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INTERNATIONAL FINANCING REVIEW

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Tilting at windmills

The three Barclays bankers accused of wrong-doing by the UK's Serious Fraud Office were acquitted of all charges at London's Old Bailey on Friday after a four-month trial and an investigation that lasted eight years. They had been accused in effect of paying £322m in kickbacks to Qatar – via two separate deals – to secure investment in the bank.

The jury's decision will now no doubt lead to intense criticism of the SFO. With good reason.

But it was surely right to launch an enquiry into the deals. The fact that Barclays was willing to pay such a large amount of money in exchange for a seemingly nebulous agreement that Qatar would provide advice and introductions looked at least worthy of an initial investigation. Especially as there was a question about potentially misleading information in a major fundraising prospectus.

But once that initial enquiry didn't find a smoking gun in the form of taped conversations or dodgy emails, the decision to push ahead with prosecutions was a mistake.

A mistake that was compounded – three times – when the SFO refused to fold its cards despite the corporate prosecution against Barclays failing, Barclays CEO John Varley being acquitted in an earlier trial, and the jury eventually being discharged at that same trial.

The SFO was no doubt under significant political (and moral) pressure to bring someone to book for the failings of those working in the financial industry during the crisis. But that does not excuse the quixotic pursuit of this case.

In an admirably magnanimous statement after he was acquitted, one of the accused, Roger Jenkins said: "I am conscious that the SFO plays an important role in the ethical functioning of our capital markets, however it is equally important that they are properly resourced to act fairly and expeditiously."

He is of course absolutely right. The SFO has a bloody difficult job, but someone's got to do it. There will be calls for the SFO to be scrapped. But those calls don't change the fundamentals. Whoever is policing the UK's financial markets needs the resources and personnel to do it properly.

Decoupling Asia

Bond bankers used to joke that when the US sneezes, it is Asia that catches a cold. On the strength of last week's performance, those traditional roles have now been reversed.

Not long ago, Asian issuers wanting to sell US dollar bonds in the international capital markets needed to wait for the ideal market conditions to have a chance of getting investors' attention.

The big US funds that dominated new issues would only look at Asian credit if they were feeling especially bullish. A shaky day in the US often meant Asian borrowers would have to wait for a better window.

That was especially true in high-yield credit, where a sell-off in the US would close the market for Asian issuers for weeks.

It's remarkable, then, that no less than 15 US dollar bonds were printed in Asia last week, the worst week for US stocks since the 2008 financial crisis. Ten had no investment-grade rating; four had no maturity.

There is good reason for this decoupling.

The Asian investor base has come a long way in the last few years, to the extent that 97% Asian allocations on a new US dollar bond issue are now a common sight (as was the case on a deal for Hong Kong landlord Hysan last week).

Overseas Chinese buyers are now the driving force behind the primary markets, with banks, wealth managers, pension funds and sovereign investors all holding some serious firepower.

Add to that dynamic the fact that Asian markets grasped the seriousness of the coronavirus outbreak weeks ago, and it's no surprise to see business continue more or less as usual last week.

Relative value dictates that this kind of divergence can only run so far, and there is likely to be a period of adjustment while Asian markets get used to the new pricing levels.

It is clear, however, that Asia's capital markets are healthy enough to stand on their own feet, regardless of what is happening with their Western counterparts. In fact, as international investors struggle to assess the fallout from the new coronavirus outbreak, more global funds will be looking to China as a guide.

Governance issues

Debt investors think they might just have found another way to stop private equity firms stripping investor protection from leveraged loan and high-yield bond documentation.

Until now, investors efforts to push back on such tactics have come to little as demand for paper continues to outpace supply.

But the game may now have changed with efforts to recategorise the problem as a governance issue – via the "G" in ESG.

Private equity firms have long argued that it's their fiduciary duty to shareholders to secure the greatest flexibility possible to manage companies through a downturn. And if buyers are willing to buy the debt, the argument goes, the PE shops would not be doing their duty were they not to take advantage.

Hence the forcing through of Ebitda adjustments to reduce leverage, the lack of transfer provisions to stop PE firms from exiting difficult deals and other unbalanced terms.

So reframing the issue in an ESG context – enabling the argument that other stakeholders are unfairly treated – might just give investors the ammunition they need to get things back on to a more equal footing.

It's worth a shot.



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Asian credit withstands panic

Bonds High-yield issues and Hysan hybrid draw support despite global sell-off

BY JIHYE HWANG

Asia's bond markets remained open for corporate hybrids and high-yield issuers last week despite a vicious sell-off in worldwide risk assets.

As the global spread of the new coronavirus slammed stocks and froze the US new issue market, 15 Asian issuers priced US dollar bonds last week – including 10 without an investment-grade rating.

A US\$850m hybrid from **HYSAN DEVELOPMENT**, a commercial landlord in recession-stricken Hong Kong, highlighted the resilience of Asian risk appetite last Tuesday, after the worst day for US stocks in two years.

Three high-yield offerings from the Chinese property sector underlined that point on Thursday, as the Dow Jones Industrial Average plunged by a further 4.4%.

Paul Lukaszewski, head of corporate debt for Asia and Australia at Aberdeen Standard Investments, said instruments with higher credit spreads would remain attractive to investors seeking alpha in a low-rate world.

"This is what should make the Asian credit markets increasingly appealing to investors looking to enhance their portfolios without necessarily moving down in credit quality or extending duration," he said.

Hysan found no shortage of interest in a subordinated perpetual non-call 5.5 that was priced at par to yield 4.1%, inside initial guidance of 4.4% area, after books closed more than 3.5 times subscribed.

Hysan is heavily exposed to a drop in overseas Chinese tourism as one of the largest commercial landlords in Hong Kong's Causeway Bay shopping

district, where retailers have already been hit by months of anti-government protests.

Rating agencies gave the structure 50% equity treatment. The coupon resets every five years from year 5.5 onwards, with a step-up of 25bp in year

10.5 and an additional 75bp in year 25.5.

Investors, however, focused on the reputation of the founding Lee family and strong expected rating of Baa2/BBB (Moody's/Fitch).

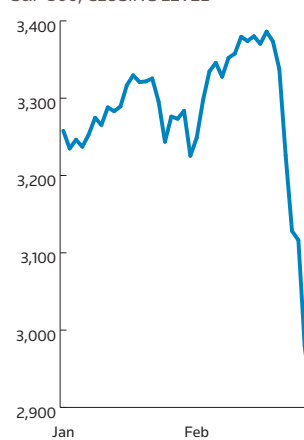
"It has a higher-beta structure but it's still an investment-grade note coming from a blue-chip name with a stable history of being financially prudent, which offered strong comfort to investors despite the overall bloodbath in markets," said a banker on the deal.

Final orders exceeded US\$3.2bn from 148 accounts, with 97% of the notes going to Asian buyers.

Asset managers and fund managers took 60%, private banks 25%, insurance firms and corporations 10%, and banks and financial institutions 5%.

The bonds were trading at 3.97% in secondary markets during morning hours of its first

STOCKS TUMBLE AS VIRUS SPREADS
S&P 500, CLOSING LEVEL



Source: Refinitiv

High-yield buyers run from 'virus risk'

Bonds Sentiment flips in junk bond market, as companies rue not refinancing earlier

BY ELEANOR DUNCAN

Companies most exposed to the coronavirus outbreak may see themselves locked out of the high-yield market as bankers start to dial down underwriting risk in affected sectors and investors cut exposure to autos, shipping and leisure companies.

After a record start to the year for European junk bonds with the market seemingly open to all-comers, issuers and investors finally reacted to coronavirus risk.

The market got a belated wake-up call last Monday when world stock markets matched their worst day in almost four years after

a jump in coronavirus infections in Italy, South Korea and Iran.

"We're starting to get more questions in credit committees, and certain things look like obvious passes," said one leveraged finance banker.

"You have to be selective about what you underwrite, because at some point, this will feed through to earnings," he said.

Sectors including shipping, autos, airlines and luxury goods are already being affected.

In mid-February Jaguar Land Rover cancelled a US dollar debt raise after chief executive Ralf Speth said the company had to fly parts in suitcases from China to the UK to maintain production.

"The impact on European GDP could be much bigger than the near-term impact to the high-yield market," said Azhar Hussain, head of global credit at Royal London Asset Management.

"If the effects feed through, the economic data could look horrific. That scares me more than anything else, because the market is pretty late-cycle anyway."

HOLDING PATTERN

Sentiment has turned on a dime. After one of the busiest starts to the year in European high-yield, just one bond was being marketed last week: a €500m debut

from marine survey company **FUGRO** – which was then pulled on Friday as sentiment tanked.

The company said that it would not go ahead with the senior secured offering because of "adverse market conditions".

The deal was already considered risky, and was expected to come with at least a six handle, according to three investors and two bankers.

Some investors were expecting the decision. "Fugro probably picked the worst week to come to market," said one of the investors.

European high-yield issuance is now in a holding pattern, said several syndicate bankers.

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trading day, before widening to 4.1% on Friday after US markets took a further dive.

Hysan's deal followed another subordinated perp on February 20 from Indian agrochemicals company **UPL**. **CHINA MINMETALS** also priced a US\$1bn senior perp on February 25.

"There is one thing that works in the market – higher yields. Investors like yield and if a deal has a solid underlying, they are more inclined to go down the capital structure," said a banker on the UPL issue.

PANDEMIC FEARS

The dramatic increase in coronavirus cases beyond China, in countries such as South Korea, Italy and Iran, kept G3 currency deals outside of Asia on mute. Only two deals, from **ING GROEP** and **PACCAR**, were priced from Monday through to Wednesday, with zero corporate issuance in the US market for at least the first four days of the week.

Stocks, oil and US Treasury yields plunged as the worsening health crisis forced investors to rethink growth expectations.

"Investors, in particular global investors, initially priced-in virus-related disruption to be relatively short-lived, followed by a V-shaped recovery," said Lukaszewski. "Over the past few days we have seen global investors reassess their sanguine views."

Being bullish under current circumstances requires a high level of conviction, said Neeraj Seth, head of Asian credit at BlackRock. "We are watching out for any potential disruption in the supply chain," he said.

Fund managers remain keen on Asian credit, but the divergence from the US new issue market has put relative valuations under scrutiny.

"Many of the perpetuals that we've seen in the last couple of weeks came in at rather expensive levels," said Stephen Chang, Asia portfolio manager at Pimco. "These instruments have seen good participation from the private bank community and leverage is offered that might have enhanced demand."

The risk-off mood did spread to Asia on Friday, with most new issues off at least half a point and high-yield generally one to two points lower. The iTraxx Asia investment-grade index widened by 11bp to 67.5bp, its highest since October.

LOCAL LIQUIDITY

Bankers put the strength of the Asian market down to the depth of local liquidity, noting that last week's new high-yield issues were not overly reliant on any single buyer.

ROAD KING INFRASTRUCTURE sold US\$300m of five-year non-call three bonds at par to yield 5.9%, while **GUANGZHOU R&F PROPERTIES** raised US\$400m from a four-year non-call two senior bond issue at par to yield 8.625%. Both were priced inside initial guidance.

Smaller high-yield offerings last week also included US\$275m of 2.5-year bonds from **HONG YANG GROUP** that yielded more than 10%.

"That kind of trade will always get done. It's China buying China, engaging

friends and families," said the banker on the UPL deal. "I'm not trying to be complacent, but there are strong underlying technicals and we've still got some deals lined up for next week."

Although mindful that default rates may increase and that the funding profiles of specific companies need to be watched closely, Chang at Pimco pointed out that Asian credit remains appealing compared with other markets.

"Asia credit as a whole still offers an attractive pick-up in spreads versus US or global credits, even though it was even more attractive before the US credit sell-off this week," he said.

On the Hysan deal, wholly owned subsidiary Elect Global Investments is the issuer and Hysan Development is the guarantor.

Credit Agricole CIB, HSBC, JP Morgan, Standard Chartered Bank and UBS were joint global coordinators as well as joint bookrunners and lead managers. ■

"Both investment-grade and high-yield issuers are 'playing it by ear' and watching markets," said a second syndicate banker.

"For opportunistic issuers it is logical to wait for some stability before printing."

Average yields in the European junk bond market have jumped to 3.4% from 2.7% in less than a week, according to iBoxx data.

"The effects of the coronavirus on the market are amplified due to the fact that companies are already highly-levered," said Marina Cohen, head of European high-yield at Amundi Asset Management.

KICKING THEMSELVES

French shipping company CMA CGM has seen its near-term refinancing chances vanish after its bonds sank.

CMA has two big maturities coming up: a €725m 7.75% January 2021 and a €650m 6.5% July 2022.

The company had met investors in January to discuss refinancing its debt, when the bonds were at 99.5 and 96, respectively.

But the bonds tumbled after the company sent out two advisories on coronavirus and reduced its links to China.

By Friday the 2021s had slumped to 82, according to Tradeweb data, with the 2022s at 73.

"CMA requires a really strong market and has very near-term maturities and is extraordinarily exposed to coronavirus," said one investor.

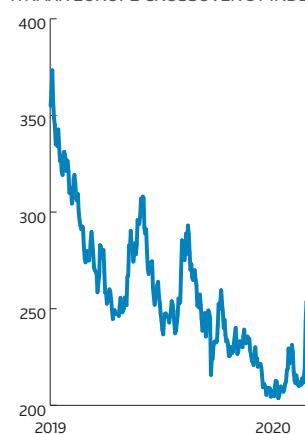
"It has a maturity due in less than a year from now and is trading well below par. It's a difficult situation," he said.

Bonds further out its curve are also struggling. The 5.25% January 2025s were bid at 63 for a yield of 17% on Thursday. They were at 87 and 9% in January.

"Some borrowers will be kicking themselves that they didn't move faster," said a second investor.

"A month and a half ago they had perfect conditions. Now, they've got no chance."

EUROPEAN BOND SPREADS GAP OUT
ITRAXX EUROPE CROSSOVER 5Y INDEX



Source: Refinitiv

OTHER SECTORS

Investors are picking their spots in high-yield, pointing out that recovery rates will differ.

For leisure-related industries like hotels, casinos and restaurants, the coronavirus impact could mean permanent losses, said Vivek Bommi, senior portfolio manager at Neuberger Berman.

But for sectors like autos, there may be a snap-back, and some of those credits may have been oversold, said Bommi.

"In some of the higher-quality auto names, the baby has been thrown out with the bath water in cases where you have an extraordinarily strong balance sheet and no material maturities," he said.

"Our overall view is that global growth is going to be lower, but we will probably get a rebound in the second half, when the pent-up demand is released." ■

Barclays, Quail and the trial over the 2008 Qatar deal

■ **People & Markets** Three former Barclays executives acquitted at London court

BY STEVE SLATER

When 11 members of the jury got stuck in an elevator between floors at London's famous Old Bailey courthouse last week it was an ominous sign for prosecutors in the trial of former **BARCLAYS** bankers over a fundraising 12 years ago: the case appeared stuck.

And so it proved on Friday. The three former Barclays executives were acquitted of fraud related to the British bank's £4bn fundraising with Qatar investors in 2008.

The three defendants – Roger Jenkins, Tom Kalaris and Richard Boath – were cleared by a jury after less than five hours of deliberations.

The court case had lasted more than four months, so it was an abrupt end to the trial of the most senior bankers put on trial in Britain for events that took place during the financial crisis.

"It's been a long time. I always said I had legal advice throughout," Jenkins told IFR after the decision outside the court. "I'm looking forward to getting back to continuing my career."

He later said in a statement that he always knew he did nothing wrong in 2008 and had "lived under a cloud" over his private and business life since the investigations began eight years ago.

Jenkins was head of Middle East at Barclays' investment bank at the time of the fundraising and was the gatekeeper for the relationship with Qatar; Kalaris was CEO of Barclays' wealth management; and Boath was capital head of the European financials group.

Boath said he was "delighted and relieved" with the verdict.

"The SFO case was an invention and should never have been brought," Boath said, adding that he had been cleared

by Britain's financial regulator in July 2017.

Britain's Serious Fraud Office accused the three men of arranging for Barclays to pay £322m in secret fees to Qatar as part of its investment in the bank. It said former Barclays finance director Chris Lucas would also have been charged, but he was too ill to stand trial.

At the heart of the case were two advisory service agreements, or ASAs, signed between Barclays and Qatari investors in June and October 2008. They were agreed alongside investments by Qatar in the bank's fundraisings.

"There were no real services provided as a result of the agreements," said Edward Brown, leading counsel for the prosecution.

But the defendants' lawyers said they were genuine agreements to help win lucrative business for Barclays. The bank wanted to win business from rich potential Middle East clients from rivals including Credit Suisse and Goldman Sachs.

"They [Qatari investors] had extraordinary amounts of wealth," John Kelsey-Fry, lawyer for Jenkins, said at the trial.

"They wanted to invest billions and billion of pounds. That investment required banks. So they were going to spend a lot of money for a long time, from which the banks involved could realise significant profit."

Kelsey-Fry said Credit Suisse had been the Qataris' preferred bank for the previous 20 years. Goldman Sachs had also done deals there. Barclays wanted some of that action.

In October 2008, for example, Qatar offered to Barclays an US\$8bn oil and gas hedging contract called "Tinbac" that it had previously arranged through Goldman. That could have been worth US\$250m in fees, Kelsey-Fry said.

Jenkins said in court that 12 or 13 "opportunities" arose for Barclays in the months following the first ASA.

"I'm quite certain I explained the concept – we are going to be in a preferred position and we are going to get value for money and it could come in many different forms," Jenkins said in court. "Services is the wrong word – it was opportunities."

The second ASA signed in October 2008 was little more than one page, but it outlined several areas where Barclays intended to benefit, including developing business in the Middle East, introducing potential investors, expanding in commodities, getting referrals in the oil and gas industry, and opportunities in infrastructure advisory and financing.

"The ASA was not a sham," Ian Winter, lawyer for Tom Kalaris, said in court. "It is abundantly clear that the lawyers were not only OK with the use of the ASA to provide value, but were instrumental in its implementation, and consistently advised the defendants that it was a lawful way to proceed."

HOW THE DEAL WAS DONE

Details relayed in court showed a lengthy courtship between Barclays and several potential investors as global financial markets unravelled and banks scrambled to find investment from wealthy backers.

Barclays adopted a bird theme to refer to its potential investors, as shown by codenames used in conversations and documents seen in court. Barclays was "Raven", Qatar was "Quail" and the June 2008 fundraising was "Project Heron".

The other banks investing in the cashcalls were "Crane", "Penguin" and "Bluebird".

Jenkins, who was known as "Big Dog" at the bank, told the court he first met Qatar's former prime minister Sheikh Hamad bin Jassim bin Jaber al-Thani in July 2007 in Sardinia.

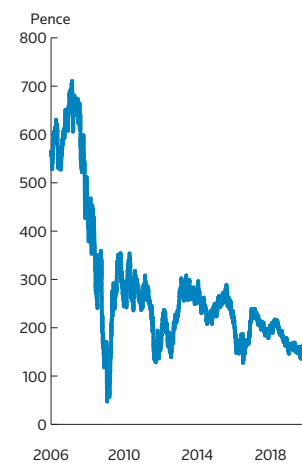
He said the two men had dinner on a boat on the Italian island and met subsequently on the French Riviera at Cannes, in Los Angeles, Doha and Jenkins' apartment in London to discuss business deals in retail, real estate and banks as their relationship developed.

But as financial markets worsened in 2008, Barclays' need for outside investors intensified. Indeed, the court heard that in June 2008 Boath said if Qatar didn't come up with the money then Barclays was "fucked".

The prosecution said the Qataris knew they were in a strong position and "drove a very hard bargain" to agree to invest, and wanted to be paid a 3.75% commission for a £2bn investment in June 2008, compared with the 1.5% Barclays was paying other investors for underwriting.

The prosecution said Barclays agreed to pay Qatar 3.25%, but the bank could not disclose that to other investors so bankers scrambled to find a way to structure it.

COLLAPSE IN BARCLAYS SHARES CLOSING PRICE



Source: Refinitiv

The bank agreed an ASA. Barclays disclosed the ASA in its June 2008 capital-raising prospectus, but not the payment of £42m. When Qatar invested again in October 2008, another ASA was signed. Barclays did not disclose the existence of the second ASA, including the payment of £280m to Qatar.

The defence lawyers said Barclays' in-house and external lawyers approved the ASAs throughout the process.

"The unequivocal, repeated advice was that this was legitimate provided the ASA was a genuine contract for the provision of benefits to Barclays," Kelsey-Fry said.

But prosecutors told the jury the defendants were worried they were breaking the law and had even joked about the threat of jail.

"None of us wants to go to jail here . . . the food sucks and the sex is worse," Kalaris said on a call with Boath in June 2008 as they discussed the structure of the deal.

HEART ATTACK

The money raised in 2008 allowed Barclays to avert a state bailout, unlike Royal Bank of Scotland and Lloyds Banking Group, which had to be rescued with taxpayer cash.

"It is no exaggeration to say that Barclays' future as an independent bank was in jeopardy in September and October of 2008," SFO prosecution lawyer Brown said.

Brown said the Barclays board was determined to avoid taking a government "bail-out" because that would have restricted strategic flexibility. He said the former bankers were also incentivised to get a deal to secure lucrative bonuses.

Prosecutors said Jenkins was paid £39.5m in 2007, and was promised a bonus of £25m for securing the two fundraisings.

But Jenkins reacted angrily to that accusation.

"I had a heart attack on August 5 2008 and I was instructed to get out of my bed,

leave my family on August 29 and come back to work to help this bank survive," the 64-year-old Jenkins told the jury.

ALL OVER?

The acquittal of the three former bankers will not fully close the door on events from the fundraising 12 years ago. In fact, it will restart some other investigations and court cases related to the 2008 fundraising, which have been on hold.

Boath is also suing Barclays for unfair dismissal, claiming he was fired for what he told the SFO.

£50m COSTS?

The SFO's defeat is another costly blow for the organisation and raises questions about its future.

Legal costs related to the case and years of investigations have swelled, and could exceed £50m, sources said. The SFO on Friday estimated its costs for the investigation and trial at £9m-£10m.

The defendants' costs are expected to have been covered by Barclays, or the insurance cover the bank takes out for its employees. The bank declined to comment.

Former Barclays chief executive John Varley was previously accused of fraud by the SFO and was acquitted by a judge following a previous trial last year. Fraud charges against Barclays itself were dismissed in 2018.

"The SFO has been dogged in its pursuit of individuals and that pursuit has ended in failure," said Aziz Rahman at legal specialists Rahman Ravelli. "There is the possibility that this could reshape the SFO's thinking when it comes to dealing with individuals after the company has already been dealt with."

The SFO said its prosecution decisions were based on the evidence available. "Wherever our evidential and public interest tests are met, we will always endeavour to bring this before a court," an SFO spokesperson said. ■

Bond issuance outside Asia grinds to a halt

■ Bonds Not a single deal in US bond market

BY SUDIP ROY

The US primary bond market experienced a rare blank week, while supply in Europe was mostly limited to SSA issuers as fears about the growing threat of the coronavirus sent investors scurrying for safe assets.

The impact on primary markets was most evident in the US, where not a single deal was priced in high-grade or high-yield.

"Right now, it's hard to say investors are going to show up even if you're paying 15bp over the outstanding secondary level," said a US banker.

"You have to be careful [because the market could shift wider] and it's why I think you need periods of stability first so people can feel like the market level on which we are basing our new-issue pricing is reasonable."

Outside of the onshore US market, the sudden change in sentiment was summed up by ING GROEP's quickly revived Additional Tier 1 transaction, which was relaunched on Monday just three days after the original was pulled.

The Dutch bank had to settle for a higher price, smaller size and much diminished book compared with what was within its grasp first time around.

The US\$750m perpetual non-call November 2029 was priced at 4.875% off a book of US\$3bn. On February 19, it was on course to price a US\$1bn deal off an US\$11bn book at 4.625% or lower, before the deal was yanked mid-execution due to the chief executive's decision to join UBS.

While some bankers thought the timing was poor, others argued that ING was still able to secure a historically attractive price and a reasonable book.

Until last week, risk markets had been insouciant - arguably complacent - about the virus's potential to do damage to the global economy.

But as parts of Italy went into lock-down, sentiment quickly changed, with risk assets selling off and rates products finding a big bid.

On Thursday, the yield on the 10-year Treasury fell below 1.20% for the first time in history. At the start of the year, it was 1.91%. The 30-year Treasury similarly achieved a record low yield.

In contrast, high-yield indices on both sides of the Atlantic widened by 30bp-45bp in the first half of the week in asset swap terms.

A €1.25bn 3.875% perpetual non-call June 2027 AT1 from UniCredit that was priced at par on February 12 fell to 93, or a yield-to-call of 5.10% last Wednesday.

"That is the equivalent of nearly two years of coupons lost in three days," said Charlene Malik, portfolio manager at TwentyFour Asset Management.

The moves in fixed income and credit were driven mostly by exchange-traded funds. JP Morgan analysts reported outflows of around US\$972m from ETFs on Monday alone.

Real-money investors, on the other hand, are for the most part watching and waiting.

"We haven't seen any panic selling or big volume real-money selling at this stage," said a syndicate manager in London.

And while most investors are reducing risk and buying protection, they are also assessing when best to exploit more attractive entry points.

"Anytime the markets are spooked and are exaggerating the risk, it's a good investment opportunity," said Ken Monaghan, co-head of high-yield at Amundi Pioneer. "This seems to be a manageable issue and I think eventually it will fade." ■

Hong Kong IPOs go virtual

■ **Equities** Virus outbreak makes face-to-face meetings impossible

BY FIONA LAU

At least two Chinese issuers are marketing Hong Kong IPOs virtually, setting a template for what could become standard practice if the coronavirus outbreak lasts for months.

CHINA BRIGHT CULTURE GROUP last Thursday opened books for an IPO of up to HK\$1.35bn (US\$173m), the first US\$100m-plus float in the city to conduct a virtual roadshow. The deal is being marketed to investors through telephone and video conference calls. No face-to-face meetings will be held with the management, which is currently in Beijing.

"The outbreak could last longer than people have expected as the virus is spreading to more and more countries. We can't just sit there to wait for the epidemic to be

over, we need to find a way to do business," said a banker on the deal.

We can't just sit there to wait for the epidemic to be over, we need to find a way to do business"

Fittingly, the issuer is a producer of video programmes and its whole IPO process, from pre-marketing to bookbuilding, has been moved online. Many investors do not want in-person meetings, and travel restrictions remain in place for Chinese citizens and those who have recently been to China.

Instead of the traditional investor luncheon, Bright Culture held a net roadshow, featuring presentation slides

narrated by the company management. Calls are arranged for investors who want to ask follow-up questions.

The company also held an online press conference for journalists. Chairman Liu Mu said he would not attend the listing ceremony in Hong Kong on March 13, after discussions with the stock exchange and to comply with the quarantine measures in Hong Kong. Hong Kong has imposed a mandatory 14-day quarantine on all visitors from mainland China.

"Investors seem to take the new format well and we don't think it will affect demand. We actually have more time to talk to investors now without all the travelling," said another banker on the deal.

The books were covered after the first day of bookbuilding.

MORE TO COME?

Bankers reckon more IPO candidates will take the virtual route as some of the current ones will see the financials in their applications expire in March.

"Some companies may choose to bring the deals to the market in March instead of updating the financials as it's basically impossible for auditors to do any work in mainland China right now. Updating the numbers could take months and the deals could slip into the second half," said the second banker.

Chinese biotech **INNOCARE PHARMA** is next in line. The clinical-stage company is planning to start pre-marketing a Hong Kong IPO of about US\$200m on Monday. Again, the deal will be marketed entirely through video or telephone calls.

However, poor market

GFL recycles IPO pitch as markets tumble

■ **Equities** Rubbish collector returns with lower leverage and better financials

BY ANTHONY HUGHES

GFL ENVIRONMENTAL is forging ahead with a revamped US\$2bn-plus IPO less than four months after pulling an earlier version of the deal, but a hostile fund-raising backdrop threatens to stymie its ambitions.

The Canadian waste management company is hoping its improved financials and lower leverage will convince investors to pay a price at the lower end of the marketing range unsuccessfully pitched in November.

Though other US IPO aspirants opted against starting their roadshows last week as the VIX surged to a deal-killing 40-plus, GFL bucked the trend early on Tuesday (when the VIX was already around 28) by launching a NYSE/TSX IPO of 73.2m shares marketed at US\$20–\$21 each.

