IFR

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› Long-expected Evergrande default nears as coupon date passes with no news

› It is easy being green: UK's debut green Gilt breaks size, demand and price records

› EU considers emerging market debt forgiveness in exchange for climate action

IFR AWARDS 2020

The 2020 IFR Awards Garden Party took place on the afternoon of Wednesday 8th September at Haberdashers' Hall, London.

The trophy for Bank of the Year was presented to Morgan Stanley by HRH The Princess Royal, who attended in her capacity as Patron of Save the Children.

Thanks to donations from our winning institutions, the event raised £884,000 for our longstanding charity partner.

IFR salutes the financial community for its fantastic generosity and congratulates the award winners and all who contributed to making our first in-person event for 18 months such a success.

The IFR Awards Garden Party

Guaranteed Securities due September 2021

£884,000

Save the Children

Bookrunner

Morgan Stanley £600,000

Senior Co-Lead Managers

Citigroup £100,000 BNP Paribas £50,000

Co-Lead Managers

Barclays £20,000 Goldman Sachs £20,000
HSBC £20,000 IFR/Refinitiv £20,000

Co-Managers

Deutsche Bank £15,000 Credit Suisse £10,000
Enel SpA £10,000 JP Morgan £10,000
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Upfront

Three lines in the sand

After two years of worrying about China Evergrande Group's towering debt, it is almost a relief for it to begin sliding towards default. Now investors can concentrate on assessing the likely fallout.

That is going to be challenging – other Chinese property developers are struggling too and some fear contagion of the whole sector.

Evergrande's US dollar notes have been trading at a steep discount to face value since 2019, part of the reason why it was unable to refinance its debt at affordable levels, so bond investors should not be surprised.

Nor is there likely to be a crash in property prices. When banks scaled back lending to the riskiest property developers around May this year, house prices actually went up on expectations of reduced new supply.

Evergrande's US$90bn of debt to financial creditors is unlikely to bring down China's banking sector either, accounting for far less than 0.5% of loans and assets in the system.

The impact on bond investors will be widely distributed, since Evergrande's paper was in major indices and attracted a broad mix of holders. Losses on a few hundred million dollars of Evergrande bonds will not be enough to bring down the likes of BlackRock, although it might make investors question the wisdom of index-trackers automatically investing in the issuers with the most debt.

The guessing games on recoveries will continue for a while, since restructuring is not a quick process in China. China Fortune Land Development failed to repay offshore bonds due in February, but has not yet made any progress on a restructuring plan.

China's government could yet play a role, either in coordinating state-owned companies to buy assets from Evergrande or encouraging private-sector companies to help out, but the chances of a government bailout are slim.

This would go against the tightening policy implemented last year to encourage property companies to maintain responsible levels of gearing, and it hardly makes sense to draw three red lines – debt ratios that issuers cannot exceed if they want permission to borrow more – if developers are rewarded with state support for stepping over them.

These same red lines will make it difficult for other developers to buy Evergrande's assets and ease its financial pressure.

Providing a bailout would raise expectations of government support for the next private sector developers that run into trouble. If China does provide support of some kind, it is more likely to go to home buyers and out-of-pocket contractors than billionaire company owners.

Good for the planet

With five weeks to go until the COP26 conference begins in Glasgow, the world's pledge to provide US$100bn of climate finance annually, originally meant to have been met by 2020, has not been achieved . . . yet.

Perhaps policymakers have been looking at the problem the wrong way round?

Instead of stumping up their taxpayers' cash, official sector creditors are now increasingly looking at forgiving bilateral debts owed by poorer sovereigns in return for promises to use the freed-up cash on climate change mitigating projects instead.

Belize has reached agreement with half its bondholders to buy back their notes in return for using some of the new fiscal space to endow a project to conserve the world's second-biggest coral reef, which lies just off its shores in the Caribbean.

A more substantial project has been touted by South Africa, to try and get creditors of state-owned Eskom to forgive the cash-strapped utility US$10bn of debts in return for it converting its coal-fired power stations, which make up 89% of its output, into renewable energy sources.

Momentum seems to be falling in behind converting coal power projects. Most of the G7 have already made pledges to stop funding coal energy and last week at the UN general assembly China, a large South Africa creditor, also pledged to do so. The European Union is also considering debt forgiveness schemes.

UK Prime Minister Boris Johnson is getting closer to corralling the US$100bn target from world leaders, but when you can't quite get to your target by citing the Muppets and Sophocles then alternatives should be explored. Restructuring is a powerful tool if used in this way.

There are many ways to skin a cat, or indeed cool a planet.

Evergrande flirts with default

■ **Bonds** **Investors left in the dark about crucial coupon payment and developer's restructuring prospects**

BY CAROL CHAN

Investors are braced for what would be Asia's largest-ever US dollar bond default, as highly indebted CHINA EVERGRANDE GROUP appeared to miss a key interest payment.

Chinese property developer Evergrande with its subsidiaries has almost US$20bn of US dollar bonds outstanding and around US$90bn of interest-bearing debt. It has been expected for months to default.

Reuters reported on Friday that some holders of its US$2.025bn 8.25% 2022 bonds said they did not receive the coupon payment due on September 23.

Evergrande on Friday had not yet confirmed whether it had paid the US$83.5m semi-annual coupon, though there is a 30-day grace period before a missed payment on the bonds is considered a default.

In a filing on Wednesday, its property arm Hengda Real Estate Group said the annual coupon payment due the following day on its Rmb4bn 5.8% 2025s was "resolved via negotiation off the clearing house", without elaboration.

Before the key deadline, S&P said a default was likely, and that it does not expect the Chinese government to bail out Evergrande.

In August a consortium of state-linked companies agreed to invest in China Huarong Asset Management, but Evergrande is a privately owned company in a highly commercialised sector and intervening would undermine the government's campaign to instil greater financial discipline in the property sector, the rating agency said.

S&P said that even in Evergrande's home province, "the developer is insignificant to Guangdong's vast local economy – it is not too big to fail".

"We believe Beijing would only be compelled to step in if there is a far-reaching contagion causing multiple major developers to fail and posing systemic risks to the economy. Evergrande failing alone would unlikely result in such a scenario," S&P wrote.

The rating agency said the government's focus would be to ease Evergrande through an orderly debt restructuring or bankruptcy process that maximises the value of its substantial assets. Instead of a bailout, S&P expects the government may facilitate negotiations and funding to ensure individual investors and homebuyers are protected as much as possible.

"That would uphold the government's messaging for greater discipline in the sector while minimising moral hazard," it said.

CONTAGION RISKS

Goldman Sachs said in a note that its baseline remains that any potential default or restructuring of Evergrande would be carefully managed by the government with a limited contagion effect in both financial and property markets. "This would require a clear message from the government soon to shore up confidence and to stop the spillover effect, the absence of which we think poses notable downside risk to growth in Q4 and next year."

However, there was some speculation that Beijing may yet rescue the developer.

Asia Markets, a little-known online publication founded in 2020, on Wednesday reported that a deal that would see Evergrande restructured into a state-owned enterprise with three separate entities was being finalised by the Chinese Communist Party and could be announced within days, citing sources close to the Chinese government.

That report was circulated widely, even though many market participants were sceptical that the publication would have access to inside information from the Chinese government.

Oversupply makes a 'circus' of EMEA IPOs

■ **Equities** **Cancellations were inevitable with over 20 IPOs battling for investors' funds**

BY ROBERT VENES

There were 24 EMEA IPOs in the market at the start of last week chasing approximately US$13bn in one of the busiest periods in recent years, leading to debate over whether the deals that cancel are doing so because investors have ruled them a poor bet (which is a good thing) or because they fell through the cracks.

Dutch energy supplier Scholt Energy cancelling its up to €114m Amsterdam float at the end of the previous week and German language learning business Babbel met the same fate on Wednesday. Babbel's failure was despite offering a massive discount to its US peer Duolingo that listed in July and has risen 98% since then.

Five of those IPOs had completed by Thursday, by which time Estonian renewables business Enefit Green, fund Castelnau Group and UK roofing business Marley Group had joined the queue.

That led one banker last week to describe the market as a "circus", albeit in terms of oversupply rather than as a comment on execution, and questions over whether this level of supply could be absorbed.

"The IPO market is receptive but doesn't mean everything can get done," said Suneel Hargunani, co-head of EMEA ECM at Citigroup. "Investors are still being selective, given the volume of issuance. Greater visibility of demand prior to launch is often needed to help with momentum and attention."

The head of syndicate at another US bank said it was a functioning market but "not every deal should price, some product is good and some is less good. I don't know if I would call it a circus, but yes, investors are overwhelmed currently and some are just giving things a quick look and moving on. Even on deals where they participate, they are having to move on quickly after allocations."

That was illustrated by divergent outcomes for two French floats that came with the same price range and almost identical syndicates. Cybersecurity specialist Exclusive Networks priced at the bottom for a €366m deal size and fell 5% on its debut, while private equity firm Antin Infrastructure Partners priced at the top for €550m and rose around 25%. Private equity may

The media report, together with news that Hengda settled the onshore coupon payment, supported a rebound of Evergrande's shares, closing up 17.6% to HK$2.67 on Thursday when the Hong Kong stock market returned from a public holiday. However, the shares plunged again to close down 11.6% at HK$2.36 on Friday. Its US dollar bonds were quoted at high 10s to low 30s on Friday, still pricing in expectations of a deep haircut.

Chinese Estates Holdings, Evergrande's second-biggest shareholder, disclosed on Thursday that it had sold 108.9m Evergrande shares for HK$246.5m from August 30 to September 21 with an average selling price of HK$2.26.

Following the disposal, Chinese Estates still holds 751.1m Evergrande shares, representing about 5.66% of the issued share capital, and said it may exit the holding completely given it is "cautious and concerned about the recent development" of the Evergrande situation.

On the same day, Bloomberg reported financial regulators have urged Evergrande to focus on completing unfinished properties, repaying individual investors while avoiding a near-term default on its US dollar bonds.

Research firm CreditSights thinks that any government intervention will be targeted at limiting the threat to financial, economic or social stability. "Offshore investors are likely to be low down in the pecking order for protection from the Chinese government and would be both structurally and contractually subordinated in the event of default," it wrote.

However, the restructuring process cannot be seen to be arbitrarily unfair to offshore bondholders as the US dollar bond market remains an important funding source for many Chinese companies and the Chinese government will be keen to protect its reputation among international investors, said CreditSights.

CreditSights said it could harm international investors' confidence in Chinese US dollar bonds if the offshore recovery rates for Evergrande are low, but believes investors are unlikely to shun them for long, given the size of the market. ■

be in vogue, but there has also been a strong bid for tech and internet stocks this year.

A second head of syndicate expressed surprise at Babbel's cancellation, with which his firm was not involved. "It's not too dissimilar to Q2 when we saw a few deals fall by the wayside in all the noise," he said. "Babbel looked to be a well-run business and I'm surprised a tech name was not OK. Maybe it would have fared better in a quieter market, I don't know, but it is so busy right now that if you don't get sufficient mindshare, there is a risk you get overlooked and you have to think now about how to make sure you don't."

The dislocation, said the first head, is currently in early marketing. "We didn't have early looks and pilot fishing several years ago, we just went from feedback in pre-marketing. The early marketing has worked for a while this year, but with 20-plus deals in the market and more at earlier stages, there just isn't the time to go through all the different assets. So there tends to be a focus on the four or five assets they really like and the rest is about a deep discount at the bottom."

There are still more deals to be launched, including some that deliberately waited until they had Q3 financials ready but are now faced with a torrent of competing deals.

"If you've got a great asset, you can launch any time," said the first head of syndicate. ■

Medline markets US$7bn LBO loans

■ Loans Arranger group is one of the biggest for a leveraged deal

BY SASHA PADBIDRI

Medical products supplier MEDLINE has launched US$7bn of loans to back the biggest US leveraged buyout since the financial crisis, the latest deal to highlight how sponsors are taking advantage of attractive borrowing terms to finance jumbo acquisitions.

Private equity firms Blackstone, The Carlyle Group and Hellman & Friedman are buying Medline for US$34bn, supported by a US$6bn term loan B and a US$1bn dollar-equivalent euro-denominated TLB. The financing also includes US$3.77bn of secured debt and US$4bn of unsecured debt, in addition to US$2.23bn of secured mortgage debt and an equity offering.

"The market is ready, and the buyers are ready. We've had a massive uptick in deal activity since summer ended. This is a great environment to sell a jumbo LBO loan like this," said a leveraged finance lawyer. "There are a lot of people with money on the sidelines that will be competing for a deal this big."

Banks have been jostling to secure a place on the loan financing, illustrated by the 27-strong arranger group, one of the largest seen for a leveraged deal and comfortably surpassing the 20 arrangers on data company CoreLogic's US$4.5bn buyout loan in June.

"[Medline] is a massive deal, and it may take longer to place compared with the usual one or two-week turnaround period. There's a lot of marketing and back-office work, and this requires more coordination given the size of the arranger group," a research analyst said. "This is a name that investors have been looking at for a while."

"The market generally has capacity for deals of this size and everyone knew it was coming so they've been squirelling away money to do it," a London-based syndicate head said. "With a B+/B2 rating, the ratings work. It is a big deal and deals this big have their own gravity."

Medline joins a wave of other issuers seeking buyout loans before the year concludes, as sponsors continue to deploy cash after a barren, Covid-hit 2020.

As of September 16, US LBO loan volume for 2021 stood at US$131.5bn, a 163% increase from the same period last year.

Private equity firms are sitting on a record US$1.76trn cash pile as of August as capital raises soared, according to Preqin.

DEAL TERMS

The seven-year TLBs are offered at 350bp–375bp over Libor/Euribor with an OID of 99–99.5.

Bank of America is the lead-left arranger. *Goldman Sachs*, *JP Morgan*, *Barclays*, *Morgan Stanley*, *MUFG*, *BMO*, *Citigroup*, *Deutsche Bank*, *HSBC*, *Jefferies*, *Macquarie*, *UBS*, *Wells Fargo*, *Bank of the West*, *BNP Paribas*, *Credit Suisse*, *Mizuho*, *Nomura*, *RBC*, *Santander*, *Truist*, *ING*, *Societe Generale*, *SMBC*, *Scotiabank* and *TD* are arrangers.

Blackstone and *TCG Capital Markets* are co-managers.

Corporate ratings are B2/B+/B+ and the TLB is rated B1/B+/BB–. ■

UK debut breaks greenium records

■ **Bonds** **Sovereign secures £10bn, with more UK green bonds set to come**

BY HELENE DURAND

The UK DEBT MANAGEMENT OFFICE moved the goalposts for green issuance last week as it received a rousing response for a debut green Gilt that broke records for size, demand and pricing in the asset class.

Leads *Barclays, BNP Paribas, Citigroup, Deutsche Bank, HSBC* and *JP Morgan* opened books on Tuesday morning with guidance for the 0.875% July 2033 benchmark at 7.5bp–8.5bp over the 4.25% June 2032 Gilt. In typical DMO style, the spread was set at plus 7.5bp a mere 30 minutes later. It went on to launch the issue at £10bn, with final demand at more than £100bn, including £10bn of joint lead manager interest.

"This is not only a record book for a UK DMO syndication by some considerable margin but it's also the largest-ever green order book and shows the huge appetite for green sterling assets," said Asif Sherani, head of DCM syndicate EMEA at HSBC.

"At £10bn, it's the largest-ever sovereign green bond, and while the UK could have printed considerably more, they were limited in terms of size. The ESG angle added demand, both from an international and domestic perspective."

The order book beat Italy's green debut in March when demand was more than €80bn. The deal also eclipsed the UK DMO's own record – the £82.6bn book for last year's £12bn October 2030s.

"The deal size came in at the upper end of expectations at £10bn. Taking into account the huge demand, the slim allocations (relative to a brown Gilt syndication), we expect this Gilt to perform well in the coming days and months," said Matthew Amis, investment director at ASI. "This will be aided by no further issuance of this 10-year green Gilt until Q1."

The trade also set a new high mark for the greenium. At 7.5bp over the June 2032 Gilt, Sherani said the issuer had achieved a 2.5bp greenium based on an interpolation of where the UK's on-the-run 2031 and 2035 bonds are trading.

"One of the previous stumbling blocks is that we wanted to be sure as much as we could be that we could achieve value for money for the UK taxpayer," said Robert Stheeman, chief executive of the UK DMO.

"We feel that we have been able to achieve that in a very clear and unambiguous manner with this deal. At around 2.5bp, this is the largest-ever greenium by any sovereign for an inaugural offering."

It beat Germany's debut green bond last year, the first trade to clearly demonstrate the pricing advantage of green instruments versus conventional paper and the 2bp greenium the country achieved on a 30-year syndication earlier this year.

"They've got a huge reaction," another banker said. "We all hoped for this but you can never expect it; there is a distinct greenium here, the biggest we've ever seen."

"We congratulate the DMO on the successful introduction of a green Gilt into the UK Gilt market and expect future issuance of green Gilts as the UK looks to expand the scope of maturities available to investors seeking greener investments," Amis said.

Stheeman said that while the size of the book gave an indication of the significant demand and momentum behind the transaction, the true mark of the deal's success was the diversity in orders. "There were genuine new investors who had previously not appeared in a Gilt order book. We genuinely didn't set out to do a £10bn trade but under the circumstances felt this was appropriate."

Another £5bn of green Gilts are due to be issued by March 31.

PLAYING CATCH-UP

The transaction has emerged just a few weeks ahead of the UN's COP26 climate meeting in Glasgow at the beginning of November.

Despite its ambitions to be a green leader, the UK has until now lagged behind with the US$9.84bn of green issuance in total printed from the country in 2021, excluding supranationals, less than a quarter of that from Germany.

Sherani said the trade was a game-changer for the UK green bond market. "We've had issuance but it's been limited, and nothing in this quantum. The fact that the UK government has now done a green bond will push other issuers to look at the

UK focuses on plain green Gilts

■ **People & Markets** **Sovereign's green offerings to begin with standard benchmark bonds**

BY JULIAN LEWIS

The UK has been innovative in its green bond framework and coming retail issue, yet plans to pursue a largely conventional ESG debt strategy, according to the head of the Debt Management Office, Robert Stheeman.

Greening its inflation-linkers and treasury bills, never mind breaking new ground with the first sovereign sustainability-linked bond issue, is not on the menu, as yet.

The social co-benefits of green expenditures that the UK plans to report under its framework, the limited one-year lookback on past expenditures and the green savings bond that the Treasury's NS&I retail unit will offer later this year, all move the needle for sovereign green bond activity. But the sovereign's institutional green offerings are set to remain focused on standard benchmark bonds.

Some observers had expected the sovereign to follow its triumphant debut green bond with a headline-grabbing innovation to coincide with it hosting the COP26 international climate conference in November. One possibility was the first sovereign green inflation-linker, since the UK is a substantial and long-standing issuer of debt linked to its retail price index.

However, Stheeman said that the 20 to 30-year green Gilt that the DMO is planning for late October will not be in RPI-linked format.

"The inflation-linked part of our issuance, while of huge importance to us and to the pension fund industry, is nonetheless a much smaller part of the overall Gilt portfolio. If you're looking to establish benchmarks, build large, liquid issues, build a curve, it's not obvious you would start off by focusing on inflation-linked bonds."

With the UK having committed to at least £15bn of green Gilt issuance by March 31, the longer-dated deal is almost certain to be smaller than the £10bn inaugural offering – especially as the retail green bond issue will also come out of the same pool of planned fundraising.

CORE BENEFIT

The DMO offer also has no plans for green bills. "It's not currently on the agenda," Stheeman said, though he regards the idea as "interesting".

Similarly, the UK is not looking either to pioneer a sovereign SLB or to follow the lead of G7 peer Canada with a social bond issue. "You can never rule out that; as markets develop and as ministerial preferences change, we might feel that it might be worth going down that route, but we do not have that as part of our plans for the period ahead," Stheeman said.

market more seriously and encourage others to come."

The UK's commitment to net-zero emissions by 2035, however, is one of the most ambitious medium-term targets globally and its disclosure regime, which includes mandatory implementation of the Taskforce for Climate-Related Financial Disclosure, is also world-leading.

"What matters to us is the use of proceeds," Amis said. "In this case we are encouraged by the creation of a separate General Account by HM Treasury where the proceeds will be held and tracked. Information contained with the Green Register also allows investors to track expenditure towards eligible investments."

HEAT OVER HYDROGEN

The deal's triumph came despite the UK's decision to treat investments in controversial blue hydrogen as eligible under its framework, leading some dedicated ESG investors, such as Triodos Investment Management, to spurn it. This reflects "huge sensitivity around fossil fuel lock-in", a lead manager acknowledged.

Government policy is a twin-track approach to support large-scale production of both green hydrogen, produced using electrolysis powered by renewable energy, and blue hydrogen, produced from LNG with emissions captured and stored underground.

The UK stance on blue hydrogen contrasts with that of peers such as Germany and the EU.

However, the UK is more in line with peers by excluding nuclear power from its framework. This is despite government policy being to support an expansion of nuclear, which the Johnson administration's November 2020 Ten Point Plan for a Green Industrial Revolution terms "a reliable source of low-carbon electricity". But, like green bond pioneer France (another strong nuclear advocate), it bowed to investor pressure on this point.

The deal also benefited from investors' positive view of the framework, according to the lead manager. Both its very limited look-back provision, which only allows prior green expenditures from the past year when two years has been considered best practice, and its reporting of social co-benefits of this spending are innovations for the sovereign market. ■

Instead, the focus will be on making green bonds core to the Gilts programme. Stheeman hopes that strong appetite for the green product could improve demand for UK government debt more generally.

"If your investor base focuses on you as an issuer because it believes that your credentials are such that go beyond just the yield that you're offering, but extended to these other areas, we hope that some of those considerations would rub off on the Gilt programme too."

GERMANY GOING SHORTER

Meanwhile, G7 peer GERMANY – whose debut green bond offering last September crystallised the sovereign greenium, helping overcome the DMO's value-for-money concerns and bring the UK into the market finally – is considering "shorter maturities, for example the issue of a green federal treasury note with a two-year term", an official said.

A German two-year would extend the sovereign green yield curve notably. Most European sovereigns have issued in 15-year and longer maturities, in tune with the long-term investments made with proceeds.

The five-year green issue that the German sovereign auctioned in November 2020 stands out as an exception. An even shorter note offering would complete the full yield curve that the finance agency has previously said it planned in the medium term – and go some way to meeting growing demand for green debt from short-term investors, though (like the UK) Germany has no current plans to offer green bills. ■

Banks line up T-Mobile Netherlands deal

■ Loans Buyout financing includes €2.4bn term loan B

BY CLAIRE RUCKIN

Four banks have lined up a €4.45bn debt financing to back the €5.1bn acquisition of T-MOBILE NETHERLANDS from Deutsche Telekom by private equity houses Warburg Pincus and Apax.

Morgan Stanley, *Deutsche Bank*, *Credit Suisse* and *Barclays* are leading the financing and are expected to bring in other arranging banks shortly.

The financing includes a €2.4bn term loan B, a €800m secured bridge to bond and a €550m unsecured bridge. There is also a €700m revolving credit facility.

It is expected to launch to institutional investors towards the end of the year.

The pipeline of jumbo financings set to launch in the fourth quarter is growing and while arranging banks will be competing for investor attention, T-Mobile Netherlands is expected to be popular given the sector is seen as cash-generative and stable.

Investors like the sector, which includes borrowers such as Altice and Liberty Global, because the assets tend to be liquid and easy to trade.

"Telecoms are effectively seen as a cash balance so they are easy to trade in and out of. Ultimately, when you think about running liabilities, assets where liquidity is guaranteed are very attractive propositions for managers," a senior banker said.

LEVERAGED UP

Some €3.75bn of drawn debt equates to about 5.6 times the unit's approximate €675m Ebitda, and this level of leverage is likely to be attractive to investors as it will offer more yield than Altice and Liberty, given T-Mobile Netherlands is sponsor-backed as opposed to a leveraged corporate.

The financing backing T-Mobile Netherlands is around a turn of leverage higher than the corporate-backed borrowers in the market.

"Generally, people like telecoms. A lot of telecoms issuers are not that leveraged so when a more fully LBO structure comes, people like those as they are more exciting from a yield perspective even though leverage is a bit higher," a syndicate head said.

The pipeline of jumbo financings set to launch in the fourth quarter is growing

A second syndicate head said: "Leveraged corporates will generally operate at what is perceived to be a sustainable level of leverage. In contrast, most LBO acquisition financings usually start at a higher level of leverage, but are expected to delever relatively quickly. Investors are prepared to accept higher leverage because they expect it to delever quickly and in return they are going to get higher margins and upfront fees versus the leveraged corporates."

T-Mobile Netherlands operates four brands – T-Mobile, Tele2, Ben and Simpel – and is the largest mobile network operator in the country. It was serving about 700,000 broadband customers at the end of June 2021.

Deutsche Telekom's sale of its Dutch unit came at the same time that the company announced that it had signed a US$7bn share-swap deal with SoftBank Group to increase its stake in T-Mobile US. ■

Banks collect green as ESG cranks up

People & Markets **Boom time as sustainability deals swell across capital markets**

BY STEVE SLATER

Banks are now pulling in billions of dollars in fees from underwriting, financing and advising on ESG capital markets deals as activity has surged across all asset classes this year, adding thrust to their expansion of ESG teams and the creation of new products.

Bankers say green and sustainability-linked deals are now core to all areas of capital markets activity, and firms risk losing wallet share if they are unable to compete in the area. A whopping US$660bn of ESG bonds have been issued this year, up 93% from a year ago, and the surge has also spread to M&A, ECM and loans desks.

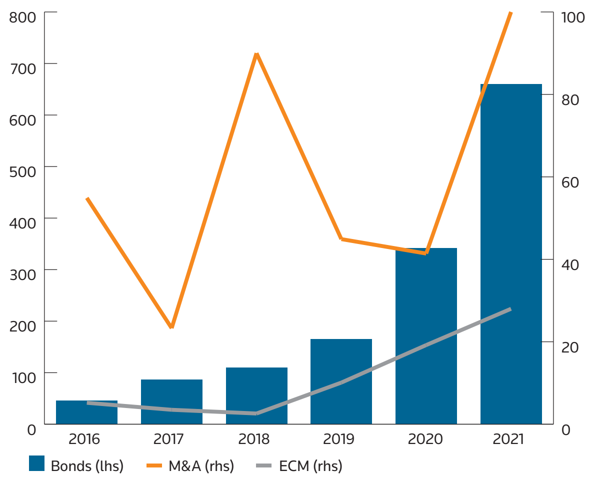
That is only likely to intensify in the next few years, and it is shaking up activity and banks' strategies as they compete to create new ESG financing products and services, such as derivatives. After all, US$57.2bn has been raised from 101 sustainability-linked bonds this year, according to Refinitiv data, when only a handful of SLBs had ever been issued at this time last year.

Banks are also being asked to help companies facing rising activism from investors that want to hold them to account on sustainability and governance issues; provide advice in areas such as supply-chain finance to ensure suppliers meet sustainability standards; and capital markets carbon products are on the way.

"We're on the cusp of an extraordinary decade for sustainability and energy transition and we've seen action accelerate hugely in the last 18 months," said Keith Tuffley, global co-head of sustainability and corporate transitions for Citigroup.

"Every single IPO we're now on involves an element of ESG and sustainability – whether it's a core part of their investment story, or a smaller element with a risk lens."

BOOM TIME FOR ESG-RELATED DEALS, IN US$bn



Source: Refinitiv; each year up to September 22; Bonds includes green, social, sustainability and SLB bonds; ECM includes all deals for sustainable companies; M&A includes any deal involving sustainable industries

Other bankers agreed. "ESG has become such a big part of the financing and M&A discussion with clients that it's imperative you're part of it. If you aren't there, you're going to lose wallet share," said a senior ESG banker at a rival firm.

Bankers said that while the volume of ESG-related deals has been impressive, equally encouraging have been deals breaking new ground and the creation of new, potentially more lucrative products.

The UK may have grabbed headlines last week when its £10bn debut green Gilt broke all records for size, demand and pricing, including a £100bn book, but innovation is rapid across capital markets, such as Benin recently printing Africa's first sustainable development goals bond with a €500m issue.

Greek power utility PPC has issued two sustainability-linked bonds to repay loans from Greek banks and followed up with a revolving credit facility that includes key performance indicators, while British Airways launched a unique

EU considers debt swaps for climate projects

People & Markets **Bloc may forgive emerging markets debt if climate change policies are enacted**

BY CHRISTOPHER SPINK

The EUROPEAN UNION is considering a plan to grant sovereigns in emerging markets relief from some of their bilateral debts in return for them investing the amount consequently freed up in projects to mitigate the impact of climate change.

The debt relief proposal is the latest in a string of financial measures being put forward ahead of November's United Nations COP26 meeting in Glasgow. Others include a plan by SOUTH AFRICA to forgive US$10bn of debts of its state energy company ESKOM if it stops using coal-powered plants.

Lazard has produced a paper for the European Commission that will outline the EU plan. It is due to be released this week to form the basis of discussions among member states before the Glasgow conference, with a view to possibly reaching an agreed EU position over the next month.

The EC told IFR that it supported the G20's current debt relief initiatives and said the contribution to the IMF's catastrophe containment and relief trust was "the EU's financial contribution to multilateral effort for debt relief in low-income countries". However, it has indicated it wants to contribute further.

Earlier this month, European Commission president Ursula von der Leyen said the EU would commit an additional one-off amount of €4bn for climate finance, on top of US$25bn a year it already pledges as part of the UN target of US$100bn a year, which is currently unmet.

"While every country has a responsibility, major economies do have a special duty to the least developed and most vulnerable countries. Climate finance is essential for them – both for mitigation and adaptation," she said in a speech at the European parliament in Strasbourg.

In a recent note Fitch said: "Financing incentives could play a key role in resolving the emerging market biodiversity-debt nexus and could be supported by wider trends towards multilateral and bilateral debt relief and growth in demand for impact investments."

There have been doubts that an international agreement on the financial aspects of climate change mitigation will be possible at Glasgow. UK Prime Minister Boris Johnson has said there was only a six out of 10 chance of getting a deal.

sustainability-linked bond issue that was backed by deliveries of more efficient new planes.

Bankers said there was no sign of a let-up, and the UN's COP26 climate meeting in Glasgow in November could fuel dealflow right up to year-end as sovereigns and corporates try to grab headlines.

BOOM TIMES

A number of factors have fanned the surge in activity. EU legislation helped put finance at the heart of carbon reduction goals, and investors have ramped up pressure on companies to act. Climate Action 100+ now has more than 615 investors as members and will keep the heat on firms around governance, cutting emissions and financial disclosures. They include the biggest clients of most banks, including BlackRock, Calpers, Pimco, State Street and Amundi.

While banks are settling in for the long game, they are already reaping rewards from booming revenues this year.

The US$660bn of ESG bond issuance – including green, social, sustainable and sustainability-linked bonds – up to September 22 is up from US$342bn at the same stage of last year, and already 23% above the record annual tally of US$535bn in 2020. It is 14 times the US$46bn of ESG bond issuance in 2016, according to data from Refinitiv.

The ESG swell in other areas is harder to quantify, but equity issuance by sustainable companies this year is US$28bn, up 46% from US$19.2bn at the same stage of last year and already close to surpassing the annual record of US$33.3bn in 2020. That compares with US$12.4bn raised in 2016.

And in M&A, deals involving a company operating in sustainable industries had just topped US$100bn by September 22, up 142% from US$41.4bn a year earlier and the highest annual tally at this stage of a year. There have been 637 such deals this year, up from 533 a year ago, Refinitiv data showed.

"ABSOLUTELY CORE"

While sustainability factors are driving many headline deals – such as where an integrated oil and gas company wants to pivot to renewable energy and sells legacy businesses or looks to acquire solar or renewable sources to do so – the ESG impact is having a wider impact across all sectors, bankers say.

Sarantis Douropoulos, head of sell-side M&A for EMEA at UBS, said financial sponsors, for example, are putting "significant scrutiny" on all purchases with an eye on how they will be viewed from an ESG perspective in five years when they might want to sell.

"ESG becomes a very significant consideration when it comes to the impact ESG might have on the exit story a few years down the line," Douropoulos said.

Gareth McCartney, UBS's global co-head of equity capital markets, said ESG had become "front and centre" of any IPO story as investors assess how they plan to hold their investments to account. "From an IPO context, ESG has gone from being nice to have to being absolutely core," he said.

That said, deals at odds with ESG concerns are not struggling – such as the IPO of ADNOC DRILLING that will support Abu Dhabi's 25% increase in oil production and was upsized on strong demand last week.

One banker estimated about one-fifth of SPACs have sustainability as part of the IPO or demerger process.

As revenues rise, banks are increasingly competitive and are seeking to use ESG as an additional lever with clients.

"It's a great opportunity for banks that may not be one of the biggest lenders or have the main relationship, a chance for them to add real meaningful depth to a client relationship," one senior ESG banker said.

Nomura last week said it would focus on sustainable finance and digitalisation trends to build up its US investment banking platform, and appointed Jeff McDermott, the founder and head of Greentech, an investment banking team that specialises in sustainable technology and infrastructure investment, to lead the push (see separate story in P&M).

"We're in the earliest beginnings of a transformational change in all our fundamental industries," McDermott told IFR.

"There are three forces that have converged: technology and innovation; ESG investment flows; and public policy. And those three forces are going to transform our systems, whether it's food or transportation or power, to be lower carbon and resource-efficient and that is going to play out over decades. And the markets are reacting to a mega-opportunity that will be long-dated." ■

However, hopes have been raised over the last week at the United Nations general assembly, with even CHINA pledging to stop financing new coal-based power projects overseas. Details on this pledge by the world's biggest consumer of coal are awaited.

Currently, 44 coal projects costing US$50bn are earmarked for investment from Chinese lenders, according to Global Energy Monitor. It is not clear if some are Eskom plants. South Africa's plans to swap debt liabilities for pledges to use cleaner fuel may pay off, say some experts, as long as they are part of wider debt sustainability policies.

Lee Buchheit, an experienced sovereign debt adviser who as a partner at law firm Cleary Gottlieb advised Greece on its €200bn restructuring in 2012, said using debt relief as a carrot to encourage climate change mitigation policies could prove fruitful.

"In a sovereign debt restructuring, creditors know they will be asked for debt relief. The only questions are how and how much. If a portion of that debt relief can be channelled back into the debtor country by funding an environmental conservation project, everyone wins," he said.

"The sovereign debtor gets debt relief and inward investment into its economy. The creditors improve the sovereign's debt dynamics and thereby enhance the collectability of the balance of their claim. The planet gets to breathe a bit more freely."

Buchheit has been advising BELIZE on its proposal to buy back its one outstanding bond issue, a US$533m 4.398% note offering due 2034, at a 45% discount with a promise that in return it will commit US$23.4m to a major marine conservation project off the country's Caribbean coastline (see Emerging Markets).

"Many institutional creditors complain about the lack of opportunities to demonstrate their commitment to ESG objectives. The Belize innovation is an attempt to harness that sentiment," he said.

David McNeil, a director at Fitch Ratings, agreed. saying: "Despite growing investor interest in addressing biodiversity risks, mechanisms to influence behaviour of state and non-state actors are often limited. However, the emergence of new asset classes that tie sovereign debt financing costs to biodiversity outcomes could help address the dual challenges of nature loss and emerging market debt."

Buchheit is less hopeful that a more wide-ranging agreement would be achieved at COP26 but suggested one way to help do this would be to encourage private sector money to support initiatives by the official sector.

"The global climate change agenda will require a staggering amount of money. It cannot all come from the official sector. The official sector players should be looking closely at mechanisms by which private capital can be enlisted as part of this effort," he said. ■

EM high-yield hype fails to deliver

■ **Emerging Markets** **Sector returns left plodding behind US and euro high-yield**

BY ROBERT HOGG

NIGERIA and EGYPT typified the renaissance of high-yield emerging market credits with trades last week, but for all the fanfare around the resurgence of the asset class, returns in 2021 have failed to live up to the hype.

This year was meant to bring excellent rewards in EM debt after many lower-rated names had been frozen out of the market during 2020, with the high-yield element in particular set to provide juicy returns.

Of the close to US$200bn of CEEMEA supply this year, for example, more than 40% is from issuers with non-investment-grade ratings, according to IFR data. The latest were a US$4bn offering by Nigeria on Tuesday and a US$3bn deal by Egypt two days later. (see Emerging Markets for more.)

But the total return on JP Morgan's EMBI Global Diversified, which measures the performance of EM sovereign hard-currency bonds, was just 0.73% as of the end of August. And while the high-yield component of the index posted a positive return of 2.97%, compared with negative 1.22% for the investment-grade portion, it still underperformed other asset classes.

The US high-yield market had delivered a return of more than 5.5%, as of September 16, while for the euro high-yield market it was just over 4%.

"The consensus overweights, the big liquid high-yield issuers, have not done all that well," said Richard Briggs, an investment manager at GAM. "With Egypt, Ghana and Nigeria you are looking at mediocre returns, and Egypt has actually posted negative returns. The JP Morgan EMBI Global Diversified has only moved in a 40bp range all year, so it's been unusually stable for EM spreads. The variations in returns have typically been more single country driven this year."

The macro picture has not always been supportive either.

"It's been a bit of disappointment given the global reflationary – and risk-on – context," said Francesc Balcells, chief investment officer of FIM Partners.

"I think it's partly because EM, not only high-yield, has been sandwiched between two negative external developments – the move higher in Treasury yields in Q1, and concerns over global growth in Q3. In fact, if you think about it, high-yield did extremely well in Q2, when neither of those two factors were at play."

EM corporates, too, have underwhelmed. The JP Morgan CEMBI Broad Diversified had a total return of 2.21% as of the end of August. And while the high-yield component of the index had delivered a return of just over 4%, roughly in line with the euro high-yield market, the US high-yield market has done better.

Olga Budovnits, portfolio manager at Main Partner, said there were a number of factors behind the superior performance of the US high-yield market. She highlighted large fallen angels entering US high-yield indices in 2020, a more aggressive approach from rating agencies towards upgrading US high-yield companies than their EM equivalents, and the benefit of monetary support packages in the US.

EM investors say that the high-yield side of their asset

Gecina counts the saving from switch to sustainable debt

■ **Bonds/Loans** **French real estate group estimates it could take a few years to convert entire debt stack**

BY TESSA WALSH

French real estate company GECINA's progress in reclassifying its outstanding debt into sustainable and green forms means it is in a unique position to quantify the greenium available to corporates that follow its lead.

Gecina now has 85% of its financing linked to ESG criteria after transforming all of its €5.6bn conventional bonds to green in May and plans to convert the remaining 35% of syndicated loans that are not sustainability-linked into SLLs over time.

"My goal is to have 100% sustainability-linked bank financing, so we will move from 65% now to 100% and then start to issue some sustainability-linked bonds to refinance existing bonds at maturity," said Nicolas Dutreuil, deputy CEO in charge of finance at Gecina. The company will consider both public bonds and private placements.

Gecina's enthusiasm for ESG finance is primarily motivated by a desire to align the sustainable management of its €20bn portfolio of buildings with its liabilities and funding, but the firm has also been able to pinpoint the financial benefits of this approach.

"We had exactly the same bonds before and after doing the greenification process so we have seen the impact of being green on our yield curve on a comparable basis. Our spreads have decreased by around 25%," Dutreuil said.

Gecina extrapolated its yield curve from existing maturities to compare 10-year bonds where the spread was 47bp before the reclassification and 35bp subsequently, giving a 9bp greenium, after a 3bp market decrease was factored in.

The company then issued a €500m 15-year green bond in June with a 4bp discount. A similar deal would previously have required a 2bp premium, giving a saving of around 6bp below typical rates.

"By combining our 9bp yield compression after the announcement of the greenification and the 6bp greenium we got on the new issuance, we have issued at around 15bp below what we were before we were green," Dutreuil said.

STRONG MOTIVATION

The greenium remains strong motivation for companies to tap the market as euro-denominated green bonds continued to see higher book cover, greater spread compression and secondary market liquidity in the first half of the year.

class still has a lot to offer versus the likes of US high-yield, and they remain bullish on its prospects.

Jean-Charles Sambor, head of emerging market fixed income at BNP Paribas Asset Management, is more positive on EM high-yield than EM investment-grade.

"The investment-grade side is relatively expensive compared with historical levels, albeit very cheap to US investment-grade," he said. "High-yield is going to be choppy and super volatile but the technicals are very supportive, and once we see the noise from China abating then we expect to see inflows to these types of issuers."

EM debt had seen net inflows of almost US$40bn as of September 15, according to data from EPFR and Bank of America. Sambor said that expectations were that even more money would have flowed into EM, but that it is a market that typically benefits most once the hunt for yield in US and euro high-yield has been exhausted.

Still, EM portfolio managers need to put their money to work.

"I think normally people have 1%–3% in cash but I wouldn't be surprised if that's closer to 4% at the moment," said Sailesh Lad, head of active emerging markets fixed income, AXA Investment Managers.

Those cash balances "are now a burden", he said, "given they are not yielding much and you need to start earning yield".

Some investors, particularly hedge funds, are using more leverage to juice up potential returns. "Leverage is back in a way not seen since before the financial crisis," said one banker.

While no one thinks leverage poses the same systemic risk as it once did, the relatively low coupons on offer mean any downside protection on a bond deal is limited. Another episode similar to the taper tantrum of 2013 could shake out some of these funds.

"Any leverage is going to be pretty punishing," said the banker. ■

Euro-denominated green bonds were 2.9 times subscribed with a spread compression of 20.4bp compared with 2.6 times subscription and 19.6bp spread compression for conventional deals, according to the Climate Bonds Initiative.

More companies are replacing conventional debt with ESG financing as "green liability management" gathers pace. Italian utility **ENEL** issued three euro SLBs last week to replace conventional debt, which it estimated could save 15bp–20bp.

However, reclassifying all existing debt as green is a bigger step that investors believe should be reserved for only the greenest companies.

"It might be a logical step for a pure-play company that feels its work on delivering solutions to environmental challenges is not reflected in its cost of capital," said Rhys Petheram, fund manager and head of environmental solutions at Jupiter Asset Management.

"Any issuer that wants to undertake such a strategy should really be a pure-play issuer or transitioning to one. Whether Gecina is such an issuer is questionable."

Gecina is planning to be carbon neutral by 2030, but persuading investors that this is the case could still take a few years as the company may have to wait for loans and bonds to mature before replacing them with sustainability-linked debt. It is working to convince lenders to sign waivers to convert to SLLs and persuade bond investors that its sustainable asset and portfolio management is reducing their risk.

"It will be impossible to do this kind of operation if you are not a convinced green player. The finance of tomorrow will be green," Dutreuil said. ■

IHS towers over African IPOs

■ **Equities Telecoms infrastructure operator dusts off plans for NYSE debut that could reach US$1bn**

BY ANTHONY HUGHES

Mobile phone tower operator **IHS** is moving ahead with a long-awaited NYSE IPO that would offer a rare test of US investor appetite for Africa with the largest listing from the continent on a US stock exchange.

Joint global coordinators *Goldman Sachs*, *JP Morgan* and *Citigroup* lead a 15-firm syndicate expected to bring a deal valuing IHS at US$8bn–$10bn, implying an offering of around US$1bn, according to banking sources.

IHS's SEC filing positions the company to debut as early as next month. Yet having originally filed confidentially with the SEC in December 2017, its IPO plans have long been frustrated.

Events such as the 2019 elections in Nigeria, the country that generates more than 70% of IHS's revenue and the location of more than half of its towers, is one reason why the IPO has not happened sooner.

In recent years, IHS has gone some way towards diversifying its country risk, making several large portfolio acquisitions in Kuwait and Brazil last year. This may be one reason it is more confident about proceeding now, not to mention the current strong risk appetite of IPO investors reflected in a record year for US new issues.

COMING TO AMERICA

Founded in Nigeria in 2001 as a builder of towers for mobile network operators, IHS now operates 30,207 towers in Africa, Latin America and the Middle East, ranking it as the fourth-largest tower operator globally and the largest independent multinational operating only in emerging markets.

Growth has accelerated in recent periods. IHS lifted adjusted Ebitda by nearly 31% to US$490m in the first half of 2021.

US investors lack experience investing in Africa, bankers note. Yet IHS may be able to make a convincing argument that telecoms towers are a relatively low-risk way to invest in Africa. As with tower investments in developed markets, there is built-in growth from the data explosion and improvements in telecoms services.

Investors in tower stocks already have some exposure. Sector heavyweight American Tower took a position in Nigeria when it bought Eaton Towers for US$1.85bn in 2019. In the same year, Helios Towers, which is focused on other African countries, went public on the London Stock Exchange and has since returned 60%.

The previous notable African IPO in the US was e-commerce company Jumia Technologies, which raised US$196m from its NYSE IPO in April 2019.

Its share price performance has been highly volatile. Jumia's IPO was priced at US$14.50 and shares were soon over US$27 before collapsing within a year to below US$3. In February, the shares were above US$65 and are now back at US$20.

South African telecoms company MTN, coincidentally a Jumia shareholder before selling out last year, has indicated its desire to reduce its 29% stake in IHS, likely requiring secondary sell-downs over time.

Other IHS shareholders include listed French investment company Wendel, Goldman Sachs and Singapore's GIC.

IHS is also well connected in the US, counting former Florida governor Jeb Bush and former Xerox CEO Ursula Burns as board members. ■

Indian tech continues hot streak

■ Equities Freshworks raises US$1.03bn from upsized IPO while Yatra plans home listing

BY S ANURADHA

The strong response to Indian technology floats is encouraging more companies to tap the equity markets at home and overseas.

Enterprise software company FRESHWORKS last week raised US$1.03bn from a Nasdaq IPO that was covered 20 times with around 500 accounts participating.

Not surprisingly, the company was able to price the IPO above the revised guidance of US$32–$34 at US$36 per share, having launched the deal in a US$28–$32 range. The shares still rose 32% on their debut to end at US$47.55.

Freshworks' deal is the largest listing of a software services company from India on any market. It is the first Indian internet company to list in the US since MakeMyTrip's US$70m IPO in 2010, and the first Indian company of any kind to complete a US IPO since renewable energy producer Azure Power Global in 2015.

Freshworks, founded in 2010 by CEO Girish Mathrubootham, reported revenue of US$168.9m for the six months ended June 30, up 53% from US$110.5m in the same period last year. Its net loss narrowed 83% to US$9.8m from US$57m during the same period.

The San Mateo-based but India-founded and substantively India-based company is a rival of Salesforce.com and Zendesk and legacy players such as Oracle and SAP. Freshworks is backed by Accel Partners, Tiger Global and Sequoia Capital.

Morgan Stanley, *JP Morgan* and *Bank of America* were the lead bookrunners.

Freshworks' success will encourage more software services and technology companies to attempt US listings. IT consulting company PHOTON is planning a US IPO of around US$350m next year. *Citigroup*, *Credit Suisse* and *UBS* are close to the transaction.

IT services provider COFORGE, formerly called NIIT Technologies, is planning an ADR issue of around US$500m and e-commerce company PINE LABS is targeting a US listing of around US$1bn next year and is working with *Goldman Sachs* and *Morgan Stanley*.

India's domestic market also remains attractive especially after the success of Zomato's Rs93.8bn (US$1.26bn) IPO, which is up 80% since listing. That is in contrast to the weak secondary performances of most recent Indian listings outside the tech sector.

Sensing high demand and valuations, Nasdaq-listed YATRA ONLINE is planning a rare homecoming through a US$200m local listing of its Indian subsidiary.

Yatra, which provides real-time bookings for more than 94,000 hotels in India and over two million around the world, listed on Nasdaq in 2016 following a reverse merger with Terrapin 3 Acquisition Corp.

Its Indian IPO, expected by March, will comprise US$100m of primary and US$100m of secondary capital. *DAM Capital*, *IIFL Securities* and *SBI Capital* are working on the listing.

"The Indian IPO market is finally demonstrating the economic growth potential of India," a Hong Kong-based ECM banker said. According to him, the feedback for most technology IPOs both domestic and overseas is strong. "Everybody is begging for management access to get shares." ■

Prudential navigates volatility

■ Equities Insurer targets around US$2.5bn from Hong Kong equity raising

BY FIONA LAU

British life insurer PRUDENTIAL is on track to raise around US$2.5bn from an international placing and Hong Kong retail offering, despite last week's global market jitters linked to fears over the fate of embattled property developer China Evergrande Group.

London and Hong Kong-listed Prudential started pre-marketing for a follow-on offering of 130.8m primary shares, or 4.8% of the enlarged share capital, on Monday when Evergrande's debt crisis wreaked havoc on Hong Kong's stock market.

News that China has asked Hong Kong property tycoons to back Beijing's interests also prompted investors to dump shares in the city's developers as they may have to sacrifice profits to help tackle social inequality.

The Hong Kong shares of Prudential fell 9.2% to HK$143.30 on Monday and the London shares finished the day down 8.4% at £13.24.

"This is definitely not a good start but we are confident that the deal can generate decent demand as it's well flagged and has already drawn anchor support from sovereign wealth funds," said a person close to the deal on Monday.

By the end of Tuesday, the deal was multiple times covered with the participation of sovereign wealth funds, hedge funds and long-only funds.

The Prudential offering marks the first time Hong Kong retail investors are able to participate in a share placement from a Hong Kong-listed company. Primary and secondary follow-ons of Hong Kong-listed companies are always done overnight without retail participation. Companies seek to avoid the market risk – exemplified by Prudential – of retail offerings that have to remain open for three and a half days.

Prudential has its own reason to include a retail tranche as it listed in Hong Kong in May 2010 by introduction, meaning it did not sell any shares to raise funds.

"The issuer is very determined about having a retail tranche as it completes what it didn't do 11 years ago. The company is also in a better position to build an Asian investor base now after stripping off the US assets," said another person close to the deal.

Of the shares on offer, 95% will go to the international placing and 5% to Hong Kong retail investors. There is a maximum offer price of HK$172 per share applicable to the retail tranche only.

"Prudential is now entirely focused on long-term structural growth opportunities in Asia and Africa. The share offer will maintain and enhance Prudential's financial flexibility in light of the breadth of opportunities to invest for growth," said Mike Wells, group chief executive, on Monday.

Pricing is due on Saturday September 25, Hong Kong time.

Citigroup, *Goldman Sachs*, *CLSA* and *HSBC* are joint global coordinators, and joint bookrunners with *Bank of America*, *Credit Suisse*, *UBS* and *UOB Kay Hian*. ■

People & Markets

13 Nomura targets green business to grow its US investment bank, and appoints ESG finance veteran Jeff McDermott to lead the push

15 Lucy Heighton joins RBC Capital Markets as the firm hires to grow its equities business in the UK and Europe

17 UBS says it will remain disciplined in how it deploys capital in its investment bank, despite the temptation from buoyant markets

FRONT STORY M&A

US Bancorp snaps up MUFG US arm

MUFG keeps US investment bank; deal sidesteps regulatory problems

MITSUBISHI UFJ FINANCIAL GROUP is selling its California-based MUFG Union Bank to **US BANCORP** for US$8bn in a cash and stock transaction that will see the Japanese bank take a stake in US Bancorp.

For MUFG the deal allows the bank to unload what it called a "core banking asset" rather than making significant investment to modernise the West Coast bank's operations.

Only one day before the sale was announced, the Office of the Comptroller of the Currency issued a "cease and desist order" against MUFG Union, citing the bank's "unsafe or unsound practices regarding technology and operational risk management".

Under the terms of the transaction, MUFG will also receive US$9.6bn from expected dividends or share purchases by MUFG Union before the shares are transferred, lifting the total value of the transaction to US$17.6bn.

The deal represents MUFG's willingness to take significant stakes in other banking groups to advance its growth strategy. MUFG holds a stake of about 20% in Morgan Stanley, dating back to when it provided rescue cash to the US investment bank in September 2008 when the financial crisis erupted.

Under the terms of the MUFG Union sale, MUFG will receive 2.9% of USB's outstanding shares in addition to cash, and will "engage in discussions with USB on further business alliances".

Those alliances could include transactions with MUFG's US corporate and investment banking operations. US Bancorp said those were off limits as the banks discussed the potential asset sales, and MUFG Union Bank's global commercial and investment banking and global markets businesses will be transferred to MUFG's US branches.

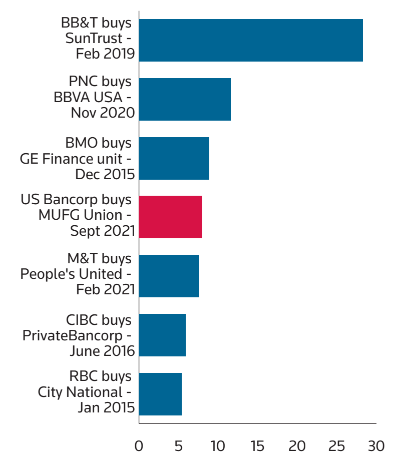
MUFG wanted to retain the investment banking business from the outset of discussions, US Bancorp chief financial officer Terrance Dolan told analysts. "That is something that from the very beginning was expected to be carved out," he said.

US CONSOLIDATION

MUFG said it continues to view the US market as important and the deal will allow it to "increase our resources on accelerating growth" in the Americas on its corporate and investment banking, global markets, Japanese corporate banking and transaction banking businesses, which could be through alliances.

Goldman Sachs was financial adviser to US Bancorp, and Morgan Stanley and Bank of America advised MUFG.

BIGGEST US BANK TAKEOVERS SINCE 2010, IN US$bn



Source: IFR

The purchase marks the latest transaction in a heating market for bank deals as US banks flush with excess capital go on the hunt for acquisitions to beef up scale and expand into new markets. The transaction is expected to make US Bancorp the fifth largest bank in the US by total assets.

"The acquisition of Union Bank meaningfully increases our scale at a time when scale is as important as it's ever been for the industry, and it adds market share in demographically attractive California and other West Coast markets," said US Bancorp CEO Andrew Cecere.

The task of addressing deficiencies at MUFG Union cited by the OCC, including improving longstanding technology deficiencies and poor operational risk governance, internal controls, and staffing deficiencies, now falls to US Bancorp.

Based on the strength of its own technology, management and governance, US Bancorp is expecting that many of the issues cited by the OCC for remediation will be addressed by the integration of MUFG Union into US Bancorp.

"When we go through all of the issues that have been identified and the aspects that are part of the consent order, they by-and-large get resolved by changes in technology and through the conversion process," said CFO Dolan.

Cecere said his bank has been in discussions with regulators and was working with them to make sure the deal gets done.

US Bancorp expects the transaction, set to close in the first half of 2022, will be 8% accretive to earnings when fully integrated.

Philip Scipio

“That is something that from the very beginning was expected to be carved out”

US BANCORP CFO TERRANCE DOLAN ON MUFG KEEPING ITS US INVESTMENT BANKING UNIT, P11

Evergrande no ‘Lehman moment’ – analysts

As the world held its breath last week to see whether CHINA EVERGRANDE GROUP would meet an interest payment on an offshore bond, market observers were quick to pour cold water on growing concerns that a default could trigger a Lehman-style financial meltdown.

The Hong Kong-listed property developer’s struggles roiled global markets, and it was blamed for a steep sell-off in US equities early last week, with central bank officials as far afield as the US, UK and Switzerland weighing in on the situation (see Top News story).

Still, analysts who follow the Chinese banking sector consider fears of a systemic shock to be overblown.

“Evergrande’s overall interest-bearing liabilities are less than Rmb600bn, whereas total outstanding banking sector loans are around Rmb190trn, so we need to have some perspective. It’s only about 0.3% of outstanding loans in the banking system we are talking about here,” said one Hong Kong-based analyst.

“There will definitely be some impact, but it’s manageable,” the analyst said. “There is obviously a risk of contagion, but it would take a severe downturn in the property sector and a major policy misstep from the central government before I could envisage a crisis similar to Lehman developing.”

BANK EXPOSURE

Evergrande’s total liabilities at the end of June, including payables to contractors, totalled Rmb1.97trn (US$305bn). Of that, interest-bearing debt was Rmb571.8bn, the majority of which comprises bank and trust loans, according to analysts. Banks also have exposure to Evergrande through investments in wealth management products and to a lesser extent bonds, although their holdings are small compared with government and policy bank debt.

According to estimates from Jefferies, CHINA MINSHENG BANK has the largest exposure to Evergrande at Rmb29.3bn, followed by AGRICULTURAL BANK OF CHINA at Rmb25.7bn and CHINA EVERBRIGHT BANK at Rmb14.2bn.

China’s Ministry of Housing and Urban-Rural Development this month reportedly told banks that Evergrande would not be able to make upcoming loan interest payments. Analysts consider there is a low risk this will trigger a crisis, given the risk is dispersed among a number of counterparties and also because regulators have already asked banks to roll over loans.

“We actually think the risk of a systemic crisis is quite low as exposure among large individual banks is limited and the risk of a sudden collapse was probably higher a few months ago anyway when individual creditors were chasing Evergrande for early repayment, whereas now the regulators have stepped in, asking banks to extend loan maturities,” said Shujin Chen, head of financial institutions research at Jefferies.

Evergrande’s difficulties have already hammered the stocks and bonds of other property developers and reignited concern about an overheated property sector. Last year, the country’s top banking regulator Guo Shuqing called the property sector a

EU capital markets lack domestic capacity

Member states in the European Union will still rely on London for the foreseeable future to raise the bulk of capital for sovereign, financial institution and corporate issuers, according to a report on the bloc’s capital markets by consultancy New Financial.

The report said capital markets in the EU did not have “sufficient domestic capacity” to fully support the EU economy, leaving companies and households still reliant on the banking sector to fund their growth.

New Financial said EU capital markets are not as attractive to international issuers and investors as those in the UK. “In most areas of activity the EU falls short and there is a lot of work to be done,” the report said.

Less than 1% of IPOs on EU exchanges in the past five years were by companies from outside the bloc, it said. During the same period, one-third of UK IPOs were carried out by issuers from outside the country.

The attractiveness of the euro as an issuing currency means that more foreign corporates are willing to issue bonds within the EU. Around 35% of all euro-denominated issuance was done by foreign issuers from outside the EU, the report estimated.

Following the UK’s exit from the EU in January 2020, the EU’s share of global capital markets activity has fallen by a third, it calculated. By comparison, markets in Asia are now twice as big as the EU’s. In related areas, such as FX and derivatives, that is even more pronounced.

The report also said the EU was “over-reliant” on London as a financial centre in areas such as derivatives trading, clearing and asset management. These are potentially activities where EU leaders

Who’s moving where…

DEUTSCHE BANK has hired *Dan Crowley* from BNP Paribas to head US credit trading, based in New York. Crowley will start in December. He joined BNP Paribas in July 2018 and has headed Americas credit trading and global flow credit trading. He previously worked at Barclays for eight years as head of global distressed, joining when the UK bank bought the US operations of Lehman Brothers, where he worked for eight years as a credit trader.

BANK OF AMERICA has promoted *Will Addas, Gary Howe* and *Giorgio Cocini* to heads of global financial institutions in its investment banking team. Addas and Howe are based in the US and were previously co-heads of Americas financial institutions investment banking, and they will continue to lead the Americas. Cocini was co-head of EMEA financial institutions investment banking, alongside *Arif Vohra*. Vohra has been appointed chairman of EMEA financial Institutions investment banking.

"grey rhino", a term that refers to a risk that is obvious but is not addressed.

But the majority of banks in China are state-owned, so analysts said the government could marshal them to continue lending even to struggling firms so any crisis can usually be averted, provided the banks themselves are not imperilled.

There are few concerns it will hit western financial firms hard either – although it could cause some pain if it becomes a broader economic issue in Hong Kong or China.

HSBC and **STANDARD CHARTERED** would be most exposed to that, and analysts at Jefferies estimated Hong Kong and China accounted for 36% of HSBC's loan book and 29% of Standard Chartered's.

The analysts applied a balance sheet "burndown" on the exposures, including a 10% haircut on Hong Kong commercial real estate exposures, which it estimated would have a US$6bn hit on HSBC, or about 4.5% of group CET1 capital, and about US$600m on Standard Chartered, or about 1.6% of group CET1 capital.

Thomas Blott

Additional reporting by Christopher Spink

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might try to encourage more volumes to be carried out within the bloc.

In the long run, an additional €500bn per year could be raised in the EU's capital markets by 4,500 companies, roughly double the amount raised at present. That could only be achieved if policymakers and regulators make changes to market infrastructure.

"Building bigger, better and more integrated capital markets needs to be an urgent strategic priority to develop sufficient domestic capacity to finance the EU economy and support a post-Covid recovery," the report said.

Christopher Spink

Nomura targets ESG for US expansion

NOMURA has appointed *Jeff McDermott* as global co-head of investment banking for its US broker-dealer arm, tasking him with expanding the platform and increasing the scale of its US investment banking business, with a focus on sustainable finance.

The Japanese bank said McDermott will be based in New York and start in the newly created role on October 1, when he will step down as chairman of Nomura Greentech, the investment banking team that specialises in sustainable technology and infrastructure investment that Nomura bought in April 2020.

"Jeff will lead our strategy to build Nomura's US investment banking franchise and to grow our global investment banking platform, with a particular focus on the megatrends of sustainability and digital," said Steve Ashley, head of Nomura's wholesale division.

Nomura said earlier this year it plans to increase its global advisory revenues by more than 50% by the end of March 2024, and said it will hire to do so.

"Growing advisory in the US is a strategic priority," McDermott told IFR in an interview. "US clients will hire advisory firms that are balance-sheet light for superior content, M&A strategic advice and execution services, so that's what we're going to build our business around."

He declined to say how many staff the bank intends to hire but said it could be significant. "It's a very meaningful growth plan and we will be pragmatic to opportunities," he said.

"ESG, sustainability and digitalisation are newer areas of great disruption that impact established incumbents, and we have very good teams where the C-suite is interested in thoughts and ideas about this disruption and we intend to be a value-added adviser."

McDermott has a pedigree in green and sustainable investment banking. He founded Greentech Capital Advisors in 2009 and moved to Nomura to lead and integrate the business 17 months ago.

> **"Growing advisory in the US is a strategic priority"**

He was joint global head of investment banking at UBS prior to founding Greentech, and previously worked at Citigroup, after starting his investment banking career in 1984 at Drexel Burnham Lambert in Beverly Hills.

Nomura and other Japanese banks have been criticised in the past for a stop-start approach to growing their US business, but McDermott said the bank is committed to leveraging its strong teams in Asia and in Europe to establish a stronger platform in the US.

"The group is committed to this, and building success in the US will make the global parts of the business more successful. It will translate into better outcomes in Asia and Europe, and everyone recognises that. There's multi-regional buy-in to the fact we need to build as good an advisory business in the US as we have in other regions," he said.

McDermott will report to Masahiro Goto, global head of investment banking, and to Christopher Willcox, CEO and president of Nomura Securities International.

Steve Slater

Please contact us if you have information about job moves: **peoplemarkets@refinitiv.com**

Amaury Bonnaire has joined **ALVAREZ & MARSAL** to expand its global transaction advisory group into Geneva. Bonnaire previously worked for 17 years at EY, which he left this year, after five years at Arthur Andersen. Bonnaire is experienced in advising on complex, cross-border M&A deals, advising corporate and private equity clients, and specialises in buy and sellside due diligence, share and purchase agreement advice, carve-out accounts and post-deal support.

Ed Ribaudo has joined **STIFEL FINANCIAL** as head of leveraged finance capital markets, based in New York. Ribaudo joined from Houlihan Lokey, where he co-founded and built the firm's syndicated leveraged finance platform. He previously spent more than 10 years at GE Capital Markets. In his new role he will lead Stifel's leveraged finance capital markets and syndicate functions.

Bellwether

Bellwether: *n.* From the practice of placing a bell around the neck of a castrated ram so that it might lead its flock

IF YOU'RE LOOKING for signs that the market has peaked, listen up: Nomura is on the expansion trail again. The Japanese bank has appointed Jeff McDermott as co-global head of US investment banking with a mandate to hire and grow the business along the "megatrends of sustainability and digitalisation".

Bellwether wishes them well, but it can't help noticing Nomura's snakes and ladders approach to investment banking, especially in the US. Every time the bank appears to be doing well, something crops up to drag it down. In March, it was on course for a great year in wholesale banking, but then Archegos imploded and it had to take a writedown just a few days before the end of its financial year. Let's hope this build is more, er, "sustainable".

FOR ANOTHER INDICATOR of market exuberance look no further than goings-on at PR guru Roland Rudd's birthday party. Rudd threw a 1970s disco-themed fancy dress bash, and the star of the show was Hellman & Friedman private equity tycoon Patrick Healy, who turned up in roller skates, tight hotpants and no top. Talk about naked shorts. Time to check those leverage multiples.

IF REPORTS ARE true that Antonio Horta-Osorio is planning to shift Credit Suisse's Asia-Pacific investment banking and capital markets division into its global investment bank, then he's doing away with the last vestiges of the complex structure put in place five years ago by former CEO Tidjane Thiam.

Thiam came up with the structure on the advice of McKinsey. Fast-forward five years and AHO is dismantling it – also on the advice of McKinsey. Bravo – It's the sort of Teflon-type approach to strategic advice that usually only investment banks can pull off.

