Energy brings sparks of hope

The green shoots of recovery appear to be sprouting in the bond market after the desert of the last six months of 2008, although it helps if issuers are in the classically defensive sectors such as utilities and pay in excess of what was marketable earlier in the decade.

National Grid, the UK-wide electricity transmission and mains gas network group twice tapped the bond market at the turn of the year.

With many of the continental powerhouses like E.On or Gaz de France Suez sounding out the euro-denominated fixed income market soon after the new year, National Grid entered both the sterling and euro markets.

A €500m 2014 five-year bond was priced 365bps over mid-swaps with a coupon of 6.5%.

Lead managers on the deal were Deutsche Bank, Barclays, JPMorgan and Merrill Lynch.

Earlier it had issued a 22-year 2031 bond to raise £350m in the sterling market and price tightened to 320bps over the equivalent gilts.

Citigroup, Lloyds TSB and RBS advised.

As intriguing as was the London equity market and its appetite for fundraisings, the utilities sector again caught the eye with a £479m placing by **Scottish & Southern Energy**.

SSE, which trades in the UK as Southern Electric, said it was placing 42 million shares at 1140p a share, expanding issued share capital by around 4.8%. The new stock carries the right to claim the interim dividend payment of 19.8p a share and a total dividend for the year, which the company said would be at least 66p.

SSE has a reputation in the City as a guardian of a strong balance sheet but also a company prepared to finance the plunge into green energy.

"Our programme of capital investment in assets which are of critical importance in the UK and Ireland plus the ability to make opportunistic bolt-on acquisitions continue to be at the heart of SSE's plans," said chief executive Ian Marchant.

Credit Suisse and Merrill Lynch acted as joint bookrunners. Barclays, BNP Paribas, Dresdner and RBS Hoare Govett acted as co-lead managers.

The support of leading shareholders for opportunities was much in evidence as **HMV Group** extended its issued share capital by 5% via a share placing to raise £25m.

The placing came after HMV announced a 50/50 joint venture in 11 live music venues controlled by Aim-listed MAMA Group as well as the acquisition of 14 stores from the administrators of rival music shop group Zavvi.

Announcing the placing, chief executive Simon Fox said: "Music is very much part of our DNA and HMV is focused on taking advantage of the opportunities arising from the changes in the competitive landscape."

Citigroup and Nomura acted as the joint brokers and the joint placing agents on the deals.

The re-ordering of corporate balance sheets will be one of the main themes of 2009.

Bovis Home, as ravaged as any by the UK housing crisis, announced it had replaced its existing borrowings with a £220m syndicated facility to 2011. The facility reduces over its life but still provides £160m of borrowing through the final six months of the period.

Three new covenants relating to gearing, net tangible worth and cashflow cover would be tested semi-annually, the company said, although there will no longer be an interest cover covenant.

Bovis said the price of the debt would rise to around 6% with an £8m arrangement fee.

Chief executive David Ritchie said: "The facility includes a covenant package, which is more appropriate for the current trading conditions in the housebuilding marketplace than those contained in the existing facility agreements."

Bovis finance director Neil Cooper said KPMG acted as the firm's debt advisors.

Robert Lea is City correspondent of the London Evening Standard.

INVESTMENT-GRADE BONDS

DEAL PRICING DATE	DEAL TYPE	ISSUER	DEAL TOTAL VALUE (PROCEEDS)	BOOKRUNNER	COUPON
01/12/2008	Corporate bond, investment-grade	Daimler International Finance BV	$1,263m	BNP Paribas, HSBC, UniCredit Group	9%
18/12/2008	Corporate bond, investment-grade	United Utilities plc	$388m	HSBC, RBC Capital Markets	6.125%
06/01/2009	Corporate bond, investment-grade	National Grid Electricity Transmission plc	$500m	Citi, Lloyds TSB, RBS	7.375%

FOLLOW ON

PRICING DATE	DEAL VALUE	ISSUER NAME	DEAL TYPE	BOOKRUNNER
07/01/2009	$703m	Scottish & Southern Energy plc	Follow on	Bank of America Merrill Lynch, Credit Suisse

REFINANCING

ANNOUNCEMENT DATE	PRICING VALUE	BORROWER	DEAL NATIONALITY	DEALOGIC DEAL NOTE
29/12/2008	$320m	Bovis Homes Group plc	UK	Proceeds are to refinance the exisitng bilateral facility.

All data provided by Dealogic www.dealogic.com