GFL delayed the launch by a day as the DJIA tumbled more than 1,000 points (or 3.6%) in Monday's session, but rather than produce a reflexive rebound, stocks were mired in correction territory, ending Thursday more than 11% lower than where the Dow ended the previous week.

GFL delayed the launch by a day as the DJIA tumbled more than 1,000 points (or 3.6%) in Monday's session, but rather than produce a reflexive rebound, stocks were mired in correction territory

The new marketing range is within the US\$20–\$24 spread on November's failed sale of 87.6m shares, an effort that was pulled late in the process

by GFL's lead sponsor BC Partners when orders came in at levels significantly below that range.

MANDO TOPS UP

GFL is compensating for the smaller IPO deal size this time around by adding a concurrent US\$700m mandatory convertible bond that taps a different type of investor.

The MCB is being marketed with a 5.75%–6.25% coupon and 17.5%–22.5% conversion premium.

JP Morgan, BMO Capital Markets, Goldman Sachs, RBC Capital Markets and Scotiabank are again leading the syndicate marketing both GFL's IPO and the MCB, with a shorter-than-usual five days of marketing ahead of pricing post-close on March 3.

"They were just out marketing in November so

they have interest already," one banker close to the deal said.

Another banker said the deal was "spoken for" at launch.

Yet by Thursday's close, the stock prices of GFL's four direct comps (Waste Management, Republic Services, Waste Connections and Casella Waste Systems) had fallen an average of 6.4% for the week, increasing the risk that price sensitivity forces GFL to price below range.

DELEVERAGING PLAN

GFL's offerings would raise US\$2.2bn at midpoint pricing with the bulk of proceeds earmarked to cut leverage.

Under CEO Patrick Dovigi, GFL has been highly acquisitive, buying several businesses in the short period since the first IPO attempt was aborted. The company also raised US\$360m in equity from

conditions may prompt some issuers to stay on the sidelines. Last Thursday, the Dow Jones Industrial Average posted its biggest one-day point drop ever as uncertainty over the impact of the coronavirus rattled global markets. The index plunged by 1,190.95 points or 4.4%, following a 7% drop from Monday to Wednesday. Hong Kong's Hang Seng index fell 4.3% last week.

"Investors seem to take the new format well and we don't think it will affect demand"

InnoCare has a pipeline of nine drug candidates focusing on therapies for the treatment of cancer and auto-immune diseases. It posted a loss of Rmb322m (US\$45m) for the six months ended June 30, compared with Rmb279m for the same period a year earlier.

existing shareholders earlier this year.

Using an adjusted run-rate Ebitda figure of C\$1.06bn based on fourth-quarter results and pro forma for recent acquisitions (the number GFL uses in its roadshow), GFL's post-IPO leverage would drop to 4.2 times, and as low as 3.8 times if the greenshoes on its IPO and MCB are exercised. This is down from 6.7 times at year-end.

The leverage ratio of GFL's direct comps averages three times, though GFL is growing faster.

GFL's roadshow specifically tries to address investor concerns that contributed to November's failure, one being that the company's growth is too reliant on acquisitions.

In the roadshow presentation, Dovigi said that organic growth topped 9% last year on a blended basis across its business lines.

GFL's fourth-quarter results were better than the underwriting banks' analysts had previously modelled,

Goldman Sachs and Morgan Stanley are the joint sponsors.

For its part, Bright Culture is selling 400m shares for a 25% free float in an indicative range of HK\$2.25-\$3.37 per share, equal to a 2020 P/E of 11.6-17.4.

China Fortune Rich Private Equity Fund is the only cornerstone investor in the deal with a US\$10m investment.

The deal is scheduled to price on March 5.

BoCom International and Haitong International are the sponsors.

Bright Culture produces video programmes for TV networks and online video sites. It posted a net profit of Rmb47m for the eight months ended August 31 2019, down 34% from the same period in 2018.

The company will use the funds raised for the development of its pipeline programmes expected to be released mainly in 2020, to hire in support of its business expansion and for working capital. ■

bankers said, another reason why GFL was presenting a more compelling story this time.

GFL is compensating for the smaller IPO deal size this time around by adding a concurrent US\$700m mandatory convertible bond that taps a different type of investor

The IPO will leave BC Partners and Ontario Teachers with a combined 55.5% holding and voting power of 41.6%, while Dovigi will own just 3.7% of the company but maintain voting power of 27.8%.

The number four player in the North American waste management industry, GFL has more than 100 solid waste collection operations, 14 soil remediation facilities, 50 liquid waste collection facilities and more than 11,500 employees. ■

Fears creep into European loan land

■ **Loans** German gas outfit Messer scraps repricing

BY PRUDENCE HO

Fears over the spread of the coronavirus has hit sentiment in the European leveraged loan market, prompting German gas firm **MESSER** to scrap its repricing deal and the biggest decline in secondary prices since the 2016 Brexit vote.

While the loan market is typically insulated from wider macro-events, volatility caused by pandemic fears has fuelled uncertainty over supply-chain issues and borrower exposure to a growing number of affected areas.

Messer became the first European casualty, calling off plans to lower the margin on an existing dual-currency term loan.

The repricing, which comprised a €540m Term Loan B and a US\$2.2bn term loan, was supposed to cut 50bp off the euro-denominated loan and 25bp off the US dollar loan that the company raised in October 2018.

"It was an opportunistic trade based on good market conditions, but when those conditions change it is hard to complete the deal," a banker said.

Repricings and dividend recapitalisations, which have dominated Europe's loan market so far this year, are now expected to be reserved for only the strongest of credits as the market bases decisions on credit fundamentals as opposed to market technicals.

The change in sentiment could also affect pricing on new money deals that are already being syndicated in the market such as a €1.61bn Term Loan B to back Dutch equipment rental firm **BOELS'** €614m acquisition of Finland's Cramo, which was launched at 300bp-325bp guidance.

"Market sentiment isn't great now and it's obviously tough to do a repricing," said a leveraged finance head. "We'll see whether we need to widen the pricing to complete the launched deals."

UNDER SCRUTINY

While the secondary market has not shown panic selling across the board, Europe's top 40 leveraged loans have recorded the biggest drop in more than 3.5 years, Refinitiv LPC data show.

Average bids on Europe's top 40 leveraged loans plunged 24bp on Wednesday to 97.95, the largest daily drop since the day after the Brexit referendum vote in June 2016 when it fell 66bp.

"We see some selling, but it's not a one-way street or disorderly. While some will see whether this is an opportunity to add names, others will obviously have more concern about what the outbreak means," said a loan trader in London.

Some investors have already started reviewing potential impacts to their portfolio by putting individual names, especially those with Asian links, under close watch.

UK theme park and attraction operator **MERLIN ENTERTAINMENTS**, which partly owns Legoland theme parks in South Korea and Malaysia; Chinese consortium-backed **AMER SPORTS** and UK-based event organiser **CLARION EVENTS**, which generates more than a quarter of its revenue from China and Hong Kong, are all trading down.

Loans in Amer Sports and Merlin fell to 96.95 and 99.375 of face value last week, respectively, the lowest level since the buyout loans freed to trade last year. It was Merlin's first time trading below par.

"Amer Sports held an investor call. People are concerned about its China exposure, like what sales come from the country and how much is being sourced from there," a loan investor said.

The scale of the impact of the virus remains a mystery.

"The problem is when you start looking at every company to sort out the impact, it's just like falling down a rabbit hole," said the loan investor. "You just don't know." ■

Deal-contingent options: risky business gets riskier

■ **People & Markets** Banks slug it out to provide cross-border hedges

BY CHRISTOPHER WHITTALL

When Montagu Private Equity agreed to buy part of US medical firm RTI Surgical in January, the European investor wanted a way to avoid losing out if the euro fell materially against the US dollar before the US\$490m deal closed.

Notable hurdles remained to the acquisition getting over the line, including a shareholder vote and sign-off by the US government. But that did not stop banks competing fiercely to provide a risky type of derivative contract that would let Montagu hedge its currency exposure cheaply.

Such deals have become commonplace as the market for so-called deal-contingent options has roughly doubled in size over the past few years, according to industry experts.

Now, intensified competition to provide these hedges against

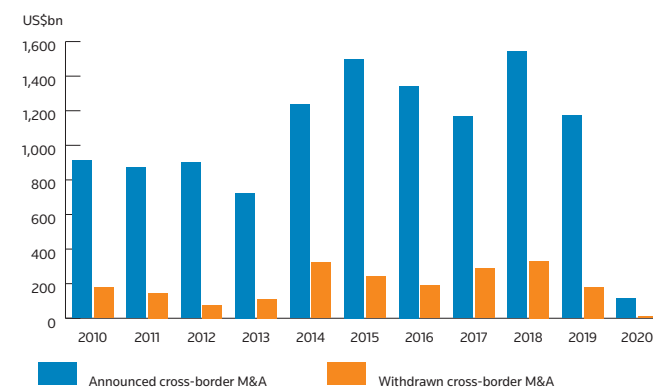
the backdrop of historically low currency volatility is raising questions over the rigour of banks' underwriting processes – and whether some could be opening themselves up to meaningful trading losses down the road.

“There are valid questions to be asked over whether underwriting standards are

slipping. Accidents will happen at some point. It's been going remarkably well for a sustained period, and that's unlikely to last,” said Jeroen Rombouts, co-head of corporate derivatives in EMEA at Goldman Sachs.

Deal-contingent derivatives trace their origins to private-equity deals in the mid-2000s.

GLOBAL CROSS-BORDER M&A - ANNOUNCEMENTS AND FAILURES



Note: By value including net debt of target

Source: Refinitiv

For clients, they look like the perfect hedge: a derivatives contract that protects against adverse currency moves in the months between when a cross-border acquisition is announced and when it closes. The best bit: if the deal fails, you can walk away without paying for the derivative.

For the banks that provide them, though, they are fraught with risks. If a deal falls through, they could find themselves on the hook for sizeable losses if currency markets have moved against them.

Most banks that have long been prominent in this space have seen deals fail over the years, including Citigroup, Credit Suisse, Deutsche Bank and Goldman Sachs, according to sources familiar with the matter. No major blow-ups have come to light so far, though some believe it may only be a matter of time given the number of new entrants to the market.

“It's a risky product for the banks. We've seen a number of public deals go wrong. It's not a pile them high and sell them cheap kind of business,” said Tim Owens, EMEA head of structuring at Nomura.

ESG reframes weak covenants as governance issue

■ **People & Markets** ESG strengthens investors' argument for tighter covenants

BY TESSA WALSH

Leading global asset manager Federated Hermes is looking at an old problem through a new ESG lens and is calling for weak covenants embedded in private equity buyout debt to be redefined as a governance issue.

Deteriorating covenants have been the scourge of institutional investors in recent years and are now as weak as they have ever been, as aggressive law firms paid for by private equity firms stripped investor protection from deals to compete for business.

A push to reframe the thorny problem as a “G” problem in the ESG spectrum could be a less contentious way of discussing covenants with sponsors, and coincides with other initiatives by trade associations, including the European Leveraged Finance Association.

“Of all the issues in leveraged finance, this is the most difficult,” said Mitch Reznick, head of research and sustainable fixed income at Federated Hermes. “Covenant design and construction is a measure of how the shareholders balance the interests of all financial

stakeholders. That's why it's a governance issue.”

Cash rich private equity firms have been slow to the sustainability party, but are facing increased pressure on ESG from their own end-investors and fixed-income investors after nearly a decade of excess demand in a bull market has allowed them to play hardball with investors chasing yield.

The push to reframe weak covenants as an ESG issue could prove to be an effective lever to bring private equity to the table, as investors continue to push for ESG disclosure and sponsors

start to adopt their own corporate social responsibility programmes.

“Whilst covenants are, a priori, a governance issue, the momentum in ESG is an opportunity to reinvigorate the case for covenants that are amenable to the whole market,” Reznick said.

Federated Hermes is a leading ESG investor with US\$5756bn of assets under management following the combination of US investment manager Federated Investors and Hermes Investment Management in February.

Hermes has a more than 10-year track record in ESG investing and was seen as a world leader in the space by Federated Investors, which is currently integrating Hermes ESG factors into its products.

Federated Hermes identified US office-sharing start-up

FIERCE SCRAP

The increase in cross-border M&A, which more than doubled from 2013 to peak at over US\$1.5trn in 2018, has helped fuel the growth of the deal-contingent market. A concurrent slump in currency volatility has also cheapened the cost of these derivatives for clients, even as it leaves less room for error for the banks selling them.

So far, that hasn't deterred bankers generally short of profit-making opportunities in the now highly-electronified FX business.

Some of the trades – and so potential gains and losses – are huge, such as the deal-contingent hedge sources say JP Morgan provided for Takeda Pharmaceutical's £46bn acquisition of Shire, which closed last year. JP Morgan declined to comment.

Competition is less fierce on these jumbo M&A trades given the higher risks involved. But there has been a sharp compression in prices in the private-equity segment of the market, with the cost of these derivatives declining by around a third in recent years to about 20% of the cost of a regular FX option.

Banks must fight hard to win this business, with sponsors likely to be unimpressed by anyone not competing on price, terms and speed, said Mark Beaumont, head of risk management for Europe at consultancy PMC Treasury.

"We know from [banks'] reaction times and behaviour that those approval processes internally can be very different," he said.

Bankers can take some comfort that private-equity firms are professional investors strongly incentivised to get deals over the line. Their failure rates average 10% per year over the past decade compared with 19% for corporate cross-border deals, according to Refinitiv data. Even so, this is still a risky business.

"Ultimately there is always a portion of risk that isn't hedgeable," said Sabine Chappard, EMEA head of strategic FX at Credit Suisse. "You can be as diligent as you like, but some deals will fail that you can't possibly foresee."

DEAL FAILURES

There are no shortage of examples of failures. It could involve another investor swooping in with a higher offer, such as in Temenos' doomed bid

for UK financial technology group Fidessa in 2018, or Apollo Global Management's failed takeover of plastics giant RPC Group (the latter resulting in a windfall gain for banks thanks to currency moves).

Banks have also been blindsided by failed deals re-emerging later on, confounding so-called phoenix clauses designed to guard against such eventualities.

US private equity firm HarbourVest didn't have to pay for a deal-contingent option accompanying its initial failed bid for SVG Capital in 2016, according to sources, by instead later buying the UK-based firm's investment portfolio (which made up the vast majority of its assets). The pound fell against the US dollar during that period, effectively making the option worthless.

The risks facing banks providing these hedges was again shown when a contingent option linked to Bain Capital's investment in Germany's Stada timed out after a failed bid, only for the US firm and co-investor Cinven to succeed with a follow-up offer later on.

Banks can "end up with large concentration risk" on their books from deal-contingent options, said

Benoit de Benaze, a director at consultancy Chatham Financial.

"Trades are often in the same currency pairs, same direction and some are jumbo trades."

RISKY BUSINESS

Faced with such risks, some will only bid on deals they think are sure things. Differences in risk tolerance were apparent in the Montagu deal, where the winning bid came at below 20% of the price of the option, sources said, while another bank priced it at over double that level.

"[We] won't trade unless we are comfortable with the risk," said Antoine Jacquemin, global head of the market risk advisory group at Societe Generale.

Others say trying to get some measure of diversification is the right approach given the likelihood that some deals won't get over the line.

"If individual banks are doing a meaningful number of deals a year, it's almost certain a few of those are going to fall over," said Logan Campbell, global head of FX derivatives at Deutsche Bank.

"That's why we feel it's about having a portfolio approach to spread your risks around. We also need to be active in hedging a deal when there are warning signs." ■

WeWork as an example of a governance problem in a paper titled "Do your 'G' work" written by Martin Jarzebowski, the fund managers' director of responsible investing in January. The report said that the company had taken its eye off basic governance matters. WeWork's US\$47bn valuation crashed after its public offering imploded last year.

DIRECT LINE

The connection between covenants and governance is arising in ESG integration for more sophisticated investors, and the question of whether weak covenants are a credit or governance issue – or both – is being actively debated in credit committees.

Recent leveraged buyout loans, including a £1.3bn leveraged loan for UK forensic

sciences group LGC, a £2.193bn loan for UK theme park and attraction operator Merlin Entertainments and an €820m-equivalent buyout financing for German insulation foam maker Armacell have all had weak covenants.

"Documents and covenants are at their weakest point that we've seen for a long time," said Jane Gray, head of European research at credit research firm Covenant Review.

Investors have been protesting about documentation and covenants for years, but have still been buying the deals, as excess demand and little supply has allowed private equity firms to push to secure maximum flexibility, which they say is their fiduciary duty to shareholders.

Fixed-income investors use ESG integration scoring to

assess companies and draw a direct line from ESG issues to credit risks and spreads, and see favouring one set of stakeholders over others as a potential financial risk for the companies they invest in when rating for governance.

Funds are using ESG scores to inform investment decisions about how much of a credit they will take, and where they invest in the capital structure of private equity-owned companies, as ESG continues to filter into the leveraged market from its origins in the corporate investment-grade world.

"How companies score on governance can have an impact on how much default risk and volatility contribution we want in the portfolio associated with that single name," Reznick said.

"What you're trying to get out of governance is longevity, stable shareholders and the

sustainability and viability of the business so that all stakeholders can benefit. Covenant structure gives a good indication."

INDUSTRY FOCUS

ELFA has launched several initiatives to address ESG issues in the leveraged loan market, including a recent survey of 100 investors, which found that 72% are already addressing ESG considerations.

"We are providing investors with as many tools as possible to engage – that's ELFA's remit," said Sabrina Fox, executive adviser at ELFA. Reznick is also a committee member of ELFA.

ELFA is working on a standardised ESG disclosure and will hold an investor roundtable in conjunction with the UN-supported Principles for Responsible Investment in April to discuss the issue. ■

Jumbo financing for ThyssenKrupp unit

■ **Loans** Goldman Sachs expected to lead up to €11bn of loans and bonds for lift company acquisition

BY CLAIRE RUCKIN

A group of banks are providing up to €11bn of loans and bonds to back Advent, Cinven and RAG Foundation's €17.2bn acquisition of ThyssenKrupp's elevators division.

The bidding group prevailed against a rival consortium comprising Blackstone, Carlyle and the Canada Pension Plan Investment Board.

The bank group is still being decided, though *Goldman Sachs* is expected to lead the debt financing alongside a number of other banks set to include *Deutsche Bank*, *Barclays*, *Credit Suisse*, *RBC* and *UBS* for Europe's biggest buyout since 2007.

The bank group is expected to increase further with a number of other banks likely to join the financing, which comprises between €7.0bn and €8.5bn of funded debt and a massive €2.5bn of unfunded facilities.

The funded debt will comprise senior loans, bonds and subordinated bonds, and could also include a PIK-type instrument.

The financing will be denominated in euros and US dollars, and the sell-down is likely to be a second-quarter event.

There are some fears that the fast-spreading coronavirus could disrupt the financing given the company's exposure to Asia.

However, it is a eagerly awaited, large, event-driven financing, which is exactly what cash-rich investors have been desperate to invest in following a lack of meaningful new money deals in 2020.

"Everyone's been waiting for this. We will have to see how things play out on the wider stage but it is expected this unit will be popular," an investor said.

The unfunded facilities comprise €1.2bn of guarantee facilities, a €500m revolving credit facility and €800m of surety bonds.

M&A banks held meetings with a broad array of banks and insurance companies in January to discuss raising the unfunded facilities.

It is expected that the existing investors in the surety bonds will roll into the new ones, and while formal commitments haven't been received to cover all the guarantee and revolving credit facilities, there have been strong indications of support.

"The unfunded facilities are not fully accounted for and while it is an issue it is not an insurmountable issue, because the market has been sounded out and banks are pleased with the indications of appetite," a senior banker said.

The expectation is that the initial underwriting group will be joined at a later stage by a number of other banks agreeing to take the unfunded facilities

Food companies fight for sales growth, hamstrung by leverage

■ **Bonds** Levered up food and beverage outfits exposed to downgrades if they invest too quickly

BY WILLIAM HOFFMAN

Highly leveraged food and beverage companies face tough decisions on how to grow sales while reducing debt amid a fast changing consumer landscape.

Companies in the sector are weighing two different avenues for growth: acquisitions or organic sales through existing brands.

Both strategies require investment – but food and beverage names are at risk of being downgraded to junk if they spend too heavily in their reach for growth, having failed to meet their deleveraging targets from the last bout of M&A in 2018.

It is a classic build versus buy debate.

"What do they do for growth going forward?" asked Meredith Contente, high-grade credit strategist at Amherst Pierpont Securities.

"Acquisitions are obviously a growth vehicle, and if they look to acquisitions before they've hit

their leverage targets they would be leveraging up on already somewhat higher leverage."

BOOSTING SALES

Many food and beverage companies levered up in 2018 to fund splashy M&A deals that were supposed to help them adapt to consumer trends in healthy eating.

For example, that year Slim Jim-maker Conagra Brands issued a US\$7.025bn bond to pay for the acquisition of Pinnacle Foods, Cheerios producer General Mills issued a US\$6.05bn bond to fund its acquisition of Blue Buffalo Pet Products and Campbell Soup priced a US\$5.3bn bond for its purchase of Snyder's Lance.

Leverage spiked as high as 5.5 times net debt to Ebitda on those deals, but rating agencies gave the companies until 2021 – a year more than usual – to meet deleveraging targets, Contente said.

And yet nearly two years into those deals, companies are not seeing the sales growth they had hoped for.

Earlier this month one of the most highly leveraged names, Conagra Brands, revised its organic sales to flat or just 0.5% growth in the fiscal year, which is a reduction from its already paltry 1%-1.5% earlier forecast.

"We've just found that the execution wasn't there [across the sector]," said Jon Duensing, director of investment-grade corporates at Amundi Pioneer.

Growing sales by simply hiking prices has not worked, either.

Kraft Heinz, which was downgraded to junk earlier this month, saw US organic net sales decline by 2.7% in the most recent quarter after it attempted to raise revenues through a 3.1% price hike, according to a Barclays report.

"Prices increase and then lower volumes offset that increase, so you're seeing flat to slightly

negative organic sales growth," Contente said. "That's telling me that there might be a problem with growth moving forward if they can't get price hikes through."

JUNKED

Kraft had hoped that asset sales would have taken some of the financial pressure off, but these ultimately proved a tough sell.

The company was in discussions to sell a number of its brands including Breakstone's butter and sour cream, Plasmon baby food, Maxwell House coffee and Oscar Mayer processed meats. The sales were shelved amid tepid private equity interest in the brands that were said to require significant investment, according to reports in summer 2019.

"What they failed to do is invest in the brand," said Michael Cho, an investment grade portfolio manager at Aviva Investors.

either on a standalone basis or on a non-pro rata basis.

On Double B rated ThyssenKrupp's outstanding €2bn revolver, BBVA, MUFG, BayernLB, BNP Paribas, Citigroup, Commerzbank, Credit Agricole, Deutsche Bank, SEB and UniCredit are mandated lead arrangers. There are another seven lead arrangers and 10 arrangers.

HIGH LEVERAGE

At €8.5bn of funded debt, the deal is expected to be highly leveraged, which could prove tricky for some banks to participate.

Deutsche Bank, Goldman Sachs and JP Morgan were M&A advisers and JP Morgan is trying to get a spot on the financing but may come up against regulatory issues that prevent it from getting involved.

Ultimately, Kraft decided to halt planned asset sales and belatedly reinvest in those flagship brands, while also maintaining a dividend to appease shareholders.

The moves resulted in downgrades by Fitch and S&P to BB+ and angered some bond investors who participated in Kraft's 2019 liability management exercise on the assumption the company would fight harder to maintain its investment-grade ratings, IFR previously reported.

BIGGER AND BOLDER

The Kraft example highlights the tightrope that food and beverage companies are walking as they try to grow sales as well as firming up their balance sheet.

Kraft hopes to improve sales by boosting its media spending by 30% this year and to drive marketing efficiencies through a shift to support "fewer, bigger and bolder initiatives", said Dave Novosel, high-grade bond analyst at GimmeCredit.

Other companies such as Conagra have strengthened their language around using asset sales as a means of hitting their financial targets.

If this is the case, it would be the second time JP Morgan has had to turn a deal down this year after not playing in a £1.3bn leveraged loan financing backing the acquisition of UK forensic sciences group LGC by a private equity consortium led by European firms Cinven and Astorg, despite being a staple bank.

The price of ThyssenKrupp's elevator unit beats the most optimistic estimates and roughly matches a bid that had been submitted earlier in the process by Finnish rival Kone, which dropped out of the race earlier this month over expected antitrust risks.

ThyssenKrupp said it would reinvest about €1.25bn to take a stake in the unit, which, based on the purchase price, would result in a 7.3% share that would be used to partially fund its pension liabilities in a trust. ■

But the shift in language was too little too late for S&P, as rating agencies show signs of becoming less lenient on missed targets.

Although S&P affirmed a stable outlook for Conagra's BBB- rating in January, a month later it revised the outlook to negative after the company guided for lower organic sales. Conagra still holds stable Baa3 and BBB- ratings at Moody's and Fitch, respectively.

"The outlook revision feels a little bit like Conagra paying for the sins of Kraft Heinz," CreditSights wrote in a report.

"That the agencies are suddenly holding Conagra immediately accountable feels indicative of a more stern approach following years of leniency, and following the Kraft Heinz downgrade."

This tougher approach creates a challenging sector for companies and their bondholders at a time when consumer behaviour is changing rapidly, said Jason Shoup, head of global credit strategy at Legal & General Investment Management America.

"It's a time that is really tricky to navigate," he said. "There are winners and losers as a result of that." ■

Italian NPL deals under threat from new law

■ Structured Finance Proposal would cap returns at 20%

BY CHRIS MOORE

The Italian parliament is considering a law that would effectively cap returns on past non-performing loan sales and securitisations, threatening a market that the country's banks rely on to take bad debt off their books.

The proposal would give defaulted borrowers whose debt was purchased over the past five years the right to pay it off at the purchase price plus 20% - effectively capping investors' returns.

"It would have a big psychological effect on NPL sale prices"

"If this goes through it would have a big psychological effect on NPL sale prices for investors outside Italy," said one Italy-based NPL specialist.

He said the proposal might well fail, and if it did pass the law could be difficult to implement - but that might not be evident to the overseas buyers that drive much of the market.

"An investor out in Boston will look at it and just say, 'this is a limit to my potential upside'," he said.

The proposal was made by an opposition MP in 2018 but only put up for discussion by the Senate finance commission at the start of this year.

It applies to individual or SME borrowers with debts of under €25m which were classified as non-performing between 2015 and 2018, and sold to a third-party through a portfolio transfer or a securitisation before the end of 2019.

Defaulted borrowers would be able to demand the holders of their debt tell them the purchase price paid.

Borrowers would then have 30 days to state their intention to repay, at the purchase price plus 20%. That 20% figure appears to be an arbitrary level.

They would have 90 days to pay, and once they had done so their debt would be scrubbed from the national NPL register.

Norman Pepe, partner at law firm Italian Legal Services, said the proposal could disappoint existing foreign investors in Italian NPLs and scare newcomers, reducing Italian banks' ability to access international markets for future NPL sales.

"It is arguable that, in the current form, this initiative could be challenged on the ground that it conflicts with certain constitutional principles and raises other legal issues," Pepe said.

For instance, effectively fixing the yield on historical NPLs at 20% would have a random impact on investors' returns, which would depend on when a loan had been acquired from a bank, Pepe said.

According to the NPL specialist, the proposed law could help debtors whose property which had been undervalued at the time their debt was sold, because a servicer would otherwise be eyeing a juicier return than 20%.

The wording of the proposal in 2018 said that since the financial crisis companies had been buying Italian NPLs at very advantageous prices, after the selling banks had themselves failed to settle with debtors.

It said the law would help around one million people, mainly families and SMEs, while still allowing the buyers the chance to make a profit. ■

Yandex finds tight window for CB

■ **Structured Equity** US\$1.25bn deal is first European convertible in over a month

BY ROBERT VENES

Nasdaq-listed Russian search engine **YANDEX** squeezed through a small window to price a US\$1.25bn five-year convertible bond on Tuesday, finding a period of calm as the spread of the coronavirus towards pandemic status rocked stock markets globally.