IS BARCELONA THE Evergrande of football, or indicative of a wider malaise in an industry ravaged by Covid? Investment firm 777 Partners clearly thinks it's not the latter, after sealing the acquisition of Italy's Serie A strugglers Genoa.

777 also has a stake in Spanish club Sevilla and UK basketball team London Lions, and is confident it can return Genoa to a respectable league position. It is currently languishing in 16th place (out of 20). Its full name is Genoa Cricket and Football Club – although it does not play cricket. Let's hope Josh Wander and Steven Pasko, the Miami-based founders of 777, have done their due diligence or else those plans for an Indian Premier League franchise may quickly unravel.

MANY PEOPLE HAVE forgone celebrations due to Covid causing a backlog in social engagements, but nothing can compare with the packed message of joyous birthday news posted by UK Finance chief Bob Wigley on LinkedIn.

Wigley, who will be better known by some readers as the former chairman of European investment banking at Bank of America Merrill Lynch, could easily form an alternative career as the ultimate party planner and all-round bearer of good news.

"My Mum was 100 and we couldn't celebrate due to Covid – so today we did – and added in my belated 60th birthday, my mother-in-law's 80th, nephew's 40th, and son's 21st. Please raise a glass to Margaret Wigley MBE – who ran the house side of the Royal Naval Base in Dartmouth during WW2. A real diamond." Bellwether would like to add its congratulations to all of the Wigley family and thanks to Bob for an absolute collector's item – a social media post worth reading. ■

Who's moving where…

■ *Jernej Omahen*, head of European financial institutions research at **GOLDMAN SACHS**, is retiring at the end of the year after 20 years at the firm. Before his current position he was co-head of the European bank research team. He has been a partner since 2014. Omahen is also a member of the ECB's macroprudential policies and financial stability contact group. In a valedictory post on LinkedIn he said he joined Goldman as a graduate and did not say what he will do next.

■ The **EUROPEAN STABILITY MECHANISM**'s acting head of funding and investors relations *Silke Weiss* has been given the role on a permanent basis. Weiss started in the job just under a year ago when Siegfried Ruhl – who had been head of funding at the supranational since 2013 – was seconded to the European Commission to spearhead its SURE and NextGenerationEU funding programmes. Before joining ESM, Weiss worked as a trader in the front office at the German Finance Agency in Frankfurt.

■ **JEFFERIES FINANCIAL GROUP** named *Daniel Hynes*, former deputy governor of Illinois, a vice-chairman and managing director. Hynes will be based in Chicago and work with Jefferies investment banking group and Leucadia Asset Management.

■ Former UK financial regulator *Verena Ross* has been selected to chair the EU's securities watchdog **ESMA** after months of haggling, Reuters reported. Ross is a German national and replaces Dutchman Steven Maijoor, who stepped down in May after two terms.

Credit Suisse hires for FIG rebuild

CREDIT SUISSE has hired *Israel Fernandez* from Deutsche Bank and promoted *Julien Lamm* to co-head its financial institutions group for Europe, Middle East and Africa, as the Swiss bank seeks to rebuild after a string of FIG departures following two damaging scandals.

Fernandez will start on November 15 and be based in Madrid, according to a memo to staff, seen by IFR. He has spent 15 years at Deutsche, most recently as head of financial institutions coverage for Iberia, covering origination and execution of M&A, ECM and DCM transactions for banks, insurance companies, financial sponsors and Spanish corporates.

Lamm has been leading FIG capital markets and advisory in France and Belgium, and covering European insurers, since rejoining Credit Suisse in 2015 from Morgan Stanley. He was at Morgan Stanley from 2008 to 2015, after previously working for two years each at CS and Citigroup, according to his profile on LinkedIn.

Fernandez and Lamm will report to Jens Welter, head of the investment bank for EMEA, and Harold Bogle, vice-chairman.

Credit Suisse also appointed *Gaurav Parkash* as head of banks for EMEA, reporting to Fernandez and Lamm, the memo said.

A number of senior bankers left, including global head of FIG Alejandro Przygoda and four of his team

Credit Suisse is trying to bounce back after being hit hard by its exposures to hedge fund Archegos Capital Management and supply chain finance firm Greensill Capital, which prompted fears it will shrink its investment bank. A number of senior bankers left, including global head of FIG Alejandro Przygoda and four of his team, including European FIG chief Armando Rubio-Alvarez. Chris Williams has been leading EMEA FIG on an interim basis.

INDUSTRIALS TOO

Credit Suisse also hired *Yuri Shakhmin* as head of diversified industrials for EMEA, within its industrials and energy group, according to a separate memo, seen by IFR. Shakhmin will start in December and be based in London.

Shakhmin has spent 16 years at Rothschild & Co, where he led a number of prominent M&A, equity and debt advisory transactions for corporate and private equity clients, with a focus on the engineering, renewables and wider industrial sectors, the memo said.

He will report to Greg Dalle and Pierre Lescastereyres, co-heads of the EMEA industrials and energy group.

Steve Slater

RBC hires trio for Europe equities build-up

RBC CAPITAL MARKETS has hired *Lucy Heighton* as a sales trader in London and recruited two more people for its European cash equity trading group, as part of a push to grow its equities business in the UK and Europe.

The investment bank arm of Royal Bank of Canada said Heighton has joined as a director and will manage a portfolio of UK long-only and hedge fund clients. She previously spent 14 years at Morgan Stanley, initially in private wealth management and then on the institutional side of equities, mostly in cash sales trading, and also with experience in IPOs, secondary deals and electronic trading.

RBC said *Niki Taubert* has also joined as a vice-president, working with the cash sales trading and cash trading teams, based in Frankfurt. He will support the growth of North American and European product offerings with a focus on Continental European clients, the bank said. Taubert previously worked for 27 years at Commerzbank, according to his profile on LinkedIn.

Milko Milinkovic has joined as an associate in RBC's cash sales trading and cash trading teams from Oddo BHF, where he spent two years in its corporates and markets unit.

RBC in July hired Michelle Chau, Anastasia Mikhailova and Ines Krewinkel as part of its equities build-up in Europe.

Steve Slater

Please contact us if you have information about job moves: **peoplemarkets@refinitiv.com**

■ *Sylvie Renaud-Calmel* has rejoined **CITIGROUP** as head of markets for its Europe global markets business, based in Paris, as the US bank expands its main Continental European trading floor in France. Renaud-Calmel previously worked for Citi in Australia, after starting her career in risk at Banque Indosuez in Paris and Credit Lyonnais in Japan. She returned to France in 2018 to join Societe Generale as senior risk consultant.

■ **GLOBAL SOVEREIGN ADVISORY** has hired *Julien Marcilly* as chief economist from credit insurer Coface. The firm, which advises sovereigns on debt management and related issues, also appointed *Edouard Bloch-Escoffier* as vice-president.

■ Debt syndicate banker *Aubelia Botta* is leaving SMBC Nikko to take up a role at **MUFG** in Paris, sources said. Botta will start in December working across asset classes. Botta spent six years at SMBC in London.

■ **BARCLAYS** has poached *Jiang Song* from HSBC to become its head of DCM for Greater China, based in Hong Kong. Jiang was most recently managing director in HSBC's APAC DCM team, and previously worked at Citigroup and EY.

■ Private equity firm **WARBURG PINCUS** has appointed SAP executive *Brian Duffy* as a senior adviser in its technology group, based in Chicago. He will help the firm and its portfolio companies accelerate innovation and digital transformation.

"US clients will hire advisory firms that are balance-sheet light for superior content, M&A strategic advice and execution services"

NOMURA'S JEFF MCDERMOTT, P13

Capital markets week ahead:

Evergrande, Petershill Partners, Veolia Environnement

HOUSE CALL Beleaguered property developer China Evergrande faces yet another key deadline on Thursday, when the latest coupon on US$1bn of offshore bonds comes due. The clock is already ticking on a missed coupon last week linked to a separate US$2bn bond issue, which if still unpaid after a 30-day grace period will be officially in default.

The company has more than US$300bn of liabilities, including US$90bn of interest-bearing debt – bank loans and bonds sold to investors inside and outside China. While Evergrande has managed to keep its Chinese creditors at bay with side deals, that will be much harder in the offshore bond market, where a series of payments come due over coming weeks.

PETER OUT Petershill Partners, the Goldman Sachs-managed alternative asset manager that was set up in 2007, hopes to raise £1.1bn from its London Stock Exchange IPO on Monday. Some £550m of primary proceeds will go towards increasing its stake in 19 so-called partner funds, while the rest of the money raised in the IPO will go to limited partners in the funds who are using the IPO to sell out.

WASTE AWAY Veolia Environnement shareholders have until Friday to participate in a €2.5bn rights issue to fund a merger with long-standing rival Suez. The French companies announced the deal in April, which will create a giant in environmental services. As part of the deal, they will spin off Suez's municipal water and solid waste activities to a consortium led by Meridiam and GIP.

FINAL CALL EasyJet is due to announce the results of its £1.2bn rights issue on Tuesday. It is the latest attempt from the airline to battle the impact of the pandemic, following a share sale, increased borrowings and the sale and leaseback of dozens of its planes. Stelios Haji-Ioannou, whose family controls 24% of shares, isn't participating after selling all of his rights for £119m.

RUBBER GLOVES Investors have until Thursday to participate in a US$7bn loan backing the largest leveraged buyout since 2008. Blackstone, The Carlyle Group and Hellman & Friedman are buying a controlling stake in US medical equipment supplier Medline for US$34bn. The buyers also plan to sell US$7.8bn of junk bonds and US$2.2bn of mortgage-backed securities to fund the deal.

PEEL OFF Peel Hunt returns to public ownership when its shares list on AIM on Wednesday, two decades after shares were last traded in London. The UK brokerage, which signed a partnership with Santander in April, first listed in 2000 but was bought by KBC a year later. The firm's top bankers then staged a management buyout in 2010 and will walk away with almost two-thirds of the £112m proceeds.

CROSSED WIRES Citigroup heads to court on Wednesday for the latest round of its ongoing battle to recoup US$900m that it mistakenly wired to Revlon lenders five years ago. Some of the recipients returned the money, but 10 holdouts are still sitting on US$504m. The bank, which put the mistake down to human error, lost its case against them in February but is now appealing.

WORTH ITS SALT Monday is the final day of bookbuilding for the Tadawul listing of Saudi power and desalination plant operator ACWA Power. The company, which runs plants across Africa, the Middle East and Asia, hopes to raise SR4.5bn (US$1.2bn) from the IPO. The deal was covered within minutes of launch, but the final result of the deal won't be known until this time next week.

OIL AND WATER Arab Petroleum Investments Corporation, the development bank set up in the 1970s by Arab members of Opec, is expected to launch its first-ever green bond after meeting investors last week. Apicorp is a heavy lender to projects in the petrochemical, oil and gas sectors but it promises to use proceeds for cleaner energy.

DAY IN COURT UBS is braced for a decision on Monday on its appeal to overturn a French court ruling that it helped clients evade taxes. If it loses the appeal, the Swiss bank could face a financial penalty of up to €3.2bn – although it does have one final option of taking the case to the French Supreme Court. It has set aside €450m in provisions for the case.

LAST WEEK IN NUMBERS

£100bn – Orders for the UK's first-ever green Gilt, a record for a syndicated deal from the country

27 – Banks on the US$7bn loan deal for Medline, one of the largest ever seen for a leveraged deal

US$83.5m – Evergrande interest payments that came due last Thursday that have not been paid

€2bn – Amount raised by British American Tobacco in its debut hybrid bond deal on Wednesday

24 – Live IPOs in Europe, the Middle East and Africa last week even after two were cancelled

UBS to stick with risk limits at investment bank

UBS will remain disciplined in how it deploys capital rather than take advantage of good conditions in investment banking to take more risks, its chief executive Ralph Hamers said last week.

"In order to keep disciplined in how we use resources, it helps to limit the resources [to the investment bank] of around one-third of risk-weighted assets," he said, implying this had helped restrict the losses it had incurred from the collapse of Archegos Capital Management.

UBS booked US$861m in charges in the first half of the year relating to the prime broking client's failure at the end of March, but that was much smaller than the SFr5bn (US$5.5bn) losses so far racked up by compatriot Credit Suisse.

"The message to our investment bank colleagues is they really have to think twice before they do business and price it, as they are using scarce capacity and resources," Hamer said from London at a virtual conference, hosted by Bank of America. "You should always run a company that way."

"My colleagues here have built that model over the last six quarters and it has done very well. Last year, the markets side saw a lot of activity with flows that played to our strengths, in equities and FX. This year, the banking side has been strong on the capital markets and M&A side."

Hamers said he was pleased with the average return on equity allocated to the division of 13%. "The disciplined allocation of capital is working for us and should continue to do so," he said, dismissing speculation about whether it made sense to retain an investment bank at all.

"In the wealth management sphere, there is a category of client who needs professional servicing and direct access [to deals]. For that, you need an investment bank, and that's why we have a top five cash equities business and top three FX one globally and want to continue as that."

FRENCH FINE?

Hamers said he wanted to make savings on technology projects, but also invest in parts of the investment bank to ensure UBS remained ahead of the field. "We have stopped some projects but feel we can do more on technology but with fewer people by being more effective."

On Monday a French appeal court is due to hand down a decision on whether UBS helped clients evade taxes, which could uphold a financial penalty of up to €3.2bn. That is lower than the €4.5bn UBS was originally fined, after a negotiation with the French authorities.

Hamers did not comment on the case but said that "there was more than enough capital" to continue with its already announced shareholder distributions, via dividends and buybacks. "We are generating a lot of capital to distribute or invest to grow," he said.

UBS could appeal Monday's decision, if unfavourable, to the French Supreme Court. It has only provisioned €450m against the case.

DEUTSCHE IN THE MIX

DEUTSCHE BANK's chief financial officer, James von Moltke, said at the same conference he did not see any reason for the German bank to deviate from its current mix of businesses, following the restructuring of its investment bank, which started two years ago.

"I like the mix of businesses that we have. As financial markets normalise a little bit and we see the real economy growth, we'd expect the performance in the private bank and corporate bank to pick up," he said. Both these areas had suffered from the record low rates in recent years.

Von Moltke said the bank had bounced back in its fixed income and currencies unit, which accounts for the bulk of investment banking revenues. "We've recovered our market share in FICC to be solidly number three again globally."

He said the amount of risk-weighted assets devoted to the division had not increased despite the business's growth. "RWAs have basically been flat, if you exclude the impact of regulatory inflation. And we do think that revenue performance is sustainable," he said.

Christopher Spink

UK to assess regulatory loopholes post-Greensill

The UK government has said it will look to tighten the rules about how a regulated firm can let its appointed representatives carry out regulated activities without those representatives being directly authorised by the Financial Conduct Authority.

That was one of the criticisms of the current regime by the Treasury Select Committee of MPs in their investigation into the collapse of Greensill Capital, which carried out its supply chain business as an appointed representative of Mirabella Advisers.

Rishi Sunak, UK chancellor, said: "The Treasury has already started work to review the regime, and as part of this will consider legislative reforms that may be necessary to strengthen the oversight of appointed representatives and to prevent opportunities for abuse of the system."

Problems have arisen where a non-UK firm needs to access the UK markets. Nikhil Rathi, chief executive of the FCA, in July said a "demanding review" would be carried out of the 1,435 firms that access the UK markets via the temporary permissions regime. This related system allows a non-UK-based firm to carry out regulated business in the UK.

The committee report into Greensill's failure also highlighted another regulatory gap that allowed someone to take control of a bank authorised to conduct business, without the new owner being vetted.

This was the case with Wyelands Bank, which was bought by Sanjeev Gupta, whose businesses were the main recipients of loans from the bank. Gupta's steel companies were also the main customers of Greensill Capital. Despite owning the lender, Gupta did not have to be regulated directly as he was not on its board.

Sunak said the Treasury was working with the FCA and Prudential Regulation Authority "to consider how change-of-control applications are dealt with and what changes might need to be considered, for example to ensure sufficient relevant information is received from an applicant for a change of control".

Christopher Spink

“In order to keep disciplined … it helps to limit the resources [to the investment bank] of around one-third of risk-weighted assets”

UBS CEO RALPH HAMERS, P17

Debt swap looms for Nordic Aviation

Creditors of NORDIC AVIATION CAPITAL have agreed in principle to swap part of their holdings for equity in the aircraft leasing company under a major restructuring, which will give the resulting entity US$500m of additional capital.

Some US$300m of this will be raised via a rights issue, with the remainder from a new revolving credit facility. The company said the liquidity injection would allow it “to seamlessly continue global operations”.

NAC is one of the world’s largest owners of aircraft, with a fleet of more than 500 planes leased to over 75 different airlines in 50 countries.

It first agreed a 12-month standstill with creditors holding US$6bn of debt in June 2020 after its customers, mainly regional airlines, had been affected by the pandemic, preventing most flights from taking off.

The standstill has since been extended to allow restructuring negotiations to continue. The new deal remains subject to final terms being agreed and formal approval by various stakeholders.

The largest package of debt with US$3bn is a silo called NAC29. Under last year’s standstill negotiations, NAC29 acquired security over a block of NAC’s planes. Other creditors are banks with loans secured against planes.

It is unclear how much of the total equity after the right issue NAC29 or the banks would hold, or if they would instead take control of the planes.

NAC’s principal shareholders, Singapore state fund GIC and private equity investor EQT, agreed to invest a further US$60m last year to tide the company over but have previously said they no longer wished to put in more funds.

NAC’s founder Martin Moller, advised by PJT, has said in the past that he is keen to invest further in the company.

Rothschild and EY are advising the company. Houlihan Lokey is acting for creditors.

Christopher Spink

Hong Kong tables SPAC proposals

Hong Kong is set to become only the second jurisdiction in Asia in recent years to allow special purpose acquisition vehicles to list, after the local bourse operator launched a consultation on the topic.

Under the proposals, HONG KONG EXCHANGES AND CLEARING said the minimum funds expected to be raised from the SPAC must be at least HK$1bn (US$128.5bn), while its promoters must meet certain minimum suitability and eligibility requirements including that at least one of them is licensed by the local securities regulator and holds at least 10% of the promoter shares.

HKEx said that promoter shares should be capped at a maximum of 30% of the total number of shares in issue at the offering date, including 10% that are subject to the company that is acquired eventually meeting certain performance targets. It also proposed a 30% cap on dilution from the exercise of warrants.

With regard to a de-SPACing transaction, it said the acquired business must meet minimum listing requirements including a minimum market capitalisation of HK$500m.

It also said in order to provide third-party validation of the successor company’s credentials, independent investors must comprise a quarter of the expected market cap of the new company, or 15% if its market cap is more than HK$1.5bn. At least one asset management company or fund manager with at least HK$1bn in AuM must also own at least 5% of the issued shares of the new company.

There are also rules around the shareholder vote on the de-SPACing, including that the acquisition must be approved at a general meeting which would exclude shareholders with a material interest in the transaction and any promoters. However, only shareholders who voted against a de-SPACing would be able to redeem their shares.

Regarding share redemptions, SPAC shareholders must be given the option to redeem their shares prior to a de-SPACing transaction, a change in the SPAC promoter, and any extension to the deadline for finding a suitable de-SPACing target.

If a SPAC is unable to announce a de-SPACing transaction within 24 months, or complete one within 36 months, the SPAC must liquidate and return all the funds it raised plus accrued interest to its shareholders.

Thomas Blott

China expands listing scheme for overseas firms

China has expanded a pilot scheme to allow more overseas-incorporated companies to return home for a listing, the China Securities Regulatory Commission said.

Market participants believe the expansion will encourage non-technology companies such as Hong Kong-listed CNOOC to go for an A-share listing. The New York Stock Exchange delisted the shares of China’s top offshore oil and gas producer in March after the US government added it to an economic blacklist, accusing it of helping China intimidate neighbours in the South China Sea.

Under the expansion, red-chip companies from the next-generation information technology, new materials, new energy vehicles, green environmental technology and marine equipment sectors, as well as those with national strategic importance, could list domestically.

China first allowed overseas-incorporated companies to float in the domestic market in 2018, but the option was only available to a handful of large technology companies and the pilot scheme fell flat when smartphone maker XIAOMI cancelled the onshore leg of its planned dual listing.

The launch of the Shanghai Star market in 2019 allowed a wider range of innovative companies to consider onshore listings, but the idea really began to gain traction in 2020 as China quickened reforms and the US turned increasingly hostile.

Last month, red-chip company CHINA MOBILE, one of the country’s big three telecom operators, filed for a Rmb56bn (US$8.6bn) Shanghai listing for what could be China’s largest IPO in 11 years.

The Hong Kong-listed company, together with CHINA UNICOM (HONG KONG) and CHINA TELECOM, are on the US Department of Defense’s list of companies designated as owned or controlled by China’s military and hence the NYSE moved to delist their shares.

Fiona Lau

Taskforce targets carbon trading integrity

The TASKFORCE ON SCALING VOLUNTARY CARBON MARKETS, a private-sector initiative chaired by Standard Chartered CEO Bill Winters, has created a new governance body to improve "quality and integrity" of carbon trading.

The body comprises 22 representatives selected to "reflect the diversity, skills mix and clout required" to rapidly advance the creation of "high-integrity, scaled" voluntary carbon markets, the group said last week.

"We know that completing this net-zero (target) by 2050 isn't really enough," Winters said during an online Climate Week discussion on Wednesday hosted by McKinsey. "It's critical that we get there in the right way and we accelerate the decarbonisation process that is already very much under way."

Winters and Tim Adams, taskforce sponsor and CEO of Institute of International Finance, will hand over leadership to the board of the new governance body and join the senior advisory council. Annette Nazareth, operating lead for the task force and senior counsel at Davis Polk, will join the board.

Winters joined hundreds of panelists last week to take part in Climate Week NYC, hosted annually by Climate Group along with the United Nations. The series of mostly online events was conducted in partnership with the City of New York and COP26 and was a way to assess progress ahead of the main UN climate change conference set for Glasgow in November.

"We will need responsible companies to focus on the steps that they can take to compensate for their emissions on the pathway to net zero," Winters said. "A critical component of that will be using the voluntary carbon markets to help effect the transfer of funds from the pockets of people making these net zero commitment claims into the hands of people who could actually get greenhouse gases out of the environment."

Members of the new board also include Chris Leeds, head of carbon markets development at Standard Chartered, Jeff Swartz, director of climate at BP, Sonja Gibbs, head of sustainable finance at the IIF, and Doris Honold, board member at Climate Bonds Initiative.

An executive secretariat with carbon expertise will support the board as will an expert panel, including Pedro Barata, senior director at the Environmental Defense Fund, for technical issues.

The taskforce comprises more than 250 members, including financial institutions, buyers and sellers of corporate credits, academics and international organisations. It has been working since September 2020 to establish infrastructure for markets for trading and exchange of carbon credits.

In addition to infrastructure, the nascent market for carbon credits needs to earn the trust of reluctant market participants, Winters said.

"[It] will require a significant underlying market infrastructure," he said, "but also a confidence-building exercise that will get us to the point that we will believe in the integrity of these carbon contracts, in a market that's not always been characterised by the most consistent level of integrity."

Timothy Sifert

Energy sector at risk amid low-carbon transition – Moody's

Independent exploration and production firms and integrated oil and gas companies are not well positioned for the transition to a low-carbon global economy, despite steps taken by some borrowers in the sectors to prepare for the future, according to reports last week from MOODY'S.

The ratings agency provided "carbon transition assessment" scores for 65 independent E&P firms and, in a separate report, 34 oil and gas companies. Scores run from CT-1 for the best positioned for a low-carbon future to CT-10 for the worst.

The median score for the independent E&P companies was CT-8, meaning they have "material exposure to carbon transition risks", with scores in this group ranging from CT-6 to CT-10. The integrated oil and gas companies were not much better at a median of CT-7 and a range of CT-6 to CT-9.

The criteria Moody's used included a company's business profile, risks related to policy, market and technology, medium-term management response and long-term resilience. Previously, the ratings agency has scored refining and marketing companies, airlines, utilities and generators and car companies.

Most E&P companies received scores indicating "moderate positioning" for the carbon transition, but 18 of the 65 received scores suggested "poor positioning". None received a score suggesting strong positioning for the coming transition. Caa1 rated Tullow Oil and B3 rated EnQuest had the worst carbon transition scores among the independent firms.

"Because E&P companies are engaged in the search for, and extraction of, crude oil and natural gas, no company in the sector will be positioned to benefit from the low-carbon transition," the ratings agency said.

Despite the generally poor outlook for these companies, Moody's said the narrow range of their scores obscures that there was more diversity among the criteria that comprise the scores. For example, it said there was a range in the revenue resilience of these independent E&P firms.

Strengthening resilience to the transition requires "capital-intensive diversification" of E&P businesses, according to Moody's.

"The next three to five years could increase structural challenges as regulations tighten, access to capital is constrained, consumer demand for petroleum products evolves and oil price volatility increases," the report shows.

The report, however, said there was no direct correlation between assessment scores of the energy companies and current credit ratings.

"Carbon transition risk is just one of many considerations that inform our credit analysis and the weight that should be placed on transition risk will vary by issuer," according to the report on E&P firms. "Companies will improve their creditworthiness if they address carbon transition when it presents a material risk."

Moody's said other criteria would impact ratings potential, including state ownership, liquidity and scale.

Timothy Sifert

Save the Children would like to thank IFR’s Bank of the Year, Morgan Stanley, for its life-changing donation of £600,000 at the 2020 IFR Awards event.

Thanks once again to the generosity of the investment banking industry, the event raised **£884,000** – making a grand total of **£29,296,115** donated to Save the Children since the IFR Awards Dinner’s inception 26 years ago.

Together we have helped more children to survive and thrive, such as welding students Tina*, 17 and Maisie*, 15, who have been supported by Save the Children’s Youth Livelihoods Programme in South Sudan. The programme teaches young people practical trades giving them the best chance of getting a job.

For 26 years the IFR Awards have supported children around the world, so they can become who they want to be.

#ifrawards

Save the Children

*Names changed to protect identity.
Registered charity England and Wales (213890) Scotland (SC039570) savethechildren.org.uk

FRONT STORY SSAR

FOMO fever grips euro SSA market

› Euro market on a roll as more records topple

The euro public sector bond market witnessed a spate a new demand records last week as buoyant conditions that have been a feature remained firmly in place.

Demand for SSA euro paper has been insatiable in recent weeks, with the likes of EIB, KfW and Austria all bringing showstoppers to market. But the levels of oversubscription were all the more impressive last week, given that those issuers that emerged have sometimes struggled to draw large crowds.

This is the case for RENTENBANK, which priced a €1.5bn five-year transaction on books over €5.2bn, the biggest yet in euros or US dollars for the Germany agency.

"This is a record book for Rentenbank," a lead said. "There continues to be a lot of cash in the system, even though we have things like the Evergrande news, which I would say is pretty big. But it feels like the market is insulated, anaesthetised, at least for now. It doesn't feel like we've had much of a break versus last week, when everything worked, whether it was fives, 10s, 15s, 30-year."

> "There continues to be a lot of cash in the system, even though we have things like the Evergrande news, which I would say is pretty big. But it feels like the market is insulated, anaesthetised, at least for now"

Rentenbank's trades can be hit and miss. A €500m December 2028 sold in early September was only just subscribed with books passing €560m, though that included €75m of lead interest.

"If you look in that part of the curve, these agencies still offer a very healthy pick-up versus core and semi-core EGBs," a banker away from the deal said, adding that in five-year, agencies and SSAs offered a 7bp–8bp pick-up over sovereigns, whereas in 10-year, they were through France.

The leads started marketing the Rentenbank deal at 10bp area through mid-swaps. Fair value was estimated at less 13bp. Another banker away said he thought the starting point had looked cheap.

Even for the rarer, lesser-known names, there is good demand, as shown by INVESTITIONSBANK DES LANDES BRANDENBURG. It priced a €500m September 2031 flat to mid-swaps, the tight end of the 1bp area guidance. Leads *DekaBank, Deutsche Bank, DZ Bank, Helaba* and *NordLB* were able to increase the size from the €250m minimum as books passed €775m.

HOOKING INVESTORS IN

Starting at an attractive level was also AGENCE FRANCAISE DE DEVELOPPEMENT's strategy. This paid off, with books for its €2bn 10-year sustainable reaching a staggering €8.2bn-plus.

Leads *BNP Paribas, Bank of America, Commerzbank, JP Morgan* and *Natixis* opened books on the sustainable 10-year at 21bp area over interpolated OATs. They priced 3bp tighter.

"A few weeks ago, people were saying, 'French agencies trade too tight, versus France, versus the Dutch agencies'," a lead said. "But what's clear is that the euro market is in excellent health. There are no concerns around French elections; investors see the slight sell-off in yields as a good entry point, and if you offer value in the right maturity, deals work. You also have a sheep effect. If investors see a deal work, they all pile in, it's the FOMO effect."

Fair value was estimated at 16bp–17bp, so the 21bp start offered a decent concession.

"Since the NGEU last week, we've obviously seen a number of deals go well, but what strikes me is that the deals that are working well are also those for issuers who'd typically struggle," a DCM banker away from the trade said. "AFD deals tend to be tough – they're not exactly blowouts." He added that it helped that AFD had offered a decent concession at the start.

"If you look at the response for that deal compared with what NWB got, it's quite different, but NWB started with a much smaller 1.5bp concession," he said.

Leads *BNP Paribas, Citigroup, JP Morgan* and *Rabobank* opened books for NWB BANK's 25-year sustainable development goal housing deal with guidance of 11bp area.

SMALLER UNIVERSE

"There is a smaller universe of investors that look at that part of the curve, so you're never going to get a huge book," a lead said. "However, most key accounts we would usually target seemed to be present."

Still, while some French accounts participated, for example, the relative value versus France made it a difficult buy. The 9bp over mid-swaps landing spread for the €1bn deal was almost 15bp through France.

> "What's clear is that the euro market is in excellent health. There are no concerns around French elections; investors see the slight sell-off in yields as a good entry point, and if you offer value in the right maturity, deals work"

"Govvie curves are very steep," the lead said. "Supply-wise, we don't see an awful lot of SSA supply in that part of the curve, and the likes of EU and EIB benefit from QE to a greater extent because of the supra weighting. Their curves are much flatter and the relative value for the rest of the SSA universe goes off them rather than governments. But, for investors, it's still a good diversification play."

Another lead said that the 11bp area starting point only offered 2bp of concession, which partly explained why momentum was slower to gather compared with AFD, though books were almost twice covered, closing past €1.8bn.

HAMBURG GETS THERE

While demand has been abundant, issuers have had to be mindful of marketing levels and approach the market with reasonable premiums.

A deal for the FREE AND HANSEATIC CITY OF HAMBURG took off as marketing progressed despite a slow start, with the first book update showing demand at just over €445m. Leads *Barclays, DZ Bank, Goldman Sachs, NordLB* and *UniCredit* priced in line with the 5bp area through mid-swaps. The certainty helped propel demand with books on the €700m 10-year closing past €900m.

"I thought they started quite tight," a banker away said. "I think if they'd started 1bp wider, they probably would have got the same outcome pricing-wise but would have got a bigger book. At less 5bp, it was aggressive, it was in line with fair value. If you try and squeeze the last penny, it can get difficult."

Helene Durand

LBP takes AT1 coupons to a new low

Steals crown from Rabobank but 3% still marks barrier

LA BANQUE POSTALE broke through the all-time low for coupons in euro AT1 on Wednesday, with investors willing to follow the issuer down to 3% for its €750m perpetual non-call 7.5-year (rated BB/BBB–, S&P/Fitch).

LBP started with IPTs of 3.375% area, through structuring adviser and global coordinator Natixis and fellow bookrunners *Barclays*, *BNP Paribas*, *La Banque Postale*, *Morgan Stanley* and *UBS*.

The issuer had in its sights Rabobank's deal from April, a €750m perpetual non-call December 2028 trade (Baa3/BBB, Moody's/Fitch), that held the lowest euro AT1 coupon record at 3.1%. LBP had twice held back from going for the deal as the market wobbled.

"The issuer was very pragmatic in terms of timing," said Thibault Archeray, co-head of FIG DCM at Natixis CIB. "A short virtual roadshow had been considered, but given the more volatile backdrop, it was decided that an intraday execution was probably the wise choice. We thought this was a good window to reach LBP's size and coupon objectives."

After 37.5bp of tightening, LBP claimed the coupon crown from Rabobank.

"We had already announced the funding plan for 2021, with the rationale of further optimising our capital structure and also seizing this opportunity of very attractive market conditions for AT1," said Dominique Heckel, head of treasury, long-term funding and repo at La Banque Postale.

"Conditions were particularly supportive in euros as there has not been so much supply, with others choosing instead to issue in US dollars."

A lead put fair value for LBP at around 2.875%.

"For an AT1 from a good name with this kind of profile and quality . . . in secondary you can only buy it with a two handle. Coming with a three handle therefore looks like an interesting proposition," he said. "If you compare it with wider trading instruments, then the target audience will be the same but, of that, those who are willing to buy is probably smaller, albeit the quality is very good."

Books of above €1.4bn helped LBP push through Rabobank's level.

"We fixed the final terms – €750m at 3% – at 11.30am UK time without an intermediate step of pricing revision," said Archeray. "That was primarily to give investors clarity on the pricing level, which we felt was important in a market where there has been more volatility, and show we weren't trying to break the 3% barrier."

A banker away said demand was around the level expected. "You just can't get people too excited about buying the lowest coupon AT1," he said.

The Bank of America CoCo index closed at 3.38% on Tuesday, sticking close to the all-time low of 3.24% recorded on August 5.

"I still see some value in the asset class, with room for performance versus other areas like Tier 2," said Archeray. "This asset class has also been very well supported by regulators during the pandemic, for example given no restrictions on coupon payments like you saw with dividends."

BNP Paribas analysts wrote on September 17 that AT1s are a better source of carry than hybrids, with supply, positioning and relative valuations all looking less heavy, lighter and less stretched for the former. In an environment where all spreads are tight, wrote BNPP, AT1s have the strongest support.

"The hedge fund and fast money guys are staying away, but you get people buying because 3% in AT1 is attractive versus those paying less than 1% in Tier 2, so there's room for compression," said a banker away from the deal.

"Also, this name is very well bid and supported domestically – all the big French accounts are very happy to buy. And it has a pretty good rating for Tier 1, which helps Continental Europe participation."

Accounts from France took around 33% of LBP's offering, with the UK taking 19%. Switzerland took 15%, with real money involved alongside private banks, while buyers from German and Austria also played in size.

"The UK is historically the largest sponsor of this asset class, but at these kinds of yields they had much less presence," said Archeray. "A name like LBP is a very strong investment proposal in the AT1 universe, especially given its scarcity value and conservative risk profile."

LBP's AT1 will have a 5.125% CET1 trigger.

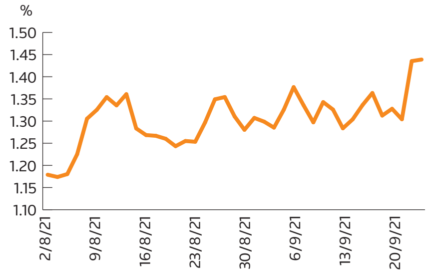
Heckel said that LBP's transaction will contribute to filling its Pillar 1 and 2 requirements for AT1. He said that there might be other opportunities this year to explore some pre-funding, especially in the senior non-preferred space, depending on market conditions.

Robert Hogg

WEEK IN NUMBERS

1.43%

THE YIELD ON 10-YEAR TREASURIES AT THURSDAY'S CLOSE AS AN INTEREST RATE HIKE BY NORWAY AND HAWKISH OUTLOOKS IN THE US AND UK SENT RATES MARKETS INTO A TAILSPIN

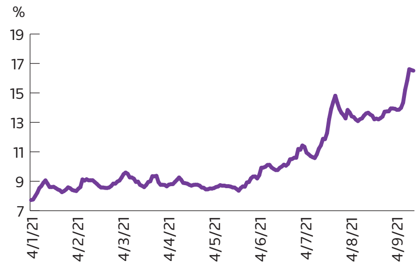


£100bn

THE DEMAND FOR THE UK DMO'S DEBUT GREEN GILT, WHICH SET AN ORDER BOOK RECORD FOR A GREEN BOND. THE £10bn DEAL ALSO PRICED WITH A RECORD GREENIUM

16.5%

THE AVERAGE YIELD OF CHINA'S HIGH-YIELD CORPORATES, ACCORDING TO ICE BOFA, ON THURSDAY AS UNCERTAINTY STILL REIGNED OVER WHETHER EVERGRANDE WOULD MAKE A COUPON PAYMENT



€2bn

THE AMOUNT THAT BAT RAISED ON WEDNESDAY THROUGH A DEBUT HYBRID OFFERING AS INVESTORS PUT ASIDE ANY ESG CONCERNS TO BUY ATTRACTIVELY PRICED DEBT

€1.058bn

THE AMOUNT OF CORPORATE BONDS THE ECB BOUGHT (NET) IN THE WEEK TO SEPTEMBER 17 AS PART OF ITS CSPP COMPARED WITH €2.436bn THE WEEK EARLIER

In total, it has bought €297.862bn since the programme began in 2016

SSAR

EUROS

AZORES SECURES LARGEST AND LONGEST BENCHMARK

More febrile market conditions and heavy supply of late meant that the Portuguese autonomous region of AZORES was alone in the SSA market last Monday, but nonetheless the borrower secured a strong execution for what marked its largest and longest public transaction.

Although broader markets had become somewhat less accommodating compared with the previous week, bankers did not see it as likely to weigh on supply too heavily.

"Yes, for sure, it has been a bit rough in Bund futures and rates, but really I think what we are seeing is as much because of the supply we have had lately," said one syndicate official away from the Azores deal.

"We have had big deals from the likes of EU, KfW and the EIB, and people just think to themselves 'I will wait this out because I don't need to issue'."

But even for those that do need to print deals, market conditions are not proving prohibitive.

Azores, rated Ba1/BBB– (Moody's/Fitch), is by no means a name for everyone, but the borrower was still able to put a €410m–€485m 15-year on screens at guidance of the 55bp area over interpolated Portuguese government bonds and draw a book of more than €715m (excluding lead interest).

This enabled *CaixaBI*, *Credit Agricole*, *Deutsche Bank* and *Millennium BCP* to tighten the spread to 52bp and set a size of €435m.

"Due to the size and the nature of the name, this type of deal doesn't attract blowout demand, but it ticked a lot of boxes," said one lead. "It came and did the size it had approval to do and did it at no concession versus their secondaries, so it's a very pleasing result."

The transaction also spotlighted the growing interest that investors are showing in longer-dated assets, following the Austria €5bn 0.25% October 2036s and the NRW €2.5bn 0.5% January 2052s placed the week before.

"Everybody – especially bank treasuries – is taking the view that they want to expand duration," said the banker away from the trade. "It makes sense to push into 15-years because you get a positive yield and this is compelling."

The Azores bond priced at par to yield 1.095%.

SWISS FRANCS

ZKB BRINGS FOURTH SWISS GREEN

ZUERCHER KANTONALBANK brought its fourth green bond to the Swiss franc market on Friday, printing a SFr150m (US$162m) 10-year at the tight end of guidance for a 2bp greenium and making it the most active domestic green issuer in the Swiss market.

Books opened for SFr100m–SFr150m at Saron mid-swaps plus 14bp–16bp before the spread was set at the tight end. The bonds printed with a 0.15% coupon at 100.218 for a 0.143% yield, equivalent to Libor mid-swaps plus 6.8bp, or 33.8bp over the Swiss government curve.

The issue's green credentials pushed it around 2bp inside ZKB's curve, according a lead official.

A total of 26 all-Swiss accounts took part, with asset managers taking 50.5%, insurers 21.1%, pension funds 16.4% and banks 11.9%, with more than two-thirds designated as ESG investors.

The deal was self-led by *ZKB* and rated Aaa/AAA/AAA, given its guarantee from the canton. It also carried a second-party opinion from ISS ESG.

It followed lower-rated BASELLANDSCHAFTLICHE KANTONALBANK (AA, S&P), which on Thursday printed a SFr200m self-led 10-year conventional bond. That deal came in the middle of Saron mid-swaps plus 17bp–19bp guidance, flat to its curve.

ALL INTERNATIONAL BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	1,387	332,938.42	8.6
2	Bank of America	1,080	268,681.78	7.0
3	Citigroup	1,059	262,298.78	6.8
4	Goldman Sachs	804	213,237.63	5.5
5	Barclays	905	211,923.46	5.5
6	Deutsche Bank	788	184,618.42	4.8
7	Morgan Stanley	668	183,563.56	4.8
8	BNP Paribas	789	183,457.91	4.8
9	HSBC	825	173,028.47	4.5
10	Credit Agricole	528	106,532.78	2.8
	Total	**5,130**	**3,857,374.82**	

Including Euro, foreign, global issues. Excluding equity-related debt, US Global ABS/MBS.
Source: Refinitiv SDC code: J1

ALL INTERNATIONAL GREEN BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	114	21,557.26	7.8
2	BNP Paribas	92	19,496.34	7.1
3	Citigroup	91	18,376.06	6.7
4	Credit Agricole	79	15,838.75	5.8
5	Deutsche Bank	88	14,348.54	5.2
6	HSBC	87	14,336.57	5.2
7	Barclays	64	11,928.08	4.3
8	Bank of America	76	10,379.09	3.8
9	Goldman Sachs	49	8,169.29	3.0
10	NatWest Markets	28	7,801.14	2.8
	Total	**420**	**275,324.80**	

Excludes social bonds and mixed use of proceeds.
Source: Refinitiv SDC code: JG1

ALL BONDS IN EUROS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	397	96,042.53	8.2
2	JP Morgan	328	78,355.46	6.7
3	Barclays	277	73,663.74	6.3
4	Deutsche Bank	295	70,120.65	6.0
5	HSBC	264	58,721.81	5.0
6	Credit Agricole	264	58,431.00	5.0
7	UniCredit	244	56,707.85	4.9
8	Bank of America	207	55,203.83	4.7
9	SG	214	55,085.48	4.7
10	Citigroup	222	54,156.08	4.6
	Total	**1,461**	**1,165,297.52**	

Including Euro-preferreds. Excluding equity-related debt, US Global ABS/MBS.
Source: Refinitiv SDC code: N1

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING SEPTEMBER 24 2021

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Sep 21 2021	Germany	€2.4692bn	0	Nov 15 2028	−0.500	1.56
Sep 22 2021	UK (i)	£350m	0.125	Nov 22 2056	−2.289	2.12
Sep 22 2021	Germany	€1.862bn	0	May 15 2036	−0.060	1.11
Sep 24 2021	Italy	€2.5bn	0	Jan 30 2024	−0.320	1.58
Sep 24 2021	Italy (€i)	€1bn	0.4	May 15 2030	−0.850	1.41

Source: IFR

NON-CORE CURRENCIES

ADB PLACES BLUE BONDS

The ASIAN DEVELOPMENT BANK has privately placed its first blue bonds denominated in Australian and New Zealand dollars, under ADB's expanded Green and Blue Bond Framework, which will finance ocean-related projects in Asia and the Pacific.

A A$208m (US$151m) 15-year bond issue, arranged by *Citigroup*, was purchased by Dai-ichi Life Insurance, while a NZ$217m (US$151m) 10-year bond offering, arranged by *Credit Agricole*, was purchased by Meiji Yasuda Life Insurance.

"Having our first Australian dollar 15-year and New Zealand dollar 10-year blue bonds under ADB's Green and Blue Bond Framework is a new milestone for sustainable ocean finance. The tenor reflects the needs and our long-term support for the sector," said ADB vice-president for finance and risk management, Ingrid van Wees, on September 10.

The bonds are part of ADB's Action Plan for Healthy Oceans and Sustainable Blue Economies launched in 2019. This aims to catalyse sustainable investments in Asia and the Pacific by committing to invest and provide technical assistance of at least US$5bn by 2024.

CORPORATES

US DOLLARS

US CORPORATE LEVERAGE DROPS TO PRE-PANDEMIC LEVELS

A rebound in corporate earnings has driven leverage among US investment-grade borrowers back to pre-pandemic levels, bolstering investor confidence even as the market trades close to all-time tights.

A report from Bank of America published on September 15 showed IG industrial (excluding financial and utility companies) gross leverage declined significantly in the second quarter, retracing all the increase during last year's recession.

Gross leverage among these companies stood at 2.69x at the end of the second quarter, matching the 2.69x level posted at the end of 2019. Net leverage, meanwhile, dropped to 1.94x, its lowest level since the fourth quarter of 2018, thanks to higher cash levels.

This is a comfort for investment-grade corporate bond investors looking to put cash to work in an asset class that is trading close to all-time tight spread levels at 91bp over Treasuries, according to ICE BofA. Lipper data show six straight weeks of multi-billion dollar inflows into the asset class, totalling almost US$19bn, and spreads only moved 1bp wider on Monday despite a sharp slump in stock markets.

"It is a very healthy backdrop when you look at this improvement in credit metrics as well as the technical picture, and we are seeing that reflected in spreads," said Matt Daly, head of corporate credit research at Conning.

Gross leverage peaked at 3.24x in the second quarter of 2020 as companies dashed to raise cash in bond markets to bolster liquidity, according to BofA data. Since then, balance sheet repair has been a key focus, with companies reducing short-term debt

ALL US DOLLAR FIXED-RATE GLOBALS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	234	71,013.41	11.1
2	Citigroup	192	66,422.30	10.4
3	Bank of America	226	64,816.73	10.1
4	Morgan Stanley	132	47,033.92	7.3
5	Goldman Sachs	123	42,011.69	6.6
6	Deutsche Bank	78	33,967.05	5.3
7	Barclays	108	33,381.02	5.2
8	Wells Fargo	155	32,716.31	5.1
9	TD Securities	68	23,154.82	3.6
10	RBC	84	20,577.23	3.2
	Total	**421**	**640,318.72**	

Excluding equity-related debt, ABS/MBS.

Source: Refinitiv SDC code: O5

ALL INTERNATIONAL US$ BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	952	220,773.43	10.4
2	Bank of America	828	188,845.99	8.9
3	Citigroup	800	185,783.82	8.7
4	Goldman Sachs	580	143,567.89	6.7
5	Morgan Stanley	475	120,862.68	5.7
6	Barclays	520	101,682.17	4.8
7	Deutsche Bank	442	86,997.81	4.1
8	Wells Fargo	479	86,333.96	4.1
9	Credit Suisse	458	78,055.31	3.7
10	HSBC	421	75,232.54	3.5
	Total	**2,603**	**2,128,642.38**	

Including Euro, foreign and global issues. Excluding equity-related debt, US Global ABS/MBS.
Source: Refinitiv SDC code: O1

ALL SOVEREIGN BONDS IN EUROS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	JP Morgan	38	25,863.12	10.9
2	BNP Paribas	39	21,571.95	9.1
3	Citigroup	28	17,952.25	7.5
4	Barclays	24	16,722.79	7.0
5	Deutsche Bank	22	14,920.56	6.3
6	UniCredit	17	14,643.01	6.1
7	Credit Agricole	19	13,583.36	5.7
8	SG	14	12,169.30	5.1
9	Bank of America	17	11,925.76	5.0
10	HSBC	15	11,561.50	4.9
	Total	**84**	**238,316.81**	

Excluding ABS/MBS.
Source: Refinitiv SDC code: N4

ALL AGENCY BONDS IN EUROS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	28	12,319.15	10.6
2	Credit Agricole	29	9,968.93	8.5
3	Barclays	26	8,880.07	7.6
4	Bank of America	16	7,674.54	6.6
5	JP Morgan	27	7,635.15	6.5
6	HSBC	21	7,204.86	6.2
7	Natixis	15	7,118.19	6.1
8	Goldman Sachs	18	6,843.01	5.9
9	Deutsche Bank	19	6,601.83	5.7
10	Commerzbank	16	5,539.66	4.7
	Total	**181**	**116,683.44**	

Excluding equity-related debt. Including publicly owned institutions.
Source: Refinitiv SDC code: N6

ALL SUPRANATIONAL BONDS IN EUROS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	12	14,009.35	8.3
2	Morgan Stanley	8	13,565.49	8.0
3	BNP Paribas	8	12,791.92	7.6
4	Deutsche Bank	13	12,357.75	7.3
5	Goldman Sachs	11	11,747.12	7.0
6	HSBC	16	10,332.47	6.1
7	DZ Bank	8	10,082.05	6.0
8	UniCredit	8	9,224.61	5.5
9	Bank of America	11	9,193.57	5.4
10	Commerzbank	7	8,656.32	5.1
	Total	**60**	**169,013.84**	

Excluding ABS/MBS.
Source: Refinitiv SDC code: N5

MUNICIPAL, CITY, STATE, PROVINCE ISSUES IN EUROS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	JP Morgan	21	4,891.20	14.6
2	HSBC	23	4,232.83	12.6
3	Deutsche Bank	20	3,255.83	9.7
4	UniCredit	13	2,827.41	8.4
5	Nord/LB	11	2,060.78	6.2
6	Barclays	7	1,949.16	5.8
7	Natixis	8	1,506.60	4.5
8	LBBW	10	1,459.31	4.4
9	DGZ-DekaBank	7	950.62	2.8
10	TD Securities	3	859.11	2.6
	Total	**67**	**33,491.67**	

Excluding ABS/MBS.
Source: Refinitiv SDC code: N7

and using liability management exercises to term out existing bonds, while stronger earnings have also helped the other side of the leverage equation.

"To a degree, this is down to the earnings recovery," said Nicholas Elfner, co-head of research at Breckinridge Capital Advisors. "The denominator [earnings] is increasing faster than the numerator [gross debt]. We've seen fewer downgrades by credit rating agencies and we're starting to see more positive rating actions and rising stars into IG. Fundamentals are stable to improving and that provides a constructive backdrop for credit, in our view."

Leverage in the IG market climbed steadily in the years prior to the pandemic, thanks to large M&A volumes and high amounts of shareholder returns in a growing economy. Some investors are hopeful that the spread of Delta variant Covid-19 cases, Fed policy and potential higher rates, as well as signs the Biden administration is taking a tougher stance on large M&A deals, will delay a return to this kind of behaviour.

"A less accommodative approval process on large-scale M&A may mean fewer large deals financed with excessive debt, which is the key thing to watch," said Elfner. "Delta variants throw another curve ball into corporate planning and confidence, so we would not expect fundamentals to turn negative anytime soon. We think companies will continue to have balanced capital allocation policies."

JDE PEET'S PRICES DOLLAR DEBUT

JDE PEET'S, the world's largest coffee and tea company by revenues, made its debut in the US dollar bond market on Tuesday, raising US$1.75bn in three tranches.

The offering, rated Baa3/BBB–/BBB–, was the latest expansion of the company's capital markets activities after it issued a debut €2bn bond in June this year and completed a refinancing of its €6.5bn bank debt facilities in March that was tied to sustainability targets.

JDE Peet's printed a US$500m 0.80% 2024 tranche at 42bp over Treasuries, US$750m of 1.375% 2027s at 67bp over and US$500m of 2.25% 2031s at 97bp over.

The company drew US$7.4bn of demand, with US$2.1bn of orders for the three-year bonds, US$2.8bn for the five-years and US$2.5bn for the 10-years, according to IFR data.

Since an IPO on the Euronext in Amsterdam in May 2020, the Dutch/US company has cleaned up its capital structure to bolster its investment-grade credentials and is focused on deleveraging, according to analysts at CreditSights.

Net leverage improved to 2.98x net debt to adjusted Ebitda at the end of the first half of 2021, the company said, down from 3.23x at the end of the 2020 financial year. Total sales increased by 4.2% on an organic basis as at-home coffee product sales delivered strong growth of 4.9%. Away-from-home coffee sales, however, showed just 0.7% growth, with consumption starting to rebound in some areas as restrictions ease, offset by new lockdowns in other markets.

Active bookrunners on Tuesday's deal were *Bank of America, Citigroup, Deutsche Bank, JP Morgan* and *Santander*.

EUROS

YIELD ADDICTION HELPS INVESTORS INHALE BAT HYBRIDS

For many investors it appeared ESG concerns went out of the window last Wednesday as the market lapped up **BRITISH AMERICAN TOBACCO**'s inaugural hybrid bond.

Even before IPTs were announced, bankers had been confident that – despite the fact that many investors, especially those in France and the Netherlands, will not buy tobacco-related debt – the transaction would go smoothly, given the yield that the issuer would probably end up offering.

This confidence was not misplaced.

Bank of America, *Citigroup*, *Deutsche Bank* and *Santander* opened books on a €1bn perpetual non-call 5.25 and €1bn perpetual non-call eight at 3.375% and 4.125% area yields.

At those IPTs, the company was offering up a senior/sub spread – in swap terms – of 275bp on the shorter tranche and 290bp on the longer note, much bigger than on other recent hybrids. On those the spread has been typically less than 200bp and often in the mid-to-low 100s, according to a syndicate banker away from the deal.

"They have the roadshow feedback in their pocket so no doubt this is the right context of clearing level for the ESG-unfriendly risk," he said.

At guidance books were above €1.8bn on the shorter leg and €2.6bn on the longer, allowing leads to ratchet in pricing to set final terms at 3.125% and 3.875%. Following pricing, the senior/sub spread stood at around 250bp and 265bp, based on the banker's fair value estimates for comparable senior notes.

"Tobacco has been one of the worst performing sectors at a senior level this year, so to suddenly see billions and billions of euros worth of demand for this hybrid just shows that there is still appetite for the sector, but just at the right price," said one fund manager.

"Investors need compensation for the ESG risk, there is a need to have decent value behind a new deal, and I think you need to be paid more than for some of the cuspier oil sector hybrids. And you need to be paid more for the call risk, because for the longer-dated hybrid you are eight years out, that is a long period in this sector and you need to be comfortable that they will be able to refinance."

The attraction of BAT's bonds becomes apparent when compared with what similarly rated hybrid issuers provide.

For comparables, the syndicate looked to subordinated notes from the likes of VW, Eni and Bayer, which were offering yields from 1.77% to 2.41% and senior/sub spreads from 140bp to 195bp.

BAT's senior paper is rated Baa2/BBB+ and at a subordinated level carries Ba1/BBB– ratings.

The company decided to add hybrid debt to its capital structure to help strengthen its balance sheet and support its deleveraging efforts.

Investors will also compare tobacco credits to other consumer-orientated issuers, said bankers, over which tobacco gives a notable pick up.

BAT has a euro senior curve out to March 2045, with leads highlighting €800m 1.25% March 2027s, €850m 3.125% April 2028s, €600m 3.125% March 2029s and €1.25bn 2.25% January 2030s as relevant pre-announcement comps.

These notes were seen yielding 0.62%, 0.84%, 1.09% and 1.24%, while the average yield on the iBoxx EUR Consumer Goods Index stood at 0.47% at Tuesday's close, according to Refinitiv.

This is not the first time in recent history that the European market has proved itself open to tobacco-related hybrid debt. In September 2020, Japan Tobacco issued €500m of 2.375% 60.5 non-call 5.5s and €500m 2.875% 63-year non-call 8.25s that attracted combined orders of €5.4bn.

As well as the value on offer, investors like the predictable cashflows of tobacco companies.

ENEL PRESSES ON WITH 'GREENIFICATION LM'

ENEL accelerated its pivot towards ESG-related debt last Tuesday, issuing sustainability-linked bonds in the euro market while announcing a tender offer for conventional dollar notes.

This process of replacing standard bonds with ESG notes, whether green, sustainable, social or sustainability-linked, has been termed "greenification LM" by market sources and is a growing trend among corporate borrowers.

The Italian utility has a target for 48% of its total gross debt to be ESG-related by 2023 and more than 70% by 2030. In 2020, the figure stood at 33%.

As well as environmental incentives, there also appear to be strong economic reasons to replace conventional debt with ESG bonds. Enel projects that by issuing sustainability-linked instruments it can save 15bp–20bp, according to a recent investor presentation.

Leads opened books on benchmark May 2026, May 2029 and September 2034 SLBs at spreads of 65bp, 80bp and 100bp areas over mid-swaps.

Enel raised €3.5bn, split across €1.25bn, €1bn and €1.25bn tranches, from a combined book that reached over €10.3bn.

"Anyone who knows Enel knows that when they say benchmark, they are going to go for something large," said a banker involved.

It did end up paying some premium after spreads were fixed at 35bp, 48bp and 70bp. Leads said the company paid a concession of 2bp–3bp on the two shorter note tranches and 10bp on the longer tranche.

ALL US INVESTMENT GRADE CORPORATE DEBT
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	469	144,705.31	13.0
2	Bank of America	454	134,352.65	12.1
3	Citigroup	375	102,062.71	9.2
4	Goldman Sachs	256	92,474.25	8.3
5	Morgan Stanley	249	75,623.20	6.8
6	Wells Fargo	299	59,655.01	5.4
7	Barclays	178	42,886.34	3.9
8	Deutsche Bank	133	38,087.11	3.4
9	Mizuho	156	33,354.90	3.0
10	MUFG	157	32,676.81	2.9
	Total	**943**	**1,111,677.37**	

Source: Refinitiv SDC code: F9

ALL INV-GRADE US CORPORATE BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	72	13,096.29	12.0
2	Bank of America	68	10,702.55	9.8
3	Citigroup	46	8,254.53	7.6
4	Wells Fargo	63	7,321.25	6.7
5	Goldman Sachs	33	6,417.08	5.9
6	MUFG	32	6,376.35	5.9
7	Barclays	30	5,897.87	5.4
8	Morgan Stanley	40	5,869.97	5.4
9	Mizuho	23	4,739.04	4.4
10	RBC	31	3,979.85	3.7
	Total	**172**	**108,770.32**	

Excluding equity-related debt, ABS/MBS, all foreign issues, global issues and non corporates.
Source: Refinitiv SDC code: F6a

"It's a brilliant result though," said a banker away from the deal. "If you are coming to do this size, as a base case you should be expecting to pay premiums and if you are doing a large multi-tranche trade you should expect some steepness, just to make sure you get that distribution across the tranches."

FROM RENEWABLES TO EMISSIONS

All three tranches carry a 25bp coupon step-up. On the shorter two note tranches, it will be triggered if Enel's direct greenhouse emissions are above 148g per kilowatt hour as of December 31 2023. The longer bonds' coupon increase will be triggered if emissions are above 82g/kWheq by December 31 2030. The company emitted 214g/kWheq of gases, as of mid-2020.

Emissions targets were featured in Enel's euro and US dollar senior unsecured bonds issued earlier this year, as well as the €500m 1.125% October 2034 tranche of its inaugural euro SLB from 2019, but their greater use this year marks something of a shift away from the renewable energy targets that featured in much of the company's SLB issuance during 2019 and 2020.

The change is largely linked to this year's update of the issuer's framework. Previously, the only observation date for emissions was in 2030, limiting the KPI's usefulness to longer-dated bonds. However, by adding a 2023 observation date in its updated framework, emissions targets can also be included in shorter-dated notes.

As well as the bond issue, Enel also announced a US$1.5bn tender offer for three US dollar bonds with maturities in 2027, 2028 and 2029.

There has been a recent spate of issuers – mostly US ones – replacing dollar debt with euro tranches, as the pricing in the single currency proves attractive out to 20 years.

ALL CORPORATE BONDS IN EUROS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	186	24,773.92	8.0
2	Deutsche Bank	137	19,659.21	6.3
3	JP Morgan	136	18,840.88	6.1
4	Bank of America	95	16,674.79	5.4
5	Citigroup	108	16,538.12	5.3
6	HSBC	108	14,228.67	4.6
7	SG	90	13,772.61	4.4
8	Goldman Sachs	107	13,148.71	4.2
9	Credit Agricole	115	12,917.55	4.1
10	UniCredit	96	11,933.48	3.8
	Total	**440**	**311,300.24**	

Excluding equity-related debt. FIGs, ABS/MBS.
Source: Refinitiv SDC code: N8

SLIM SPREADS AND NEGATIVE YIELD NO TROUBLE FOR QUALITY ISSUERS

Industrial gases company LINDE and German rail company DEUTSCHE BAHN showed that investors remain content to take down new issues from high-quality issuers at ultra-tight levels, although the distribution of orders and premiums did show lower levels of interest at the long end.

Linde (A2/A) put five, 12 and 30-year senior unsecureds (all expected €500m) on screens last week at IPTs of the 40bp, 50bp–55bp and 90bp–95bp areas versus mid-swaps.

Despite the razor-thin spreads, combined books peaked at more than €5bn, which enabled the leads to push pricing down to 15bp, 25bp and 65bp. That meant the five-year tranche priced at a yield of minus 0.112%.

Leads said that fair value was hard to pinpoint, but at a push placed it around 18bp, 27bp and 60bp–65bp.

"The fact that these tranches have landed where they have is pretty amazing," said a banker away from the deal. "There is definitely more of an openness on the investor side to these types of trades at the minute, but even so, that five-year is one of the tightest we have seen this year."

The 15bp in fact marks the tightest spread on a high-grade corporate euro five-year issue this year, surpassing the 18bp that Deutsche Boerse achieved on its €500m 0% February 2026s, at the start of the year.

While the 2026s priced at a negative yield, the other two tranches were reoffered at 0.405% and 1.02%.

That tightening, however, did lose orders, with final books coming in at €1.4bn, €850m and €950m. Tranches were sized at €700m, €500m and €700m.

"These books on the longer-dated notes I think are understandable," said the banker away from the trade. "If you are concerned about where rates are going to go over the next couple of quarters the long end is going to seem quite risky and you are going to be focused on the outright spread and yield."

The issuer – which has not funded in the euro market in well over a year – was raising cash to repay the €1bn of bonds that come due in January, according to a lead.

Deutsche Bahn (Aa1/AA–) emerged with a €750m 10-year senior unsecured, announced at IPTs of 55bp–60bp over mid-swaps. Orders in excess of €2.5bn enabled leads to tighten to 32bp, for a concession of 2bp, according to those leading the deal.

HIGH DEMAND FOR HIGH SPREADS

Last week also showed that there is plenty of demand out there for borrowers offering wider spreads, especially at shorter

maturities. MEDICAL PROPERTIES TRUST (Ba1/BBB–) – a US REIT focused on investing in healthcare real estate – extended the strong run of reverse Yankee issuance since the reopening of the euro primary following the summer.

Before last Wednesday's transaction, there had already been €9.95bn of reverse Yankee issuance since late August, according to IFR data.

Barclays, *Bank of America*, *Goldman Sachs* and *JP Morgan* began marketing a €500m five-year at the mid-swaps plus 165bp area. But with a final book north of €3bn, the final spread was fixed at 125bp, which according to one of the leads marked a negative concession of 10bp.

While much of the recent US corporate euro issuance has focused on longer maturities – Eli Lilly recently issued a 40-year – MPT looked towards the shorter end of the curve, which it found more appealing given it is a higher spread issuer, said a lead.

With the proceeds from Wednesday's trade, the issuer will finance the redemption of its €500 4% August 2022s, and with any remaining amount, it may potentially refinance borrowings under its revolving credit facility and other activities.

HIGH-GRADE NAMES LINE UP

Expectations are that high-grade euro corporate supply should rise this week, with five transactions already announced, and once again the pipeline is dominated by international names rather than domestic European borrowers.

Bankers have said that volatility at the start of last week, followed by the FOMC meeting, meant that some of their clients took the decision to hold off, with several syndicate officials noting that they have more deals for the coming week than they did for last.

The visible deals in the pipeline include: US agricultural equipment maker AGCO (Baa2/BBB–); US fund manager PERSHING SQUARE HOLDINGS (BBB+/BBB); and Australian administration services provider COMPUTERSHARE (Baa2/BBB), which all announced euro mandates on Wednesday.

They will be joined by Australian electricity distributor AUSGRID (Baa1/BBB), which flagged a mandate on Tuesday, and Belgian property investor CODIC (unrated), which on Thursday signalled meetings starting this week.

"Supply should continue to be well received," said a syndicate official. "Overall, I think the market has been somewhat disappointed by what supply there has been and ultimately investors need to buy and need to add risk."

Despite some bankers feeling that supply has underwhelmed, weekly issuance in fact rose last week to €9.15bn, from €8.7bn the week before, according to IFR data, helped by multi-tranche benchmarks from BRITISH AMERICAN TOBACCO, ENEL and LINDE.

GASUNIE FRAMEWORK MARKS SHIFT AWAY FROM TRANSITION BONDS

Dutch state-owned gas distributor GASUNIE last week published its sustainability-linked bond framework, the first from the sector to embrace the format and marking a break with the trend of distributors opting for transition bonds as a way to access ESG funding.

The adoption of an SLB framework is part of the company's efforts to broaden its ESG financing sources, having established a KPI-linked revolving credit facility in 2020. For its bond framework, Gasunie has selected two KPIs.

"It's the first in the sector and it has one KPI that is well established, Scope 1 and 2 carbon emissions, and it has one KPI that is quite distinct to the gas distribution sector, which is methane emissions," said Arthur Krebbers, head of sustainable finance, corporates, at NatWest Markets.

One KPI dictates that methane emissions must not exceed 70 kilotonnes of CO2-equivalent for the full calendar year 2030, a reduction of 50% compared with 2020. The other, linked to Scope 1 and 2 emissions, is linked to emissions intensity, which it must reduce by 30% by 2030, rather than absolute emissions.

