BRANSON AIRLINE LANDS EUR304 MILLION - WITHOUT SELLING ITS LUCRATIVE HEATHROW SLOTS

News / Airlines, Finance

Richard Branson's Virgin Atlantic Airways said it raised 220 million pounds (EUR304 million) from Europe's first-ever bonds secured against airport operating slots.

The issue, backed by scarce take-off and landing positions at London's Heathrow airport, will help finance long- term investments including the purchase of new aircraft Virgin said. The deal is the company's first foray into capital markets.

Virgin is the first European airline to cash in on the value of slots without a sale. Aer Lingus' Heathrow slots were regarded as key to its EUR1.6 billion sale to IAG this year.

Virgin chief financial officer Shai Weiss said that the "innovative financing arrangement", which has a term of between 10 and 15 years, marks the first time an airline has successfully accessed the value of Heathrow slots.

The bond investors include Standard Life and Edmond de Rothschild Asset Management, Virgin

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said. In order to facilitate the deal Virgin transferred the slots to a separate airline with its own air operator's certificate, setting up a new Virgin Atlantic International unit which has been allocated two Airbus Group SE A330-300 aircraft that ply routes between London's Gatwick airport and the Caribbean.

The majority of Virgin's Heathrow slots -- which have a value far exceeding the bond issue -- have been assigned to the new unit, so that the deal "creates almost permanent capital for the company," should it want to raise further funds, Mr Weiss said.

Slot values have only previously been realised in Europe through disposals, but debt deals have been done in the U.S. IAG scrapped a plan to sell bonds secured on assets including positions at Heathrow in 2012.

Virgin Atlantic, majority owned by billionaire Branson, above, returned to profit last year, bolstered by a partnership with 49 percent shareholder Delta Air Lines.

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