European indices fell 3%–4% on Monday, more in Italy, but much of that was reversed initially on Tuesday morning. A syndicate led by *Goldman Sachs* as global coordinator, with *JP Morgan*, *Morgan Stanley*, *UBS* and *VTB Capital* as active bookrunners, launched Yandex's CB mid-morning without any pre-sounding.

Bankers were confident that Yandex ticked a number of boxes for investors starved of new paper – it was only the third equity-linked trade in Europe year to-date, following a €125m five-year CB for debut issuer *Pharming Group* of the Netherlands in mid-January, and €1.75bn of four-year and seven-year CBs from *Delivery Hero* shortly after.

Sizing at US\$1.25bn was a positive factor with bankers saying there is a desire for benchmark deals and one

suggesting that sub-€500m trades that were more typical last year might struggle. Technology is also an attractive and under-represented sector in equity-linked and Yandex has a market cap well in excess of US\$13bn.

Also, while the company does not have any outstanding bonds, it issued a five-year CB in 2013 so is a known quantity for some investors.

LITTLE PUSHBACK

As it is unrated, benchmark Russian and tech names such as *Prosus* and *Netflix* provided the inputs for a 175bp credit assumption. The stock is liquid, with plenty of borrow, and there was little pushback on the credit spread.

Books were covered at the mid-point after about two hours, and pricing came at that level in late afternoon.

On guidance of 0.5%–1% coupon and 45%–50% premium the implied vol was 25%–31%, with pricing at the mids – 0.75% coupon, up 47.5% – giving implied vol of 28% versus historic over most time frames of around 35%. The bond floor on pricing was 89.5%. There is a call from three years subject to a 130% trigger.

Opting for a Reg S deal, rather than 144A allowing for marketing to US investors, meant less paperwork and the ability to launch on shorter notice.

Proceeds will be used for general corporate purposes.

Bankers said strong momentum helped them move accounts up to the mid-point, with a number of investors, both hedge funds and outright, coming in with large orders in a book of more than 100 lines. There was some crossover with accounts that bought *Delivery Hero* paper and a banker said that there did not appear to be any accounts put off by a Russian name, or at least this Russian name.

Books closed at 4pm in London on Tuesday, by which time markets were in reverse. Pricing was set on the full-day VWAP of US\$40.7289 for a conversion price of US\$60.0751. Yandex shares have risen by more than 41% since mid-October to the Monday close of US\$42.02, although the stock reached an all-time high close of US\$48.62 earlier this month.

A banker away from the deal said that such a tight credit spread showed how much demand there is for new issuance and said that,

stock falls notwithstanding, there is an opportunity to push on terms and structures that might not be achievable in a more active market.

MORE SUPPLY

Structured equity issuance was on a similarly low run rate this time last year, with food delivery service *Takeaway.com* raising €250m alongside equity, Swiss chemicals group *Sika* picking up US\$1.3bn from mandatory convertible bonds and a €200m tap by *Cellnex Telecom* – all in the first two months. The average deal size is certainly up in 2020.

The hope now is that there will be more supply to take advantage of volatility, with one banker betting on full-year issuance topping US\$20bn. Issuance in 2019 was US\$18bn from 41 deals, which was a massive uptick on 2018's disappointing US\$12.7bn from 39 deals.

A banker estimated maturities this year totalling around US\$8bn, but said that is down on last year and will be mitigated by liability management. Elevated stock levels may also result in more exchangeable bonds being considered. ■

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16 Citigroup puts Stefan Wintels back on the front line of advisory work with banks as co-head of global FIG



19 Former debt capital markets banker and 20-year JP Morgan veteran Filippo Gori is named head of Asia-Pacific



22 Barbados' sovereign debt restructuring in December included a critical syndicated loan from Credit Suisse

■ FRONT STORY STRATEGY

JP Morgan takes on climate change

It's ESG, not returns, that dominates at investor day

JP MORGAN has stepped up efforts to finance green initiatives by US\$25bn to about US\$200bn this year and said it expects to use renewable energy for all its global power needs by the end of the year.

But its moves have been panned as too little, too late by some activists who see the bank's commitment to funding fossil fuel consumption, from exploration to refining, outweighing any potential benefits.

"JP Morgan, as the largest financier of the fossil fuel sector, has a particular responsibility to bring wholesale change and leadership to this space"

"JP Morgan, as the largest financier of the fossil fuel sector, has a particular responsibility to bring wholesale change and leadership to this space," said Eli Kasargod-Staub, executive director of Majority Action, a US-based shareholder advocacy group.

"Viewed through that lens JP Morgan's actions are but a drop in the bucket."

JP Morgan also plans its first ever green bond and new investments in research and advisory capabilities to help its clients transition to a lower carbon footprint.

Banks elsewhere, however, are doing more, said Kasargod-Staub, including Britain's Royal Bank of Scotland and Lloyds Banking Group, which are making commitments to portfolio de-carbonisation targets. RBS said it would not finance oil and gas companies that are not aligned with the Paris climate accord.

JP Morgan chief executive Jamie Dimon pushed back against demands that the

bank move away from financing fossil fuel companies, including oil, gas and coal.

"Even if you stop banks from financing some of it, it will be financed by other people who don't care about pollution," Dimon said at the bank's investor day presentation last week.

"They just buy the asset cheaper and make a better return."

The bank said, however, that it would no longer lend to or advise companies that earn the majority of their revenue from coal.

BATTLE OVER RAYMOND

Dimon also advocated for companies to be allowed to take action without international government intervention.

Climate change was front and centre at JP Morgan's investor day last week, signifying its growing significance for banks. And much of the pressure to change is coming from investors.

BlackRock CEO Larry Fink this year warned that climate risk "is compelling investors to reassess core assumptions about modern finance", in his annual letter.

Climate activists are looking to test Fink's resolve during this proxy season, when BlackRock will be asked to withhold support for JP Morgan lead director Lee Raymond. Raymond is the former CEO of the world's largest oil and gas company, Exxon Mobile, and has sat on JP Morgan's board for 33 years.

"Fink is going to face an important decision point," said Kasargod-Staub. "Does BlackRock believe that Lee Raymond, the architect of Exxon's climate denial strategy, is an appropriate director to be leading the bank's board? It will be an indication that Fink's rhetoric is less than meets the eye."

2020 TRADING REBOUND

Away from climate issues, JP Morgan's investor day was a chance for the bank to talk up its leadership position.

Dimon led the bank to the most profitable year for any US bank in history in 2019, but that performance will be hard to replicate. While the bank earned a 19% return on tangible equity last year, beating its 17% target, it kept its RoTE target at 17% for this year.

"It's going to be a much tougher year in 2020," Dimon said.

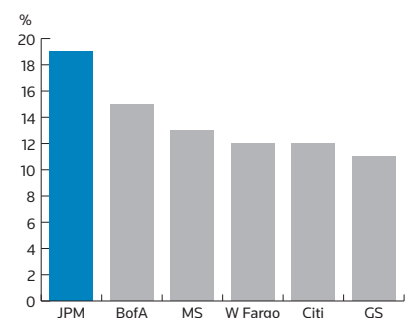
Fixed income, commodity and currency trading revenues have so far this year continued a revival, the bank said.

JP Morgan expects trading in the first quarter to be up "in the mid-teens" percent, according to Daniel Pinto, CEO of the investment bank. In the first quarter of 2019, FICC revenues were down 18% from the year before, and equity trading revenue was down 14%.

The rebound in trading puts performance in line with the average of the last two or three years, Pinto said.

Philip Scipio

JPM OUT IN FRONT: RETURN ON TANGIBLE EQUITY FOR BIG US BANKS IN 2019



Source: JP Morgan investor day

“These initiatives are aimed at turbo-charging sterling transition”

BANK OF ENGLAND'S ANDREW HAUSER ON LIBOR TRANSITION, P22

Citi picks Anderson, Wintels to co-head FIG...

CITIGROUP has promoted *Christian Anderson* and *Stefan Wintels* to lead its global financial institutions coverage, as part of several changes in leadership in its banking, capital markets and advisory division.

Anderson and Wintels will take the position left vacant by Peter Babej's move in October to head Citi's Asia-Pacific region. Babej had been sole head of the FIG group since 2017.

FIG is the biggest contributor to investment bank revenues and often links with corporate, technology and other areas.

Citi sees opportunity to win more FIG business in the US, in particular, in line with its broader ambition for BCMA.

“Where we feel there's the biggest opportunity is in the US. We are the American bank that has more upside in both share and revenues,” Manolo Falco, co-head of BCMA, told IFR.

“We're going to invest there and hire,” he said. He declined to say how many people it will hire, but said technology, healthcare

and FIG were strategic areas in which to expand.

FIG activity does appear to be picking up in the US. This month Morgan Stanley has agreed to buy E*Trade for US\$13bn, asset manager Franklin Templeton said it would buy Legg Mason for US\$6.5bn and auto lender Ally Financial is planning to buy CardWorks for US\$2.7bn.

Anderson will remain in New York, according to a memo to staff seen by IFR. He is currently co-head of the global asset managers group, and before that was head of diversified financials and speciality finance in FIG.

The change puts Wintels back on the front line to advise German and European banks and financials, including Deutsche Bank, who he has worked with in the past.

He will be based in Frankfurt and London. Wintels joined Citi in 2001 and moved up to co-head of banking in Germany and co-head of FIG for EMEA from 2010. He was appointed country officer for Germany and BCMA head

for Germany and Austria, and since 2018 has been instrumental in setting up Citi's EU broker-dealer, where he was CEO of Citigroup Global Markets Europe, but that took him away from FIG dealmaking.

Wintels will remain BCMA head of Germany/Austria, until a successor is named, when he will shift to vice-chairman for Germany.

Falco said the bank considered hiring externally to lead the FIG franchise, but decided the best candidates were the internal bankers.

SPONSOR AND POWER CHANGES

Stefan Hafke has been appointed interim country chief for Germany in addition to his role as head of corporate banking for Germany and Austria.

Following Anderson's move, *John Eydenberg* will co-head its global asset managers group alongside Anthony Diamandakis, according to a separate memo.

...and appoints Braden to run Europe markets

CITIGROUP has appointed *Kristine Braden* as head of the Europe cluster to oversee markets operations in Frankfurt, where the bank is consolidating its EU trading for life after Brexit.

Braden succeeds *Zdenek Turek*, effective immediately, and will move to Frankfurt from New York, where she has been chief of staff to CEO Mike Corbat since 2018. She will also become CEO of Citigroup Global Markets Europe, the bank's EU investment firm, according to a memo to staff seen by IFR.

Turek has been appointed EMEA chief risk officer.

Braden has been with Citi for 22 years and held senior roles in banking, capital markets and transaction services in EMEA, Latin America and Asia, including chief country officer and head of corporate and investment banking for the Swiss cluster.

Braden will report to David Livingstone, head of EMEA.

Citi's build-up in Frankfurt shows the German city is cementing its position as the leading hub for EU trading and investment banking activity on the continent.

CLIMATE RISK ROLE

Turek will relocate to London in his new role. He has been with Citi for 29 years and has been heavily involved in the bank's planning for Brexit, the memo said. He previously headed Citi's businesses in Romania, Africa, and Central and Eastern Europe, and was corporate banking head for EMEA.

The memo said *Colin Church*, who was chief risk officer for EMEA, has been appointed global head of crisis risk management and climate risk, a newly created role. Church will be responsible for the firm's strategy concerning climate risk,

Who's moving where...



HOULIHAN LOKEY has hired *Shane Sealy* from Intrepid Financial Partners as a managing director in its oil and gas group, based in Houston. Sealy has 16 years of domestic and international oil and gas advisory experience. He was most recently responsible for coverage of upstream clients with

Intrepid, the boutique investment bank set up by former Barclays/Lehman Brothers banker Hugh “Skip” McGee in 2015. Sealy was previously at Evercore, where he established the firm's Asia oil and gas advisory business.



BANK OF AMERICA has appointed *Fernando Vicario* as head of EU corporate and investment banking, in addition to his position as head of EMEA corporate banking. Vicario has been with the bank for more than 25 years. He will be based in Paris and report to Jim O'Neil, head of EMEA

corporate and investment banking, and Bruce Thompson, president of operations in the EU and Switzerland. BofA also appointed *Jerome Morisseau* as head of investment banking for France. *Stephane Courbon* becomes chairman of CIB for France.

GAM is responsible for BCMA coverage of private equity, infrastructure, sovereign wealth and pension fund clients.

Eydenberg is vice-chairman of BCMA, after joining Citi last year from Deutsche Bank, where he was most recently chairman of the Americas. He spent 18 years at Deutsche Bank, including as vice-chairman of its corporate and investment bank in the Americas and co-head of Americas investment banking coverage.

Diamandakis will relocate to New York as part of the changes. He has been co-head of GAM since 2017.

Brad Coleman will continue as chairman of the GAM group.

Citi also said it had promoted *Jack Paris* and *Philip ten Bosch* to co-heads of global power investment banking in BCMA, as part of a push to expand its coverage of the industry.

Joe Sauvage will become chairman of global power.

Paris was previously head of power investment banking for North America and Ten Bosch had the same position for EMEA and Asia-Pacific.

Steve Slater

while leading crisis risk management globally.

Citi said Church had led on several crisis management events in the past, including the Arab Spring, the eurozone debt crisis, Argentina's restructuring and, most recently, Brexit.

Turek and Church will report to Brad Hu, global chief risk officer.

Cecilia Ronan, current country head for Ireland and chief administrative officer of Citibank Europe Plc, its pan-European bank based in Ireland, will take over as CEO of Citibank Europe, a role that was also held by Turek.

Steve Slater

StanChart to miss returns target as coronavirus bites

STANDARD CHARTERED said it is likely to miss its profitability and income growth targets in the short term as it faces headwinds from low interest rates and the coronavirus outbreak, and recorded a 25% dip in profit last quarter.

Chief executive Bill Winters in February 2019 outlined his second major turnaround plan since he took up the reins in 2015, including plans to cut US\$700m in annual costs, exit smaller businesses and restructure operations in 21 countries.

He targeted increasing revenues by 5%–7% a year, indicating expected revenues of US\$17bn–\$18bn in 2021, and lifting return on tangible equity to at least 10% by 2021.

Winters said last week that US-China trade friction, lower interest rates, slowing global growth, a recession in Hong Kong and the recent coronavirus outbreak meant income growth in 2020 is likely to be lower than 5% and it will not hit its 10% RoTE target as quickly as hoped.

"We have had a good start to 2020 but we recognise there are substantial headwinds that are mounting, the most obvious of which is the coronavirus," Winters told reporters on a conference call.

"That will make it more difficult for us to hit our financial targets over the next couple of years and make it difficult to hit our medium-term target for income growth."

Finance director Andy Halford said an RoTE target of 10% "absolutely remains our belief ... This is a question of timing, not whether we can get there."

The emerging markets lender said pre-tax profit on an underlying basis for the October-December quarter was US\$325m, down from US\$432m a year earlier. Revenues were broadly flat at US\$3.6bn.

A tough final three months in 2019 capped an otherwise impressive year for the

Anglo-Asian lender, which saw it progress towards meeting its targets.

Its RoTE improved by 130bp from 2018 to 6.4%, the fourth consecutive year of improvement from a negative return four years ago.

The bank booked higher profits in every division and every region in 2019, while the four markets Winters singled out for improvement in last year's strategy update – India, Indonesia, South Korea and UAE – saw a 10% increase in aggregate profit.

OPTIMISTIC NOTE

Overall pre-tax profit on an underlying basis for the full year rose 8% to US\$4.2bn. This was just below an average estimate of US\$4.3bn from 15 analysts, based on data compiled by Refinitiv.

Corporate and institutional banking accounted for almost half of overall revenues with operating income for the full year climbing 5% to US\$7.2bn following a strong performance in cash management and financial markets, in particular.

Financial markets revenues within CIB increased 12% to US\$2.6bn as StanChart said it benefited from increased hedging and investment activity by clients due to last year's market volatility.

Revenue from foreign exchange rose 15%, in rates it jumped 26% and in credit and capital markets it soared 81%, while commodities fell 17%. Capital structuring and distribution, which comprises the bank's private-side distribution and structuring teams, saw revenues rise 6%.

Corporate finance revenues within CIB dipped 5% to US\$1.1bn, which the bank attributed to its decision to discontinue its ship leasing business.

Thomas Blott

Additional reporting by Steve Slater in London

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Joseph Belan has joined **UBS** as a managing director in its Toronto office covering the metals and mining sector, in addition to providing broader corporate coverage in Canada. Belan joined from a firm he founded in 2013, Switzerland-based Novatrek Capital. At Novatrek,

Belan was a senior adviser to the Canada Pension Plan Investment Board and led the development of a strategy to deploy capital in metals and mining. His resume also includes 15 years M&A experience working for Merrill Lynch, Goldman Sachs and Credit Suisse.



NATIXIS has hired *Aurelien Lasjunies* as Asia-Pacific coverage head within its corporate and investment banking division, based in Hong Kong. Lasjunies, who will be responsible for developing relationships with clients at senior executive level, joined from Credit Agricole,

where he was most recently co-head of investment banking for APAC. An M&A banker by background, Lasjunies has spent the past eight years with Credit Agricole. He has also worked at boutique advisory firms Goetzpartners and Leonardo & Co as well as Deloitte.



Bellwether

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

CONGRATULATIONS TO THE European banks that survived an entire week without changing their CEO. Noel Quinn continues to keep the seat warm at HSBC, Thomas Gottstein has marked his second week in charge at Credit Suisse, while Ralph Hamers is trying to look interested at ING but day-dreaming about receiving his UBS induction (and first pay cheque) from Axel Weber.

All three banks have been at pains to point out how smooth and deliberate their succession planning has been, so it's terrifying to think how they'll behave when they do something on the spur of the moment.

But amid the dizzying pace of executive churn and after RBS appointed Alison Rose as chief last year, it's worth pointing out that none of the European banks that have recently changed their CEOs have put forward female candidates.

And that's despite the fact that no bank boss can get to the end of a sentence without using the words "diversity" or "inclusion". It's time to walk the walk. Perhaps Egon Zehnder, the recruitment firm at the centre of many top-level searches, could set an example by officially changing its name to match its phonetics: "He gone; send her".

JEAN PIERRE MUSTIER'S personal stock must be close to an all-time high. The French boss of UniCredit is a rare example of a CEO who says what he's going to do, then goes ahead and does it.

But he should also be applauded for the things he hasn't done. For example, last year he ruled out UniCredit making a bid for Commerzbank when everyone was clamouring to see a big-ticket car-crash of a bank merger. Then last week

he ruled himself out of the running to become the next CEO of HSBC. A sensible chap.

And given that he is understood to have rung HSBC's no-nonsense chairman Mark Tucker to tell him he was no longer interested in the job, he's a brave one too.

But Tucker is running out of options. "Banks don't want leaders, they want cost-cutters," said one US banker. Maybe Tucker should change approach and hire Martin Lewis from the UK's MoneySavingExpert.com.

All three banks have been at pains to show how smooth their succession planning has been, so it's terrifying to think how they'll behave when they do something on the spur of the moment

READERS OF A certain age will know that last week marked the 25th anniversary of the collapse of Baring Brothers, which was brought to its knees by Nick Leeson, the bank's head of derivatives, who racked up US\$1bn in unhedged trades.

Leeson was a Manchester City fan who later joked that he declared his allegiance to the club because at the time City were perennial underachievers and Leeson thought it would elicit some sympathy in the court of public opinion. What a difference a quarter of a century makes.

As banks have tightened up their risk management to avoid a Gen Z version of Leeson costing them a fortune, now it is City, a powerhouse of European football, that has fallen foul of regulators. Maybe they'll turn up to the appeal before the Court of Arbitration for Sport wearing shirts sporting the old Barings' logo. ■

Who's moving where...

■ **CITIGROUP** has appointed *Alvaro Revuelta* and *Jorge Ramos* as co-heads of investment banking in the Iberia region. Ramos will remain in his role as head of Citi's infrastructure franchise for EMEA, which he has held since 2014. He joined Citi in 2000 in its

investment banking division in Spain, and relocated to London in 2008 to lead alternative energy coverage for EMEA. Revuelta joined Citi in 2004 and has been in charge of originating and executing BCMA transactions in Spain.

■ **ROYAL LONDON ASSET MANAGEMENT** has launched a global sustainable equity fund and has hired *George Crowdy* to co-manage the fund. Crowdy joins RLAM after 10 years at Janus Henderson, where he was a member of its global sustainable

equity team. RLAM said Crowdy would manage the fund with Mike Fox, head of sustainable investments. The fund will consist of a concentrated and active portfolio of 30-50 stocks.

■ Veteran investment banker *Kefei Li* has joined **HAITONG INTERNATIONAL** as co-head of investment banking, sources said. Li works alongside co-head Sean Huang. Prior to joining Haitong, Li worked at Deutsche Bank for four years, lastly as chairman of Asia-

Pacific ECM. Li left Deutsche in August, after the German lender pulled out of equity underwriting in Asia-Pacific. Haitong International is the Hong Kong investment banking arm of Shanghai-based Haitong Securities.

Goldman pleads not guilty over 1MDB

Three **GOLDMAN SACHS** units charged in Malaysia over their alleged role in the 1MDB money-laundering scandal have pleaded not guilty.

The Bernama state news agency reported that a representative for the US investment bank entered a not guilty plea after the charges were read out at the Kuala Lumpur High Court last Monday.

The court set the trial for November, with hearings slated to last until April 2021, Bernama reported.

Malaysian prosecutors filed charges in December 2018 against the three units, based in London, Hong Kong and Singapore, for misleading investors by making untrue statements when arranging US\$6.5bn in three bond offerings for 1MDB.

Last year, Malaysia also filed charges against 17 current and former Goldman employees, including Michael Sherwood, Goldman's previous vice-chairman, and John Michael Evans, who is also a former vice-chairman and is currently president of Alibaba.

Goldman has previously said the charges were misdirected and has consistently denied wrongdoing. The bank declined to comment when contacted by IFR.

The US Department of Justice has said about US\$4.5bn was misappropriated from 1MDB, including some money that Goldman helped raise, by high-level officials of the fund and their associates from 2009 through to 2014.

Tim Leissner, a former Goldman partner responsible for managing the relationship

with 1MDB when the fund hired Goldman to arrange the bonds issued between 2012 and 2013, pleaded guilty to charges in the US of conspiring to launder money and conspiring to violate the Foreign Corrupt Practices Act.

Another former Goldman banker, Roger Ng, pleaded not guilty to conspiring to launder money and bribe government officials in Malaysia and Abu Dhabi through bond offerings that Goldman handled.

Goldman is currently in talks with the US government and a state regulator to possibly pay up to US\$2bn to resolve investigations into its role in the 1MDB scandal. The bank set aside an extra US\$1.1bn for a potential settlement in the fourth quarter.

Thomas Blott

MUFG's Noack to head EMEA capital markets

MITSUBISHI UFJ FINANCIAL GROUP has appointed *Mathias Noack* as head of capital markets for Europe, Middle East and Africa, a new unit that is part of a wider integration of the bank's bonds and loans businesses, according to sources familiar with the matter.

As a result, *Anthony Barklam*, who had been co-head of DCM loans and bonds with

Noack, will leave the bank. He joined in 2006, according to his LinkedIn profile.

Noack reports regionally to Philip Roberts, head of investment banking EMEA, and Alex Pierre, regional head of capital markets and solutions.

He will report globally to Randall Chafetz, interim international head of capital markets.

Barklam is the latest senior banker to leave MUFG in recent months. *Sarwat Faruqi* left at the end of November. Earlier that month international business head *Geoffrey Coley* and *Paul Young*, who ran international capital markets, also departed.

Helene Durand

DCM banker Gori to head JP Morgan in Asia

JP MORGAN has appointed former debt capital markets banker *Filippo Gori* as Asia-Pacific CEO. Gori retains his current positions as head of banking for APAC and CEO of Hong Kong.

Gori reports to Mary Erdoes, CEO for asset and wealth management, and Daniel Pinto,

the corporate and investment bank CEO and the bank's co-president and co-chief operating officer.

Gori has been with JP Morgan for 20 years, including seven in Hong Kong. He was previously head of sales and marketing for markets and investor services in APAC and

also ran the debt capital markets business in the region, excluding Japan and Australia.

Gori replaces *Nicolas Aguzin*, CEO of the international private bank. Gori replaced Aguzin as APAC head of banking last year when Aguzin was appointed to his current position.

Thomas Blott

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

■ *Sara Gilbert* has joined US servicing and custody firm **NORTHERN TRUST** to spearhead business development for its alternatives asset servicing business in Europe. Gilbert joined from AltaReturn in Hong Kong.

■ **STANDARD CHARTERED** has hired *Kahina van Dyke* as global head of digital channels and client data analytics in its corporate, commercial and institutional banking division, based in Singapore. Van Dyke joined from Ripple, the blockchain-based payments company.

■ *Sophie Caillebote* has been appointed as the new head of **DAIWA CAPITAL MARKETS EUROPE**, replacing *Vince Purton*, who is stepping down. Caillebote has worked at DCME for 15 years, mostly recently as deputy head of DCM.

■ **KOREA DEVELOPMENT BANK** has promoted *Park Woong-chan* to be global head of its project finance division. The role covers responsibility for three departments under it, including a project finance department, responsible for the power and energy utility plants.

■ **CREDIT SUISSE** has promoted *Phineas Glover* to head of ESG equity research for Asia-Pacific. Glover, who will continue to be based in Sydney, was previously head of ESG research for Australia, having joined CS two years ago.

■ *Lyndon Hsu*, veteran of Asian leveraged finance markets, has left **STANDARD CHARTERED** after a two-and-a-half-year stint. Hsu was global head of leveraged and structured solutions and joined StanChart in July 2017. He was based in Singapore.

“Viewed through that [fossil fuel financing] lens, JP Morgan’s actions are but a drop in the bucket”

ELI KASARGOD-STAUB AT MAJORITY ACTION, P15

Capital markets week ahead: **Coronavirus, GFL Environmental, Trip.com**

GOING VIRAL With the coronavirus situation worsening rapidly, and investors on edge, issuers are likely to remain cautious about bringing any deals to market. Last week, not a single deal launched in the US bond market, the world’s largest – an extremely rare occurrence outside holiday periods – as issuer after issuer cancelled their plans to raise funds.



THE MARKET TURMOIL HAS ALSO CAUGHT out a number of issuers in Europe. Honeywell had been planning to launch a reverse Yankee before the sell-off, the latest US corporate to visit the euro bond market in search of cheap financing. The UK Municipal Bonds Agency had also been hoping to finally make its bond market debut after six years of delays. It may well have to wait a little bit longer.

BIN DAY Canadian refuse collector GFL Environmental is due to price its US\$1.5bn dual New York-Toronto listing on Tuesday – if the deal goes ahead – four months after it was forced to pull its first attempt at a listing. Private equity-backed GFL has trimmed its ambitions from US\$2.1bn last time around, although it is also planning a US\$700m mandatory convertible alongside the IPO.

TRIP UP Standard Chartered faces a stern test as it seeks other banks to come aboard a US\$1.2bn loan for Chinese travel agency Trip.com. The deal comes amid dire conditions for the tourism industry as a result of the global coronavirus outbreak. The bank is seeking sub-underwriting commitments of US\$300m each from a group of international and Chinese lenders.

CLOSING DOWN SALE Intu, which runs 20 shopping centres in the UK and Spain, will

outline its plans for a £1.3bn rights issue as part of its annual results announcement on Thursday. The cash call is likely to be a big ask for the company, which has a market capitalisation of just £170m, but is absolutely vital to its survival – not least because a £440m revolving credit facility is contingent on the raise.



CARDS ON THE TABLE India is set for its biggest stock market listing in two-and-a-half years, with SBI Cards set to price its Rs103bn (US\$1.4bn) IPO on Thursday. The credit card company, a joint venture between State Bank of India and The Carlyle Group, seems to be proving immune to the coronavirus sell-off, even raising its target for the deal during the worst of last week’s market turmoil.

HOT PROPERTY Institutional investors have until the end of the day to put in their orders for United Hampshire, a real-estate investment trust focused on the US, which is looking to raise US\$320m from its Singapore listing. The deal has the backing of cornerstone investors, which have snapped up US\$240m of the shares on offer. The retail offer runs to next Tuesday, with pricing expected on March 12.

VIDEO GAME Bright Culture, a Chinese producer of video content, hopes to raise HK\$1.4bn (US\$180m) from its Hong Kong listing on Wednesday. It’s the first IPO in the territory since the coronavirus outbreak, and management has had to forgo any face-to-face meetings, restricting dealings with investors to telephone and video conference calls. Trading in the shares begins a week on March 14.