"[This] reflects the reality that the company is not in control of how much natural gas is transported through its pipelines. It is a regulated company subject to orders that are placed by its clients," said Krebbers.

TRANSITIONING AWAY FROM TRANSITION BONDS?

Gasunie's decision calls into question the relevance of transition bonds, given the format has almost entirely been utilised by gas distributors such as Cadent and Snam.

Some investors had already been levelling criticism against the concept, saying that it muddies the waters when it comes to ESG products.

Transition bonds are attractive to gas distributors because they can encompass a broader array of projects than a green bond, such as financing improvements to networks that distribute natural gas.

This, however, is unacceptable to some investors with strict ESG mandates, who will not buy into bonds issued by companies that have any involvement in the fossil fuel value chain.

There is also not the same level of standardisation among transition bonds as there is for SLBs or green bonds. There are no ICMA guidelines for transition use of proceeds, although they have produced a transition finance handbook, which provides some guidance around the overall strategy a company should pursue.

"I don't think the transition bond market is dead, it does appeal to certain issuers, but issuers, particularly those from the oil and gas sectors, where they do care about perception and upholding well-established market standards, there is that sense that it is better to stick with what is most well defined and supported," said Krebbers.

"When companies are inclined to appeal to as wide an investor base as possible and to stick to as widely accepted market principles as possible, then a green or SLB currently fulfils those needs."

But SLBs are not right for everyone, which suggests that there could still be some merit left in transition bonds. Some companies might just not have enough robust targets to match the tenor of the bonds they want to issue, added Krebbers.

ALL INVESTMENT-GRADE BONDS IN EUROS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	285	80,179.07	8.3
2	JP Morgan	231	66,255.67	6.8
3	Barclays	198	60,655.90	6.3
4	Deutsche Bank	192	55,035.10	5.7
5	Credit Agricole	198	52,378.72	5.4
6	HSBC	200	51,267.56	5.3
7	SG	172	49,258.00	5.1
8	UniCredit	171	48,923.04	5.0
9	Bank of America	144	45,873.64	4.7
10	Citigroup	149	42,987.61	4.4
	Total	**1,125**	**969,372.37**	

Excluding ABS/MBS, equity-related debt.
Source: Refinitiv SDC code: N9

ALL CORPORATE BONDS IN STERLING
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Barclays	30	2,911.44	17.3
2	HSBC	21	2,112.83	12.6
3	NatWest Markets	18	1,521.79	9.0
4	Lloyds Bank	18	1,404.59	8.4
5	BNP Paribas	12	1,033.75	6.1
6	RBC	10	950.53	5.7
7	Santander	8	911.23	5.4
8	MUFG	9	825.28	4.9
9	Goldman Sachs	7	620.31	3.7
10	Bank of America	6	475.65	2.8
	Total	**55**	**16,815.63**	

Source: Refinitiv SDC code: N8a

Gasunie's framework is aligned with the core recommendations of the ICMA Sustainability-Linked Bond Principles and the ICMA Climate Transition Finance Handbook. The company has also signalled it will look to issue green bonds in the future.

SWISS FRANCS

TECAN TOPS UP US ACQUISITION FUNDS WITH SWISS DEBUT

Laboratory equipment company **TECAN GROUP** brought its debut bond in the Swiss market on Tuesday to partly refinance its US$1bn acquisition of US peer Paramit that closed in early August.

It printed SFr250m (US$270m) of four-year paper at the tight end of revised guidance as investors piled in to the new name.

It also placed 650,000 shares in early September, raising around SFr357.5m, with the remainder coming from its substantial cash reserves. With its strong cashflows, the company had a clear view with regard to targeting a short tenor of four years, according to a lead official.

Swiss engineering company Georg Fischer (2026s at Libor mid-swaps equivalent of plus 46.5bp) and dental implant company Straumann (October 2025s at 48bp) were potential peers, although a precise new issue premium was, as always, difficult to calculate, said the official.

Books opened for a minimum SFr100m deal due October 2025 at Saron mid-swaps plus 58bp–63bp, which was swiftly revised to 55bp–58bp for a final capped SFr250m. The spread was set at the tight end, equivalent to Libor mid-swaps plus 49bp, or Swiss governments plus 64.8bp.

Swiss investors placed orders for "a fair amount above SFr500m", said the lead, with 100 accounts represented. Asset managers took 58.25%, banks, including private banks and bank treasuries, took 17%, pension funds 16% and insurers 8.75%.

Credit Suisse and *ZKB* led the deal, which they respectively rate Mid BBB and BBB+, both stable.

ALL INTERNATIONAL STERLING BONDS EXCLUDING SECURITISATIONS

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Barclays	87	13,213.73	11.3
2	HSBC	72	12,851.04	11.0
3	NatWest Markets	70	10,871.19	9.3
4	JP Morgan	28	8,319.29	7.1
5	RBC	53	7,952.06	6.8
6	BNP Paribas	33	7,280.87	6.2
7	Deutsche Bank	29	6,709.16	5.7
8	Lloyds Bank	44	6,315.24	5.4
9	Citigroup	27	5,629.25	4.8
10	Nomura	17	5,518.20	4.7
	Total	**206**	**117,209.69**	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv SDC code: K05a

NON-CORE CURRENCIES

WOOLWORTHS PLANS DOMESTIC SLB BOW

Supermarket giant **WOOLWORTHS**, rated Baa2/BBB (Moody's/S&P), has held investor calls arranged by *Citigroup*, *CBA*, *HSBC* and *Westpac* for an Australian dollar six and 10-year sustainability-linked bond offering, expected to launch and price this week.

The bonds, under Woolworths' US$4bn MTN programme, will be aligned to the ICMA Sustainability-Linked Bond Principles (2020) and in accordance with the issuer's sustainable finance framework dated September 2021. HSBC is sole sustainability coordinator.

The bonds will be linked to Woolworths' ability to reduce its Scope 1 and 2 greenhouse gas emissions in line with a 1.5 degrees Celsius Paris Agreement scenario, verified by the Science-Based Targets initiative, compared to a 2015 baseline.

Woolworths, which is committed to achieving net positive carbon emissions by 2050, received a warm reception for its first offshore and inaugural sustainability-linked bond on September 10, as the €550m (US$650m) seven-year bond, which incorporates a 25bp coupon step-up, attracted a peak order book of around €2.9bn.

The company has an established ESG track record in its home market, where it sold the first green bond by an Australian retailer and the first by a supermarket globally under the Climate Bonds Initiative framework for that sector.

ALL SWISS FRANC BONDS INCLUDING SECURITISATIONS

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total SFr(m)	Share (%)
1	Credit Suisse	91	9,985.42	26.1
2	UBS	74	7,666.29	20.1
3	Verband Schweiz	13	4,795.48	12.6
4	ZKB	48	4,378.94	11.5
5	Raiffeisen	38	3,393.55	8.9
6	Deutsche Bank	20	2,076.41	5.4
7	BNP Paribas	11	1,317.75	3.4
8	Commerzbank	10	900.40	2.4
9	SKB Banka	3	610.74	1.6
10	Basler KB	8	555.94	1.5
	Total	**180**	**38,207.89**	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv SDC code: K06c

The A$400m (US$296m) 2.85% five-year note in April 2019 attracted a stunning order book (by Australian standards) of over A$2bn, fanned by a rapidly expanding green investor base and credit-specific scarcity value as it was Woolworths' first MTN offering in seven years.

The size of this bond was ultimately contained by the green assets it is funding, primarily solar panels and in-store LED lighting.

Retail-to-chemicals conglomerate Wesfarmers opened the Australian sustainability-linked bond market in June with a 2.5-times-covered A$1bn dual-tranche seven and 10-year issue.

The groundbreaking trade was lapped up by green investors looking to measure the impact of their investments given a lack of accountability in the "use-of-proceeds" model used for most green bonds.

Also in June, engineering firm Worley sold the first public SLB from an Australian company anywhere in the world with a €500m five-year Eurobond.

Numerous other Australian companies have taken out sustainability-linked loans and could follow up with their own SLB bond offerings.

The list includes Coles, Ramsay Health Care, AGL Energy, G8 Education, Sydney Airport, Adelaide Airport, Queensland Airport, Port of Newcastle, Downer, Frasers, Incitec Pivot, AirTrunk, ISPT and Stockyard.

AUSNET HYBRID MAY BE CALLED

Holders of the **AUSNET SERVICES** A$650m (US$474m) October 2080 non-call October 2025 hybrid notes may face an early call at par or even a 500bp coupon step-up after Canada's Brookfield Asset Management proposed a A$9.57bn buyout of Victoria's largest energy delivery service.

The subordinated notes, issued last October, receive 50% equity credit from Moody's and S&P, which rate them Baa2/BBB. The notes currently pay a coupon of three-month BBSW plus 310bp.

The early call or (highly unlikely) step-up would be triggered by the notes' change-of-control clause if Brookfield does end up buying AusNet and there is a two-notch downgrade of AusNet's current senior ratings of A3/A– (Moody's/S&P).

S&P said on Monday that, if successful, Brookfield's acquisition could result in AusNet being downgraded "at least one notch", citing Brookfield's balance sheet management of its other majority-owned investments in Australia.

Moody's said AusNet's ratings are not immediately affected by the takeover proposal, though this could change if the takeover goes ahead and has an impact on

AusNet's business strategy, management, financial policy and capital structure.

Due diligence will be conducted on an exclusive basis for a seven-week period. The key conditions for the buyout to succeed include approval by AusNet's board, its shareholders and the Australian Foreign Investment Review Board.

On Tuesday, ASX-listed gas pipeline giant APA Group made a A$9.96bn counter-bid for AusNet that would prevent Victoria's power grid becoming fully foreign owned.

DAIMLER SEALS ITS FIRST PUBLIC PANDA

German carmaker **DAIMLER**, rated A3/A–/BBB+, has printed its first public Panda bond offering in China's interbank market with an issue size of Rmb4bn (US$620m).

The transaction comprised a Rmb2bn 3.1% two-year tranche and a Rmb2bn 3.3% three-year piece, both priced around the middle of the respective indicative ranges of 2.7%–3.3% and 2.9%–3.5%. The two-year was covered 1.52 times and the three-year 1.45 times.

Wholly owned subsidiary Daimler International Finance is the issuer and Daimler the parent guarantor, rated AAA by China Chengxin.

Proceeds will be used onshore and on-lent to the subsidiaries of the group which are located in the PRC.

Bank of China was the lead underwriter and bookrunner, and *Industrial and Commercial Bank of China* was the co-lead underwriter.

The other syndicate members were *Deutsche Bank (China)*, *BNP Paribas (China)*, *HSBC Bank (China)*, *Bank of Communications*, *MUFG Bank (China)*, *China Industrial Bank*, *Standard Chartered (China)*, *China Merchants Bank*, *China Merchants Securities*, *China Construction Bank*, *Agricultural Bank of China* and *Citic Securities*.

Daimler is an active Panda bonds issuer. Like other pure foreign corporate issuers, Daimler has issued through private placements to a limited group of investors. Before the latest deal, it had Rmb14bn of outstanding Panda bonds, all issued via private placements.

FIG

EUROS

COMMERZBANK LETS STORM BLOW OVER BEFORE TIER 2

COMMERZBANK let the worst of the market weakness pass by, holding off for a day before launching a no-grow €500m long 10-year non-call five Tier 2 on Tuesday.

The deal had been mandated on Friday, but bad conditions gave the issuer pause for thought, said a lead.

"We had considered going as soon as Monday but given markets were really bad, we decided to hold," he said. "The rebound we've then seen and stability in Asia and Europe meant we decided to go forward. It was helped by only being €500m and the asset class has been well supported in recent weeks."

The issue, expected to be rated Baa3 by Moody's and BB+ by S&P, was first marketed at swaps plus 200bp area via *Barclays, Commerzbank, Credit Suisse, Natixis* and *UniCredit*.

Leads had circulated pricing comparables including the bank's bullets due March 2026 and March 2027, as well as its non-call September 2025 due December 2030. The bonds were seen at spreads from 135bp to 155bp over swaps.

The lead said the starting point was around 30bp–35bp back of fair value.

"I wouldn't say it was a conservative starting point, but it took into account recent events," said the lead. "Maybe there is more sensitivity around something like AT1 which is more correlated to equities, especially when you consider very low beta credits trying to price at very low coupons. But a German bank paying 200bp at IPTs is something that can happen."

The spread was ground down to 175bp area (+/–2bp) at guidance, and then fixed at the tight end. Books at the final spread were above €1.3bn (pre-rec), down from a peak of more than €1.5bn.

ING GROEP PLANTS SIZE IN REOPENED MARKET

ING GROEP achieved size with its €1.5bn seven-year non-call six holdco transaction on Wednesday, breaking open senior supply for the week after Monday's volatility had caused issuers to rethink their timing.

The issuer (Baa1/A–/A+) opened with IPTs of swaps plus 85bp–90bp via *BNP Paribas, Credit Suisse, Deutsche Bank, DZ Bank, ING* and *NatWest Markets*.

Leads circulated levels for ING's curve, seeing the bank's September 2025 non-call 2024s bid at an I-spread of plus 36bp and its February 2030 non-call 2029s at 66bp.

A banker away put fair value for the new offering at about 60bp, with a lead spotting it at 60bp–62bp.

Demand for ING grew steadily throughout the bookbuild, reaching over €3bn at launch. The final order book was over €2.9bn.

"They were taking out a big size but they could comfortably do that off that book," said the lead. "They were taking size but making a bit of a concession on the price versus what you've seen in the market in the last few weeks."

The spread was set at 70bp.

"The frequent issuers which are not super-tight – like ING and ABN AMRO – coming in callables, which by their nature offer a bit of a pick-up versus bullets, are going to be okay," said the banker away.

"In that sector, I'd be a bit more concerned about the tighter names in the 40s to 50s and more constructive on the cheaper ones like the Spanish and Italians. Clearly, everything is tight or low, but the buffer versus any widening is that much smaller for the very tight names."

The banker away said credit appeared to be over any of the turbulence from Monday's market conditions, which affected timing of deals but appears to have no broader implications.

"We've seen enough now from the beginning of the week that even with a bad day like Monday, credit, including AT1s, has been resilient," he said. "In the short term, it looks like limited impact from the volatility; we've not seen selling from Asia or fast money in credit. The focus now should be more on the FOMC, tapering, supply chains, the Delta variant and so on."

ALL FINANCIAL INSTITUTION BONDS IN EUROS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	76	12,367.65	7.5
2	SG	54	10,655.95	6.5
3	JP Morgan	69	9,574.24	5.8
4	Credit Agricole	52	9,246.65	5.6
5	Barclays	60	8,884.68	5.4
6	Goldman Sachs	41	8,689.21	5.3
7	UniCredit	53	8,413.71	5.1
8	Natixis	41	7,393.75	4.5
9	HSBC	55	7,303.32	4.5
10	Deutsche Bank	47	6,964.26	4.2
	Total	**374**	**164,064.99**	

Including banks, insurance companies and finance companies. Excluding equity-related and covered bonds. Excluding publicly owned institutions.
Source: Refinitiv SDC code: N11

ALL SUBORDINATED FINANCIAL INSTITUTION BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	47	9,794.36	8.8
2	JP Morgan	51	9,068.05	8.1
3	Citigroup	51	8,944.16	8.0
4	Bank of America	39	6,886.48	6.2
5	Goldman Sachs	37	6,237.66	5.6
6	Barclays	34	6,007.28	5.4
7	BNP Paribas	31	5,560.39	5.0
8	Morgan Stanley	26	4,811.32	4.3
9	UBS	25	4,737.98	4.3
10	Deutsche Bank	20	4,723.61	4.2
	Total	**149**	**111,352.14**	

Source: Refinitiv SDC code: J3a

Supply should slow down after a manic September, the lead said.

"People are getting into blackout periods in October and then will come back in November and reassess if the market is good enough for pre-funding," he said. "But most of our guys are 80%–90% through their programmes, so they are in comfortable positions ahead of the last quarter."

One name looking at the market is **S-BANK** (BBB, S&P) which mandated *Danske Bank* as sole lead manager to arrange a series of investor calls that began on September 22. The bank is lining up a debut expected €150m senior preferred MREL-eligible floating or fixed-rate transaction with a short to intermediate tenor.

ARVAL PROVIDES PARKING FOR CASH

ARVAL, the car leasing company owned by BNP Paribas, tapped the euro primary market on Thursday for only the second time, and paid a limited premium on a short-dated product.

The borrower (A–/A, S&P/Fitch) only became active in the bond market in March when it printed an €800m 0% September 2024, and Thursday's deal was part of the same effort to diversify its funding away from loans from its parent.

Having been described as quasi-FIG and quasi-corporate, most banks involved ran the deal from their FIG desks.

"You must look at the ultimate parent," said a lead. "For example, with someone like FCA Bank, the parent is a corporate, so they are a corporate. With Arval, BNP Paribas is the parent, so of course they are a FIG."

BNP Paribas, *BBVA*, *HSBC*, *Standard Chartered*, *Santander* and *UniCredit* opened books at 55bp area over mid-swaps for a €500m no-grow four-year senior unsecured.

"It's a low-duration product," said the lead. "It's a way for high-grade credit funds to park cash."

Books peaked at €1.2bn, which allowed leads to bring the spread to 38bp. That represented a new issue premium in the low single digits, said the lead. Books dropped to around €900m at final terms.

The issuer's other bond was bid at 28bp on Thursday, according to Tradeweb.

STERLING

MACQUARIE MAKES STERLING HOLDCO ENTRANCE

MACQUARIE GROUP made its senior holdco sterling debut last Friday, navigating a volatile backdrop to raise a £400m 10-year.

The sterling market has proved to be fertile ground for non-domestic issuers in recent weeks, including Australian issuers that have managed to secure large order books and competitive pricing versus other currencies.

"It's very much the continuation of the theme whereby we've seen international issuers coming to the sterling market," a banker away from the deal said. "It's a bit of a virtuous circle where you see a borrower come to sterling and get decent execution, which means good diversification for UK investors, who are then more prepared to look further afield."

Macquarie had to navigate a particularly volatile backdrop, however, as government bond yields moved aggressively higher after the Bank of England, while keeping the base rate and asset purchase facility unchanged, delivered a hawkish message suggesting a rate hike was closer than the market had originally expected.

Ten-year UK yields hit 0.912% last week, the highest level since May 2019, according to Tradeweb.

"The Gilt move was significant and, while helpful from a yield perspective, it meant that conditions were more volatile for execution," a lead said. "The sterling market has been pretty consistent in delivering good execution for issuers and this was no different. Macquarie were very diligent in their approach."

The transaction, rated A3/BBB+/A–, followed investor calls held by leads *BNP Paribas, HSBC, Macquarie Bank Limited (London branch), Macquarie Bank Europe*, and *NatWest Markets* on Thursday, giving investors time to look at the credit, including its exposure to Asia.

"They're not a typical bank at the holdco level and people pigeonhole it in different ways," the lead said. "They're more of a global diversified business."

Still, investors looked at UK bank paper for relative value. A Barclays 2033 bond issue, for example, was quoted in the high 120s over Gilts, while other references included cross-currency pricings and pricing versus core European banks.

The bond offering was initially marketed at 140bp area over Gilts. Books were at £625m by the time the trade was launched and the level was set 10bp tighter.

BACK TO FUNDING

Unlike its country peers that have been focused on building out their layers of Tier 2 debt in order to bolster their balance sheets, Macquarie was focused on funding. It also raised sterling earlier this year but at the opco level, a £400m December 2025 deal. Unlike European banks that can count some of their senior debt as part of their loss-absorbing capital, Australian banks cannot and need to raise subordinated debt such as Tier 2.

"Aussie banks had been relying on central bank financing, but now that has ended, they are having to go back to normal funding sources and there's more interest on their part in diversifying in various markets, whether it's sterling, Canadian dollars or Swiss francs," the first banker said.

"That means they can avoid relying on the major currency markets to raise funding. If you look at Australian, Canadian, UK banks, they are all coming off central bank liquidity and are funding at a faster pace than European banks," he said. "We've definitely seen a lot more activity from these guys recently than we had in the last 12 months."

ALL SAMURAI BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Sumitomo Mitsui	14	277,770.67	62.8
2	Daiwa Securities	9	46,866.67	10.6
3	Mizuho	8	41,866.67	9.5
=3	Nomura	8	41,866.67	9.5
5	Morgan Stanley	2	16,866.67	3.8
=5	Credit Agricole	2	16,866.67	3.8
	Total	**15**	**442,104.00**	

Excluding equity-related debt.
Source: Refinitiv SDC code: K11

ALL GLOBAL AND EUROMARKET YEN BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	13	196,883.33	22.6
2	Sumitomo Mitsui	11	130,591.67	15.0
3	Mitsubishi UFJ MS	14	94,375.71	10.8
4	JP Morgan	6	80,500.00	9.3
5	Nomura	7	63,775.00	7.3
6	Bank of America	2	63,333.33	7.3
7	Daiwa Securities	4	43,750.00	5.0
8	MUFG	3	43,525.00	5.0
9	NatWest Markets	3	26,500.00	3.0
10	BNP Paribas	1	22,125.00	2.5
	Total	**42**	**870,192.38**	

Excluding equity-related debt. Including preferreds.
Source: Refinitiv SDC code: K10

ALL INTERNATIONAL YEN BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Sumitomo Mitsui	25	408,362.33	31.1
2	Mizuho	21	238,750.00	18.2
3	Mitsubishi UFJ MS	16	111,242.38	8.5
4	Nomura	15	105,641.67	8.1
5	Daiwa Securities	13	90,616.67	6.9
6	JP Morgan	6	80,500.00	6.1
7	Bank of America	2	63,333.33	4.8
8	MUFG	3	43,525.00	3.3
9	NatWest Markets	3	26,500.00	2.0
10	BNP Paribas	1	22,125.00	1.7
	Total	**57**	**1,312,296.38**	

Including all Euro, foreign and global issues. Excluding equity-related debt.
Source: Refinitiv SDC code: K12

SWISS FRANCS

CANADIANS BACK IN SWISS WITH TRIO OF SENIORS

Three Canadian banks printed SFr600m (US$649m) of senior paper in the Swiss market over the week.

CIBC returned to the market after a two-year absence, printing a chunky SFr275m 7.5-year deal at the tight end of guidance.

Books opened for a minimum SFr150m at Saron mid-swaps plus 41bp–43bp with an expected 0.25% coupon. That was increased to a minimum SFr225m, before being set at 41bp over for SFr250m and then being priced at the final SFr275m size at par with a lower 0.18% coupon and yield. The size made it the largest Canadian senior transaction in the currency this year.

Pricing was equivalent to Libor mid-swaps plus 34.3bp, or 59bp over the Swiss government curve. That put it around 10bp wide of comparable Canadian paper in Swiss francs.

CIBC was last in the Swiss market in March 2020 with a covered bond issue. Its last visit to the senior arena was in September 2019 with its longest current outstanding offering, a SFr350m 0.05% October 2026. That deal was bid at a Z-spread of 26bp on Wednesday morning.

Swiss accounts took 95% of the paper, with asset managers buying 57%, while banks, including private banks and bank treasuries, took 33% and pension funds and insurers 10%.

The bonds are rated A2/NR/AA–. Bookrunners were *Commerzbank* and *UBS*, with *CIBC* as joint lead, no books.

BANK OF NOVA SCOTIA (A2/A–/AA–) followed the next day with a SFr175m seven-year at the same Saron spread.

Asset managers took 55%, banks and private banks 26%, insurers 13%, treasuries 4% and pension funds 3%. *UBS* was sole bookrunner, with *Scotiabank* as joint lead no books.

And **RBC** (A2/A–/AA–) finished off the week on Friday with a SFr150m eight-year via sole lead *Credit Suisse*, pricing in line with guidance at Saron mid-swaps plus 35bp.

RBC's paper came 1bp wide of where its recent 10-year bonds traded on Thursday, for a roughly 2bp new issue premium.

BERLIN HYP GOES GREEN

BERLIN HYP, rated Aa2/NR/AA–, printed SFr200m (US$216m) of eight-year green senior preferred bonds on Monday.

Books opened at Saron mid-swaps plus 34bp area and the paper priced 1bp tighter, equivalent to Libor mid-swaps plus 26bp, for a 0.14% yield carrying a 0.25% coupon.

That put it some 6bp wide of the bank's (admittedly extremely illiquid) secondary curve, with its SFr125m 0.25% September 2028s and SFr125m 0.25% March 2031s being pushed 3bp–5bp wider on news of the issue.

Sole lead *UBS* pinned the greenium at around 3bp, as is normal for Swiss franc financials.

With 29 all-Swiss investors taking part, the average ticket was just under SFr7m. Asset managers took the vast majority with 85%, while banks and private banks took 9%, insurance companies 3%, treasury accounts 2% and pension funds 1%.

ERSTE RETURNS AFTER A DECADE AWAY

ERSTE GROUP BANK priced an upsized seven-year senior preferred on September 17, returning to the Swiss market after a decade away.

Books opened for a minimum SFr150m (US$162m) at Saron mid-swaps plus 42bp, before printing SFr200m at Saron mid-swaps plus 41bp, equivalent to Libor mid-swaps plus 34.2bp, or 59bp over the Swiss government curve.

The Austrian issuer was last seen in the franc in September 2011 with SFr100m 2% September 2026 15-year paper.

Being such a rare issuer with such old and off-market, illiquid, paper made fair value hard to pinpoint, but recent comparable seven-year paper such as from ASB (A1/AA–/A+) in early June came at Libor mid-swaps plus 33bp, while UBS' Aa3/A+/AA– green bond later the same month priced at 32bp over, putting the new Austrian paper in line.

An all-Swiss group of investors saw asset managers take 64%, insurers 16%, banks and private banks 9%, treasury accounts 6% and pension funds 5%.

Erste Group and *UBS* were leads on the A2/A/A rated deal.

COVERED BONDS

EUROS

NBC TAKES BATON FOR CANADIAN DEBT RAISES

NATIONAL BANK OF CANADA continued Canadian banks' funding push, bringing a five-year covered bond that hit a deep pool of demand.

Canadian lenders have ramped up their funding activities in international bond markets in recent weeks as they wean themselves off cheap central bank liquidity. They have raised just over €11.6bn-equivalent in euros and sterling since early June, easily eclipsing the €4.25bn raised in the early part of the year. Three of them – CIBC, RBC and NBC itself – diversified further last week, tapping the Swiss market for a combined SFr600m (US$649m).

The surge in supply has yet to dampen investors' enthusiasm for new issues. Books for NBC's €750m trade were over €1.5bn at guidance.

"The trade shows you that five-year really is where you have the deepest pockets of demand," one banker said.

A lead manager said NBC not only picked a maturity that appeals to a broad investor audience but also chose a part of the curve that is undersupplied.

While overall Canadian covered issuance has picked up recently, five-year supply has been scarce of late, with only €2bn on record for this year, compared with volumes of €2.75bn and €7.5bn in 2020 and 2019 respectively, according to IFR data.

Market participants said that though fair value was difficult to assess, in their view, NBC left nothing on the table. "Curves are so flat, it is actually difficult to talk about relative value for a trade like this," a second banker said.

Leads *Commerzbank*, *HSBC*, *NBCFM* and *UBS* priced the deal at 3bp over mid-swaps, 4bp tighter than guidance.

Tradeweb's secondary market data show the new note offers a pick-up of 1bp to CCDJ and came 2bp through HSBC Bank Canada's curve, the only other Canadians that have printed euro covered 2026s this year.

IMPRESSIVE PRICING

"The pricing level NBC got is pretty impressive, especially if you look at HSBC Canada which came at plus 6bp at the beginning of September. You wouldn't really expect to see this sort of gap between the two," the first banker said. "That's even more obvious if you look at **STADSHYPOTEK** in nine years. I don't think nine-year paper at 0% suits that many folks."

Still, books for the Swedish bank's €1bn 2030 mortgage-backed trade closed at around €1.4bn. BPCE is the only other credit to have visited the spot this year.

"Five, seven years is where investors want to be. But, that being said, clearly this week, we have seen that some are willing to go further out the curve. And as you go out the curve there is a little bit more price sensitivity," the second banker said.

The issuer picked the tenor based on its curve and the positive yield it provides. "This aspect should appeal to investors, since the other alternative for positive yield is going out to 15, 20, 25 years," said a third banker.

Commerzbank, *Credit Suisse*, *Societe Generale*, *Svenska Handelsbanken* priced the bonds 4bp tighter than the 8bp area guidance. Market participants gauged the new issue concession within a 0bp–1bp range.

Further Nordic supply is on the card for the week ahead, with Arion Bank readying the first euro covered bond to come our of Iceland. The issuer has picked *Barclays*, *Deutsche Bank* and UBS to arrange its inaugural €300m no-grow five-year soft-bullet mortgage-backed bond.

CAFFIL COMES ON TOP IN LONG-DATED RAID

CAISSE FRANCAISE DE FINANCEMENT LOCAL won the demand stakes at the long end of the covered bond market on Wednesday, attracting a €2.5bn-plus order book for the longest dated bond issue in the sector since January 2020, a deal that overshadowed ACHMEA BANK's debut in the soft bullet format.

The French issuer closed its funding for the year on a high. It priced a €750m eight-year tranche at 1bp through mid-swaps on books of over €1.2bn, while a €500m 25-year had books of more than €2.5bn and was priced at 12bp over.

"Decent demand; pretty quick execution. It's really encouraging to see issuance at the long end is working currently," one banker said. While ABN AMRO and De Volksbank had successfully tested the 20-year part of the curve earlier this month, Caffil's 25-year was the first to extend that far since January 2020, according to IFR data.

The 25-year tenor fitted with Caffil's funding requirements. "We had the opportunity to explore this new territory. Following yields rising since summer, this 25-year transaction provided us with the kind of value that attracted investors," said Olivier Eudes, the head of ALM and financial markets Caffil/SFIL.

Books opened at mid-swaps plus 3bp area for the three-year and 12bp–14bp for the 25-year.

ALL COVERED BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Barclays	35	5,644.07	5.7
2	HSBC	23	5,613.23	5.7
3	Commerzbank	28	4,781.40	4.9
4	NatWest Markets	22	4,729.83	4.8
5	BNP Paribas	22	4,635.96	4.7
6	UniCredit	31	4,623.37	4.7
7	Natixis	26	4,243.36	4.3
8	UBS	18	4,090.34	4.2
9	DZ Bank	23	3,796.05	3.9
10	Santander	17	3,577.59	3.6
	Total	**126**	**98,290.63**	

Source: Refinitiv SDC code: J15a

At 1bp through, market participants said the eight-year landed on top of fair value. Opinions on the 25-year varied, however, with the leads seeing a final concession of 2bp–3bp, while some bankers saw it around 6bp.

"It landed where we expected it to. We were even surprised by the demand the 25-year tranche got," the banker said.

For this year, the global funding target for Caffil/SFIL is €8.2bn, of which €5.8bn has now been completed by Caffil. SFIL is expected to tap the market by the end of the year, subject to conditions.

MAKING THE SWITCH

For Achmea, which was making the switch from a conditional pass-through structure to a soft bullet one, demand was lower, albeit decent at over €1.1bn for a €500m 15-year.

"It's interesting to see there is less reception for lower-rated issuers," the banker said. Achmea is rated A– by S&P and the deal has an expected AAA rating, also by S&P.

Marketing started at plus 9bp area guidance, which offered around 15bp versus EU bonds and over 30bp versus the Dutch sovereign, according to ABN AMRO analysts. The spread was set at 8bp.

"Perhaps it wasn't the best idea to go head-to-head with Caffil," said a second banker. "Investors did not want to participate until the spread was set."

SWEET SPOT

Meanwhile, KOMMUNALKREDIT AUSTRIA picked the sweet spot for its return to the covered bond space – having been absent for four years – and got close to fivefold demand for a €250m seven-year public sector covered issue.

"It got one of the strongest oversubscription levels that we have seen after the summer on the covered bonds side," the second banker said. "A lot of price discovery was involved, given that they don't have any outstanding bonds. Investor feedback was pointing towards a double-digit start."

Pricing was compressed aggressively to plus 15bp from a 22bp area start, with €1.2bn of the demand good at reoffer.

"This is a success for them, considering it's a little bit more difficult to generate interest for sub-benchmark trades, as we saw with Wuestenrot on Tuesday," a third banker said.

UNICREDIT CUTS LONE FIGURE

UNICREDIT BANK was the only borrower to bring a transaction against a trickier market backdrop on Monday, a €500m five-year debut green covered that was almost five times subscribed.

"A very nice trade. It's interesting to see with this market backdrop, equities being down in Europe by more than 2%," one banker said. "It proves the covered bond market is very resilient, at least for now."

Market participants said execution kicked off later than is usual for covered bonds due to market conditions.

"The issuer wasn't sure whether to go or not, given the shaky equity market, but we reassured them that the covered bond market is quite stable and moved ahead. It was the right decision, at the end of the day," one of the lead managers said. Books exceeded €2.4bn, excluding lead orders.

Demand for UniCredit outdid Nord/LB's inaugural €500m 0.01% September 2026 green HP, which attracted more than €1.8bn in orders, one of the comparables for Monday's trade. That deal priced at 1bp through mid-swaps.

ABN AMRO, *Credit Agricole*, *LBBW*, *Santander*, and *UniCredit* began marketing UniCredit's September 2026 no-grow trade at mid-swaps plus 3bp. This offered a pick-up of about 39bp versus Bunds and 22bp versus EU bonds and KfW, according to ABN AMRO analysts.

"Fair value from the conventional curve was around minus 3bp–2.5bp. They started with an initial NIP of about 6bp; with this market background it was the right approach," the banker said. Leads priced the bonds at 2bp through.

"We printed right on top of the curve. We could have gone even tighter but it was the issuer's call to not overstretch," the lead manager said. He added that although the green label brought some additional benefit, a greenium was quite hard to gauge given the inaugural nature of the trade.

For market participants, UniCredit worked better than Nord/LB because of the slightly better quality of its name, the quieter window it picked and the fact that its secondary curve is a touch tighter.

"It's also a trade investors can see will perform well in secondary. I expect it will move tighter to a minus 3bp–4bp context on Tuesday," the lead manager said.

SP MORTGAGE BANK GREEN BENEFITS FROM RARITY

SP MORTGAGE BANK attracted reasonably strong demand for its first covered deal in two years, a €500m seven-year mortgage-backed bond that benefited from the rarity of the issuer's name, its CBPP3 eligibility and the scarcity of Finnish covered supply.

Leads opened books at the mid-swaps plus 6bp area for a no-grow trade. The initial new issue premium was 5bp.

"The bond offers some 30bp spread pick-up versus the Finnish sovereign, while

the pick-up is around 11bp versus the OP Bank 0.05% April 2028, its larger peer," ABN AMRO analysts wrote.

The leads compressed the final spread to 3bp as orders reached more than €1bn (including €50m from leads). "There's a little bit of premium to be extracted for a Finnish issuer to come to the market because of the lack of issues in that jurisdiction," a banker said.

Books dropped to €850m-plus at pricing, with a second banker pointing out that the demand was less than for recent covered trades.

"For other €500m trades the book coverage was about three or four times, but these are more established, frequent issuers. All in all, the outcome remains good for them," he said.

The bank has a €500m 0.1% covered bond due in November.

A couple of sub-benchmark transactions were also out last week. BAUSPARKASSE WUESTENROT hit the sweet spot with a €300m seven-year note.

Marketing began at the mid-swaps plus 9bp area for the no-grow trade. With orders peaking at €575m, the bonds landed bang on fair value, at 5bp. Books closed above €450m in the end, including €55m from the leads.

"There is some spread sensitivity but it is manageable. It comes 1bp on top of the seven-year €250m green bond Oberoesterreich did recently," said the second banker.

MOERE BOLIGKREDITT's inaugural €250m five-year green covered bond followed a similar pattern. Price talk started at the mid-swaps plus 10bp area for the no-grow trade. The final spread was 6bp as orders peaked at €550m. However the final book fell to €350m (including €20m from leads).

"It's an important trade for the issuer. It gives them the ability to prove to a wider audience that they also have a green agenda like most of their domestic peers," the first banker said. "I thought it was pretty cheap. It's paying 1bp–2bp compared with Norwegian benchmark issuers."

HIGH-YIELD

UNITED STATES

MATCH ATTRACTS WITH FIRST SINCE SPIN-OFF

MATCH GROUP returned to the high-yield corporate bond market for the first time since its spin-off from its former parent company InterActiveCorp as demand for online dating continues to hold up throughout the pandemic.

The online dating app company, rated Ba3/BB, priced a US$500m 10-year non-call five senior note at a 3.625% coupon via bookrunners *JP Morgan, Citigroup, Goldman Sachs, Bank of America, BMO Capital Markets, Credit Suisse, Deutsche Bank* and *Societe Generale*.

Together with funds raised from an equity offering, Match will use the bond offering to repurchase its US$517.5m 0.875% 2022 exchangeable senior notes. Moody's estimated the refinancing should leave leverage unchanged at around 4.6x.

Strong demand allowed leads to raise the size of the offering by US$50m and tighten pricing from guidance of 3.75%–4%.

Part of the strong reception reflects the avid appetite for new Double B deals. Though the average Double B offered a meagre yield of 3.12% on Tuesday, they still have the potential to see further price gains if they cross over into investment-grade, according to market participants.

"Even though the Double B market is sitting just 40bp wide of pre-Covid levels, we still see value in Double Bs as there are a lot of names that will be returning to IG or will become first-time rising stars. Even with spreads at these low levels you can meaningfully supplement your total return with just 25bp of spread compression," said a high-yield portfolio manager.

At the same time, investors have become less focused on individual credit ratings as mandates loosened to accommodate the search for yield.

"If the narrative is good and cashflow is positive, investors can get on board. Match sort of fits that profile," said Adam Coons, a portfolio manager at Winthrop Capital Management.

The company reported US$140m in net income for the second quarter ending June 30, up from US$107m in the second quarter last year.

Another boost for the credit is the sizeable equity cushion around the company. Match's shares closed at US$153.65 on Wednesday, up from US$12 per share when the company was first listed in 2015, according to Refinitiv's Eikon.

"The equity has gone up so much over the last couple of years. You do have some decent support there as a bondholder," said Coons.

The resilience of online dating services during the pandemic helped Match secure cheap financing from the high-yield primary market last May when other junk-rated businesses were forced to pay up to raise cash as the Covid-19 pandemic eviscerated the US economy and corporate earnings. Back then, the company sold an eight-year non-call three unsecured note at 4.625%.

Soon after, Match wrapped up its spin-off from InterActiveCorp in July. The company's cashflows have swelled ever since as Match stopped making dividends to its main shareholder since the separation, said a Moody's analyst. In 2018, the company had paid a special dividend to IAC, to the consternation of investors.

ROCKET REFINANCES LAST OF ITS PRE-IPO DEBT

ROCKET COMPANIES printed a high-yield bond to take out the last of its debt issued before its initial public offering last August, as the company retains its profitability despite an expected decline in home loan applications this year.

The US's largest mortgage originator came to the primary market on Tuesday with a US$2bn senior unsecured note split between a US$1.15bn five-year non-call two bond and a rare US$850m 12-year non-call six maturity. The overall offering was increased in size by US$500m, with US$400m going to the five-year and the remainder to the 12-year.

In line with price talk, the shorter maturity priced at 2.875% and the longer at 4%. The new bonds sandwich Rocket's 3.875% 2031s, which were trading at 3.52% on Tuesday, according to MarketAxess.

Proceeds will fund a tender offer for US$1.01bn of its 5.25% 2028s and also be used for general corporate purposes, lowering its interest costs and extending its maturity profile.

With the refinancing, the company's capital structure will consist entirely of debt issued after its IPO in August. The mortgage lender last September sold a US$2bn two-part offering made up of a US$750m 3.625% 8.5-year note and a US$1.25bn 3.875% 10.5-year.

Since the outbreak of the pandemic, Rocket Mortgage has ridden the surge in demand for refinancing as homeowners sought to lock in lower rates. But

ALL US$ DENOMINATED HIGH-YIELD BONDS
BOOKRUNNERS – 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	325	42,158.80	10.4
2	Bank of America	302	35,020.80	8.6
3	Citigroup	215	23,938.96	5.9
4	Goldman Sachs	192	23,011.37	5.7
5	Barclays	195	21,268.90	5.2
6	Wells Fargo	190	21,249.00	5.2
7	Credit Suisse	199	20,027.45	4.9
8	Deutsche Bank	195	19,535.60	4.8
9	Morgan Stanley	151	19,289.93	4.8
10	RBC	138	15,429.87	3.8
	Total	**626**	**405,593.55**	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.
Source: Refinitiv SDC code: B5

refinancings and new mortgage applications were expected to peter out in 2021 after the 10-year US benchmark Treasury rate bottomed out last year at 0.32%. The 10-year was at 1.32% on Tuesday, rising further as the week progressed.

Still, the company's earnings have stayed robust as Rocket widened the margin between the cost of originating the mortgage to individual homebuyers and the cash earned from selling it to other banks and financial institutions packaging the loans. Rocket recorded a net profit of US$3.81bn in the year to-date, up from US$3.56bn over the comparable stretch in 2020.

Investors have been willing to take down longer-dated junk bonds as long as the issuer is seen as a candidate for an investment-grade rating. True to form, Rocket Mortgage is rated one rung below high grade by Moody's and S&P and carries a positive outlook from the former.

Rocket's new offering was the first 12-year bond offered in seven weeks. The last time a high-yield issuer had printed 12-year paper was from index provider MSCI on August 3. And only six high-yield borrowers have sold 12-year notes this year, five of which were rated Double B, according to IFR calculations. Tyre maker Goodyear was the lone Single B.

Bookrunners for Rocket's deal were *Morgan Stanley* (lead-left), *Bank of America*, *JP Morgan*, *Barclays*, *Citigroup*, *Credit Suisse*, *Goldman Sachs*, *RBC* and *UBS*.

COINBASE STRUGGLES IN SECONDARY

Bonds issued by crypto exchange **COINBASE** traded sharply lower in the secondary market only a week after investors hailed its offering as a sign that US capital markets were learning to accommodate cryptocurrency companies.

Coinbase printed a US$2bn two-part offering consisting of a US$1bn 3.375% seven-year non-call three tranche and US$1bn of 3.625% 10-year non-call five senior unsecured notes on September 14. The intense appetite for the deal allowed the bookrunners to upsize each portion by US$250m and tighten the deal from guidance.

But the bonds have stumbled since pricing. The company's 3.375% 2028 notes were down 2.5 points to 97.50, having been priced at par on September 14, according to MarketAxess.

Coinbase's performance was notable, as it stands out against a strong primary market used to seeing new issues tighten after the break. Deals from chemicals producer Unifrax, casino operator Caesars Entertainment and liquefied natural gas exporter Cheniere Energy Partners were among the September offerings that tightened around one to two points from par.

The slide in Coinbase's bond price in the secondary market may have showed how bookrunners took advantage of the offering's hot reception to persuade investors to accept a lower coupon from an issuer under regulatory scrutiny.

Coinbase said on September 17 that it would drop plans to launch its Lend programme that had drawn scrutiny from the US Securities and Exchange Commission. On September 7, the crypto exchange said the regulator had filed a Wells notice over the programme, indicating the SEC could bring an enforcement against it.

Some market participants also suggested the poor performance reflected the composition of investors that had secured allocations for the deal. The offering may have attracted more speculative buyers that were looking to flip the new bonds to others after they were priced.

"Deals that are in weaker hands tend not to perform that well on the break," said a buyside source.

EUROPE/MIDDLE EAST/ AFRICA

SOLENIS LBO PASSES MARKET TEST

Water treatment specialist **SOLENIS** got its leveraged buyout financing over the line last week despite some concerns over the company's leverage and market volatility on the back of Chinese real estate group Evergrande's debt woes.

The company landed a US$3.8bn-equivalent cross-border debt package on Tuesday to back its acquisition by Platinum Equity.

The Street was watching the deal with interest, as Solenis is at the front of an approximately €40bn pipeline of M&A financing which banks hope will be cleared by the end of the year. Spanish telecoms company **MASMOVIL** and debt collector **ARROW GLOBAL** are next up in line, with deals expected to come this week, said bankers.

Solenis' financing package was also thought to be a good test of investor appetite for risk as central banks inch towards tapering off emergency pandemic-era asset purchases.

After the transaction closes, Delaware-based Solenis will have US$4bn in gross debt, with leverage at 7.0 times through its structure, according to CreditSights analysts.

High-yield investors told IFR they remain receptive to leveraged buyout financings as they offer a chance to earn additional yield. But such offerings still remain sensitive to the broader performance in risk assets.

"The higher the leverage is, the more difficult it is to come to the marketplace in [a risk-off] environment," said one US-based portfolio manager.

STRUCTURE REJIG

Bankers away from the deal said Solenis benefited from first-mover advantage. Lead bankers kicked off investor calls for both the loan and bond components of the deal on September 7.

But concerns around leverage meant that investor demand for the unsecured high-yield bond lagged appetite for the rest of the structure.

In response, lead bankers rejigged the financing slightly on Tuesday, with the high-yield component accounting for around US$2.1bn-equivalent, versus the US$2.4bn-equivalent initially marketed. Leads cut the size of the senior bonds to US$710m-equivalent, from US$1bn, with a corresponding increase in the term loan B, which was being marketed alongside the bonds.

DEBUT BONDS

While Solenis is well-known by loan investors, the new high-yield bonds marked its debut in the asset class, according to bankers.

"For better or worse, accounts were looking at Lonza, which is not really an operational comp at all," said a banker familiar with the deal. "Lonza bonds have been trading a bit softer recently, but it was the last sizeable chemicals leveraged buyout, so it was inevitably getting thrown into the mix in terms of comparables."

Solenis' new euro and US dollar bonds both priced through Lonza's secondary levels

Platinum Equity is buying Solenis from Clayton Dubilier & Rice and BASF. The US buyout company is planning to merge it with Sigura Water, an existing Platinum Equity portfolio company that the firm acquired in 2019.

Prior to launch, some bankers away had wondered whether Platinum Equity's recent record in leveraged loans would put investors off.

Lenders in August had to postpone syndication of a €1.63bn loan backing Platinum Equity's acquisition of Spanish environmental services and waste management company Urbaser. Investor concerns on pricing and sector culminated in Urbaser becoming the second deal in as many years lenders had to pull from Europe's term loan B market for the same sponsor.

But the US-based investor said Platinum Equity had success in returning companies to profitability. He added that the substantial equity check accompanying Solenis' debt financing package was another positive for the deal.

"Platinum has a good track record for transactions where they invest themselves and make the company that much better," he said.

MASMOVIL GEARS UP TO TAP LEVFIN MARKET

Spanish telecoms company **MASMOVIL** is expected to kick-start a flood of M&A and leveraged buyout supply from the TMT sector, with a €3bn-plus debt package for its acquisition of Euskatel coming to market this week, said banking sources.

The financing is expected to include €1.75bn in secured euro bonds, €500m of unsecured euro bonds and €800m in secured loans, said the sources. The loan was announced on Friday.

The new €800m term loan, when added to Masmovil's existing €2.2bn term loan B, means the company will have one of the largest euro term loans outstanding in the market since the financial crisis, said one of the sources.

"People like the credit and the company has performed really well," said the source. "But in today's market, anything north of €2.2bn and you start to test the marginal buyer of those loans. The question mark is whether you'll pay a premium on that loan by stretching to the bigger size. They're also doing secured bonds, so I imagine the company can shift things around."

Masmovil was expected to be in the market a couple of weeks earlier, but there were some delays in the ratings process, said banking sources.

TMT DEBT SPREE

Telecoms companies are set to play a large part in the M&A-related supply expected in the leveraged finance market over the next two quarters, with analysts estimating a pipeline of around €13bn.

Remote working has increased investment appetite for digital infrastructure such as tower assets and fibre businesses, leading to a pick-up of M&A activity in the TMT space, said Christian Lesueur, global co-head of TMT investment banking at UBS, speaking on a media roundtable last week.

"You're seeing that part of the sector attracting a lot of capital, with people who have invested over the past five years now looking to capitalise on attractive valuations – and others who haven't been able to invest now looking to back acquisitions," said Lesueur.

"Meanwhile, big telecoms operators who have struggled over the years with competition and constrained balance sheets and cashflows are finding new ways to find value and delever, and are looking to monetise their infrastructure and assets," he said.

MORE JUMBO DEALS

Deutsche Telekom's €5bn sale of its Dutch unit **T-MOBILE NETHERLANDS** is set to bring another jumbo financing in the sector by the fourth quarter, said sources.

Four banks have lined up a €4.45bn debt financing to back the acquisition of T-Mobile Netherlands by private equity houses Warburg Pincus and Apax.

The financing includes a €2.4bn term loan B, a €800m secured bridge to bond and a €550m unsecured bridge, said sources. There is also a €700m revolving credit facility.

Morgan Stanley, Deutsche Bank, Credit Suisse and *Barclays* are leading the financing, said the sources.

"That's another massive bridge," said the source. "It's around 5.5 times leverage. And all of these telecom companies have a lot of capex."

Meanwhile, bankers have been pitching for an up to €3bn refinancing expected from Danish telecoms company **TDC GROUP** after it splits its business into two. TDC will operate as a holding company and will separate its business into two entities: a network provider and a cable TV and broadband arm.

Macquarie-owned TDC is expected to tap both the bond and loan markets. The refinancing will likely move forward in the fourth quarter, said two sources. While TDC Group's debt stack is around €3bn, some of that could be moved into the commercial bank market.

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS
1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	55	7,085.50	7.5
2	JP Morgan	70	6,946.27	7.3
3	Goldman Sachs	73	6,833.11	7.2
4	Deutsche Bank	69	6,721.89	7.1
5	HSBC	56	5,713.09	6.0
6	BNP Paribas	71	5,708.79	6.0
7	Bank of America	40	4,284.90	4.5
8	Morgan Stanley	41	4,083.80	4.3
9	Credit Suisse	50	3,994.37	4.2
10	UniCredit	42	3,555.93	3.8
	Total	**168**	**94,606.94**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B6

EUROPCAR BOND REIGNITES ESG DEBATE

French rental car company **EUROPCAR** successfully landed its high-yield bond refinancing last week on the back of hopes that the easing of Covid-19 restrictions across Europe and the US will help the company to recovery.

While the €500m five-year non-call two sustainability-linked deal was welcomed by the market, pricing at a 3% yield – versus price talk of 3.25%–3.50% – it reignited a debate in the European high-yield bond market about how much ESG targets for companies actually matter.

The bond has two sustainability performance targets, related to carbon emissions and the "greenification" of Europcar's fleet. If the company misses both targets, the coupon will step up by 25bp.

But one high-yield investor pointed out that the two sustainability KPIs for the deal would only be tested from the end of 2024 – so any coupon steps will only kick in from 2025. The bond matures in 2026 – if it is not called earlier.

"It is clear to me that there is a pool of buyers who want/need the sustainable/green tag for their marketing documents and are less concerned with what the KPIs actually are," said an investor.

A banker familiar with the deal said that the structure was fairly standard, as companies need to give themselves a few years in order to measure the progress towards achieving the KPIs.

"This allows the KPIs to be more meaningful/ambitious than just whatever might be achievable within two years," said the banker. "So, yes, the coupon step-up only occurs for the last two years of the deal, but the call price will also take into consideration the coupon step-up until it is shown that they are in compliance with the KPI measurements."

There has been a wider push-back on the sustainability-linked format in the high-

ALL EUROPEAN HIGH-YIELD ISSUERS
1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	86	10,784.74	7.9
2	Barclays	64	9,639.93	7.1
3	Goldman Sachs	80	9,311.52	6.9
4	Deutsche Bank	70	9,007.65	6.6
5	BNP Paribas	78	8,420.35	6.2
6	Credit Suisse	59	6,555.20	4.8
7	Bank of America	47	6,251.82	4.6
8	Morgan Stanley	47	6,101.48	4.5
9	HSBC	53	6,076.31	4.5
10	Citigroup	55	5,877.92	4.3
	Total	**194**	**135,912.47**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06c

yield bond market, as more issuers join the trend.

One of the main concerns is that the format allows issuers to select the targets against which their performance is measured – and their interest payments determined.

Europcar is looking to cut average carbon emissions for its fleet to 93g CO2 per kilometre for cars and 144g CO2 per km for vans by December 31 2024. In addition, the company has set itself a target for 20% of its fleet to be green vehicles by the same date.

"At first glance, these targets seem highly achievable for the company as OEMs (original equipment manufacturers) face tougher CO2 emission regulations in any event," wrote Spread Research analysts.

European regulations require cars to reduce their CO2 emissions to a maximum of 93g per kilometre as of 2021, wrote the analysts. In addition, most OEMs are changing their engine mix towards electric vehicles in order to reduce their CO2 emissions, they wrote.

Europcar did not immediately return a request for comment.

BROWNIUM?

Despite the predominance of ESG as a topic in the high-yield bond market, it is not yet clear how much of a pricing benefit green or sustainability-linked bonds carry – or, conversely, how much of a penalty "browner" companies are being charged by investors for being less environmentally friendly.

Italian leather company **PASUBIO** recently caused something of a furore among investors after touting its ESG credentials in deal documents for a €340m high-yield debt raise.

The company called itself "an ESG leader with a clear vision, driving sustainability innovation in the leather industry". However, in a September 2020 report by UK-non profit organisation Earthsight, Pasubio was named as a purchaser of leather linked to the destruction of a protected tract of South American forest inhabited by the world's last uncontacted tribes.

Pasubio did not immediately return a request for comment.

In the deal documents, Pasubio said that leather is, "by its nature", a "sustainable and biodegradable product that supports the circular economy as raw hides … are a by-product of meat production … which would otherwise be disposed of as waste".

"Tell this argument to a vegan," said a second high-yield investor in response.

Leather manufacturing has historically been seen as extremely environmentally unfriendly, as it involves the extensive use of chemicals. While Pasubio says it is working on "non-chemical tanning techniques", they only account for 2% of production, according to the deal documents.

The company ended up paying Euribor plus 450bp for its seven-year non-call one floating-rate bond (B1/B) – implying a premium over average Single B yields that were at 3.88% towards the end of last week, according to iBoxx data. Pasubio priced its deal on September 16.

Bankers familiar with the deal said the premium had little to do with ESG concerns.

"We did get asked about the ESG, but that's not why they paid more," said one banker. "They paid more because they have two or three clients that account for the majority of their revenues. Investors were worried that if they lose one of their large contractors they would be in trouble. That was a risk that was highlighted much more than ESG considerations.

ALL ASIAN HIGH-YIELD ISSUERS
1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	54	3,307.51	7.1
2	Deutsche Bank	57	3,176.63	6.8
3	JP Morgan	26	2,635.07	5.7
4	Credit Suisse	53	2,571.20	5.5
5	Citic	64	2,361.05	5.1
6	Guotai Junan Secs	72	2,137.98	4.6
7	Citigroup	19	1,979.97	4.3
8	Haitong Secs	68	1,836.34	4.0
9	UBS	54	1,709.91	3.7
10	Standard Chartered	37	1,486.48	3.2
	Total	**136**	**46,429.82**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06d

ALTICE PRICES JUMBO REFINANCING DEAL

Cable and telecoms company **ALTICE FRANCE** priced US$3bn-equivalent of high-yield bonds on Friday in an ongoing effort to clean up some of the more expensive debt from its hefty capital stack.

It priced an eight-year non-call three senior secured bond, split between a US$2bn piece that priced at 5.5% and a €800m note, which landed at 4.25%. Initial price thoughts were the 5.625% and 4.375% areas, respectively. *Morgan Stanley* and *JP Morgan* led the deal.

"These are exactly the kind of markets that invite this kind of size," a high-yield banker familiar with the deal told IFR just after the deal's launch.

"Investors have very high levels of liquidity, conditions are benign following the FOMC, credit spreads have been tightening since the start of the week, and there are now some better headlines around Evergrande. Put all that together and you have a market where an issuer like Altice can come in and scoop up some of that liquidity."

While the refinancing was well flagged in the company's earnings call in July, the announcement of the new jumbo bond put some pressure on Altice's longer-dated bonds, sending them down around half a point, according to Tradeweb data. A second banker familiar with the issue called the move a "rounding error".

Investors have been underwhelmed by supply in September and so were expected to welcome a large liquid deal from an existing issuer, said bankers.

"The pipeline has not been coming as quickly as expected – people thought there was going to be a waterfall of deals," said a third banker. "A lot of investors have kept some cash aside thinking that September would be really busy."

Proceeds from the deal will take out the remainder of Altice France's 7.375% US dollar senior secured notes due 2026. Around US$2.3bn of the bonds are still outstanding following the company's first refinancing exercise in April, according to Refinitiv data. The notes are callable in October.

The sheer size of the 7.375% May 2026s means that Altice France (B2/B) has had to refinance the dollar notes in two stages. The deal in April was also for US$3bn-equivalent.

That offering repaid some US$2.78bn-equivalent of the then-US$5.19bn outstanding at the Altice France unit on the 2026s.

Proceeds from last week's jumbo deal will also help finance some of Altice France's latest acquisitions. The company has purchased smaller companies including Coriolis Telecom, Afone and Prixtel in recent months.

GUNVOR STUCK AT IPTS

Unrated commodities trader **GUNVOR** returned to the primary market after an eight-year absence last Thursday, but a limited investor base meant it was unable to move the pricing from the initial yield on offer.

The US$300m five-year senior unsecured deal was just over 1.5 times covered, which at least meant it got done. Yet, even after three days of marketing and a premium over a recent subordinated deal from peer Trafigura, the company failed to get the sort of book required to push pricing tighter.

Bankers said there were mitigating reasons, including the small deal size, investors' unfamiliarity with the credit and the scale of the business compared with other bigger commodity traders.

The deal was also the fourth by a commodity trader across various markets over the past couple of weeks.

Leads kicked off the deal at the 6.25% area. Those IPTs for a senior bond appeared attractive, given that earlier this month, Trafigura sold a US$400m unrated Reg S perpetual non-call six note at 5.875%, inside initial levels of 6.25%.

There are, however, some key differences between the two companies. Trafigura – whose revenues for 2020 stood at US$147bn – is a much larger business than Gunvor. For 2020, it reported revenues of US$50bn.

Trafigura is also a well-established credit, having become an annual issuer in public markets since 2013, according to IFR data, except for 2016.

A third hurdle was the small deal size, which increased the need for more generous IPTs.

Despite playing down the comparison between the two, a banker said Trafigura was still the most obvious pricing reference for Gunvor's transaction, given the lack of anything else.

LIMITED AUDIENCE

Bankers said that on a deal such as this, the pool of investors was always limited, which could make it difficult to progress pricing. Many accounts will not consider it because it lacks a rating and because Gunvor is a private company, they said.

Commodities trading houses almost inevitably also come with some degree of ESG risk. For example, in 2019, Swiss federal prosecutors held Gunvor criminally liable for corruption in the Congo Republic and Ivory Coast, reported Reuters.

And, this year, a former employee of the company pleaded guilty to US charges of bribing Ecuadorean officials to win business. Gunvor was not charged.

"When you look at these names, yes, you do get people asking about certain things linked to ESG and there are people who won't buy it because of that, but I think that it is often about the price, because the businesses can be very compelling," said a second banker.

Gunvor targets a corporate debt-to-Ebitda ratio range of 2x–3x – consistent with an investment-grade credit rating – and, according to an investor presentation, has for several years been below this.

At an ESG level, there are also some factors working in the borrower's favour. The company has not traded coal since 2018 and it has made commitments to reduce its Scope 1 emissions by 35% by 2025 and cut Scope 2 emissions by 90% by 2025.

Bankers did not cite any ESG concerns as a factor behind the pricing difference of Gunvor's deal relative to Trafigura or the inability to move the IPTs.

Gunvor has previously financed itself through a mix of short-term secured credit facilities, secured term debt and revolving credit facilities. In the past, the company has also issued bonds, although none are left outstanding.

STRUCTURED FINANCE

EMEA MBS

BPCE PRICES FIRST GREEN FRENCH RMBS

BPCE HOME LOANS FCT 2021 GREEN UOP, the first French RMBS to go green, was priced on Friday afternoon following a 50% upsize of its senior notes.

Proceeds from the deal's Class A tranche, originally offered as €1bn of notes but increased to €1.5bn by pricing, will be used for future green expenditures.

The most recent green euro RMBS to price was from an established ESG name, Obvion's Green Storm 2021. The €500m of Class A notes in that trade (4.9 year weighted average life) priced at a 15bp discount margin over three-month Euribor in March.

The 11 BANQUES POPULAIRES and 15 CAISSES D'EPARGNE (both part of BPCE Group) originated trade started with initial price thoughts in the 20bp to low 20bp range, from which point it amassed about €1bn of orders (including €75m of joint lead manager interest). That coverage had doubled to €2bn by the second update, with 30 investors in the book.

From there, joint arrangers *BPCE* and *Natixis* (also sole bookrunner and joint lead manager with *Goldman Sachs*) tightened to an 18bp discount margin over three-month Euribor. The Class A notes have 3.3 year WAL.

GLOBAL STRUCTURED FINANCE IN EUROS

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	14	4,385.60	17.9
2	Citigroup	8	1,874.60	7.6
3	Deutsche Bank	8	1,853.29	7.5
4	SG	7	1,611.67	6.6
5	Barclays	8	1,421.37	5.8
6	Bank of America	6	1,360.45	5.5
7	Santander	4	1,356.49	5.5
8	ING	4	1,188.59	4.8
9	Goldman Sachs	4	1,123.80	4.6
10	Credit Agricole	4	1,117.42	4.5
	Total	**50**	**24,560.26**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Refinitiv SDC code: B16g

CITI MAKES SECOND SWEEP OF PTSB PORTFOLIO

Irish buy-to-let RMBS GLENBEIGH 2 2021-2 landed a 90bp discount margin over three-month Euribor on its €400m of Class A notes on Wednesday, as Citibank cleared the second trade from a €1.4bn portfolio it acquired in November. PERMANENT TSB originated the loans in the portfolio between 2006–2008. In March, Citi arranged its first RMBS of the pool, €282.755m Glenbeigh 2 Issuer, which priced 10bp wider than Wednesday's trade.

Signalling a minimum €300m trade, the *Citi*-arranged deal started with initial price thoughts of 90bp area before setting final guidance at 90bp. The tranche was 1.2 times covered by the time final terms were set. The vehicle priced at an eventual €555.56m size.

EMEA ABS

RED & BLACK EQUALS AUTO TIGHTS

RED & BLACK AUTO GERMANY 8 ABS hit a 10bp spread for its €935m of Class A notes on Wednesday, equalling the post-2008 tight set by VCL 33 in May. There was speculation the issuer would attempt to move into the single digits range of some pre-crisis trades.

ALL EUROPEAN ISSUERS

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	22	7,167.79	15.6
2	Bank of America	17	4,545.45	9.9
3	Citigroup	17	4,240.05	9.2
4	Barclays	15	2,949.71	6.4
5	Santander	9	2,595.10	5.6
6	Deutsche Bank	8	2,208.93	4.8
7	SG	9	2,163.55	4.7
8	Morgan Stanley	6	1,817.66	4.0
9	Natixis	9	1,608.43	3.5
10	Lloyds Bank	7	1,443.57	3.1
	Total	**85**	**45,941.08**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Refinitiv SDC code: B16n

ALL INTL ISSUERS (EXCLUDING SELF-FUNDED)

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	135	25,800.76	10.1
2	Barclays	107	24,042.41	9.5
3	Bank of America	91	20,570.67	8.1
4	Citigroup	81	19,421.91	7.6
5	JP Morgan	73	19,072.09	7.5
6	Goldman Sachs	101	18,986.64	7.5
7	Deutsche Bank	87	16,569.07	6.5
8	Wells Fargo	67	15,723.16	6.2
9	Morgan Stanley	58	9,861.02	3.9
10	RBC	44	8,689.59	3.4
	Total	**485**	**254,375.62**	

Includes securitisations, PFI bonds and credit-linked notes. Excludes US global ABS/MBS, CDOs and self funded issues.

