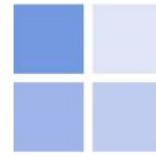


Centrus



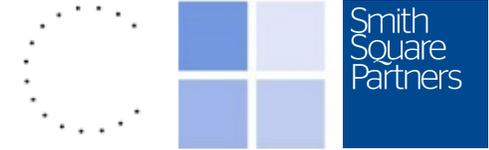
CEPA
economics matters

Smith
Square
Partners

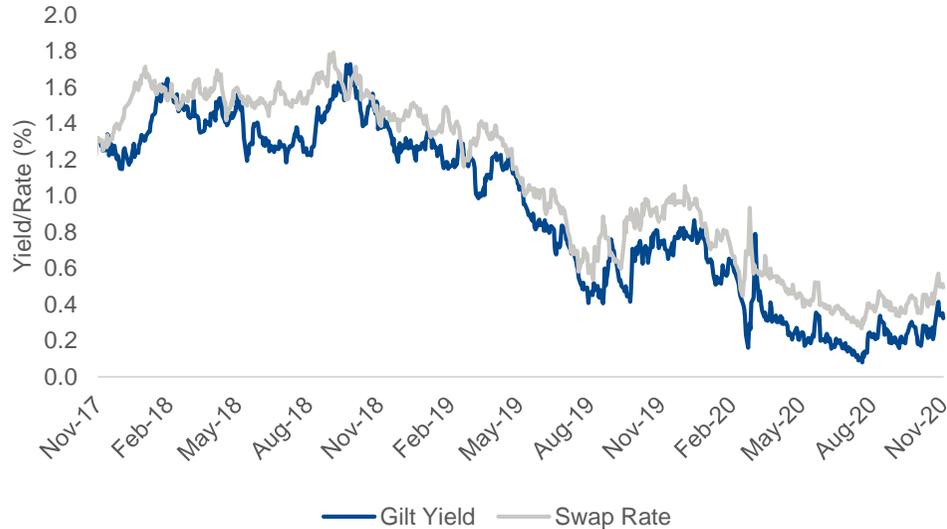
A Perspective on Debt Finance

20th November 2020

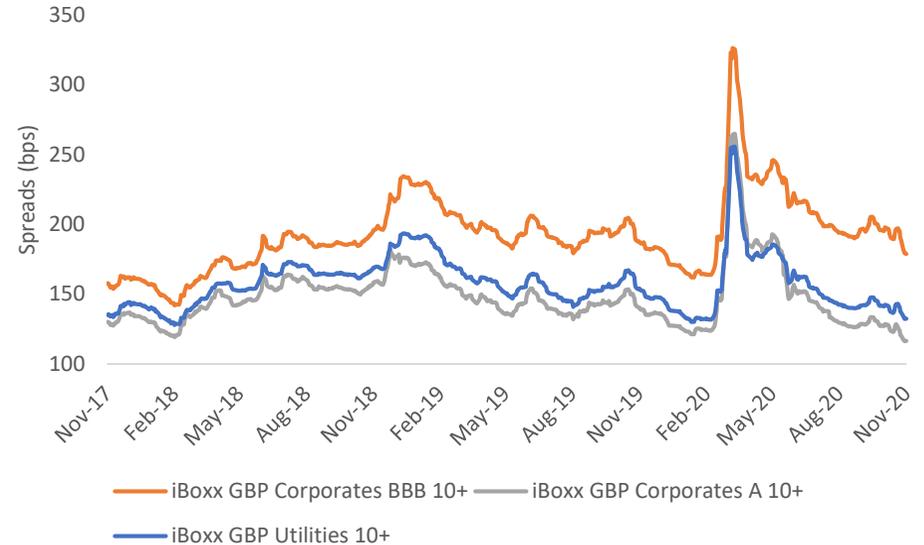
Market Overview



10 Year GBP Benchmarks



GBP iBoxx Index Spreads



2020 – an active year for the corporate & infrastructure financing markets

- Significant reductions in benchmark interest rates
- Global bond market has proven highly liquid and resilient
- Initial spread widening in March on initial pandemic response recovered quickly
- Banks have continued to support their clients with liquidity