OFF THE RAILS Russian Railways will decide whether to go ahead with a Swiss franc

green bond, after wrapping up meetings with investors in Zurich last week. It’s just one of a number of Russian issuers that are seeking to tap bond markets. Eurochem, which makes nitrogen, phosphate and potash fertilisers, has meetings with investors starting in London on Monday to market a US dollar issue.



FLAUNTING ITS ASSETS Bookbuilding opens on the £190m joint London-Johannesburg listing of Ninety One, the asset management arm being spun off by South African bank Investec. Bankers expect demand to be strong given that the deal has been long flagged and investors have had time to do research. Investec shareholders approved the demerger on February 10, with 97.75% voting in favour.

CAST YOUR VOTES Banco BPM, Italy’s third-largest bank, gets board members together on Tuesday to vote on a new three-year plan. It comes amid big changes in the Italian banking industry, after Intesa Sanpaolo made a bid for UBI Banca. BPM, which had been seen as a potential partner for UBI, is the product of a 2016 merger between Banco Popolare and Banca Popolare di Milano.

LAST WEEK IN NUMBERS

Zero - Number of deals in US dollar corporate bond market, as coronavirus outbreak worsened

4.875% - Coupon on AT1 from ING, 25bp wider than marketing on its pulled deal a week earlier

£500m - MREL-eligible debt that struggling lender Metro Bank plans to raise in next two years

16% - Intraday drop in Aston Martin Lagonda shares after lacklustre sales and planned rights issue

Musical chairs for Europe bank bosses

BARCLAYS CEO Jes Staley told staff last week he is “going nowhere” after reports that a replacement search was about to start, but the UK bank looks to be among a raft of European banks that has recently changed leadership or could consider doing so.

Switzerland’s two biggest banks, **UBS** and **CREDIT SUISSE**, have both announced changes in CEO in recent weeks, a few months after Alison Rose took over as **ROYAL BANK OF SCOTLAND** boss.

HSBC is looking for a new CEO, and so is **ING** after its chief, Ralph Hamers, was poached by UBS, where he will start in November. Industry sources reckon UK banks Barclays, **LLOYDS BANKING GROUP** and **STANDARD CHARTERED** could join them on the hunt.

That is partly because finding new CEOs is a lengthy process, and can take more than a year.

UBS said it started its search 15 months before it unveiled Hamers. HSBC started its search after firing its CEO in August, and its chairman said the process could take 6-12 months. He looks set to use all of that time, dashing the hopes of interim CEO Noel Quinn for a quicker decision.

One banker said 12-18 months was a realistic time-frame to expect a search to take.

SHALLOW POOL?

That’s partly because the pool of talent for European bank CEOs appears relatively shallow, industry sources said.

They said it’s difficult to lure executives from the US as they would likely have to take a pay cut. European firms are increasingly wary of “golden hellos” so it is difficult to compensate bankers for share awards they have tied up with their current employer, as Santander found when it pulled the plug on its planned hiring of investment banker Andrea Orcel from UBS last year.

Bankers said there also appeared to have been a shift in what banks want from their leaders. Many firms had been optimistic that growth strategies were back on the agenda, but low interest rates and sluggish economic growth have put cost control and digital skills firmly at the top of most wish lists in Europe.

That has left banks fishing in the same pool, and following Hamers’ defection to UBS, some banks and CEOs last week tried to quell the chatter.

UNICREDIT, after its boss Jean Pierre Mustier was linked with HSBC, said it “normally never comments on rumours”, but that Mustier was going nowhere and “will remain with the bank”.

The next day, Barclays CEO Staley said at a townhall meeting for staff: “I’m going nowhere” and there was “no search out there”, a person familiar with the meeting said.

Bill Winters, another American former investment banker who has led Standard Chartered since June 2015, also joined in. “My focus at the moment is to get us through a bumpy period in global markets and deliver our medium-term targets. I have no plans to do anything else,” Winters said.

Still, in the current environment, bankers and headhunters said nothing was assured – and, increasingly, five or six years appears to be a decent stretch for a European bank CEO. Steve Slater

Compliance costs could hit Hamers at UBS

Investors hoping **UBS**’s incoming chief executive Ralph Hamers will boost profits by slashing costs may be disappointed given his track record at **ING**, where its ratio of costs to income has increased due to increasing compliance costs.

In 2018 ING had to pay the Dutch authorities €775m after serious shortcomings were found in its systems for vetting clients and detecting money laundering.

That led to an extensive overhaul of the system by Hamers, with staff working in its know-your-customer programme increasing to 4,000.

In October Hamers called these “good costs” because the bank had to “ensure our strong role as gatekeeper to the financial system”.

UBS this month said Hamers would take over as its new chief executive in November.

UBS chairman Axel Weber downplayed concerns about recent compliance failings at ING, and said it indicated Hamers’ experience in overhauling ING’s systems as a key reason for his hire.

“Part of your job as CEO is to mitigate risks for the bank and to clean up if the bank has any misconduct,” Weber told reporters on a call following the change in CEO news.

“A CEO who has gone through such a period will also have [appreciation] in the future... that AML [anti-money laundering]

and KYC is at the core of how the bank is managed.”

But analysts said ING’s costs have gone up since 2016 to cover these enhanced compliance measures. They fear a similar pattern of extra spending could be necessary at UBS too.

“It is not clear to us that based on the incoming CEO’s track record, we can assume that there will be a material improvement in the UBS cost-income ratio,” said Amit Goel, analyst at Barclays, in a note.

BOX-TICKING?

Banks are increasingly concerned the expensive compliance measures put in place since the financial crisis are not as effective as regulators would imagine.

A survey of board directors of US public companies by Corporate Board Member and FTI Consulting found only 35% were very confident that internal programmes were working effectively, down from 46% a year previously.

The report said this decline was happening despite more resources being deployed for compliance to meet the exacting requirements of regulators.

“The survey shows eroding confidence among board directors in the ethics and compliance programmes of their organisations – a troubling sign when

regulatory enforcement is becoming increasingly commonplace, complex and costly,” it said.

In December the Wolfsberg Group of 13 global banks, including UBS, said supervisors were examining firms “almost exclusively on the basis of technical compliance rather than focusing on ... whether AML programmes are really making a difference in the fight against financial crime.”

Sam Theodore, analyst at credit agency Scope, said this was “not reassuring”, particularly as money laundering scandals could flare up unexpectedly and damage banks’ reputations.

European authorities are looking to improve how the issue is addressed, following scandals at Deutsche Bank, Danske Bank, ING and other institutions.

At the end of last year six eurozone finance ministers published a joint paper calling for a harmonised AML regulatory framework across Europe, rather than the current piecemeal one using national supervisors.

UBS is currently appealing against a ruling in France that it helped clients there evade taxes, which saw it being charged a total of €4.5bn in penalties. That appeal is due to be heard in June. Christopher Spink

“We are the American bank that has more upside in both share and revenues”

MANOLO FALCO, CO-HEAD OF BCMA AT CITIGROUP ON US EXPANSION PLANS, P16

BoE ‘turbo-charges’ moves to ditch Libor

The **BANK OF ENGLAND** told banks last week to accelerate their efforts to ditch the Libor interest rate benchmark if they want to avoid facing more punitive terms when borrowing from the central bank.

The BoE wants Libor, which banks were fined billions of pounds for trying to rig, replaced with the central bank’s own overnight “risk-free” Sonia rate by the end of 2021.

Market participants have started to use Sonia for new futures contracts, but progress in the cash loans market has been slower, with question marks over what happens to many “legacy” contracts with terms that go beyond 2021.

Libor, available in sterling, dollar and other currencies, is used to price contracts like home loans and credit cards worth around US\$400trn globally.

“We need to see another decisive acceleration in effort in 2020 to ensure risk-free rates are adopted across the full range of sterling business, and Libor is left behind for good,” BoE executive director for markets Andrew Hauser told an ISDA derivatives industry conference.

Hauser said that from October, the Bank will start increasing “haircuts” progressively on Libor-linked collateral

used by banks to borrow from the central bank, meaning more collateral would be needed to cover the same amount borrowed. He said any Libor-linked collateral issued after October 2020 will be ineligible for use at the BoE.

The BoE will also publish a “compounded” Sonia index from July to help the transition from Libor in loans.

“These initiatives are aimed at turbo-charging sterling transition, helping the market deliver against its commitment to transition away from Libor and further de-risking sterling markets,” Hauser said.

Huw Jones

CS helped Barbados restructuring

A syndicated loan from **CREDIT SUISSE** played a critical part in Barbados’ sovereign debt restructuring completed in December, according to a paper published by International Monetary Fund staff last week.

The US\$225m facility, first arranged in 2013, had a painful coupon structure. The interest payable was linked to the Caribbean country’s credit rating, ratcheting up if it was downgraded.

That happened many times during the lifetime of the loan. Barbados was rated BBB+ by S&P in 2008, but by the end of 2017, six months before it defaulted, the interest rate had risen to 12% following several downgrades.

Credit Suisse and other investors in the facility agreed to accept the same terms as bondholders under the restructuring agreement reached in October, swapping

their loan notes for bonds of varying maturities paying coupons of just 6.50%.

Swapping loans for bonds rarely happens but was seen as a critical part of the transaction, according to Andrew Shutter, a partner at law firm Cleary Gottlieb, which was advising Barbados on the deal.

Several bondholders were keen for the new 2029 bonds to be included in the JP Morgan Emerging Market Bond Index. That could only happen if the aggregate amount was over US\$500m, but after taking a haircut the bonds only amounted to US\$415m.

“In order to reach this number, after taking into account the 26.3% principal haircut, more than the three series of eurobonds needed to be included in the exchange for the new 2029 bonds,” said Shutter.

Reaching the US\$500m level was achieved by persuading the loan noteholders to also accept bonds as part of the restructuring. Some of the noteholders also held positions in the bonds.

The US\$677m external debt restructuring was dwarfed by the US\$6bn of domestic debt that had been restructured in September 2018. Some of this was held by the central bank and the national insurance scheme.

The IMF paper also said Barbados had initially defaulted on a bilateral loan guaranteed by Canada, while keeping payments current on a facility from China.

Canada only consented to the IMF financing to Barbados in October 2018 if it was repaid arrears and, if the loan was restructured, that other bilateral lenders, such as China, would be given the same treatment. Ultimately that did not happen as Barbados decided not to restructure the debt.

Christopher Spink

iTraxx ESG screening may blacklist big names

IHS MARKIT is creating an ESG-related index that will exclude members of its iTraxx Main such as Daimler, HSBC and Carlsberg if they fail to meet the necessary standards.

The data company has published a provisional methodology on its criteria, which is now subject to market feedback.

The screening process, which measures three potential exclusion categories, will affect 44 of the 125 members of its Main index if the draft methodology is implemented. Other names affected include Barclays, Volkswagen, Anglo American and Iberdrola.

Companies will be assessed around value-based, controversy-based and ratings-based exclusions. A failure to meet the threshold in one of the areas means an exclusion from

the index. The value-based criteria cover areas including adult entertainment, gambling and defence.

The framework, recommended by MSCI, also extends to alcohol, genetic engineering, nuclear power and thermal coal. It means the exclusions will apply to well-known names in the food and beverage, pharmaceuticals and energy sectors.

IHS will also apply ESG controversy scores from MSCI. Scores are given to entities on a scale of 0 to 10 based on their credentials in five pillars: the environment; customers; human rights and the community; labour rights and the supply chain; and governance.

A score of zero results in exclusion from the index. Entities that have MSCI ESG ratings of BBB and below will also be

excluded from the index. MSCI has ratings from AAA to CCC based on issuers’ exposure to industry-specific ESG risks and their ability to manage those risks relative to peers.

While the iTraxx indices are a reference benchmark for credit derivatives, ING analysts said that IHS Markit’s screening process could hit companies’ credit curves if other index providers apply a similar process to cash bonds.

That is unlikely to affect current spreads of the sectors or names, as the iTraxx is a CDS, but indices could adopt a similar methodology, the ING analysts said in a note. “If benchmark indices eliminate household names such as AB InBev, Deutsche Telekom or Enel, this may cause some significant widening on these curves.”

Robert Hogg

Asia slowdown hurts regional specialists

GLOBAL INVESTMENT BANKING FEES

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	735	1,212.7	8.4
2 Goldman Sachs	462	965.4	6.7
3 BofA	593	919.4	6.3
4 Citigroup	592	811.9	5.6
5 Morgan Stanley	580	798.5	5.5
6 Barclays	528	591.8	4.1
7 Credit Suisse	356	526.1	3.6
8 Deutsche Bank	494	348.9	2.4
9 RBC CM	396	316.0	2.2
10 Wells Fargo & Co	446	295.3	2.0
11 Jefferies	162	290.1	2.0
12 HSBC	458	263.5	1.8
13 BNP Paribas	319	218.8	1.5
14 UBS	197	214.0	1.5
15 Credit Agricole CIB	214	169.1	1.2
16 Mizuho Financial	434	165.4	1.1
17 Centerview Partners	6	158.1	1.1
18 TD Securities	274	157.2	1.1
19 Citic	779	155.2	1.1
20 Nomura	283	133.4	0.9
Total	7,340	14,521.6	

AMERICAS INVESTMENT BANKING

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	506	885.3	11.3
2 Goldman Sachs	304	726.0	9.3
3 BofA	439	695.7	8.9
4 Citigroup	379	580.8	7.4
5 Morgan Stanley	340	479.8	6.1
6 Barclays	306	389.2	5.0
7 Wells Fargo & Co	427	282.7	3.6
8 RBC CM	341	271.5	3.5
9 Credit Suisse	196	233.7	3.0
10 Jefferies	141	218.9	2.8
Total	2,787	7,814.5	

GLOBAL BONDS

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	476	496.5	7.9
2 BofA	358	405.6	6.4
3 Citigroup	394	321.0	5.1
4 Barclays	375	279.6	4.4
5 Morgan Stanley	409	279.2	4.4
6 Goldman Sachs	269	259.2	4.1
7 Credit Suisse	216	254.7	4.0
8 Deutsche Bank	377	229.3	3.6
9 Wells Fargo & Co	324	190.7	3.0
10 RBC CM	293	175.0	2.8
Total	4,993	6,314.4	

Evidence is appearing that global banks with large presences in Asia, such as **HSBC** and **UBS**, have been hit by the slowdown in the economy as a result of the coronavirus outbreak.

HSBC has dropped two places in the global investment banking fees table to 12th over the first two months of the year, compared with the same period a year ago, after seeing a 19% fall in fees to US\$263.5m, according to Refinitiv data.

That outstrips a 7% fall in fees across the market to US\$14.5bn. February has been a better month than January, as fees at the end of January had been down 16% year-on-year.

UBS, which has a significant equity capital markets business in Asia, has also dropped two places year-on-year to 14th, after seeing an 18% fall in fees to US\$214m.

Elsewhere, **JEFFERIES** has maintained its good start to the year, retaining its 11th spot in the overall tables, the same position as last month and way above its 26th place in

global rankings a year ago. It has more than doubled its fee revenue from a year ago to US\$290m, from 162 deals.

Jefferies was joint bookrunner with local banks **CARNEGIE** and **NORDEA** on last month's €159m IPO of Finnish pet care provider Musti, which is currently trading at a 15% premium to its initial pricing. Jefferies ranks seventh for ECM fees this year.

M&A boutique **CENTERVIEW** has also started well, having seen a 55% rise in fees to US\$158m, stemming from just six deals. Last year at the same time it had pulled in US\$102m from 10 transactions.

At the top of the table, the same eight banks remained in the same order as a year ago. The top seven have all grown their market share too, with the top two, **JP MORGAN** and **GOLDMAN SACHS**, both seeing a rise of at least one percentage point, to 8.4% and 6.7% respectively.

JP Morgan has already raked in US\$1.2bn in fees, according to the data, the first bank to top US\$1bn this year.

Christopher Spink

ASIA-PACIFIC & JAPAN INVESTMENT BANKING

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Morgan Stanley	164	175.4	5.1
2 Credit Suisse	60	169.1	4.9
3 Citic	778	154.6	4.5
4 CICC	232	112.1	3.3
5 Bank of China	565	90.6	2.6
6 Mizuho Financial	241	87.4	2.5
7 Citigroup	89	86.4	2.5
8 Goldman Sachs	73	82.4	2.4
9 JP Morgan	69	80.7	2.3
10 ICBC	550	78.8	2.3
Total	3,247	3,440.9	

GLOBAL EQUITIES

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	58	234.8	9.0
2 JP Morgan	63	209.8	8.0
3 Morgan Stanley	75	209.4	8.0
4 Citigroup	47	155.6	5.9
5 BofA	49	134.3	5.1
6 Credit Suisse	32	111.9	4.3
7 Jefferies	29	85.4	3.3
8 CICC	18	83.7	3.2
9 UBS	35	75.1	2.9
10 Barclays	32	65.6	2.5
Total	719	2,614.9	

EMEA INVESTMENT BANKING

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	162	246.7	7.6
2 Deutsche Bank	141	166.8	5.1
3 Barclays	157	159.4	4.9
4 Goldman Sachs	85	157.0	4.8
5 BofA	93	147.1	4.5
6 Citigroup	124	144.6	4.4
7 Morgan Stanley	76	143.3	4.4
8 Credit Suisse	100	123.2	3.8
9 HSBC	175	122.3	3.7
10 BNP Paribas	134	119.4	3.7
Total	1,366	3,266.2	

GLOBAL LOANS

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BofA	160	211.4	9.9
2 JP Morgan	152	202.9	9.5
3 Barclays	102	153.8	7.2
4 Citigroup	124	144.8	6.8
5 Credit Suisse	91	111.1	5.2
6 Goldman Sachs	97	81.6	3.8
7 Morgan Stanley	63	69.7	3.3
8 Credit Agricole CIB	53	68.5	3.2
9 HSBC	97	64.3	3.0
10 Wells Fargo & Co	96	62.8	2.9
Total	820	2,128.9	

“This is a question of timing, not whether we can get there”

STANCHART CFO ANDY HALFORD ON A RoTE TARGET OF 10%, P17

Australia plots climate stress tests

Australia has become the latest country to introduce stress tests to measure the impact of climate change on the country's major banks.

Geoff Summerhayes, executive board member of the Australian Prudential Regulation Authority, last week told firms the assessments would look at the impact of climate change, including extreme weather events, on banks' balance sheets, as well as the risks that might arise from the global transition to a low-carbon economy.

APRA will design the assessment this year and carry out a review of the country's lenders in 2021 with other industries such as insurance companies and superannuation funds to follow afterwards.

It said it would coordinate this work with the Australian Securities and Investment Commission and the Reserve Bank of Australia as well as seek input from the Commonwealth Scientific and Industrial Research Organisation and the Bureau of Meteorology.

While details at this stage remain sketchy, several market observers expect that Australia's top banking regulator will borrow from similar climate change stress tests introduced elsewhere, most notably in the UK.

The Bank of England detailed plans in December to test the impact of climate change on asset prices and business models under three different scenarios involving

varying degrees of average temperatures rises. The BoE plans to publish its findings next year. There will be no pass or fail marks and the central bank only plans to publish industry-wide results, at least to begin with.

Several analysts said APRA was unlikely to publish individual findings given that it only publishes stress test results at an aggregate level currently.

Most analysts also said they did not expect the banks will be required to raise more capital. However, one pointed to rules introduced by APRA in 2016 as evidence this could change if the regulator found the banks were particularly susceptible to climate-related risks. At that time, APRA required the four majors – **AUSTRALIA AND NEW ZEALAND BANKING GROUP, COMMONWEALTH BANK OF AUSTRALIA, NATIONAL AUSTRALIA BANK** and **WESTPAC BANKING CORP** – plus **MACQUARIE BANK** to raise average mortgage risk weightings on residential mortgages to 25% after stress tests in 2014 illustrated their vulnerability to a housing market collapse.

APRA also said it intended to develop and consult on a climate change financial risk prudential practice guide. This will outline the regulator's views on the management of climate change financial risks, including governance, risk management and disclosure. Thomas Blott

LMA beefs up ESG loan principles

The Loan Market Association is working with banks to provide guidance to support its green and sustainability-linked loan principles to strengthen the targets companies are setting for themselves.

The sustainability-linked loan market has grown exponentially in the past couple of years to US\$135bn in 2019, according to LPC data. But concerns have been mounting that the targets companies are setting themselves are not sufficiently ambitious in the private loan market.

The LMA wants to provide clarity on the application of the principles to ensure the market continues to develop, and to avoid any possible allegations of greenwashing as more companies start transitioning to a low carbon economy.

The association will not set numbers or guidelines, but, by focusing on ambition, will be able to offer insight into best practice and provide specific examples.

The targets have to be clearly defined as an aim in themselves, and cannot merely be a byproduct or fact of business as usual.

“One of the things we're really trying to emphasise is that it is important that the targets are ambitious,” said Gemma Lawrence-Pardew, a senior associate director at the LMA.

“If a borrower is doing a project and a side-effect of that project is they happen to reduce their carbon footprint, that is not sufficient. The carbon footprint has to be the main event, it can't be an impact of a project already planned.”

The LMA will not give specific numbers or targets because regulation is not yet in place, but is talking to its working party and will hold a call with its Asian and US counterparts this week, and aim to publish guidance by Easter.

The guidance will also tie in with ICMA's working group on sustainability-linked bonds, announced earlier this year, and is aiming to provide similar guidance for the public bond markets.

It will also discuss whether there is scope for standard loan documents to support the rapidly growing ESG market.

Sustainability-linked loans are flexible and currently exhibit many different indicators, but the LMA is aiming to give more clarity to borrowers.

“The sustainable loan principles set out the framework within which deals should be done. Around the guidance, we hope to be able to provide more clarity as to how that framework can be applied to deals,” said Lawrence-Pardew.

The LMA is also working on a standard set of material ESG disclosure topics with other institutions.

Tessa Walsh

JP Morgan adds China bonds to EM index

JP MORGAN was due to begin adding Chinese government bonds to its flagship emerging markets index after the US close on February 28, the start of a rebalancing that is expected to trigger billions of dollars of foreign investor inflows into the onshore Chinese market.

The US investment bank said in September it would begin adding nine local currency bonds to its Government Bond Index-Emerging Markets suite of products over a 10-month period, beginning in February.

The weighting of Chinese bonds will increase 1% each month. Upon completion, China will account for 10% of JP Morgan's main emerging markets index, GBI-EM Global Diversified, the maximum amount allowed.

HSBC said in an earlier report that inclusion in the index would bring US\$22bn worth of inflows to China.

JP Morgan is the second major index provider to begin adding Chinese government bonds to its major fixed-income

indices. In April last year, Bloomberg Barclays began adding 356 Chinese government and policy bank bonds into its Global Aggregate index. The inclusion is being phased over a 20-month period.

In September last year, FTSE Russell, the third major index provider, declined to add Chinese government bonds to its World Government Bond Index following its annual review, in a surprising move.

FTSE Russell did not provide a reason for its decision, although it said China “continues to make demonstrable progress towards meeting the criteria” for inclusion in the WGBI.

China has been pushing for the inclusion of its onshore debt in the three major fixed-income indices for some time and has taken a number of steps in recent years to address concerns about investor access, such as introducing delivery-versus-payment settlement for the Bond Connect trading link with Hong Kong and clarifying taxation rules. Thomas Blott

■ FRONT STORY FINANCIAL

AT1s suffer but hopes persist for product

» Sell-off lifts yields away from record lows

» Some investors spy buying opportunity

Market participants remain upbeat on the longer-term prospects for the Additional Tier 1 market despite dramatic underperformance last week, which could provide buying opportunities.

With growing coronavirus fears sparking a flight to safety, there was just one benchmark deal from a European financial issuer last week, an **ING GROEP** AT1 that provides a perfect case study of the market's deterioration.

"It was clearly good timing for the Italians, getting their deals done by last week"

The transaction was postponed on February 19, when ING was on course to price a US\$1bn deal inside 4.625% upon a US\$11bn order book. Last Monday, it had to settle for a US\$750m deal at 4.875%, as books closed at US\$3bn.

Other potential issuers have stood down and are waiting to see how the market develops, bankers said. All eyes have turned to the secondary market, where the riskiest form of bank debt has led the underperformance.

IN REVERSE

The sell-off has reversed a run lasting several months for the asset class that pushed AT1 yields to record lows in recent weeks.

Italian AT1s were the hardest hit last week following a coronavirus outbreak in northern Italy.

Both tranches of a €1.5bn AT1 offering priced at par by **INTESA SANPAOLO** on February 20 were bid at a cash price of around 92.00 last Friday.

"It was clearly good timing for the Italians, getting their deals done by last week," said a DCM banker.

A €1.25bn 3.875% perpetual non-call 2027 AT1 sold on February 12 by **UNICREDIT** – which was already hovering around 98 after some market participants said it was too aggressively priced – had fallen to 88.25. Its yield had risen to 5.974%.

The impact has not been limited to Italy, though. A US\$1.25bn 6% perp non-call 2025 from **DEUTSCHE BANK**, which had traded up to 101.40 in mid-February after pulling in more than US\$14bn of demand, was bid at 91.80 last Thursday.

The average yield of the Bank of America CoCo index has risen from 3.459% on February 21 – just off the all-time low – to 4.068%.

Charlene Malik, portfolio manager at TwentyFour Asset Management, said that in periods of stress, price moves are sometimes exacerbated in a vacuum of liquidity. However, she said flows in subordinated financials are high compared with levels observed earlier this year.

BUYING OPPORTUNITIES?

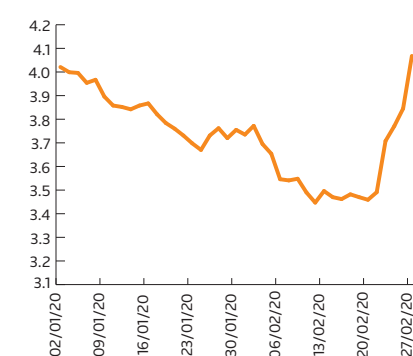
The implications for the AT1 market are tied in to the wider question of whether last week was the start of a big correction.

"From a market standpoint, we would still advocate caution," said Malik. "Naturally, there will be buying opportunities created, but we feel investors are better rewarded to remain cautious in the short term until there is further clarity."

Other market participants remain upbeat on the long-term prospects for the AT1 product, citing potential central bank intervention.

AT1 YIELDS REVERSE, HIT 2020 HIGH

BANK OF AMERICA COCO INDEX
BID YIELD



Source: Refinitiv Eikon

"The effects of the virus are putting pressure on some companies due to demand and supply shock, and banks may end up experiencing some asset quality issues in the near future," said Carlos Suarez Duarte, global credit analyst at Allianz Global Investors.

"However, we expect central banks and governments to provide monetary support and potentially fiscal support. As a result, the current increase in AT1 yields could provide some attractive entry opportunities for investors with long-term horizons."

"In AT1, it's always difficult to do the next deal if recent deals are trading at 97 or below"

Michael Hunseler, head of credit portfolio management at Assenagon Asset Management, said the price action seems more muted than past AT1 sell-offs.

"It is probably a combination of decreasing rates and a weakening economy that will translate in lower margins and higher provisions that puts pressure on bank stocks and CoCos," he said.

"Nevertheless, we think banks can deal with this. In addition, a substantial amount of CoCos will be callable over the next six to 12 months, so that should help the market."

MOMENTUM WANTED

The market will need to see a more prolonged stabilisation before new AT1s can be launched, bankers said.

Other issuers can glean little from a US\$2.82bn Bank of China AT1 last Wednesday, as the deal was supported by anchor orders from domestic accounts.

"In AT1, it's always difficult to do the next deal if recent deals are trading at 97 or below, so you want to see them back up to 99 or above," said a second DCM banker. "You want to see momentum in the market."

Issuers are generally well positioned for a temporary market closure, with many having already refinanced 2020 calls.

Tom Revell

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EIB first to reshape SOFR sector

Supra prices floater referenced to new index

The EUROPEAN INVESTMENT BANK successfully closed the first bond linked to a risk-free rate (RFR) index, pricing an oversubscribed US\$1bn four-year on the new SOFR Index that the New York Fed begins publishing on Monday.

The Secured Overnight Financing Rate is to supersede Libor as the US currency's money market benchmark by the end of 2021.