Source: Refinitiv SDC code: J10d

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 24/9/2021

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
AALLC 2021-1H	US$74.546	3.49	1.350	BofA/DB	NR/NR/AAA	ABS
AALLC 2021-1H	US$58.363	3.49	1.900	BofA/DB	NR/NR/A	ABS
AALLC 2021-1H	US$39.7	3.49	2.350	BofA/DB	NR/NR/BBB	ABS
AALLC 2021-1H	US$21.576	3.49	3.580	BofA/DB	NR/NR/BB	ABS
AVCCT 2021-1	US$111.97	3.05	1.370	JPM/Guggenheim Secs	NR/NR/NR	ABS
AVCCT 2021-1	US$10.16	3.05	1.620	JPM/Guggenheim Secs	NR/NR/NR	ABS
AVCCT 2021-1	US$13.32	3.05	2.177	JPM/Guggenheim Secs	NR/NR/NR	ABS
AVCCT 2021-1	US$14.55	3.05	4.280	JPM/Guggenheim Secs	NR/NR/NR	ABS
BELA 2021-1	US$636.65	5.65	1mUSL+58bp	RBC CM	NR/AA+/NR	ABS
BELA 2021-1	US$12.35	13.49	1mUSL+120bp	RBC CM	NR/AA/NR	ABS
BRAVO 2021-C	US$176	2.09	1.620	CS/Morgan Stanley	NR/NR/NR	RMBS
Bumper BE	€500	2.09	1mE+70bp	BNP Paribas/ING	Aaa/NR/NR	ABS
Bumper BE	€32.5	3.63	1mE+85bp	BNP Paribas/ING	Aa1/NR/NR	ABS
CPART 2021-1	US$80	0.18	IntL+1bp	BMO CM/Citigroup/Barclays/JPM	P1/A1+/NR	ABS
CPART 2021-1	US$121	0.81	EDSF+9bp	BMO CM/Citigroup/Barclays/JPM	Aaa/AAA/NR	ABS
CPART 2021-1	US$75	0.81	1mL+9bp	BMO CM/Citigroup/Barclays/JPM	Aaa/AAA/NR	ABS
CPART 2021-1	US$234	2.10	ISWPS+15bp	BMO CM/Citigroup/Barclays/JPM	Aaa/AAA/NR	ABS
CPART 2021-1	US$57.07	3.39	ISWPS+17bp	BMO CM/Citigroup/Barclays/JPM	Aaa/AAA/NR	ABS
CPART 2021-1	US$18.002	3.48	ISWPS+45bp	BMO CM/Citigroup/Barclays/JPM	Aa2/AA+/NR	ABS
CPART 2021-1	US$15.002	3.48	ISWPS+80bp	BMO CM/Citigroup/Barclays/JPM	Baa1/BBB/NR	ABS
CRVNA 2021-P3	US$138.89	0.25	IntL+3bp	BNP Paribas/Citigroup/Wells Fargo/CS/DB	NR/A1+/NR	ABS
CRVNA 2021-P3	US$325.194	1.11	EDSF+21bp	BNP Paribas/Citigroup/Wells Fargo/CS/DB	NR/AAA/NR	ABS
CRVNA 2021-P3	US$325.194	2.57	IntS+24bp	BNP Paribas/Citigroup/Wells Fargo/CS/DB	NR/AAA/NR	ABS
CRVNA 2021-P3	US$118.75	3.94	IntS+27bp	BNP Paribas/Citigroup/Wells Fargo/CS/DB	NR/AAA/NR	ABS
CRVNA 2021-P3	US$31.958	4.64	IntS+55bp	BNP Paribas/Citigroup/Wells Fargo/CS/DB	NR/AA/NR	ABS
CRVNA 2021-P3	US$29.003	5.06	IntS+100bp	BNP Paribas/Citigroup/Wells Fargo/CS/DB	NR/A/NR	ABS
CRVNA 2021-P3	US$14.259	5.28	IntS+130bp	BNP Paribas/Citigroup/Wells Fargo/CS/DB	NR/BBB/NR	ABS
CRVNA 2021-P3	US$37.363	0.50	EDSF+185bp	BNP Paribas/Citigroup/Wells Fargo/CS/DB	NR/BB+/NR	ABS
Capital Four Clo II DAC	€228.75	5.80	3mE+102bp	BofA	Aaa/AAA/NR	CLO
Capital Four Clo II DAC	€33.75	7.50	3mE+175bp	BofA	Aa2/AA/NR	CLO
Capital Four Clo II DAC	€7.5	7.50	2.050	BofA	Aa2/AA/NR	CLO
Capital Four Clo II DAC	€23	8.20	3mE+215bp	BofA	A2/A/NR	CLO
Capital Four Clo II DAC	€27	8.80	3mE+310bp	BofA	Baa3/BBB/NR	CLO
Capital Four Clo II DAC	€18.75	9.50	3mE+606bp	BofA	Ba3/BB-/NR	CLO
Capital Four Clo II DAC	€11.25	10.0	3mE+907bp	BofA	B3/B-/NR	CLO
COLT 2021-HX1 Mortgage Loan Trust	US$227.434	2.00	1.110	GS/CS/Morgan Stanley	NR/NR/AAA	RMBS
COLT 2021-HX1 Mortgage Loan Trust	US$20.260	2.00	1.348	GS/CS/Morgan Stanley	NR/NR/AA	RMBS
COLT 2021-HX1 Mortgage Loan Trust	US$18.299	2.00	1.451	GS/CS/Morgan Stanley	NR/NR/A	RMBS
COLT 2021-HX1 Mortgage Loan Trust	US$16.502	4.09	2.355	GS/CS/Morgan Stanley	NR/NR/BBB	RMBS
COLT 2021-HX1 Mortgage Loan Trust	US$10.294	4.09	3.110	GS/CS/Morgan Stanley	NR/NR/BB	RMBS
COLT 2021-HX1 Mortgage Loan Trust	US$10.130	4.09	3.863	GS/CS/Morgan Stanley	NR/NR/B	RMBS
COLT 2021-HX1 Mortgage Loan Trust	US$9.7	4.09	4.188	GS/CS/Morgan Stanley	NR/NR/NR	RMBS
DCENT 2021-A1	US$1,150	2.97	0.580	Citigroup/BofA/Barclays/RBC CM/Wells Fargo	Aaa/AAA/NR	ABS
DCENT 2021-A2	US$600	4.97	1.030	Citigroup/BofA/Barclays/RBC CM/Wells Fargo	Aaa/AAA/NR	ABS
Driven Brands Funding LLC 2021-1	US$450	6.80	2.791	Barclays	NR/BBB-/NR	ABS
FORDL 2021-B	US$182	0.25	iLIB-1bp	RBC CM/Citigroup/TD Secs/BofA/Credit Agricole	NR/-/F-1+	ABS
FORDL 2021-B	US$514.98	1.06	0.241	RBC CM/Citigroup/TD Secs/BofA/Credit Agricole	NR/AAA/AAA	ABS
FORDL 2021-B	US$456.23	1.82	0.380	RBC CM/Citigroup/TD Secs/BofA/Credit Agricole	NR/AAA/AAA	ABS
FORDL 2021-B	US$96.79	2.14	0.408	RBC CM/Citigroup/TD Secs/BofA/Credit Agricole	NR/AAA/AAA	ABS
FORDL 2021-B	US$86.79	2.27	0.670	RBC CM/Citigroup/TD Secs/BofA/Credit Agricole	NR/AA/AA+	ABS
FORDL 2021-B	US$66.52	2.42	0.906	RBC CM/Citigroup/TD Secs/BofA/Credit Agricole	NR/A+/A+	ABS
Freddie Mac Series WI-K132	US$170.491	10.24	1.630	JPM/Morgan Stanley	NR/NR/NR	CMBS
FREED 2021-3FP	US$113.89	0.64	0.620	CS/Jefferies	NR/NR/NR	ABS
FREED 2021-3FP	US$52.88	1.88	1.010	CS/Jefferies	NR/NR/NR	ABS
FREED 2021-3FP	US$26.44	2.73	1.600	CS/Jefferies	NR/NR/NR	ABS
FREED 2021-3FP	US$37.28	3.53	2.370	CS/Jefferies	NR/NR/NR	ABS
FREMF 2021 K-1521	US$194.478	10.7	1.724	Wells Fargo/DB	NR/NR/NR	CMBS
FREMF 2021 K-1521	US$583.346	14.7	2.184	Wells Fargo/DB	NR/NR/NR	CMBS

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 24/9/2021 (CONTINUED)

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
Glenbeigh 2 Issuer DAC	€400	2.90	3mE+90bp	Citigroup	NR/AAA/NR	RMBS
GS Mortgage-Backed Secs Trust 2021-PJ9	US$304.044	4.92	2.000	GS	Aaa/NR/NR	RMBS
GS Mortgage-Backed Secs Trust 2021-PJ9	US$154	4.92	2.500	GS	Aaa/NR/NR	RMBS
GS Mortgage-Backed Secs Trust 2021-PJ9	US$180	2.75	2.500	GS	Aaa/NR/NR	RMBS
GS Mortgage-Backed Secs Trust 2021-PJ9	US$60	11.46	2.500	GS	Aaa/NR/NR	RMBS
GS Mortgage-Backed Secs Trust 2021-PJ9	US$87.407	4.92	2.500	GS	Aaa/NR/NR	RMBS
GS Mortgage-Backed Secs Trust 2021-PJ9	US$44.556	4.92	SOFR	GS	Aaa/NR/NR	RMBS
LMAT 2021-SL2	US$174.057	1.90	1.875	GS	NR/NR/NR	RMBS
NAVSL 2021-F	US$945.7	2.93	1.110	Barclays/BofA/CS/JPM/RBC CM	Aaa/NR/AAA	ABS
NAVSL 2021-F	US$45.6	7.63	2.120	Barclays/BofA/CS/JPM/RBC CM	NR/NR/NR	ABS
New Residential Mort Loan Trust 2021-NQM3	US$186.695	2.08	1.156	GS/Amherst/CS/Nomura	NR/NR/AAA	RMBS
New Residential Mort Loan Trust 2021-NQM3	US$7.348	2.08	1.362	GS/Amherst/CS/Nomura	NR/NR/AA	RMBS
New Residential Mort Loan Trust 2021-NQM3	US$20.300	2.08	1.516	GS/Amherst/CS/Nomura	NR/NR/A	RMBS
New Residential Mort Loan Trust 2021-NQM3	US$10.337	3.99	2.442	GS/Amherst/CS/Nomura	NR/NR/BBB	RMBS
New Residential Mort Loan Trust 2021-NQM3	US$6.600	3.99	3.398	GS/Amherst/CS/Nomura	NR/NR/BB	RMBS
New Residential Mort Loan Trust 2021-NQM3	US$5.729	3.99	4.051	GS/Amherst/CS/Nomura	NR/NR/B	RMBS
NRMLT 2021-NQM3	US$196.522	2.08	1.156	GS/Amherst/CS/Nomura	NR/NR/AAA	RMBS
NRMLT 2021-NQM3	US$7.735	2.08	1.362	GS/Amherst/CS/Nomura	NR/NR/AA+	RMBS
NRMLT 2021-NQM3	US$21.369	2.08	1.516	GS/Amherst/CS/Nomura	NR/NR/A+	RMBS
NRMLT 2021-NQM3	US$10.882	3.99	2.442	GS/Amherst/CS/Nomura	NR/NR/BBB	RMBS
NRMLT 2021-NQM3	US$6.948	3.99	3.398	GS/Amherst/CS/Nomura	NR/NR/BB+	RMBS
NRMLT 2021-NQM3	US$6.031	3.99	4.051	GS/Amherst/CS/Nomura	NR/NR/B	RMBS
PRPM 2021-8	US$257.545	2.33	1.743	GS/Nomura	NR/NR/NR	RMBS
PRPM 2021-8	US$35.581	2.99	3.597	GS/Nomura	NR/NR/NR	RMBS
RCKT 2021-4	US$423.112	4.83	2.500	Morgan Stanley/BofA	Aaa/NR/NR	RMBS
RCKT 2021-4	US$300	2.71	2.500	Morgan Stanley/BofA	Aaa/NR/NR	RMBS
RCKT 2021-4	US$100	11.18	2.500	Morgan Stanley/BofA	Aaa/NR/NR	RMBS
RCKT 2021-4	US$78.438	4.83	2.500	Morgan Stanley/BofA	Aa1/NR/NR	RMBS
RCO V Mortgage 2021-2	US$113	1.84	2.1156	CS/GS	NR/NR/NR	RMBS
RCO V Mortgage 2021-2	US$11	2.99	3.844	CS/GS	NR/NR/NR	RMBS
Red & Black Auto Germany 8 UG	€935	1.80	1mE+75bp	Societe Generale	NR/AAA/AAA	ABS
Red & Black Auto Germany 8 UG	€25	2.57	1mE+75bp	Societe Generale	NR/AA/AAA	ABS
Red & Black Auto Germany 8 UG	€25	2.57	1mE+95bp	Societe Generale	NR/A/A+	ABS
Red & Black Auto Germany 8 UG	€10	2.57	1mE+135bp	Societe Generale	NBR/BBB/A-	ABS
SEMT 2021-6	US$381.54	4.97	2.500	Wells Fargo	NR/NR/AAA	RMBS
SEMT 2021-6	US$381.54	4.97	2.000	Wells Fargo	NR/NR/AAA	RMBS
SEMT 2021-6	US$286.155	2.79	2.500	Wells Fargo	NR/NR/AAA	RMBS
SEMT 2021-6	US$95.385	11.51	2.500	Wells Fargo	NR/NR/AAA	RMBS
SEMT 2021-6	US$49.382	4.97	2.500	Wells Fargo	NR/NR/AAA	RMBS
SoFi Professional Loan Prog 2021-B Trust	US$432.050	3.01	Ints+50bp	DB/Mizuho/Morgan Stanley	NR/AAA/NR	ABS
SunRun Demeter Issuer 2021	US$447.090	6.27	2.270	DB/BofA/CS	NR/NR/NR	ABS
TAOT 2021-C	US$352	0.20	IntL-2bp	Barclays/BNP Paribas/Mizuho/Santander	P-1/A1+/NR	ABS
TAOT 2021-C	US$528	0.96	0.200	Barclays/BNP Paribas/Mizuho/Santander	Aaa/AAA/NR	ABS
TAOT 2021-C	US$528	2.22	0.430	Barclays/BNP Paribas/Mizuho/Santander	Aaa/AAA/NR	ABS
TAOT 2021-C	US$152	3.51	0.720	Barclays/BNP Paribas/Mizuho/Santander	Aaa/AAA/NR	ABS
ULISSES FINANCE NO.2	€203.7	3.40	1mE+70bp	DB	Aa3/NR/NR	ABS
ULISSES FINANCE NO.2	€10	3.40	1mE+80bp	DB	A2/NR/NR	ABS
ULISSES FINANCE NO.2	€20	3.40	1mE+135bp	DB	Baa2/NR/NR	ABS
ULISSES FINANCE NO.2	€11.3	3.40	1mE+285bp	DB	Ba2/NR/NR	ABS
ULISSES FINANCE NO.2	€3.7	3.40	1mE+368bp	DB	B1/NR/NR	ABS
ULISSES FINANCE NO.2	€1.3	3.40	1mE+549bp	DB	NR/NR/NR	ABS
ULISSES FINANCE NO.2	€1.5	0.90	1mE+500bp	DB	NR/NR/NR	ABS
VWH Capital (VCAT 2021-NPL6)	US$359.1	1.37	1.918	CS/JPM	NR/NR/NR	RMBS
VWH Capital (VCAT 2021-NPL6)	US$45.6	3.00	3.967	CS/JPM	NR/NR/NR	RMBS
Zillo 2021-2	US$576.800	2.54	2.350	CS/GS/Citigroup	NR/NR/NR	RMBS
Zillo 2021-2	US$123.200	2.54	3.500	CS/GS/Citigroup	NR/NR/NR	RMBS

"Right now, the market feels very strong," said one ABS banker. "We have had a lot of supply though and the equity market has been volatile the last few days so I don't know if we can we go tighter. Maybe we will see some fatigue and widening at some stage but we are not there yet.

"Who knows what will happen but spreads are very, very tight."

Arranger and lead manager *Societe Generale* had started the bookbuild with initial price thoughts at 12bp–14bp over one-month Euribor. From there the order book grew from 1.2 to 1.7 times coverage. The notes were structured for Eurosystem eligibility.

Investors had started to complain about ABS spreads before the market's summer break and bankers are unsure whether they will tolerate further tightening in autumn. Some accounts made their aversion to a single digit print on Red & Black 8 clear and orders to the A tranche increased when the 10bp spread was confirmed – although the deal was already covered when a single digit print was still a possibility.

Weighted-average life on the tranche was 1.8 years, compared to the 1.23 years on VCL 33 and the 1.76 years on BMW'S Bavarian Sky German Auto Leases 6, which like VCL 33 priced at a 10bp discount margin in June. Bank Deutsches Kraftfahrzeuggewerbe is a non-captive auto finance provider, unlike Volkswagen and BMW, and part of Societe Generale group.

While auto loan ABS issuance has been heavy in September, with deals like Ulisses Finance No. 2 and Bumper BE both pricing this week, it is uncertain whether that supply can keep up during the rest of the year.

"Talking with the captive financing arms of the OEMS it has been notable that a handful of them who had at least one more trade in place for the second half have now postponed," said another banker. "In part that has been because of decent liquidity situations but we have also seen production hit by the chip shortage earlier in the summer, with less activity in German and core areas."

The BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE-originated vehicle also sold mezzanine tranches. Its €25m of Class B notes priced at 60bp, with 2.8 times coverage, its €25m of Class C notes at 95bp, with 3.8 times coverage and €10m of Class D notes at 135bp with 5.9 times coverage.

Those levels were well inside the spreads on equivalent mezzanine tranches – 70bp, 110bp and 150bp – in full capital stack French consumer loan ABS Noria 2021 that priced in early July.

ULISSES NO. 2 ENJOYS PORTUGUESE BOOST

321CREDITO – INSTITUICAO FINANCEIRA DE CREDITO rode the wave of a sovereign upgrade to price the €203.7m of Class A notes of its first ABS in just over four years at a 35bp over one-month Euribor discount margin.

321Credito sold Ulisses Finance No. 1 auto ABS in 2017. Under its previous name, BNP Credito, it had also originated four auto loan securitisations under the Chaves shelf in the early 2000s.

As of 2019, it has been under the ownership of Banco CTT, the Portuguese Postal Bank.

Bank arms have made good use of the ABS market this month, selling full capital stack deals for capital relief.

"We will continue to see interest from banks aiming for capital efficient transactions in the form of full capital structure placements, as with Ulisses No. 2," said Mauricio Suarez-Rodriguez, co-head of European credit structuring at Deutsche Bank.

"When we did Ulisses No. 1 in 2017, the average spread of the notes was 122bp and we placed 95% of the capital structure. This time around we brought it down to 64bp for 100% of the structure. If you are a bank and can issue an ABS with that type of attractive spread, over one-month Euribor which is at minus 56bp, the cost of RWA relief is phenomenal.

"So we would expect more banks to come to this space. Banks continue to have a lot of liquidity so the focus on supply will be transactions like Ulisses No. 2 or specialist lenders that follow a market funding model."

Some investors in the market when the Chaves shelf was active attended the roadshow for Ulisses Finance No. 2, which involved 15–20 investor calls. *Deutsche Bank* was sole arranger and lead manager.

Finding straightforward comparables was challenging given the lack of Portuguese deals in the ABS market. Italian auto ABS Autoflorence 2, which priced on September 17, was one reference point, although better liquidity in Italian over Portuguese paper had to be taken into account. The €700m of Class A notes in that trade priced at a 31bp DM over one-month Euribor.

"The investor base is welcoming the diversification we are seeing coming through," said Colin Parkhill, head of European ABS & CLO syndicate at Deutsche Bank.

"The increase in deals coming from Southern Europe will be attractive to the investor base which is being priced out of core North European purchase programme eligible risk, where you have the seniors pricing at 10bp over.

"Notably we saw several asset managers in the seniors who can't achieve requisite return thresholds in other core North European risk. Even though we are now seeing Italy and Portugal trade with DMs into Euribor plus 30bp, and therefore negative yielding, it is offering a good pick-up and that diversity is welcomed."

The deal's marketing received a big boost on September 17 when Moody's upgraded the Government of Portugal's long-term foreign and local currency issuer and senior unsecured ratings from Baa3 to Baa2.

That in turn allowed a one-notch lift across the expected ratings of 321Credito – Instituicao Financeira de Credito's deal, with the €203.7m of Class A notes moving from an Aa3/AAL to Aa2/AAL rating.

The notes were 2.1 times covered by final terms. Spreads on the €10m Class B, €20m Class C, €11.3m Class D, €3.7m Class E, €1.3m Class F and €1.5m Class G notes were 80bp, 135bp, 285bp, 368bp, 549bp and 500bp.

French and Benelux investors took 52% of allocations, German accounts 18%, UK 10%, Italian 10% and others 10%. Asset managers purchased 57%, banks 21% and central banks and official institutions 22%.

GLOBAL SECURITISATIONS IN STERLING

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Bank of America	11	2,051.70	18.4
2	Citigroup	9	1,353.71	12.1
3	BNP Paribas	8	1,347.69	12.1
4	Lloyds Bank	7	969.02	8.7
5	NAB	7	968.62	8.7
6	Barclays	7	836.22	7.5
7	Santander	5	669.11	6.0
8	StanChart	5	560.97	5.0
9	NatWest Markets	5	519.23	4.6
10	HSBC	5	459.43	4.1
	Total	**33**	**11,179.94**	

Including Euro, foreign, global and domestics, excluding CDOs.
Source: Refinitiv SDC code: B16i

SECURITISATIONS – ALL EUROPEAN RMBS

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Citigroup	11	2,501.07	16.7
2	BNP Paribas	12	1,878.90	12.5
3	Barclays	9	1,341.77	8.9
4	NAB	7	1,119.47	7.5
5	Bank of America	6	978.54	6.5
6	Lloyds Bank	5	892.64	5.9
7	Natixis	5	670.20	4.5
8	ABN AMRO	3	656.96	4.4
9	HSBC	5	647.16	4.3
10	SG	2	591.91	3.9
	Total	**35**	**15,021.15**	

Including Euro, foreign, global and domestics, excluding CDOs
Source: Refinitiv SDC code: B10a

FRIDAY FLURRY FOR ABS MARKET

Three ABS deals landed alongside a green RMBS issue on Friday, capping a busy week of dealflow ahead of the IMN Global ABS conference this week.

Dealflow comprised two auto ABS issues and a consumer ABS trade from debut originator AUXMONEY INVESTMENTS, while BPCE Group nabbed the first green French RMBS.

From the sell-side *BNP Paribas* was busiest, as it helped price LEASEPLAN's BUMPER BE Belgian auto ABS as a joint lead manager with *ING* (*LeasePlan* was arranger). The €500m of Class A notes (2.09-year weighted average life) in the vehicle was priced at a 35bp spread over one-month Euribor on the back of 1.2 times coverage. A €32.5m Class B tranche was priced at 85p over one-month Euribor.

The French bank took sole arranger and lead manager role on the other two ABS trades landing on Friday – FORTUNA CONSUMER LOAN ABS and VIRIATO FINANCE NO.1 – a Portuguese consumer ABS.

WIZINK PORTUGAL originated the collateral in Viriato, which landed with €144m of Class A notes at a 39bp spread over one-month Euribor. The tranche was 1.4 times covered at the latest update.

Further down the capital stack, Viriato's €6m of Class B notes was priced at 95bp, its €12m of Class C notes at 155bp, €8.3m of Class D notes at 320bp, €4.5m of Class E notes at 390bp and €5.10m of Class F notes at 6.50%. The notes have been structured for Eurosystem eligibility.

German consumer loan ABS Fortuna was a debut trade from AUXMONEY INVESTMENTS and carried social labels on its Class A and B notes.

The Class A tranche was about 4.4 times covered as the leads set final price guidance of 30bp over one-month Euribor.

The bookbuild was slower going on the deal's mezzanine tranches, with a first update showing the B, C and D notes about 0.9, once and 0.5 times covered. High 100bp initial price thoughts on the €6m of D notes moved to a 220bp final spread.

The €12m of Class C and €15m of Class B notes built more momentum, with final coverage at 1.3 times for each. The C notes were priced at 150bp, having started with mid 100bp IPTs. The B notes landed at 90bp, the tight end of IPTs.

EMEA CLO

MARKET MULLS AAA SPREADS

Yield compression across credit markets, including other structured finance asset classes, has market participants mulling the prospect of Triple A CLO tranches following suit, moving from the low 100bp range back into double-digit spreads.

New issue activity was quieter last week but recent trades suggest the widening in Triple A spreads since March may have peaked.

Last Friday, September 17, CAPITAL FOUR CLO MANAGEMENT priced its new issue €379.1m CAPITAL FOUR CLO III, landing its €228.75m of Class A notes at a 102bp discount margin over Euribor via *Bank of America*.

"Triple As seem to be well covered, I wouldn't be surprised if they went into the 90s fairly quickly," said one investor.

Also on that Friday, CAIRN LOAN INVESTMENTS II priced a €408m new issue CLO via *Goldman Sachs*, CAIRN CLO XIV, with €244m of Class A notes at a 100bp DM.

Last week, Dillon's Park CLO, RRE 9 Loan Management and BBAM European CLO II all priced new issues at 102bp DMs.

"We are still 25bp off the year's tights in Triple As," said one syndicate banker. "It feels like triple-digit spreads have piqued interest from a number of accounts. All of a sudden, we can start contemplating syndication strategies rather than relying on anchors, as was the case in June and July. We have seen a number of bank investors increasing their limits.

"That was something they needed to work through in the second quarter. Now they are back in the room. Also, accounts that can look across currencies and buy in the US and Europe are seeing relative value opportunities. Deals are still printing in the 100bp area but this has helped take us off the 105bp–107bp wides of pre-summer."

But the investor added that Evergrande's possible default could still create contagion and sour sentiment in the high-yield market, with potential knock-on effects for CLOs – especially those with high-yield bond buckets. After a year of relentless refinancing and reset activity running alongside the new issue pipeline, it could also be that some investors are reaching their limits on exposure to the asset class.

"I like Capital Four and think they are a good manager," said the investor. "The question from a fund management point of view is do you do value diversification and how many CLOs do you really want to own, even with the decent spreads?

REFI/RESETS KEEP HUMMING

While new issuance dimmed, reset and refinancing activity continued, with a reset of HPS INVESTMENT PARTNERS CLO's AQUEDUCT EUROPEAN CLO 5-2020, and BLACK DIAMOND CLO 2019-1 ADVISER's refinancing of BLACK DIAMOND CLO 2019-1 both pricing on Wednesday.

Black Diamond, arranged by *Natixis*, priced with €187m of Class A-1 notes at 98bp over Euribor and US$34.36m of A-2 notes at 139bp over Libor. The non-call period ends on July 22 2023 and reinvestment on August 15 2023.

BNP Paribas was arranger and lead manager on the Aqueduct reset, pricing €248m of Class A notes at a 103bp DM over three-month Euribor. Non-call ends on April 20 2023 and reinvestment on April 20 2026.

Jefferies is arranging a reset of TIKEHAU CAPITAL EUROPE's TIKEHAU CLO II, with pricing targeted for the week of September 27.

US MBS

FANNIE MAE TO RESTART CRT ISSUANCE

Fannie Mae said last Monday it planned to restart issuing credit risk transfer securities in the fourth quarter of this year after its regulator said it was considering easing capital restrictions on the agency the week before.

The largest mortgage finance agency stopped printing CRTs in March 2020 as the Federal Housing Finance Agency under the former Trump administration made it less attractive for Fannie and its sibling FREDDIE MAC to issue these bonds, which off-load some of the credit risks on the mortgages they guarantee to private investors.

"We plan to enter into new CRT transactions to help manage the credit risk of our guaranty book of business and at the guidance of our regulator, the Federal Housing Finance Agency (FHFA)," Fannie said in a statement.

Fannie is preparing to bring CRT transactions from its single-family Connecticut Avenue Securities, single-family Credit Insurance Risk Transfer and multi-family CIRT platforms in October, but it does not intend to issue multi-family CRT through in CAS platform this year.

CRTs were battered a year ago due to fears about the housing market tanking due to the Covid-19 pandemic, but they have recovered swiftly on a resurgence in home demand. In fact, Freddie is looking to retire up to US$650m of its STACR CRTs because they have become no longer "economically sensible."

As for Fannie, it did not offer any guidance on its CRT primary activity beyond 2021.

"We are continuing to evaluate our CRT strategy for next year and are not currently communicating an outlook," it said.

With Fannie's expected return, Bank of America analysts projected CRT supply to grow to US$10bn to US$12bn in 2021, compared with US$13bn in 2020.

On September 15, FHFA, now under the Biden administration, issued three proposals that would pare the capital restrictions

imposed by the Trump administration late last year. The aim is to encourage the two government-sponsored enterprises to transfer more risk to the private sector through CRT, which would free up capital to extend more financing for affordable housing.

FREDDIE ENLARGES FIRST-EVER STACR TENDER

FREDDIE MAC last Tuesday increased the size of its first-ever tender offer for outstanding credit risk transfer securities from US$650m to US$1.629bn to accommodate the huge amount of early investor participation in the deal.

The mortgage agency accepted for purchase 100% of the notes validly tendered before the early tender and withdrawal deadline on 5pm New York time last Monday, and settled the deal last Wednesday, ahead of the original expiration set for October 4. It stopped accepting any tender offers made after the early deadline.

Freddie Mac originally tendered for up to US$650m of older Structured Agency Credit Risk notes issued from 2014 to 2017, its first tender offer for these bonds. The STACR notes pay investors to hold the risk of credit losses on mortgages that Freddie guarantees, but were no longer seen as economic by the issuer.

"The offer seems designed to pull the plug on costly credit protection. The tendered securities show high implied guarantee fees and are part of deals that cover large multiples of likely losses in the protected loans," Amherst Pierpont analyst Chris Helwig wrote in a research note.

CRTs benefits for Freddie have fallen as a booming housing market since the pandemic has significantly reduced the risk of mortgage defaults.

The original amount of the eight STACR notes totalled US$2.364bn. Early tender prices ranged from US$1,026 to US$1,041 per US$1,000 original principal amount.

Barclays was lead manager for the tender offer and *Bank of America* the other manager.

Freddie wrapped up its CRT tender early after its regulator, Federal Housing Finance Agency, proposed on September 15 to lower capital requirements for Freddie and its larger sibling FANNIE MAE to encourage the government-sponsored enterprises to increase their funding for affordable housing by issuing more credit risk transfer securities.

Last Monday, Fannie said it would restart CRT issuance next month after an 18-month hiatus stemming from stricter capital requirements which the Trump administration had imposed last year.

FREDDIE PRINTS FIRST WHEN-ISSUED CMBS

FREDDIE MAC last Tuesday completed its US$170.491m inaugural bond which references a guaranteed tranche in a future multi-family CMBS issued from its K-Deal programme.

The when-issued (WI) K-Deal note, FREDDIE MAC WI CERTIFICATES SERIES WI-K132, has a weighted-average life of 10.24 years and is linked to the A-M class in the upcoming US$1.25bn FREMF K-132, which is scheduled to be announced in the week of October 4.

Unlike regular K-series bonds, which are backed by a pool of multifamily loans, this first-of-its-kind deal is initially backed by cash, before they are eventually indirectly backed by a pool of fixed-rate multifamily loans with mainly 10-year terms, according to Freddie.

The WI programme is intended to "better align our multifamily loan originations with our multifamily securities investors by shortening the period between loan originations and security issuance", Freddie said in an investor presentation earlier this month.

For investors, the WI programme allows them to gain early access to the A-M class of K-Deals they would buy. Investors can keep the WI A-M note or swap it for the regular A-M certificate when the K-Deal it references is issued.

"The WI K-Deal programme gives investors a new way to gain exposure to our bonds prior to K-Deal issuance while also helping Freddie Mac Multifamily reduce risk and further optimise our executions," said Robert Koontz, senior vice-president of Capital Markets for Freddie Mac Multifamily, in a statement.

The WI-K132 certificate was multiple times oversubscribed and allotted to about eight to 10 investors, a source familiar with the deal said. *JP Morgan* and *Morgan Stanley* were the co-lead managers and joint bookrunners. The WI-K132 note came in at a spread of swaps plus 27bp, which was in line with its guided level.

On September 8, Freddie priced a US$1.191bn K-Deal, SPC Series K-131. The unrated A-M tranche, with a weighted-average life of 9.86 years, cleared at 26bp over swaps.

US ABS

ABS INVESTORS BRUSH OFF END OF PANDEMIC AID

Asset-backed investors are taking in stride the risk of rising consumer defaults and delinquencies stemming from the expiration of two major programmes that had helped struggling workers during the pandemic.

On August 26, the national moratorium on evictions was overturned after the Supreme Court ruled in a 6–3 decision that the federal government does not have the authority to suspend evictions. Then on September 6 the US$300 bonus weekly jobless checks for millions of unemployed workers were stopped.

Yet this loss of funding has not deterred investment in secured consumer credit. ABS investors eagerly snapped up US$14.8bn in asset-backed supply the week of September 13, marking the heaviest week in the primary market since July 2018, according to IFR. ABS issuance remained busy with more than US$9bn pricing last week, according to IFR.

Many of the deals priced inside guidance, while a number of offerings were upsized to accommodate heavy investor orders, several ABS bankers said.

"On the ABS side, things continue to be holding in well. From a fundamental perspective, there has not been any real deterioration," said Philip Armstrong, senior portfolio manager at Invesco.

Even with the loss of this critical financial assistance, Armstrong and other fund managers reckon a relatively strong jobs

GLOBAL STRUCTURED FINANCE IN US$
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	194	93,470.42	12.9
2	Credit Suisse	220	81,975.43	11.3
3	Wells Fargo	190	70,082.35	9.7
4	Citigroup	173	69,537.21	9.6
5	Goldman Sachs	200	59,936.57	8.3
6	Morgan Stanley	133	55,289.00	7.6
7	Bank of America	168	51,478.58	7.1
8	Barclays	155	39,293.97	5.4
9	Deutsche Bank	116	25,878.47	3.6
10	Nomura	81	22,976.14	3.2
	Total	**1,135**	**722,987.96**	

Including securitisations (Euro, foreign, global and domestics, excluding CDOs) and PFI bonds.
Source: Refinitiv SDC code: B16b

STRUCTURED FINANCE – ALL INTL ISSUERS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	136	25,935.66	9.7
2	Barclays	110	24,608.41	9.2
3	Goldman Sachs	107	21,429.13	8.0
4	Bank of America	92	20,773.39	7.7
5	Citigroup	83	19,842.70	7.4
6	JP Morgan	73	19,072.09	7.1
7	Deutsche Bank	88	17,079.58	6.4
8	Wells Fargo	69	16,225.76	6.1
9	Morgan Stanley	63	11,625.22	4.3
10	BNP Paribas	42	10,357.11	3.9
	Total	**511**	**268,046.48**	

Includes securitisations, PFI bonds, self-funded issues and credit-linked notes. Excludes US global ABS/MBS and CDOs.
Source: Refinitiv SDC code: J10c

market and high level of savings will help consumers meet their monthly debt payments at least in the short term. The US jobless rate declined to 5.2% in August, retreating from a pandemic peak of 14.8% in April 2020, while the personal savings rate eased to 9.6% in July from all-time high of 26.6% set in March, government data show.

This has helped push delinquencies and losses across major types of consumer ABS to historic lows, particularly among top-rated borrowers.

For example, the 60-plus day delinquency rate on prime auto loans was 0.24% in August, unchanged from July, but down from 0.33% a year ago. The annualised loss rate on prime auto loans was 0.19% last month, which was up a hair from 0.17% in July, but down from 0.43% from a year ago, according to Barclays.

Investors are also confident that securitised transactions coming to the primary market have built-in ample protection from an expected modest pickup in collateral deterioration, analysts said.

"Delinquencies and losses will likely increase this fall, but should be manageable, maybe back to pre-Covid levels," said Evan Shay, ABS analyst at T. Rowe Price.

Still, while late payments and losses on consumer ABS have declined from year-ago levels, month-over-month improvement has flattened out this summer. This trend may even reverse course if the delta variant infection does not retreat and triggers a pullback in consumer activity in the coming months, according to Alpine Research.

"Even if widespread lockdowns are avoided, changes in consumer behaviour will likely cause some setback in the recovery of selected service-oriented industries such as travel, entertainment and restaurants," Alpine Research analysts wrote in a report earlier this month. "Workers in these low-wage sectors are the most at risk of defaulting."

Westpac boosts Australian market

RMBS Scarcity value underpins first major bank offering in 20 months

Another milestone along the Australian debt market's return to normality was reached on Friday when WESTPAC became the first major bank to issue RMBS since the coronavirus outbreak struck.

Westpac raised a modestly upsized A$1.2bn (US$875m) from the self-led funding-only WST 2021-1, whose A$1.04bn of Class A notes with a 2.9-year weighted-average life priced at one-month BBSW plus 55bp.

That matches the tightest senior tranche margin since the financial crisis, previously secured by non-majors Macquarie Bank and Bendigo and Adelaide Bank for their Puma and Torrens RMBS sales on July 14 and September 1, respectively.

Westpac previously issued RMBS in January 2020 with the much larger A$2.75bn prime, funding-only Series 2020-1 WST Trust when the Class A notes priced 95bp wide of one-month BBSW.

Australia's major banks had no need to issue RMBS or senior bonds when the Reserve Bank of Australia's A$200bn Term Funding Facility operated between March 2020 and June 2021.

The TFF provided all banks (plus building societies and credit unions) with funding for three years at a fixed rate of 0.25% initially and 0.1% from November 2020, materially cheaper borrowing levels than either RMBS or senior bond clearing rates.

The four majors took up all their allowances for a combined A$133bn with draw-downs concentrated over two periods in the lead up to the expiry dates for initial and final allowances on September 30 2020 and June 30 2021.

National Australia Bank ended the majors' domestic senior bond drought with a A$2.75bn five-year floating-rate sale on August 17 that priced at three-month BBSW plus 41bp.

Commonwealth Bank of Australia followed on September 17 with a A$500m five-year green FRN at the same spread – the lowest for a bank five-year note since the financial crisis.

Senior and RMBS bank supply has picked up in recent months, but it is not expected to recover to pre-Covid levels until 2022 since most banks only recently accessed their last TFF drawdowns, while retail deposits remain at elevated levels.

Even then, major bank RMBS offerings are likely to remain scarce as treasurers focus on the better terms available in the senior market.

The current clearing rate for major bank three-year senior notes is around 30bp, according to Sydney syndication desks, though RMBS does offer non-pricing advantages in terms of diversification and maintaining investor credit lines.

CBA last issued RMBS in November 2019 with the first, and so far only, securitisation linked to the Australian overnight index average rate, the A$1.5bn Medallion Trust Series 2019-1.

NAB's previous RMBS trade was the A$1.63bn prime sale in December 2018, National RMBS Trust 2018-2, that included an inaugural Hong Kong-listed tranche.

Australia and New Zealand Banking Group sold the A$1.5bn Kingfisher Trust 2019-1 prime RMBS in June 2019 – only its second mortgage-backed offering since 2004.

Those last three are all capital-relief RMBS, which are neutral from a net stable funding ratio perspective, unlike funding-only RMBS like WST 2021-1 that have negative NSFR implications because they require additional stable funding to maintain the ratio.

John Weavers

DRIVEN BRANDS MAKES ABS RETURN AFTER IPO

Automotive services franchiser DRIVEN BRANDS assembled its first whole business securitisation last Thursday after its IPO in January, resuming its ABS strategy to fund its operations and acquisitions.

The single-class US$450m offering, DRIVEN BRANDS FUNDING LLC 2021-1, was slated to be rated BBB– by S&P and BBB by Kroll and have a weighted-average life 6.8 years. The new funding was intended to repay outstanding debt and future acquisitions, a source familiar with the deal said.

The A-2 note priced at a 2.80% yield, which was at the tight end of its guidance. It compared with the 2.30% yield on the US$600m A-2-II tranche with a 7.3-year WAL in a US$2.25bn WBS from US food chain Taco Bell which priced on August 11.

Barclays was the sole structuring agent and sole bookrunner.

The largest automotive franchiser in North America previously issued a US$450m WBS transaction, DRIVEN BRANDS FUNDING LLC 2020-2, on October 29, according to IFR data.

Private equity firm Roark Capital Group in 2015 bought Driven whose brands include Meineke and Maaco and have a franchised base of 3,331 locations in 49 US states and 10 Canadian provinces.

Driven has continued to expand through acquisitions. In July, the Charlotte, North Carolina-based company bought 18 Frank's Car Wash Express stores for an undisclosed sum. Driven's annual system-wide sales had hit US$3.65bn for the 12 months ending June 26, compared with US$3.32bn annual total in 2020, according to Kroll.

"Driven Brands will continue to grow its system-wide sales, through both organic and acquisition-fuelled growth and would increase the debt in its capital structure to match the increased cash flows," the rating agency said in a pre-sale report.

Driven's total ABS debt outstanding would grow to US$2.015bn after this latest WBS, up from US$1.575bn when its prior WBS was sold. The leverage ratio of total debt to the amount of cashflows it securitises would go up to 6.4 from 6.2, Kroll said.

In the meantime, ABS investors have been willing to fund private equity firms' acquisitions of franchise businesses that have shown revenue growth during the pandemic. Last week, FAT Brands raised US$250m from a WBS to finance its US$300m purchase of dining chain Twin Peaks from Garnett Station Partners.

WBS issuance has climbed to US$10.38bn year to date, up sharply from the US$4.43bn total in 2020, according to IFR.

US CLO

US CLOS SET MONTHLY ISSUANCE RECORD

The US CLO market hit a monthly volume record in August with more than US$19bn of funds issued as firms took advantage of the demand for secured corporate credit.

The US$19.2bn of issuance last month topped the previous monthly high of US$15.7bn set in June as volume inches towards the 2018 annual record of US$127.7bn, according to LPC Collateral data. More than US$116bn of US CLOs have been issued this year up to September 15.

The strength of the CLO market has been driven by market opportunity, according to Laila Kollmorgen, a portfolio manager responsible for CLO tranche investments at asset manager PineBridge Investments.

With about 86% of the loan market trading at or at a discount to par and strong primary loan issuance, along with tight liability spreads, the environment to raise a CLO is "almost perfect", she said.

"We are comfortable 2018's record…will be beaten," said Rishad Ahluwalia, head of CLO research at JP Morgan in London. "August's all-time record seems challenging to repeat, but we do expect continued heavy issuance into year-end."

JP Morgan is now expecting US$145bn–$155bn of US CLOs, up from a prior forecast of US$130bn–$140bn, according to a September 10 report. It calls for €30bn of euro CLOs, up from €25bn.

RECORD PACE

Issuance jumped in August from just US$10.05bn of volume in July, the second-lowest monthly tally this year. In January, US$9.21bn of US CLOs priced, the only month this year when deal flow came in below US$10bn.

An additional US$169bn of US CLOs have been reset or refinanced this year through September 10. Refinancing CLO tranches can help offset the lower rates the funds are receiving for lending, boosting payments to the holders of the riskiest, so-called equity, tranche.

Funds issued in 2018 with a two-year non-call period that were not refinanced in 2020 were the first to be reworked this year, followed by deals from 2019 that were coming off their two-year non-call period. As the year progressed, 2020 CLOs issued with a one-year non-call period were also brought back to the market to cut costs.

In 2019, the average monthly Triple A spread ranged between 132bp and 138bp; earlier this year, many Triple A tranches were refinanced to less than 100bp.

JP Morgan adjusted its US CLO Triple A primary spread forecast for 2021 to 110bp from 100bp as volume has spiked.

In August, the average Triple A spread for CLOs backed by broadly syndicated loans increased to 118bp, up from 105bp in March, the lowest average monthly tally since April 2018.

Even with spreads inching up, conditions remain supportive for the US CLO market to surpass the annual record soon.

"(In August) market conditions were just very good. Appetite remains healthy, and issuers continue to issue because conditions remain strong and there are investors to buy," Kollmorgen said.

ASIA-PACIFIC MBS

AFG MARKETS 11TH RMBS

AUSTRALIAN FINANCE GROUP has mandated *ANZ* and *NAB* to market the indicative A$350m prime RMBS offering, AFG 2021-2 TRUST.

The non-bank lender, one of the country's largest mortgage broking groups, issued its 10th and largest RMBS on May 5, the upsized A$750m prime AFG 2021–1.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 24/9/2021

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
EUROS							
Sep 20 2021	Azores	€435m	Sep 27 2036	1.095	100	PGBs+52	1.095
Sep 21 2021	IB Brandenburg	€500m	Sep 29 2031	0.05	99.89	MS flat/B+38.1	0.061
Sep 21 2021	Rentenbank	€1.5bn	Sep 28 2026	0	102.014	MS-13/B+26.6	-0.398
Sep 22 2021	AFD sustainable	€2bn	Sep 29 2031	0.125	99.465	OATs+18	0.179
Sep 22 2021	Hamburg	€700m	Sep 29 2031	0.01	100.05	MS-5/B+32	0.005
Sep 22 2021	NWB housing SDG bond	€1bn	Sep 28 2046	0	97.162	MS+9/B+43.6	0.496
STERLING							
Sep 21 2021	UK DMO green Gilt	£10bn	Jul 31 2033	0.875	100.033	G+7.5	0.872
Sep 24 2021	KfW green	£750m incr (£1.9bn)	Sep 15 2026	0.875	100.749	G+23	0.72
SWISS FRANCS							
Sep 23 2021	Basellandschaftliche KB	SFr200m	Nov 6 2031	0.125	100.124	Saron MS+18	0.113
Sep 24 2021	ZKB green	SFr150m	Oct 21 2031	0.15	100.074	Saron MS+14/ Libor MS+6.8/ Eidgt+33.8	0.143

ASIA-PACIFIC ABS

UDC BROADENS ABS PATCH

UDC FINANCE broadened the New Zealand securitisation market on Thursday with a debut NZ$400m (US$280m) auto ABS sale, **UDC ENDEAVOUR AUTO ABS TRUST 2021-1**.

The NZ$352m of Class A notes with a 1.3-year weighted average life and 12% credit support were priced inside initial 80bp area and revised 75bp–80bp guidance at one-month BKBM plus 70bp, while the NZ$48m of Class B notes were retained. *Westpac* was arranger and joint lead manager with *ANZ* and *BNZ*.

UDC Finance provides asset-backed finance for plants, vehicles and equipment that do not rely on land or buildings as security. The company became a wholly owned subsidiary of Japan's Shinsei Bank in September 2020.

UDC is the Kiwi debutante this year after Basecorp Finance printed its inaugural RMBS in March, the NZ$250m Basecorp RMBS 2021-1 Trust.

In addition, regular RMBS issuers Avanti and Resimac have sold NZ$350m and NZ$300m of RMBS in 2021, MTF Finance delivered its sixth auto ABS, the NZ$280m MTF Pantera Trust 2021, while Humm Group completed a NZ$240m credit card refinancing of the Q Card Trust Class A notes.

BYD AUTO FINANCE SELLS GREEN ABS

BYD AUTO FINANCE has completed the largest green auto ABS in China's interbank bond market.

The Rmb2bn (US$309m) green retail auto loan ABS included a senior tranche priced at par to yield 2.60%.

The Rmb1.73bn senior tranche is rated AAA by Fitch, China Chengxin and China Bond Rating. The Rmb270m subordinated tranche is unrated, pays zero coupon, and was retained by the originator.

The **BYD DYNASTY 2021 PHASE II RETAIL AUTO MORTGAGE LOAN GREEN SECURITIZATION TRUST** offering drew healthy interest from a wide range of investors.

Guotai Junan Securities was lead underwriter and lead bookrunner. *China Everbright Bank*, *MUFG Bank (China)* and *Mizuho Bank (China)* were joint lead underwriters and bookrunners. *Sumitomo Mitsui Banking Corp (China)* was financial adviser.

Non-bank lender BYD Auto Finance is majority owned by car manufacturer BYD. The facility is backed by 22,750 auto loans with a total balance of Rmb2.4bn originated for new energy vehicles that are partially or fully powered by electricity.

China's first green retail auto ABS was issued in June by SAIC Finance.

ALLIED DRIVES DOWN PRICING

Consumer lender **ALLIED CREDIT** issued its second securitisation backed by motorcycle, marine, motor vehicle and other equipment loan receivables with **ALLIED CREDIT ABS TRUST 2021-1**, capped at A$200m (US$146m).

NAB was arranger and joint lead manager with *Macquarie* for Allied Credit, which provides consumer finance services for brands such as Kawasaki, Suzuki, Triumph and Mercury.

The A$152m of Class A notes with a 1.7-year weighted-average-life priced inside 80bp area guidance at one-month BBSW plus 75bp.

The A$13.8m of Class B, A$11.4m of Class C, A$7m of Class D, A$9.8m of Class E and A$2.6m of Class F notes, all with 2.2-year WALs, priced 115bp, 155bp, 235bp, 400bp and 615bp wide of one-month BBSW.

Respective credit support for the Class A to F notes is 24%, 17.1%, 11.4%, 7.9%, 3% and 1.7%.

The transaction was completed by A$3.4m of retained Class G notes.

Motor vehicles make up 57% of the asset pool, motorcycles 27%, marine vehicles 15% and caravans 2%, to the nearest percent.

Domestic investors bought 79% and offshore 21%, while the real money, balance sheet allocation split was 85% to 15%.

Allied Credit, which was established in 2010, issued its first ABS, the A$200m Allied Credit ABS Trust 2020-1, in October last year, at much wider spreads.

The 2020-1 Class A, B, C, D and E noted priced at 160bp, 260bp, 325bp, 415bp and 625bp over one-month BBSW, or 85bp, 145bp, 170bp, 180bp and 225bp more than the equivalent 2021-1 tranches.

Such a dramatic spread compression reflects the overall strength of the ABS market and investors' growing comfort with the Allied Credit programme, whose debut offering has performed very well, said a banker on the trade.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
PGBs+55 area	-	€715m	NR/NR/BBB-/BBBL	CA-CIB/CaixaBI/DB/BCP	-
MS+1 area	-	€975m	NR/NR/AAA	Deka/DB/DZ/Helaba/NordLB	Ger 82%, Switz 8%, Den 8%, RoEur 2%. BkTsy 19%, Tsy 35%, FM 30%, CB/OI 12%.
MS-10 area, MS-12 area	0	€5.2bn, 107acs	Aaa/AAA/AAA	Barc/DB/MS/Uni	Eur 65%, Ger 23%, UK 7%, Asia 3%, MEA 2%. Bks 32%, CB 36%, AM 23%, Ins/Corp/PF 9%.
OATs+21 area, OATs+19 (+/-1 WPIR)	1.5	€8.2bn	NR/AA/AA	BNPP/BofA/CMZ/JPM/Natx	Ger/Aus/Switz 28%, UK 19%, Asia 18%, Fr 11%, Nordics 7%, Benelux 6%, S.Eur 6%, RoEMEA 5%. AM 39%, CB/OI 30%, Tsy 19%, PB 6%, Ins 5%, HF 1%.
MS-5 area	0	€900m	NR/NR/AAA	Barc/DZ/GS/NordLB/Uni	-
MS+11 area	0	€1.8bn	Aaa/AAA	BNPP/Citi/JPM/Rabo	Ger 37%, Benelux 23%, Fr 16%, UK 4%, RoEur 7%, Asia 8%, MEA 5%. FM 58%, Ins/PF 20%, Bks 14%, CB/OI 8%.
G+7.5/8.5	-2.5	£100bn, 217acs	Aa3/AA/AA-/VE 2PO	HSBC/JPM/Barc/BNPP/Citi/DB	UK 83%, RoW 17%.
G+25 area, G+25 area	-	£1bn	Aaa/AAA	BofA/HSBC/JPM	-
Saron MS+17/+19	0	-	NR/AA/NR	KBBL	-
Saron MS+14/+16, Saron MS+14	-2	-, 26acs	Aaa/AAA/AAA/ISS ESG 2PO	ZKB	Switz 100%. AM 50.5%, Ins 21.1%, PF 16.4%, Bks 11.9%. >66%% ESG.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 24/9/2021 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
NON CORE							
Sep 21 2021	EIB	Z500m incr (Z5.75bn)	Feb 25 2025	6mWIBOR+19.5	100.662	-	-
Sep 21 2021	Helsingborgs Stad	SKr400m	Mar 28 2023	0	-	-	-0.08
Sep 24 2021	IADB	A$25m incr (A$325m)	Jun 28 2032	3.29	114.352	ASW+29, ACGB+37.5	1.81
Sep 24 2021	IFC	A$50m incr (A$1.525bn)	Aug 21 2023	4.25	107.768	ACGB+12	0.13
CORPORATES							
US DOLLARS							
Sep 21 2021	Atmos Energy	US$600m	Jan 15 2052	2.85	99.357	T+103	2.882
Sep 21 2021	Government Properties Income Trust	US$400m	Oct 15 2031	3.45	99.805	T+215	3.473
Sep 21 2021	JDE Peets	US$750m	Jan 15 2027	1.375	99.355	T+67	1.502
Sep 21 2021	JDE Peets	US$500m	Sep 24 2024 (Sep 2022)	0.8	99.784	T+42	0.873
Sep 21 2021	JDE Peets	US$500m	Sep 24 2031	2.25	99.591	T+97	2.296
Sep 21 2021	Mondelez International	US$500m	Sep 24 2024	0.75	99.846	T+35	0.802
Sep 21 2021	Mondelez International	US$350m	Sep 24 2026	1.25	99.619	T+50	1.329
Sep 21 2021	New York State Electric & Gas green	US$350m	Oct 1 2031	2.15	99.785	T+85	2.174
Sep 21 2021	Sabra Health Care	US$800m	Dec 1 2031	3.2	98.94	T+200	3.323
Sep 21 2021	The JM Smucker	US$500m	Mar 15 2032	2.125	99.543	T+85	2.174
Sep 21 2021	The JM Smucker	US$300m	Sep 15 2041	2.75	99.97	T+95	2.752
Sep 23 2021	American Tower	US$600m	Sep 15 2026	1.45	99.481	T+63	1.559
Sep 23 2021	American Tower	US$700m	Sep 15 2031	2.3	99.444	T+95	2.363
Sep 23 2021	American Tower	US$500m (incr US$1.15bn)	Jan 15 2051	2.95	97.67	T+115	3.071
Sep 23 2021	Duke Energy	US$500m	Jan 15 2082	3.25	100	T+232.1	3.25
Sep 23 2021	Kilroy Realty green	US$450m	Nov 15 2033	2.65	99.957	T+125	2.654
Sep 23 2021	PSEC	US$300m	Oct 15 2028	3.437	98.266	T+250	3.719
EUROS							
Sep 21 2021	Deutsche Bahn	€750m	Sep 29 2031	0.35	99.853	MS+32/B+69.8	0.635
Sep 21 2021	Enel Finance SLB	€1.25bn	May 28 2026	0	99.702	MS+35/B+73.8	0.064
Sep 21 2021	Enel Finance SLB	€1bn	May 28 2029	0.375	99.902	MS+48/B+89.9	0.388
Sep 21 2021	Enel Finance SLB	€1.25bn	Sep 28 2034	0.875	99.512	MS+70/B+123.2	0.915
Sep 22 2021	BAT hybrid	€1bn	Perpetual (Sep 2026)	3	99.412	MS+337.2/B+378.3	3.125
Sep 22 2021	BAT hybrid	€1bn	Perpetual (Jun 2029)	3.75	99.154	MS+395.2/B+435.1	3.875
Sep 22 2021	Linde	€700m	Sep 30 2026	0	100.562	MS+15/B+54.5	-0.112
Sep 22 2021	Linde	€500m	Sep 30 2033	0.375	99.649	MS+25/B+73.2	0.405
Sep 22 2021	Linde	€700m	Sep 30 2051	1	99.485	MS+65/B+85.7	1.02
Sep 22 2021	Medical Properties Trust	€500m	Oct 15 2026	0.993	100	MS+125/B+165	0.993

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
-	-	-	Aaa/AAA/AAA	Citi Handlowy	-
-	-	-	NR/AAA	Danske	-
ASW+29	-	-	Aaa/AAA	-	-
-	-	-	Aaa/AAA	TD	-
T+120 area, T+105 (+/-2)	2	US$1bn	A1/A-	BNPP/CIBC/CA-CIB/USB	-
T+230 area, T+ 220 (+/- 5)	4	US$800m	Baa3/BBB-	BofA/WFS Citigroup/Mizuho/PNC/ RBC	-
T+100 area, T+70 (+/-3)	-	US$2.8bn	Baa3/BBB-/BBB-	BofA/Citi/DB/JPM/Santander	-
T+75 area, T+45 (+/-3)	-	US$2.1bn	Baa3/BBB-/BBB-	BofA/Citi/DB/JPM/Santander	-
T+125 area, T+100 (+/-3)	-	US$2.5bn	Baa3/BBB-/BBB-	BofA/Citi/DB/JPM/Santander	-
T+55 area, T+35 (the #)	0	US$1.7bn	A3/BBB	Barc/Miz/WFS	-
T+65/+70, T+50 (the #)	0	US$1bn	A3/BBB	Barc/Miz/WFS	-
T+110/+115, T+90 (+/- 5)	-9	US$1.4bn	Baa1/A-/A-	CA-CIB/Citi/WFS	-
T+220 area, T+200 (the #)	5	US$2.2bn	Ba1/BBB-/BBB-	BofA/CA-CIB/JPM/WFS Barclays/ Citi/BMO/Fifth Third/RBC/SMBC Nikko/Stifel/Truist	-
T+105 area	1	US$1.8bn	Baa2/BBB	BofA/JPM BMO/PNC Capital	-
T+115 area	1	US$1.6bn	Baa2/BBB	BofA/JPM BMO/PNC Capital	-
T+95/+90	-2	US$2.5bn	Baa3/BBB-/BBB+	Barc/BBVA/Miz/RBC/TD	-
T+125 area	2	US$2.5bn	Baa3/BBB-/BBB+	Barc/BBVA/Miz/RBC/TD	-
T+135/+140	1	-	Baa3/BBB-/BBB+	Barc/BBVA/Miz/RBC/TD	-
3.75% area, 3.25%	-	US$2.5bn	Baa3/BBB-	MUFG/Barc/CS/MS/Guggenheim/ RBC Capital Markets LLC/Scotia Capital/SMBC Nikko	-
T+140-145, T+125 (the #)	3	US$1bn	Baa2/BBB	JPM/WFS/Barclays/BNPP/US Bancorp	-
T+255 area	-	US$350m	Baa3/BBB-	GS/RBC/BNPP/Keybank/Barclays/ CIBC/Mizuho/R. Seelaus & Co	-
MS+55/+60, MS+35 area	2	€2.15bn	Aa1/AA-	BLB/BofA/ING/BcaIMI	-
MS+65 area, MS+40 area	3	€3.3bn	Baa1/BBB+/A-/ Vigeo Eiris 2PO	BBVA/BNPP/CA-CIB/CS/DB/GS/ BcaIMI/JPM/Medio/MUFG/Natx/ Santan/SG/Uni	-
MS+80 area, MS+55 area	3	€2.8bn	Baa1/BBB+/A-/ Vigeo Eiris 2PO	BBVA/BNPP/CA-CIB/CS/DB/GS/ BcaIMI/JPM/Medio/MUFG/Natx/ Santan/SG/Uni	-
MS+100 area, MS+75 area	10	€3.3bn	Baa1/BBB+/A-/ Vigeo Eiris 2PO	BBVA/BNPP/CA-CIB/CS/DB/GS/ BcaIMI/JPM/Medio/MUFG/Natx/ Santan/SG/Uni	-
3.375% area, 3.125%/3.25%, 3.125%	-	€1.55bn	Ba1/BBB-	BofA/DB/Citi/Santan/DB	UK/Ire 45%, Ger/Aus/Switz 26%, S.Eur 18%, Asia 7%, Fr 1%, Other 3%. FM 83%, Bks 8%, HF 5%, Ins/PF 4%/
4.125% area, 4% area, 3.875%	-	€2.4bn	Ba1/BBB-	BofA/DB/Citi/Santan/DB	UK/Ire 47%, Ger/Aus/Switz 28%, S.Eur 15%, Fr 5%, Asia 3%, Other 2%. FM 79%, Bks 9%, Ins/PF 7%, HF 5%.
MS+40 area, MS+15/+20	0	€1.4bn	A2/A	BofA/Citi/CMZ/DB/Uni	-
MS+50/+55, MS+30 area	0	€850m	A2/A	BofA/Citi/CMZ/DB/Uni	-
MS+90/+95, MS+70 area	5	€950m	A2/A	BofA/Citi/CMZ/DB/Uni	-
MS+165 area, MS+140 area	-10	€3bn	Ba1/BBB-	Barc/BofA/GS/JPM	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 24/9/2021 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Sep 23 2021	Arval Service Lease	€500m	Oct 1 2025	0	99.669	MS+38/B+75.1	0.083
SWISS FRANCS							
Sep 21 2021	Tecan Group	SFr250m	Oct 6 2025	0.05	100.01	Saron MS+55/ Libor MS+49/ Eidg+64.8	0.048
NON CORE							
Sep 20 2021	HEBA Fastighets green	SKr350m	Sep 27 2023	3mS+28	100	3mS+28	-
Sep 21 2021	SFF green	SKr374m incr (SKr970m)	Sep 1 2026	3mS+100	100.004	-	-
Sep 22 2021	Toyota Motor Fin (NL)	SKr2bn	Oct 2 2023	0.255	100	MS+17	0.255
Sep 22 2021	Vasakronan green	SKr1.3bn	Mar 28 2025	0.47	100	-	0.47
FINANCIALS							
US DOLLARS							
Sep 21 2021	Metropolitan Life Global Funding I	US$500m	Sep 27 2024	SOFR+30	100	SOFR+30	-
Sep 21 2021	Metropolitan Life Global Funding I	US$500m	Sep 27 2024	0.7	99.988	T+25	0.704
Sep 21 2021	Reliance Standard Life Global Funding II	US$350m	Sep 28 2026	1.512	100	T+68	1.512
Sep 23 2021	Bank of Ireland Group	US$1bn	Sep 30 2027 (Sep 2026)	2.029	100	T+110	2.029
Sep 23 2021	DNB Bank	US$1.25bn	Sep 30 2026 (Sep 2024)	0.856	100	T+33	0.856
Sep 23 2021	DNB Bank	US$750m	Mar 30 2028 (Mar 2027)	1.605	100	T+68	1.605
Sep 23 2021	Nordea Bank	US$1.5bn	Sep 30 2026	1.5	99.88	T+60	1.525
EUROS							
Sep 21 2021	Commerzbank T2	€500m	Dec 29 2031 (Dec 2026)	1.375	99.5	MS+173/B+212	1.475
Sep 22 2021	ING Groep	€1.5bn	Sep 29 2028 (Sep 2027)	0.375	99.286	MS+70/B+109.5	496
Sep 22 2021	La Banque Postale AT1	€750m	Perpetual (Nov 2028)	3	100	MS+312.1	3
STERLING							
Sep 24 2021	Macquarie Group Limited	£400m	Oct 1 2031	2.125	99.086	G+130	2.228
SWISS FRANCS							
Sep 20 2021	Berlin Hyp green	SFr200m	Oct 4 2029	0.25	100.874	Saron MS+33/Libor MS+26	0.14
Sep 22 2021	CIBC	SFr275m	Apr 20 2029	0.18	100	Saron MS+41/Libor MS+34.3/Eidg+59	0.18
Sep 23 2021	BNS	SFr175m	Oct 25 2028	0.143	100	Saron MS+41/Libor MS+34.5	0.143
Sep 24 2021	RBC	SFr150m	Oct 15 2029	0.25	100.218	Saron MS+35/ Eidg+51.2	0.222
NON CORE							
Sep 21 2021	Islandsbanki AT1	SKr750m	Perpetual (Sep 2026)	3mS+475	100	3mS+475	-
COVERED BONDS							
EUROS							
Sep 20 2021	UniCredit green	€500m	Sep 28 2026	0.01	101.483	MS-2/B+38.3	-0.284
Sep 21 2021	Bausparkasse Wuestenrot	€300m	Sep 28 2028	0.01	100.646	MS+5/B+46	-0.082
Sep 21 2021	More Boligkreditt green	€250m	Sep 28 2026	0.01	101.112	MS+6/B+45.6	-0.211
Sep 21 2021	SP Mortgages	€500m	Sep 28 2028	0.01	100.879	MS+3/B+43.7	-0.115
Sep 22 2021	Achmea Bank	€500m	Sep 29 2036	0.25	98.324	MS+8/B+42.8	0.365
Sep 22 2021	Caffil	€750m	Oct 1 2029	0.01	100.755	MS-1/B+39.4/ OAT+12	-0.084
Sep 22 2021	Caffil	€500m	Oct 1 2046	0.5	99.509	MS+12/B+46.4/ OAT-11	0.521
Sep 22 2021	Kommunalkredit Austria	€250m	Sep 29 2028	0.01	99.958	MS+15/B+55.4	0.016

