Wind funding model flies

A template for future major investment in the UK offshore wind industry has been unveiled by **Centrica**, the British Gas group that is becoming a leading backer in the drive toward renewable energy.

The deal will see Centrica refinance a major portion of its current wind farm portfolio off the coast of Lincolnshire to invest in a new major £725m project nearby. Work on the 270 megawatt (MW), 75-turbine windfarm, to be called Lincs and one of the biggest windfarm projects yet, will begin next year and is expected to be operational from 2012.

The project got the go-ahead from the Centrica board after the government doubled the renewable obligation certificate subsidy in its Budget last spring.

To back the £725m of investment needed to undertake the Lincs project, Centrica revealed that it was selling a 50% stake in its existing Glens of Foudland, Lynn and Inner Dowsing projects, known collectively as GLID. The GLID windfarms had 200MW of capacity in 2008 and made annual operating profits of £17m, with the potential for much more in 2009, which will be GLID's first full operational year.

The buyer of the Lincs stake is TCW, a US subsidiary of Société Générale Asset Management, which has approximately $400bn under management.

TCW is paying £84m for the stake and agreed with Centrica to raise £340m of non-recourse project finance facilities from a consortium of banks. The consortium is made up of Bank of Ireland, Bank of Tokyo-Mitsubishi UFJ, Bayern LB, BBVA, BNP Paribas Fortis, Calyon, Dexia, HSBC Bank, KfW IPEX Bank, Lloyds TSB Corporate Markets, National Australia Bank, NIBC Bank, RaboBank and Santander.

Centrica chief executive Sam Laidlaw said: "The government's enhanced financial framework for offshore wind has been fundamental in improving the overall project economics of this development. The refinancing and equity sale of part of our existing wind portfolio creates a structure for recycling Centrica's capital and mobilising third-party funds efficiently."

Centrica has two even bigger windfarms in the area in the pipeline, the 640MW Race Bank and the 540MW Docking Shoal.

Centrica was advised on the deal by Bank of Tokyo-Mitsubishi UFJ and Credit Suisse on the refinancing and equity sale, and by Slaughter & May on the legal aspects. Linklaters advised the bank consortium.

Virgin Media has taken advantage of continuing risk appetite in the junk bond market by raising £715m, more than 40% more than it initially indicated.

The Nasdaq and London dual-listed pay-TV, internet and mobile phone group said it had raised $600m in 2019 dollar-denominated senior notes in addition to a £350m sterling tranche.

Virgin said the money would be used to redeem outstanding 2014 senior notes, which were paying 8.75% on a dollar-denominated tranche and 9.75% on a sterling tranche. The company said it expected to pay off the rest of the 2014 bonds in the future using cash on its balance sheet and cashflows.

On the new offering, the dollar-denominated notes will pay 8.375% and the sterling-denominated notes 8.875%.

Virgin said the fund-raising had cost it more than £25m in fees and expenses, and that net proceeds from the issue would be £689.4m.

Banks leading on the deal were Deutsche Bank and BNP Paribas, supported by Calyon Credit Agricole, Goldman Sachs, HSBC, JP Morgan, RBS and UBS.

"We looked at our capital structure holistically and although we have excellent relationship with our lending banks it was good to diversify," said Virgin Media treasury director Rick Martin.

Bookmaker **William Hill** was also making a bet on the high-yielding bond market.

The offer, William Hill's debut in the corporate bond market, was set to raise £300m.

The seven-year bonds were issued with a coupon of 7.125% to yield 7.25% to maturity.

The company said the bonds were aimed at diversifying the source of its debt facilities as well as the maturity of its lending arrangements. It currently has £538m of bank facilities maturing before or at March 2012.

Joint lead managers on Hill's bond debut were Barclays Capital, RBS and Lloyds TSB Corporate Markets.

Robert Lea is City correspondent of the London Evening Standard.

KEY DEALS

DEAL PRICING DATE	DEAL TYPE	VALUE	ISSUER	DEAL NATIONALITY	COUPON	MATURITY DATE	BOOKRUNNER
26/10/2009	Investment-grade corporate bond	€1,750m	Telefonica Emisiones SAU	Spain	4.693%	11/11/2019	BNP Paribas, Calyon, Credit Suisse, RBS
03/11/2009	Investment-grade corporate bond	$500m	Diageo plc	UK	3.25%	15/01/2015	Citi, Deutsche Bank, Morgan Stanley

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