A pioneering issuer of RFR bonds in multiple currencies, the EIB mandated Citigroup, HSBC, Royal Bank of Canada, Standard Chartered and Toronto-Dominion for the new issue - its second jumbo SOFR-linked FRN in a month.

Unlike its previous three-year in January, however, the US\$1bn no-grow four-year does not reference overnight rates directly. Rather, it carries the coupon convention: 'SOFR Index Start and SOFR Index End will be two days prior to Interest Period'.

"We have always been of the opinion that the best next development for any RFR market would be the emergence of an index - that's clearly a golden source," said Xavier Leroy, senior funding officer at EIB.

Once an index was available to issue against, "we wanted to do our best to propose a bond instrument".

The EIB did not seek to beat the GSEs or other major US issuers to the punch with the first SOFR index-linker, he insisted. "We were never in competition."

"Hopefully, EIB has taken the final step and this is where the SOFR market finds consensus," said a lead manager, noting the multiplicity of SOFR calculation methods (such as compounding, averaging, shift and lag).

The economic difference between these are minimal: "A rounding error on the third decimal," as Leroy puts it. "But from a systems point of view they are different."

Accordingly, the EIB expects all of its future SOFR linkers to reference the index too. It will not restructure its three previous deals, however - since their economic difference from the index-linked version is so minimal, they will be allowed to run to maturity.

As its 2020 funding programme is already well advanced after a very active first two months of the year, it is unlikely to open new maturities in the product, however. Rather, it will seek to add liquidity to its four existing SOFR FRNs.

MAKING THE SHIFT

The EIB's move also comes in the wake of the European Bank for Reconstruction and Development adopting a shift coupon convention on its €750m Sonia FRN a week earlier.

This was in anticipation of an index for the Sterling Overnight Index Average, as

well as to address rounding errors in coupon calculation.

The Bank of England will begin publishing a Sonia index and averages from July, it said on Tuesday. The central bank administers the rate, which is the Working Group on Sterling Risk-Free Reference Rates' preferred rate to supersede Libor as the UK currency's money market benchmark by the end of 2021.

As a prominent issuer of Sonia linkers too, the EIB is open to issuing against the BoE's index when it is introduced this summer.

"Wherever we can bring our contribution, we do our best to promote [RFRs]. This is something we have expertise and resources in and something we really believe in," Leroy said.

OVERSUBSCRIBED

Leads tightened the new issue 1bp in marketing to SOFR plus 28bp after attracting more than US\$1.7bn of orders. Allowing for the additional year of maturity and the index's introduction, this was flat to 1bp over fair value.

"To be able to achieve oversubscription of US\$1.7bn when the broader swing of the market has put a number of investors on the sidelines was hugely impressive," said a lead manager.

"It went well," said one syndicate official away from the transaction. They attributed this to the issuer "executing with great care - they do their groundwork with the major accounts".

Despite the deal's inaugural nature, over 40 investors participated.

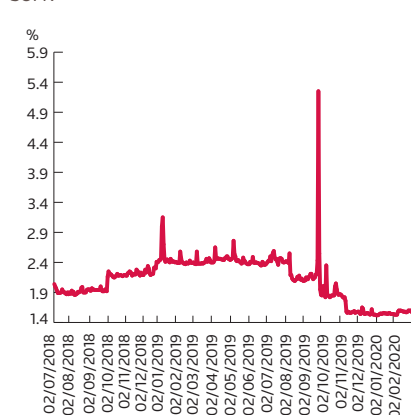
"For something dubbed a step forward in the Libor transition, that many investors being onside already was really encouraging," the lead said.

Distribution was primarily to bank treasuries, "nicely complemented by central banks and real money", the lead said. Sales were global, not only to North America, he added.

Julian Lewis

A NEW DAWN

SOFR



Source: Refinitiv Eikon

WEEK IN NUMBERS

1.16%

THE YIELD THAT 10-YEAR TREASURIES FELL TO LAST WEEK, A RECORD LOW, AS FEARS OF THE SPREAD OF THE CORONAVIRUS GRIPPED FINANCIAL MARKETS



4.875%

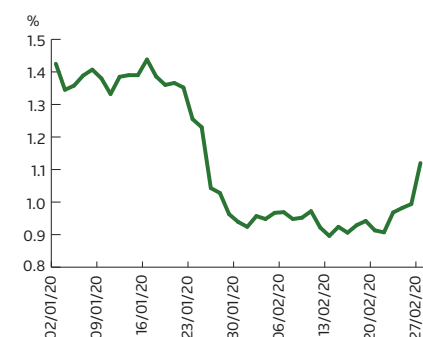
THE COUPON THAT ING GROEP PAID ON ITS REVIVED PERP NON-CALL NOVEMBER AT1, WHICH WAS AT LEAST 25bp MORE THAN ON ITS ORIGINAL ATTEMPT. THE US\$750m DEAL WAS PUT BACK ON SCREENS JUST DAYS AFTER THE US\$1bn ORIGINAL WAS PULLED AFTER THE BANK'S CEO JOINED UBS

0

THE NUMBER OF DEALS IN THE US HIGH-GRADE AND HIGH-YIELD MARKETS LAST WEEK AS THE GROWING THREAT OF THE CORONAVIRUS BROUGHT SUPPLY TO AN ABRUPT HALT

1.12%

THE YIELD THAT 10-YEAR BTPs HIT LAST WEEK, 20bp HIGHER THAN WHERE THEY WERE ON FEBRUARY 21 AS THE CORONAVIRUS SPREAD TO ITALY



€1.587bn

THE AMOUNT OF CORPORATE BONDS THE ECB BOUGHT (NET) IN THE WEEK TO FEBRUARY 21 AS PART OF ITS CSPP COMPARED WITH €1.997bn THE WEEK EARLIER In total, it has bought €16.778bn

SSAR

US DOLLARS

CPPIB OVERCOMES VIRUS VOLATILITY

CANADA PENSION PLAN INVESTMENT BOARD

shrugged off a challenging environment last Wednesday, with the international fixed-rate US dollar bond market otherwise deserted, to price its first five-year offering in the currency since 2018.

Even so, the deal's two-day delay and reduced size underscored the volatile conditions in asset markets as the global spread of coronavirus drives investors into a risk-off stance. Some other public sector names have pulled deals that were expected, though not announced formally.

Issuing through its CPPIB Capital vehicle, the Triple A crown corporation raised US\$1bn in a no-grow deal. Previous three and five-year CPPIB dollar bonds have been for US\$2bn.

Similarly, although the offering attracted over US\$1.3bn of demand, lead managers *Barclays*, *Goldman Sachs*, *JP Morgan* and *Royal Bank of Canada* were unable to tighten its spread.

They priced it in line with the mid-swaps plus the 16bp area initially indicated.

Oversubscription in "probably the trickiest market we've had in a couple of years" was "a good result", a lead manager said. "Given the huge volatility, to get this priced shows it worked well."

Syndicate sources away from the deal were positive about it despite the delay. "It would be easy to say it struggled because it was announced on Friday and didn't come on Monday. But in our view it wasn't down to the market backdrop entirely but also some strategy," said one.

"They were trying to drive a tight price and ally themselves to the Dutch and Nordic agencies, rather than Canadian provinces and provincial pension plans. This is probably the tightest they've come to those agencies, so in that sense it's a good outcome."

He cited a NWB Bank five-year trading at plus 14bp last Wednesday, for example.

Although the spread was not tightened in marketing, this reflected an aggressive initial level, sources said.

"They never move their dollar deals more than a basis point and the fact that this one didn't move is not damning - it's more just how tight it was to start," said the syndicate official away.

As a major investor itself, CPPIB's understanding of buyer preferences influenced its approach to the deal. "They know how they like to be treated as an investor. Investors like certainty, to be able to prepare and plan. So although CPP were

not forced into the market on Monday they take their commitment to issue seriously - in good times and challenging times," the lead said.

Equally, though, the issuer took a different approach than previously in response to the challenging conditions.

"They realised there was a bit of stress and volatility in the market and wanted to give comfort to investors over size. They have been establishing liquid benchmarks in five and also three years, but adjusted strategy rather than ploughing on," the lead said.

"The no-grow probably helped create some momentum," said a second syndicate source away from the transaction.

CPPIB's previous US dollar deal last October was also a no-grow US\$1bn. However, that was in the shallower 10-year sector.

The deal also benefited from the rarity of Canadian sovereign risk in international currencies. The sovereign is an infrequent issuer while several crown corporations, such as Business Development Bank of Canada and the Canadian Wheat Board, ceased issuing in their own names many years ago. Only Export Development Canada remains active.

EDC, whose debt carries "the full faith and credit of the Government of Canada", trades tighter than CPPIB. Its February 2024 benchmark was bid at plus 11.3bp, according to Tradeweb.

ALL INTERNATIONAL US\$ BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Citigroup	150	35,122.76	8.6
2	JP Morgan	147	35,031.55	8.6
3	BofA	123	27,475.28	6.7
4	Goldman Sachs	103	24,511.68	6.0
5	Morgan Stanley	76	24,345.24	6.0
6	Barclays	102	22,259.75	5.5
7	Deutsche Bank	84	14,774.04	3.6
8	HSBC	86	13,566.55	3.3
9	Wells Fargo	59	13,185.03	3.2
10	RBC	55	13,123.22	3.2
Total		466	407,064.82	

Including Euro, foreign and global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: OI

ALL INTERNATIONAL BONDS (ALL CURRENCIES)

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	232	67,756.43	8.0
2	Barclays	210	54,731.29	6.4
3	Citigroup	211	54,207.50	6.4
4	BofA	179	44,310.95	5.2
5	HSBC	191	41,763.24	4.9
6	Goldman Sachs	145	39,962.34	4.7
7	BNP Paribas	141	38,791.30	4.6
8	Deutsche Bank	163	37,508.56	4.4
9	Morgan Stanley	105	32,895.75	3.9
10	Credit Agricole	123	30,204.80	3.6
Total		1,022	849,471.84	

Including Euro, foreign, global issues. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: JI

ALL BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	JP Morgan	75	26,230.70	8.1
2	BNP Paribas	88	23,974.94	7.4
3	Barclays	83	22,028.81	6.8
4	Credit Agricole	67	19,640.30	6.1
5	HSBC	69	19,314.90	6.0
6	SG	56	18,743.81	5.8
7	Deutsche Bank	67	16,636.67	5.1
8	UniCredit	66	15,107.47	4.7
9	Citigroup	50	13,660.40	4.2
10	BofA	44	12,707.75	3.9
Total		330	324,508.86	

Including Euro-preferreds. Excluding equity-related debt, US Global ABS/MBS.

Source: Refinitiv

SDC code: NI

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING FEBRUARY 29 2020

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Feb 25 2020	Italy	€2.25bn	0.00	Nov 29 2021	-0.143	1.55
Feb 25 2020	Italy (€i)	€900m	0.40	May 15 2030	0.31	1.92
Feb 25 2020	Italy (€i)	€600m	1.25	Sep 15 2032	0.38	2.82
Feb 25 2020	UK	£3.25bn	0.875	Oct 22 2029	0.512	2.16
Feb 26 2020	Germany	€3.223bn	0.00	Apr 11 2025	-0.69	1.04
Feb 27 2020	Italy	€2.5bn	0.35	Feb 1 2025	0.36	1.36
Feb 27 2020	Italy (CCTeu)	€1bn	0.301	Apr 15 2025	0.47	1.66
Feb 27 2020	Italy	€4bn	0.95	Aug 1 2030	1.00	1.26

Source: IFR

Still, CPPIB - which lacks a government guarantee but is supported by guaranteed contributions and creditors' seniority to pensioners, as well as its US\$400bn of assets - achieved the very limited three to five-year spread characteristic of EDC and other top Triple As, the lead said.

Its September 2023 bond was trading at around plus 14bp when the new issue was announced. "That is the same flatness of curve that the top supranationals get - a very modest premium."

ONTARIO TEACHERS TOO

There is one other Canadian public pension fund mandate in the pipeline, though there won't necessarily be a deal.

ONTARIO TEACHERS' FINANCE TRUST, fully guaranteed by Ontario Teachers' Pension Plan Board, is meeting investors in Europe via *Barclays*, *BNP Paribas*, *Bank of America* and *JP Morgan*.

Leads emphasised, though, that the issuer had not announced any deal in connection with its roadshow.

EUROS

VOLATILITY SEES SPAIN 30-YEAR SHED ORDERS

The order book on the **KINGDOM OF SPAIN's** 30-year shed some €12bn of demand from its peak last Tuesday as opportunistic investors dropped out when it was buffeted by volatile markets, an outcome that contrasted with the majority of 2020's sovereign syndications.

Order books for public sector new issues, in particular sovereign deals, have been breaking all records since the start of year as investors scramble to get their hands on primary paper.

However, Spain's €5bn deal last week looked like the first chink in the armour of the so-far bullet-proof market. While all

appeared well at the first updates, with books passing €20bn and then €30bn, they plummeted to €18bn including €2.35bn of JLM interest.

"For me, this wasn't a spread issue," said a lead. "There was a short period where Bunds richened and equities moved and we lost some opportunistic investors."

From the 89bp area over mid-swaps guidance where marketing started, the level was set 3bp tighter at 86bp over.

Bankers away from the deal agreed that the sharp movements in markets had undermined interest in the new issue.

"I think the move in spread and that drop in book says something about the market," said a banker away from the transaction.

"Ultimately, I think it is still a success, but the market is more volatile and this really demonstrates that."

Despite the volatility, bankers defended the decision for Spain to issue on Tuesday.

"There is a broad acceptance that core rates will be lower for longer and that curves will remain flat," said the lead. "Combined with the strong performance in the secondary of their long end, all the indicators were good for the new issue."

And while the book dropped significantly, landing pricing at 86bp made for a limited new issue premium, according to bankers, who placed fair value in the mid to low 80s.

The reception was in stark contrast to that encountered by Italy's €7bn 2.45% September 2050 issued in January. That trade saw a final order book of €48bn and moved pricing to land at BTPs plus 6bp from IPTs of the 9bp area.

Indeed, Spain's last appearance in the bond market was also met with a markedly different reaction. In January, the sovereign raised €10bn through a 0.5% April 2030 at 0.525% generating a record breaking €53bn-plus book.

Spain last issued a syndicated 30-year bond in February 2018, when it sold a €6bn 2.7% October 2048 on books exceeding

€25.8bn. That note was bid at 0.987% on Tuesday, having priced at 2.726%.

In January, the sovereign also announced that it was committed to issuing green bonds, hoping to tap into demand from green bond funds and encourage similar issuance from Spanish credits.

The new deal was sold through *Barclays*, *BBVA*, *BNP Paribas*, *Credit Agricole*, *JP Morgan* and *Santander*.

UNEDIC REVIVES PUBLIC SECTOR EUROS

A heavily oversubscribed benchmark from **UNEDIC** – the first from the French agency in a year – revived the stalled euro public sector bond market last Thursday.

Lead managers *Barclays*, *BNP Paribas*, *Commerzbank*, *Credit Agricole* and *Societe Generale* drew orders in excess of €3.5bn for the 10-year offering.

Investor support for the €1.25bn deal, which leads tightened 2bp during marketing to 14bp over the interpolated OAT curve, contrasted with last Tuesday's more expensive benchmark in the same maturity from the European Stability Mechanism (ESM).

ESM was unable to tighten its €2bn no-grow offering from initial indications of mid-swaps less 8bp. Its order book reached €2.5bn.

In contrast, Unedic began marketing at the equivalent of swaps plus 6.5bp, though final pricing was tighter at 5.7bp over.

"They are one of very few level one issuers that price positive versus mid-swaps," noted a lead manager, who termed the deal "an impressive trade in a challenging market, to say the least".

With more than three-quarters of February's new issues now trading wider than their launch levels, Unedic attracting demand of €3.5bn at a negative yield was "quite special", the lead said. It priced at -0.243%.

The lead attributed this to it being a rare Republic of France-guaranteed borrower, which issues in benchmark size.

ALL US DOLLAR FIXED-RATE GLOBALS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	26	10,502.68	10.5
2 JP Morgan	19	6,887.06	6.9
3 BofA	21	6,867.74	6.8
4 Barclays	13	6,368.81	6.3
5 TD Securities	12	6,278.76	6.3
6 Goldman Sachs	17	6,069.25	6.0
7 Morgan Stanley	11	4,827.93	4.8
8 RBC	11	4,267.09	4.3
9 Deutsche Bank	10	4,163.27	4.2
10 Wells Fargo	11	3,897.00	3.9
Total	58	100,318.37	

Excluding equity-related debt, ABS/MBs.

Source: Refinitiv

SDC code: OS

ALL INTERNATIONAL GREEN BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BNP Paribas	12	2,548.82	10.4
2 Credit Agricole	11	2,097.07	8.6
3 Barclays	10	2,087.01	8.5
4 Santander	9	1,816.89	7.4
5 SG	5	1,812.20	7.4
6 JP Morgan	8	1,419.41	5.8
7 HSBC	10	1,015.30	4.2
8 BofA	6	782.74	3.2
9 UniCredit	4	706.08	2.9
10 Morgan Stanley	4	697.73	2.9
Total	49	24,424.69	

Excludes social bonds and mixed use of proceeds.

Source: Refinitiv

SDC code: JG1

ALL SOVEREIGN BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 JP Morgan	13	9,484.52	11.9
2 BNP Paribas	11	7,448.74	9.3
3 Citigroup	9	6,838.46	8.6
4 SG	6	5,899.53	7.4
5 Goldman Sachs	8	5,306.30	6.6
6 HSBC	7	4,978.31	6.2
7 Credit Agricole	4	4,412.84	5.5
8 Barclays	7	3,677.29	4.6
9 Nomura	3	3,447.15	4.3
10 Santander	4	3,385.77	4.2
Total	27	79,852.58	

Excluding ABS/MBs.

Source: Refinitiv

SDC code: N4

Syndicate sources welcomed the deal warmly too. "This was a very appropriate trade in the current market – a perfect choice for those investors who are still in the market," said one official away from the transaction.

Pricing compounded explicitly-guaranteed Unedic's rarity appeal, the source away said. The source said that relative value buyers also liked the trade.

"The size is liquid, a zero-weighted SSA at mid-swaps plus is very rare and it has a lot of spread over the curve," said the source away from the transaction.

Distribution was a fairly equal mix of bank treasuries, central banks and official institutions, and fund managers, according to the lead. While Europe inevitably dominated, Asian participation in the deal was notable.

Fair value was around 13bp over, the lead said. This put the deal's new issue premium at 1bp.

On the same day, the **FREE STATE OF THURINGIA** raised €250m of 20-year funding through a no-grow offering that achieved the slightest of over-subscriptions with orders of €260m-plus.

Lead managers *BayernLB, Deutsche Bank, DZ Bank, Helaba* and *NordLB* priced the deal in line with guidance at swaps plus 7bp.

ESM FINDS THE GOING SLOW FOR NEGATIVE-YIELDING 10-YEAR

The impact of plummeting yields on the European public sector primary market was plain to see last Tuesday as a 10-year for the **EUROPEAN STABILITY MECHANISM**, one of the most deeply negative-yielding bonds in that tenor, got stuck in the middle of guidance.

Negative-yielding debt is not new to SSAs but growing fears that the coronavirus epidemic could spread well beyond China sent yields sharply lower last week.

The yield on the 10-year German Bund was hovering around less 0.5% last Tuesday, around 10bp lower than a week before.

ALL AGENCY BONDS IN EUROS
BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 Barclays	10	4,003.01	12.9
2 HSBC	10	3,827.67	12.4
3 JP Morgan	7	3,638.02	11.8
4 BofA	5	2,956.79	9.6
5 Commerzbank	5	2,603.59	8.4
6 Credit Agricole	10	2,379.17	7.7
7 Deutsche Bank	3	1,924.71	6.2
8 SG	6	1,818.79	5.9
9 BNP Paribas	7	1,776.23	5.7
10 Natixis	7	1,615.10	5.2
Total	31	30,947.46	

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

Given this backdrop and the tight spread to Bunds, targeting the 10-year point in the curve was seen as a brave decision by some.

"The 10-year is do-able but difficult," said a banker away. "Given how tight Bund spreads are, that will take some investors away from the table."

This greater price sensitivity was evidenced by the issuer's inability to move the level to the tight end of the mid-swaps minus 8bp area (+/-1bp WPIR) guidance on its €2bn no-grow, with books topping €2.5bn, excluding JLM interest.

The "will price in range" language was seen as a necessary step given the volatility in the market, giving as much clarity as possible to investors.

"The problem is markets are moving so quickly it can cause some headaches for issuers like ESM that have fixed issuance windows," said the banker away.

Despite the lack of price progression, leads saw the negative yield and small new-issue premium as indications of success.

"The NIP is pretty fine and with the yield due to be set around -0.22%, I think this could be the richest 10-year we have seen," said a banker on the trade.

In the end, the deal was priced with a yield of -0.217%, matching the level achieved by Land Hessen for a €500m 10-year in September last year. The ESM's spread versus Germany was smaller, however, at 28.7bp, compared with 35.4bp for Hessen.

The relatively muted response contrasted with that seen for ESM's €3bn three-year earlier in February. That deal was priced at less 0.455%.

Bankers offered differing interpretations of fair value. Using the issuer's own curve, it was placed around less 12bp.

However, given the lack of liquidity of the supranational's €3bn 0.5% March 2029, some preferred to look at other issuers.

"You would expect them to come at a pick-up to KfW, so for me that is the benchmark to use," said the banker. That official plumped for fair value at around less 10bp to less 10.5bp.

ALL SUPRANATIONAL BONDS IN EUROS
BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 Goldman Sachs	5	3,232.60	12.1
2 JP Morgan	5	3,083.30	11.5
3 Deutsche Bank	6	3,003.72	11.2
4 BofA	3	2,534.24	9.5
5 UniCredit	3	2,498.62	9.3
6 SG	5	2,281.46	8.5
7 BNP Paribas	4	2,035.03	7.6
8 Credit Agricole	3	1,763.08	6.6
9 Barclays	3	1,562.25	5.8
10 HSBC	2	1,513.69	5.7
Total	16	26,771.77	

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

In January, the European Investment Bank also sold a 10-year benchmark. The €5bn 0.05% January 2030 came 10bp south of swaps and was last week bid in line with that level.

The ESM has now hit its funding target for the first quarter. It had €5bn to raise in the first quarter, its biggest funding quarter. Its needs over the next three quarters are €1.5bn, €3bn and €1.5bn, respectively.

Barclays, Commerzbank and *JP Morgan* sold last Tuesday's trade.

SIGNING UP FOR PRI

On Thursday, the ESM announced it had signed up to the United Nations' Principles for Responsible Investment as it looks to integrate environmental, social, and governance considerations into its investment practices.

As a PRI signatory, the ESM will include ESG criteria within its investment processes. The supranational also said it intended to collaborate with peer institutions to promote sustainable investment practices.

"We consider that adhering to the Principles for Responsible Investment is an important and positive step forward in our institution-wide ESG efforts," said Klaus Regling, ESM managing director.

Since 2006, more than 2,900 investors have signed up to the PRI, from over 50 countries representing more than US\$90trn in assets under management.

The ESM began preparatory work to apply to the PRI a year ago.

NON-CORE CURRENCIES

TCORP OPENS 2033 LINE FOR A\$1bn

NEW SOUTH WALES TREASURY CORP completed its first domestic syndicated sale of the calendar year last Thursday, raising A\$1bn (US\$640m) from a new 13-year bond line via *CBA, NAB* and *UBS*.

MUNICIPAL, CITY, STATE, PROVINCE ISSUES IN EUROS
BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 UniCredit	8	2,165.43	19.9
2 DGZ-DekaBank	7	1,009.09	9.3
3 Nord/LB	7	988.43	9.1
4 Barclays	3	624.86	5.7
5 LBBW	4	578.69	5.3
6 HSBC	4	576.52	5.3
7 Deutsche Bank	5	533.87	4.9
8 DZ Bank	5	512.11	4.7
9 Hessen-Thuringen	4	447.78	4.1
10 JP Morgan	1	424.77	3.9
Total	19	10,897.65	

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

The 2% March 8 2033s were priced at 105.097 to yield 1.565%, in the middle of 68bp–72bp guidance at EFP (10-year futures) plus 70bp and 61.75bp over the April 2033 ACGB.

The Aaa/AAA rated semi-government offering came 15bp tighter than the 85bp EFP margin for Queensland's July 2034s issued a day earlier, which has a 16-month longer tenor and one notch lower ratings from Moody's and S&P of Aa1/AA+.

The TCorp bond received bids of A\$2.071bn at the final price and had a high 28% offshore allocation, with European and UK investors taking 16% and Asia 12%. Asset managers bought 76% of the bonds, bank balance sheets 18%, bank trading 4% and official institutions 2%.

Fiona Trigona, head of funding and balance sheet at TCorp, said: "This issuance is a positive result for TCorp and means that we have now raised 90% of our [A\$17.0bn] annual borrowing programme. We're absolutely delighted that we have attracted new investors, further diversifying our investor base."

TCorp's previous local syndicated transaction was a record-equalling A\$1.8bn 1.25% March 20 2025 sustainability bond sale in November 2019.

It subsequently made its euro market debut on February 14 with €60m of 0.609% 30-year Eurobonds.

QUEENSLAND SECURES BROAD DEMAND

QUEENSLAND TREASURY CORP (Aa1/AA+/AA) attracted broad-based demand for last Wednesday's A\$1.25bn (US\$825m) sale of 1.75% July 20 2034 bonds, which will pre-fund the state funding arm's fiscal year 2020/21 debt financing requirement.

Citigroup, Deutsche Bank and Westpac were joint lead managers for the bonds, which were priced at 99.872 for a yield of 1.76%, within 82.5bp–86.5bp guidance at EFP (10-year futures) plus 85bp, equivalent to 64.9bp over the June 2035 ACGB.

Australian accounts were allocated 75%, EMEA 12% and Asia 5%, while US investors bought 8% of the 144A eligible offering.

Asset managers and insurance companies took 63%, bank balance sheets 16%, official institutions 9%, trading desks 6% and hedge funds 6%.

The 14.5-year print followed hot on the heels of QTC's A\$1.5bn 4.75-year (November 21 2024) floating-rate note sale on February 19 that completed the state's A\$9.9bn 2019/20 funding requirement.

ADB LISTS MASALA BONDS ON INX

The Triple A rated **ASIAN DEVELOPMENT BANK** has sold Rs8.5bn (US\$118m) of 10-year Masala

bonds, in its first Indian rupee issue since 2017.

The bonds carry a coupon of 6.15% and were priced to yield 6.19%. They are denominated in rupees, but settled in US dollars.

Investors in Europe took 79% of the bonds and those in the Americas 21%. Fund managers booked 72% and banks 28%.

JP Morgan was sole underwriter.

The bonds will be listed on both the Global Securities Market of India International Exchange (India INX) and the Luxembourg Stock Exchange. This is the first time a foreign issuer has had a primary listing for its securities on India INX, which is based in Gujarat's international finance hub, GIFT City.

The transaction brings ADB's outstanding rupee bonds to Rs72.4bn, or US\$1bn, with maturities stretching from 2021 to 2030.

CORPORATES

US DOLLARS

CORONAVIRUS HITS AB INBEV AS TOP-LINE GROWTH SLOWS

Bonds issued by the world's largest brewer **ANHEUSER-BUSCH INBEV** traded wide in the secondary market on Thursday, after the company reported a revenue dip due to the coronavirus and demonstrated a lack of clarity on how it will deleverage to targeted levels.

The broader high-grade bond market was trading wide last week due to fears of the spreading virus, but AB InBev particularly stood out in a sea of red.

Three of the company's bonds, rated Baa1/A-/BBB, were among the top 10 most actively traded on Thursday, according to MarketAxess data.

The 5.55% 2049s, 4.75% 2029s and 4.9% 2046s were all trading some 15bp–20bp wider through midday.

In the earnings report, much attention was given to AB InBev's exposure in China, where the coronavirus has resulted in US\$285m in lost revenue and US\$170m impact to Ebitda in the first two months of the year.

AB InBev said full-year volumes declined across all its main areas of business as customers in China are not going out to bars, restaurants or nightclubs amid coronavirus concerns and in-home channels saw meaningful declines as well.

"Despite the current hardship, we do not believe this crisis will impact the long-term potential of our business given our unparalleled brand portfolio, route-to-market and talent pool," AB InBev CEO Carlos Alves de Brito said on an investor call.