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+55 area, MS+40 (+/-2)	3	€900m	NR/A-/A	BNPP/BBVA/HSBC/StCh/Santan/Uni	-
MS+58/+63, MS+55/+58	-	SFr500m, 100acs	CS Mld BBB (st)/ ZKB BBB+ (st)	CS/ZKB	Switz 100%. AM 58.25%, Bks/PB/Tsy 17%, PF 16%, Ins 8.75%.
-	-	-	NCR A-/Cicero 2PO	HCM	-
-	-	-	-	SEB	-
-	-	-	A1/A+	Daiwa/Danske	-
-	-	-	A3	Nordea	-
SOFR+ Equiv, SOFR+ Equiv	-	US$1bn	Aa3/AA-/AA-	Barc/GS/JPM/TD	-
T+hi 40s, T+27 (+/-2)	1	US$1.3bn	Aa3/AA-/AA-	Barc/GS/JPM/TD	-
T+80 area, T+70 (+/-2)	2	US$600m	A2/A+	JPM/USB/WFS	-
T+125-130, T+110 (the #)	-	US$2bn	Baa1/BBB-/BBB	BofA/Citi/CS/Miz/MS	-
T+90 area,	-	US$1.5bn	A2/AA-	Barc/GS/JPM/RBC	-
T+50-55,	-	US$1.75bn	A2/AA-	Barc/GS/JPM/RBC	-
T+80 area, T+60 (the #)	5	US$2.25bn	A3/A/AA-	BofA/Citi/MS/UBS	-
MS+200 area, MS+175 (+/-2 WPIR)	-	€1.1bn	Baa3/BB+	Barc/CMZ/CS/Natx/Uni	Fr 30%, Ger 22%, UK 20%, Aus/Switz 9%, Benelux 8%, Nordics 4%, S.Eur 4%. FM 85%, Ins/PF 6%, Bks 5%, HF 4%.
MS+85/+90, MS+70 (the #)	-	€2.9bn	Baa1/A-/A+	BNPP/CS/DB/DZ/ING/NatWest	Fr 25%, UK/Ire 25%, Ger/Aus/Switz 21%, Benelux 11%, Nordics 7%, S.Eur 5%, Other 6%. FM 59%, Ins/PF 21%, Bks 10%, CB/OI 6%, Other 4%.
3.375% area, 3% cpn	-	€1.4bn	NR/BB/BBB-	Natx/Barc/BNPP/LBP/MS/UBS	Fr 33%, UK/Ire 19%, Switz 15%, Ger/Aus 14%, Benelux 8%, S.Eur 8%, Other 3%. FM/AM 70%, Ins/PF 15%, Bks/PB 15%.
G+140 area, G+130 (the #)	-	£625m	A3/BBB+/A-	BNPP/HSBC/MQB/NatWest	-
Saron MS+34 area	3	-, 29acs	Aa2/NR/AA-	UBS	Switz 100%. AM 85%, Bks/PB 9%, Ins 3%, Tsy 2%, PF 1%.
Saron MS+41/+43	10	-	A2/NR/AA-	CMZ/UBS	Switz 95%. AM 57%, Bks/PB/Tsy 33%, Ins/PF 10%.
-	-	-	A2/A-/AA-	UBS	-
Saron MS+35 area,	2	24acs	A2/A/AA-	CS	Switz 100%. AM 65.47%, Bks/Tsy 30.14%, PF 2.38%, Ins 1.16%, PB 0.85%.
3mS+500 area, 3mS+475/+500	-	SKr1.2bn, 28acs	NR/BB-	UBS/Danske/SEB	Swed 61%, Nor 17%, Fin 8%, Fr 7%, Switz 4%, Other 3%. FM 74%, Ins/PF 15%, Bks/PB 11%.
MS+3 area	0	€2.4bn	Aaa	Uni/ABN/CA-CIB/LBBW/Santan	-
MS+9 area, MS+6 (+/-1 WPIR)	-	€450m	NR/AAA	Erste/LBBW/NordLB/Uni	-
MS+10 area	-	€350m	Aaa	Swed/LBBW/Santan	-
MS+6 area	-	€850m	NR/AAA	BNPP/LBBW/Nordea/Santan	-
MS+9 area	-	€1.1bn	NR/AAA	Barc/DB/DZ/HSBC/ING/Rabo	-
MS+3 area	-	€1.2bn	Aaa/AA+/NR/AAA	CA-CIB/CMZ/ING/Natx/NordLB	Fr 41%, Ger/Aus 39%, Nordics 12%, UK 4%, Switz 3%, Other 1%. CB 44%, Bks 38%, FM 18%.
MS+12/+14	-	€2.5bn	Aaa/AA+/NR/AAA	CA-CIB/CMZ/ING/Natx/NordLB	Ger/Aus 49%, Fr 18%, S.Eur 13%, Nordics 7%, UK 5%, Switz 4%, Other 4%. Bks 40%, FM 30%, Ins 17%, CB 13%.
MS+22 area	-	€1.2bn	NR/A+	DZ/Erste/Helaba/RBI	Ger 38%, Aus 19%, Nordics 17%, Asia 7%, It 6%, Switz 4%, CEE 3%, Other 6%. Bks 47%, FM/AM 40%, CB/OI 11%, Other 2%.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 24/9/2021 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Sep 23 2021	NBC	€750m	Sep 29 2026	0.01	101.046	MS+3/B+41.7	-0.198
Sep 23 2021	Stadshypotek	€1bn	Sep 30 2030	0.01	99.659	MS+4/B+43.1	0.048
HIGH YIELD							
US DOLLARS							
Sep 17 2021	PRA Group	US$350m	Oct 1 2029 (Oct 2024)	5	100	-	5
Sep 17 2021	Reynolds Group	US$500m	Oct 15 2028 (Oct 2024)	4.375	100	T+321	4.375
Sep 17 2021	SWF Holdings I Corp	US$625m	Oct 1 2029 (Oct 2024)	6.5	100	T+527	6.5
Sep 21 2021	GFL Environmental	US$250m	Aug 1 2028 (Aug 2023)	4	100	T+292	4
Sep 21 2021	Rocket Mortgage	US$1.15bn	Oct 15 2026 (Oct 2023)	2.875	100	T+204	2.875
Sep 21 2021	Rocket Mortgage	US$850m	Oct 15 2033 (Oct 2027)	4	100	T+279	4
Sep 21 2021	Solenis	US$815m	Oct 1 2028 (Oct 2024)	4.25	100	T+314	4.25
Sep 21 2021	Solenis	US$400m	Oct 1 2029 (Oct 2024)	6.25	100	T+508	6.25
Sep 21 2021	Tempur Sealy International	US$800m	Oct 15 2031 (Oct 2026)	3.875	100	T+255	3.875
Sep 21 2021	Weatherford International	US$500m	Sep 15 2028 (Sep 2024)	6.5	100	T+538	6.5
Sep 22 2021	Fortress Transportation and Infrastructure Investors	US$500m	May 1 2028 (May 2024)	5.5	100.5	T+434	5.408
Sep 22 2021	Gen Growth Prop	US$750m	Apr 1 2027 (Oct 2023)	4.5	100	T+359	4.5
Sep 22 2021	IAC/interactive Corp	US$500m	Oct 1 2031 (Oct 2025)	3.625	100	T+231	3.625
Sep 22 2021	NFP	US$225m	Aug 15 2028 (Aug 2023)	4.875	101.5	-	4.446
Sep 22 2021	Tap Rock Resources	US$500m	Oct 1 2026 (Oct 2023)	7	100	T+617	7
Sep 22 2021	Wabash National Corp	US$400m	Oct 15 2028 (Oct 2024)	4.5	100	T+338	4.5
Sep 22 2021	World Acceptance Corporation	US$300m	Nov 1 2026 (Nov 2023)	7	100	T+616	7
Sep 23 2021	Gunvor Group	US$300m	Sep 30 2026	6.25	100	T+534.4	6.25
Sep 23 2021	Cano Health	US$300m	Oct 1 2028 (Oct 2024)	6.25	100	T+508	6.25
Sep 23 2021	Carriage Purchaser	US$300m	Oct 15 2029 (Oct 2024)	7.875	100	T+660	7.875
Sep 24 2021	Catalent Pharma Solutions	US$650m	Apr 1 2030 (Apr 2025)	3.5	100	T+220	3.5
Sep 23 2021	Dexko Global	US$665m	Oct 15 2029 (Oct 2024)	6.625	100	T+536	6.625
Sep 23 2021	Roller Bearing of America Co	US$500m	Oct 15 2029 (Oct 2024)	4.375	100	T+311	4.375
Sep 23 2021	Viavi Solutions	US$400m	Oct 1 2029 (Oct 2024)	3.75	100	T+245	3.75
Sep 24 2021	Altice France	US$2bn	Oct 15 2029 (Oct 2024)	5.5	100	T+421	5.5
EUROS							
Sep 21 2021	Goodyear	€400m	Aug 15 2028 (Aug 2024)	2.75	0	B+330.3	2.75
Sep 21 2021	Solenis	€500m	Oct 1 2028 (Oct 2024)	3.875	100	-	3.875
Sep 21 2021	Solenis	€265m	Oct 1 2029 (Oct 2024)	5.375	100	-	5.375
Sep 22 2021	Dometic Group	€300m	Sep 29 2028	2	100	MS+214/B+254.3	2
Sep 23 2021	Europcar Mobility (EC Finance) SLB	€500m	Oct 15 2026 (Oct 2023)	3	100	B+360	3
Sep 24 2021	Altice France	€800m	Oct 15 2029 (Oct 2024)	4.25	100	B+464	4.25

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+7 area, MS+4 (+/-1 WPIR)	-	€1.5bn	Aaa/-/AAA/AAA	BNPP/CMZ/HSBC/NBC/UBS	UK/Ire 32%, Ger/Aus 12%, Benelux 17%, Asia 11%, Supras 8%, CEE 7%, Nordic 7%, Switz 4%, Fr 2%. Bks/Tsy 42%, CB/OI 44%, FM 14%.
MS+8 area	-	€1.4bn	Aaa	CMZ/CS/SG/Sven/UBS	Ger/Aus/Switz 48%, Benelux 42%, Asia 6%, Fr 2%, It 1%, Nordics 1%. Bks 56%, CB/OI 24%, FM 11%, Ins/PF 9%.
5.125% area, 5%	-	-	Ba2/BB+	BofA/FITB/DNB/MUFG/Truist	-
4.5% area	-	-	B1/B+	CS/HSBC	-
High 6s, 6.5% area	-	-	Caa2/CCC	JPM/DB/Miz/Nomura/Jeff/KKR	-
99.5%/100%	-	-	B3/B-	Barc/BMO/CIBC/RBC/Scotia/GS/JPM/NBC/Stifel/TD/BCPSecs	-
3% area, 2.875%	-	-	Ba1/BB+	MS/BofA/JPM/Barc/Citi/CS/GS/RBC/UBS	-
4% area, 4%	-	-	Ba1/BB+	MS/BofA/JPM/Barc/Citi/CS/GS/RBC/UBS	-
4.5% area, 4.25%/4.375%	-	-	B2/B-	BofA/GS/Barc/BMO/DB/MS/Nomura/HSBC/ING/Jeff/MQB/RBC	-
6.5% area, 6.25%/6.375%	-	-	Caa2/CCC+	BofA/GS/Barc/BMO/DB/MS/Nomura/HSBC/ING/Jeff/MQB/RBC	-
Low 4s	-	-	Ba2/BB+/BB+	JPM/BofA/WFS/FITB/Miz/SMBC Nikko/HSBC/Truist/GS	-
6.5%/6.75%	-	-	Ba3/B	MS/DB/JPM/Barc/WFS	-
100.5	-	-	Ba3/B/BB-	Barc/MS	-
4.5% area, 4.5%	-	-	B1/BB+	WFS/MS/DB/RBC/BofA/Barc/Citi/GS/SMBC Nikko/TD/USB	-
Low 4s, 3.75%/4%, 3.625%	-	-	Ba3/BB	GS/JPM/Citi/Barc/BofA/BMO/BNPP/CS/DB/SGAS	-
100.50%/101%	-	-	B1/B	BofA/Barc/JPM/MS/SMBC Nikko/TD/MUFG/CIBC/DB/Regions/UBS/KKR/MQB/BMO	-
7% area, 7%	-	-	B3/B	JPM/BofA/Citi/RBC/Key	-
4.5%/4.75%	-	-	B2/B	MS/WFS/JPM	-
7% area	-	-	-	WFS/KBW	-
6.25% area, 6.25% yld	-	US$475m	-	Citi/ING/SG/Natx	-
6.25%/6.5%	-	-	Caa2/CCC+	CS/MS	-
8% area	-	-	Caa1/CCC+	CS/RBC/DB/KKR	-
high 3s, 3.5%/3.625%, H.5%	-	-	B1/BB-	JPM/Barc/BofA/RBC/Miz/GS/WFS/UBS	-
6.75% area	-	-	Caa1/CCC	DB/BMO/CS/BofA/GS/RBC/Barc/BNPP/CIBC/TD	-
4.5%/4.75%	-	-	B2/B+	GS/WFS/BofA/Citi/Truist/Citizens/Key/FITB/Regions	-
3.75%/3.875%	-	-	Ba2/BB+/BB+	WFS/BNPP/DB/JPM	-
0.05625, 5.5% area, 5.5%	-	-	B2/B	JPM/Barc/BofA/BNPP/CA-CIB/CS/DB/GS/ING/Natx/RBC/SG/MS	-
3%/3.25%, 2.75%/3%, 2.75%	-	-	Ba1/BB-/BB-	BNPP/Barc/CA-CIB/DB/BofA/Citi/JPM/MUFG/Uni/WFS	-
4% area, 3.875%	-	-	B2/B-	BofA/GS/Barc/BMO/DB/MS/Nomura/HSBC/ING/Jeff/MQB/RBC	-
5.5% area	-	-	Caa2/CCC+	BofA/GS/Barc/BMO/DB/MS/Nomura/HSBC/ING/Jeff/MQB/RBC	-
2.5% area, 2.125% area, 2%	-	-	Ba2/BB-	BNPP/Nordea/SEB	-
3.25%/3.5%, 3%/3.125%	-	-	B2/CCC+	BNPP/CA-CIB/HSBC/DB/ING/Lloyds/Natx/RBC/SG	-
4.375% area, 4.25% area (+/-0.125%), 4.25%	-	-	B2/B	MS/JPM/Barc/BofA/BNPP/CA-CIB/CS/DB/GS/ING/Natx/RBC/SG	-

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (24/9/2021)

Sovereign	Moody's 1	Moody's 2	S&P 3	S&P 4	Fitch 5	Fitch 6
Abu Dhabi	Aa2	–	AA	AA+	AA	AA+
Albania	B1	Ba2	B+	BB	–	–
Andorra	–	–	BBB	AAA	BBB+	A+
Angola	B3	B3	CCC+	CCC	CCC	B
Argentina	Ca	Caa3	CCC+	CCC+	CCC	B–
Armenia	Ba3	Ba1	–	–	B+	BB–
Aruba	–	–	BBB	BBB	BB	BB+
Australia	Aaa	Aaa	AAA	AAA	AAA n	AAA
Austria	Aa1	Aaa	AA+	AAA	AA+	AAA
Azerbaijan	Ba2 p	Ba2	BB+	BB+	BB+	BB+
Bahamas	**Ba3 n ▼**	**Baa3 ▼**	BB–	BB	–	–
Bahrain	B2 n	B1	B+ n	BB–	B+	BB+
Bangladesh	Ba3	Ba2	BB–	B–	BB–	BB–
Barbados	Caa1	B2	B–	B–	–	–
Belarus	B3	B3	B n	B	B n	B
Belgium	Aa3	Aaa	AA	AAA	AA– n	AAA
Belize	Caa3 n	Caa2	SD	CC	–	–
Benin	B1	Ba1	B+	BBB–	B	B+
Bermuda	A2	Aaa	A+	AA+	–	–
Bolivia	B2	B2	B+	B+	B	B
Bosnia Herzegovina	B3	B3	B	BB–	–	–
Botswana	A3 n	A1	**BBB+ ****	A	–	–
Brazil	Ba2	Baa2	BB–	BB+	BB– n	BB
Bulgaria	Baa1	Aa2	BBB	A	BBB p	A–
Cambodia	B2	B1	–	–	–	–
Cameroon	B2	B1	B n	BBB–	B n	B+
Canada	Aaa	Aaa	AAA	AAA	AA+	AAA
Cape Verde	–	–	B–	B+	B–	B
Cayman Islands	Aa3	Aaa	–	–	–	–
Chile	A1 n	Aaa	A	AA–	A–	A+
China	A1	Aa1	A+	A+	A+	A+
Colombia	Baa2 n	A1	BB+	BBB	BB+	BBB–
Congo (DR)	Caa2	Caa1	CCC+ p	CCC+	–	–
Congo (Rep)	Caa2	B2	CCC+	BBB–	CCC	B–
Cook Islands	–	–	B+	AAA	–	–
Costa Rica	B2 n	Ba3	B– n	BB–	B n	B+
Cote d'Ivoire	Ba3	Baa3	BB–	BBB–	BB–	BB
Croatia	Ba1	A2	BBB–	BBB+	BBB– p	BBB+
Cuba	Caa2	Caa2	–	–	–	–
Curacao	–	–	BBB–n	BBB–	–	–
Cyprus	Ba1	A1	BBB– p	AAA	BBB–	A
Czech Rep	Aa3	Aaa	AA–	AA+	AA–	AAA
Denmark	Aaa	Aaa	AAA	AAA	AAA	AAA
Dominican Rep	Ba3	Ba1	BB– n	BB+	BB– n	BB–
Ecuador	Caa3	Caa2	B–	B–	B–	B–
Egypt	B2	Ba3	B	B	B+	B+
El Salvador	Caa1 n	B2	B–	AAA	B– n	B
Estonia	A1	Aaa	AA– p	AAA	AA–	AAA
Eswatini	B3	B1	–	–	–	–
Ethiopia	Caa1	Caa1	B–	B–	CCC	B
Fiji	B1 n	B1	**B+ ▼**	**B+ ▼**	–	–
Finland	Aa1	Aaa	AA+	AAA	AA+ p	AAA
France	Aa2 p	Aaa	AA	AAA	AA n	AAA
Gabon	Caa1	B3	–	–	B–	B
Georgia	Ba2	Baa3	BB n	BBB–	BB	BBB–
Germany	Aaa	Aaa	AAA	AAA	AAA	AAA
Ghana	B3 n	B1	B–	B	B n	B
Greece	Ba3	A3	BB	AAA	BB	BBB+
Guatemala	Ba1 n	Baa3	BB–	BB+	BB–	BB
Honduras	B1	Ba3	BB–	BB	–	–
Hong Kong	Aa3	Aaa	AA+	AAA	AA–	AAA
Hungary	Baa3 p	A2	BBB	A–	BBB	A
Iceland	A2	Aa2	A	A	A	A+
India	Baa3 n	A3	BBB–	BBB+	BBB– n	BBB–
Indonesia	Baa2	A3	BBB n	BBB+	BBB	BBB
Iraq	Caa1	Caa1	B–	B–	B–	B–
Ireland	A2 p	Aaa	AA–	AAA	A+	AAA
Israel	A1	Aa3	AA–	AA+	A+	AA
Italy	Baa3	Aa3	BBB	AAA	BBB–	AA–
Jamaica	B2	Ba3	B+ n	BB–	B+	BB–
Japan	A1 p	Aaa	A+	AA+	A n	AAA
Jordan	B1	Ba1	B+	BB	BB– n	BB
Kazakhstan	Baa2	A3	BBB–	BBB	BBB	BBB+
Kenya	B2 n	Ba3	B	B+	B+ n	B+
Kuwait	A1	Aa2	A+	AA–	AA n	AA+
Kyrgyzstan	B2 n	B2	–	–	–	–
Laos	Caa2 n	Caa2	–	–	CCC	B–
Latvia	A3	Aaa	A	AAA	A–	AAA
Lebanon	C	Ca	SD	CC	RD	CCC
Lesotho	–	–	–	–	B n	B+
Liechtenstein	–	Aaa	AAA	AAA	–	–
Lithuania	A2	Aaa	A	AAA	A	AAA
Luxembourg	Aaa	Aaa	AAA	AAA	AAA	AAA
Macau	Aa3	Aaa	–	–	AA	AAA
Macedonia (FYR)	–	–	BB–	BB	BB+ n	BBB–
Malaysia	A3	Aa2	A– n	A+	BBB+	A
Maldives	Caa1	B3	–	–	CCC	B–
Mali	Caa1	B2	–	–	–	–
Malta	A2 n	Aaa	A– p	AAA	A+	AAA
Mauritius	Baa2 n	A1	–	–	–	–
Mexico	Baa1 n	Aa3	BBB	A	BBB–	BBB+
Moldova	B3	B2	–	–	–	–
Mongolia	B3	B3	B	B+	B	B+
Montenegro	B1 p	Baa3	B	AAA	–	–
Montserrat	–	–	BBB–	BBB–	–	–
Morocco	Ba1	Baa2	BB+	BBB	BB+	BB+
Mozambique	Caa2	Caa1	CCC+	CCC+	CCC	B–
Namibia	Ba3	Ba1	–	–	BB n	BB+
Netherlands	Aaa	Aaa	AAA	AAA	AAA	AAA
New Zealand	Aaa	Aaa	AA+	AAA	AA	AAA
Nicaragua	B3	B2	B–	B–	B–	B–
Nigeria	B2 n	B2	B–	B–	B	B
Norway	Aaa	Aaa	AAA	AAA	AAA	AAA
Oman	Ba3 n	Ba2	B+	BB–	BB– n	BB+
Pakistan	B3	B2	B–	B–	B–	B–
Panama	Baa2	A1	BBB n	AAA	BBB– n	A
Papua New Guinea	B2 n	B1	B+	B–	–	–
Paraguay	Ba1	Baa2	BB	BB+	BB+	BB+
Peru	Baa1	Aa3	BBB+	A	BBB+ n	A–
Philippines	Baa2	A2	BBB+	A–	BBB n	BBB+
Poland	A2	Aa3	A–	A+	A–	AA–
Portugal	**Baa2* ▲**	**Aa2 ▲**	BBB	AAA	BBB	AA
Qatar	Aa3	Aa1	AA–	AA	AA–	AA
Ras al-Khaimah			A–	AA+	A	AA+
Romania	Baa3 n	A2	BBB–	A–	BBB– n	BBB+
Russia	Baa3	Baa2	BBB–	BBB	BBB	BBB
Rwanda	B2 n	B1	B+ n	B +	B+ n	B+
St Vincent & Gren	B3	Ba3	–	–	–	–
San Marino	–	–	–	–	BB+n	BBB
Saudi Arabia	A1 n	Aa2	A–	A	A	A+
Senegal	Ba3	Baa3	B+	BBB–	–	–
Serbia	Ba2	Baa1	BB+	BBB–	BB+	BBB–
Seychelles	–	–	–	–	B	BB–
Singapore	Aaa	Aaa	AAA	AAA	AAA	AAA
Slovakia	A2	Aaa	A+	AAA	A n	AAA
Slovenia	A3	Aaa	AA–	AAA	A	AAA
Solomon Islands	B3	B2	–	–	–	–
South Africa	Ba2	Baa2	BB–	BB+	BB– n	BB
South Korea	Aa2	Aaa	AA	AAA	AA–	AA+
Spain	Baa1	Aa1	A n	AAA	A–	AAA
Sri Lanka	Caa1 n	Caa1	CCC +n	CCC+	CCC	B–
Suriname	Caa3 n	Caa2	SD	CCC	RD	CCC
Sweden	Aaa	Aaa	AAA	AAA	AAA	AAA
Switzerland	Aaa	Aaa	AAA	AAA	AAA	AAA
Taiwan	Aa3 p	Aaa	AA p	AAA	AA	AAA
Tajikistan	B3	B3	B–	B–	–	–
Tanzania	B2	B3	–	–	–	–
Thailand	Baa1	A1	BBB+	A	BBB+	A–
Trinidad & Tobago	Ba1 n	Baa3	BBB– n	BBB	–	–
Tunisia	B3	B2	–	–	B– n	B
Turkey	B2 n	B2	B+	BB–	BB– n	BB–
Turks & Caicos	–	–	BBB+	AAA	–	–
Uganda	B2	Ba3	B	B	B+ n	B+
Ukraine	B3	B2	B	B	B p	B
UAE	Aa2	Aaa	–	–	AA–	AA+
UK	Aa3	Aaa	AA	AAA	AA–	AAA
USA	Aaa	Aaa	AA+	AAA	AAA n	AAA
Uruguay	Baa2	A2	BBB	BB–	BBB– n	BBB+
Uzbekistan	B1 p	B1	BB– n	BB–	BB	BB
Venezuela	C	C	SD	CC	–	–
Vietnam	Ba3 p	Ba2	BB n	BB	BB–	BB–
Zambia	Ca	Caa3	SD	CCC–	RD	B–

1 Moody's Government Bonds
2 Moody's Country Ceilings
3 S&P Government Bonds
4 S&P Transfer and Convertibility Assessments
5 Fitch Government Bonds
6 Fitch Country Ceilings
p Positive outlook/on watch for upgrade
n Negative outlook/on watch for downgrade
N New rating
W Rating withdrawn
SD Selective default
RD Rating default
* Taken off positive watch/ outlook
** Taken off negative watch/ outlook
▲ Improvement in ratings, outlook or watch status
▼ Deterioration in ratings, outlook or watch status

FRONT STORY AFRICA

Nigeria vindicated in forward push

› Sovereign finds calm window amid Evergrande default noise

› Deal bigger than expected though pays premium

NIGERIA secured US$4bn of funding on Tuesday, as it vindicated its decision to go ahead after volatility stemming from Evergrande had unsettled the market the previous day.

The sovereign found a willing buyer base for its index-eligible dollar trade, helped by starting out with a concession initially seen as at least 50bp for its three tranches.

"Obviously, we had volatility on Monday and as a result had to be thoughtful around what made sense for the trade, and not rush out regardless," said a lead. "We had visibility on the market stabilising, combined with supportive sentiment from a number of investors."

Nigeria began marketing a 2028 tranche at the 6.5% area, a 2033 note at 7.75% area and a 2051 bond at 8.5%–8.625%.

"The leads are being relatively pragmatic in terms of incentivising investors to participate," said a banker away at the outset. "The recent market volatility will have impacted pricing but I suspect the trade will still receive decent interest, particularly as the underlying crude price remains relatively well supported."

> "We chose what made most sense based on pricing and demand. We always felt there was a natural lean to a 30-year but we wanted to give that flexibility, and obviously you have to pay some curve for the extension"

One notable feature of the deal was that Nigeria had been weighing up a 40-year rather than 30-year tenor. The longer option would have seen it join the likes of Egypt and Ghana in the 40-year club.

"The discussion between 30 or 40 years had been left a bit open," said the lead. "We chose what made most sense based on pricing and demand. We always felt there was a natural lean to a 30-year but we wanted to give that flexibility, and obviously you have to pay some curve for the extension."

Pricing was whittled down by up to 37.5bp on each tranche. Nigeria launched a US$1.25bn seven-year at 6.125%, a US$1.5bn 12-year at 7.375% and a US$1.25bn 30-year at 8.25%.

The amount raised was more than the US$3bn which bankers had been expecting.

Demand for the bonds was over US$11.75bn. The 12-year tranche saw the most interest at more than US$4.75bn.

"The 12-year was where I think, with the markets and volatility on Monday, there was maybe a nice balance between getting paid to go further out the curve with then having some people a bit more cautious on the long end," said the lead.

Nigeria's deal had been much anticipated and it managed to get in ahead of its peers across the region. Egypt, for example, followed two days later with a triple-tranche deal of its own, raising US$3bn.

"This [Nigeria deal] has been very well flagged and it comes at a point when we have seen very little high-yield sovereign new issuance for quite a while. Coming before other likely issuers seems prudent, with many investors likely to have built some cash balances," said Thomas Christiansen, head of EM sovereign debt at UBP – Union Bancaire Privee.

Still, some investors do not like Nigeria's economic story or its ESG implications. "The macro trajectory is weak and we have ESG restrictions which make it difficult for us to invest in that country," said Francesc Balcells, chief investment officer of FIM Partners.

"Despite higher oil prices they can't get the external accounts in shape as oil production continues to slip. The exchange rate is highly distorted, and seemingly unsustainable at current levels."

Others, though, are more receptive to the Nigeria (B2/B–/B) story.

"Nigeria is one of the few sovereign high-yield oil credits that still trades cheap and that does not exhibit any short-term liquidity risk," said Tancrede Feuillade, investment analyst at GAM Investments.

"FX reserves stood at US$34bn at end-August, excluding the issue of the equivalent of US$3.3bn in SDRs, enough to cover nearly five months of imports and twice the amount of amortising external debt. Challenges remain over the long term, especially with regards to weak governance and the deteriorating security situation, but the promulgation of the new oil law and plans to privatise the Nigerian National Petroleum Corporation are steps in the right direction."

> "Despite higher oil prices they can't get the external accounts in shape as oil production continues to slip. The exchange rate is highly distorted, and seemingly unsustainable at current levels"

Nigeria's President Muhammadu Buhari said on September 19 that he had appointed a board for state-oil firm NNPC and directed that it should be incorporated within six months, a move which could allow it to sell shares in the future.

Buhari, who doubles as petroleum minister, signed an oil bill into law last month that has been in the works for nearly two decades, aiming to overhaul the sector and turn the state-owned oil company into a private firm.

The notes, Nigeria's first since November 2018, traded well in the aftermarket on Wednesday. A trader spotted the 2028s around reoffer, the 2033s slightly up and the 2051s the best performing of the group, up around 50 cents.

Citigroup, Goldman Sachs, JP Morgan and *Standard Chartered* were international bookrunners. *Chapel Hill Denham* was Nigerian bookrunner.

Robert Hogg

ASIA-PACIFIC

CHINA

BOC TAKES A STAB AT BIODIVERSITY

BANK OF CHINA has raised US$580m-equivalent from a multi-currency Reg S bond offering that included the world's first "biodiversity-themed" green bonds.

It issued the bonds, denominated in offshore renminbi and Macau pataca, through its Macau branch, consisting of a Rmb1bn (US$155m) 2.75% two-year bond tranche and MOP$1bn (US$125m) of 0.6% two-year bonds, which both were priced at par and well inside their respective initial guidance of 3% area and 0.85% area.

Proceeds from the two tranches will be used to finance and/or refinance biodiversity-related eligible green projects under the Chinese lender's sustainability series bonds management statement.

There are six eligible projects involving terrestrial and aquatic biodiversity conservation projects as well as forest reserve projects in different parts of China, with an approximate total value of Rmb1.99bn, according to the supplementary preliminary offering document.

Through its Sydney branch, BOC also priced US$300m of 0.75% three-year green bonds at 99.749 to yield 0.835%, or Treasuries plus 33bp, inside initial guidance of plus 70bp area. This was the Sydney branch's first dollar issue.

All three tranches will be drawn under a US$40bn MTN programme. The senior unsecured notes have expected ratings of A1/A/A, in line with the issuer.

FANTASIA REFUTES RUMOURS

FANTASIA HOLDINGS GROUP has denied market rumours that it has not fully repaid offshore senior notes.

The Hong Kong-listed Chinese real estate company in a filing late on Monday said "there is no delay in the repayment of the offshore senior notes issued by the company that were already due" as at the date of the announcement.

It said its "operating performance is good, with sufficient working capital and no liquidity issue".

Fantasia has actively repurchased its US dollar bonds in the open market amid the slump in its bond prices and negative rating news on concern over its refinancing plans in light of market volatility.

S&P on September 14 lowered the outlook of Fantasia's B issuer and bond ratings to negative from stable. Fitch on September 16 downgraded Fantasia's issuer and bond ratings to B from B+ with a negative outlook.

Moody's rates Fantasia at B2 with a negative outlook, which was changed from stable on July 16.

Most of Fantasia's US dollar bonds were quoted with low 40s to high 60s handles, except its 7.375% bonds due October 2021, which were quoted at low 90s.

Fantasia has a large amount of capital-market debt maturities from now until end-2022, including US$1.9bn of maturing offshore bonds and Rmb6.4bn (US$1bn) of onshore bonds maturing or becoming puttable, according to Fitch.

Fitch said although the company should have the ability to repay these maturities with its Rmb24bn of cash and planned asset sales, its capital market access appears to have deteriorated as its bonds are trading at a significant discount.

"We believe it may be challenging for Fantasia to issue or extend its capital-market debt bonds under current market conditions," Fitch wrote.

MALDIVES

HDC DELAYS OFFSHORE BOND DEBUT

The Maldives' HOUSING DEVELOPMENT CORP has postponed its debut offshore bond deal after failing to gain enough demand to meet its target issue size in a jittery market.

The state-owned enterprise, rated Caa1/CCC (Moody's/Fitch), was marketing an up to US$250m three-year sustainability Reg S bond at final price guidance of 13% on Thursday. This was at the wide end of a 12%–13% range in which investors showed interest during calls that began on September 13 in Asia, the Middle East and Europe.

"The issuer had a size target that was not achievable yesterday [Thursday] because the high quality anchoring demand was not enough to get them there," said a banker on the deal. "Concerns around China are generally getting investors to pause and there are not many deals in the market to really assess whether the worst is behind us."

The lead said a better risk environment for emerging markets would be crucial to get the transaction done as larger investors prefer a "good enough" size for liquidity reasons, although some wanted a small deal.

The ICE Bank of America High Yield Corporate China Issuers Index was at 363.2 on Thursday, down from the 380 level seen early this month amid the Evergrande saga and China's regulatory crackdowns.

HDC was aiming to price the unrated senior unsecured notes on Thursday via *Credit Suisse*, *BOC International* and *Emirates NBD Capital* with the help of a letter of support from the Maldives' finance ministry. HDC had also pledged to maintain a debt service coverage ratio, which is the ratio of operating income to debt servicing, of at least 110%, while its total liabilities should

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

Asia-Pacific

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	264	27,418.53	8.7
2	Citigroup	142	19,383.72	6.1
3	Standard Chartered	202	17,561.76	5.5
4	JP Morgan	119	16,382.28	5.2
5	Bank of America	96	12,904.75	4.1
6	BNP Paribas	121	11,533.81	3.6
7	Credit Agricole	110	11,163.55	3.5
8	Bank of China	177	10,079.50	3.2
9	Deutsche Bank	98	9,041.09	2.9
10	UBS	110	8,909.63	2.8
	Total	**738**	**316,839.58**	

Excluding equity-related debt.
Source: Refinitiv SDC code: L4

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	268	52,112.08	8.5
2	JP Morgan	261	51,922.49	8.5
3	HSBC	348	46,523.48	7.6
4	Standard Chartered	280	31,556.64	5.1
5	Bank of America	160	29,911.56	4.9
6	BNP Paribas	188	27,612.64	4.5
7	Goldman Sachs	98	24,694.59	4.0
8	Morgan Stanley	89	17,924.19	2.9
9	Credit Agricole	140	16,097.89	2.6
10	Deutsche Bank	120	15,385.97	2.5
	Total	**1,092**	**614,198.23**	

Excluding equity-related debt.
Source: Refinitiv SDC code: L1

INTERNATIONAL ISLAMIC FINANCE DEBT
BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	19	3,969.34	13.5
2	Standard Chartered	17	3,193.98	10.9
3	Dubai Islamic Bank	10	2,142.73	7.3
4	Citigroup	10	1,942.23	6.6
5	Emirates NBD	13	1,756.03	6.0
6	JP Morgan	10	1,618.05	5.5
7	CIMB Group	4	1,370.65	4.7
8	Goldman Sachs	5	953.31	3.2
9	Kuwait Finance	9	853.82	2.9
10	Gulf Int Bank	3	648.56	2.2
	Total	**29**	**29,418.36**	

Excluding equity-related debt.
Source: Refinitiv SDC code: J27

not exceed 75% of the company's total assets.

The now postponed deal came after a tap offering from the government, which is rated on par with the infrastructure and property developer. The sovereign reopened its 9.875% sukuk due April 2026 on September 2, despite a rating downgrade by Moody's to Caa1 from B3 in August. Fitch cut the rating on both the sovereign and HDC in November to CCC from B.

The sovereign's sukuk dropped 2.5 points on August 18 after the Moody's downgrade to a bid price of 100.875. The losses, however, have been partially recovered since the tap, which brought the outstanding size to US$500m and made it eligible for inclusion in JP Morgan's Emerging Markets Bond Index. The sukuk was bid at 101.125 on Friday, according to Refinitiv data, delivering a healthy return to investors who bought into the tap at 97.755.

Comparables for HDC's new bonds included that sukuk as well as other sovereign notes from Pakistan (B3/B–/B–), Angola (B3/CCC+/CCC) and Gabon (Caa1/B–Moody's/Fitch) that were seen at a bid yield of 6%, 7.12% and 6.43% for bonds due 2026, 2029 and 2031, respectively, pre-announcement. Leads also referenced the 2024s of Mongolia (B3/B/B) that were bid at 113.75 for a yield of 2.97%.

Proceeds of the bonds were earmarked for debt refinancing, capital expenditure and general corporate purposes, while an equal amount may have been allocated separately to projects under the company's sustainability bond framework, which has a second-party opinion from Vigeo Eiris. Credit Suisse was sole sustainability structuring adviser.

HDC is the largest state-owned enterprise by assets in the Maldives and has a mandate to develop the islands of Hulhumale, Thilafushi and Gulhifalhu. Moody's said the company has a highly leveraged capital structure because of its extensive borrowing to complete social housing and infrastructure projects that yield little immediate cash inflows.

SOUTH KOREA

NH INVESTMENT HIRES FOR DEBUT BOND

NH INVESTMENT & SECURITIES started holding investor calls on Friday for a proposed US dollar Reg S bond issue with an expected tenor of five years.

Citigroup, *HSBC* and *NH Investment & Securities (HK)* have been mandated.

The proposed senior unsecured notes are set to be the South Korean securities firm's debut offshore transaction. NH Financial Group, which includes financial companies such as NongHyup Bank and NH Life Insurance, is the securities firm's largest shareholder.

Moody's upgraded NongHyup Bank's baseline credit assessment and adjusted BCA to baa2 from baa3 in June, citing continued improvement in the bank's asset quality in recent years. This led to an upgrade of the long-term issuer rating of NH Investment & Securities to A3 from Baa1. S&P rates the issuer A–.

NH Investment & Securities has been monitoring the market for the right timing since late last year after being mired in an ongoing probe into hedge fund Optimus Asset Management as the major seller of the fund. A trial on mis-selling by the securities firms is currently being held.

EUROPE/AFRICA

ALBANIA

COUNTRY NAMES ITS BANKS

ALBANIA's ministry of finance and economy has announced that it has selected *JP Morgan*, *Societe Generale, Banca IMI* & *Intesa Sanpaolo Bank Albania* and *OTP* as lead managers for an upcoming Eurobond.

In the original RFP, Albania said it was looking at a seven to 10-year bond offering of around €500m, to be completed in the latter half of this year or in the first few months of 2022.

Albania (B1/B+) sold a €650m 3.5% June 2027 bond last year, which is bid at 2.04%, according to Tradeweb.

EGYPT

SOVEREIGN PICKS UP BATON FROM NIGERIA

Single B rated, well followed African sovereigns dominated the CEEMEA primary market during the week, and **EGYPT** echoed Nigeria's earlier deal when it raised US$3bn through a triple-tranche offering on Thursday.

Like Nigeria (B2/B–/B), Egypt (B2/B/B+) issued 12 and 30-year tranches. But the latter also sold a six-year note tranche compared with a seven-year tranche from Nigeria. Size-wise, too, there was a difference, with Egypt raising less than Nigeria's US$4bn.

"One school of thought was maybe it didn't help having one after the other, given they are the same type of rating, the same continent and yield zipcode, with US$7bn of that type of issuance perhaps heavy," said a lead for Egypt.

"But the Nigeria bonds did well so maybe there was positive reinforcement for the guys who played in that and were hoping for the same kind of performance in secondary. For me, they are different credits, albeit the same investors look at them, so it comes down to price and the market backdrop."

As well as both zeroing in on demand for index-eligible US dollar high-yield sovereign bonds, Egypt and Nigeria also bear a similarity in producing mediocre returns this year for investors. That is despite Egypt being one of the big overweights.

Uday Patnaik, head of emerging market debt at LGIM, said that Egypt hard currency debt has been underperforming the JP Morgan EMBI Global Diversified index.

"As of [Tuesday], the JP Morgan EMBI GD Index was up 0.30% while Egypt sovereign hard currency debt was down 1.98%," said Patnaik.

A second investor also said Egypt's bonds had failed to deliver hoped-for returns.

"Egypt has definitely been a big disappointment but it is a consensus overweight so there are not many marginal buyers out there," he said. "But investors are still positive on the story so won't be reducing their overweights."

Egypt began marketing 2027s at 6.125% area, 2033s at 7.625% area and 2051s at 8.875% area. A banker away from the deal put the initial concessions at 50bp on the two shorter bonds, and 37.5bp to 50bp on the long notes.

"IPTs look reasonable, particularly the 12-year," said the second investor. "But given the recent weakness in high-yield stemming from Evergrande, issuers need to leave some premium for investors."

Patnaik thought Egypt could be looking to place US$3.5bn to US$4bn through its deal, with the six and 12-year tranches both standing out as holding most appeal to him.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2021 TO DATE

Europe/Africa

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	56	15,672.77	14.8
2	Citigroup	47	13,910.35	13.2
3	BNP Paribas	29	7,833.34	7.4
4	Goldman Sachs	17	6,315.46	6.0
5	VTB Capital	13	4,870.35	4.6
6	Bank of America	16	4,544.04	4.3
7	Standard Chartered	19	4,542.61	4.3
8	UniCredit	18	4,497.14	4.3
9	SG	18	4,430.51	4.2
10	HSBC	16	3,954.30	3.7
	Total	**114**	**105,690.12**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L2

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 24/9/2021

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
ASIA							
Sep 17 2021	Chengdu Aerotropolis City Development Group	US$300m	Sep 24 2024	2.8	100	-	2.8
Sep 17 2021	Sihai International Investment	US$80m	Sep 24 2024	2.05	100	-	2.05
Sep 17 2021	Weifang UC&IDG	US$400m	Sep 27 2024	2.6	100	-	2.6
Sep 20 2021	Cheung Kong Property (Radiant Access) hybrid	S$300m	Perpetual (Sep 2024)	3.38	100	282.2+SORA	-
Sep 22 2021	Keppel Corporation	¥8bn	Sep 29 2027	0.99	100	-	0.99
Sep 23 2021	Bank of China (Australia) Ltd (Sydney Branch) green	US$300m	Sep 29 2024	0.75	99.749	T+33	0.835
Sep 23 2021	Xinhu BVI (Xinhu Zhongbao)	US$250m	Sep 28 2024 (Sep 2023)	11	100	-	11
Sep 22 2021	Wabash National Corp	US$400m	Oct 15 2028 (Oct 2024)	4.5	100	T+338	4.5
Sep 23 2021	Bank of China green	Rmb1bn	Perpetual	2.75	100	-	2.75
Sep 23 2021	Bank of China green	MOP$1bn	Sep 29 2023	0.6	100	-	0.6
Sep 23 2021	Bank of China (Australia) (Sydney Branch) green	US$300m	Sep 29 2024	0.75	99.749	T+33	0.835
Sep 23 2021	CCB International (CCB HK Gtee)	US$700m	Sep 29 2026	1.5	99.813	T+65	1.539
Sep 23 2021	Huaibei City Construction	US$300m	Sep 30 2024	2.75	100	-	2.75
Sep 23 2021	Jiayuan International	US$100m incr (US$230m)	Feb 17 2024 (May 2023)	11	95.98	-	13
Sep 23 2021	Zhengbang International	US$60m	Sep 28 2024	1.85	100	-	1.85
EMEA							
Sep 20 2021	CTP green	€500m	Sep 27 2026	0.625	99.926	MS+90/B+129.7	0.64
Sep 20 2021	CTP green	€500m	Sep 27 2031	1.5	99.393	MS+150/B+187.8	-
Sep 21 2021	Nigeria	US$1.25bn	Sep 28 2028	6.125	100	T+500	6.125
Sep 21 2021	Nigeria	US$1.5bn	Sep 28 2033	7.375	100	T+604.9	7.375
Sep 21 2021	Nigeria	US$1.25bn	Sep 28 2051	8.25	100	T+639.9	8.25
Sep 23 2021	Egypt	US$1.125bn	Sep 30 2027	5.8	100	T+487.8	5.8
Sep 23 2021	Egypt	US$1.125bn	Sep 30 2033	7.3	100	T+589.2	7.3
Sep 23 2021	Egypt	US$750m	Sep 30 2051	8.75	100	T+683.7	8.75
LATAM							
Sep 23 2021	GOL Finance	US$150m incr (US$650m)	Jun 30 2026 (Jun 2022)	8	100.75	-	7.728

Books for Egypt reached over US$8.25bn, compared with more than US$11.75bn for Nigeria.

Egypt priced the US$1.125bn 2027 notes at 5.8%, the US$1.125bn 2033 bonds at 7.3% and the US$750m 2051 tranche at 8.75%.

"Clearly this week has been choppy for markets and both Nigeria and Egypt had to pay concessions in the teens, maybe all the way up to 20bp, particularly at the long end," said the lead. "But they were also sizeable trades and with this Egypt is 50% of the way through its funding needs for its fiscal year, so it has derisked a non-trivial amount of funding."

Egypt's 30-year tranche struggled the most for momentum, given pricing was left unchanged from guidance of 8.75% area. One element in the background was the move in rates markets on Thursday.

"The rates volatility backdrop didn't help with the US Treasury curve bear steepening," said the lead. "Offering duration for a high-yield, Single B name means you probably need to show something more competitive than the other tranches."

The yield on 30-year Treasuries jumped by 13bp, which was the biggest one-day move in long-dated yields since March 17 2020,

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3.4% area, 2.8% (the #)	-	-	-	HungSing/CICC/BOSC/Guotai Junan/Zheshang/Huaxia/Industrial/CEB Intl/Zhongtai/SPDBI/JQ Sec/CLSA	-
2.05% (the #)	-	-	-	CICC/Zheshang/WingLung/Huaxia	-
3.3% area, 2.6% (the #)	-	-	Baa3/-/BBB-	CEB Intl/CICC/Industrial/BoC/Huaxia/CCBI/Guotai Junan/CLSA/BOCOMI/CCIS/CMBCHK/Shenwan Hongyuan/SPDB/Zhongtai/SPDBI/CNCB HK	-
3.625% area, 3.38% (the #)	-	-	A2	OCBC	-
-	-	-	-	Miz	-
T+70 area, T+33 (#)	-	US$900m	A1/A/A	BoC/BNPP/CA-CIB/HSBC/ICBC Sing/MQB	-
11% (the #)	-	-	NR/B-	CNCB HK/CNCBI/Citi/CICC/Vision	-
4.5%/4.75%	-	-	B2/B	MS/WFS/JPM	-
3% area, 2.75% (the #)	-	-	A1/A/A	BoC/CA-CIB/HSBC/BNPP/BoCom/Everbright HK/Citi/CLSA/Miz/SPDB/SPDBI/StCh	-
0.85% area, 0.6% (the #)	-	-	A1/A/A	BoC/ABC Macau/BoCom/CCB/ICBC/Luso Banco Nacional Ultramarino	-
T+70 area, T+33 (#)	-	US$635m	A1/A/A	BoC/BNPP/CA-CIB/HSBC/ICBC Sing/MQB	Asia 99%, EMEA 1%. Bks/FI 95%, AM/FM/PB 5%.
T5+100 area, T5+65 (the #)	-	US$1.8bn, 41acs	A1/A	CCBI/CCBA/ABCHK/ANZ/BoC/BoCom/CNCBI/Everbright HK/CICC/CMBCHK/CSI/Zheshang/CMBC Cap/WingLung/Guotai Junan/Huatai/HSBC/ICBC/BEA/Industrial/Nanyang/SPDB/StCh	Bks/FI 88% , FM 12%.
3% area, 2.75%	-	-	-	TF/Zheshang/Industrial/CMBI/Golden Rich/SPDBI	-
13.25% area, 13% (the #	-	-	B3/-/B+	HSBC/CCBI/Valuable/Guotai Junan/Seazen/ZhongrongPT	-
2.15% area	-	-	-	ICBCI/Industrial/SPDB/Haitong Intl	-
MS+120 area, MS+95 area	0	€1.7bn	Baa3/BBB-	Citi/Erste/GS/ING/JPM/KBC/MS	-
MS+180 area, MS+155 area	0	€1.65bn	Baa3/BBB-	Citi/Erste/GS/ING/JPM/KBC/MS	-
6.5% area, 6.25% (+/-0.125% WPIR), 6.125%	-	US$3.5bn	B2/B-/B	Citi/GS/JPM/StCh/CHD	-
7.75% area, 7.5% (+/-0.125% WPIR), 7.375%	-	US$4.75bn	B2/B-/B	Citi/GS/JPM/StCh/CHD	-
8.5%/8.625%, 8.375% (+/-0.125% WPIR), 8.25%	-	US$3.5bn	B2/B-/B	Citi/GS/JPM/StCh/CHD	-
6.125% area, 5.875%/6%	-	-	NR/B/B+	Citi/1ADB/HSBC/JPM/StCh	-
7.625% area, 7.375%/7.5%	-	-	NR/B/B+	Citi/1ADB/HSBC/JPM/StCh	-
8.875% area, 8.75% area	-	-	NR/B/B+	Citi/1ADB/HSBC/JPM/StCh	-
100.25 area, 100.75 (the #)	-	-	B3	DB/Evercore/MS/CA-CIB/BCP/BTG / Santan/UBS/Brad/Safra	-

according to Deutsche Bank. The 30-year Treasury was bid at 1.95% on Friday's open.

The 10-year part of the curve saw similar drama, with the yield on the Treasury benchmark also jumping 13bp to 1.43%.

Egypt's bonds, which were all priced at par, fell into the 99s on the break.

Citigroup, First Abu Dhabi Bank, HSBC, JP Morgan, and *Standard Chartered* were lead managers.

ETHIOPIA

CREDITORS' COMMITTEE MEETS AS ADDIS SEEKS NEW IMF FACILITY

ETHIOPIA's creditors' committee held its first meeting on September 16, the state minister of finance said on Wednesday, a key step in a bid to restructure its debts under the joint G20's common framework.

The meeting, which was led by the co-chairs, France and China, was "successful", State Finance Minister Eyob Tekalign Tolina told a news conference reports Reuters, adding that the next meeting would be held soon.

"How [the] private sector components will be treated is something that the creditors'

committee will work on in the coming weeks," Eyob said.

Ethiopia said in January it would seek debt relief under a G20 common framework designed to help governments to overhaul the debt they owe to official and commercial creditors after the Covid-19 crisis deepened the burdens of many developing countries.

That news sent the price of Ethiopia's dollar bond issue into its biggest one-day fall, dropping around 8 cents in the dollar to under 92 cents. It now trades at around 86 cents.

"We have been assuring them [Eurobond investors] strongly that the government has no solvency issues," Eyob said.The amount of debt to be restructured will be known at the next meeting of the committee, he said.

The government in Addis Ababa, whose troops are engaged in a conflict against Tigrayan forces in the north, says the restructuring of debt will help it create stable economic fundamentals.

"This action will provide liquidity relief from the economic challenges created by the Covid-19 pandemic and help establish the fiscal space needed," the finance ministry said in a statement.

The government has requested a new extended credit facility from the International Monetary Fund, the ministry said, to replace an expired component of a lending programme from the IMF that is already in place.

NIGERIA

ACCESS BANK MAKES SWIFT MOVE FOR NIGERIAN AT1 FIRST

The ink has barely dried on **ACCESS BANK**'s senior unsecured issue earlier this month, but the Nigerian lender is aiming to make history with its country's first AT1 bond.

Access (B2/–/B) is looking to place a debut perpetual non-call 5.25-year US dollar benchmark. It has mandated *Citigroup, JP Morgan, Renaissance Capital* and *Mashreqbank* as bookrunners for the offering and *Chapel Hill Denham* and *Coronation Merchant Bank* as financial advisers and bookrunners. A global investor call will take place on September 27, with other calls taking place on top of that.

A banker familiar with the matter said the path had been cleared to issue AT1 following the release of new regulatory guidelines in Nigeria earlier in September.

The mandate comes directly after the bank placed a US$500m five-year senior unsecured note at 6.125% on September 14, with bankers at the time saying a subordinated placement could be in the works. Access achieved the lowest coupon and yield for a Nigerian bank with the senior deal. The bond is bid at 5.92%, according to Tradeweb.

"An AT1 following hot on heels of the senior makes price discovery easier given the recent senior issue," said the banker. "Also it boosts the capital adequacy ratio and creates an ample buffer to support their already strong growth metrics."

RUSSIA

CBOM SETS UP SUB NEXT

CREDIT BANK OF MOSCOW is turning its attentions to the subordinated market after a senior unsecured dollar deal in September.

CBOM (Ba3/BB/BB) is planning a perpetual non-call 5.5-year AT1 issue, which is expected to be rated B– by Fitch.

The bank has a US$620m 8.875% AT1 coming up for call in November 2022. The notes are bid at 103.125, according to Tradeweb, to yield just over 6%. It also has a US$457m 7.5% Tier 2 bond offering callable in October next year, currently quoted at 4.53%.

Alexey Bulgakov, head of fixed income research at Renaissance Capital, said that CBOM's recently placed senior bond issue is the most obvious reference for pricing of the new deal, with CBOM's other perpetual offering trading at a multiple of about 1.9x over the senior curve.

Earlier this month CBOM sold a US$500m 3.875% five-year senior unsecured issue, which is quoted at 4.10%.

Bulgakov expects more AT1 issuance from Russian banks.

"Expect similar placements from Alfa Bank," he said.

Citigroup, *ING*, *JP Morgan*, *Societe Generale* and *Sova Capital* are global coordinators for the AT1 issue and are being joined as bookrunners by *Emirates NBD Capital, Gazprombank* and *Renaissance Capital*.

REGIONAL

CTP GREENS GO IT ALONE

A soft start to equity markets potentially kept some issuers on the sidelines at the beginning of the week, with just a solitary investment-grade corporate – Central and Eastern European logistics REIT **CTP** – out on screens.

But the company, rated Baa3/BBB–, proved that any market concerns are not dampening demand for issues, landing both legs of a dual-tranche green bond offering flat to fair value.

"Equities were opening well in the red. So, it does feel softer, but I don't think that should stop us," said a lead on CTP, just after the trade was announced. "Credit markets still feel firm enough."

Citigroup, *Erste*, *Goldman Sachs*, *ING*, *JP Morgan*, *KBC* and *Morgan Stanley* began marketing five and 10-year senior unsecured notes, each €500m no-grow tranches, at 120bp and 180bp areas versus mid-swaps. With books reaching over €1.7bn and €1.65bn respectively, leads were able to trim this back to 90bp and 150bp.

The bonds were being issued from the Czech company's Dutch financing SPV CTP NV.

Although CTP is active in Central and Eastern Europe, investors treat it firmly as an investment-grade corporate, rather than an emerging markets name, said the lead banker, adding that he hadn't come across any accounts that wouldn't look at the credit because of its geographical focus.

Regardless, when it comes to REITs that are active in this region, the line between IG and EM is more blurred than in other sectors.

"For sure, some of these names that are more active in Eastern or Central Europe are not for everyone, but a lot of the [real estate bond investors] don't draw as much of a distinction between investment-grade corporates and EM as you might see elsewhere," said a banker not involved in the deal. "And often it's just about having the right price, and things like a green label never do any harm."

Proceeds from CTP's two tranches are being used to fund a €150m tender offer that the company is running on its €650m 2.125% October 2025s and to prefund its development pipeline for 2022. An amount equal to the proceeds from the bond will fund or refinance a portfolio of eligible green assets.

Under CTP's framework, it can finance two project categories: green buildings and energy efficiency. This can encompass a range of specific expenditures, including financing or refinancing buildings that meet certain environmental certification standards, solar energy projects and wind energy projects.

The issuer has focused entirely on green bond market financing for the past year. All of the €2.55bn benchmark trades that CTP has issued since the start of last September have been issued under its green framework.

CITADELE BANKA READIES DEBUT

Pan-Baltic financial group **CITADELE BANKA** is preparing a debut transaction, appointing leads for an expected €250m senior preferred five-year non-call four deal.

The bank is Latvia's second largest by assets, with small market shares in Lithuania and Estonia. It will issue the note at the opco level through *Citigroup, Nordea* and *UniCredit.*

The bonds are expected to be rated Baa3 by Moody's.

Two days of calls will begin on September 28.

MIDDLE EAST

BAHRAIN

GFH LOOKS FOR SUKUK SIGN-OFF

Bahraini financial institution GFH is seeking board approval to issue a US$300m AT1 sukuk.

GFH was last in the market in June 2020, tapping its 7.50% January 2025 sukuk issue and taking the size up to US$500m. The 2025s are bid at 6.68%.

REGIONAL

APICORP BRANDISHES ESG CREDENTIALS

APICORP ran meetings all through last week ahead of its debut green bond issue, which it hopes will lay down a marker for both the region and across the energy sector.

While some may balk at buying green bonds issued by an oil-related multilateral, the organisation itself believes that it is moving the ESG needle.

"We are looking at this not as an issuance, but rather as an energy transition project that links both the asset and liability sides of the balance sheet," Sherif Ayoub, chief financial officer, told IFR.

"It is a model that we hope becomes a guide for energy institutions in the region, and indeed the world. I believe that this is where the excitement of the deal from the ESG/green investors is coming from. And if . . . this transaction succeeds, then I think it opens up all kinds of exciting possibilities for the energy space."

The development bank, rated Aa2 by Moody's and AA by Fitch, is looking at a US dollar benchmark five-year green 144A/Reg S bond offering. It is owned by the 10 members of the Organization of Arab Petroleum Exporting Countries.

Part of the success of Apicorp putting across its story will be judged by the amount of orders the deal attracts, as well as whether it brings new investors, particularly those with an ESG focus, into the credit.

"This is not a one-off event for us, but sits into a broader strategy of energy transition, for Apicorp and the region," said Ayoub.

"Our green assets have grown by 500% in the last five years and were just under US$600m in the first half of the year. Around 13% of our investment portfolio at the end of 2020 was in green projects, and our biggest pipeline is for this sector, looking for other interesting projects, for example in hydrogen. On the other side, we have evolved in our exposure to the energy sector to where we only have 27% of our balance sheet in oil and gas, and the pipeline is geared towards utilities, so the trajectory is evident."

Although oil-related green issuance is not quite as controversial as when Repsol sold the fossil fuel industry's first such notes in 2017, some ESG investors are still likely to feel uncomfortable financing such credits. But Ayoub is bullish around the robustness of Apicorp's framework, which has a second-party opinion from Vigeo Eiris.

"Our green bond framework is judged to be in the highest category, above the likes of the UK and Italy, and investors have been quite taken aback by our journey," he said. "The whole point is for our approach to ESG and green to be used as a guide for other countries and across the energy sector."

Credit Agricole is green structuring adviser on Apicorp and is joined as a lead manager by *Barclays, Bank of America, HSBC, JP Morgan, LBBW, Nomura* and *Standard Chartered.*

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

Middle East

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Standard Chartered	56	9,099.12	11.0
2	HSBC	43	8,686.46	10.5
3	Citigroup	32	8,017.46	9.7
4	JP Morgan	29	7,097.46	8.6
5	Goldman Sachs	15	4,651.25	5.6
6	First Abu Dhabi	23	3,540.29	4.3
7	BNP Paribas	13	2,881.59	3.5
8	Credit Suisse	10	2,303.15	2.8
9	Emirates NBD	19	2,245.71	2.7
10	Morgan Stanley	9	2,136.28	2.6
	Total	**110**	**82,581.25**	

Excluding equity-related debt.
Source: Refinitiv SDC code: L5

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2021 TO DATE

Latin America

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	53	12,997.22	12.5
2	Citigroup	43	11,230.87	10.8
3	Bank of America	40	10,793.77	10.4
4	Santander	44	9,460.91	9.1
5	Goldman Sachs	31	7,650.91	7.4
6	Morgan Stanley	27	7,408.88	7.1
7	HSBC	21	6,273.21	6.0
8	BNP Paribas	23	5,122.64	4.9
9	Scotiabank	13	4,182.00	4.0
10	BBVA	12	3,390.08	3.3
	Total	**112**	**104,030.83**	

Excluding equity-related debt.
Source: Refinitiv SDC code: L3

AMERICAS

ARGENTINA

BONDS SLIDE AS STOCKS SELL-OFF DENTS EM APPETITE

ARGENTINA bonds continued to slide in secondary trading last Tuesday, driven lower by a risk-off backdrop for emerging market assets as well as political volatility in the country after Congressional elections earlier this month.

Argentina's 1.125% 2035s were trading at a price of 33.50 as of last Tuesday, down almost two points from September 17, according to MarketAxess data.

Other emerging market sovereigns also traded down last Monday, following volatility across global stock markets that was triggered mostly by concerns of a default by Chinese property developer Evergrande. Still, there are domestic reasons behind the souring in sentiment towards Argentina.

"It has been risk-off with all volatility in Asia and with the cabinet reshuffling last weekend, everyone is overwhelmed with [Argentina's] governance so there's really no bid for Argentina," said a New York-based investor.

On September 12, President Alberto Fernandez's ruling centre-left party suffered a blow losing ground to more conservative candidates in the country's first-round of Congressional elections. The results put Fernandez' party on shaky ground ahead of the November 4 mid-term elections.

The negative outcome for Fernandez' party prompted a reshuffling of his cabinet, including new appointments in an effort to garner support.

The Congressional election is being characterised as a shift away from the "Kirchnerismo" political style and legacy of former President Nestor Kirchner, that was continued by his wife and former President Cristina Fernandez de Kirchner, currently Argentina's vice-president.

"I would qualify it as a game-changer where Kirchnerismo is becoming marginalised," said a New York-based EM

First deadline for Belize's blue tender

RESTRUCTURING Sovereign hopes to gain super-majority agreement on innovative ESG-related debt restructuring

BELIZE will see in the next few days if its ambitious plan of restoring its finances while protecting one of its prime natural resources, an area of the Caribbean containing the world's second-largest coral reef, has gained traction.

Under a proposal outlined earlier this month, Belize has invited holders of its US$533m 4.94% 2034 bond to tender their notes at a 45% discount to their principal and at the same time pledged to earmark US$23.4m for a marine conservation endowment account.

The monies, which will be administered by non-profit body **THE NATURE CONSERVANCY**, will solely support marine conservation projects off the Belize coast. A bondholder committee, holding close to 50% of the bonds by principal value, has already agreed to the deal.

The first closing date for tender offer was September 24. The offer will only go ahead if holders of more than 75% of the bonds by value agree to the transaction. The final closing date, after possible extensions, will be November 19.

If the super-majority is achieved then the deal will go ahead and all bondholders will be swept up under collective action clauses and see their notes bought back. The bondholder committee comprises Aberdeen Standard, Grantham, Mayo, Van Otterloo and Greylock Capital.

The buyback will be funded by The Nature Conservancy's blue bonds programme. That allows private sector capital to refinance public debt of countries that sign up to its ocean conservation work. *Credit Suisse* is arranging the blue bonds financing and *Potomac Capital* is advising TNC.

The US International Development Finance Corporation is also supporting the blue bond issue.

"The resulting cashflow savings will materially assist in the alleviation of the devastating consequences of the Covid-19 pandemic as well as help to achieve important environmental conservation goals," Belize said in the offer document.

Belize's GDP fell by 14% in 2020 as a result of the pandemic preventing most tourism, which contributes to a major part of its economy. Its overall debt to GDP rose by 30 percentage points to 127%. Carrying out the tender offer and clearing the bond debt will be a remarkable transformation.

And it seems as if the deal will be achieved, judging by the market price. Prior to the announcement the bonds were trading at 39.50 but have risen to 48.50 over the last week, indicating strong support.

"This has been one of the more unusual restructurings we've been a part of in a while because the vast majority of these countries never actually pay you in cash, they pay you in a new bond," said one investor. "Generally when they're in default they don't have the cash to pay you anyway so that's why this is a very unusual restructuring."

The bondholder committee is being advised by law firm Orrick, Herrington & Sutcliffe. Belize is being advised by *Citigroup*, which is also dealer manager and ESG structuring adviser. Sovereign debt restructuring lawyer Lee Buchheit is advising the country as well.

ENVIRONMENTAL MEASURE

Buchheit, who advised numerous countries on restructurings when he was a partner at law firm Cleary Gottlieb, said the deal captured the global imperative to support climate change mitigation measures.

"Many institutional creditors complain about the lack of opportunities to demonstrate their commitment to ESG objectives. The Belize innovation is an attempt to harness that sentiment," he said.

The investor agreed. "We've been trying to do debt-for-nature swaps forever. This is the first time we've been able to be a part of one in a debt restructuring context."

He admitted that ultimately creditors "care about the economics" but the fact that TNC is issuing the blue bonds, as an investment-grade credit, also helped. TNC can also borrow more cheaply than Belize.

"They can help Belize, they can structure a deal with Belize where they can retire the debt and then use the arbitrage to help fund Nature Conservancy programmes," he said.

Buchheit said the deal also allows investors to have greater control over how their money is spent, unlike conventional sovereign debt restructurings where "once debt relief has been extracted from a group of creditors, those lenders have little or no control".

"By directing a portion of the savings into an approved conservation project in the debtor country, the lenders can at least ensure how those funds will be deployed," he said.

Christopher Spink

(Additional reporting by Miluska Berrospi)

analyst. "They're being punished for their failures and bad policies. The country is probably going to shift towards a more moderate policy management."

Argentina has been deeply impacted economically by the Covid-19 pandemic, with the economy contracting some 9.9% during 2020, according to the World Bank.

BRAZIL

GOL COMES BACK TO PRIMARY SECTOR AS BACKDROP IMPROVES

GOL returned to the dollar market last Thursday to price a US$150m tap of its 8% 2026 secured bonds as the Brazilian airline's credit metrics improve following a turbulent year for the industry.