Source: Bloomberg

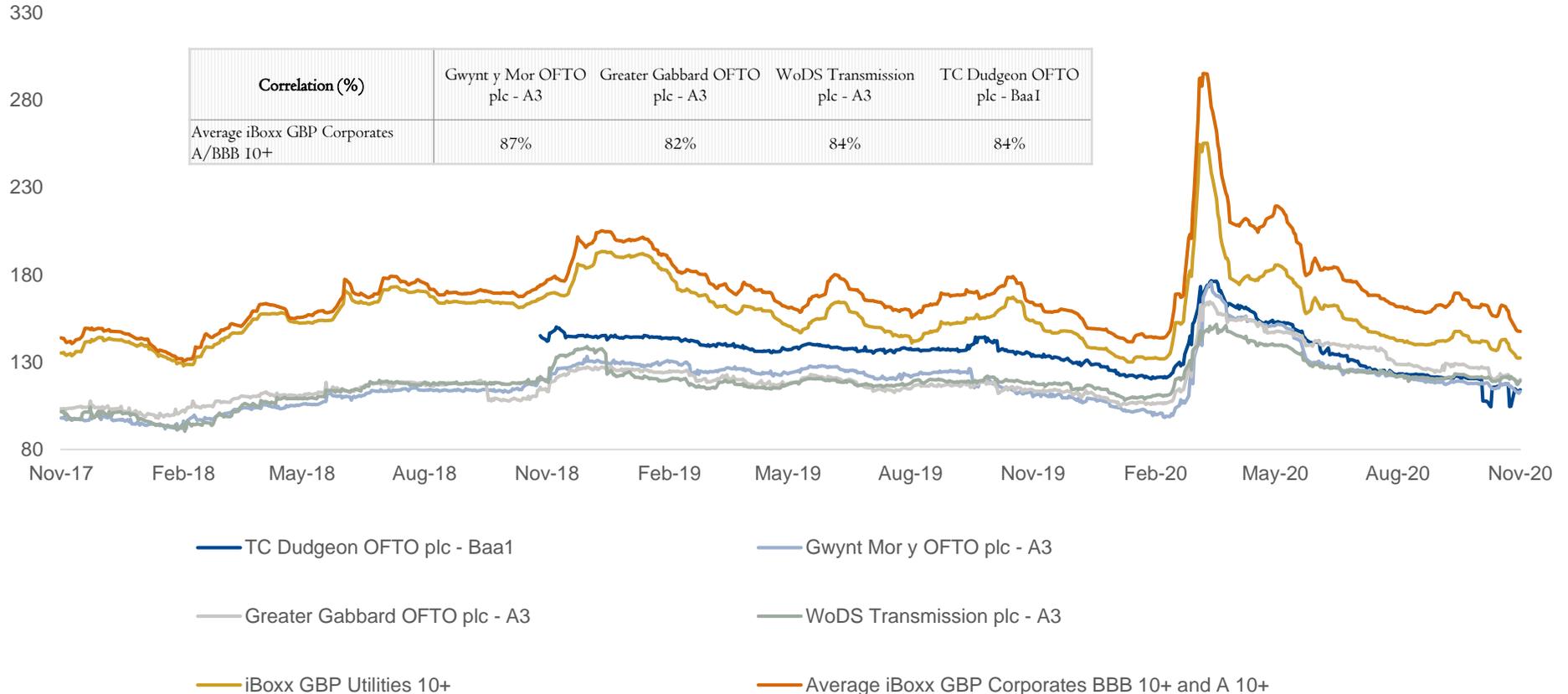


Recent OFTO Debt Financing

	OFTO	PB announced	Transfer value	Debt source
Burbo Bank	DTP	July 2017	£193.9m	Bank
Dudgeon	TCP	November 2017	£297.9m	Bond
Race Bank	DTP	June 2018	£472.5m	Bank & Private Debt Placement
Galloper	DTP	November 2018	£281.8m	Bank
Walney	DTP	March 2019	£517m	Bank & Private Debt Placement
Rampion	TCP	August 2019	£313.1m (initial)	TBC
Hornsea One	DTP	February 2019	£1,396m (initial)	TBC
Beatrice	TCP	December 2019	£498.5m (initial)	TBC
East Anglia One	TBC	TBC	£813.6m (initial)	TBC

- **In theory, Private Debt Placement offers an attractive hybrid option between bank and bond markets**
 - Increases financing market capacity to established and supportive bank market
 - Better aligned to the OFTO tender process
- **In practice, participation from private debt placement investors in previous rounds may have been limited by the process**
- **OFTO market is highly attractive for private placement investors**
 - Established credit characteristics & rating methodology
 - Growing size (average transfer value well over £500m)
 - Revenue duration (23 - 25 years)
 - Environmental benefits

Corporate 10+ iBoxx Index Spreads vs OFTO Bonds Spreads



- We observe that iBoxx Corporates 10+ (A/BBB average) shows a good historic correlation with the listed OFTO bonds
- We are looking into whether we can make some reasonable adjustments to the TR7 evaluation process to support more participation from private placement lenders (e.g. allowing some form of spread benchmarking to iBoxx)

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