But the market is also expressing concerns regarding AB InBev's path to reaching two times debt to Ebitda from four times leverage at the end of 2019.

To be sure, the company did a lot in 2019 to reduce debt. It sold its Australian business to Japanese brewer Asahi for US\$11bn in July and followed that by raising US\$5.75bn in an IPO of its Asia unit.

Those asset sales allowed the company to reduce debt by US\$8.8bn year-on-year.

The beer maker even cut dividend payments by US\$2.8bn to US\$5bn, which helped increase free cashflow to US\$3.2bn, up from US\$1.4bn a year earlier.

The company still has US\$95.5bn of outstanding debt and is sticking to its plan to cut its leverage in half.

MURKY PLANS

But with no more asset sales planned and management reaffirming its dividend levels for 2020, the path to debt reduction is murky, according to a CreditSights report.

Much like other companies in the food and beverage space that are struggling to drive growth after larger leveraged acquisitions, AB InBev is looking to new and existing brands to drive organic growth.

"In 2020, we're increasing investment to fuel this growth," Alves de Brito said on the call.

"We have big ambitions for Bud Light Seltzer to grow our share in the fast-growing hard seltzer category in which we're currently under-indexed."

AB InBev should have some runway to invest and expand those existing brands due to a liability management exercise from last year that effectively halved its near-term debt maturities through 2025.

This new direction should keep the company out of large M&A transactions, but it is unclear if investments in premium beer categories and seltzers will drive the growth it needs.

"While such a change is usually good for credit as it lowers leverage volatility through the acquisition cycle, we view it as less so in AB InBev's case," CreditSights said in its report.

"This strategic move acknowledges that the group's performance since buying SABMiller in October 2016 has left management's M&A 'best-in-class' credentials somewhat tarnished and likely reduces a desire to deleverage rapidly to create the headroom for the next piece of large M&A."

PACIFIC NATIONAL PLANS OFFSHORE SALE

Australian rail freight operator **PACIFIC NATIONAL HOLDINGS** has mandated *ANZ, Bank of China, Credit Suisse, Mizuho* and *Westpac* to arrange an Australian, London and Asian roadshow from March 2 for a US dollar or sterling-denominated Reg S, fixed-rate, senior unsecured 10-year bond issue.

The company, rated BBB- by S&P and Fitch, issued a A\$450m (US\$288m) 10-year MTN issue following a similar Australian, Asian and UK roadshow for an Australian dollar, Reg S US dollar or sterling benchmark.

Pacific National Holdings has an upcoming maturity to finance, in the shape of a US\$600m 4.625% September 23 2020 Eurobond issue.

EUROS

PACCAR DRAWS ROBUST DEMAND FOR ANNUAL FORAY

PACCAR FINANCIAL EUROPE drew robust demand last week with its annual euro foray although a febrile market backdrop meant it was unable to match the order book it got last year.

The truckmaker tapped the market with its first negative-yielding transaction, a €300m no-grow March 2023 bond that came at -0.12% or 27bp over swaps. The launch came ahead of the redemption of €500m of three-year notes due May 19.

Aside from this 2020 bond, Paccar has one other fixed-rate paper in the common currency, a €300m March 2022, the bond it printed in March 2019.

The 2020s were quoted on Tradeweb at plus 19bp and the 2022s at plus 18bp. Leads saw fair value for the new note in the low 20bp area.

For reference points, leads considered John Deere and Toyota Motor, which have September 2023 bonds quoted on Tradeweb at mid-swaps plus 19bp and plus 29bp, respectively.

At mid-swaps plus 45bp-50bp, IPTs were announced markedly higher than those levels, edging closer to Daimler's February 2023 and November 2023 bonds at plus 49bp and plus 52bp.

Guidance was refined to plus 30bp-35bp on orders of €850m. Books closed at €800m and allowed the issuer to fix the spread at 27bp.

That suggested a new issue premium within a 2bp-5bp range. By comparison, Paccar did not give a concession for its March 2022 paper last year.

The new notes were twice covered, paling

in comparison with the six times subscription for its 2022 bond.

"The deal went very well considering where we are with everybody scared of the coronavirus, economic data not convincing, and equity markets crumbling," said a banker on the trade. "It was not easy but we found a great window within this volatility to execute this trade."

The take-up was slower owing to those factors and the negative yield, he said.

Paccar is eligible for the ECB CSPP and the ECB has previously bought the issuer's May 2021 floater as well as its May 2020 and March 2022 fixed-rate notes.

ING, MUFG and *Rabobank* were bookrunners.

LUNDBECK PREPS BENCHMARK FIRST FOR M&A REFI

H. LUNDBECK will refinance recent M&A activity with its debut bond issue, drawn to the euro benchmark market by attractive pricing and depth of demand.

The company was in the headlines last week when it was announced that a medication for the prevention of migraines, at the centre of Lundbeck's 2019 acquisition of Alder Biopharma, had been approved by the US regulator, the FDA. Lundbeck acquired Alder for US\$1.95bn in October.

The Danish pharmaceutical company, rated BBB- (stable) by S&P, started a roadshow on February 28 for a five-year benchmark issued from the corporate's newly established EMTN programme.

The note will mark Lundbeck's first capital markets transaction, according to a banker involved in the trade.

"The pricing that the bond market offers is quite compelling," said the banker. "In euros the pricing is especially good and it's a market close to home for them."

The common currency also offers much deeper demand than Nordic markets, said a banker away from the transaction.

ALL INV-GRADE US CORPORATE BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	32	6,688.83	11.9
2 Citigroup	25	5,188.38	9.2
3 BofA	29	5,023.53	8.9
4 Barclays	17	4,576.00	8.1
5 Wells Fargo	25	4,391.33	7.8
6 Morgan Stanley	11	3,574.13	6.3
7 Goldman Sachs	12	3,324.39	5.9
8 Mizuho	13	2,494.16	4.4
9 MUFG	10	2,260.09	4.0
10 HSBC	8	2,016.06	3.6
Total	56	56,304.41	

Excluding equity-related debt, ABS/MBS, all foreign issues, global issues and non corporates.

Source: Refinitiv

SDC code: F6a

Lundbeck received its rating from S&P last week. The agency based its decision on "the company's focus on the high-growth, high-risk, central nervous system therapeutic area, partially offset by its good geographic and product diversity".

Lundbeck's focus on high-risk areas is also partially offset by the company's strong credentials among physicians, said the ratings agency.

BNP Paribas, Bank of America, Danske Bank and *Nordea* are running the deal.

SWISS FRANCS

SYNGENTA PROVIDES YIELD IN SHAKY MARKET

SYNGENTA FINANCE provided a bit of crossover yield to Swiss investors on Tuesday, printing a SFr340m (US\$343m) two-part trade in a shaky market.

Following a short roadshow, books opened for a minimum SFr200m 2.75-year at mid-swaps plus 85bp-95bp and a minimum SFr100m 6.75-year at 120bbp-130bp.

ALL INVESTMENT-GRADE BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 JP Morgan	50	22,262.85	8.5
2 BNP Paribas	57	19,160.70	7.3
3 SG	47	17,823.94	6.8
4 Barclays	54	17,697.16	6.7
5 Credit Agricole	54	17,129.86	6.5
6 HSBC	45	15,978.33	6.1
7 Deutsche Bank	47	13,920.64	5.3
8 UniCredit	46	12,513.15	4.8
9 Citigroup	29	10,628.50	4.1
10 BofA	31	10,472.55	4.0
Total	240	262,426.43	

Excluding ABS/MBS, equity-related debt.

Source: Refinitiv

SDC code: N9

ALL INTERNATIONAL STERLING BONDS

EXCLUDING SECURITISATIONS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total £(m)	Share (%)
1 Barclays	29	5,748.55	14.3
2 HSBC	23	4,221.18	10.5
3 NatWest Markets	22	4,075.08	10.2
4 RBC	18	4,048.97	10.1
5 JP Morgan	10	2,452.10	6.1
6 Deutsche Bank	12	2,334.09	5.8
7 Lloyds Bank	10	2,205.36	5.5
8 TD Securities	9	2,181.40	5.4
9 Citigroup	11	2,162.89	5.4
10 BNP Paribas	7	1,439.20	3.6
Total	57	40,104.43	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv

SDC code: K05a

It priced SFr200m of the shorter at plus 90bp and SFr140m of the longer at 130bp. That equated to yields of 0.017% and 0.658%, a rarity in the franc sector with its highly negative rate environment.

Syngenta has franc paper due in 2024 and 2029, so the new deals flesh out the curve well with maturities in December 2022 and 2026.

Both outstanding bonds had widened out quite dramatically over the past month, by 11bp and 23bp, with 8.5bp and 13.5bp of that move coming overnight, according to Tradeweb data. Other Swiss chemical, pharma and life science-focused companies had only widened 2bp–3bp over the period.

It also has a US\$750m bond due in April this year, which the new Swiss franc deals will presumably part refinance.

Lead officials reported minimal negative feedback on the credit. While some investors are not allowed to buy crossover names, those that could were almost all in the book. There were 44 accounts on the shorter tranche and 57 on the longer.

A combination of the well-known name and a commitment to keep at least two investment-grade ratings, which keeps bonds index eligible, helped the transaction thrive in a very difficult market.

ALL US INVESTMENT GRADE CORPORATE DEBT

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	89	25,219.15	11.4
2 Morgan Stanley	58	22,213.51	10.0
3 Citigroup	76	20,096.48	9.1
4 BofA	80	17,673.36	8.0
5 Goldman Sachs	49	16,402.68	7.4
6 Barclays	40	11,932.06	5.4
7 Wells Fargo	48	10,822.50	4.9
8 MUFG	34	7,896.62	3.6
9 RBC	35	6,762.09	3.0
10 HSBC	26	6,545.23	3.0
Total	183	221,753.63	

Source: Refinitiv

SDC code: F9

ALL CORPORATE BONDS IN STERLING

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total £(m)	Share (%)
1 Barclays	9	1,166.77	16.8
2 JP Morgan	6	910.00	13.1
3 BNP Paribas	6	593.89	8.5
4 HSBC	5	505.12	7.3
5 NatWest Markets	5	480.21	6.9
6 Lloyds Bank	4	455.46	6.5
7 RBC	4	448.66	6.4
8 Citigroup	3	439.30	6.3
9 Deutsche Bank	2	297.89	4.3
10 Mizuho	2	208.52	3.0
Total	13	6,965.76	

Source: Refinitiv

SDC code: N8a

An all-Swiss investor group was headed by asset managers and private banks, which together took more than 80% of the shorter tranche and more than 90% of the longer.

New issue premiums were around 15bp and 45bp, respectively, against Syngenta's highly illiquid Swiss curve, depending on where and when the outstandings were spotted. The bonds came inside Syngenta's more liquid US dollar and euro curves when adjusted for the currency basis swap.

The bonds are guaranteed by Syngenta AG, rated Ba2/BBB–/BBB. *Credit Suisse* and *UBS* were joint bookrunners.

NON-CORE CURRENCIES

STATNETT SET FOR GREEN FIRST AS NORWEGIAN ELECTRIFICATION SPEEDS UP

STATNETT is mulling over the issuance of benchmark green bonds denominated in Norwegian kroner and Swedish kronor with tenors ranging from three to eight years, which will be the issuer's first in the format.

The state-owned Norwegian electricity transmission operator has picked *Handelsbanken* and *SEB* to introduce its newly established green bond framework to the

ALL CORPORATE BONDS IN EUROS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 Barclays	19	5,282.05	7.4
2 HSBC	24	4,988.29	7.0
3 JP Morgan	25	4,852.97	6.8
4 BNP Paribas	32	4,576.88	6.4
5 Deutsche Bank	24	3,651.16	5.1
6 Citigroup	19	3,439.00	4.8
7 SG	20	2,968.79	4.2
8 UniCredit	20	2,625.24	3.7
9 BofA	17	2,607.70	3.7
10 Credit Agricole	17	2,566.06	3.6
Total	90	71,170.32	

Excluding equity-related debt. FIGs, ABS/MBS.

Source: Refinitiv

SDC code: N8

ALL SWISS FRANC BONDS INCLUDING

SECURITISATIONS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total SFr(m)	Share (%)
1 Credit Suisse	32	4,168.7	38.7
2 Verband	9	2,077.6	19.3
3 UBS	22	2,074.4	19.2
4 Raiffeisen	10	750.4	7.0
5 Deutsche Bank	5	726.0	6.7
6 ZKB	9	679.6	6.3
7 BNP Paribas	2	217.1	2.0
8 Commerzbank	1	92.5	0.9
Total	51	10,786.3	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv

market this week (March 3–4) and to market the proposed notes.

"We have seen very good interest from both Norwegian and Swedish investors since the mandate announcement," a banker close to the deal said. "In this turbulent environment, that is very positive."

Credit markets sold off heavily last week as concerns about how fast the coronavirus is spreading took their toll.

The green bond framework was set up amid expectations that increased demand for electrification from the Norwegian offshore oil and gas industry would call for substantial grid expansions.

Statnett will use the green debt to finance projects dedicated to connecting new renewable power generation, to grid reinforcement or upgrades, and to interconnectors.

Proceeds will probably be allocated at respective shares of 15%, 35% and 50% across these three categories. Of note, none of the proceeds will be used to finance direct links to offshore oil and gas platforms.

Cicero has allotted the framework a governance score of Excellent and a Dark Green shading, its highest ranking. The opinion provider also specified that projects under the scheme will have shadings between medium and dark green.

Norway's capital markets have witnessed a substantial increase in ESG focus over the past couple of years, and market participants believe it is the Norwegian authorities that have triggered the boost.

"We have seen greater interest among the largest investors such as hedge funds, and more issuers from a broader variety of sectors. And, on the lending side, banks have started providing ESG-focused products," said the banker.

Last year, the finance ministry announced that Norway's US\$1.1trn sovereign fund would divest itself of companies solely dedicated to oil and gas exploration and production, in a bid to shield itself from a long-term fall in oil prices.

More recently, at the beginning of February, Norway enhanced its emissions reduction target under the Paris Agreement.

The kingdom aims to cut emissions "by at least 50% and towards 55% compared with 1990 levels by 2030". The previous target was set at 40% in March 2015.

WESTLINK MARKETS LOCAL MTN

WSO FINANCE, the financing entity for Westlink Motorway Group, rated A3/A– (Moody's/Fitch), has mandated CBA and Westpac to arrange investor meetings beginning March 10 for a potential 10-year or longer Australian dollar note offering.

In March 2017, WSO Finance raised

A\$535m (US\$342m) from a dual-tranche MTN offering comprising A\$435m of 10-year and A\$100m of 10.5-year notes.

TRANSPower TO TAP 2025 RETAIL NOTES

Regular issuer **TRANSPower NEW ZEALAND**, rated Aa3/AA- (Moody's/S&P), has mandated *Westpac* for a tap of its NZ\$125m (US\$79m) of 3.823% March 6 2025 retail notes.

Last August, the state-owned electricity supplier issued NZ\$150m of 1.735% six-year notes priced at mid-swaps plus 73bp.

FIG

STERLING

METRO SETS SIGHTS ON MORE MREL DEBT AFTER BRUISING YEAR

METRO BANK plans to raise up to £500m of MREL-eligible debt in the next two years after struggling to access the market and ultimately paying a high price to issue loss-absorbing senior debt last year.

Further issuance will add to the bank's onerous cost of funding as it seeks to turn around its financial performance, after reporting a bigger than expected loss in 2019.

The UK challenger bank, which announced its results last Wednesday, succeeded in meeting an interim MREL requirement by its January 1 deadline, but at a price.

It first tried to issue senior non-preferred debt in September but was unable to generate sufficient demand despite offering a coupon of 7.5%.

Metro finally got a £350m deal done in October at an eye-watering level of 9.5%, on the same day its founder and chairman Vernon Hill announced he would step down.

The doubts over Metro's market access added to a list of problems already afflicting the bank, which began with an accounting error in January 2019 that left a big hole in its balance sheet and wiped more than £1.5bn off its market capitalisation.

The bank warned in August that PRA and FCA investigations into the loan book error had broadened and could incur significant expenses and lead to criminal and/or civil liability for the bank or suspension of its regulatory permissions.

Thanks to the costly SNP deal, Metro held total capital and MREL-eligible resources equivalent to 22.1% of its risk weighted assets at the end of 2019.

ING AT1 revival frustrated in tumbling market

BANK CAPITAL Comeback hamstrung amid sell-off

ING GROEP quickly revived a pulled Additional Tier 1 transaction but in a torrid market last Monday it had to settle for a higher price, smaller size and much diminished book compared with what was within its grasp first time around.

But as the backdrop became increasingly dire over the course of last week, some bankers said the Dutch bank's decision to press ahead was vindicated.

The transaction was postponed in dramatic circumstances on February 19, with the bank on course to set a record-low US dollar AT1 coupon for a European lender after receiving a US\$11bn order book. But the deal was pulled mid-execution, later revealed to be because ING's chief executive, Ralph Hamers, is joining UBS.

Leads – *Credit Suisse, Goldman Sachs, ING, Morgan Stanley, TD and UniCredit* – began marketing the Reg S deal in Asia hours at the same opening level as the original attempt, at the low 5% area.

One difference was that this time the issuer stated from the outset it was seeking a maximum US\$1bn. But with the market tone very different to the previous week because of the spread of the coronavirus, the trade proved a tougher sell.

Demand for the perpetual non-call November 2029 deal (Ba1/BBB- Moody's/Fitch) was US\$3.5bn-plus after the European open, compared with the more than US\$7bn registered at the same stage last time.

The coupon was subsequently set at 4.875% with books in excess of US\$4.5bn.

When the size was later fixed at US\$750m, the book closed at US\$3bn.

The original attempt had guidance set at the 4.625% area with the deal on course to take the record for the tightest European bank US dollar AT1 from BNP Paribas, which had priced a US\$1.75bn perp non-call 10 at 4.5% less than 24 hours earlier.

Market participants said the difference was mainly due to the market backdrop, rather than Hamers' exit, although uncertainty over the bank's direction without a new CEO in place could have been a marginal factor.

European equities were hit hard on Monday morning as investors reacted to the global spread of the coronavirus.

AT1 debt was also hit, with BNP Paribas' new issue bid at a cash price of around 98 on Monday.

BAD LUCK?

Some bankers away from the deal said ING's timing looked poor, in hindsight.

"I'm surprised that they threw it out there into what was clearly a weaker environment," said a DCM banker. "Even at 2am London time, you could tell Asia was going to have a tricky day, so I'm not surprised by the outcome."

But observers said the bank and its leads could not have known how big the European sell-off would be and that returning to the market as soon as possible made sense.

"Indications were obviously to the downside but from a European perspective I don't think anyone expected stock indices to be off between 3% and 4%... If they'd known what you could see now perhaps they wouldn't have announced," said a second DCM banker away from the deal.

"It's clearly bad luck for ING that they couldn't get the tighter price, but they weren't to know of the newsflow and I think they've handled the situation as best as they possibly could."

Bankers stressed that ING was still able to secure a historically attractive price and a reasonable book, and said the decision to press ahead may look wise if the market sees a more sustained sell-off.

Indeed, the AT1 was the only benchmark bond issued by a European financial institution last week, as the flight to safety continued. AT1s continued to suffer on the secondary market over the course of the week (see separate article for more).

"I would advocate that getting it done quickly enables them to move on as a group and demonstrate that they continue to have market access despite not having a CEO in place, which is probably an important thing for the bank overall," said a syndicate banker away from the deal.

"To that end, whether you pay 4.5%, for example, or 4.875% probably isn't that big a deal."

Syndicate bankers' saw fair value for the new issue at 4.50%–4.625%. ING's longest call date is a US\$1.5bn 5.75% perpetual redeemable in November 2026, bid at a yield-to-call of 4.239% at Monday's open.

Tom Revell

That surpassed its interim requirement of 21.5% (including regulatory buffers), after a 6.2bp year-on-year increase. The bank must now look to an expected final requirement

of 22.5% by January 1 2022. It is therefore guiding investors to expect up to £500m of MREL-eligible issuance by the January 1 2022 deadline.

Metro's funding costs remain much higher than its rivals. The £350m 9.5% October 2024 senior notes were bid at a yield of 7.73% on Wednesday.

For comparison, a £275m 3% 2025 non-call 2024 SNP note from Yorkshire Building Society was bid at 1.82%.

Analysts at CreditSights calculate that the £500m extra debt could cost the bank another £40m in annual interest payments at present levels.

Metro cited last year's MREL-eligible debt issuance as one of the reasons behind a 30bp drop in its net interest margin in 2019, to 151bp from 181bp

While posting a loss before tax of £130.8m, Metro acknowledged 2019 was a "a very challenging year" for the lender.

"External headwinds, internal challenges and actions we took to put the business on a more positive trajectory are reflected in the results," said new chief executive Dan Frumkin.

The bank hopes that a change of strategy will turn it around. It has reined in its expansion plans and now aims to become "the UK's best community bank", it said.

"We've fully evaluated our strategy, and have a clear plan, which will return the bank to sustainable growth built around a community banking model," said Frumkin.

"An enhanced focus on costs, improved productivity, and investment in our infrastructure will enable our deposit-led franchise to deliver profitable growth over the medium term."

But the CreditSights analysts said it is increasingly questionable whether Metro has a future as an independent bank.

"Given the uncertainty over its future and the viability of its business model, plus the difficulties it will have returning to profitability, we expect its debt and share prices to remain weak and volatile, and we would continue to avoid its Tier 2 and SNP issues despite the high yields on offer," they said.

NON-CORE CURRENCIES

› NAB CAPITAL NOTES 4 NETS A\$1.95bn

NATIONAL AUSTRALIA BANK (Aa3/AA-/AA-) has set the margin at the lower end of three-month BBSW plus 295bp-315bp guidance for its perpetual non-call 7.5-year (September 17 2027) Additional Tier One retail note offer, **NAB CAPITAL NOTES 4**.

The size of the note issue has been increased from the indicative A\$750m to at least A\$1.95bn following a successful bookbuild.

The deal includes a reinvestment offer for holders of NAB Capital Notes issued on March 23 2015 that will be repurchased on March 23 this year.

The offer opened last Tuesday and is expected to close on March 17. S&P has assigned a BBB- rating to the subordinated notes.

NAB is arranger of the offer and joint lead manager with *Morgan Stanley, Morgans, Ord Minnett, UBS and Westpac*.

NAB paid a three-month BBSW plus 400bp margin for the perpetual non-call 7.5-year NAB Capital Notes 3 offer a year ago, which raised A\$1.65bn after the bookbuild and ultimately around A\$1.874bn.

› KIWIBANK MARKETS SECOND KANGAROO

KIWIBANK (A1/A/AA-) has mandated ANZ and UBS to arrange investor meetings and calls in Australia and Asia this week for a potential five-year Australian dollar Kangaroo bond offering.

Kiwibank made a belated bow in the Kangaroo market in October 2017 with a A\$150m (US\$118m) 4.25% 10-year debut.

This came seven months after a previous attempt was pulled the day before settlement, when regulators warned that some of the bank's capital convertible capital notes might be ineligible for capital adequacy purposes.

The Reserve Bank of New Zealand subsequently dropped its objection to the notes, allowing Kiwibank to return to the capital markets.

Kiwibank is a subsidiary of state-owned New Zealand Post, the New Zealand Superannuation Fund and Accident Compensation Corp.

It has the same A1 and AA- ratings from Moody's and Fitch as New Zealand's four major banks, though S&P rates it two notches below the majors' AA- ratings.

HIGH-YIELD

UNITED STATES

› SPIRIT AEROSYSTEMS EASES BOEING BURDEN WITH LOOSER COVENANTS

Aerospace manufacturer **SPIRIT AEROSYSTEMS** has struck deals with Boeing and its secured lenders that will ease immediate cash pressures and help Spirit avoid a breach of its financial covenants.

Spirit has been scrambling to cut costs after the grounding of Boeing's 737 MAX aircraft last year, which accounts for around

half of Spirit's revenues and the majority of its earnings and cashflow.

Boeing has agreed to pay Spirit AeroSystems US\$225m in the first quarter of 2020. This comprises US\$70m to support suppliers, of which only US\$10m has to be repaid, and US\$155m of pre-payments for deliveries over the next two years, according to a report from S&P.

Spirit has also taken out a new US\$375m senior unsecured delayed draw term loan with Bank of America as administrative agent, which is available until August 15 2020, which carries a rate of 3.625% over Libor.

In addition, the company has amended its US\$1.26bn 2018 credit agreement with lenders to give it greater room on its financial covenants.

"Given the production suspension and 2020 production rate for the B737 MAX, absent a waiver or an amendment of the 2018 credit agreement, the company was expected to breach the total leverage ratio beginning with the first fiscal quarter of 2020 and continuing into 2021," it said in the filing.

As part of the agreement, the firm's US\$300m senior unsecured 3.85% 2026 notes are now to be secured on the same basis as the credit agreement lenders.

That prompted S&P to upgrade the 2026 notes to an investment-grade BBB- level, up from BB. The existing BB unsecured rating was unchanged.

The 2026 notes traded at 100.50 on Tuesday afternoon, broadly in line with Monday's 100.80 level, according to MarketAxess. The notes were up to 101 on Wednesday but around 100.375 by Thursday.

The company's 4.6% 2028 unsecured notes were up by 70bp to 104.70 on Tuesday but were trading around 102.50 on Thursday.

S&P still has a negative outlook on Spirit. "There is still significant uncertainty when the 737 MAX will be certified," the analysts wrote.

› ENERGY BONDS SUFFER ON FALLING OIL AND GAS PRICES

Energy bonds took a beating last week as the price of US crude oil fell below US\$50.

Average energy spreads were the hardest hit in a broad market drop on Wednesday, widening 27bp to 878bp over Treasuries, more than double the average spread on the broader high-yield market.

This followed a slump in US West Texas Intermediate crude oil prices to US\$46 a barrel on Thursday, having touched US\$60 in January.

Energy is being hit hardest by the coronavirus-driven sell-off because it is one

of the easier sectors to quantify in terms of the impact on supply and demand, said Michael Temple, director of US credit research at Amundi Pioneer.

"The large liquid energy market and by reference energy credits and equities are really taking the full impact," he said. "Beyond that we've seen weakness in consumer travel and leisure types of industries."

UBS analysts said on Thursday that oil prices were now below average break-even levels.

"The latest [spread] underperformance appears to be realigning, not overshooting, that reality," UBS said a note to clients.

That said, the bank's analysts are forecasting a rebound in oil prices near US\$58-\$60 in the second half of the year, assuming Opec responds with lower quotas in March and demand normalises.

"We view the risks as more balanced in HY energy and are cutting our underweight to neutral," UBS said.

Yet energy names that in many cases were already struggling have taken another leg down in the secondary market.

Many of the most beat-up names were already trading at distressed levels, such as **GULFPORT**, whose 6.625% 2023 notes dropped 14 points on Thursday to 45.25, or **WHITING PETROLEUM**, which saw its 5.75% 2021s fall 12.5 points to 55.50.

But there were also shocks for **CONTINENTAL RESOURCES**, which reported disappointing earnings on Thursday.

Having traded at 101 on Wednesday, its Ba1/BBB-rated 4.90% 2044 notes dropped more than 11 points on Thursday to trade at 90 after the oil and gas producer company forecast lower-than-expected cashflow for the year.

The firm forecast US\$350m-\$400m of free cashflow for 2020, which was based on a US\$55 per barrel price estimate for WTI crude.

For a US\$5 drop below its estimate, Continental said free cashflow would decline by US\$300m, and the oil price sliding well below that level raises concerns for bond investors.

Triple C rated **CHESAPEAKE** disappointed investors with lower-than-expected oil production forecasts for next year, although it told investors it had liquidity of US\$1.4bn, enough to retire its 2020 and 2021 debt maturities.

Its 8% 2025 notes dropped more than seven points to trade at 36.80.

For an energy sector already under pressure, the latest slump in commodity prices has piled on more worries about companies facing large amounts of maturing debt.

"The energy complex was weak to begin with," said Temple.

Even before this latest drop in the market there were worries about how some companies would be able to handle upcoming maturity walls, he said.

"It seems some of those situations are going to get accelerated."

» HIGH-YIELD FUNDS POST RECORD OUTFLOWS

High-yield exchange traded funds suffered US\$5.95bn of outflows in the five days through to Thursday last week, the most on record for that time period, according to Deutsche Bank researchers.