The tap priced at 100.75, half a point above IPTs of the 100.25 area.

It is the second time GOL has tapped the B2 rated-bond, which originally raised US$200m in December 2020. In May it tapped the notes at par for US$300m.

The tap priced at a yield of 7.728%. The bond was quoted at 7.34% last Wednesday, according to MarketAxess data.

"The airline industry is going to come back again in 2022, and will be even better in 2023. GOL is a good asset to buy," said a trader, highlighting the company's strong fundamentals.

The 2026s are also guaranteed by a pool of collateral, which includes GOL's intellectual property and brand, valued at around US$1.2bn, along with aircraft spare parts worth around US$190m.

"The collateral for sure makes investors more comfortable. But I'd say it alleviates sector-wide concerns and it is not specific to GOL," she said.

Bank of America, Deutsche Bank, Evercore, Morgan Stanley, Credit Agricole, BCP Securities, BTG Pactual, Santander, UBS, Bradesco BBI and *Safra* were the leads.

The new bond was the latest in a series of moves by the airline that have been received well by rating agencies.

Earlier this month, the company refinanced some R$1.2bn (US$230m) of short-term debt due 2024 in the Brazilian local market. The operation was part of a larger programme aimed at bringing the company back to its lowest levels of short-term debt since 2014.

GOL also announced a deal earlier this month to expand its codeshare agreement with American Airlines.

Last Wednesday, Fitch upgraded the company to B– from CCC+, and S&P revised the outlook on its CCC+ rating to positive from stable. Both agencies cited the reduction in the company's

short-term financing risks and improved liquidity.

"We expect the company to maintain a much more comfortable liquidity position for the next 12 months," S&P said.

GOL, along with the global airline industry, was heavily hit in 2020 amid pandemic-related closures. However, as domestic travel in Brazil strengthens the company is expected to benefit.

CHILE

POLITICAL RISK ON THE HORIZON

Bond markets are underestimating the chances of a left-wing victory in Chile's upcoming presidential elections in November, said sources.

Some sovereign notes have begun to show stress in the secondary market, some falling by more than a point since early September, yet they could still show more pronounced declines in the coming weeks as the election nears, according to some investors. Local polls place left-wing candidate Gabriel Boric ahead of centre-right candidate Sebastian Sichel.

"We are going to see deterioration in prices. I don't think that [a left-wing win] outcome would be surprising, so there is room for correction," said Mauro Roca, managing director in TCW's emerging markets group.

The sovereign's bond prices have dropped slightly in recent weeks with the 2.45% 2031s around 101 cents on the dollar, down from around 102.70 in early September, according to MarketAxess data. Similarly, the 3.125% 2026s fell to 107.70 on September 20 from 108.35 on September 2.

Investors are also weighing up the impact of the Covid pandemic, re-drafting of the constitution, political protests, and pension withdrawals as well as potential political risk and the generally softer market backdrop for emerging market bonds.

But while political noise may not be driving the market at the moment, as the election gets closer that could change, said Roca.

"It is difficult to tease out which factors have weighed how much in asset pricing, but my sense is there is some risk premium related to political risk built-in," said Aaron Gifford, an emerging market sovereign credit analyst at T Rowe Price.

Boric is leading the race with about 25% of voter preference, according to local pollster Cadem. His background includes leading student protests in the country in 2011. He is running on a platform of free university education, and has criticised Chile's economic model, saying he would replace the private pension system with a public model.

Chile's private pension system has been the focus of much debate in the past year. In July, President Sebastian Pinera signed the opposition-led pension withdrawal law, allowing pensioners to withdraw up to 10% of their pensions to aid their finances through the Covid-19 pandemic.

The move impacted local Chilean debt markets, as pension funds, large buyers of domestic corporate debt, have shrunk following three rounds of withdrawals.

Meanwhile, Sichel, former minister of social development under President Pinera, is the more market-friendly option and is drawing about 17% of voter preference, according to Cadem. Sichel has said he would support orthodox economic policies under his government.

"I'd agree that dollar bonds don't have a huge risk premium," said an EM analyst. "Consensus seems to be that the left will win the Congress and the presidency – and of course they have already won the constitutional convention – so there will be spending pressures in addition to those that have been brought by the pandemic."

Pinera's centre-right government sustained a surprising loss in May when it failed to gain one-third of the seats in a national assembly tasked with re-drafting the country's constitution, with voters choosing independent and left-wing candidates instead.

The May result was seen as a response to political discontent brewing in the country since before the Covid-19 pandemic. In 2019, there were nationwide protests following a hike in transportation fares.

Since then, pandemic-related closures have impacted the Andean nation's economy. The economy contracted by 5.8% in 2020, though it is expected to grow 6.2% this year, according to the International Monetary Fund.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FRONT STORY GLOBAL MARKETS

Debt restructurings set for revival

› Completed debt restructuring deals have fallen 44% this year as a result of cheap borrowing

› Increasingly fragile economy could push stressed companies to manage debt

Growing headwinds in the global economy could help kick-start corporate debt restructurings, which have all but dried up in 2021, as cheap money, low interest rates and continued government support have shielded stressed corporates from the worst of the pandemic.

Globally the volume of completed debt restructuring deals has fallen 44% this year to US$183.2bn, according to Refinitiv data.

Restructuring advisers say that growing uncertainty in the market caused by the threat of rising inflation, the growing energy crisis in Europe, and a fallout from the potential collapse of China's second-largest property developer CHINA EVERGRANDE GROUP, which owes around US$300bn to its creditors, could weaken investor appetite, push up costs and force stressed companies to restructure.

"It feels more fragile – equity markets are down. Things just happen that act as a catalyst and people start to think about risk," said Andrew Wilkinson, European restructuring partner and co-head of the London restructuring practice at Weil, Gotshal & Manges.

"China and Evergrande will be a drag on the market in China and further afield. Investors will start to think about what this means for companies that track China and what this means for the Chinese real estate market and possible contagion risk."

In the US and UK, interest rates are expected to be raised from next year, and other central banks around the world have already done so. Natural gas prices have surged by around 280% this year in Europe and more than doubled in the US, and the Bank of England said on Thursday that inflation could rise above 4% this year.

"There are rising concerns in the UK over inflation. People think it will be transient and will just fall away but that's not certain. And we have the whole issue of energy prices. No one would have predicted this, and it's hard to say what impact it will have on the economy. It won't take much for financing markets to weaken," Wilkinson said.

REPEAT REFINANCINGS

The European debt restructuring market appears more resilient, with year-to-date volumes for completed deals up 6% to US$55.5bn compared with 2020.

Nevertheless, advisers say the increased volume belies empty pipelines of new deals, and reflects the closure of several European situations that began in 2020, including a roughly €2bn restructuring for French car rental company EUROPCAR that closed in February, and a US$2bn debt restructuring for Ukrainian energy company DTEK that closed in May.

Instead turbo-charged credit markets with investors desperate to deploy cash, have allowed almost all companies – including stressed and even distressed companies – to refinance debt cheaply this year and avoid debt-for-equity swaps.

"We are still working through some restructurings from last year but there has been little by way of new cookie-cutter situations this year. Things are very slow," said one restructuring adviser.

"The markets are harder; IPOs are happening at a faster rate and new high-yield issuance has been mind-boggling. Credits that should have been restructured have been able to refinance this year instead."

In March, German beauty chain DOUGLAS, which has been hit by the pandemic and the general stress facing retail, including online competition, was able to complete a US$3bn refinancing, much to the market's surprise.

And in April, stressed oil and gas business TULLOW OIL, which was expected to need a full-blown debt restructuring, was able to raise a US$1.8bn bond and pay off if its near-term debt maturities.

"In some cases cash is being given based on Ebitda from two years ago, despite the higher costs these businesses are now facing. Things are not being done to enterprise value or sustainable cashflow; how the hell did that happen?" the adviser said.

CHANGING SENTIMENT

Falling investor confidence could create a more difficult refinancing environment. Coupled with higher inflation, creating higher purchasing and wage costs for businesses, that could cause already stressed and overleveraged companies to finally begin to come unstuck.

"The travel, retail and real estate sectors are all still under pressure created by the pandemic. Some have recovered better than others over the last few months, but at the end of the day, they are still challenged businesses," said another restructuring adviser.

"If pressure begins to mount and their margins get squeezed they could start to fail; it might not happen immediately – it could take three months or even six – but it will happen."

If it does, advisers predict a much swifter culling of debt through equity conversions than was seen in Europe after the financial crisis of 2008, when undercapitalised banks were unwilling to write off debt, leaving a trail of "zombie" businesses.

Instead, well-capitalised banks can now write off bad debt, facilitated by better restructuring and insolvency laws across Europe, including new laws in the UK that were introduced in June last year.

In addition, a much higher percentage of corporate debt is now held by CLO funds.

"CLOs have a healthy and pragmatic view towards debt-for-equity swaps," the second adviser said.

That could create an environment closer to what was seen in the US after the financial crisis, with bad debt quickly dealt with followed by more rapid economic recovery.

Sandrine Bradley

ASIA-PACIFIC

AUSTRALIA

SANDFIRE TAPS FOR SPANISH BUY

SANDFIRE RESOURCES is raising US$795m-equivalent in loans to partially fund its proposed acquisition of a copper mining operation in Spain.

The borrowing comprises a US$650m syndicated loan from *Citigroup*, *Macquarie Bank*, *Natixis* and *Societe Generale*, and a A$200m (US$145m) short-term facility from *ANZ*.

Sandfire has signed an agreement to acquire 100% of the Minas de Aguas Tenidas (Matsa) complex in Spain's Iberian Pyrite Belt for US$1.86bn from Trafigura Mining Group and Abu Dhabi-based Mubadala Investment.

Security for the facility is limited to Matsa, with no recourse to Sandfire or other Sandfire assets.

The loan fully amortises over five years from the drawdown and contains customary provisions including a cash sweep.

The facility is expected to be fully repaid within four years of the drawdown given the strong forecast for Matsa's cashflows.

The A$200m loan from ANZ has a tenor of around 12 months and has support from DeGrussa cashflows over the remaining mine life, with recourse to Sandfire.

Sandfire is also seeking to raise A$1.248bn from equity to fund the acquisition. Citigroup and Macquarie Capital are joint lead managers and underwriters.

The transaction is expected to be completed in the March 2022 quarter, with key conditions precedent including Spanish foreign direct investment and antitrust merger approvals.

NEXTDC EYES A&E

Less than a year after completing a widely syndicated loan, data centre operator **NEXTDC** aims to increase the deal to A$2.2bn (US$1.59bn), tighten pricing and lengthen the maturity through an amendment and extension exercise.

The new borrowing would comprise a A$800m five-year term loan (facility A), a A$400m five-year capital expenditure facility (facility B), a A$800m five-year multi-currency revolving credit facility (facility C) and a new A$200m seven-year loan.

The loan offers opening margins of 190bp over BBSY for the five-year tranches and 220bp over for the seven-year tenor.

HSBC, *ING* and *National Australia Bank* are the mandated lead arrangers and bookrunners of the A&E exercise.

Lenders will receive upfront fees of 10bp per annum for rolling over existing commitments.

For new or incremental commitments, MLAs joining with A$150m and above earn fees of 15bp per annum, while lead arrangers coming in for A$125m and above receive 14bp per annum. Arrangers committing A$100m or more will be offered 13bp per annum.

Co-arrangers joining for A$75m and above receive 12bp per annum, while lead managers coming in for A$50m and above earn 11bp per annum. Managers committing A$30m or more are being offered 10bp per annum.

MOOREBANK LOGISTICS PARK LAUNCHES

A four-year loan of about A$840m (US$610m) for the acquisition of a stake in **MOOREBANK LOGISTICS PARK** and development of the asset has been launched into syndication.

Credit Agricole CIB, *Standard Chartered Bank* and *Sumitomo Mitsui Banking Corp* are the mandated lead arrangers and bookrunners, while *OCBC Bank* is an original lender.

The borrowing comprises a stabilised tranche offering an interest margin in the high 100s over BBSY, a construction and another tranche in low-to-mid 200s margins.

Lenders are invited as MLAs for A$75m and above, and as lead arrangers for A$50m.

Located in south-western Sydney, Moorebank Logistics Park is Australia's largest freight infrastructure project. It will connect Port Botany in south-eastern Sydney to rail terminals and warehousing facilities on a 243-hectare site.

REA GROUP REFIS BRIDGE

REA GROUP has signed a A$600m (US$436m) loan to refinance a smaller bridge financing from *National Australia Bank* that the online property listing company obtained earlier this year.

NAB is the mandated lead arranger and bookrunner of the new deal, which is split into a A$400m three-year revolving credit facility and a A$200m four-year RCF.

ANZ, *Commonwealth Bank of Australia* and *ING Bank* joined as MLAs, while *HSBC* came in as a lead arranger.

The A$520m unsecured bridge loan from NAB was due in July 2022 and was used to fund REA's acquisition of Mortgage Choice as well as to repay a A$170m loan that was maturing in December, the company said in its annual report released on September 20.

The bridge loan paid an interest margin of 80bp over BBSY.

CHINA

CHINA RISUN NETS DEBUT SLL

Hong Kong-listed coke producer **CHINA RISUN GROUP** has obtained its debut self-arranged US$129m sustainability-linked pre-production facility from five banks.

The two-year loan was increased from US$100m.

China Citic Bank International was the mandated lead arranger and bookrunner, while *Natixis* was the MLA, global coordinator and sustainability coordinator.

The other lenders are *Hang Seng Bank*, *OCBC Bank* and *Siam Commercial Bank*.

China Risun's onshore subsidiary in China, Hebei Risun Energy, will use the proceeds for general corporate purposes, the procurement of raw materials and to finance eligible sustainability projects.

Three key performance indicators have been set, including a reduction in greenhouse gas emission density, a reduction in nitrogen oxides emission density, and a reduction in particulates emission density. The Hong Kong Quality Assurance Agency will verify the KPIs on a semi-annual basis.

China Risun will receive a 5bp–10bp reduction on the margin if it achieves at least two of the three sustainability performance targets. Otherwise, the interest will step up by 5bp–10bp.

The maximum margin adjustment will be 10bp per year.

JOY CITY RAISES US$600m

Hong Kong-listed developer **JOY CITY PROPERTY** has raised a US$600m-equivalent multi-tranche club loan from eight lenders.

Agricultural Bank of China Hong Kong branch, *Bank of China (Hong Kong)*, *China Construction Bank (Asia)*, *DBS Bank*, *Hang Seng Bank*, *HSBC*, *ICBC* and *United Overseas Bank* were the lenders.

ASIA-PACIFIC LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME (INCLUDING JAPAN)

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Mizuho	314	59,246.57	14.9
2	Bank of China	247	50,356.31	12.7
3	Sumitomo Mitsui	431	42,110.48	10.6
4	MUFG	498	41,436.13	10.4
5	Ag Bank of China	34	16,237.25	4.1
6	Standard Chartered	60	10,461.35	2.6
7	HSBC	68	10,116.09	2.5
8	China Construction	39	9,548.72	2.4
9	China Merchants	22	7,989.09	2.0
10	Indl & Comm Bk	28	7,744.85	1.9
	Total	**2,047**	**398,039.06**	

Proportional credit

Source: Refinitiv SDC code: S3a

Brokers head offshore

VIETNAM STOCK MARKET SURGE PROMPTS BORROWING SPREE AS DEMAND FOR MARGIN LENDING RISES

A number of Vietnamese securities firms are ramping up fundraising in the offshore loan market as the country's booming stock market and strong economic performance attract lenders starved of deals.

VIET CAPITAL SECURITIES is in the market for a US$150m one-year loan, while **TECHCOM SECURITIES** is set to launch a financing. They follow Vietnam's biggest securities firms including SSI Securities, VNDirect Securities and Ho Chi Minh City Securities that have raised a combined US$249m from loans in recent months.

Vietnam's stock market has been on a tear since last year with stock indices at 20-year highs. The country's benchmark VN-Index on the Ho Chi Minh Stock Exchange has gained about 22% since the beginning of 2021, hitting a historic high of 1,424 points in July, making Vietnam the top-performing stock market in Asia-Pacific.

"We believe Vietnam's securities sector is a promising one as the country's stock market has continuously recorded new historical highs this year, and there is still huge growth potential, driven by the strength of corporate earnings, as well as rising demand and liquidity," said a senior banker at a Taiwanese bank.

Vietnamese securities firms are venturing offshore for funding after tapping onshore resources such as domestic banks, some of which are now close to their single-borrower limits and unable to lend more.

Liquidity in offshore markets is abundant as international lenders remain hungry for assets. This is evident from the reception for Vietnamese bank borrowers, which are poised to set a new annual record for offshore loan volumes for the country's financial institutions.

VIETINBANK is in the market with a US$1bn one-year loan, barely a month after wrapping up one of Vietnam's largest loans for a bank borrower.

The booming stock market is increasing the need for capital at securities firms.

"There has been a huge demand for brokerage and specifically margin lending services, so if you see the numbers for margin lending, it has really jumped percentage-wise over the last 12 months," said a Singapore-based loan banker.

SHORT TENORS

The securities firms borrow in short tenors, typically one year or less, which suits the international lenders as this limits risk in an uncertain environment marked by rising numbers of Covid-19 infections.

One-year loans for SSI Securities and VNDirect Securities are good examples. Earlier this month, both increased US$50m loans to US$118m and US$87m, respectively. VNDirect's deal was its offshore syndicated loan market debut.

In contrast, Ho Chi Minh City Securities was forced to cut the size of a three-year loan to US$44m from US$50m in May after struggling to attract lenders during a six-month syndication process.

"The rationale for not pushing anything longer than one year is the purpose for which they want the loans. The nature of their business in general is very short-term, for investments in bonds, shares, and margin lending," said the Singapore-based loan banker.

For Vietnamese borrowers, raising a one-year loan offshore is also less cumbersome as they do not need to spend time on registering with and obtaining approval from the State Bank of Vietnam, which regulates offshore borrowings.

FUTURE PROSPECTS

This year, Vietnamese borrowers have been raising offshore loans at pace, clocking up US$4.37bn in loan volumes so far, which is a 158.5% jump year-on-year.

The heavy deal flow is taking a toll on some lenders, which have been supportive of Vietnamese credits in the past few years but are now turning selective as they risk breaching country limits, according to another Taiwanese banker.

Some lenders are also concerned about the recent rise in Covid-19 cases in Vietnam and worry that extended lockdowns may weaken consumption and investment, hampering growth prospects.

This month, the Asian Development Bank issued a report revising down Vietnam's 2021 GDP growth forecast from 6.7% to 3.8% due to a resurgence of the pandemic that has tightened the labour market, lowered industrial output, and disrupted agricultural value chains.

"Our risk appetite for securities firms is changing very quickly as the latest wave of Covid-19 on a large scale has been raising concerns among investors about difficulties in production and business activities, which would harm stock market and economic development," said a third loan banker in Taiwan.

Evelynn Lin, Mirzaan Jamwal

The borrowing comprises a US$100m three-year tranche A, a three-year US$200m tranche B and a US$300m five-year tranche C.

Under the terms of the loan, Cofco Corp, the ultimate controlling shareholder of Joy City Property, has to remain its single largest shareholder and also stay under the control of the state-owned Assets Supervision and Administration Commission.

PAIFL TESTS JAPANESE APPETITE

PING AN INTERNATIONAL FINANCIAL LEASING has launched a ¥15bn (US$137m) three-year loan, testing appetite among Japanese lenders that have shied away from Chinese credits.

Mizuho Bank is the mandated lead arranger of the deal, which marks PAIFL's return a year after its debut in the Samurai loan market.

The latest loan pays a fixed interest rate of 1.3%.

In September last year, PAIFL raised a ¥15bn Samurai loan via SMBC as sole mandated lead arrange and bookrunner.

The deal attracted only two banks – the Tokyo branches of Agricultural Bank of China and Bank of Communications – as lead arrangers.

HONG KONG

NEW WORLD SEEKS REFI

Hong Kong-listed New World Development has launched a HK$6bn (US$770m) five-year loan into syndication.

Standard Chartered Bank is the mandated lead arranger and bookrunner of the transaction, which offers an interest margin of 97bp over Hibor.

In senior syndication, banks joining as MLABs with HK$800m or above receive all-in pricing of 112bp.

In general syndication, MLAs coming in for HK$550m–$799m earn a top-level all-in of 107bp via a 50bp fee, while lead arrangers with HK$350m–$549m will receive an all-in of 104bp via a 35bp fee. Arrangers taking HK$150m–$349m are offered an all-in of 101bp via a 20bp fee.

SINGAPORE

GLP TAPS DEBUT SAMURAI SLL

Logistics real estate and infrastructure developer **GLP** has signed a ¥60bn (US$548m)

Samurai sustainability-linked loan, the first such deal for a Singaporean company.

Mizuho Bank was the sole mandated lead arranger and bookrunner of the deal, which is split into five and seven-year tranches.

The deal attracted 25 lenders in syndication.

The new loan refinances a ¥60bn debut Samurai loan completed in December 2018. It is split into a ¥45bn seven-year tranche A and a ¥15bn five-year tranche B with interest margins of 100bp and 65bp over Tibor, respectively.

VIETNAM

VIETINBANK SEEKS US$1bn LOAN

VIETNAM JOINT STOCK COMMERCIAL BANK FOR INDUSTRY AND TRADE (VietinBank) has launched a US$1bn one-year financing, in what is the largest loan for a bank borrower from the country and follows a slightly smaller deal it wrapped up a couple of weeks ago.

HSBC, *SMBC*, *Taipei Fubon Commercial Bank* and *United Overseas Bank* are the mandated lead arrangers, bookrunners and underwriters.

The latest loan offers an interest margin of 85bp over Libor and has a 0.83-year average life, assuming the facility is drawn on September 28 and the transfers are settled in November.

MLAs committing US$50m and above will receive top-level all-in pricing of 103.07bp via a participation fee of 15bp, while senior lead arrangers joining with US$30m–$49m earn an all-in of 100.06bp via a 12.5bp fee. Lead arrangers taking US$10m–$29m will receive an all-in of 97.05bp via a 10bp fee.

Funds are for general corporate purposes.

This latest deal is a result of reverse enquiries following a strong response to a US$790m dual-tranche borrowing completed earlier this month from 21 banks joining in general syndication.

VietinBank is rated Ba3/BB– (Moody's/Fitch).

EUROPE/MIDDLE EAST/AFRICA

FINLAND

ELISA SIGNS €130m SLL

Telecoms group **ELISA** has signed a €130m syndicated sustainability-linked revolving credit facility, replacing a facility of the same size signed in 2014 that was due to mature in June 2022.

The financing, which is for general corporate purposes, has a five-year maturity with an option to extend by two years.

Margins will increase or decrease depending on Elisa's performance on sustainability targets comprising reducing CO2 emissions from purchased energy; improving the availability of high-speed mobile networks; and promoting diversity of personnel.

Danske Bank was coordinator alongside *Svenska Handelsbanken*, *Nordea*, *OP Corporate Bank*, *SEB* and *Swedbank* as mandated lead arrangers and bookrunners.

Handelsbanken is sustainability coordinator while Nordea is facility agent.

FRANCE

EXCLUSIVE SECURES €570m LOAN

Cyber security business **EXCLUSIVE NETWORKS** has lined up a €570m loan as part of its Euronext Paris IPO that saw its shares begin trading on Thursday.

The five-year financing comprises a €315m term loan B1; a €135m term loan B2, which will be re-denominated into sterling; and a €120m multi-currency revolving credit facility.

The financing pays margins referencing Euribor for euros, Sonia for sterling and Libor for US dollars with a switch to SOFR in 2023.

The term loans pay margins between 175bp and 300bp, while the RCF pays between 125bp and 250bp, both based on total net leverage.

BNP Paribas, *Citigroup*, *Credit Agricole*, *Intesa Sanpaolo*, *JP Morgan*, *Mizuho*, *Morgan Stanley*, *RBI* and *Societe Generale* are mandated lead arrangers.

Proceeds from the IPO and the term loan will be used to repay EN's €500m term loan B, £105m of second-lien facilities, €90m RCF, and roll €13m under an overdraft facility. On admission, EN's facilities will be fully repaid, and the full amount of the new term loans will be drawn.

Permira acquired EN in 2018 for €1.3bn from Cobepa and Andera Partners.

OVHCLOUD LINES UP LOAN

Cloud computing company **OVHCLOUD** has lined up a €920m syndicated loan to refinance debt ahead of its proposed Paris IPO.

The financing comprises a €500m term loan and a €420m revolving credit facility.

The term loan will pay a margin ranging from 80bp–240bp while the RCF pays between 40bp and 200bp, both depending on leverage.

The reference rates will be Euribor for euro loans; Sonia plus adjustment spread for sterling loans; Libor for US dollar loans, with a transition mechanism hardwired to SOFR; and CDOR for Canadian dollar loans.

The financing provides for additional uncommitted term loans and RCFs.

There is a maximum leverage covenant of 4 times. Leverage can exceed 4 times twice during the life of the loans for two consecutive periods after an acquisition providing the enterprise value of the acquisition is greater than €10m and the leverage ratio does not exceed 4.5 times.

OVHcloud is targeting up to €400m in the IPO.

GERMANY

RHEINMETALL NETS REFI

Defence technology group **RHEINMETALL** has agreed a €500m syndicated loan, replacing its existing €500m facility that was due to mature in September 2022.

The loan, which has a five-year maturity with two one-year extension options, is for general corporate purposes and also serves as a back-up for Rheinmetall's €500m commercial paper programme.

Commerzbank, *Credit Agricole CIB* and *UniCredit* coordinated the financing and Rheinmetall's other core banks were invited to participate.

The financing closed oversubscribed and lender commitments were scaled back.

GHANA

COCOBOD SIGNS US$1.5bn PXF

GHANA COCOA BOARD has signed a US$1.5bn pre-export syndicated loan facility with a group of 28 banks to finance its 2021–22 cocoa crop.

The facility refinances Cocobod's US$1.3bn 2020–21 facility and was arranged by *Rabobank*, *ICBC*, *MUFG*, *Natixis*, *Nedbank* and *Standard Chartered* as coordinators, initial mandated lead arrangers, bookrunners and underwriters.

EMEA LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	166	38,356.44	7.2
2	SG	90	36,576.09	6.9
3	Credit Agricole	149	32,321.71	6.1
4	Bank of America	69	31,441.69	5.9
5	UniCredit	111	23,178.14	4.4
6	Morgan Stanley	28	22,984.23	4.3
7	HSBC	81	20,732.77	3.9
8	Deutsche Bank	81	20,722.74	3.9
9	JP Morgan	81	20,559.23	3.9
10	ING	82	18,807.21	3.5
	Total	**580**	**532,378.62**	

Proportional credit

Source: Refinitiv SDC code: R17

Ghana International Bank was initial mandated lead arranger and *Bank of China*, *DZ Bank*, *Intesa Sanpaolo* and *Societe Generale* were senior mandated lead arrangers.

Standard Chartered is also facility agent.

The loan pays 110bp over Libor, lower than 175bp paid for last year's US$1.3bn facility, which paid a premium due to uncertainty in the market caused by the pandemic. However, the latest pricing is still considerably higher than the 50bp over Libor the borrower paid for its 2019 facility.

The new facility received commitments in excess of US$1.7bn before it was scaled back.

Cocobod is the responsibility of the Ministry of Food and Agriculture, which supervises Ghana's cocoa industry.

ITALY

COMER TAPS FOR WALTERSCHEID BUY

Mechanical engineering firm **COMER INDUSTRIES** is backing its €203m acquisition of Germany's Walterscheid Powertrain with a €213m-equivalent loan financing.

Comer is acquiring Walterscheid from One Equity Partners, which acquired the company in 2019.

Comer will pay €40m in cash while One Equity Partners will take a 28% stake in Comer. The consideration will be funded through available cash and the new debt, which will also be used to refinance Walterscheid's debt.

The loan financing includes a €170m term loan, comprising a €20m facility to fund part of the cash consideration and a €120m facility to refinance Walterscheid's debt through intercompany loans, both maturing at the end of March 2027. There is also a €30m term loan for general financing and working capital, which matures with a bullet repayment after five years.

The financing also includes a US$50m term loan to refinance Walterscheid's debt through intercompany loans, also maturing at the end of March 2027.

Credit Agricole led the financing as bookrunner and mandated lead arranger with *BNL-BNP Paribas*, *Intesa Sanpaolo* and *UniCredit* as mandated lead arrangers.

Comer shareholders approved the acquisition in September and the transaction is expected to complete by the end of the year.

NORWAY

MOWI NETS €1.8bn SLL

Seafood group **MOWI**, previously Marine Harvest, has signed a €1.8bn five-year sustainability-linked revolving credit facility agreed in the second quarter.

The senior secured facility, which refinances Mowi's existing RCF, has margins linked to the company's performance against sustainability key performance indicators, in line with Mowi's ESG strategy.

The SLL is a significant step towards Mowi's goal of 100% green or sustainable financing, the company said. Along with a €200m green bond issued in January 2020, Mowi's share of green or sustainable financing is now 85%.

The principal financial covenant on the RCF is a minimum equity ratio of 35%, and the facility includes an accordion option that can increase the facility by €300m.

DNB Bank, *Nordea*, *Rabobank*, *ABN AMRO*, *Danske Bank*, *SEB* and *Credit Agricole* arranged the financing.

SOUTH AFRICA

MEDICLINIC GETS R8.45bn SLL

The South African division of UK-listed private healthcare group **MEDICLINIC** has agreed an R8.45bn (US$573m) sustainability-linked loan to refinance debt.

The five-year financing comprises a R7.95bn senior secured term loan and a R500m revolving credit facility, paying initial margins of 154bp and 160bp over Jibar, respectively.

Pricing is linked to sustainability performance targets aligned to the company's environmental and social goals, which include becoming carbon neutral with zero waste to landfill by 2030 and improving water efficiency and patient experience.

Rand Merchant Bank is lead arranger.

SWEDEN

CARY SEALS RCF

Vehicle glass repair and replacement company **CARY GROUP** has agreed a SKr2.05bn (US$238m) multi-currency revolving credit facility as part of its SKr4.6bn IPO on Nasdaq Stockholm, which completed on Wednesday.

The unsecured facility, which will be used to refinance the company's main credit facilities, is being provided by *Danske Bank* and *SEB*. Danske Bank is agent.

With a three-year maturity and options to extend for up to two years, the facility is also available in euros, sterling, Norwegian kroner and Danish kroner.

The RCF pays an initial margin of 145bp over the relevant reference rate, subsequently adjusted on a leverage-based grid.

Maximum leverage is 4.5 times.

Nordic Capital invested in Cary, previously Ryds Bilglas, in 2018. The IPO values Cary at around SKr9.2bn.

SAAB LANDS SKr6bn RCFS

Aerospace, defence and security firm **SAAB** has signed SKr6bn (US$694m) of revolving credit facilities to extend its existing credit facilities that were set to mature in January 2023.

The financing comprises a SKr4bn five-year RCF and a SKr2bn two-year RCF with two one-year extension options.

As part of the transaction, Saab has cancelled the SKr4bn RCF it signed in March 2020 to strengthen its financial flexibility and mitigate refinancing risk in the wake of the pandemic.

SWITZERLAND

COFCO RETURNS FOR SLL

Agricultural commodity trader **COFCO INTERNATIONAL** has signed a US$700m three-year sustainability-linked term loan, the company's second after its US$2.3bn financing in July 2019.

Margins on the loan are linked to the achievement of sustainability targets covering the traceability and socio-environmental screening of the company's Brazil soy supplies and Sustainalytics ESG rating.

All margin savings will be used to fund the company's sustainability initiatives.

The financing is aligned to the Loan Market Association's Sustainability Linked Loan Principles.

ANZ and *BBVA* are joint sustainability coordinators, and BBVA is also documentation and facility agent.

Agricultural Bank of China, *Bank of China*, *ICBC*, *China Development Bank* and *China Construction Bank* also participated.

COFCO International, which has its head office in Switzerland, is the overseas agriculture business platform for COFCO Corp, China's largest food and agriculture company.

GUNVOR SEEKS DEBUT SAMURAI

Energy commodity trader **GUNVOR GROUP** has mandated the three Japanese mega banks to arrange a debut Samurai loan of around ¥20bn–¥30bn (US$183m–$274m).

Mandated lead arrangers and bookrunners are *Mizuho Bank*, *MUFG* and *SMBC*.

In July, the borrower signed an US$872.5m off-balance sheet facility.

UAE

FERTIGLOBE NEARS BRIDGE LOAN

Abu Dhabi-headquartered nitrogen fertiliser and ammonia exporter **FERTIGLOBE** is closing in on a US$1.1bn 30-month bridge loan that will be used to refinance around US$250m of debt and pay an US$850m dividend to shareholders OCI and Abu Dhabi National Oil Company.

The bridge loan pays an initial margin of 105bp over Libor, increasing by 25bp every quarter from year two.

A US$300m five-year revolving credit facility paying 175bp over Libor will be put in place to provide the company with liquidity.

Fertiglobe's new capital structure will help OCI to optimise its balance sheet, giving it flexibility to lower cash interest and support growth opportunities in clean ammonia and other decarbonisation initiatives for OCI as a whole and for Fertiglobe.

UK

LIGHTSOURCE BP DETAILS LOAN

LIGHTSOURCE BP has secured a US$1.8bn syndicated revolving credit and trade finance facility to finance growth.

The corporate loan is one of the biggest debt financings to date for one of the new industrial joint ventures that are being set up to develop clean, green energy – in this case solar.

Lightsource BP is the largest solar developer in Europe and the third-largest in the world outside China. It has developed 3.8GW of solar projects, and has increased its project pipeline target to 25GW of solar developments by 2025, from 10GW by late 2023. Lightsource BP is also developing 9GW exclusively for international oil major BP, a 50% shareholder in the JV.

"Globally renewable energy is shifting from a mindset of gigawatts to terawatts. Investments are being made by the billion, not by the million," said Lightsource BP chief executive Nick Boyle.

The corporate loan is being provided by *BNP Paribas*, *Societe Generale*, *Santander*, *NatWest*, *Lloyds*, *MUFG*, *SMBC*, *CIBC*, *TD* and *Wells Fargo*.

BP increased its stake in Lightsource in December 2019 to become an equal 50:50 partner after buying a 43% stake in Lightsource Renewable Energy in 2017 for US$200m. It rebranded as Lightsource BP in 2018.

Lightsource BP funds, develops and constructs solar installations and provides operation, maintenance and asset management services to solar operators in the UK and abroad, and is growing quickly. It has tripled its footprint and doubled its workforce in the four years since BP bought into the company and developed more than 30 projects, which it says have consistently delivered 8%–10% returns.

DFS SWITCHES TO SLL

DFS FURNITURE has linked the margin on its £225m revolving credit facility to sustainability targets.

Targets cover sustainable sourcing for wood and leather, greenhouse gas emissions and diversity in the company's workforce.

The RCF was agreed in December via DFS' syndicate of seven banks.

The financing has a three-year maturity with two one-year extension options.

NORTH AMERICA

UNITED STATES

HEALTHPEAK NETS US$3bn

Real estate investment trust **HEALTHPEAK PROPERTIES** has signed an unsecured US$3bn revolving credit facility that may be increased to up to US$3.75bn.

The facility will mature in January 2026 and includes two six-month extension options, subject to a 6.25bp fee.

It replaces a US$2.5bn RCF signed in May 2019.

The RCF contains sustainability-linked pricing adjustments related to the REIT's greenhouse gas emissions.

Pricing is based on Healthpeak's credit ratings.

Pricing is based on the borrower's debt rating. For A2/A/A the facility fee is 10bp and the margin is 70bp over Libor; for A3/A–/A– it is 12.5bp and 72.5bp; for Baa1/BBB+/BBB+ it is 15bp and 77.5bp; for Baa2/BBB/BBB it is 20bp and 85bp; for Baa3/BBB–/BBB– it is 25bp and 105bp; and for lower than Baa3/BBB–/BBB– it is 30bp and 140bp.

The opening margin is 77.5bp over Libor, 5bp lower than the company's previous unsecured revolver, and the facility fee is 15bp.

The margin may be lowered by up to 2.5bp based on the reduction of direct emissions related to natural gas, transport fuel and refrigerants, and indirect emissions related to purchased electricity and chilled water refrigerants.

Covenants restrict the total debt to gross asset value ratio to 60%, the secured debt to gross asset value ratio to 40%, the unsecured debt to unencumbered asset value ratio to 60%, and require a minimum fixed-charge coverage ratio of 1.5 times and minimum consolidated tangible net worth of US$7.7bn.

Bank of America is administrative agent. Additional lenders are *JP Morgan*, *Wells Fargo*, *Bank of Nova Scotia*, *Barclays*, *Credit Agricole*, *Credit Suisse*, *Goldman Sachs*, *Mizuho*, *Morgan Stanley*, *PNC Bank*, *RBC*, *Truist*, *Regions Bank*, *SMBC*, *TD*, *US Bank*, *Huntington National Bank*, *Capital One*, *Bank of New York Mellon*, *KeyBank*, *Fifth Third Bank* and *Peoples United Bank*.

Healthpeak is rated Baa1 by Moody's and BBB+ by S&P.

STARBUCKS BREWS US$3bn RCF

STARBUCKS has signed an unsecured US$3bn five-year revolving credit facility, which may be increased by up to US$1bn.

The borrower has terminated its credit facilities dated October 2017 and September 2020.

Pricing on the deal is based on the borrower's debt rating. For A2/A the facility fee is 7bp and the margin is 68bp over Libor; for A3/A– it is 9bp and 91bp; for Baa1/BBB+ it is 10bp and 102.5bp; for Baa2/BBB it is 12.5bp and 112.5bp; and for Baa3/BBB– it is 17.5bp and 132.5bp.

Covenants restrict Starbucks' consolidated fixed-charge coverage ratio to at least 2.5 times.

Bank of America is administrative agent. Additional lenders are *Wells Fargo*, *Citigroup*, *US Bank*, *MUFG*, *JP Morgan*, *Bank of Nova Scotia*, *Goldman Sachs*, *HSBC*, *Fifth Third Bank*, *Rabobank*, *Truist*, *Bank of China*, *ICBC* and *Standard Chartered*.

Starbucks is rated Baa1 by Moody's and BBB+ by S&P.

AMERICAS LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Bank of America	1,067	300,521.41	12.7
2	JP Morgan	943	280,191.80	11.9
3	Wells Fargo	722	170,911.09	7.2
4	Citigroup	451	163,816.25	6.9
5	Goldman Sachs	355	101,687.10	4.3
6	RBC	378	90,939.93	3.8
7	Barclays	390	90,376.83	3.8
8	Credit Suisse	285	63,724.70	2.7
9	BMO	371	61,022.77	2.6
10	US Bancorp	339	60,898.74	2.6
	Total	**3,455**	**2,364,430.84**	

Proportional credit

Source: Refinitiv SDC code: R7

Banks look beyond SOFR option

US Knight-Swift used BSBY rate for latest loan

The recommendation of a term SOFR by the Alternative Reference Rates Committee in July, and the subsequent syndication of multi-billion US dollar SOFR-linked loans has not deterred some market participants from arranging loans tied to other reference rates as a substitute to Libor.

Credit-sensitive rates hold an allure for those who remain unconvinced of SOFR. In early September, a US$2.3bn unsecured credit facility for **KNIGHT-SWIFT TRANSPORTATION** was completed using the Bloomberg-developed BSBY credit-sensitive rate.

The ARRC's March warning that it would be unable to recommend a SOFR term rate by mid-year, and potentially not by December 31 when Libor origination is scheduled to cease, prompted loan market participants to reassess alternative credit-sensitive rates such as BSBY and Ameribor Unsecured Overnight Rate, a banker said.

Bank of America analysts descried SOFR as not reflective of "the appropriate cost of funds for many banks and investors that are integral to the proper functioning of the loan market" in a September 17 report.

The analysts take issue with the proposed credit spread adjustment based on the five-year average differential between a margin over SOFR and Libor, characterising it as "meaningfully higher than the spot differential between Libor and SOFR" making the transition to SOFR from Libor a more expensive proposition.

The ARRC-recommended credit spread adjustment for three-month SOFR is 26bp, and Bank of America's spot differential for that rate period is 6.5bp, according to the report, which said the static credit spread adjustment "is likely to become obsolete at some point over the duration of a loan".

The Bank of America report also suggests significant advantages of moving to a credit-sensitive rate, rather than SOFR, as such rates are based on an existing term structure informed by term transactions and eliminate the need for a credit spread adjustment.

The most significant advantage, according to the report, is that a credit-sensitive rate is meant to reflect current conditions, without accounting for the events that may have occurred within the past five years, which are used to calculate the spread adjustment, so it is generally lower (presently about 20bp lower) than its SOFR equivalent under normal business conditions.

The credit facility for Knight-Swift is significant because it was always intended to be drawn, rather than put in place as reserve liquidity.

"Most non-Libor deals so far have been more back-up-line-related, but this one has a term loan component attached," a second banker said.

The selected reference rate impacts the borrower less if the debt is not intended to be drawn, as is often the case for revolving lines of credit extended to highly rated borrowers.

Knight-Swift's deal comprises a US$1.1bn five-year RCF, a US$200m term loan due December 3 2022, a US$200m three-year term loan, and an US$800m five-year amortising term loan.

Along with the term loans, US$350m of the RCF was also drawn on the closing date. *Bank of America* is the administrative agent.

The RCF and five-year term loan pay an opening margin of 112.5bp over BSBY, while the margin on the one-year and two-year US$200m term loans is 100bp over BSBY.

"Clearly banks have capacity for funding in BSBY or other credit-sensitive rates," said the second banker.

ONE RATE TO RULE

"I would expect many issuers to choose a SOFR term rate now that we have the ARRC recommending a term SOFR. That's where the official preference seems to be," said the first banker.

Certain regulatory bodies have also questioned the long-term viability of credit-sensitive rates. Earlier this month, the board of the International Organization of Securities Commissions warned that "regulators are concerned that some of Libor's shortcomings may be replicated through the use of credit-sensitive rates that lack sufficient underlying transaction volumes".

The Bank of America report accepts that SOFR is likely to "enjoy the first-mover advantage and build momentum into 2022" but said that there remains space for alternative rates, especially among smaller issuers.

That view is supported by the second banker. "With Knight-Swift you have a syndicate that's supportive to the client's needs and able to close a BSBY deal. I think that bodes well for more activity on that rate."

Rhys Adams

OTIS TAPS FOR SPANISH DEAL

Elevator and escalator manufacturer **OTIS WORLDWIDE** has signed a €1.65bn 364-day bridge loan to support its purchase of the remaining 49.99% of Spanish elevator company Zardoya Otis that it does not already own.

Morgan Stanley is sole lead arranger and bookrunner of the loan, for which Otis is guarantor and subsidiary Opal Spanish Holdings is the borrower.

Pricing is based on Otis' debt rating. For A2/A the commitment fee is 7bp and the margin is 75bp over Euribor; for A3/A– it is 9bp and 87.5bp; for Baa1/BBB+ it is 10bp and 100bp; for Baa2/BBB it is 12.5bp and 112.5bp; for Baa3/BBB– it is 17.5bp and 125bp; and for lower than Baa3/BBB– it is 22.5bp and 137.5bp.

The tender offer is expected to close in the second quarter.

Otis plans to maintain its investment-grade rating. It also intends to repay US$800m of debt and suspend share repurchases in 2022.

Otis is rated Baa2 by Moody's and BBB by S&P.

LEVERAGED LOANS

UNITED STATES

MDVIP MARKETS LBO DEAL

Primary care network **MDVIP** is in the market with a US$500m first-lien term loan and a US$185m second-lien term loan that will fund the company's buyout by private equity sponsors Goldman Sachs Asset Management and Charlesbank Capital Partners.

The seven-year first-lien loan is offered at 400bp over Libor with a 0.5% floor and an OID of 99. The margin is tied to two leverage-based stepdowns.

It comes with 101 soft call protection for six months and amortises at 1% per annum.

The eight-year second-lien loan is offered at 675bp–700bp over Libor with a 0.5% floor and a 99 OID.

Hard call protection on the second-lien loan kicks off at 102 before decreasing to 101.

Goldman Sachs is the lead-left arranger for the first-lien loan. *Jefferies* is the lead-left arranger for the second-lien loan.

KeyBank, *KKR Capital Markets*, *Citizens Bank* and *Stone Point Capital* are also arrangers.

Corporate ratings are B3/B, first-lien loan ratings are B2/B, and second-lien loan ratings are Caa2/CCC+.

Healthcare company **ZELIS PAYMENTS** is out with a US$550m add-on senior secured term loan B and a US$300m delayed draw term loan.

The add-on loan, which matures on September 30 2026, is offered at 350bp over Libor with a 0% floor and an OID of 99–99.25.

It comes with 101 soft call protection for six months and amortises at 1% per annum.

Morgan Stanley is the lead arranger.

The add-on loan will fund the acquisition of peer Sapphire Digital, while the proceeds from the DDTL will fund future acquisitions, capital expenditure and other investments.

A ticking fee that is 50% of the margin will kick off on day 61 after deal close. This will increase to 100% of the margin on day 121.

Resin company **AOC** launched a US$1.26bn term loan that will finance the company's buyout by private equity firm Lone Star Funds.

The seven-year loan is offered at 375bp–400bp over Libor with a 0.5% floor and an OID of 99.

It comes with 101 soft call protection for six months.

Bank of America is the lead-left arranger. *RBC*, *BNP Paribas*, *Citigroup* and *Goldman Sachs* are also arrangers.

DOMTAR LAUNCHES LBO LOANS

Paper and packaging company **DOMTAR** launched a US$525m senior secured term loan B and a US$250m senior secured delayed-draw term loan B, a source said.

The loans, together with senior secured notes, will finance the company's buyout by peer Paper Excellence, as well as fund the potential redemption of Domtar's senior unsecured notes.

The seven-year loans are offered at 500bp–525bp over Libor with a 0.75% floor and an OID of 99.

The loans have a 101 soft call protection for six months.

Barclays is the lead-left bookrunner and the administrative agent. *BMO*, *Credit Suisse* and *Wells Fargo* are bookrunners.

The DDTL is available for 90 days and can only be used to fund redemptions of the senior unsecured notes through a change of control offer.

A ticking fee that is 50% of the margin will kick off on day 60 after deal close. This will increase to 100% of the margin on day 61.

The loans are guaranteed by the direct parent of the borrower and all of the existing and future wholly owned material domestic restricted subsidiaries.

Corporate ratings are Ba2/BB/BB and secured ratings are Ba2/BB+/BB+.

Discount store chain **GABE'S** is in the market with a US$250m senior secured first-lien term loan that will refinance existing debt and pay a shareholder distribution. The seven-year loan is offered at 600bp over Libor with a 0.75% floor and an OID of 98.

Hard call protection kicks off at 102 before decreasing to 101. The loan amortises at 2.5% per annum.

Jefferies and *Wells Fargo* are arrangers.

Gabe's is backed by private equity firm Warburg Pincus.

Gaming operator **JACK ENTERTAINMENT** launched a US$250m first-lien term loan and a US$25m revolving credit facility.

Proceeds will refinance existing debt, pay a shareholder distribution and will be used for general corporate purposes.

The seven-year covenant-lite loan is offered at 500bp–525bp over Libor with a 0.75% floor and an OID of 99.

It comes with a 101 soft call protection for six months.

Credit Suisse, *Deutsche Bank*, *Goldman Sachs* and *KeyBank* are arrangers.

Corporate and first-lien ratings are B2/B–.

MIRION DETAILS TERM LOAN

Radiation detection and measurement company **MIRION TECHNOLOGIES** has released pricing guidance for an US$830m seven-year first-lien term loan.

The facility is offered at 350bp over Libor with a 0.5% floor and a 99 OID. It features 101 soft call protection for six months and amortises at 1% per year.

The loan, together with balance sheet cash, cash held in trust and private investment in public equity proceeds, will be used to pay down debt, add cash to the balance sheet and fund the business combination of the company with special purpose acquisition company GS Acquisition Holdings Corp II.

Goldman Sachs is the lead-left arranger. *Citigroup*, *JP Morgan* and *Jefferies* are also arrangers.

On June 17, Mirion announced its agreement to go public through a Goldman Sachs-backed SPAC launch. The transaction includes US$900m of PIPE proceeds from investment firms Janus Henderson Investors, Fidelity Management & Research Company, BlackRock and Neuberger Berman.

It will also receive a US$200m anchor investment from Goldman Sachs.

The company was formerly owned by private equity sponsor Charterhouse Capital Partners.

Corporate and secured tranche ratings are B from S&P.

Insurance software company **MITCHELL INTERNATIONAL** launched a US$2.475bn first-lien term loan B and a US$525m second-lien term loan that will refinance debt and pay a dividend to shareholders.

The seven-year first-lien loan is guided at 375bp-400bp over Libor with a 0.5% floor and a 99 OID.

It comes with 101 soft call protection for six months and amortises at 1% per annum.

The eight-year second-lien loan is guided at 650bp-675bp over Libor with a 0.5% floor and a 99 OID.

Call protection on the second-lien loan kicks off at 102 before decreasing to 101.

Goldman Sachs is the lead-left arranger for the first-lien loan. *KKR Capital Markets* is the lead-left arranger on the second-lien. *Stone Point Capital*, *Barclays*, *Bank of America*, *Wells Fargo*, *Golub Capital*, *Truist*, *Citizens Bank* and *Stifel* are also arrangers.

Corporate ratings are B3/B–, first-lien ratings are B2/B– and second-lien ratings are Caa2/CCC.

Online home furnishings retailer **RUGSUSA** set terms for a senior secured US$500m term loan B to back the acquisition of a controlling stake in the company by private equity firm Francisco Partners.

The seven-year loan is offered at 500bp over Libor with a 0.75% floor and an OID of 99.

It comes with 101 soft call protection for six months.

Barclays is the lead-left bookrunner and the administrative agent. *Jefferies*, *Deutsche Bank* and *Stifel* are joint bookrunners.

The loan is guaranteed by the borrower's direct parent and all wholly owned domestic subsidiaries.

Corporate and secured ratings are B2/B.

ORYX SEEKS REFINANCING

Oil and gas company **ORYX MIDSTREAM** launched a US$1.5bn senior secured term loan B that will refinance debt, in addition to financing working capital needs and other general corporate purposes.

The seven-year loan is guided at 350bp over Libor with a 0.5% floor and an OID of 99–99.5.

It comes with 101 soft call protection for six months.

Barclays is the lead-left bookrunner and administrative agent. *RBC*, *Goldman Sachs*, *Truist* and *Wells Fargo* are also bookrunners. Stonepeak is a co-manager.

The loan is secured by a first priority security interest in substantially all of the loan parties' tangible and intangible personal property, except with certain excluded assets.

The loan is guaranteed on a senior basis by holdings and each of the borrower's wholly owned material subsidiaries.

Stonepeak Infrastructure Partners is the company's private equity sponsor.

Corporate ratings are Ba3/BB–/BB– and secured ratings are Ba3/BB–/BB.

Plumbing services company **THERMA HOLDINGS** cut pricing on its US$417.8m first-lien facility and delayed draw term loan add-on loans, and introduced a repricing of its loans.

Both the US$350m first-lien loan and US$67.8m DDTL add-ons are now offered at 375bp over Libor, down from 400bp at launch. They come with a 0.75% floor and a 99.5 OID and a 99 OID, respectively.

The margin is tied to two leverage-based stepdowns and one stepdown following the consummation of a qualified IPO.

The company has also introduced a 101 soft call protection for six months.

A ticking fee that is 100% of the spread will kick off on the DDTL at transaction close.

Proceeds for the add-on will be used to fund bolt-on acquisitions.

The company is also now looking to reprice both its US$388.1m first-lien loan and US$75m DDTL and aims to bring the spread in line with the add-on loan package at 375bp over Libor, representing a 25bp cut.

The first-lien loan is offered at par, while the DDTL is set at a 99 OID.

Once closed, both the add-on and existing first-lien loans will make a total pro forma tranche size of US$738.05m. The DDTLs will total US$142.8m.

Jefferies, *Societe Generale*, *BMO* and *MUFG* are arranging the deal. *Blackstone* is the co-manager.

The company was acquired by private equity firm Blackstone Energy Partners in November. It issued a US$370m first-lien term loan and a US$75m DDTL to finance the buyout.

Early education products retailer **LAKESHORE** launched a US$580m first-lien term loan that will fund its acquisition by private equity sponsor Leonard Green & Partners.

The seven-year loan is offered at 375bp–400bp over Libor with a 0.5% floor and an OID of 99.5. It includes a leveraged-based step-down.

It comes with a 101 soft call protection for six months.

Jefferies, *BMO*, *Macquarie*, *Citizens Bank* and *KeyBank* are bookrunners.

SOLENIS WRAPS DUAL-CURRENCY TLB

Water treatment company **SOLENIS** has set final terms on a seven-year dual-currency TLB, split between a US$1.11bn facility and a €500m facility, that backs its acquisition by private equity firm Platinum Equity Advisors.

The dollar portion priced at 375bp over Libor with a 0.5% floor, down from 400bp at launch. The OID has also been tightened to 99.75 from guidance of 99.

The euro portion priced at 400bp over Euribor from 400bp–425bp at launch. It comes with a 0% floor and a 99.75 OID, tightened from 99.5 at launch.

On both loans, a 25bp step-down at 4.5 times net first-lien secured leverage has been added.

Both loans come with 101 soft call protection for six months. The dollar loan will amortise at 1% per year.

Goldman Sachs was lead-left arranger. *Bank of America*, *Barclays*, *BMO*, *Deutsche Bank*, *Morgan Stanley*, *Nomura*, *HSBC*, *ING*, *Jefferies*, *Macquarie* and *RBC* were also arrangers.

The loan was offered alongside US$815m of senior secured notes and €500m of senior secured notes, in addition to US$400m of senior unsecured notes and €265m of senior unsecured notes. The company will merge with Platinum's portfolio company Sigura Water.

Platinum acquired Sigura Water in 2019. The merged company will have a total combined transaction value of approximately US$6.5bn and is expected to generate around US$3.5bn of revenue.

Corporate ratings are B3/B– and secured tranche ratings are B2/B–.

Waste disposal company **CLEAN HARBORS** has sealed a US$1bn incremental term loan B that backs the acquisition of industrial cleaning company HydroChemPSC.

The seven-year loan priced at 200bp over Libor with a 0% floor, on the tight end of guidance of 200bp–225bp. The OID was revised to 99.5 from 99.

It comes with 101 soft call protection for six months and amortises at 1% per year.

A ticking fee that is 50% of the margin will kick off on day 46 after the transaction closes. This will increase to 100% of the margin on day 91. On day 136, this will increase to 100% of the margin plus three-month Libor.

Goldman Sachs was lead-left arranger. *Truist*, *Citizens Bank* and *Stifel* were also arrangers.

Corporate ratings are Ba2/BB+ and tranche ratings are Ba1/BBB–.

CHG COMPLETES FINANCING

Healthcare staffing firm **CHG HEALTHCARE** has completed a US$1.58bn first-lien term loan and a privately placed US$430m second-lien term loan that will refinance debt and pay a dividend to shareholders.

The seven-year first-lien term loan priced at 350bp over Libor with a 0.5% floor, from 375bp–400bp at launch. The OID was tightened to 99.5 from 99.

The margin is tied to a 25bp step-down when the closing date first-lien leverage decreases by 0.5 times.

It comes with 101 soft call for six months and amortises at 1% per year.

Goldman Sachs was lead-left arranger. *JP Morgan*, *Barclays*, *BMO* and *Citigroup* were arrangers.

The company is backed by private equity firms Leonard Green & Partners and Ares Management.

Corporate ratings are B2/B and first-lien ratings are B1/B.

Physician company **US ANESTHESIA PARTNERS** has wrapped a US$1.6bn first-lien term loan B and a US$350m second-lien term loan that will refinance debt and pay a dividend to shareholders.

The first-lien priced at 425bp over Libor, from guidance of 400bp–425bp. The OID was tightened to 99.5 from 99. There is a 25bp step-down when the closing date first-lien leverage decreases by 0.75 times.

It comes with a 0.5% floor and 101 soft call protection for six months.

Terms for the US$350m eight-year second-lien term loan are unchanged. It priced at 750bp over Libor with a 0.5% floor and a 98.5 OID.

Call protection on the second-lien loan kicks off at 102 before decreasing to 101 and then par thereafter.

Goldman Sachs was lead-left arranger.

The company is backed by private equity firms Welsh, Carson, Anderson & Stowe, Berkshire Partners and Singapore sovereign wealth fund GIC.

Corporate ratings are B3/B. First-lien ratings are B2/B, and second-lien ratings are Caa2/CCC+.

SOUTHERN VETERINARY PARTNERS has priced a *Jefferies*-led loan that will fund acquisitions.

The financing includes a US$200m incremental first-lien term loan that was increased from US$150m, in addition to a US$100m first-lien privately placed delayed-draw term loan.

The incremental, which matures in October 2027, priced at 400bp over Libor with a 1% floor and an OID of 99.75.

It comes with 101 soft call protection until October 5.

Corporate ratings are B3/B–. The first-lien loan is rated B2/B–.

MATTRESS FIRM UPS TERM LOAN

Retailer **MATTRESS FIRM** has upsized its term loan to US$1.25bn from US$1.1bn.

The loan, alongside US$550m in cash, will repay debt and fund a US$1.1bn shareholder distribution. Additional proceeds will increase the shareholders' distribution.

The seven-year loan priced at 425bp over Libor with a 0.75% floor, from 425bp–450bp. The OID was revised to 99 from 99–99.5.

It now comes with 101 soft call protection for 12 months instead of six months.

Barclays is lead-left bookrunner and administrative agent. *Goldman Sachs* and *Jefferies* were joint bookrunners.

Several revisions were made to the loan documents, including the removal of the maturity basket and change of control language. Ebitda is now defined in the documents as a 20% cap on run-rate cost savings and synergies, instead of a 25% cap.

The company has also reduced the capacity of the incremental free and clear basket to US$500m/75% of adjusted Ebitda from US$650m/100% of adjusted Ebitda.

The most-favoured-nation sunset provision was extended to 50bp for 24 months, instead of 50bp for 12 months, while the carve-outs for debt incurrence under certain baskets were removed.

The capacity of the restricted payments general basket was amended to US$162.5m/25% of adjusted Ebitda from US$195m/30% of adjusted Ebitda. It also increased the interest coverage test for the unsecured incremental equivalent debt to 2 tines from 1.75 times.

The company is now required to host lender calls quarterly instead of annually.

Corporate and first-lien ratings are B1/B+.

Human resources software provider **CORNERSTONE ONDEMAND** has tightened the margin on a US$2.118bn first-lien term loan to finance its acquisition by private equity firm Clearlake Capital.

The seven-year loan priced at 375bp over Libor from 400bp. The 0.5% floor and 99 OID are unchanged.

The margin now has a 25bp IPO-based step-down. It previously had two leveraged-based step-downs.

It comes with 101 soft call protection for six months.

JP Morgan, *Bank of America*, *Ares Management*, *Golub Capital*, *Antares Capital*, *BMO*, *Barclays*, *BNP Paribas*, *CBAM Partners*, *Canada Pension Plan Investment Board*, *Credit Suisse*, *Fifth Third*, *Goldman Sachs*, *Jefferies*, *MUFG* and *Owl Rock Capital Partners* are arranging the deal.

JP Morgan is also the administrative agent.

The transaction includes a US$300m revolving credit facility due 2026 and a US$770m second-lien term loan due 2029, according to Moody's.

A ticking fee that is 50% of the margin will kick off on day 46 after deal close. That will increase to 100% of the margin, plus Libor, on day 76.

Private equity firm Vector Capital will hold a minority stake in the company.

BMC CLOSES REFINANCING

BMC SOFTWARE has upsized a first-lien term loan to US$690m from US$500m, reallocating US$190m from the second-lien term loan, which now totals US$475m. Proceeds will refinance debt.

The first-lien loan, which matures in October 2025, is split between US$250m tranche and a €375m tranche.

The dollar portion priced at 375bp over Libor with an OID of 99.25, while the euro loan firmed at 400bp over Euribor with a 99.75 OID.

Both come with a 0% floor and will amortise at 1% per year.

The second-lien loan, which matures in March 2026, firmed at 550bp over Libor with 0.5% floor and a 99.5 OID.

Call protection on the second-lien loan kicks off at 102, before decreasing to 101 and then par.

Goldman Sachs was lead-left arranger. *KKR Capital Markets*, *Credit Suisse*, *Mizuho* and *Barclays* are also arrangers.

Credit Suisse is the administrative agent for the first-lien loan.

BMC was acquired in June 2018 by private equity sponsor KKR.

Corporate ratings are B3/B–. The first-lien tranche is rated B2/B– and the second-lien tranche is rated Caa2/CCC+.

Bathware maker **AMERICAN BATH** has increased a covenant-lite first-lien term loan to US$174m from US$150m.

The loan, which matures in November 2027, priced at 375bp over Libor with a 0.5% floor. The OID was tightened to 99.5 from 99.

Credit Suisse was lead arranger.

Proceeds will repay a revolver and finance tuck-in acquisitions.

Corporate ratings are B3/B– and the facility is rated B2/B–.

Electronic document reviewer **CONSILIO** has revised the OID to 99.5 from 99 on a US$160m incremental first-lien term loan.

The loan, which is fungible with a first-lien term loan due May 2028, priced at 400bp over Libor with a 0.5% floor.

It comes with 101 soft call protection until November.

Credit Suisse and *Stone Point* arranged the deal.

Proceeds will finance an undisclosed tuck-in acquisition.

Corporate ratings are B3/B– and the first-lien loan is rated B2/B–.

PRETIUM UPS LOANS

Manufacturer **PRETIUM PACKAGING** has increased its first-lien term loan to US$1.25bn from US$1.215bn and the second-lien to US$350m from US$365m.

Proceeds will fund the acquisition of peer Alpha Packaging and refinance debt. The financing also includes a US$100m asset-based lending facility.

The seven-year first-lien loan priced at 400bp over Libor with a 0.5% floor and the margin is now tied to a 25bp step-down when the first-lien net leverage reaches 4.5 times.

The OID was tightened to 99.5 from 99. It comes with 101 soft call protection for six months.

The eight-year second-lien loan was tightened to 675bp over Libor with a 0.5% floor, from guidance of 725bp. The OID was revised to 99 from 98.5–99.

Call protection on the second-lien loan kicks off at 102 before decreasing to 101 and then par.

Credit Suisse and *Deutsche Bank* arranged the deal.

Corporate ratings are B3/B–. The first-lien loan is rated B2/B– and the second-lien loan is rated Caa2/CCC.

Asset management company **VIRTUS INVESTMENT PARTNERS** has sealed a US$275m senior secured term loan B that will refinance debt, be used for general corporate purposes, pay related fees and the OID.

The seven-year loan priced at 225bp over Libor with a 0% floor, from guidance of 225bp–250bp. The OID was revised to 99.5 from 99.25.

It comes with 101 soft call protection for six months and amortises at 1% per year.

Morgan Stanley, *Barclays*, *JP Morgan*, *Bank of America* and *RBC* are joint lead arrangers. Morgan Stanley is also the administrative agent.

Corporate and facility ratings are Ba1/BB+.

Plumbing and roofing company **IPS** has wrapped the financing that will fund the company's acquisition by private equity firm Centerbridge Partners.

The financing comprises a five-year US$90m revolving credit facility, a seven-year US$525m first-lien term loan, a seven-year US$105m first-lien delayed-draw term loan and an eight-year US$210m privately placed second-lien term loan.

The first-lien loan priced at 375bp over Libor with a 0.5% floor, from 375bp–400bp at launch. The OID was tightened to 99.75 from 99.5.

The margin will be tied to one leveraged based step-down instead of two. There will still be one additional step-down upon the company's IPO.

It comes with 101 soft call protection for six months.

Jefferies, *Credit Suisse*, *Apollo Global Management*, *BMO*, *MUFG*, *Nomura*, *SMBC* and *KeyBank* are bookrunners.

A ticking fee on the DDTL that is 50% of the margin will kick off on day 46 after deal close. That will increase to 100% of the margin on day 91. The DDTL will be sold as a strip with the first-lien term loan.

HESS MIDSTREAM PRICES TLB

Crude oil and natural gas company **HESS MIDSTREAM** has priced a US$750m senior

secured term loan B at the lower end of guidance, while making a raft of changes to the documentation.

The seven-year loan priced at 450bp over Libor with a 1% floor having launched at 450bp–475bp. The OID is set at 98.5, at the wider end of 98.5–99 guidance.

It comes with 101 hard call protection for 12 months and amortises at 1% per year.

A step-down to 50% for mandatory prepayments upon sale of assets is permitted only when the total net leverage ratio at the borrower level reaches 3.5 times, and the total net leverage at the HESM Opco level reaches 4.0 times. That was previously set at 3.5 times only at the borrower level.

The total net leverage ratio test in the permitted change of control language was lowered to 4 times from 5 times while the leverage-based margin step-down provision was removed.

A requirement that the company must maintain a debt-service coverage ratio of 1.05 times agreed on September 13 remains in place. Additionally, the company's requirement to pre-pay 50% of excess cashflow with step-downs to lenders and an increase on the ECF sweep to 75% in 2025 is unchanged.

