciona. So they had joint control - both Enel and Acciona had part of Endesa.

Then recently Enel bought out Acciona and they purchased the remaining shares that Acciona had. So Enel now has 100% of the company. That also needed to be financed. However, the first financing was before the credit crunch, which everyone now knows about, whilst the second financing was after the credit crunch.

And what was interesting was how things changed. Things changed in terms of how much money you can raise. €35 billion was a lot back in 2007 but it was actually surprisingly easy to raise those funds. I mean it wasn't very pleasant working over the weekend but the money was in the market. For the second transaction, which was to finance Enel purchasing Acciona's stake, they raised €8 billion for that and that was a much more difficult process. It took longer. We started on that transaction in November last year and we've only just finished it. So it was a seven-month process to raise €8 billion and it was more difficult. It cost Enel a lot more money to raise those funds because the conditions in the market were more difficult.

So the transaction was interesting because it started its life before the credit crunch and it's finished now after the credit crunch. But it does show, even though it was more difficult to get done, that things are still getting done. So from that point of view it was encouraging and it was one of the two biggest deals done in Europe this year.

JC: And in terms of the team, how did you work together? Did you have particular roles that you had to fulfil throughout the process? Is that clear-cut from the word "go" or does it kind of evolve?

DG: It is something that we try to actually put in place but it is also slightly organic in the sense that it does evolve. But, certainly on this transaction, we were all involved and it's very much a case of working together as a team because everybody needs to understand what the other person is responsible for. And it's very much a case of joining the dots because we all have to work quite seamlessly; so that from the client's perspective we are a united front and they're not getting different messages.

I think that there were a couple of different loan agreements that needed to be documented on this deal, so I took responsibility for one and then Paul took responsibility for the other. And then there was a whole process involving certain lenders actually signing into the deal and a whole bunch of documentation around that, in addition to a conditions that needed to be met. Sophie and Paul worked together on that work stream. Sophie, who was in her first seat, was thrown in at the deep end but happily taking calls directly from our client.

JC: In at the deep end?

ST: It was very much in at the deep end. It was the first few weeks of my first seat, at A&O and I got involved in this - the biggest deal of the year. And, like Denise said, I was taking calls from the client, being put on the spot, and having to answer questions about a deal that I didn't completely understand. But the team is always there to support you. I could always go to Paul and ask him for the answer and he'd explain and then leave me to get back to the client. So I was given responsibility.

Obviously there was a steep learning curve, just because I've never done anything like this before and I was coming across things like, for example, the forward start facility. I did actually have to go and attend a lecture to learn about this.

On the other side, I suppose it's a steep learning curve just learning to manage a transaction on the trainee level and for the sheer attention to detail required. The names of the banks were all foreign, for example, and we had to redraft the certificates a number of times because the names kept just being spelt wrong by people. And the tranching, so the money actually being lent; we picked up on the fact that that didn't actually add up. The banks had done it wrong. So it was a steep learning curve with the level of attention to detail, as well as the more technical elements.

There were things that were delegated to me and it was on my shoulders to make sure that when Denise turned up to the signing in Spain everything was there for her. But there was never pressure on my shoulders. It was only my own pressure to get it right.

JC: Did you have to do any late nights or long weekends?

ST: It wasn't really late but the day before the signing in Spain was busy, as we had to have everything ready so Denise could just take it all with her. So the night before that was reasonably late, just getting it all in order.

JC: But it must have been neat to read about it in the Financial Times and know that you were involved with that and say to your mum and dad, "I was in that team".

ST: Yes. I didn't play a massive role but it was nice to be involved in something so big, especially when you've just joined the firm.

JC: And Stephen, did you go to Madrid too?

SK: Yes

JC: And did you celebrate or did the team celebrate afterwards? You went on a spa day, Denise?

DG: That was after the original deal. Yes, that was quite good. I went and had a day of pampering myself at the Sanctuary to make up for missing my Easter weekend. But we do try to make sure that we organise something to mark the end of a deal. So I think we did actually go out for a couple of glasses of champagne, didn't we?

SK: I think the celebration in Madrid was a beer in the airport lounge on the way back. We were in a bit of a hurry to get back because after we signed everything there was another meeting about another aspect of the deal which was conducted I think part Italian, part English and part Spanish. So it was pretty hard to follow that. It was quite a long day, so we were glad to be heading home.

JC: I think that just about wraps it up. Thank you very much.

SK: Thank you.