Outflows on Wednesday alone totalled US\$1.94bn, again a record, according to the bank.

The heavy fund outflows were seen as the main driver of the spread widening seen in the high-yield market last week, as the ETFs are forced to sell their underlying bonds to meet redemptions, which pushes prices down.

Average spreads were pushed 61bp wider from February 21 to 427bp as of Wednesday.

So far, managed accounts have not reported similar levels of selling activity.

There are some concerns that any selling from managed accounts would further exacerbate the outflows from ETFs - given many institutional high-yield investors also hold liquid ETF positions, which would likely be first to be sold.

"A sustained period of significant outflows could clearly be a much bigger problem for market liquidity," wrote the Deutsche Bank analysts.

"Our long-held view is that the next downturn is likely to be characterised by greater liquidity issues as opposed to significantly higher defaults."

» MALLINCKRODT BONDS SOAR ON SETTLEMENT, LM PLANS

MALLINCKRODT bonds soared last week on news that the pharmaceuticals firm had agreed to a US\$1.6bn payment to settle opioid-related lawsuits globally and that it would carry out liability management operations to attend to short-term maturities.

The company's 5.75% 2022s were trading at around 84 cents on the dollar on Tuesday, up more than 25 points since Monday's close, only to fall back to 77.50 by Thursday, according to MarketAxess data.

It was a similar story for its 5.625% 2023s, which changed hands as high as 70 on Tuesday before dropping back to 65, still up more than 16 points on the day. By Thursday, the bonds had fallen back to 60.75.

"The court-supervised process is expected to provide a fair, orderly, efficient and legally binding mechanism to resolve all opioid-related

claims against the company," Mallinckrodt said in a statement released on Tuesday.

The company also said it had entered into a support agreement with creditors, including an exchange offer for its outstanding 2022s.

Certain holders of the 2022s have agreed to a par-for-par exchange for a new 10% second lien note due April 2025, it said.

If that exchange is not fully subscribed, noteholders have also agreed to swap the 5.625% 2023s for the 2025s at 90 cents for every dollar of the 2023s.

The company is also issuing a new US\$500m four-year term loan, whose proceeds would be used to pay down the company's 4.875% 2020s, repay loans and terminate commitments on a revolving credit facility.

The amendments to the existing credit agreement would result in certain changes to the covenants, a rate increase of 100bp for existing term loans, and an increase in amortisation on the existing term loans, it said.

The company carried out an exchange for the 2020s last year but failed to reduce much of the outstanding amount. The transaction resulted in a US\$384m reduction in gross debt and left US\$615m of the 2020s outstanding, according to an earlier report by research firm CreditSights.

"We believe the proposed settlement and capital restructuring activities will provide us with a clear path forward to achieving our long term strategy," said CEO Mark Trudeau.

EUROPE/MIDDLE EAST/AFRICA

» FUGRO PULLS BOND DEAL

Marine survey company **FUGRO** has pulled a debut €500m bond deal after coronavirus fears roiled markets last week.

The company said on Friday that it would not go ahead with the senior secured offering because of "adverse market conditions".

ALL COVERED BONDS (ALL CURRENCIES)

BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$ (m)	Share (%)
1	Barclays	25	5,525.64	8.7
2	HSBC	19	4,483.70	7.1
3	BNP Paribas	12	2,941.52	4.7
4	UniCredit	16	2,888.15	4.6
5	Credit Agricole	12	2,753.74	4.4
6	Credit Suisse	10	2,554.33	4.0
7	ING	11	2,503.25	4.0
8	Natixis	12	2,376.84	3.8
9	DZ Bank	15	2,371.71	3.8
10	Commerzbank	10	2,301.23	3.6
	Total	71	63,240.09	

Source: Refinitiv

SDC code: J15a

As a result its €575m revolving credit facility “will remain in place”. In addition, the repurchase of convertible bonds due 2021 “will not take place at this time”.

The company had said earlier that a new €200m 4.5-year revolving credit facility and the repurchase were subject to the completion of the bond sale.

The Dutch firm had kicked off a four-day roadshow last Monday to market the five-year non-call two senior secured issue. Three investors had told IFR they were expecting a six-handle yield.

Global coordinators are *Credit Suisse* (B&D), *ING*, *Jefferies* and *Rabobank*. *BNP Paribas* and *HSBC* are bookrunners.

Most of Fugro’s business is in offshore geological surveys for the oil and gas and wind industries.

“It’s basically a survey company driven by oil prices and infra spend,” said one investor attending the roadshow.

But with the oil price falling sharply - Brent futures were bid at US\$51 on Friday, compared with US\$59 the week before - the company decided to withdraw from the market.

Some investors were expecting the decision. “Fugro has probably picked the

worst week to come to market,” said a second investor, while the roadshow was taking place. “I’m surprised they haven’t pulled it.”

Around half of Fugro’s revenues are exposed to oil and gas, he said.

“Fugro has a history of fairly thin cash generation, the outlook for oil and gas demand doesn’t seem great, and coronavirus could cause delays to projects and their order book,” said the investor.

“I’m not sure how many people are looking to add this type of risk.”

A lead had defended the decision to market the company to investors. “The main thing is to get people up to date with the credit as Fugro is a new issuer in the market,” said the banker.

“They’ve diversified their business from oil and gas, and are not super impacted on the coronavirus side.”

Around 52% of Fugro’s revenues are now generated from the oil and gas sector, down from 78% in 2014. It has expanded into markets, including offshore wind.

Fugro, which is still recovering from the collapse of oil prices in 2014-15, has been assigned ratings of B2/B/B. Over the past three years, it has cut its workforce by more

than 20% and has sold some non-core assets, according to S&P.

The company’s target is to reduce net leverage below 1.5x, down from 3.6x.

BROOKFIELD LOOKS TO SELL TEEKAY BOND

TEEKAY OFFSHORE PARTNERS is marketing a resale of its 8.5% senior unsecured notes due July 2023, owned by its sponsor Canadian asset manager Brookfield.

Brookfield is looking to sell up to US\$411.26m of the oil shipping company’s bonds, via *Jefferies* and *DNB Bank*. Other banks may be added to the roster. It is hoping to wrap up the sale in the week of March 2.

Teekay met some of its note-holders during a non-deal roadshow in New York and Boston in December, said CFO Jan Rune Steinsland on February 7 during the company’s fourth-quarter earnings call.

Teekay originally priced the US\$700m 8.5% July 2023s in June 2018, according to IFR data.

Brookfield purchased US\$500m of those bonds at the time, according to a December 11 filing from Teekay.

“The bond priced in 2018 was part of Teekay’s aim to strengthen and restructure its balance sheet, and it made sense for Brookfield to be part of that,” said Steinsland in a call with IFR.

“Now Brookfield wants to see if there is interest from other parties to take some of those bonds and to release some liquidity.”

The resale will provide more liquidity for Teekay’s third-party bondholders, and will help the bond down the road when it comes to refinancing, he said.

Brookfield acquired a 99% stake in Teekay Offshore Partners in May 2019, and the deal was wrapped up on January 22, according to an investor presentation.

The asset manager is now looking to sell its holdings of Teekay’s 2023 notes. The notes were quoted at 102, according to Refinitiv data.

Teekay was last in the bond market in October, when it got a cool response from investors for a five-year US dollar green floater.

That deal, issued through subsidiary Teekay Shuttle Tankers, was dogged by questions over whether the green label was suitable for a bond that would help finance oil tankers. It eventually raised US\$125m, with the bond pricing at 650bp over three-month Libor, equivalent to a yield of about 8.50% in fixed-rate terms.

Teekay has since been under investigation by Norway’s environmental crimes unit on suspicion of illegally disposing of a shuttle tanker in south Asian scrapyards.

ALL US\$ DENOMINATED HIGH-YIELD BONDS

BOOKRUNNERS – 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BofA	49	7,304.44	9.0
2 JP Morgan	53	7,185.34	8.9
3 Barclays	43	6,473.26	8.0
4 Citigroup	45	5,619.12	6.9
5 Credit Suisse	37	4,686.44	5.8
6 Goldman Sachs	38	4,494.71	5.5
7 Morgan Stanley	26	4,446.99	5.5
8 Deutsche Bank	38	4,060.59	5.0
9 Wells Fargo	29	3,671.92	4.5
10 RBC	27	3,627.58	4.5
Total	120	81,173.28	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.
Source: Refinitiv SDC code: B5

ALL ASIAN HIGH-YIELD ISSUERS

1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Credit Suisse	18	2,362.97	12.5
2 UBS	10	1,628.97	8.6
3 BofA	5	1,531.66	8.1
4 Tianfeng Secs	2	1,250.00	6.6
5 Goldman Sachs	9	1,144.82	6.1
6 Citic	15	883.49	4.7
7 Haitong Secs	21	859.30	4.5
8 Barclays	11	672.23	3.6
9 Morgan Stanley	7	627.50	3.3
10 Standard Chartered	6	577.20	3.1
Total	37	18,918.74	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06d

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS

1/1/2020 TO DATE

Managing bank or group	No of issues	Total €(m)	Share (%)
1 JP Morgan	16	1,891.28	9.5
2 Deutsche Bank	11	1,601.70	8.1
3 Citigroup	13	1,335.14	6.7
4 BNP Paribas	12	1,139.86	5.7
5 ING	10	1,110.34	5.6
6 Barclays	10	1,072.80	5.4
7 HSBC	13	1,019.70	5.1
8 Credit Agricole	7	994.41	5.0
9 Credit Suisse	7	978.24	4.9
10 UniCredit	9	904.62	4.5
Total	37	19,889.64	

Excluding equity-related debt.
Source: Refinitiv SDC code: B6

ALL EUROPEAN HIGH-YIELD ISSUERS

1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	17	2,284.81	9.3
2 Deutsche Bank	10	2,038.77	8.3
3 Citigroup	14	2,028.61	8.2
4 BNP Paribas	12	1,535.83	6.2
5 ING	9	1,326.58	5.4
6 Credit Suisse	7	1,277.19	5.2
7 Credit Agricole	6	1,203.41	4.9
8 Barclays	8	1,183.53	4.8
9 SG	7	1,125.88	4.6
10 HSBC	12	1,124.68	4.6
Total	38	24,594.42	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06c

There may be an opportunity to tap the green bond for US\$75m, said Steinsland.

▶ ALTICE CLEARS UP LUXEMBOURG DEBT STACK WITH EXCHANGE OFFER

ALTICE saw an almost 100% take-up for its exchange offer, despite the terms being seen as unattractive by analysts.

The exchange offer, along with a €2.1bn equivalent three-part refinancing trade in January, aimed to clear up the debt at Altice Luxembourg - a long-stated aim for the company.

The company wanted to exchange its Altice Luxembourg May 2027 unsecured notes into equivalent notes at a subsidiary of Altice France.

It managed to get a take-up of 97.63% on its US\$1.6bn US dollar 10.5% senior notes due 2027 and 94.1% on its €1.4bn euro 8% senior notes due 2027s.

The minimum tender condition for both notes was 50%.

Investors were switched into notes with the same coupon, call protection and tenor, but under subsidiary Ypsos Finance BIS. Bondholders who did not participate in the exchange offer were redeemed at 101.

However, CreditSights analysts said the new bonds were less attractive to bondholders because of "the loss of the restricted payments language, loss of diversification in collateral and potential tax implications", versus the Altice Luxembourg notes.

CreditSights had initially encouraged bondholders to pass on the exchange. But after no bondholder group came together, the research group updated its view, telling investors to participate in the offer.

"While this exchange is unattractive for holders of the ATCNA 2027S, it is certainly not so negative that we see downside as worse than a 101 redemption, in the situation where investors pass but Altice still gets over 50% participation," analysts wrote.

ASIA-PACIFIC

▶ AVANTI PULLS KANGAROO DEBUT

New Zealand consumer lender AVANTI FINANCE, rated BB (S&P), has pulled a planned no-grow A\$25m (US\$16.5m) four-year fixed-rate debut Kangaroo issue via sole lead manager NAB because of "market volatility".

The sub-investment grade note offering, which was being marketed with an indicative coupon and yield of 5.0%-5.25%, was expected to be priced last Friday.

▶ AUSSIE CORPORATES TEST NON-IG MARKET

FRASERS PROPERTY AUSTRALIA and mining services group PERENTI GLOBAL are preparing to test Australia's non-investment-grade bond market with proposed debut offerings in the coming weeks.

Unrated or high-yield issuance was almost unheard of in Australia's famously conservative institutional arena a few years ago, when most asset managers were mandated to hold only credits rated at least Triple B or even Single A.

Things have changed, however, as fixed-income funds adapt to rapidly rising client appetite for yield in a low-interest-rate world.

On the sellside, there is an obvious incentive for issuers to diversify beyond bank loans and the deep, but expensive, offshore bond markets.

Recruitment platform SEEK was the last unrated issuer to access the market, with a A\$150m (US\$96m) 6.5-year non-call 3.5-year note offering last December, priced at three-month BBSW plus 370bp.

SEEK's second trade, following a debut A\$175m five-year floating-rate note issue in April 2017, came hot on the heels of an inaugural A\$300m six-year FRN offering from David Jones, a subsidiary of South African retailer Woolworths.

Meanwhile, Single B rated Virgin Australia has tapped this new source of demand twice over the last couple of years with A\$150m and A\$250m of five-year non-call three notes in May 2018 and February 2019, which pay juicy coupons of 8.25% and 8.075%, respectively.

SUSTAINABLE CARROT

Fraser's Property Australia has mandated ANZ, Barclays, HSBC, NAB and OCBC Bank for an unrated long-dated sustainability MTN issue under its A\$2bn multi-currency EMTN programme, which is guaranteed by Singapore-listed parent Fraser's Property and may price as early as this week.

One Sydney-based fund manager, who has some small limits for sub-investment-grade bonds, is considering a potential purchase of the FPA bonds.

"Fraser's said its credit metrics fall into Triple B territory, which, if we can verify this, would obviously provide comfort, while we are generally favourable on the local diversified REIT sector," he said.

He added that the bond's sustainable use-of-proceeds structure offers extra appeal given the growth in green-targeted investor inflows.

FPA recently set up a sustainable finance framework based on the Global Real Estate Sustainability Benchmark, which was

established by a group of global pension funds as an ESG measure for their investments.

The FPA framework is the first of its kind for sustainability-linked bonds and loans in Asia-Pacific from a real estate company, according to Fraser's Property. The company has been taking green loans since September 2018, including a A\$600m five-year green facility for FPA last April.

FPA aims to achieve 5-Star Green Star ratings for its new developments and at least a 4-Star GRESB rating for its portfolio. It also plans to be carbon-neutral in development and operation by 2028.

MINING SERVICES

Outside the green segment, Perenti (formerly Ausdrill), an Australian headquartered ASX-listed diversified global mining services group, rated Ba2/BB- (Moody's/S&P), has mandated NAB and HSBC for a potential debut Australian dollar MTN offering.

Last year, Perenti acquired Australian contract miner Barminco, which has an outstanding US\$350m senior secured 6.625% May 15 2022 144A/Reg S bond issue, rated Ba3/BB (Moody's/S&P), that is expected to be called on March 27 this year.

Ausdrill last May called off plans for a US dollar bond offering, citing weak market conditions.

STRUCTURED FINANCE

EMEA MBS

▶ TWO 2019 BTL DEBUTANTS ANNOUNCE RETURN TO MARKET

Two new buy-to-let trades, one from the UK and the other from the rarer jurisdiction of the Netherlands, were announced on Thursday.

Dutch non-bank lender DOMIVEST mandated leads for DOMI 2020-1, its second BTL securitisation, backed by performing mortgages to professional landlords.

Unlike the specialist BTL product in the UK, which is based on debt service coverage ratios generated by expected rental returns, Dutch BTL is harder to distinguish from regular owner-occupied mortgage origination.

The Dutch product is based on borrower income and lending is still dominated by the High Street banks. But Dominvest is one of the exceptions - its main shareholder is Cervus Capital Partners, run by ABS specialists from Fxator, a pre-crisis investor and one-time CDO of ABS issuer.

Domivest sold its debut BTL RMBS in May last year, the first pure buy-to-let RMBS from the Netherlands, although RNHB has previously sold deals mixing BTL loans with small CRE ones.

Domivest's Domi 2019-1 picked up a healthy 2.5 times subscription for the €213.6m four-year Triple As, which were priced at 85bp over three-month Euribor. There were also four mezzanine tranches publicly marketed and sold.

Citigroup and Macquarie were joint arrangers and joint leads for that deal. On the new issue they remain joint arrangers, but Barclays will work alongside them as a joint lead.

The roadshow started last week and will continue this week.

Thursday's second BTL announcement came from the UK's **LENDINVEST**. It has mandated Citigroup as sole arranger, and Citigroup, JP Morgan and NAB as joint lead managers, for multi-tranche **MORTIMER BTL 2020-1**.

Like Domivest, Lendinvest brought its debut BTL RMBS to market last year, via BNP Paribas, Citigroup and HSBC.

But the deal struggled during marketing: its £215.1m Triple As came 10bp wide of initial price thoughts, where they had been only 0.7 times covered, to print at Sonia plus 130bp. The deal also sold three mezzanine note tranches and a Class X.

To make matters worse, before the deal closed Moody's had to downgrade ratings on three of the mezzanine tranches after it discovered an error in its own analysis relating to Sonia. The Classes D, E and X were each lowered by one notch.

It is not known if Moody's will rate the second deal – the structure has not yet been released.

▶ CREDIT AGRICOLE ANNOUNCES FRENCH RMBS

CREDIT AGRICOLE announced a new French home loans RMBS on Tuesday, offering investors €1bn of 4.88-year Triple A paper. The deal is backed by loans originated by the 39 Caisses Regionales that belong to the Credit Agricole group.

A roadshow for **CREDIT AGRICOLE HABITAT 2020** started on Wednesday and pricing is expected next week, with Credit Agricole sole lead manager.

The issuer's last placed transaction from the programme was in 2018, when it sold a five-year €1bn tranche at a 20bp discount margin. A 2019 new issue was retained.

The last comparable euro-denominated RMBS was Obvion's Dutch trade Storm 2020-1 in January, which sold five-year seniors at a 15bp discount margin.

And the most recent French RMBS was from BPCE, which sold €1bn 2.75-year Triple As at a 24bp discount margin in October last year.

One slight structural tweak since the 2018 Credit Agricole RMBS involves the step-up: in 2018 this was 1.5 times initial coupon, and that coupon had been pre-set at 50bp over three-month, with the issue price above par.

The new issue has the coupon pre-set at 75bp, and the step-up will be 120bp.

The portfolio will revolve for the full five years until the January 2025 expected maturity. The portfolio is sized at €2.05bn and holds 15,783 loans with an average €129,591 outstanding.

The weighted average interest rate is 2.02%, seasoning is 48 months, the WA original loan-to-value is 92.86% and the WA current loan-to-value is 79.64%.

▶ TWENTYFOUR READIES SECOND OAT HILL RMBS

OAT HILL NO.2 has been filed at Companies House and could be a refinancing of the first Oat Hill buy-to-let RMBS from May 2017. That deal has a call date in May.

Oat Hill No.1 securitised a £587m portfolio of first-ranking BTL mortgages originated and serviced by Capital Home Loans (CHL), owned by private equity firm Cerberus.

The mortgages were bought by a **TWENTYFOUR ASSET MANAGEMENT** fund called UK Mortgages, which acted as seller in the securitisation.

An update from UK Mortgages on Wednesday noted that another 2017 securitisation of CHL mortgages, Auburn 11, had been refinanced earlier this month.

It said Auburn 11, which came to market three months before Oat Hill No.1, was effectively a "sister" deal to Oat Hill, with the two deals having very similar portfolios.

"CHL ... employed a more aggressive capital structure [for the refinancing] than we are likely to use, but the pricing outcome gives us a good guide as to what levels we may be able to achieve assuming similar market spreads," the UK Mortgages statement said.

If the structure and pricing of any refinancing of Oat Hill No.1 were similar to the Auburn 11 refinancing, it estimated a possible weighted average funding cost in the range of Sonia plus low to mid 90s.

The 2017 Oat Hill RMBS was arranged by Bank of America, which was a lead with NatWest Markets. The £477.1m Triple-A tranche was sold at 85bp over three-month Libor, and the junior notes were retained.

▶ BofA GETS DUTCH CMBS TAURUS 2020-1 AWAY

BANK OF AMERICA priced a chunky €620.6m Dutch CMBS **TAURUS 2020-1 NL** on Friday afternoon through sole lead *BofA Securities*.

The deal is backed by a portfolio of 76 offices and 29 urban logistics properties acquired by Blackstone as part of its US\$4.69bn acquisition of Dream Global REIT in December last year.

Initial price thoughts were released on Wednesday, putting the Triple A notes at 80bp–90bp over three-month Euribor. With the tranche 1.3 times covered on Thursday, guidance was left unchanged and final pricing on Friday was at 90bp.

Pricing for the lower rated tranches came broadly in line with IPTs. The AA–/AA– (Fitch/KBRA) Class B came at 130bp, the A–/A– Class C at 155bp and the BBB–/BBB– Class D at 200bp.

At the bottom of the stack the BB–/BB Class E, which had been shown covered at IPTs of low 300s, was priced wide at 360bp.

EMEA ABS

▶ VW FINDS STEADY DEMAND FOR NEW GERMAN LEASING ABS

VOLKSWAGEN LEASING shrugged off the growing coronavirus concerns on Wednesday pricing a well-covered new issue from its VCL programme of German auto securitisation.

Investors in the senior tranches from benchmark German auto ABS often use the Triple A rated, liquid and short-dated paper as a slightly better yielding equivalent to other more costly places to park cash in the ultra-low interest rate environment of the past few years.

The €941m of 1.23-year Triple A (S&P/Fitch/Creditreform) notes from VW's VCL 30 were priced at a 16bp discount margin over one-month Euribor, well inside the 20bp area initial price thoughts released on Monday.

The final book was 1.7 times covered, a slight increase from the 1.6 times reported at those IPTs on Wednesday morning, before the leads released price guidance of 17bp +/-1 (WPIR).

Unlike the seniors, the leads were able to shake out some demand from the mezzanine tranche. The €19m AA–/A+/AA– Class B was 2.9 times covered after 80bp area IPTs, and after guidance of 70bp–75bp (WPIR) the tranche was priced around 1.2 times done at 70bp. The new issue was lead managed by *BofA Securities*, *LBBW* and *UniCredit*.

VW's previous issue off the German VCL shelf was in October last year, when it sold

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 28/2/2020

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
Avoca CLO XXI DAC	€2	–	E+33bp	BofA	NR/AAA/AAA	CLO
Avoca CLO XXI DAC	€279	–	E+89bp	BofA	NR/AAA/AAA	CLO
Avoca CLO XXI DAC	€30	–	E+150bp	BofA	NR/AA/AA	CLO
Avoca CLO XXI DAC	€15	–	1.85	BofA	NR/AA/AA	CLO
Avoca CLO XXI DAC	€32	–	E+210bp	BofA	NR/A/A	CLO
Avoca CLO XXI DAC	€28	–	E+315bp	BofA	NR/BBB/BBB–	CLO
Avoca CLO XXI DAC	€23.75	–	E+510bp	BofA	NR/BB–/BB–	CLO
Avoca CLO XXI DAC	€12.5	–	E+748bp	BofA	NR/B–/B–	CLO
E–CARAT 11	£361.25	2.52	SONIA+58bp	BNP Paribas/Lloyds	NR/AAA/NR	ABS
E–CARAT 11	£35	2.52	SONIA+120bp	BNP Paribas/Lloyds	NR/AA/NR	ABS
E–CARAT 11	£25	2.52	SONIA+155bp	BNP Paribas/Lloyds	NR/A/NR	ABS
E–CARAT 11	£20	2.52	SONIA+185bp	BNP Paribas/Lloyds	NR/BBB/NR	ABS
E–CARAT 11	£16.25	2.52	SONIA+280bp	BNP Paribas/Lloyds	NR/BB/NR	ABS
E–CARAT 11	£8.75	2.52	SONIA+380bp	BNP Paribas/Lloyds	NR/B/NR	ABS
E–CARAT 11	£8.75	2.52	SONIA+500bp	BNP Paribas/Lloyds	NR/CCC+/NR	ABS
E–CARAT 11	£25	2.52	9.5	BNP Paribas/Lloyds	NR/NR/NR	ABS
Freddie Mac SPC Series K–F75	US\$570.860	9.53	L+51bp	Morgan Stanley/Cantor	NR/NR/NR	CMBS
Freddie Mac SPC Series K–F75	US\$300	9.53	SOFR+55bp	Morgan Stanley/Cantor	NR/NR/NR	CMBS
Freddie Mac SPC Series K–HG2	US\$67.080	7.53	1.916	Wells Fargo/Goldman Sachs	NR/NR/NR	CMBS
Freddie Mac SPC Series K–HG2	US\$513.306	9.97	2.290	Wells Fargo/Goldman Sachs	NR/NR/NR	CMBS
SGCMS 2020–COVE	US\$152	5.01	1.990	Societe Generale	NR/NR/NR	CMBS
VCL 30	€941	1.23	1mE+65bp	BofA/LBBW/UniCredit	NRAAA/AAA	ABS
VCL 30	€19	2.08	1mE+70bp	BofA/LBBW/UniCredit	NR/AA–/A+	ABS

€941m of seniors some 1.4 times covered at a 17bp discount margin and the €19m Class B partly retained at 78bp.

The most recent German auto ABS was BMW's Bavarian Sky 9 in November last year which sold seniors at 16bp.

EUROBANK FIRST TO ASK HERCULES FOR GREECE NPL GUARANTEE

EUROBANK has become the first Greek bank to apply for a government guarantee under the new Hercules (or HAPS) non-performing loan securitisation programme, the bank said. Eurobank submitted applications on Tuesday for two securitisations, Cairo I and Cairo II, and will apply for a third Cairo ABS in the coming weeks.

Greece's four systemic banks are all expected to use Hercules, which is modelled on the successful GACS programme in Italy, to shunt tens of billions of NPL risk off their balance sheets. The Greek parliament approved the Hercules programme in December 2019. Greece's pile of NPLs totals around €75bn.

Under Hercules, banks can apply for a government guarantee on the senior tranche of an NPL securitisation as long as that tranche is structured to a minimum Double B minus credit rating and they sell the majority of the mezzanine and junior notes.

The guarantee would give the senior notes a zero risk-weighting, making them attractive for the originator banks to hold on their balance sheets.

Eurobank says the senior notes on the first two Cairo securitisations total €1.655bn.

The full Cairo project will securitise NPLs with a €7.5bn face value, with each of the three securitisation pooling different types of loan claims, and Eurobank is aiming to reducing its non-performing exposures ratio to around 15% by the end of March.

VAUXHALL ABS UPSIZED DESPITE WIDER MARKET TURMOIL

The asset-backed market demonstrated resilience to the pressures experienced elsewhere on Friday when VAUXHALL FINANCE upsized and sold the UK auto ABS that it had marketed through last week's broader market meltdown.

E-CARAT 11, which was increased by £100m to £500m, sold £361.25m of Triple A notes above five publicly marketed mezzanine tranches and two pre-placed tranches.

Securitisation investors were clearly not immune to fears about the coronavirus impact on the global economy, and they demonstrated spread sensitivity through the capital stack.

And unlike most previous deals this week, plenty of orders were shaken out of the mezzanine tranches between initial price thoughts and final pricing.

But market participants said the fact the deal got away was encouraging.

"When unsecured issuance has stopped entirely, it's good to see broad investor engagement in ABS," said one ABS syndicate banker.

The banker said that until last week the securitisation pipeline had expected to build steadily in March.

"But there are no real issuers with out and out funding pressure – if markets aren't conducive to new issues I would expect changes to timing," he said.

Vauxhall announced E-Carat 11 on Monday, with BNP Paribas as sole bookrunner and Lloyds joining as a no-books lead on the Class A.

Initial price thoughts were high 50s over Sonia for the seniors, and final guidance went straight to 58bp. That is in line with the last UK auto ABS, Orbita Funding 2020-1 from Close Brothers on February 4.

Unlike Orbita, E-Carat was also offering bonds further down the stack. They recorded good subscription levels at IPTs of between 2.1 times and 4.5 times, but those were pared back to between 1.1 times and 2.3 times at final pricing.

Vauxhall Finance, which in 2017 was bought along with Opel's financial operations by Groupe PSA and BNP Paribas, last issued off its UK E-Carat shelf in February last year.