Proceeds will fund a special cash distribution to shareholders.

Morgan Stanley, *Barclays*, *MUFG*, *Scotiabank* and *SMBC* were joint lead arrangers. Morgan Stanley is also an administrative agent.

HESM launched a joint venture with investment fund Global Infrastructure Partners in 2015.

The companies, through Hess Infrastructure Partners, control Hess Midstream Operations, or HESM Opco, which in turn owns the midstream infrastructure assets.

GIP directly and indirectly owns approximately 45% of HESM Opco, with Hess and public shareholders owning the other 45% and 10%, respectively.

Auto parts manufacturer **DEXKO GLOBAL** has finalised terms on the dual-currency financing backing its acquisition by Brookfield Business Partners, the business services and industrial arm of Brookfield Asset Management, and its institutional partners.

The seven-year covenant-lite term loan B comprises a US$1.15bn-equivalent euro-denominated term loan B and a US$1.06bn term loan B.

The dollar loan priced at 375bp over Libor from 400bp–425bp at launch. It comes with a 0.5% floor and a 99.5 OID. There is a 25bp step -down upon a qualifying IPO.

The euro loan priced at 400bp over Euribor with a 0% floor, from 425bp at launch, and an OID of 99.5. There will be a 25bp step-down when the closing date first-lien net leverage decreases by 1 times.

A US$110m-equivalent delayed-draw term loan is included in the euro loan, while a US$170m DDTL is included in the dollar loan.

The loans come with 101 soft call protection for six months. The dollar loan will amortise at 1% per year.

Credit Suisse was the lead-left bookrunner and administrative agent for both loans.

Deutsche Bank, *BMO*, *Bank of America*, *Barclays*, *BNP Paribas*, *CIBC*, *Goldman Sachs*, *RBC* and *TD* are bookrunners.

› ADVERTISING FIRMS UP TLB

Mobile advertising companies **LIFTOFF MOBILE** and **VUNGLE** increased the size of a senior secured term loan B to US$1.4bn from US$1.25bn.

The loan, together with a US$150m revolving credit facility, will recapitalise the business, including refinancing debt and funding the one-time dividend. The additional proceeds will increase a dividend distribution to shareholders.

The seven-year term loan priced at 375bp over Libor with a 0.5% floor, from 375bp–400bp. The OID firmed at 99.5 from 99–99.5.

It comes with 101 soft call protection for six months and amortises at 1% per annum.

Morgan Stanley was joint-lead arranger and an administrative agent. *Credit Suisse*, *Nomura*, *Goldman Sachs*, *Barclays* and *Mizuho* were joint bookrunners.

Both companies are backed by private equity firm Blackstone. In August the companies announced their plans to combine.

Software provider **CONNECTWISE** wrapped a US$1.05bn term loan B that will refinance a unitranche facility.

The seven-year loan priced at 350bp over Libor with a 0.5% floor and an OID of 99.5.

It comes with 101 soft call protection for six months.

Bank of America was the lead-left arranger.

ConnectWise, which is backed by private equity firm Thoma Bravo, received a US$1.1bn unitranche facility from direct lender Owl Rock Capital Partners in November 2019.

Corporate ratings are B2/B+ and the term loan B ratings are B2/BB+.

Poultry processor **SANDERSON FARMS** downsized a term loan B to US$500m from US$750m, moving US$250m into a pro rata portion. A US$750m farm credit loan was also offered as part of the transaction.

The seven-year term loan B priced at 225bp over Libor, from 225bp–250bp. Starting in January 2022, the margin will transition to 225bp over SOFR, plus a credit spread adjustment. The transition to SOFR will also apply to the 0.5% floor.

It comes with a 99.5 OID and 101 soft call protection for six months.

The pro rata financing originally comprised a US$750m revolving credit facility and a US$1bn term loan A1, both due 2026.

Bank of America was the lead-left arranger on the TLB.

Rabobank led the farm credit portion of the transaction as well as the pro rata financing.

BMO, *BNP Paribas*, *Fifth Third*, *PNC*, *Regions*, *SMBC*, *US Bank* and *Wells Fargo* were arrangers.

The company is being acquired by Cargill and Continental Grain, in addition to investment firm Healthcare of Ontario Pension Plan. Sanderson Farms will be combined with Continental Grain's subsidiary Wayne Farms upon the close of the transaction.

Corporate ratings are Ba3/BB and the TLB is rated Ba3/BB+.

› SPIRIT AEROSYSTEMS SEEKS REFI

Aerostructure manufacturer **SPIRIT AEROSYSTEMS** has launched a US$600m term loan that will refinance a term loan B and will be used for general corporate purposes.

The loan, which matures in January 2025, is guided at 425bp-450bp over Libor with a 0.5% floor and a 99.5 OID.

It comes with 101 soft call protection for six months.

Bank of America is arranging the deal.

EUROPE/MIDDLE EAST/AFRICA

› MASMOVIL TO LAUNCH TLB

Spanish telecoms company **MASMOVIL** has scheduled a lender meeting on Monday to discuss a €800m term loan B that will support its acquisition of Euskatel.

BNP Paribas is lead-left bookrunner and is joint global coordinator and joint bookrunner along with *Deutsche Bank*, *Barclays*, *Goldman Sachs* and *Santander*.

Joint bookunners are *BBVA*, *Sabadell*, *Bank of America*, *Credit Agricole*, *Mizuho* and *Morgan Stanley*.

The covenant-lite loan, which matures in September 2027 – the same as its existing term loans – will have a 0% floor and will include a 101 soft call protection for six months.

Masmovil is likely to raise €1.75bn in secured euro bonds and €500m of unsecured euro bonds in addition to the TLB.

Proceeds will be used to fund the €1.965bn acquisition and transaction costs of €69m, as well as refinance €1.516bn of Euskaltel debt.

The new €800m term loan, when added to Masmovil's existing €2.2bn term loan B,

means the company will have one of the largest euro term loans outstanding in the market post-financial crisis, a banker said. Market assumption is that Masmovil will refinance its existing term loan.

URBASER CRANKS UP PRICING

Banks have cranked up pricing on a loan backing Platinum Equity's acquisition of Spanish environmental services and waste management company **URBASER** that relaunched at a reduced €1.25bn having postponed a €1.63bn buyout financing in July after failing to gain enough traction from investors.

The loan, backing Platinum Equity's US$4.2bn acquisition and led by *Bank of America* and *Santander*, relaunched at 475bp over Euribor, with a 0% floor at 97–98 OID.

It originally launched before summer at 350bp over Euribor, at 99–99.5 OID and rose to around 450bp over Euribor, at 98 OID before commitments were due on July 28, but was postponed on July 30.

The €1.25bn seven-year, covenant-lite loan will be offered with 101 soft call protection for 12 months.

Investors have been asked to commit by September 29 to the relaunched loan, which carries enticing B1/BB– ratings.

The loan will finance the acquisition and refinance debt and has been able to relaunch at a reduced size because the bulk of existing debt is staying in place rather than being refinanced.

"They have had responses confirming existing debt will be rolled over and therefore no longer need backstops, so the overall amount has reduced," a senior banker said.

The financing also comprises a €400m revolving credit facility and around €650m of guarantee facilities.

NH Investment & Securities has joined the wider bank group as sole mandated lead Korean arranger. Other joint bookrunners on the financing include *BBVA*, *BNP Paribas*, *CaxiaBank*, *Credit Agricole*, *Deutsche Bank*, *Goldman Sachs*, *ING*, *Natixis*, *Sabadell* and *Societe Generale*.

MEDIAN SEEKS €800m DEAL

German rehabilitation clinic operator **MEDIAN** has launched an €800m-equivalent dual-currency term loan B to refinance the capital structure of Priory Group and Median and support its acquisition by Waterland's continuation fund.

Barclays, *Goldman Sachs* and *SEB* are joint global coordinators and mandated lead arrangers, alongside MLAs *Bank of Ireland* and *NatWest*. Barclays is also administrative agent.

The six-year covenant-lite loan is split between a €500m tranche and a £250m tranche.

The €500m loan is guided at 475bp–500bp over Euribor, while the £250m loan is guided at 575bp–600bp over Sonia. Both are offered with a 0% floor and 99 OID.

The loan has an ESG ratchet that includes two quality of care-related KPIs and one emission-based KPI, with levels yet to be confirmed.

The transaction will reset 101 soft call protection for six months.

Corporate ratings are B3/B/B. Facility ratings are B3/B/B+.

Dutch private equity group Waterland launched the sale of Median Kliniken in a deal potentially worth more than €1bn, Reuters reported in July 2018.

Waterland acquired Median, which helps patients to recover from orthopaedic surgery, heart attacks, strokes and accidents, from private equity firm Advent in 2014 for about €1bn including debt.

In the same year, it sold Median Kliniken's real estate assets for €705m to US-based Medical Properties Trust, which has long-term rental contracts with the clinics.

Waterland also merged Median Kliniken with portfolio company RHM and strengthened the group by several acquisitions, including Duesseldorf-based AHG Allgemeine Hospitalgesellschaft in 2016.

POLYGON OUTLINES TLBS

UK property damage control service **POLYGON** has launched a leveraged financing to back its acquisition by private equity firm AEA, co-investors and management.

The seven-year covenant-lite financing comprises a €430m term loan B, a €55m delayed-draw term loan B that is fungible with the TLB once drawn, and a pre-placed €120m second-lien term loan.

The TLB loans are offered at 400bp–425bp over Euribor with a 0% floor and a 99.5 OID. They include 101 soft call protection for six months.

Corporate and issue ratings are B2/B/B and B1/B/B, respectively.

Jefferies, *Morgan Stanley* and *Nordea* are joint bookrunners and mandated lead managers.

Proceeds will also cover refinancing of debt.

BABILOU OUT WITH REFI

French childcare operator **BABILOU** has launched a €105m add-on term loan B to repay RCF drawings and refinance debt that backed its acquisition of German childcare service Little Giants.

The loan is fungible with Babilou's covenant-lite first-lien term loan B, which will now total €687m.

In line with the existing TLB, the add-on will mature in November 2027 and pays a margin of 425bp over Euribor with a 0% floor. An OID is guided at 99.5.

Corporate ratings are B2/B– with a recovery rating of 3.

Proceeds will also used as cash on balance sheet and pay associated transaction fees and expenses.

BNP Paribas and *JP Morgan* are joint physical bookrunners, *Societe Generale* is passive bookrunner and JP Morgan is administrative agent.

HOWDEN SECURES TLB

Insurance broker **HOWDEN** has priced a dual-currency term loan B maturing on November 12 2027.

The financing comprises a €350m tranche and a US$955m tranche.

The fungible add-on deal will fund the acquisition of peer Align Financial Holdings and pay down revolver borrowings. The additional proceeds will refinance a term loan B.

The dollar portion firmed at 325bp over Libor with a 0.75% floor and an OID of 99.

The euro loan priced at 350bp over Euribor with a 0% floor, in line with guidance. The OID was tightened to 99 from 98.56.

The covenant-lite loans come with 101 soft call for six months and will amortise at 1% per year.

Morgan Stanley is lead-left on the dollar portion and administrative agent.

Morgan Stanley and *JP Morgan* are joint physical bookrunners on the euro portion.

Barclays, *HSBC*, *NatWest*, *ING* and *Lloyds* are joint lead arrangers and bookrunners.

The company and the debt are rated B2/B.

PAYSAFE PRICES ADD-ON

UK-headquartered payment processor **PAYSAFE** has finalised pricing on a dual-currency add-on term loan B that will fund the acquisitions of SafetyPay, viafintech and PagoEfectivo.

The incremental loan is fungible with a US$628m TLB and a €435m TLB due in June 2028.

A US$390m loan and €275m loan priced in line with guidance at 275bp over Libor with a 0.5% floor and 300bp over Euribor with a 0% floor, respectively.

The dollar loan was issued with a 98.5 OID, tightened from 97.971, while the OID on the euros is unchanged at 97.971.

There is 101 soft-call protection until December 28.

The euro loan will step down to 275bp over Euribor if net leverage is lower than 3.7 times.

Both tranches will pay a ticking fee of 50% of the margin plus Libor/Euribor between

Duo eyes niche lending

JAPAN Regional banks form tie-up to pursue LBOs and structured finance business

BANK OF YOKOHAMA and KIRABOSHI BANK are teaming up to seize on opportunities in structured finance amid a rise in funding needs for small and medium-sized enterprises in Japan.

The duo will collaborate in financings for leveraged buyouts and medical institutions, non-recourse loans as well as M&A advisory services, exploring opportunities from smaller companies that are not on the radar of the Japanese mega-banks.

In the process BoY and Kiraboshi will draw on their respective strengths and pool resources to further grow their structured finance businesses. While details of the partnership, announced on August 26, are still being worked out, the duo will be able to jointly provide loans in sizes that match those the Japanese mega-banks can offer.

"Sharing the knowledge and expertise of credit approval process and deal screening will make it possible to do deals that could not have been done alone, and with the two underwriting capacities combined, we could do larger deals," said Toru Hosoya, joint general manager of the corporate planning division of Tokyo-based Kiraboshi. "I believe this will lead us to expand business opportunities."

Unlike most other Japanese regional banks, the duo are actively involved in structured finance.

"Bank of Yokohama and Kiraboshi Bank overlap in some geographical areas of coverage and both banks have been focused on structured finance for some time. There are not so many players that are so committed to the business among Japanese regional banks," said Takashi Haraikawa, manager of the corporate planning department at BoY.

BUILDING UP

Kiraboshi aims to grow its structured finance assets such as LBO loans, excluding project finance, to ¥531.8bn (US$4.86bn) by the end of March 2024, more than four times the ¥121.1bn recorded at the end of March this year.

The bank hired Kazuki Yoneda last October from Tokyo Star Bank to head the 35-strong structured finance division.

BoY has grown its structured finance assets comprising non-recourse and project financings, and cross-border loans to ¥363.6bn at the end of March, almost five times the ¥73.2bn total it had clocked at the end of March 2018.

Its medium-term management plan for FY2019–2022 has a focus on growth through structured finance. In April 2019, the bank established a dedicated group of 18 bankers for structured finance in its financial market department and also added three bankers from international banks to its investment banking team to focus on deal origination.

"The next target amount is still under discussion, but of course the bank recognises the structured finance business as a very important initiative, so we are thinking of increasing it further," Haraikawa said.

NEXT GENERATION PROSPECTS

Both banks believe the tie-up will position them well to capture opportunities arising from the transition of Japan Inc from a largely family-owned set-up to one where professional managers and financial sponsors play a greater role.

Japan has the world's highest proportion of elderly citizens and many of its family-owned companies face succession issues with a need to pass control to the next generation, which may not be keen on continuing the business, or outsiders such as financial sponsors.

"Japan has seen needs for business successions nationwide for a long time, and there is an increasing momentum that managements must take it more seriously amid the coronavirus pandemic," Kiraboshi's Yoneda said. "The number of deals we are working on is definitely on the rise."

Kiraboshi was one of 13 banks joining a ¥130bn loan backing Bain Capital's management buyout of Tokyo-based nursing care provider Nichii Gakkan in February.

Yoneda also said that demand for mezzanine financing is growing as the universe of lenders in the bank market is shrinking due to the impact of the pandemic.

"There is abundant equity in the market, we are seeing considerable investment demand and deal flow is thriving due to business succession needs. However, the senior loan market has shrunk a little compared with the pre-pandemic level. With high valuations and a shrinking senior loan market, demand for mezzanine funds is growing," he said.

In August, Kiraboshi Capital, a unit of Tokyo Kiraboshi Financial Group, increased its mezzanine fund to ¥12.517bn from an original size of ¥7.5bn.

In February, BoY provided a ¥10bn 35-year subordinated loan for Tokyo-listed restaurant operator Zensho Holdings to refinance a borrowing backing its acquisition of US-based Sushi chain Advanced Fresh Concepts in 2018.

Wakako Sato

31–60 days and 100% of the margin plus Libor/Euribor thereafter.

Corporate and facility ratings are B1/B+.

JP Morgan was lead-left arranger with *PNC* and *RBC* as arrangers on both tranches. JP Morgan is also admin agent.

STADA WRAPS TLB

German drug company STADA has priced a €350m-equivalent fungible TLB add-on to repay opco notes and for general corporate purposes.

The covenant-lite loan, which matures on August 21 2026, is split between a €295m and a £50m tranche.

The euro TLB priced at 350bp over Euribor, while the sterling tranche priced at 450bp over Sonia. Both come with a 0% floor.

The euro loan comes with a 98.625 OID and the sterling tranche comes with a 99.125 OID.

Barclays was sole physical bookrunner and admin agent. Joint bookrunners are *Citigroup*, *Commerzbank*, *Deutsche Bank*, *ING*, *Jefferies*, *JP Morgan*, *Nomura*, *Societe Generale* and *UBS*.

Expected corporate ratings are B3/B/B and expected facility ratings are B2/B/B+, with a stable outlook.

Stada tapped the loan market in February last year with a €2.68bn-equivalent term loan to repay its loan facilities.

LOAN FOR AUGEAN BUYOUT

Ancala Partners and Fiera Infrastructure have won the auction to acquire UK hazardous waste management firm AUGEAN for £390m.

The buyout is being backed with a £155m five-year loan from mandated lead arrangers *NatWest* and *Nomura* comprising a £125m acquisition loan, a £20m capital expenditure facility and a £10m revolving credit facility.

The financing pays 315bp over Sonia for the first two years, 325bp in the third year, 350bp in the fourth, and 400bp in the fifth.

The capex facility and RCF pay commitment fees of 35% of the margin for undrawn funds.

NatWest is agent and security agent.

ORION COMPLETES REFI

Luxembourg-headquartered carbon black producer ORION ENGINEERED CARBONS set final terms on a dual-currency senior secured term loan B that will refinance debt.

The seven-year deal is split between a €300m TLB and a US$300m TLB.

The euro loan priced at 250bp over Euribor with a 0% floor, at par, and the dollar loan priced at 225bp over Libor with a 0.5% floor and a 99.5 OID.

Soft call protection will be reset at 101 for six months on both loans. The dollar loan will amortise at 1% per annum.

The loan has an SDG-linked margin ratchet related to meeting two KPIs, which will push margins up or down by 10bp.

Goldman Sachs was sole bookrunner and mandated lead arranger alongside mandated lead arrangers *Deutsche Bank*, *ING* and *UniCredit*. Goldman Sachs is also agent.

The loan will refinance the borrower's US$652m-equivalent TLB.

Corporate and instrument ratings are Ba2/BB.

ASIA-PACIFIC

HINDUJA HEALTHCARE LBO LOAN OUT

Baring Private Equity Asia has launched into general syndication a US$570m five-year senior secured term loan to finance its leveraged buyout of 100% of the healthcare services division of Hinduja Global Solutions.

DBS Bank, *Deutsche Bank*, *HSBC*, *Standard Chartered Bank*, *Bank SinoPac*, *E.Sun Commercial Bank*, *Korea Development Bank* and *MUFG* are the original mandated lead arrangers, underwriters and bookrunners on the transaction.

Citigroup, *Credit Suisse Singapore branch*, *CTBC Bank*, *Far Eastern International Bank* and *SMBC* are the MLABs, while *Woori Bank* has joined as MLA.

BETAINE BV is the borrower of the loan that will fund the acquisition of the target from Indian conglomerate Hinduja Group's business process outsourcing unit.

The loan pays an opening interest margin of 400bp over Libor and has an average life of 4.77 years.

Lead arrangers coming in for US$30m and above earn a top-level all-in of 418.87bp via a 90bp fee, while arrangers joining with US$15m–$29m will receive an all-in of 413.63bp via a 65bp fee.

The borrowing represents a leverage multiple of around 5.5–6 times based on the target's adjusted Ebitda of US$94.5m for the year ending March 2021.

Hinduja Global Solutions agreed to sell the healthcare services unit to funds affiliated with BPEA for an enterprise value of US$1.2bn.

TRADE ME SHOPS REFI

New Zealand-based online classified operator **TRADE ME** is seeking a new term loan B of NZ$1.56bn-equivalent (US$1.10bn) to refinance an existing borrowing.

The deal comprises a NZ$1.09bn-equivalent seven-year first-lien term loan, a NZ$465m-equivalent eight-year second-lien term loan and a five-year revolving credit facility.

Credit Suisse is leading the refinancing.

In February 2020, Trade Me repriced its US$602m-equivalent TLB at 400bp over Libor with a 0% floor. The first-lien term loan matures in May 2026.

In April 2019, Trade Me raised a US$605m-equivalent seven-year first-lien term loan at 425bp over Libor with a 0% floor and 99.5 OID.

Proceeds supported the buyout of the company by private equity firm Apax Partners.

COLONIAL FIRST REVISES LOANS

Australian wealth manager **COLONIAL FIRST STATE** has revised the size of the buyout loans that will finance the acquisition of a 55% equity stake by private equity firm KKR.

A US dollar first-lien term loan was revised to US$450m, having launched at A$1bn-equivalent, while an Australian dollar first-lien term loan was increased to approximately A$890m (US$649m), from A$500m.

A A$150m delayed-draw term loan is unchanged.

The US dollar first-lien loans are priced at 375bp over Libor from 400bp–425bp at launch, with a 0.5% floor and an OID of 99. The Australian dollar first-lien loans are guided around 425bp over BBSY with a 0.5% floor and an OID of 99.

The loans come with 101 soft call protection for six months.

A ticking fee that is 50% of the spread will kick in on day 46 after the deal closes. That will increase to 100% of the spread on day 91.

Bank of America, *KKR Capital Markets*, *Jefferies*, *Commonwealth Bank of Australia*, *Credit Suisse*, *HSBC*, *MUFG*, *UBS* and *Natixis* are arranging the deal.

HEXAWARE LINES UP BRIDGE

Six banks have provided bridge-to-bond financing of about US$1bn to support private equity giant Carlyle Group's proposed US$3bn leveraged buyout of Indian IT services provider **HEXAWARE TECHNOLOGIES**.

Goldman Sachs and *HSBC* are the lead-left arrangers on the deal, while *Barclays*, *BNP Paribas*, *Nomura* and *Standard Chartered* are the other banks. The loan will not be syndicated.

The bridge facility has a 12-month tenor and an extension option that could be exercised in the event that the bond takeout is delayed beyond the maturity of the loan.

The leverage multiple on the bridge-to-bond is about 6 times based on Hexaware's Ebitda of around US$150m–$160m.

A mezzanine financing representing leverage of 1–1.5 times from an institutional investor also supports the buyout.

US LEVERAGED LOANS

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Bank of America	645	139,384.46	13.4
2	JP Morgan	524	94,083.77	9.0
3	Wells Fargo	388	73,611.83	7.1
4	Credit Suisse	261	56,307.54	5.4
5	Goldman Sachs	289	54,366.51	5.2
6	Barclays	288	54,010.69	5.2
7	Citigroup	211	41,548.17	4.0
8	Deutsche Bank	232	38,665.10	3.7
9	Truist Financial	208	33,342.95	3.2
10	Jefferies	147	32,874.27	3.2
	Total	**1,858**	**1,043,142.97**	

Excluding Project Finance.

Source: Refinitiv SDC code: P2

EUROPEAN LEVERAGED LOANS

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	81	16,194.15	11.3
2	JP Morgan	51	10,867.90	7.6
3	Credit Agricole	54	9,034.94	6.3
4	HSBC	43	8,181.12	5.7
5	Deutsche Bank	49	8,003.48	5.6
6	Barclays	35	6,909.84	4.8
7	Credit Suisse	36	6,456.07	4.5
8	Goldman Sachs	43	5,898.87	4.1
9	Bank of America	38	5,591.78	3.9
10	Natixis	27	5,182.18	3.6
	Total	**164**	**143,598.23**	

Excluding project finance. Western Europe only included.

Source: Refinitiv SDC code: P10

EMEA SPONSORED LOAN BOOKRUNNERS

BY VOLUME: 1/1/2021 TO DATE

Europe, Middle East, Africa

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	45	8,581.29	8.9
2	JP Morgan	35	8,245.93	8.5
3	Deutsche Bank	37	6,120.13	6.3
4	Credit Agricole	38	5,848.52	6.0
5	Barclays	26	5,420.42	5.6
6	Goldman Sachs	35	5,264.13	5.4
7	HSBC	27	4,961.07	5.1
8	Credit Suisse	27	4,745.90	4.9
9	Bank of America	26	3,977.92	4.1
10	Natixis	18	3,676.58	3.8
	Total	**108**	**96,875.07**	

Excluding project finance.

Source: Refinitiv SDC code: P13

FRONT STORY AUSTRALIA

Transurban finds the road clear

› Toll-road operator demonstrates depth of liquidity ahead of other bumper ECM deals

Australian road network operator TRANSURBAN GROUP has raised A$4bn (US$2.9bn) in the country's largest equity offering in three years, showing there is enough liquidity in the Australian capital market to absorb mammoth issues.

The company, which owns half of a joint venture that holds a 51% stake in a Sydney motorway, announced plans for the JV to buy the remaining 49% from the New South Wales government for A$11.1bn.

Transurban is funding its contribution by offering 305m shares in a 1-for-9 accelerated entitlement offer at A$13 each. *Macquarie Capital*, *Morgan Stanley*, *Barrenjoey Advisory* and *UBS* are the leads.

The company has raised A$2.9bn (US$2.1bn) from the institutional entitlement tranche, and the remaining part will come from an underwritten retail offering, which will run from September 27 to October 1.

The institutional entitlement offer attracted strong demand, with up to 93% of entitlements taken up by institutional shareholders. The rest was well supported by shareholders and new investors.

This is the largest Australian equity deal since Transurban raised A$4.2bn from an entitlement offer in 2018 to help fund the original 51% stake in WestConnex motorway.

A senior ECM banker said the market would have no problem absorbing upcoming large deals as fund managers are sitting on lots of cash, after benefiting from high dividends and many takeovers.

Several companies like APN INDUSTRIA REIT (A$350m), CENTURIA INDUSTRIAL REIT (A$300m) and copper miner SANDFIRE RESOURCES (A$1.13bn) have launched entitlement offers and placements to fund acquisitions.

Citigroup and *Macquarie* are joint lead managers of APN Industria REIT and Sandfire Resources. *Morgan Stanley* and *JP Morgan* are the joint lead managers of Centuria Industrial REIT.

ASX IPO OF THE YEAR?

SG LOTTERY, a unit of US-listed gambling products and services company Scientific Games, is set to launch its IPO as soon as October to raise A$4bn–$5bn, people close to the deal said.

Goldman Sachs, *Jarden*, *Macquarie*, *Morgan Stanley* and *UBS* are working on the float, one of the people said.

The group launched a non-deal roadshow in August, IFR reported earlier. This could become the largest IPO in Australia since 2014 and overtake the IPO of online property exchange network Pexa Group (A$1.18bn), which was the year's biggest float when it listed in July.

Current lockdowns in New South Wales and Victoria have caused a small number of issuers to revise the timetables for their IPOs. However, companies pushing ahead may benefit from the current market rally.

"Several IPOs were executed late in the first half of this year which were well received and performed positively in the aftermarket," said Alex Dignam, head of ECM for Australasia at UBS.

"Over the next year, we expect to continue to see an increasing frequency of foreign companies listing on ASX. These will likely be companies with operations, key management, existing shareholders or a key comparable based in Australia," he said.

Singapore-listed ComfortDelGro is seeking an ASX IPO of its unit COMFORTDELGRO CORPORATION AUSTRALIA, in the fourth quarter, the company said in a statement in August.

The deal size is reportedly at least A$1bn. *Credit Suisse* and *UBS* are working on the float.

Sunny Tse

Peel Hunt sets £280m valuation on AIM IPO

› UK mid-cap broker raises £40m for growth in £112m IPO

UK mid-cap equities broker PEEL HUNT completed its £112m London AIM IPO on Friday, although investors will have to wait until Wednesday to see how its shares trade.

The company raised £40m in primary proceeds from an offering of 17.54m new shares priced at 228p each. The cash will go towards growth initiatives, including establishing a European presence, funding increases in regulatory and working capital, and investment in technology.

Secondary selling totalled £72m from 31.57m shares. There is no greenshoe.

The market capitalisation on pricing is £280m, having launched with a £270m–£300m valuation range. The free-float was expected to be 30%-40% and the float completed with 40% of share capital placed.

Pricing represents a 4.3% yield on 2021 numbers, with key peer Numis trading at 3.3%.

Canaccord, Schroders, Allianz and Unicorn Asset Management acquired stakes of more than 3% through the IPO.

The book was comfortably oversubscribed, with good support from US and European money, in addition to the expected UK orders that took the bulk of the book. The top 10 orders took 60% of the float and the top 20 approximately 85%, in what was a long-only dominated deal. There were also orders from high-net-worth individuals who have been clients of Peel Hunt.

Marketing for the float had focused on the UK, as expected for an AIM listing, but also included select meetings in Europe and the US, as well as some in Asia.

There was also an intermediaries offer and an employee offer that raised £3.5m. As was the case with the institutional book, orders were scaled back.

The intermediaries and employee offer was managed through Peel Hunt's proprietary Retail Capital Markets 'REX' portal, which is seen as a potential competitor to the PrimaryBid platform used on many UK accelerated bookbuilds.

Peel Hunt and *KBW* were joint bookrunners, with *Evercore* advising.

Robert Venes

ASIA-PACIFIC

AUSTRALIA

CENTURIA INDUSTRIAL REIT RAISES ACQUISITION FUNDS

CENTURIA INDUSTRIAL REIT has raised A$300m (US$217m) to fund the acquisition of eight properties.

The company sold 78.9m shares in a fully underwritten institutional placement at A$3.80 per share, a 5.2% discount to the close of A$4.01 on September 22.

The company said the placement received strong demand from new and existing institutional investors.

The REIT is also planning to raise up to A$25m from a non-underwritten unit purchase plan to eligible shareholders in Australia and New Zealand that runs from September 30 to October 22.

Morgan Stanley and *JP Morgan* are the leads.

APN INDUSTRIA RAISES INSTO FUNDS

APN INDUSTRIA REIT has raised A$244m (US$178m) from an institutional placement and entitlement offer, as part of a total A$350m equity raising.

The trust sold around 42m shares via a 1-for-3 accelerated non-renounceable entitlement offer at A$3.45 each to raise A$144m, and 29m shares via an institutional placement at the same price to raise A$100m.

The issue price is at a discount of 7.8% to the last close of A$3.74 on September 22.

There was strong demand from existing and new institutional investors for the placement and institutional shortfall, the company said.

APN Industria REIT is expected to raise an extra A$106m from a retail entitlement offer that will run from September 30 to October 15.

Citigroup and *Macquarie* are leads.

FONTERRA CO-OPERATIVE MULLS SPIN-OFF

NZX-listed dairy company **FONTERRA CO-OPERATIVE GROUP** is considering a spin-off of its Australian arm **FONTERRA AUSTRALIA** through an ASX IPO that could value the unit at A$1bn–$2bn (US$722m–$1.4bn).

Fonterra may retain a significant stake after an IPO, the company said.

CHINA

R&F PROPERTY SERVICES IPO OFF

The Hong Kong IPO of **R&F PROPERTY SERVICES** is off after the company sold its core property management assets to Country Garden Services, said people close to the deal.

R&F Property Services filed a listing application in April. IFR reported at the time the deal could raise US$500m–$700m as early as in the third quarter.

Country Garden Services, a unit of Country Garden, said on Tuesday it would buy the property management assets of Guangzhou R&F Properties Services for Rmb10bn (US$1.6bn).

ABC International and *CICC* were sponsors for the planned float.

Hong Kong's IPO market has been challenging in recent months as China has stepped up scrutiny of different sectors. High property prices is one of the key areas the regulators are targeting, making it almost impossible for real estate developers to raise funds.

WEIBO FILES FOR HK LISTING

Nasdaq-listed Chinese social media company **WEIBO** has filed confidentially for a Hong Kong secondary listing which could raise about US$1bn, said people with knowledge of the matter.

Credit Suisse, *CLSA* and *Goldman Sachs* are working on the planned float.

The deal may come as early as this year but the timing will heavily depend on when China announces detailed rules governing its technology giants and cybersecurity issues, said one of the people.

In the past month, Weibo removed user accounts with millions of followers under China's latest guidelines, which include eliminating financial misinformation on social media. It also banned fan accounts of popular artists in support of the Cyberspace Administration of China's move to clean up celebrity fan clubs that regulators deem to have a bad influence on children, such as persuading them to donate money to their idols.

Alibaba Group owns 7.14% of Weibo, according to Refinitiv data. Weibo shares fell 2.1% on Thursday to US$48.74 but are up 19% this year, giving the company a market capitalisation of US$11bn.

Weibo did not respond to an email seeking comment.

TWO PRE-MARKET HK IPOS

ANE (CAYMAN) and **ABBISKO CAYMAN** have started pre-marketing Hong Kong IPOs to raise a combined US$800m.

ANE, a Chinese less-than-truckload shipping operator, is planning to raise about US$500m.

It posted a loss of Rmb2.25bn (US$348m) for the first four months of 2021, mainly because of a change in the fair value of financial liabilities, compared with a profit of Rmb150m in 2020.

CDH Investments owns 10.4% of ANE, The Carlyle Group 2.85%, Ping An Insurance (Group) Company of China 3.03%, Hong Kong-listed NWS Holdings 3.2% and Goldman Sachs 1.06%.

CICC and *JP Morgan* are sponsors.

Abbisko, an oncology-focused Chinese biotech company, is planning a US$200m–$300m Hong Kong listing.

The company posted a first-quarter loss of Rmb124m, compared with a loss of Rmb707m a year earlier.

Lilly Asia Ventures owns 11.2% of the company, Qiming Venture 8.7% and Sinopharm 5.1%.

JP Morgan and *Morgan Stanley* are sponsors.

CHINA TELECOM FALLS BELOW ISSUE PRICE

CHINA TELECOM's A-shares fell below their issue price for the first time on Friday morning, one month after they began trading on the Shanghai Stock Exchange.

ASIA-PACIFIC EQUITIES

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	90	26,542.96	8.2
2	Citic	120	24,197.01	7.5
3	Goldman Sachs	72	22,922.82	7.1
4	Citigroup	64	17,712.27	5.5
5	CICC	78	16,254.45	5.0
6	JP Morgan	57	12,981.63	4.0
7	UBS	65	12,106.83	3.7
8	Bank of America	45	11,732.33	3.6
9	Haitong Secs	79	9,141.94	2.8
10	Huatai Securities	51	8,635.39	2.7
	Total	**2,515**	**323,622.43**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4a1

ASIA-PACIFIC EQUITIES (EX-JAPAN)

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citic	120	24,197.01	8.0
2	Morgan Stanley	69	22,851.72	7.5
3	Goldman Sachs	69	22,672.47	7.5
4	Citigroup	62	17,062.08	5.6
5	CICC	78	16,254.45	5.4
6	UBS	62	11,932.70	3.9
7	JP Morgan	54	11,905.94	3.9
8	Bank of America	40	10,765.97	3.6
9	Haitong Secs	79	9,141.94	3.0
10	Huatai Securities	51	8,635.39	2.9
	Total	**2,365**	**302,765.37**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4a2

The telecoms giant's shares traded as low as Rmb4.43 on Friday morning, below the issue price of Rmb4.53 for its Rmb47.1bn (US$7.3bn) IPO in August, the country's largest in 10 years.

The Hong Kong-listed company started trading in Shanghai on August 20. No announcement has been made on how the 15% greenshoe was used in the following 30 days.

China Telecom's A-shares performed well only on the first two trading days, surging 34.9% to Rmb6.11 on their debut. They dropped later and have been trading near the issue price afterwards.

On Wednesday, China Telecom announced its largest shareholder China Telecom Group has committed to buy at least Rmb4bn of its shares in the market in the coming 12 months.

Before the Shanghai listing, China Telecom also committed to buy back shares to stabilise the A-share price in the first three years of trading if it falls below the net asset value for 20 consecutive trading days. Its NAV for 2020 was Rmb4.49.

China Telecom had its American depositary shares delisted from the NYSE after they were put on the US list of companies designated as owned or controlled by the Chinese military. The company said the ADS would be terminated on December 8.

CICC and *China Securities* were the sponsors of the Shanghai listing, and joint bookrunners with *Citic Securities, BOC International (China), Huatai United Securities* and *China Merchants Securities*.

BRONCUS SHARES CLOSE DOWN ON DEBUT

Shares in Chinese medical device company BRONCUS HOLDING dropped 19.8% on their debut on September 24 to HK$15.00 from the IPO price of HK$18.70.

The shares traded below the IPO price for the whole day. The company priced the float at the top of a HK$17.20–$18.70 range to raise HK$1.67bn (US$215m).

Founded in 2012, Broncus develops diagnostic and therapeutic technology for lung diseases.

It posted a loss of US$48.8m for 2020, wider than its loss of US$32.5m in 2019.

Qiming Venture Capital owned 21.2% of the company before the IPO.

Goldman Sachs and *Haitong International* were the sponsors.

WARBURG PINCUS EXITS HYGEIA

Warburg Pincus has raised HK$2.52bn (US$324m) from the sale of its stake in hospital operator and radiotherapy equipment maker HYGEIA HEALTHCARE.

The clean-up deal, comprising 47.7m shares or 7.7% of the share capital, was marketed at HK$52.60–$53.60 per share and priced at HK$52.80.

The price represents a discount of 10.4% to Thursday's close of HK$58.90.

JP Morgan and *Morgan Stanley* were the bookrunners.

Hygeia's shares rose 2.3% on Thursday and the stock is up 21% this year.

ASYMCHEM LAB WINS CSRC APPROVAL

ASYMCHEM LABORATORIES (TIANJIN) has won Chinese regulatory approval for a Hong Kong listing, which sources close to the deal said could raise about US$1bn–$1.5bn.

Shenzhen-listed Asymchem, which provides contract development and manufacturing services to pharmaceutical and biotech companies, said on Wednesday the China Securities Regulatory Commission approved its plan to sell up to 49m shares in Hong Kong.

Citic Securities and *Goldman Sachs* are the sponsors.

The stock is up 43% this year, giving the company a market capitalisation of Rmb104bn (US$16bn).

For the first quarter of 2021, it posted a profit of Rmb154m, up 45% from a year earlier.

DRC BANK PRICES IPO AT BOTTOM

DONGGUAN RURAL COMMERCIAL BANK has raised HK$9.1bn (US$1.17bn) from a Hong Kong IPO after pricing it at the bottom of the range.

The Chinese lender marketed 1.15bn shares, or 16.7% of the enlarged share capital, at HK$7.92–$8.71 per share.

The price represents a 2021 forecast P/B of 0.85.

Fook Man Development, an investment company backed by the state-owned Assets Supervision and Administration Commission of the People's Government of Dongguan, is a cornerstone with a HK$1bn investment.

The shares will start trading on September 29.

ABC International, *China Merchants Securities*, *CMB International* and *ICBC International* are sponsors.

LINGYI ITECH'S H-SHARE IPO APPROVED

Shenzhen-listed LINGYI ITECH (GUANGDONG) has been given the green light by the China Securities Regulatory Commission for a proposed H-share listing on the main board of the Hong Kong stock exchange.

The magnetic materials manufacturer plans to offer up to 2.03bn shares in the float. Based on Wednesday's close of Rmb6.85, it could raise HK$16.7bn (US$2.14bn) from the deal.

Lingyi Itech posted a net profit attributable to equity holders of Rmb396m for H1 2021, down 37.2% from a year earlier, while revenues rose 6.7% to Rmb12.7bn.

Its shares are down 42.6% in the year to-date.

CICC, *Huatai International* and *UBS* are joint sponsors.

AIRDOC PRE-MARKETS HK IPO

Ping An-backed BEIJING AIRDOC TECHNOLOGY has started pre-marketing a Hong Kong IPO of about US$300m.

The company provides AI-empowered retina-based early detection, diagnosis and health risk assessment services.

It posted a loss of Rmb12m (US$1.86m) for the first quarter of 2021, compared with a Rmb25m loss a year earlier.

Citic Securities and *UBS* are the sponsors.

Ping An Healthcare, a unit of Ping An Insurance (Group) Company of China, owns 8.82% of the company.

HONG KONG

FWD FILES FOR NYSE IPO

Asian insurer FWD GROUP, backed by billionaire Richard Li, has filed publicly for an NYSE IPO that IFR reported in June could raise up to US$3bn.

Morgan Stanley, *Goldman Sachs*, *JP Morgan*, *HSBC* and *CMB International* are bookrunners.

The Li Ka Shing Foundation, which was founded by Richard Li's billionaire father, Li Ka Shing, has indicated interest to subscribe to US$300m of the IPO, according to the filing. PCCW has also indicated interest of US$100m with another US$100m to come from Pacific Century Group, the controlling shareholder of FWD.

Concurrent with the IPO, FWD is selling US$400m of shares to Apollo Global Management in a private placement.

Founded in 2013, FWD is the insurance business of investment company Pacific Century Group. It serves markets including Hong Kong and Macau, Thailand, Cambodia, Indonesia, the Philippines, Singapore, Vietnam, Japan and Malaysia. South-East Asian markets contributed more than 40% of new business value in 2020.

The company posted first-half revenues of US$6bn, up 54% from a year earlier, and net profit was US$205m, compared to a loss of US$318m a year earlier. It had 9.9 million customers as of June 30.

TAM JAI LAUNCHES HK IPO

Restaurant chain operator TAM JAI INTERNATIONAL has opened the books for a

Hong Kong IPO of up to HK$1.4bn (US$179m).

The company is selling 335m primary shares, or 25% of the enlarged share capital, in an indicative range of HK$3.33–$4.17 per share.

The range represents a March 2022 forecast P/E of 20–25 and a March 2023 forecast P/E of 13.2–16.5.

There is a 15% greenshoe comprising entirely secondary shares.

Three cornerstone investors are in with a total investment of US$16m: Matthews International Capital Management (US$10m), China Southern Asset Management (US$3m) and Rays Capital (US$3m).

The books are covered.

The deal is scheduled to price on September 28 and the shares will start trading on October 7.

Guotai Junan is the sole sponsor, and joint global coordinator with *CICC*. They are also joint bookrunners with *ABC International*, *China Tonghai* and *Daiwa*.

INDIA

BHARTI AIRTEL HIRES ADDITIONAL RIGHTS BANKS

BHARTI AIRTEL has hired more banks to work on a Rs210bn (US$2.85bn) rights issue.

Bank of America, *BNP Paribas*, *Citigroup*, *Goldman Sachs*, *HDFC Bank*, *ICICI Securities JM Financial* and *Kotak* have joined *Axis Capital* and *JP Morgan* in the syndicate.

Shareholders as of September 28 will be eligible for the rights issue, which will be open for subscription on October 5–21.

Last month, Bharti announced a 1-for-14 rights offer at Rs535 per share, a 10% discount to the pre-deal close of Rs595.15 on August 27. The shares closed at Rs739.40 on Thursday.

The offer is expected to enjoy a strong response after the government announced a relief package for the telecoms sector, including a four-year moratorium on airwaves payments due to the state. Other measures include extending airwave concessions to 30 years from the current 20 years, waiving the usage charge for airwaves acquired via future auctions and free sharing of spectrum between carriers.

Bharti Airtel said earlier the relief package will support an industry that has been "battered by unprecedented stress, high debts and low return on investments".

Existing telecoms players Bharti Airtel and Vodafone Idea ran up losses after Mukesh Ambani's Reliance Jio entered the market in 2016 and offered services at extremely low rates.

Bharti Airtel shareholders have to pay 25% on application and the balance in two further stages within 36 months at times that will be decided by the company.

Controlling shareholders Bharti Enterprises and Singapore Telecommunications will subscribe to their entitlements.

Bharti Airtel is raising the funds to strengthen its balance sheet to invest in the 5G business.

Last year, Bharti Airtel raised Rs144bn through a qualified institutional placement of primary shares at Rs445 as well as US$1bn from a convertible bond issue to pay overdue fines and penalties to the federal department of telecommunications.

IPO PIPELINE BUILDS

Online car marketplace **DROOM** is planning an IPO of around Rs20bn (US$271m) next year, people with knowledge of the transaction said.

Axis Capital, *Edelweiss*, *HSBC*, *ICICI Securities* and *Nomura* are the banks on the transaction.

CEO Sandeep Aggarwal founded the company in 2014. Other investors include alternative asset manager 57 Stars and venture capital fund Seven Train Ventures.

The company was valued at US$1.2bn in July when it received capital from new investors.

IT consulting company **PHOTON** is planning a US IPO of around US$350m next year.

Citigroup, *Credit Suisse* and *UBS* are close to the transaction.

Photon's customers include Walgreens, L'Oreal, Intel and Johnson & Johnson.

SoftBank-backed hotel aggregator **OYO HOTELS & HOMES** is planning to file a draft prospectus for an IPO of around US$1bn later this month.

Both primary and secondary shares will be offered. *Citigroup*, *JP Morgan* and *Kotak* are working on the transaction.

CEO Ritesh Agarwal is the founder of the company, whose other investors include Sequoia Capital, Lightspeed India, Airbnb, Didi Chuxing and Grab.

ADITYA BIRLA AMC LAUNCHES IPO

ADITYA BIRLA SUN LIFE ASSET MANAGEMENT has set the price range for an IPO of up to Rs28bn (US$375m) at Rs695–Rs712. The deal is smaller than the previously indicated Rs30bn–Rs40bn range.

Books will be open on September 29 to October 1.

The top of the price range implies a P/E of 39 for the year to March 31 2021. The sector trades in a 39x–50x range.

Parent Aditya Birla Capital is selling up to 2.85m shares and Sun Life India 36m shares. The total shares on offer represent 13.5% of the capital.

Bank of America, *Citigroup* and *Kotak* are joint global coordinators and bookrunners with *Axis Capital, HDFC Bank, ICICI Securities*, *IIFL Securities, JM Financial, Motilal Oswal, SBI Capital Markets* and *Yes Securities*.

Aditya Birla Sun Life AMC, the investment manager of Aditya Birla Sun Life Mutual Fund, is a joint venture between India's Aditya Birla Group and Sun Life Financial of Canada.

Total revenues in the last nine months of 2020 were Rs8.63bn, down 9.8% from Rs9.57bn in the same period of 2019. Profit after tax fell 6.6% to Rs3.69bn from Rs3.95bn.

PB FINTECH PLANS OCTOBER IPO

Online financial provider **PB FINTECH** plans to launch a Rs60.2bn (US$816m) IPO as early as October.

PB Fintech is the owner of online insurance aggregator Policybazaar.com and financial products aggregator Paisabazaar.com.

The company is targeting a valuation of US$6bn despite completing a US$45m fundraising in March that valued it around US$2bn.

The deal comprises Rs37.5bn of primary shares and Rs22.7bn secondary. SoftBank subsidiary SVF Python II is among the vendors.

PB Fintech is targeting a pre-IPO placement of Rs7.5bn and the primary component will be reduced by that amount if the placement completes.

Its shareholders include Info Edge India, PremjiInvest, Temasek Holdings, Steadview Capital, Chiratae Ventures and Wellington Management.

Kotak and *Morgan Stanley* are joint global coordinators, and bookrunners with *Citigroup*, *HDFC Bank*, *ICICI Securities*, *IIFL Securities* and *Jefferies*.

CARLYLE TRIMS SBI CARDS STAKE

The Carlyle Group has raised Rs32.7bn (US$444m) through the sale of 32m shares in **SBI CARDS AND PAYMENT SERVICES** that priced at the bottom of a Rs1,021–Rs1,072.30 range.

The price was a 4.7% discount to Monday's close of Rs1,072.30 and the shares represent 3.4% of the company.

Books were oversubscribed with demand from local institutions, international long-only investors and hedge funds. Foreigners comprised the majority of investors.

Around 20 investors participated and the top 10 were allocated 50% of the deal.

Shares traded down every day after the sale and ended the week below water at Rs1,011.20 each.

There is a 90-day lock-up on the vendor.

Bank of America and *Citigroup* were bookrunners.

PHILIPPINES

EMPERADOR STARTS NON-DEAL ROADSHOWS

EMPERADOR, the Philippines' biggest liquor company, has started non-deal roadshows ahead of a S$1bn (US$739m) secondary listing on the Singapore Exchange as early as the fourth quarter.

The Philippine Stock Exchange-listed company is seeking the secondary listing to improve liquidity and visibility.

JP Morgan, *UBS* and *Credit Suisse* are the banks on the transaction.

Top Glove, HongKong Land Holdings, Del Monte Pacific and Tosei are among the companies that have a secondary listing on SGX.

Emperador is owned by billionaire Andrew Tan's Alliance Global Group. Emperador shares are up 79% this year.

SEC APPROVES ALLDAY MARTS IPO

ALLDAY MARTS aims to launch a Ps5.5bn (US$109m) IPO in early October after it received approval from the Philippines' Securities and Exchange Commission.

It is selling up to 6.86bn primary shares at a maximum price of Ps0.80. There is an up to 686m secondary shares greenshoe.

The supermarket operator has 33 stores in the country and is part of Villar Group, which includes Vista Land and Lifescapes, AllHome and Golden MV Holdings.

AllDay plans to use the IPO proceeds to repay debt and for capital expenditure.

Sales in 2020 rose 68% to Ps7.9bn, from Ps4.7bn in 2019. Net profit rose 124% to Ps220m from Ps98m during the same period.

PNB Capital is the sole issue manager and bookrunner with *BDO Capital* and *China Bank*.

SOUTH KOREA

K CAR IPO BOOKS COVERED

The books for **K CAR**'s South Korea IPO of up to W727.1bn (US$661m) have been covered, people close to the deal said.

The base deal from the South Korean used car retailer comprises 16.83m primary shares, or 33.1% of the enlarged share capital, in an indicative price range of W34,300–W43,200. The range implies a market capitalisation of W1.7trn–W2.2trn.

It plans to sell 55%–75% of the shares to institutional investors, 25%–30% to retail and 20% to an employee stock ownership plan.

Bookbuilding will run from September 16 to September 28 and pricing is slated for September 29. The listing will be on October 13.

Goldman Sachs and *NH Investment & Securities* are the joint lead managers.

K Car was established in 2000 and now has 40 directly managed stores across the country.

It plans to use the proceeds for general corporate and working capital purposes.

TAIWAN

MOMO.COM BLOCK TO RAISE NT$7.08bn

Woori Home Shopping is in the market selling part of its stake in Taiwanese e-commerce company **MOMO.COM** to raise up to NT$7.08bn (US$255m).

The deal, comprising 3.8m secondary shares, is being marketed in a price range of NT$1,823–$1,862 per share. The range represents a discount of 5%–7% to Friday's close of NT$1,960.

There is a 90-day lock-up.

Goldman Sachs is the bookrunner.

Momo.com shares fell 4.2% on Friday but are up 300% this year.

EUROPE/MIDDLE EAST/AFRICA

AUSTRIA

GOLDENTREE SELLS 9.25% OF BAWAG

GoldenTree Asset Management cut its stake in Austrian bank **BAWAG** on Thursday night, selling an upsized 9.25% stake for €416.6m.

The deal launched for around 7.5m shares with substantial coverage on indications from a wall-crossing exercise, and a banker involved said that the final sale of 8.25m shares could have been bigger. Formal coverage came after around 15 minutes.

The deal launched with reference to the €54.10 close and priced at €50.50 for a 6.6% discount.

There were more than 100 lines in a book that had sizeable anchors, with the top 10 accounts taking 60% of the trade and the top 20 orders taking approximately 75%. The sponsor and company management were heavily involved in allocations.

GoldenTree is left with a 12.55% stake, subject to a 60-day lock-up.

Shares were up more than 44% this year as of Thursday's close but ended down 2% on Friday at €53.

JP Morgan and *Morgan Stanley* were joint bookrunners.

CZECH REPUBLIC

EUROWAG BEGINS MARKETING LONDON IPO

Prague-headquartered payments company **EUROWAG** has commenced pre-marketing for a London listing.

The company is targeting approximately €200m in primary proceeds to support its growth strategy. A banker involved said a secondary tranche is likely to be similar in size.

The deal is already getting good traction, with particularly strong interest from sector specialists, according to a banker involved.

US-listed payments companies FleetCor and WEX, as well as France's Edenred, are among Eurowag's peers.

A week of pre-marketing will precede bookbuilding, and pricing is likely by early October.

Citigroup and *Morgan Stanley* are sponsors, and joint global coordinators with *Jefferies*. They are also joint bookrunners with *Numis* and *UBS*. *Rothschild* is advising.

ESTONIA

ENEFIT LAUNCHES RARE TALLINN IPO

Estonian state-owned renewables company Eesti Energia has launched a rare Nasdaq Tallinn IPO as it seeks to list its renewables unit **ENEFIT GREEN**.

The IPO will target at least €100m in fresh cash and more in secondary proceeds. It is likely to stick to a four-week process, putting pricing around October 21.

Enefit Green operates in Estonia, Finland, Latvia, Lithuania and Poland. It owns 457MW of wind, solar and co-generation plants, with one pellet plant and one hydro plant, which produced 1.35TWh of electricity in 2020.

Enefit generated revenues of €162.7m in 2020 and Ebitda of €110.2m. In 2021 the company has paid net dividends of €27.1m.

Peers in the pure-play renewables space include Denmark's Orsted, Spain's EDP Renovaveis and Acciona Energia, and France's Neoen and Voltalia. There are also peers that are part of integrated energy groups, and others in the utilities space.

Lithuanian state-owned utility and renewable energy company Ignitis Grupe, which floated in October 2020, may be

referenced as a comparable company given the similarity of the markets, although Enefit has more of a track record in renewable energy, a banker involved in the IPO said.

Interest is likely from a broad range of investors, including pension funds in Estonia and Latvia, as well as Nordic investors and frontier market funds. ESG players in the utilities and renewables space are also expected to show up.

The IPO will include a retail offering for Estonians.

Citigroup, Nordea and *Swedbank/Kepler Cheuvreux* are joint bookrunners.

FRANCE

ANTIN UP 26% ON DEBUT AFTER DOUBLE-DIGIT COVERAGE

French private equity firm ANTIN INFRASTRUCTURE PARTNERS on Friday repeated the success of Bridgepoint's IPO, matching its feat of pricing at the top of the range and then soaring on debut.

Antin priced its €550m Euronext Paris IPO on Thursday at the top of the €20–€24 range, and shares opened on Friday at €30.24. Shares rose to 33% above pricing in early trading and closed at €30.30, up more than 26%. Approximately 5.6m units changed hands, nearly a quarter of the shares in the base deal.

Bridgepoint priced at the top of the range on its £907m LSE IPO in July and rose 29% on debut, enough to exercise the greenshoe after three days' trading.

Antin raised €350m from an offering of 14.58m new shares and 8.33m secondary shares were sold, raising €200m for co-founders Alain Rauscher and Mark Crosbie, and the firm's partners.

The market capitalisation is €4.1bn, with a free-float of 13.2%, rising to just over 15% on full exercise of a 15% greenshoe that is a mix of 2.18m primary and 1.25m secondary.

EMEA EQUITIES

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	85	16,133.31	8.8
2	Morgan Stanley	70	16,039.21	8.8
3	JP Morgan	96	14,218.69	7.8
4	Citigroup	68	11,790.84	6.5
5	Bank of America	52	10,010.78	5.5
6	BNP Paribas	46	7,681.51	4.2
7	Barclays	44	7,551.02	4.1
8	Jefferies	73	7,262.71	4.0
9	Berenberg	53	4,697.71	2.6
10	Carnegie	68	4,596.35	2.5
	Total	**955**	**182,405.52**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4cr

A book of more than 250 lines was double-digit subscribed, with very strong participation from global long-only accounts and around 30% of orders zeroed. The top 20 accounts took 60% of the deal.

Pricing represented estimated P/E on consensus of 32.5 for 2022 and 25 for 2023 while Bridgepoint is at 38..

JP Morgan and *Morgan Stanley* are joint global coordinators, and joint bookrunners with *Bank of America*, *BNP Paribas* and *Citigroup*.

EXCLUSIVE NETWORKS DOWN ON DEBUT

Cyber security specialist EXCLUSIVE NETWORKS saw its shares fall more than 8% on Thursday's trading debut on Euronext Paris following a €366m IPO.

Having opened flat to €20 pricing, shares dropped below €18 at one point before pulling back to €19 by the close, down 5%. Just over 4m units changed hands, more than 21% of the shares offered.

The company raised €260m selling 13m new shares at the bottom of the €20–€24 range. Permira, Olivier Breittmayer, a former CEO of Exclusive Networks who is a senior adviser to EQT and Permira, and employees and former employees of Exclusive sold 5.29m secondary shares.

They are also providing a 15% secondary greenshoe of up to 2.74m shares.

On pricing the market capitalisation is €1.8bn and the free-float is 20%, rising to 23% on full exercise of the greenshoe.

The stuttering start was especially disappointing given that bottom-of-the-range pricing was said to be partly driven by Permira's desire for a strong start to share trading. On Friday, the stock opened just a touch lower at €19.90 but had fallen further to €19.672 after 10:30am in London.

Pricing represented an estimated 2022 P/E of 19.8 and an estimated 2023 P/E of 17.6. Key peer SoftwareONE, which has a nearly US$4bn market cap, trades at around 22.5.

The book was heavily concentrated, with the top 10 orders taking about 65% of the deal and the top 20 around 85%. First-day volume shows they are holding on to their allocations. There was good French representation and long-only money accounted for about 75% of the IPO. Just 303,456 shares were allocated to retail.

JP Morgan and *Morgan Stanley* were joint global coordinators, and joint bookrunners with *BNP Paribas*, *Citigroup* and *Societe Generale*. *Lazard* advised.

ICADE SANTE STARTS BOOKBUILDING

French healthcare real estate investor ICADE SANTE opened books on Wednesday for an up to €902m Euronext Paris IPO.

The deal will target €800m in fixed primary proceeds, and up to €101.8m in secondary proceeds. The fresh capital will back Icade Sante's €3bn investment plan for 2021–2025.

Shares are on offer at €115–€135 each, representing a funds from operations yield of 4.3%–5.4% for 2022, and 4.7%–5.4% for 2023.

Dividend yield is also being considered, with the range representing 3.7%–4.3% for 2022 and 4%–4.6% for 2023.

The implied market cap is €5.6bn–€6.4bn and the free-float will be 15.5%–15.8%.

Existing shares are on sale from multinational REIT and parent Icade, which owns about 58% of the company and will remain the controlling shareholder post-IPO. It will also provide a 10% secondary greenshoe.

The rest of the shareholder register comprises several French insurers, including Credit Agricole's Predica with a 17% stake, Societe Generale's Sogecap with 10%, BNP Paribas' Cardif with 9%, and CNP Assurances with 5%.

Icade Sante will be locked up for 180 days, along with Icade, Predica, Cardif, CNP Assurances and Sogecap.

Books close on September 29 for a French retail offer, and on September 30 for an international offering. Trading commences on October 1. Pre-marketing began on September 13.

Icade Sante's main peers are Belgian REITs Aedifica and Cofinnimo and London-listed REITs Primary Health Properties and Assura. A banker involved said the bottom of the range for Icade is a discount to all four peers, while the top of the range is broadly in line with all of them.

There is a lot of interest from real estate specialists as well as yield players and income funds.

BNP Paribas, Credit Agricole/Kepler Cheuvreux, JP Morgan and *Societe Generale* are joint global coordinators, and joint bookrunners with *Bank of America, Natixis* and *UBS.*

OVHCLOUD TO FLOAT IN PARIS

Cloud computing company OVHCLOUD is seeking to float in Paris in an IPO that could target €500m–€600m, according to a banker involved.

Two weeks of pre-marketing will start on Tuesday, with up to €400m to be raised in fresh capital alongside a smaller secondary tranche.

Primary proceeds will be used to accelerate growth and consolidate its position in Europe while continuing its expansion into the US and Asia. A greenshoe is still to be determined, as is the size of the free-float.

A slightly longer pre-marketing process than has been the norm during the pandemic is aimed at educating investors on the company and sector, which is more established in US than in Europe.

A bookbuild of around a week and half will follow, putting pricing around October 14.

OVHcloud is majority owned by the founding Klaba family with a 76% stake. Investment management firm Towerbrook owns 10%, KKR 10% and management 4%.

BNP Paribas, Citigroup, JP Morgan and *KKR Capital Markets* are joint global coordinators, and joint bookrunners with *Credit Suisse, Goldman Sachs, Morgan Stanley* and *Societe Generale. CIC* is co-lead.

US-listed cloud infrastructure provider DigitalOcean and web hosting company GoDaddy were cited as good references for comparison by a second banker working on the deal.

US tech giants such as Amazon and Microsoft will be among OVHcloud's peers, and the IPO is expected to attract specialist tech investors.

OVHcloud said in June that it provides a range of web cloud services to 1.6 million small and medium-sized enterprises across 140 countries.

It recorded 2020 Ebitda of €255m on revenues of €632m.

AFYREN IPO ORDERS BUILDING STEADILY

The IPO of organic chemicals company **AFYREN** is covered on the base deal size and greenshoe for its €63.3m–€76.8m Euronext Growth Paris listing.

Coverage on the base deal came on Monday, around half way through bookbuilding, with coverage including the greenshoe following on Wednesday. Books close on September 28 and the shares will start trading on October 1.

Afyren develops organic alternatives to petrochemical products. The company's technology uses byproducts from agriculture, such as from processing sugar beet.

Afyren is offering 7.9m primary shares in the base deal with guidance of €8.02–€9.72 per share, and an option to increase the size by 1.2m shares for a €72.98m–€88.45m deal.

The only secondary element is a 15% greenshoe of 1.4m shares provided by the company's founders, and shareholders XL2C Invest, Hedgescope, Sofinnova, Supernova and Sofimac.

The market capitalisation is €203m–€258m with a free-float of 31% on the base deal, increasing to 39% on full upsize and greenshoe.

More than 100 accounts were met before pre-marketing and there is demand of up to €35m from four cornerstone investors. There was a physical site visit earlier this year.

The cornerstones are Mirova with €15m, Bpifrance for €12.66m–€15m, Sofinnova for €4m and CAFC Developpement for €1m.

There are no pure peers, with the UK's Croda and Lenzing of Austria the closest comps. Croda shares are up 35% this year and Lenzing is up nearly 24% but has fallen nearly 9% so far in September.

Berenberg and *Portzamparc* are joint bookrunners.

GERMANY

LOST IN TRANSLATION: BABBEL CALLS OFF FRANKFURT FLOAT

Online language learning business **BABBEL** cancelled a €271m–€316m Frankfurt IPO on Tuesday evening, one day before books were due to close.

The company cited "presently adverse market conditions" for the cancellation. Two bankers pointed to the small size of the float as a factor deterring investors, who are swamped with up to 20 live IPOs in the region.

Despite its failure to float, Babbel was liked by investors. The deal was fully covered by Monday after opening books on September 15, and anchored by at least one sizeable order.

But an extremely busy IPO market backdrop worked against it. Some investors struggled to find the time to learn enough about the business in time to place orders, one banker said.

Babbel's main peer is the US's Duolingo, which priced a US$521m Nasdaq float above guidance at US$102 per share at the end of July. Shares in Duolingo closed on Tuesday at US$200.21 each.

A second banker said some investors favoured Duolingo's business model over Babbel's. Duolingo users can access its app for free or customers can upgrade to an ad-free premium service for a monthly fee. Babbel offers one free lesson then asks customers to choose a subscription-based online language course, learning through an app, live group classes and podcasts for consumers and corporate customers.

Babbel was offered at a deep discount to Duolingo. A price range of €24–€28 per share represented a valuation of around 5–5.5 times EV/sales for 2022, compared with Duolingo, which is trading at around 21x.

The float offered 7.3m primary shares targeting €175m–€204m for growth, alongside 4m secondary shares that would have seen €96m–€112m go to the sellers.

They included Babbel's four founders, KIZOO Technology and SEP, and various VC fund shareholders.

BNP Paribas and *Morgan Stanley* were joint global coordinators, and joint bookrunners with *Berenberg* and *Citigroup*.

BLACKROCK SUB-UNDERWRITES €2.14bn LUFTHANSA RECOVERY RIGHTS ISSUE

DEUTSCHE LUFTHANSA is seeking €2.14bn from a rights issue that will see the airline repay German state funds received during the coronavirus pandemic.

The deal comes as travel restrictions are gradually being lifted. Passenger numbers are now around half of 2019 levels and that level is expected to continue for the rest of the year, while cargo demand remains strong.

Lufthansa expects Q3 adjusted Ebit to be positive, excluding restructuring expenses. The company is targeting an adjusted Ebit margin of at least 8% by 2024. It reported a first-half adjusted Ebit loss of €2.1bn.

Lufthansa will use the rights issue proceeds to repay €1.5bn to the state's Economic Stabilisation Fund. Long-term debt and equity refinancing measures will provide another €1bn to fully repay the ESF by the end of 2021.

"We have always made it clear that we will only retain the stabilisation package for as long as it is necessary," said Lufthansa CEO Carsten Spohr. "We are therefore proud that we can now deliver on our promise and repay the measures faster than originally expected."

The group is targeting a leverage ratio of 3.5 times and an investment-grade rating in the medium term.

The rights issue comprises 597.74m new shares on a 1-for-1 basis at €3.58, a 39.3% discount to TERP of €5.895, based on the September 17 close of €8.21.

The shares traded up on Monday and closed 5.53% higher at €8.664, despite the heavy dilution. On Friday morning, they were trading at €6.2010.

On August 16, the ESF said it intended to complete a tail-swallow exercise to allow it to participate in the rights issue. The ESF held a 15.94% stake in the airline as of September 17.

The ESF is subject to a six-month lock-up and will fully divest its position in Lufthansa within 24 months.

The capital increase is fully underwritten by a syndicate of 14 banks, with shareholder BlackRock providing sub-underwriting of €300m and committing to subscribe to its rights in full.

Bank of America, Deutsche Bank, Goldman Sachs and *JP Morgan* are joint global coordinators, and senior joint

bookrunners with *Barclays*, *BNP Paribas*, *Commerzbank*, *HSBC* and *UniCredit/Kepler Cheuvreux*. *Credit Agricole*, *DZ Bank*, *LBBW*, *SMBC* and *Societe Generale* are joint bookrunners.

Rights trading runs from September 22 to 30, subscription closes on October 5, and a result is due on October 6.

GREECE

PPC TARGETS €750m

PUBLIC POWER CORPORATION is targeting €750m in a capital raise that will complete in early November.

Proceeds will allow PPC to increase its capital expenditure to €5.3bn in the next three years and €8.4bn by 2026, with a target of 7.2GW of capacity by 2024 and 9.1GW by 2026. Ebitda targets are €1.3bn in 2024 and €1.7bn in 2026.

PPC is also planning to expand into adjacent markets in Europe.

The fundraise requires shareholder approval at an EGM, expected on October 19. The offering is not pre-emptive, but shareholders will be given priority allocation.

The trade is expected to launch in late October and complete in early November.

Citigroup and *Goldman Sachs* are joint bookrunners.

LUXEMBOURG

MAJOREL SLUMPS ON DEBUT

Shares in call centre business MAJOREL opened flat to pricing on its €660m Euronext Amsterdam IPO on Friday but almost immediately fell below and closed down 5.5% at €31.20.

More than 3.58m units had changed hands, nearly 18% of the base deal.

A banker involved pointed to the aftermarket for French cyber security business Exclusive Networks, whose shares closed down 5% on their Thursday trading debut following its €366m Paris IPO.

"Deals that are not home runs are proving tricker in the aftermarket but Exclusive has pulled back and I expect this to be similar in terms of trajectory," he said. Exclusive shares closed at €20 on Friday, flat to IPO pricing.

Guidance for Majorel had been narrowed to €33–€35 on Wednesday from the original €32–€39 range, with investors warned on Thursday that orders below €33 risked missing out. There were 20m shares on offer in the base deal.

The market capitalisation is €3.3bn and the free-float is 20%, rising to 23% on full exercise of a 15% secondary greenshoe.

The top 10 orders took approximately half the multiple times covered book, with the top 20 taking around 80%. The book was skewed to long-only money and had a good showing from Continental European accounts.

Pricing represented estimated 2022 EV/Ebitda of 15.5, compared with key peer Teleperformance at around 16.

BNP Paribas, *Citigroup* and *JP Morgan* are joint global coordinators, and joint bookrunners with *Bank of America*, *Goldman Sachs* and *UBS*.

NETHERLANDS

UNIVERSAL MUSIC VALUED AT €48bn ON LISTING

Shares in UNIVERSAL MUSIC GROUP made their trading debut on Euronext Amsterdam on Tuesday, with shares rising strongly from the reference price for the listing but falling during the day.

Shares opened at €25.25, versus the reference price of €18.50, but an important measure of success for direct listings is the open-to-close performance, which was less impressive as shares ended the day at €25.10.

By Thursday's close they were lower, at €23.25.

In Europe's largest listing so far this year, UMG's market cap at the close is approximately €48.2bn.

Volume on Tuesday was just under 52m shares, representing less than 3% of share capital.

Vivendi is distributing 59.9% of the shares in UMG to its shareholders as part of the spin-off and will retain 10.1%.

Vivendi last month sold 10% of UMG to Bill Ackman's Pershing Square Holdings. Ackman initially planned to buy the stake in UMG via his SPAC Pershing Square Tontine but faced regulatory issues. In the end he was still able to buy the stake at an enterprise value of €35bn.

A Tencent-led consortium bought 20% of Universal, in two stages, in 2020 at an enterprise value of €30bn.

BNP Paribas, Credit Agricole, Morgan Stanley, Natixis and *Societe Generale* were lead financial advisers for the listing.

Banque Hottinguer, Messier et Associes, CIC, Rothschild, Bank of America, ING, Intesa Sanpaolo, Lazard, Mizuho Securities and *Santander* were financial co-advisers. *Bank of China* and *Goldman Sachs* were other financial advisers.

RUSSIA

RASHNIKOV CUTS MMK STAKE

Majority owner Vladimir Rashnikov trimmed his stake in MAGNITOGORSK IRON & STEEL WORKS on Thursday night, selling 1.5% of the business for Rbs12.4bn (US$174.7m).

There was no wall-crossing in advance for the sale of 16.61m shares that had been bought by sole bookrunner *Goldman Sachs*. The sale represented approximately five days' trading.

Coverage was achieved soon after launch and pricing was US$1.028, converted to around Rbs75.98 per share for a 2.3% discount to the Thursday close of Rbs77.775.

MMK shares are up more than 36% this year, and more than 18% since the previous sell-down in April when Rashnikov sold 3% of MMK for Rbs22.95bn priced at Rbs68.475 per share, a 3.7% discount at the time.

Rashnikov is left with a 79.76% stake, subject to a 60-day lock-up.

On Friday, MMK shares opened at Rbs76.89 and had fallen to Rbs72. 785 by 5:30pm in London.

SWEDEN

CARY GROUP SOARS IN STOCKHOLM

Shares of CARY GROUP rose strongly on their Stockholm debut on Thursday, after the Swedish vehicle glass repair and replacement provider wrapped up a SKr4.6bn (US$533m) IPO.

The fixed price IPO saw shares sold at SKr70 each and they closed up 22.9% at SKr86. Nearly 8m shares changed hands, or around 12% of the base deal.

The deal was multiple times subscribed and gave Cary a market cap of SKr9.2bn on admission. Very strong interest was seen from large Swedish and international institutional investors as well as the Swedish public.

A total of 65.5m shares were sold, including 17.9m new shares for a primary raise of SKr1.25bn. Secondary shares came from Nordic Capital and Rydgruppen Sverige, controlled by the Ryd family.

Nordic Capital is left with 37.5% and Rydgruppen 4.2%. Nordic Capital's stake will fall to about 30% if a 15% secondary greenshoe is exercised.

The deal was covered in 90 minutes after books opened on September 15, as expected given SKr3.15bn was already guaranteed by cornerstone investors AMF, Capital World Investors, Ohman Fonder, ODIN Fund Management, SEB Investment Management and Swedbank Robur Fonder.

Carnegie, *Danske Bank*, and *Jefferies* were joint global coordinators, and *ABG Sundal Collier*, *SEB* and *UBS* were joint bookrunners. *STJ Advisors* advised.

CTEK SOARS AFTER 20 TIMES COVERED IPO

Shares in Swedish battery charging business CTEK popped – and then some – on their Nasdaq Stockholm trading debut on Friday, opening at SKr170, more than 146% above fixed SKr69 pricing.

The stock rose higher to SKr175, before pulling back to SKr137 in the early afternoon, a krona short of doubling.

Books closed on Thursday for the SKr2.11bn (US$244m) IPO, having been covered on the offering of 30.62m shares after one day of bookbuilding. There were 4.34m primary shares and 26.27m secondary shares, mostly coming from Altor and Faustina.

Investment AB Latour acquired a 31% post-money stake through the IPO.

As a result, a book of around 250 lines was heavily subscribed, with more than 20 times coverage, excluding the cornerstone, and there were some sizeable anchor positions. About a third of the book was zeroed, and the top 10 orders took three-quarters of the deal, including the cornerstone.

Pricing represents approximately 20 times estimated 2022 EV/Ebitda, compared to local peer Garo at around 44 and Alfen of the Netherlands at 51.

CTEK is known to classic car and EV owners as a maker of low-voltage chargers and conditioners and also home EV charging points. CTEK also has more than 50 car manufacturers as longstanding customers.

Pricing was effectively set by the cornerstone agreeing to acquire its stake for SKr1.054bn, and that also meant half the deal was covered at launch.

Carnegie was sole global coordinator, and joint bookrunner with *Swedbank/Kepler Cheuvreux*.

SWITZERLAND

MEDMIX IPO COVERED ON MAXIMUM VALUATION AFTER ONE DAY

The SFr259m–SFr329m (US$281m–$357m) spin-off IPO of Sulzer's MEDMIX is covered at the top of the range after just one day of bookbuilding.

Sulzer shareholders will receive all existing shares of Medmix, while concurrently the company is selling 7m new shares at SFr37–SFr47 each to fund growth. The new shares represent about 17% of post-money share capital and the range gives a market capitalisation of SFr1.5bn–SFr1.9bn.

Books opened on Wednesday and an initial covered message followed later that day.

Tiwel, which owns 48.8% of Sulzer, is not participating in the capital increase.

Books close at 12pm locally on September 29. On September 30, existing Medmix shares begin trading, with new shares debuting on October 1.

Credit Suisse and *UBS* are joint bookrunners on the IPO.

UAE

ADNOC DRILLING FLOAT COVERED ON UPSIZE TO 11%

ADNOC DRILLING has increased the size of its all-secondary Abu Dhabi IPO to Dh4.05bn (US$1.1bn) on investor demand, with 11% of the oil drilling company now on offer compared with 7.5% at launch.

Books were covered in two hours following the launch of bookbuilding on September 13 on an offering of around 1.2bn shares that came with fixed pricing of Dh2.30 per share for a Dh2.76bn deal.

That has now been increased to 1.76bn shares and the deal is multiple times covered on the upsize.

US drilling company Helmerich & Payne is providing a US$100m cornerstone order, subject to a three-year lock-up, and the company has also formed a strategic alliance to support ADNOC Drilling's international expansion.

The company's pre-IPO shareholders are UAE state-owned oil company ADNOC with a 95% stake, and US oil field services company Baker Hughes with 5%.

A retail tranche will comprise about 8% of the offering, while institutions will be allocated 90% and employees 2%.

The retail offer wraps up on Thursday and institutional books close on Sunday.

First Abu Dhabi Bank, *Goldman Sachs*, *JP Morgan* and *HSBC* are joint global coordinators, and joint bookrunners with *EFG-Hermes*, *Emirates NBD Capital*, *International Securities*, *Bank of America* and *Societe Generale*. First Abu Dhabi Bank is lead receiving bank, and *Abu Dhabi Commercial Bank*, *Abu Dhabi Islamic Bank* and Emirates NBD Bank are receiving banks. *Moelis* is advising.

UK

PETERSHILL LOOKING TO REPEAT BRIDGEPOINT'S IPO SUCCESS

UK alternative asset manager PETERSHILL PARTNERS has attracted early demand at the start of a five-day bookbuild for its London Stock Exchange IPO.

Primary proceeds of about £550m is in line with the US$750m target at the launch of pre-marketing. On Tuesday, the price range was set at 320p–380p per share, with about 145m–172m new shares on offer.

Secondary shares come from limited partners in the fund, with 122m–142m shares on offer for a haul of £390m–£540m that will take the total deal size to £940m–£1.09bn. There is also a secondary greenshoe of 43m–44m secondary shares.

The range represents a post-money market capitalisation of £3.7bn–£4.3bn. The free-float is about 25%, rising to 29% on full exercise of the greenshoe.

The range translates into an estimated P/E for 2022 on consensus of 19–22.1. The valuation looks very attractive versus peers Bridgepoint, EQT and Partners Group that trade at 35, 41 and 35 times, respectively. However, another important metric is the level where Bridgepoint completed its IPO two months ago – 21.7 times P/E – as the UK private equity house has been the key reference point for investors.

Bridgepoint stock was trading at 550p on Tuesday, more than 57% above the 350p pricing from July's £907m float. EQT shares are up more than 82% this year and Partners shares are up 48%.

As a result, FIG investors are expected to fight generalists for stock in a very hot sector.

One head of syndicate on Tuesday morning said to expect relatively quick coverage and he was proved correct with coverage achieved before 1pm in London. On Wednesday, there was coverage throughout the range.

A second syndicate head said that the range has been seen as sensible, as was the ambition, with the hope of a similar performance to Bridgepoint, which saw its shares soar 29% on debut and was able to exercise the greenshoe after three days of trading. He added that there had been cornerstone interest but the preference was for flexibility on allocations, especially given the expected level of demand.

There has been a strong bid as expected from UK and US money but there are also plenty of Continental European accounts wanting to get into the book.

A third head of syndicate said there was good demand off the bottom of a range that "captures pretty much everyone who is engaged and hopefully tees us up for a successful IPO".

Books are scheduled to close on September 27, though acceleration is a real possibility. Pricing, allocations and trading are provisionally due on September 28.

Bank of America, *Goldman Sachs* and *JP Morgan* are joint global coordinators, and joint bookrunners with *BNP Paribas* and *UBS*.

OXFORD NANOPORE IPO COVERED IN MINUTES

OXFORD NANOPORE TECHNOLOGIES' billing as a hotly sought-after London IPO was underlined on Thursday when the up to £476m deal was covered at the top of the range within 40 minutes of books opening.

A £3bn–£3.5bn market cap is on the cards for the life sciences company, which makes DNA/RNA sequencing technology that has been used in analysing the coronavirus that causes Covid-19.

One banker involved described "tremendous appetite" for the IPO. Similar companies usually list in the US and listing in Europe has given Oxford Nanopore a unique appeal, the banker said.

A £150m cornerstone investment from Oracle, announced mid-way through pre–marketing, has also supported demand and limited supply. There was appetite from institutions to be cornerstones in the deal but a strategic investor was favoured.

Oracle will collaborate with Oxford Nanopore to explore opportunities in applied and clinical markets. Oxford Nanopore also intends to migrate its data analysis platform to Oracle's cloud infrastructure.

The IPO comprises a mix of primary and secondary shares, with 78m–93m new shares on offer for a primary raising of about £350m. Around 28m existing shares are also on sale for proceeds of £105m–£126m, depending on final pricing.

Shares are on offer at 375p–450p each, representing about 15.3–18.7 times revenues for 2023. Among the key peers are US-listed Genomics and Illumina. A 15% primary greenshoe could increase proceeds by up to £71m, with all the fresh capital intended to support growth.

Oxford Nanopore, its management and directors, and the selling shareholders, will be locked up for 180 days.

Books close on September 30, with pricing, allocations and trading on October 1.

Oxford Nanopore already has institutional investors on its shareholder register and that has aided the process. Existing holders include the UK's IP Group and Lansdowne Partners, and Tencent.

Bank of America, Citigroup and *JP Morgan* are joint global coordinators, and joint bookrunners with *Barclays, Berenberg, Guggenheim Securities, Numis* and *RBC*.

ARGO IPO BUOYS CRYPTO CROWD

Overcoming a tough week for crypto investors, LSE-listed bitcoin miner **ARGO BLOCKCHAIN** still managed to deliver some modest gains for new investors in the wake of its US$112.5m Nasdaq IPO.

Late on Wednesday, the sale of 7.5m Argo ADSs priced at US$15, about a 30% discount to the currency-converted and adjusted price at which the stock closed its prior LSE session.

Pricing at that level was a disappointment given that Argo had used its previous London close of 134p at launch to indicate an implied ADS price of US$18.40.

Though the timing was not ideal given bitcoin prices fell sharply earlier in the week, Argo ADSs finished their first session at US$16.75 for a debut gain of 11.7%.

Argo's LSE-listed stock fell 7.3% to 142p (US$1.96) or an equivalent price of US$19.58 in Thursday's session (each ADS equals 10 common shares), narrowing the discount at which the US-traded stock is trading.

The company plans to use the IPO proceeds to fund the development of its Texas crypto mining facility and other incremental growth, including investments in DeFi projects, and to repay US$25m of its term loan.

Jefferies and *Barclays* were joint bookrunners, with *Canaccord Genuity* and *Stifel* as co-lead managers and *Compass Point*, *DA Davidson*, *Ladenburg Thalmann*, *Roth Capital Partners*, *finnCap* and *Tennyson Securities* as co-managers.

MARLEY LAUNCHES PRE-MARKETING SEEKING £75m

Roofing tiles business **MARLEY GROUP** began pre-marketing on Thursday for its minimum £75m IPO, having filed a registration document a week earlier.

Marley is targeting primary proceeds to support growth and repay debt, but there was no disclosure on how much secondary will be involved.

There will be at least a 25% free-float and a 15% secondary greenshoe.

Three weeks for pre-marketing and bookbuilding puts pricing around October 14.

Jefferies and *Peel Hunt* are joint global coordinators, and joint bookrunners with *Panmure Gordon*.

EUROBOX OVERSHOOTS TO RAISE £213m

London-listed **TRITAX EUROBOX** has raised £213m in a placing, overshooting its target of £170m after receiving strong demand.

Bookbuilding wrapped up on Friday September 17 for the placing, which was launched on September 10.

EuroBox invests in Continental European logistics real estate assets and took into account the ability to invest the additional funds quickly when deciding to upsize. Even with the increase, orders significantly exceeded the shares available.

The fresh capital will back its €520m near-term investment pipeline comprising two German assets totalling more than €170m, which are in the final stages of due diligence, and six more assets for an aggregate €350m, including zoned development land and forward-funding developments.

A total of 191.2m new shares were sold at 111.5p each, a 3.7% premium to estimated unaudited NAV per share of €1.265 as of June 30.

The shares fell on Monday, in line with the broader market, and closed at 110.2p, down 2.3% for the day.

Jefferies and *Kempen* were joint bookrunners.

Tritax EuroBox raised £198.4m in March and has deployed €391m on five acquisitions.

GORE STREET BACK FOR MORE

GORE STREET ENERGY STORAGE FUND is fundraising for the second time this year, targeting up to £72.6m following its acquisition of a 57MW construction-ready energy storage project in the UK.

Following the purchase in Leicester, which is scheduled to become operational in 2023, Gore Street's resources are largely committed. The fund has a pipeline of opportunities, including in new markets of North America and Western Europe, that have been tracked for more than a year. Gore Street can invest up to 40% of its fund in projects outside the UK and Ireland.

Total capex for the Leicester project is estimated at around £22m over the next 12 to 18 months.

Gore Street raised £135m in April from an offering of 132.52m shares at 102p.

The current placing involves 67.83m new shares, representing 24.55% of share capital, at 107p each, a 7.8% discount to Friday's 116p close and a 5.9% premium to the 101p NAV on June 30.

Books are due to close at 3pm on September 29, and a result is due the following day. A PrimaryBid offer of up to €1.1m closed on Thursday oversubscribed.

Gore Street shares were up 11% this year as of the Friday September 17 close but closed down 5.2% at 110p on Monday, in line with falls in the broader market.

JP Morgan and *Shore Capital* are joint bookrunners.

HOME REIT UPSIZES FINANCING TO £350m

HOME REIT has raised £350m to back a pipeline of about £400m of acquisitions, significantly overshooting its £262m fundraising target.

Toast delivers scorching Nasdaq debut

US Restaurant software firm's valuation soars despite early pandemic setbacks

End-to-end restaurant software firm TOAST secured a mammoth US$20bn-plus valuation from its Nasdaq IPO late on Tuesday, drawing enough demand to price the offering well above range and marking a remarkable comeback after it was forced to cut its workforce and slash salaries during the early stages of the pandemic.

In one of the hottest tech IPOs of the year, a syndicate led by *Goldman Sachs*, *Morgan Stanley* and *JP Morgan* priced the sale of 21.74m Toast shares or just 4% of outstanding at US$40, above the US$34–$36 range for proceeds of US$869.6m.

There was never much doubt about the outcome given the syndicate earlier in the week responded to overwhelming demand by upping the range from US$30–$33 at launch.

Though the IPO was executed as a hybrid/blind auction, helping to put upward pressure on the offering price, the stock still surged 56.3% to US$62.51 on debut on Wednesday

Toast's strong debut, aided by the tight free-float and the comps in high-flyers such as Shopify, Square and Olo, leaves it in elite company among the most highly valued software names.

Toast's US$20bn-plus implied EV based on the final IPO terms, rising to US$30bn-plus in the aftermarket, represented a dramatic step-up from just US$4.5bn when the company privately raised US$400m from investors in early 2020.

According to a banker close to the deal, the IPO terms valued the company at a 2022 EV/sales multiple of 37 and 2023 multiple of 25, rising to 58 and 41, respectively, after the stock's first-day gains.

PANDEMIC

Toast terminated nearly half of its employees, instituted a hiring freeze and cut management salaries in April 2020 as Covid-19 lockdowns set in.

But since then the pandemic has substantially bolstered demand for the company's subscription software, hardware (terminals and handheld devices) and fintech solutions as restaurants have rushed to more efficiently run the takeaway and food delivery side of the business.

In the first six months of 2021, Toast doubled its revenue to US$704m and began generating positive free cashflow and adjusted Ebitda.

Anthony Hughes

In total, 321.1m new shares were sold at 109p each, a 4.2% premium to the unaudited NAV per share on July 31.

Orders were scaled back even after the increase in size.

Alvarium Securities was bookrunner.

Home REIT shares closed at 112p on Thursday.

AMERICAS

UNITED STATES

SLOWER WEEK BECKONS BUT BACKLOG STILL BULGES

Amid signs investors are growing more wary about overpaying for IPOs, new issue action will slow in the coming week heading into the quarter-end, though bankers still remain confident of a big finish to a record year.

Broader market developments including the Evergrande crisis in China and concerns the Federal Reserve may sooner rather than later taper its bond purchases did not stop issuers raising US$10bn from IPOs and follow-on stock sales in the past week.

Thirteen of the 14 scheduled IPOs priced and delivered early gains averaging in the teens, though pricing outcomes were widely divergent and several fell on debut (Thorne HealthTech and Aka Brands).

Six companies, all in the software space and led by Freshworks and Toast, priced their IPOs above range, but three, all in the consumer space, came below the original range and one was postponed (Knowlton Development).

The coming week currently brings just three IPO pricings led by sponsor-backed hair care company Olaplex's US$1.1bn Nasdaq IPO, but likely to steal all the attention is the direct listings on consecutive days of the shares of software firm Amplitude and eyewear retailer WARBY PARKER. The month of September, often a wayward one for stocks, is therefore likely to finish with about 26 IPO pricings.

Bankers remain hopeful of pricing some bigger IPOs before the year is out, with names such as Rivian, Nubank and IHS high on the list of likely debutantes.

US EQUITIES

BOOKRUNNERS: 1/1/2021 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	205	38,247.10	16.8
2	JP Morgan	215	36,210.93	15.9
3	Morgan Stanley	192	34,033.20	14.9
4	Bank of America	187	24,130.95	10.6
5	Citigroup	86	11,796.82	5.2
6	Barclays	92	11,153.12	4.9
7	Jefferies	105	7,889.48	3.5
8	Credit Suisse	67	6,488.19	2.8
9	Wells Fargo	47	4,508.80	2.0
10	RBC	42	3,987.17	1.7
	Total	**837**	**228,214.59**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C3r

REMITLY DELIVERS STRONG DEBUT

REMITLY GLOBAL, a fast-growing mobile-first provider of remittance services for immigrants, drew enough demand to price its Nasdaq IPO above-range for proceeds of US$523m.

Joining the exploding ranks of payments companies that have gone public in recent years, Remitly late on Wednesday priced the sale of 12.16m shares, including 7m by the company and 5.16m from insiders, at US$43, above the US$38–$42 range.

Remitly raised another US$25m from a separate private placement of stock to fintech investment firm PayU Fintech Investments, an existing shareholder.

Goldman Sachs and *JP Morgan*, the lead book-running managers, executed the deal as a hybrid/blind auction in anticipation of strong demand.

This may have taken away some of the aftermarket sizzle since the shares rose 12.7% to US$48.45 on debut on Thursday.

The IPO terms attributed Remitly an enterprise value of about US$7.5bn versus revenues of US$257m last year, the latter doubling versus 2019.

This also valued the company at a 13-times multiple of expected 2022 sales, one banker close to the deal told IFR.

Comps include London-listed Wise, which debuted in July and now trades on a forward EV/sales multiple of 14, according to Refinitiv data.

ENGAGESMART PRICES NYSE IPO ABOVE RANGE

General Atlantic-backed customer engagement and payments software firm ENGAGESMART late on Wednesday priced its NYSE IPO above range for proceeds of US$378.3m, becoming the latest

subscription software offering to draw heavy demand from investors.

A syndicate led by *JP Morgan*, *Goldman Sachs*, *Bank of America* and *Citigroup* led the sale of 14.55m EngageSmart shares, including 13m primary and the rest from insiders, at US$26, above the US$23–$25 range.

Easing their task, Dragoneer Investment Group indicated an interest in buying up to 2.1m shares or 14% of the offering. Dragoneer's participation further tightened the supply of stock in an offering that already constituted only 9% of shares outstanding.

A banker close to the deal said the IPO was 20 times oversubscribed.

This overflowing demand for stock was reflected in the aftermarket, the shares jumping 31.2% to US$34.12 on debut on Thursday.

Founded in 2009 by Robert Bennett (the business was then named Invoice Cloud) and now valued at US$4.2bn, EngageSmart grew revenue 59% to US$99.2m in the first half of 2021.

The IPO leaves General Atlantic, which did not sell any shares in the offering, with a 60% stake, while Summit Partners emerges with 16.7%.

CLEARWATER MAKES SPLASH WITH US$540m NYSE IPO

CLEARWATER ANALYTICS, a sponsor-backed investment accounting analytics software

ECM DEALS: WEEK ENDING 24/9/2021

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Bawag	Austria	23/09/2021	€417m	€50.50	Accelerated Bookbuild (Secondary)	JP Morgan, MS, BofA, BNP Paribas, Citigroup
Knowlton Development	Canada	22/09/2021	US$857.1m	US$15.00	IPO (Primary)	Goldman Sachs, JP Morgan, UBS, BMO CM
Telus International	Canada	23/09/2021	US$489.6m	US$34.00	Follow-on (Secondary)	JP Morgan, Barclays, CIBC CM, Credit Suisse
VersaBank	Canada	21/09/2021	US$55.0m	US$10.00	IPO (Primary)	Raymond James
Antin Infrastructure Partners	France	23/09/2021	€633m	€24	IPO (Primary/Secondary)	JP Morgan, MS, BofA, BNP Paribas, Citigroup
Exclusive Networks	France	22/09/2021	€366m	€20	IPO (Primary/Secondary)	JP Morgan, MS, BNP Paribas, Citigroup, SG, Lazard
Broncus	Hong Kong	24/09/2021	HK$1.67bn	HK$18.70	IPO (Primary)	Goldman Sachs, Haitong International
HHG Capital Partners	Hong Kong	20/09/2021	US$50.0m	US$10.00	SPAC IPO (Primary)	EF Hutton, Brookline CM
Hygeia	Hong Kong	24/09/2021	HK$2.52bn	HK$52.80	Accelerated Bookbuild (Secondary)	JP Morgan, Morgan Stanley
Freshworks	India	21/09/2021	US$1.03bn	US$36	IPO (Primary)	Morgan Stanley, BofA, JP Morgan
SBI Cards	India	21/09/2021	Rs32.7bn	Rs1,021	Follow-on (Secondary)	BofA, Citigroup
Majorel	Luxembourg	23/09/2021	€660m	€33	IPO (Secondary)	BNP Paribas, Citigroup, JP Morgan, BofA, GS, UBS
MMK	Russia	23/09/2021	Rbs12.375bn	Rbs75.98	Accelerated Bookbuild (Secondary)	Goldman Sachs
Cary Group	Sweden	22/09/2021	SKr4.6bn	SKr70	IPO (Primary/Secondary)	Carnegie, Danske Bank, Jefferies, ABG Sundal Collier, SEB, UBS
CTEK	Sweden	20/09/2021	SKr2.11bn	SKr69	IPO (Primary/Secondary)	Carnegie, Swedbank/Kepler Cheuvreux
Argo Blockchain	UK	22/09/2021	US$112.5m	US$15.00	IPO (Primary)	Jefferies, Barclays
Home REIT	UK	22/09/2021	£350m	109p	Follow-on (Primary)	Alvarium
Peel Hunt	UK	24/09/2021	£112m	228p	IPO (Primary/Secondary)	Peel Hunt, KBW
Aka Brands	US	21/09/2021	US$110.0m	US$11.00	IPO (Primary, Secondary)	BofA, Credit Suisse, Jefferies, Wells Fargo, KeyBanc CM, Cowen, Piper Sandler, Truist Securities
Argus Capital	US	21/09/2021	US$265.0m	US$10.00	SPAC IPO (Primary)	Goldman Sachs, Morgan Stanley
Bill.com	US	21/09/2021	US$1,199.8m	US$272.00	Follow-on (Primary)	Goldman Sachs, BofA, JP Morgan, Morgan Stanley
Brilliant Earth	US	22/09/2021	US$100.0m	US$12.00	IPO (Primary)	JP Morgan, Credit Suisse, Jefferies, Cowen
Clearwater Analytics	US	23/09/2021	US$540.0m	US$18.00	IPO (Primary)	GS, JP Morgan, MS, Credit Suisse, RBC CM, Wells Fargo, Oppenheimer, Piper Sandler, William Blair
Cue Health	US	23/09/2021	US$200.0m	US$16.00	IPO (Primary)	Goldman Sachs, Morgan Stanley, Cowen
Direct Selling Acquisition	US	23/09/2021	US$200.0m	US$10.00	SPAC IPO (Primary)	BTIG
EngageSmart	US	22/09/2021	US$378.3m	US$26.00	IPO (Primary)	JP Morgan, Goldman Sachs, BofA, Citigroup
Freshworks	US	21/09/2021	US$1,026.0m	US$36.00	IPO (Primary)	MS, JP Morgan, BofA, Jefferies, Barclays
GigCapital5	US	23/09/2021	US$200.0m	US$10.00	SPAC IPO (Primary)	Wells Fargo, William Blair
Hyatt Hotels	US	22/09/2021	US$521.5m	US$74.50	Follow-on (Primary)	JP Morgan, BofA, Goldman Sachs
Inflection Point Acquisition	US	21/09/2021	US$300.0m	US$10.00	SPAC IPO (Primary)	Citigroup
Invitation Homes	US	23/09/2021	US$500.0m	US$40.00	Accelerated bookbuild (Secondary)	Citigroup, Morgan Stanley
Leap Therapeutics	US	21/09/2021	US$89.8m	US$2.85	Accelerated bookbuild (Primary)	Piper Sandler, Raymond James, Mizuho Securities
Live Oak Crestview Climate Acq	US	22/09/2021	US$200.0m	US$10.00	SPAC IPO (Primary)	Jefferies, BofA
Magnolia Oil & Gas	US	23/09/2021	US$124.1m	US$16.55	Accelerated bookbuild (Secondary)	JP Morgan
RBC Bearings	US	21/09/2021	US$555.0m	US$185.00	Follow-on (Primary)	Goldman Sachs, Wells Fargo, BofA, Citigroup, Truist
Remitly Global	US	22/09/2021	US$523.0m	US$43.00	IPO (Primary, Secondary)	GS, JP Morgan, Barclays, Citigroup, William Blair
Rexford Industrial Realty	US	22/09/2021	US$565.9m	US$58.95	Accelerated bookbuild (Primary)	BofA, JP Morgan
Safehold	US	22/09/2021	US$167.2m	US$76.00	Follow-on (Primary)	Goldman Sachs, BofA, JP Morgan, Morgan Stanley
Sovos Brands	US	22/09/2021	US$280.0m	US$12.00	IPO (Primary)	JP Morgan, GS, BofA, Credit Suisse, Barclays, UBS, Cowen, Stifel, William Blair
Sterling Check	US	22/09/2021	US$328.6m	US$23.00	IPO (Primary, Secondary)	GS, JP Morgan, Morgan Stanley, Baird, William Blair
Thorne Healthtech	US	22/09/2021	US$70.0m	US$10.00	IPO (Primary)	BofA, Cowen, Evercore, RBC CM
Toast	US	21/09/2021	US$869.6m	US$40.00	IPO (Primary)	Goldman Sachs, Morgan Stanley, JP Morgan, KeyBanc CM, William Blair, Piper Sandler
Viridian Therapeuticas	US	20/09/2021	US$68.2m	US$11.00	Accelerated bookbuild (Primary)	Jefferies, SVB Leerink, Evercore
Warner Music	US	21/09/2021	US$103.0m	US$44.00	Accelerated bookbuild (Secondary)	Morgan Stanley

US consumer IPOs stampeded by heavy deal flow

US Record number of consumer IPOs hit US market simultaneously

Faced with so many new choices, investors are pushing back against the record number of consumer-focused companies seeking to go public, forcing many to overhaul their offering and accept discounted valuations.

KNOWLTON DEVELOPMENT, a maker of hair care, deodorant, fragrances and other goods for branded consumer goods companies, opted to postpone its US$857m NYSE/TSX IPO after its backers baulked at what they viewed as an unfair valuation.

"There was a deal on the table, but the client was sensitive to price," said one banker involved in the offering. "They will assess their options and return when market conditions improve."

Knowlton, backed by PE firm Cornell Capital, a 59% holder, did cite "market conditions" for the decision, which, while customary in such situations, may not be entirely appropriate.

Goldman Sachs, *JP Morgan*, *UBS* and *BMO Capital Markets* had marketed 57.1m shares, a little more than one-quarter of Knowlton, at US$13–$15. The bottom of that range – the offer on the table was "just below" – would have valued Knowlton at an enterprise value of US$3.8bn, a 16.5 times multiple of Ebitda over the trailing 12 months.

International Flavors & Fragrances, the principal comp, a week earlier warned of disruptions in its supply chain, sending its shares skidding 7% and reducing its valuation to 18 times EV-to-Ebitda, according to Refinitiv data.

Knowlton acknowledged that similar disruptions with suppliers had contributed to compression of its operating margins.

Last week alone saw a branded food maker SOVOS BRANDS, a new-age online jeweller BRILLIANT EARTH, a trendy clothier targeting Gen-Z/Millennials, AKA BRANDS, and maker of vitamins customized by AI, THORNE HEALTHTECH, go public through new US listings. All did so below the valuations marketed and most traded poorly.

Overall, 34 consumer companies have priced IPOs raising a total of US$19.1bn through new US stock listings, according to Refinitiv data. That is the most ever by number and second only to the US$31bn consumer IPOs raised in 2014, when both Alibaba and JD.com went public.

Sovos Brands moved ahead on Wednesday with the fully sized sale of 23.3m shares at US$12.00, below the US$14–$16 range marketed. Advent International, its principal backer, played a heavy hand in allocating the deal, providing a plateful to some investors and leaving others with nothing at all.

Sovos closed its Nasdaq debut on Thursday at US$13.52, 12.7% above offer.

Faced with a similar hostile reception, the founders of Brilliant Earth opted not to sell secondary stock at the lowered US$12.00 price presented them but still moved forward with an all-primary IPO.

JP Morgan, *Credit Suisse*, *Jefferies* and *Cowen* marketed 16.67m shares, half of which were to have been sold by Brilliant co-founders Beth Gerstein and Eric Grossberg, at US$14–$16.

That morphed into an all-primary offering of 8.33m primary shares for €100m proceeds, though Gerstein and Grossberg did contribute a portion of their 43.7m shares to the 15% greenshoe and thereby limiting dilution, bankers involved in that offering told IFR.

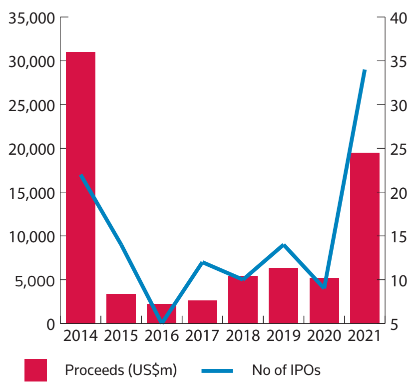
Brilliant closed its Nasdaq debut on Thursday at US$17.12, a shiny 42.6% return from offer.

THORNE HEALTHTECH, the AI-enhanced vitamin maker, dealt with dilution concerns by reducing the size of its all-primary IPO to 7m shares, from 9m, priced at US$10.00, the low end of a US$10–$11 price range that was revised from US$13–$15.

Thorne delivered a prickly debut, tanking 24.5% to US$7.55 on its Nasdaq debut on Thursday.

Stephen Lacey

CONSUMER IPOS FLOURISH IN POST-PANDEMIC WORLD



Source: Refinitiv

firm, raised a better than expected US$540m from its NYSE IPO late on Thursday, capping another big week for software offerings.

Goldman Sachs, *JP Morgan* and *Morgan Stanley* led the all-primary sale of 30m Clearwater shares at US$18, above the US$14–$16 range.

Wellington Management, Dragoneer Investment Group and Durable Capital Partners agreed to buy US$150m of the offering upfront, though the offering was heavily oversubscribed with demand from other investors.

Clearwater plans to use some of the IPO proceeds and proceeds from a new term loan to repay its US$430m of debt.

Though founded 17 years, Clearwater has for the past five years been majority-owned by private equity firm Welsh Carson Anderson & Stowe, which emerges from the IPO owning about 61% of the company. Other investors include Permira and Warburg Pincus, neither of which sold shares in the offering.

One of a string of sponsor-backed IPOs with a growth tilt to be unleashed on investors as early as September, Clearwater generates all its revenue from recurring fees based on clients' assets under management, most of which are fixed-income assets with a low level of volatility (and therefore predictable fee streams).

AKA BRANDS TAKES DEEP DISCOUNT ON NYSE IPO

Online fashion house AKA BRANDS stumbled on the runway, its shares slipping nearly 10% on debut on Wednesday after raising US$110m from a sharply downsized NYSE IPO.

Bank of America, *Credit Suisse* and *Jefferies* ended up pricing 10m Aka shares at US$11.00, well below the original US$17–$19 target on a deal originally sized at 13.88m shares.

Ahead of pricing, the banks told accounts they had secured anchor orders at this lower level.

Yet Aka still disappointed on debut, closing its first session at US$9.99 for a loss of 9.2%.

Aka may have painted itself into a corner because it needs the IPO funding to complete a recent acquisition.

Aka earlier this year acquired a majority stake in the Australian street fashion brand Culture Kings and its purchase of the remaining stake was contingent upon completing the IPO.

The offering also allowed it to buy in minority interests of other brands from earlier acquisitions.

Principal backer Summit Partners, a 57% shareholder, loaned US$25m to help Aka fund the purchase of Culture Kings, and therefore also had some incentive to accept the discounted IPO price rather than walk away.

Aka plans to take on a new US$100m term loan and a US$50m revolver. It plans to use the new debt and the IPO proceeds to repay borrowings used to fund the Culture Kings acquisition.

PFIZER-BACKED PYXIS FILES FOR NASDAQ IPO

Pfizer-backed **PYXIS ONCOLOGY** filed on September 17 for a Nasdaq IPO to help fund two cancer drugs licensed from the drug giant earlier this year.

Bank of America, *Jefferies*, *Credit Suisse* and *LifeSci Capital* are named as joint bookrunners on a US$100m placeholder.

Pyxis is the latest example of Pfizer's collaborative approach to drug development and follows Pfizer-backed IPOs from SpringWorks Therapeutics (rare cancers), Cortexyme (Alzheimer's) and Allogene Therapeutics (off-the-shelf CAR-T).

Instead of developing them in-house, Pfizer licenses global rights for its experimental treatments to smaller biotech partners.

To preserve upside exposure to the drugs it hands over, Pfizer takes its upfront payment in stock, as well as milestone payments and royalties on future sales.

The strategy has worked out well for Pfizer so far.

SpringWorks shares are up nearly 300% and Cortexyme up 400% since the two companies went public in 2019, though Allogene (whose stock price has nearly halved) has struggled.

Pyxis licensed worldwide rights to its two lead cancer drugs in March, handing Pfizer a US$20m of stock, for 12.9% equity stake, in return.

The Pfizer shares were issued as part of a larger US$152m Series B funding round that attracted new investors including Perceptive Life Sciences, Arix Bioscience, RTW Investments and RA Capital.

Pyxis CEO Lara Sullivan was the founder and president of SpringWorks, which was spun off from Pfizer two years ago.

Pyxis plans to use the IPO proceeds to develop its two lead drugs.

Both are antibody drug conjugates, which are chemotherapy drugs attached to a cancer-seeking protein that is supposed to make them safer.

Both are still pre-clinical but Pyxis expects to submit FDA investigational new drug applications for each by the middle of next year.

YESWAY JOINS IPO CHECK-OUT LINE

Convenience store chain **YESWAY** filed on September 21 for a Nasdaq IPO that would set a public mark for its sponsor.

Morgan Stanley, *JP Morgan*, *Goldman Sachs*, *BMO Capital Markets* and *Barclays* are named as joint bookrunners on the US$100m placeholder filing.

Brookwood Financial Partners, a real estate-focused private equity firm, formed Yesway in 2015 to operate a chain of convenience stores in midwestern US states.

Yesway expanded into the US southwest in 2019 through its merger with Allsup's, adding 300 stores and expanding Yesway's overall footprint to 403 stores as of June 30.

Despite identifying some US$42m of synergies at the time of the acquisition, Yesway has experienced some growing pains.

The company reported US$2.3m of net income on US$815m of revenue so far in 2021, versus a US$15m profit on US$718m of revenue in the same period last year. The company has so far achieved US$31.5m of synergies from the Allsup's merger and expects to hit its target by the end of this year.

Brookwood will retain control of Yesway through a limited partnership that will own super-voting shares.

In addition to repaying debt from the Allsup's acquisition, Yesway expects to use part of the proceeds to convert some of Brookwood's limited partner interests into common stock. Pursuant to a tax receivable agreement, Yesway must return 85% of any tax savings arising from such conversions to its sponsor.

MAGNOLIA LENDS HAND IN ENERVEST OVERNIGHT EXTRACTION

JP Morgan offloaded 7.5m shares of **MAGNOLIA OIL & GAS** purchased from EnerVest on Thursday at US$16.55 for US$124m, after marketing the sale overnight at a fixed price.

This is the energy-focused private equity firm's second sell-down of an investment that stems from a 2018 SPAC merger with one of its portfolio companies.

Helping to smooth execution, Magnolia bought back 3m of the shares in the offering, a portion of the remaining 10.5m shares authorised after repurchasing 9.5m shares for US$83.3m (US$8.77 per share) in the first half of 2021.

Magnolia shares were trading early on Friday morning at US$16.42.

EnerVest, which last sold 17m shares at US$10.50 via a marketed offering in March, reduced its Magnolia holding to roughly 100m shares, a 42.5% stake. The firm received 137m shares and US$1.2bn of cash through the merger of its Eagle Ford Shale oil and gas properties in southern Texas with SPAC TPG Pace Energy in 2018.

REXFORD STORES AWAY EQUITY THROUGH FORWARD SALE

Continuing its usual funding routine, **REXFORD INDUSTRIAL REALTY** locked in US$565.9m of equity overnight on Wednesday, a portion of which was sold on a forward basis.

Bank of America and *JP Morgan* backstopped the sale of 9.6m shares at US$58.95, the bottom of the US$58.95–$59.95 range marketed overnight and a 2% discount to Wednesday's US$60.16 close.

Of the 9.6m shares sold, 6.5m were borrowed from existing holders as part of an 18-month forward sale agreement. Shares closed on Thursday at US$58.92.

Rexford priced a similarly sized block of 9m shares at US$55.64, via JP Morgan and Bank of America, in May. That offering was structured entirely as a forward sale. Earlier this year, the REIT separately put in place a US$750m ATM programme that was also structured as a forward sale, whereby the shares sold are borrowed from existing holders and can be settled for cash as needed.

The REIT physically settled both the remaining 4.5m shares under the May forward and 2.6m shares outstanding on the ATM forward, simultaneous with the new stock sale. It used the US$406m raised from settling those forward to fully pay down borrowings on its US$700m revolver.

Rexford has spent US$663.5m on acquisitions in the third quarter, an acceleration from the US$257m spent in the second quarter and US$164m in the first quarter. It has agreements in place to acquire another US$500m worth of properties, the REIT outlined in conjunction with the new stock sale.

CUE HITS THE MARK WITH NASDAQ IPO

CUE HEALTH, a venture-backed maker of an over-the-counter test for Covid-19, popped 40% early on Friday after scoring a midpoint pricing outcome from its US$200m Nasdaq IPO.

Joint bookrunners *Goldman Sachs*, *Morgan Stanley* and *Cowen* earlier priced the sale of 12.5m shares at US$16.00 versus the US$15–$17 range.

Despite opening the deal to Robinhood users late in the bookbuild, Cue still had plenty of institutional support. The stock soared as high as US$22.55 in early trading before settling back around the US$20 mark in the afternoon session.

The IPO flushed US$235m of a 3% CB into 18.6m shares at 20% of the IPO price.

The offering price attributes Cue an enterprise value of US$2bn versus US$202m of sales this year from its Covid-19 test, its only commercial product.

That equates to an EV-to-sales multiple of 4.9 at the current run rate.

QUIDEL, a direct competitor that makes the QuickView Covid-19 test, trades at a multiple of 5.9, according to Refinitiv data.

Cue is using the IPO proceeds to fund the sales and marketing of its Covid-19 test, and complete late-stage trials of five other over-the-counter diagnostic tests.

INVITATION OPENS HOUSE FOR US$500m BLOCK SALE

INVITATION HOMES secured US$500m from a primary block sale overnight on Thursday, the single-family home operator's first equity raise in more than a year.

Citigroup and *Morgan Stanley* shared risk on the purchase, reoffering an upsized 12.5m shares at US$40.00, towards the lower end of the US$39.90–$40.25 marketing range and a tight 1.2% discount to the US$40.47 last sale Thursday. That is an increase from the 10m shares the banks had agreed to purchase.

Invitation Homes shares were trading early on Friday at US$39.86.

The trade represented just three days' trading volume and 2.2% of outstanding.

The raise takes Invitation's dry powder to US$1.6bn.

VIRIDIAN RAISES US$85m OVERNIGHT

Biotech firm VIRIDIAN THERAPEUTICS has raised US$85m from an upsized overnight sale of common and preferred stock.

After confidentially marketing the deal to selected investors, joint books *Jefferies*, *SVB Leerink* and *Evercore* sold 6.2m shares at US$11 each to raise US$62m.

Certain unnamed investors also bought 23,126 series B preferred shares at US$733.37 each.

The preferreds are convertible into 66.67 shares at the election of the holder, or 1.54m shares in total.

Viridian shares closed at US$10.69 ahead of the offering but surged to more than US$16 later in the week.

The biotech is using the proceeds to fund clinical trials for its treatment for thyroid eye disease, an autoimmune disease that causes bulging around the eyes.

It expects to file an FDA investigational new drug application by the end of this year. If approved, Viridian plans to launch a Phase I trial early next year.

HYATT PULLS TRIGGER ON US$521.5m M&A FINANCING

HYATT HOTELS secured US$521.5m last week to fund its US$2.7bn acquisition of all-inclusive resort operator Apple Leisure.

JP Morgan, *Bank of America* and *Goldman Sachs* led the one-day marketed sale of 7m Hyatt shares (6.4% of expanded capital) at US$74.50, a 1.1% file-to-offer premium. In Thursday's aftermarket, Hyatt shares rose to US$77, as some investors used the offering to position themselves for an expected post-Covid travel surge.

Hyatt said on August 15 it planned to raise US$500m of equity to help fund the purchase of Apple from KKR & Co and KSL Capital Partners, a deal that doubles the former's global resort portfolio.

The acquisition is expected to close in the fourth quarter of this year, though, as with recent M&A-related equity financings from State Street, Avantor and RBC Bearings (the latter also in the past week), Hyatt moved quickly to fund now rather than run the risk of having do so in chillier market conditions.

GITLAB FILES FOR NASDAQ IPO

Backed by Google and Khosla Ventures, "DevOps" software firm GITLAB should get the pulses of IPO investors running with its 70% top-line growth, 150%-plus net retention rate, 87% gross margins and partnerships with Amazon Web Services and Google Cloud.

Goldman Sachs, *JP Morgan* and *Bank of America* are leading a 10-firm syndicate for GitLab's Nasdaq IPO, which filed publicly on September 17 after an earlier confidential filing in mid-July.

Beginning as an open-source project in 2011 before it was founded in 2014, GitLab is, however, chewing through some cash. It has reported some big losses in recent periods, including a US$192.2m net loss in fiscal 2021.

Real estate costs are not the problem because GitLab proudly states it is a remote company with no headquarters, making it the perfect pandemic-era company and becoming another of this year's IPO firsts.

The filing cites GitLab's primary competitor as customers' legacy approach to DIY DevOps (software development and collaboration), but another is Microsoft, which bought rival GitHub for US$7.5bn in stock in 2018.

GitLab is in that ballpark, having taken a US$6bn mark after an employee stock sale exercise in January.

STERLING CHECK PASSES IPO BACKGROUND CHECK

Coming to market nearly three months to the day after rival First Advantage went public, Goldman Sachs-controlled job screening firm STERLING CHECK found strong support for its US$328.6m Nasdaq IPO.

A syndicate led by *Goldman Sachs*, *JP Morgan* and *Morgan Stanley* late on Wednesday priced the sale of 14.285m shares, including 4.76m primary and 9.53m from selling shareholders (mostly Goldman), at US$23, above the US$20–$22 range.

Quietly one of the week's more popular IPOs, Sterling shares rose 17% to US$26.90 on Thursday.

Despite selling 7.63m shares in the offering, Goldman will still emerge from the deal with a controlling two-thirds stake.

The primary proceeds will enable the company to repay about US$100m of its term loan, bringing down long-term debt to about US$500m.

While Sterling's revenue fell 9% to US$454.1m last year as Covid-19 hurt demand for its services, investors are betting the company will benefit from a pick-up in hiring activity as the pandemic wanes, a banker close to the deal said.

In early 2019, Sterling launched "Project Ignite" to create an enterprise-class global platform, using it to launch a suite of Covid-19 testing products last year.

Shares of the Silver Lake/Workday-backed First Advantage, a direct competitor, are up about one-third since the company went public via a US$382.5m Nasdaq IPO in June.

BLAVATNIK PARES WARNER MUSIC STAKE

Billionaire Len Blavatnik modestly cut his stake in record music and music publishing company WARNER MUSIC via a US$103m block trade late Tuesday, taking advantage of a sharp rise in the shares during the earlier session.

Sole bookrunner *Morgan Stanley* reoffered its purchase of 2.34m Warner shares or just 0.5% of outstanding at US$44, the bottom of the US$44–$45 range and a 2.2% discount to last sale. The price was well above Warner's June 2020 IPO price of US$25, though the stock eased to US$43.22 in Wednesday's aftermarket, saddling the buyers of the blocks with some losses.

The block marked the first sale by Blavatnik since the IPO and pares his holdings to 370m shares, a 72% economic interest in Warner.

Yet the offering means little for Blavatnik's control of Warner. He still controls more than 90% of the voting power because his stake is held in the form of super-voting Class B shares.

The sale was well-timed with an 11.8% surge in Warner's share price in Tuesday's session, likely in sympathy with Bill Ackman-backed rival Universal Music's robust debut on Euronext Amsterdam following its direct listing.

Blavatnik bought Warner for US$3.3bn in 2011 while the music industry was

struggling with falling record sales before taking the company public last year via a US$1.93bn Nasdaq IPO.

ALLVUE JOINS CROWDED QUEUE OF SOFTWARE IPOS

ALLVUE SYSTEMS, a Vista Equity Partners portfolio company whose software helps alternative asset managers raise money, source investments and manage assets, early on Monday launched a US$290.7m NYSE IPO.

Allvue joins investment accounting and data software firm Clearwater Analytics, which priced its Nasdaq IPO on Thursday. Meanwhile, fellow investment management software firm Enfusion filed a US$100m placeholder on September 17 for an NYSE IPO that could launch and price next month.

Goldman Sachs, *Barclays*, *Credit Suisse*, *Deutsche Bank*, *RBC Capital Markets* and *Truist* are leading the sale of 15.3m Allvue shares at US$17–$19 for pricing post-close Wednesday, September 29.

Allvue comes with solid SaaS metrics, sporting 31% net recurring revenue growth, 75% of revenue from subscriptions and 114% net dollar retention rate. Last year, it generated US$111m of revenue across more than 400 clients.

Valued at about US$1.8bn assuming top-of-the-range pricing, Allvue was created in 2019 when Vista bought Black Mountain Systems (private credit) and AltaReturn (private equity) and merged them in the same year.

Of the handful of companies Vista has taken public starting with Ping Identity in September 2019, all but one has traded up from its IPO price (Datto, which went public in October last year, is the one trading in the hole). PowerSchool, Vista's most recent IPO, is up 52% (through Monday's close) since it went public at the end of July.

ADVENT SERVES UP FIRST WATCH IPO

Advent International, the private equity firm behind recent debuts of Definitive Healthcare and Sovos Brands, is returning to market as the sponsor behind **FIRST WATCH RESTAURANT**'s up to US$190m Nasdaq IPO.

Bank of America, *Goldman Sachs* and *Jefferies* are leading the sale of 9.5m shares at US$17–$20 for pricing on Thursday, September 30. The offering values First Watch, and its chain of daytime-only restaurants, at up to US$1.1bn.

Of the 423 First Watch restaurants operating in 28 US states, 335 are company-owned and the rest are franchised.

After being hit hard by the Covid-19 pandemic, First Watch recovered quickly.

The company reported a US$16m net profit and US$35m of adjusted Ebitda on US$281m of total sales in the first half of the year, reversing a US$33.8m net loss and US$11m adjusted Ebitda loss on US$133m of revenue in the same period last year.

Advent took control of First Watch, a business founded in the early 1980s, via a secondary buyout from Freeman Spogli & Co in July 2017. First Watch is using the IPO proceeds to repay some of the debt that funded the sponsor buyout.

First Watch is targeting just US$87m of net debt as a public company, just over one time adjusted Ebitda at the current full-year run rate.

PAVMED READIES LUCID SPINOFF

LUCID DIAGNOSTICS, a subsidiary of Nasdaq-listed medical technology firm Pavmed, is looking to become a standalone public company through a Nasdaq IPO.

Cantor and *Canaccord Genuity* are joint bookrunners.

By spinning off Lucid, Pavmed hopes to accelerate the commercialisation of EsoGuard and EsoCheck, its FDA-approved DNA tests for esophageal cancer.

Pavmed, whose stock price has soared 290% this year, plans to retain upside exposure as Lucid's controlling shareholder with a 72.6% equity stake.

Case Western Reserve University, the owner of the IP rights to the EsoGuard technology, is an 8.6% shareholder.

RBC DODGES DILUTION WITH US$955m OF M&A FUNDING

Shares of **RBC BEARINGS** fell sharply while it marketed a combined US$955m sale of common stock and mandatory convertible preferred stock to help fund the precision bearings maker's US$2.9bn purchase of the Dodge mechanical power transmission division of Swiss-based ABB.

After a day of marketing, a syndicate led by *Goldman Sachs* and *Wells Fargo* priced the sale of 3m RBC primary shares at US$185 or a hefty 14.2% all-in discount. The same banks priced a US$400m mandatory with a 5% dividend and 22.5% conversion premium versus talk of 5%–5.5%, up 20%–25%.

RBC does not pay a dividend on its common shares, resulting in a dividend pick-up on the mandatory that is more generous than typical.

The combined financing represented a heavy 20%-plus of RBC's market cap, though the company has touted the acquisition as highly accretive to earnings and the mandatory convertible preferred still reduces the amount of stock dilution.

The shares found some relief from selling pressure in the aftermarket, recovering to US$216.72 by Thursday's close.

RBC flagged plans to raise equity at the time it announced the Dodge acquisition in late July. The purchase is expected to close by year-end.

LEAP THERAPEUTICS RAISES US$90m OVERNIGHT

Cancer drug developer **LEAP THERAPEUTICS** used a recent presentation at a European investor conference as a springboard to raise equity, securing US$90m overnight on Tuesday from an upsized stock sale.

Piper Sandler, *Raymond James* and *Mizuho* were well-oversubscribed for a smaller US$65m raise after wall-crossing selected investors. They priced 31.5m shares at US$2.85 each, a 16.4% discount to the last sale for one-third of the enlarged company.

To shore up support for what was a relatively large offering for Leap, the offering was broken up into 22.8m shares of common stock and 8.8m pre-funded warrants.

Pre-funded warrants have the same economic value as common stock but carry no voting rights until they are exercised, usually at less than a penny a share.

They allow investors to reinvest without tripping a 4.99% ownership threshold that would deem them as insiders, a designation that requires public disclosure of stock trading in the name.

Ahead of pricing, Leap shares were up 76% since its presentation the previous week at the European Society of Medical Oncology's annual investor conference.

The biotech delivered early results from a Phase II trial of its lead drug, showing patients with gastroesophageal cancer responding positively to treatment.

ADVENT-BACKED OLAPLEX SEEKS LUXURIOUS VALUATION ON NYSE IPO

Advent International continues to deal a hot hand with the launch of a US$1.07bn all-secondary Nasdaq IPO of **OLAPLEX**, the haircare brand the private equity firm acquired only last year.

Of the 67m shares being marketed at US$14–$16, Advent is selling 62.5m and the family office of beauty care magnate Charles Heilbronn the other 4.5m, reducing their stakes to 79.6% and 6.1%, respectively.

Goldman Sachs, *JP Morgan*, *Morgan Stanley* and *Barclays*, the actives of eight joint bookrunners, expect to price the deal after the market close next Wednesday, September 29.

The top of that marketing range ascribes an enterprise value of US$11.8bn, 36 times the US$322.6m of Ebitda Olaplex generated over the TTM ended June 30.

That is a princely return from the US$1.75bn the Advent-led consortium paid for the business in January 2020.

Ebitda in the first half of 2021 increased to US$191.3m, up US$99.6m in the comparable year-ago period, on a 171% year-on-year growth in sales to US$270.2m, 70%-plus Ebitda margins.

Estee Lauder, which benefited from Covid, but not nearly to the same extent and sports low-20s Ebitda margins, trades at 25.5 fiscal (June) 2022 Ebitda. L'Oreal SA, a bit more upscale despite 24.5% Ebitda margins, fetches a 24.5 Ebitda on anticipated full-year 2022 results.

Key to Olaplex's ability to defend and grow market share are patents, including more than 100 that are broadly defined to allow expansion beyond haircare to skin and nailcare.

CANADA

VERSABANK ADDS US LISTING

TSX-listed Canadian digital bank VERSABANK raised US$55m late on Tuesday from a concurrent US IPO and Canadian offering, thereby adding a Nasdaq listing to aid its US expansion.

Raymond James led the sale of 5.5m VersaBank shares at US$10.00 or C$12.80, the latter above the stock's C$12.46 (US$9.74) TSX close on Tuesday. The offering was upsized modestly from the US$50m targeted at launch.

In Wednesday's aftermarket, VersaBank shares rose to US$10.50 in a low-key US debut.

The final IPO terms attributed VersaBank a market cap of US$266m.

The bank is hoping the IPO will help accelerate its growth as it looks to reduce its cost of funding, expand its point-of-sale lending assets and pursue accretive acquisitions in the US.

The deal faced a complication when VersaBank revealed on Monday that its CEO and founder, David Taylor, had tested positive for Covid-19.

"Mr Taylor's symptoms remain mild, and he continues to be fully engaged and perform his responsibilities as the chief executive officer while isolating at home," the company outlined in a securities filings. "Mr Taylor was previously vaccinated against Covid-19 during the summer of 2021."

Previously known as Pacific & Western Bank of Canada, the bank went public in Canada in 2013 before changing its name to VersaBank in 2016.

According to its filing, the bank increased its annualised earnings per share at a CAGR of 19% and its tangible book value at a CAGR of 8% from 2015 to 2021.

As of July 31, the bank had US$1.6bn of loans, including US$900m of point-of-sale loans, and US$1.4bn of deposits.

TELUS INTL HOLDERS RAISE US$490m IN UPSIZED SALE

Baring Private Equity Asia has cashed out part of its investment in Canadian telecoms company Telus' business process outsourcing affiliate TELUS INTERNATIONAL on Thursday through a US$489.6m marketed follow-on.

JP Morgan, *Barclays*, *CIBC Capital Markets* and *Credit Suisse* upsized the offering to 14.4m shares at US$34 each, an 8% file-to-offer discount and upsized from 12m units originally offered.

The sale cut Baring's Telus International stake to 26.7% and Christian Legat, CEO of Telus' northern European unit, to 0.7%, from 31.4% and 8.2%, respectively, on a pro rata increase in the shares being sold, a banker involved in the offering told IFR.

The move comes seven months after the BPO unit was spun off via an NYSE/TSX dual-listed IPO in February comprising 42.5m shares at US$25, including 21.5m secondary shares from Telus and Baring.

STRUCTURED EQUITY

UNITED STATES

BILL.COM PLIES SKY-HIGH VALUATION FOR US$1.7bn

BILL.COM, one of the most richly valued software companies in the US stock market, returned on Tuesday with a two-part US$1.7bn equity-linked offering, including an upsized US$1.2bn of common stock and US$500m in the form of a six-year convertible bond.

Goldman Sachs, *Bank of America*, *JP Morgan* and *Morgan Stanley* marketed the CBs for one day Tuesday at a coupon of 0%–0.5% and conversion premium of 45%–50%, terms supported by a credit spread of L+250bp and 42 implied vol, alongside US$1bn of common stock.

The banks upsized the common stock issue by 20% to US$1.2bn and priced the CBs at a zero-percent coupon and 52.5% conversion premium, through the aggressive-ends of talk.

"We certainly are not where we were in February, but conditions have improved over the past few months when investors refused to buy CBs with a 50% conversion premium," said one banker. "Historically, a bond with a 50% conversion premium was considered an amazing outcome."

Bill.com's shares fell 3.4% to US$274.14 on Tuesday.

The company is purchasing a capped call to elevate stock dilution from the new CBs up to a premium share price.

INOTIV ACTIVATES US$125m OF FUNDING FOR ACQUISITION

Contract research organisation INOTIV raised an upsized US$125m from the sale of a six-year convertible bond last week to partially fund the cash-and-stock purchase of Envigo.

Inotiv shares soared 35.6% to US$49.93 on the M&A, which was announced ahead of the market open on Wednesday and is being funded with US$200m of cash and 9.365m shares, putting the total consideration at roughly US$670m.

Jefferies, Inotiv's M&A adviser and sole bookrunner on the CB, was able to bump the size of the offering from US$110m to US$125m priced at a 3.25% coupon and 35% conversion premium, towards the aggressive ends of 3%–3.5% and 30%–35% price talk

The acquisition, which is expected to close in the fourth quarter, is immediately accretive to earnings and margins excluding any potential synergies. The combined company generated US$286m of revenue in the nine months ended June 30.

EQUITY-LINKED DEALS WEEK ENDING: 24/9/2021

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon/YTM %	Premium (%)	Bookrunner(s)
Bill.com	US	21/09/2021	US$500.0m	US$75.0m	6y	0.00	52.50	GS, BofA, JP Morgan, Morgan Stanley
Inotiv	US	22/09/2021	US$125.0m	US$15.0m	6y	3.25	35.00	Jefferies
RBC Bearings	US	21/09/2021	US$60.0m	US$60.00	3y	5.00	22.50	GS, Wells Fargo, BofA, Citigroup, Truist Securities

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IFR ASIA

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IFR ASIA HIGH YIELD ROUNDTABLE WEBCAST

China's property sector has dominated Asian high-yield issuance in recent years, but some issuers from other countries and industries have managed to make their mark.

While companies with complex ownership structures or niche industries have struggled to win over bond investors, there have been others who have found more recognition offshore than in their home markets.

As US rates are expected to rise, Asian high-yield issuance could be impacted, and issuers will need to plan ahead for refinancing their obligations, either issuing well in advance of upcoming maturities or implementing liability management exercises.

International investors will also need to keep a cautious eye on default rates and the prospects for recoveries, as some jurisdictions are more investor-friendly than others.

DATE
OCTOBER 12, 2021

TIME
3PM HKT/SGT

FORMAT:
WEBCAST

FREE TO ATTEND!

Moderated by IFR Asia's Editor Daniel Stanton, the IFR Asia High Yield Roundtable webcast will bring together an expert panel from across the market spectrum to discuss the opportunities and risk for Asian high-yield issuance at this turning point in international markets.

Discussion topics will include:

- Will the Chinese property sector continue to dominate Asian high-yield, or is there potential for issuance from other countries or industries?
- How will rising dollar rates affect Asian high yield issuers, and how can they plan for refinancing existing debt?
- Is there an opportunity to target a broader range of investors, for instance in the US market?
- How can high-yield issuers embrace ESG themes?
- What is the outlook for rating downgrades/upgrades and default rates across Asia?
- How have recovery prospects in default situations changed for international investors in Asian high-yield bonds?

The webcast is free to join – all you need to do is register at **https://bit.ly/3gQvrLw**

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