But that was when uncertainties around STS and Libor replacement were at their peak, and E-Carat 10 was not offered publicly. Its £526.35 3.2-year Triple As were pre-placed at one-month Libor plus 83bp and the rest of the structure was retained.

The new issue's portfolio, before the upsize, held 38,582 loans with 99% to private customers. The average balance was £10,368, and the new/used split 73.52%/26.48%. PCP loans made up 70.49%.

The weighted average fixed interest rate was 6.18%, the average remaining term 41.49 months and seasoning 8.2 months.

EMEA CLO

› CIFIC AND KKR FIND TIGHT PRICING AT START OF WEEK

Two European leveraged loan new issue spreads were squeezed tighter at the start of last week, but both were printed before markets widened on fears over the coronavirus.

On Monday, **CIFIC** achieved the tightest Triple A print of 2020, for new issues at the standard two-year non-call and 4.5-year reinvestment periods, with its second European leveraged loan CLO offering.

Priced through *Barclays*, the seniors from **CIFIC EUROPEAN FUNDING CLO II** came at 90bp over three-month Euribor, shaving 2bp off the previous week's new issue spreads from Voya, CELF and Intermediate Capital Managers.

A well-established manager in the US, CIFIC sold its first European CLO issue last year after building out a team that includes Dan Robinson as CIO for Europe. Robinson was poached from Apollo in 2018.

One day after CIFIC's new issue, **KKR** priced its **AVOCA CLO XXI** via lead manager *BofA Securities*. The deal sold its senior notes one basis point inside CIFIC, to come at 89bp.

Levels further down the stack were similar to CIFIC's. The Double As for CIFIC came at 160bp, compared with 150bp for Avoca. CIFIC's Single As (Moody's/Fitch), Baa3/BBB- and Ba2/BB tranches were priced at 200bp, 300bp and 550bp, compared with 210bp, 315bp and 550bp for the AA/AA (S&P/Fitch), BBB/BBB- and BB-/BB- tranches from KKR.

The spread on CIFIC's B3/B- was not disclosed. The B-/B- for Avoca came at an 835bp discount margin.

US ABS

› CORONAVIRUS ADDS UNCERTAINTY TO US STRUCTURED FINANCE

The US structured finance has been humming along since the start of 2020, but the coronavirus breakout has added uncertainty to the sector's outlook for the rest of the year, according to participants at a major industry conference in Las Vegas last week.

Financial markets were rattled by the spread of coronavirus outside of China last week and while structured products tend to lag secondary market moves seen in equities

or high-yield bonds, speakers at the Structured Finance Association's SFVegas 2020 conference said securitisations were not immune to pressures from the spread of the virus.

"A potential pandemic is a clear example of exogenous risk," said Goldman Sachs' chief economist, Jan Hatzius.

The virus breakout has become another lurking risk for the structured finance market that also faces possible regulatory changes if a Democrat wins the White House and ongoing challenges in the industry's transition away from the London interbank offered rate.

Among securitisation sectors, market participants have been focused on asset-backed securities backed by airplane leases in light of travel restrictions put in place to contain the spread of the virus.

Three aircraft ABS deals, totalling US\$2.06bn, have been priced since the start of the year to solid demand, but if the virus situation were to worsen, market participants expect the sector to face some volatility.

"There's more of a concern as it spreads," said MUFG international head of securitised products, Tricia Hazelwood.

It is too early to tell whether spread levels on forthcoming aircraft deals would widen if the global infection rate continues to climb and the drop in air travel would last longer than what was seen during the SARS outbreak in 2003.

"The uncertainty band has widened," said Vishwanath Tirupattur, head of US fixed-income research at Morgan Stanley.

Wells Fargo analysts cited 26 aircraft securitisations with exposure to China and Hong Kong.

"For now, we do not expect an immediate cashflow effect, as the lessees should continue to pay on the leases. Aircraft coming off lease may be difficult to place, or face lower rates," they wrote in a recent report.

FALLING YIELDS

The potential fallout from the virus and how it will ultimately impact on structured finance remains far from clear.

But Tirupattur noted the securitisation sector is "a bit insulated" from the violent swings seen in stocks and commodities being driven by investor anxiety about the virus.

He and bankers who spoke on a panel on opportunities and risks in structured finance market reckoned US consumers are in good shape with the unemployment rate near multi-decade lows.

And while the global economy is expected to slow in the first quarter, consumer spending and business activity should

rebound in subsequent quarters if the coronavirus is contained, bankers and analysts said.

That would mean consumer and real estate-linked structured bonds should perform fine.

In fact, the current drop in US bond yields could spur refinancing in real estate and bolster securitisation activity.

"I fully expect a pick-up in commercial real estate financing," said Wellington Management fixed-income credit analyst Carolyn Natal.

Benchmark US 10-year Treasury yields fell to a record low of 1.412% on Thursday, and US mortgage rates have also declined with the precipitous drop in bond yields.

"We expect residential housing to benefit from lower rates," said Goldman's senior mortgage strategist Marty Young.

› FAT BRANDS' ABS DEBUT TO PRICE THIS WEEK

US restaurant franchise **FAT BRANDS** is expected to price its first whole-business securitisation this week, with a large credit fund set to acquire the entire high-yield rated offering, totalling US\$40m, sources familiar with the deal said.

Cadence Group, the deal's structuring consultant, will record the deal with traditional methods and on the ethereum blockchain.

It expects to issue security tokens that will serve as "digital representations" of ownership of the ABS securities, according to DBRS Morningstar.

The structure of the deal, backed by franchise fees and ongoing royalties, has been streamlined since it emerged in the market in January.

FAT BRANDS ROYALTY I now features two US\$20m fixed-rate classes of senior debt that are expected to be repaid in 2.5 years and 3.5 years, respectively.

DBRS Morningstar provisionally assigned BB ratings to the A-2 and B-2 tranches.

Previously, the offering contained a US\$1m Class A-1 and US\$1m Class B-1 with maturities of 1.5 years, while the larger Class A-2 and Class B-2 notes were each sized at US\$19m.

The A-2 note is expected to offer a 6.50% coupon rate, while the B-2 class is set to price with a 9.00% coupon rate, which are in line with their guidance, the sources said.

Whole-business securitisations are a growth sector in US ABS, with a record US\$9bn raised in 2019 and some two-thirds of deals coming from fast-food and casual dining franchises, according to IFR data. In January, drive-in restaurant chain Sonic sold a US\$900m whole-business securitisation.

FAT owns eight restaurant brands, including Fatburger and Buffalo's Cafe and Express. Its brands have more than 380 locations in 20 states and 20 countries with 75% of them in the US. It plans to add another 200 restaurants over the next five years.

FAT Brands' deal is rare in whole-business securitisation because it is high-yield.

DUNKIN' BRANDS and **DOMINO'S PIZZA**, which have far more restaurants than FAT Brands, have regularly tapped the ABS market with debt that carries investment-grade ratings.

Last November, Domino's raised US\$875m with an ABS deal whose BBB+ notes with a weighted average life of 9.4 years fetched a coupon rate of 3.668%.

US STRUCTURED FINANCE MARKET STUCK IN LIBOR MORASS

The US structured finance market remains reluctant to transition away from Libor, even though the scandal-ridden benchmark for US\$200trn of US financial products is set to go away after 2021, according to bankers, issuers and investors at SFVegas2020, who blamed the market's crawl on a number of risks associated with ditching Libor.

At several jam-packed panels at the annual securitisation industry conference in Las Vegas they raised concerns about possible lawsuits, operational difficulties and the inadequacy of the Secured Overnight Funding Rate as the Libor alternative.

Rather than switching to SOFR, some participants in a recent survey conducted by the Structured Finance Association said they prefer the creation of a "synthetic" Libor, while others said they favour Libor to carry on beyond 2021.

These possible steps, while imperfect, would minimise the risk of "something catastrophic" from happening in the move away from Libor, according to Jennifer Earyes, head of CFO Strategic Initiatives at Navient, who spoke at one of the panels on Libor.

Moreover, some participants have looked to federal and New York state lawmakers to pass legislation to cover existing securitisation deals that do not have fallback terms and conditions for a rate alternative when Libor ceases to exist.

It is impossible to expect all the noteholders for every outstanding securitisation to agree to ditch Libor, the conference panellists said.

"There's reason to be pessimistic" on the practicalities of amending Libor language in existing deals, said Dustin Seely, a Dodge & Cox analyst and trader.

While interest rate derivatives comprise the majority of the products that are linked to Libor, the amount of securitised assets is not insignificant.

Currently, some US\$1.8trn of structured products reference Libor, dominated by US\$1trn of mortgage-backed securities, followed by US\$400bn in collateralised loan obligations.

Several investors who spoke to IFR at the conference said the size of the market means the adoption of SOFR in structured finance will simply take time.

FALLING BEHIND

While other parts of the US debt market have similar worries about abandoning Libor, they have shown a faster adoption of SOFR than structured finance.

Companies have raised more than US\$7bn in SOFR-based corporate bonds in 2020, compared with nil during the same period a year earlier, according to data compiled by IFR.

Fannie Mae and Freddie Mac have been the main SOFR issuers in the securitisation space.

Between the two housing agencies, one SOFR issue has landed so far this year: a US\$870.860m commercial mortgage-backed offering secured by multifamily deals from Freddie on Tuesday.

But this small handful of deals is a contrast to the success UK issuers of RMBS and ABS offerings have had in transitioning away from Libor to price deals off the Sterling Overnight Index Average.

ASIA-PACIFIC MBS

COLUMBUS CONFIRMS FLATTER RMBS CURVE

COLUMBUS CAPITAL underlined the recent flattening of the RMBS credit curve with last Friday's upsized A\$1bn (US\$655m) **TRITON 2020-1** prime sale.

NAB was arranger, and joint lead manager with *Standard Chartered Bank* and *Westpac* for the transaction, which was increased from an indicative A\$500m issue size.

The A\$200m of Class A1-MM notes with a 0.4-year weighted-average life were priced in line with one-month BBSW plus 75bp guidance.

The A\$500m of Class A1-AU and A\$150m of Class A1-5Y notes, with respective 2.8 and 5.0-year WALs, were priced 125bp and 141bp wide of one-month BBSW versus 120bp–125bp and 140bp area guidance.

The A\$70m Class of A2 notes with a 4.3-year WAL were priced at the tight end of one-month BBSW plus 140bp–150bp guidance.

The A\$28m of Class AB, A\$21m of Class B and A\$15m of Class C notes, all with 4.3-year WALs, were priced 160bp, 185bp and 245bp over one-month BBSW.

Pricing was not disclosed for the Class D, E or F notes.

The non-bank lender issued three RMBS in 2019, the last being the similarly enlarged A\$1bn Triton 2019-3 on November 1.

The 2019-3 Class A1-AU, A1-5Y, A2, AB, B and C notes were priced 120bp, 150bp, 160bp, 180bp, 205bp and 250bp over one-month BBSW.

While the 2019-3 Class A1-AU coupon is 5bp tighter than on the latest Columbus RMBS, the A1-5Y to C notes were priced 9bp wider, 20bp wider, 20bp wider, 20bp wider and 5bp wider than the new equivalent tranches, respectively.

PEPPER HITS THE ROAD

PEPPER GROUP has mandated CBA, NAB and Westpac for a potential non-conforming Australian dollar RMBS offering following investor meetings in Sydney on March 4 and Melbourne over the following two days.

Last October, the non-bank lender issued the A\$750m-equivalent no-grow, non-conforming RMBS Pepper Residential Securities Trust No 25 (PRS 25), which included US dollar and green euro tranches.

ASIA-PACIFIC ABS

AUTO LOAN ABS SEEN AS SAFE HAVEN

BMW AUTOMOTIVE FINANCE (CHINA) printed Rmb8bn (US\$1.1bn) of auto loan-backed securities in China's interbank bond market in February, drawing safe-haven demand for the first auto loan ABS issue in the country since the coronavirus outbreak.

The transaction is expected to serve as a pricing benchmark for Chinese auto finance companies looking at issuing ABSs in the near future, said Andy Lai, head of securitisation at BNP Paribas.

"We know that there are quite a number of auto finance companies looking to launch their ABS deals in the next few weeks, so the success of BMW AFC's deal should give them great comfort and definitively help to pave the way for their issuance," said Lai.

BNP Paribas (China) was one of the four joint lead underwriters on the transaction, along with *Citic Securities*, *ICBC* and *MUFG Bank (China)*. *BNP Paribas Hong Kong* was the financial adviser.

The deal, priced on February 20, was BMW AFC's first ABS offering this year and the 14th since its first such issue in 2014.

A Rmb6.76bn 3.14% senior fixed-rate portion was priced at par. The securities are scheduled to mature on August 26 2022 with a weighted average life of 1.72 years.

This tranche has AAA ratings from both China Bond and China Chengxin.

A Rmb1.24bn unrated subordinated tranche, scheduled to mature on September 26 2022 and with a weighted average life of 2.6 years, was retained by the originator.

The final pricing of the senior tranche was within the indicative range of 2.75%–3.75% and 35bp lower than the previous deal in November, backed by strong demand from investors despite the coronavirus crisis, with liquidity getting a boost from the latest

policy moves by the People's Bank of China.

Lai said some consideration had been given to postponing the deal due to the outbreak, and the target pricing date was delayed by a week to give investors more time to look at the offering and go through their internal processes. The outcome showed that demand was still robust.

MARKET REMAINS LIQUID

"It took more time to get investors to engage and give a response as some of them were

still working from home when we marketed the deal," he said. "But overall, the market remains very strong and liquid. Investors are looking for a safe haven to invest."

He said investors were not overly concerned that the epidemic would potentially lead to an increase of delinquencies and defaults of the underlying loans in the ABS, even though ratings agencies have called for more details on the portfolio, such as the proportion of loans in Wuhan city and Hubei province, to conduct more stress analysis.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 28/2/2020

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
US DOLLARS							
Feb 26 2020	CPPIB	US\$1 bn	Mar 4 2025	1.25	99.513	MS+16 / T+16.35	1.351
Feb 27 2020	EIB	US\$1bn	Mar 5 2024	Sofr+28	100	Sofr+28	-
EUROS							
Feb 25 2020	ESM	€2bn	Mar 4 2030	0.01	102.297	MS-8 / B+28.7	-0.217
Feb 25 2020	Spain	€5bn	Oct 31 2050	1	98.154	MS+86 / B+108.4	1.071
Feb 27 2020	Thuringia	€250m	Mar 5 2040	0.25	99.495	MS+7 / B+51.6	0.276
Feb 27 2020	Unedic	€1.25bn	Mar 5 2030	0	100.894	OATs +14 / ~MS+5.7	-0.089
NON CORE							
Feb 26 2020	EIB	DKr400m	Feb 28 2025	3mC+250	114.463	-	-
Feb 26 2020	Queensland	A\$1.25bn	Jul 20 2034	1.75	99.872	EFP+85 / ACGB+64.9	1.76
Feb 27 2020	New South Wales	A\$1bn	Mar 8 2033	2	105.097	EFP+70 / ACGB+61.75	1.565
CORPORATES							
EUROS							
Feb 25 2020	Paccar	€300m	Mar 3 2023	0	100.361	MS+27 / B+57.3	-0.12
SWISS FRANCS							
Feb 25 2020	Syngenta	SFr200m	Dec 9 2022	0.125	100.033	MS+90 / Eidg+98.3	0.113
Feb 25 2020	Syngenta	SFr140m	Dec 9 2026	0.7	100.276	MS+130 / Eidg+150.5	0.658
NON CORE							
Feb 27 2020	Toyota Australia	A\$75m incr (A\$400m)	Feb 17 2023	1.3	100.21	ASW+65	1.293
Feb 25 2020	Castellum	SKr250m	Mar 6 2023	3mS+61	100	3mS+61	-
FINANCIALS							
US DOLLARS							
Feb 24 2020	ING Groep	US\$750m	Perpetual (Nov 2029)	4.875	100	T+350.6	4.876
NON CORE							
Feb 25 2020	NAB Capital Notes 4 AT1	A\$1.95bn	Perpetual (Sep 17 2027)		100	3M BBSW+295	-
Feb 26 2020	Resurs Bank	SKr700m	Feb 28 2023	3mS+128	100	3mS+128	-
COVERED BONDS							
No deals in the week							
HIGH YIELD							
No deals in the week							

Fitch said on February 17 that the economic disruption caused by the coronavirus outbreak in China will put pressure on the performance of auto loan ABS assets in the near term, but the impact should be limited.

“The outbreak and strict restrictions implemented for containing it are likely to adversely affect employment rates and disposable incomes in the near term,” it said.

“This could weaken borrowers’ serviceability and pressure loan

performance, resulting in higher delinquency levels for auto loan ABS transactions in the coming months, both as a result of the virus itself and because few new transactions are likely to be issued.

“It is too early to identify the magnitude of any change in performance, however, we do not expect defaults to increase significantly at this stage.”

BNP’s Lai said it is hard to predict the severity of the impact from the epidemic on China’s auto-loan ABS market at this stage

as it depends on how long it lasts and its effects on the overall economy and business growth.

However, BMW AFC’s offering showed that ABS deals are one of the cheapest funding alternatives for auto finance companies.

BMW AFC is a Sino-foreign joint venture in which German automaker Bayerische Motoren Werke owns a 58% stake and BMW Brilliance Automotive the remainder.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+16 area, MS+16 area	-	>US\$1.4 bn	Aaa/AAA/AAA	Barc/GS/JPM/RBC	EMEA 46%, Amers 42%, Asia 12%. Tsy 50%, CB/OI 42%, AM 6%, Corp 2%.
Sofr +29 area, Sofr +28 area	-	>US\$1.7bn	Aaa/AAA/AAA	Citi/HSBC/RBC/StCh/TD	-
MS-8 area	2.5	€2.4bn	Aa1/-/AAA	Barc/CMZ/JPM	EZ 49%, UK/Switz 31%, RoEur 14%, Asia 6%. Bks 44%, FM 37%, CB/OI 18%, Ins/PF 1%.
MS+89 area, MS+87 area	2.5	€17.9bn	Baa1/A/A-/A	Barc/BBVA/BNPP/CA-CIB/JPM/Santan	Fr/It 36.1%, Ger/Aus/Switz 25.9%, UK/Ire 14.2%, Sp 9.3%, RoEU 6.1%, Nordics 3.2%, ME 3.1%, US/Can 2%, Other 0.1%. Ins/PF 56.7%, FM 20%, Tsy 14.9%, CB/OI 3%, Bks 2.7%, HF 2.5%, Other 0.2%.
MS+7	-	€540m	-/-/AAA	BLB/DB/DZ/Helaba/NordLB	Ger 90.3%, Nordics 6.4%, Benelux 3.3%. Ins/PF 50.5%, AM 22.7%, CB/OI 15.2%, Bks 11.6%.
OATs +16 area	-	>€2.4bn	Aa2/-/AA	Barc/BNPP/CMZ/CA-CIB/SG	-
-	-	-	Aaa/AAA/AAA	SEB	-
EFP+82.5/86.5	-	-	Aa1/AA+/AA	Citi/DB/WBC	Oz 75%, EMEA 12%, US 8%, Asia 5%. AM/Ins 63%, Bks 16%, OI 9%, Trading 6%, HF 6%.
EFP+68/72	-	-	Aaa/AAA	CBA/NAB/UBS	Oz 72%, Eur 16%, Asia 12%. AM 76%, Bks 18%, Trading 4%, OI 2%.
MS+45/50, MS+30/35	7	€800m	A1/A+	ING/MUFG/Rabo	-
MS+85/95, MS+85/95	-	>SFr200m, 44acs	Ba2/BBB-/BBB	CS/UBS	Switz 100%. AM 69.5%, Ins 15%, PB 14%, Tsy 1%, PF 0.5%.
MS+120/130, MS+120/130	-	>SFr140m, 57acs	Ba2/BBB-/BBB	CS/UBS	Switz 100%. AM 62%, PB 31.5%, PF 3%, Tsy 3%, Ins 0.5%.
-	-	-	Aa3/AA-	ANZ	-
-	-	-	Baa2	Danske	-
Low 5% area, 4.875% cpn	30	US\$3bn	Ba1/-/BBB-	ING/MS/CS/GS/TD/Uni	-
3mBBSW+295/315	-	-	-/BBB-	NAB/MS/Morgans//UBS/WBC/OrdMin	-
-	-	-	-	Nordea/SEB	-

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (28/2/2020)

Sovereign	1	Moody's 2	3	S&P 4	5	Fitch 6	Sovereign	1	Moody's 2	3	S&P 4	5	Fitch 6
Abu Dhabi	Aa2	–	AA	AA+	AA	AA+	Kyrgyzstan	B2	Ba3	–	–	–	–
Albania	B1	Ba2	B+	BB	–	–	Latvia	A3	Aaa	A+ ▲	AAA	A–	AAA
Andorra	–	Ba2	BBB	AAA	BBB+	A+	Lebanon	Caa2	Caa1	CC n ▼	CC ▼	CC	CCC
Angola	B3	B2	B– n	B–	B n	B	Lesotho	–	–	–	–	B	B+
Argentina	Caa2	Caa1	CC n	B–	CC	CCC	Liechtenstein	–	Aaa	AAA	AAA	–	–
Armenia	Ba3	Ba1	–	–	BB–	BB	Lithuania	A3 p	Aaa	A+ ▲	AAA	A– p	AAA
Aruba	–	–	BBB+ n	BBB+	BBB– n	BBB	Luxembourg	Aaa	Aaa	AAA	AAA	AAA	AAA
Australia	Aaa	Aaa	AAA	AAA	AAA	AAA	Macau	Aa3	Aa2	–	–	AA n	AAA
Austria	Aa1	Aaa	AA+	AAA	AA+ p	AAA	Macedonia (FYR)	–	–	BB–	BB	BB+	BBB–
Azerbaijan	Ba2	Ba2	BB+	BB+	BB+	BB+	Malaysia	A3	A1	A–	A+	A–	A
Bahamas	Baa3	Baa1	BB+	BBB–	–	–	Maldives	B2 n	Ba3	–	–	B+	BB–
Bahrain	B2	Ba3	B+ p	BB–	BB–	BBB–	Malta	A2	Aaa	A– p	AAA	A+ p	AAA
Bangladesh	Ba3	Ba2	BB–	BB–	BB–	BB–	Mauritius	Baa1	A2	–	–	–	–
Barbados	Caa1	B2	B–	B–	–	–	Mexico	A3 n	A1	BBB+ n	A+	BBB	A–
Belarus	B3	B3	B	B	B	B	Moldova	B3	B2	–	–	–	–
Belgium	Aa3	Aaa	AA	AAA	AA–	AAA	Mongolia	B3	B1	B	B+	B	B+
Belize	B3	B1	B–	B–	–	–	Montenegro	B1 p	Ba1	B+	AAA	–	–
Bermuda	A2	Aa3	A+ p	AA+	–	–	Montserrat	–	–	BBB–	BBB–	–	–
Bolivia	Ba3	Ba2	BB– n	BB–	B+	B+	Morocco	Ba1	Baa2	BBB–	BBB+	BBB–	BBB
Bosnia Herzegovina	B3	B3	B p	BB–	–	–	Mozambique	Caa2	Caa1	CCC+	CCC+	CCC	B–
Botswana	A2	Aa3	A–	A+	–	–	Namibia	Ba2	Baa3	–	–	BB	BB+
Brazil	Ba2	Ba1	BB–	BB+	BB –	BB	Netherlands	Aaa	Aaa	AAA	AAA	AAA	AAA
Bulgaria	Baa2	A3	BBB	A	BBB p	A–	New Zealand	Aaa	Aaa	AA p	AAA	AA p	AAA
Cambodia	B2	B1	–	–	–	–	Nicaragua	B3	B2	B–	B–	B–	B–
Cameroon	B2	Ba2	B n	BBB–	B	BB+	Nigeria	B2 n	B1	B	B+	B+ n	B+
Canada	Aaa	Aaa	AAA	AAA	AAA	AAA	Norway	Aaa	Aaa	AAA	AAA	AAA	AAA
Cape Verde	–	–	B	BB–	B	B+	Oman	Ba1 n	Baa3	BB n	BB+	BB+	BBB–
Cayman Islands	Aa3	Aa2	–	–	–	–	Pakistan	B3	B2	B–	B–	B–	B–
Chile	A1	Aa2	A+	–	A	AA	Panama	Baa1	A2	BBB+	AAA	BBB n	A
China	A1	Aa3	A+	A+	A+	A+	Papua New Guinea	B2	B1	B	B	–	–
Colombia	Baa2	A3	BBB–	BBB+	BBB n	BBB+	Paraguay	Ba1	Baa3	BB	BB+	BB+	BB+
Congo (DR)	B3 n	B3	CCC+	CCC+	–	–	Peru	A3	A1	BBB+	A	BBB+	A–
Congo (Rep)	Caa2 n	B2	B–	BBB–	CCC	B+	Philippines	Baa2	A3	BBB+	A–	BBB p	BBB+
Cook Islands	–	–	B+	AAA	–	–	Poland	A2	Aa3	A –	A	A–	AA–
Costa Rica	B2	Ba3	B+n	BB	B+n	BB–	Portugal	Baa3 p	Aa3	BBB p	AAA	BBB p	AA
Cote d'Ivoire	Ba3	Baa3	–	–	B+ p	BBB–	Qatar	Aa3	Aa3	AA–	AA	AA–	AA
Croatia	Ba2 p	Baa3	BBB	BBB+	BBB– p	BBB+	Ras al-Khaimah	–	–	A	AA+	A	AA+
Cuba	Caa2	Caa2	–	–	–	–	Romania	Baa3	A3	BBB–	A–	BBB–	BBB+
Curacao	–	–	BBB+	BBB+	–	–	Russia	Baa3	Baa2	BBB–	BBB	BBB	BBB
Cyprus	Ba2 p	A2	BBB–	AAA	BBB – p	A	Rwanda	B2	B1	B+	B	B+	B+
Czech Rep	Aa3	Aa1 up	AA–	AA+	AA–	AAA	St Vincent & Gren	B3	Ba3	–	–	–	–
Denmark	Aaa	Aaa	AAA	AAA	AAA	AAA	San Marino	–	–	–	–	BBB– n	BBB+
Dominican Rep	Ba3	Ba1	BB–	BB+	BB–	BB–	Saudi Arabia	A1	A1	A–	A	A	A+
Ecuador	Caa1	B3	B–	B–	B –	B –	Senegal	Ba3	Baa1	B+	BBB–	–	–
Egypt	B2	B1	B	B	B+	B+	Serbia	Ba3	Ba1	BBp	BB+	BB+	BBB–
El Salvador	B3	B1	B–	AAA	B–	B	Seychelles	–	–	–	–	BB	BBB–
Estonia	A1	Aaa	AA–	AAA	AA–	AAA	Singapore	Aaa	Aaa	AAA	AAA	AAA	AAA
Ethiopia	B1 n	B1	B	B	B n	B	Slovakia	A2	Aaa	A+	AAA	A+	AAA
Fiji	Ba3	Ba3	BB–	BB–	–	–	Slovenia	Baa1 p	Aa1	AA–	AAA	A	AAA
Finland	Aa1	Aaa	AA+	AAA	AA+ p	AAA	Solomon Islands	B3	B2	–	–	–	–
France	Aa2 p	Aaa	AA	AAA	AA	AAA	South Africa	Baa3 n	A3	BB n	BBB–	BB+ n	BBB–
Gabon	Caa1 p	B1	–	–	B	BB+	South Korea	Aa2	Aa1	AA	AAA	AA–	AA+
Georgia	Ba2	Baa3	BB	BBB–	BB	BBB–	Spain	Baa1	Aa1	A	AAA	A–	AAA
Germany	Aaa	Aaa	AAA	AAA	AAA	AAA	Sri Lanka	B2	Ba3	B n	B	B	B
Ghana	B3	B1	B	B+	B	B	Suriname	B2	Ba3	B	B+	CCC	B–
Greece	B1	Baa1	BB–	AAA	BB–	BBB–	Sweden	Aaa	Aaa	AAA	AAA	AAA	AAA
Guatemala	Ba1	Baa3	BB–	BB+	BB n	BB+	Switzerland	Aaa	Aaa	AAA	AAA	AAA	AAA
Honduras	B1	Ba2	BB–	BB	–	–	Tanzania	B1n	Ba3	–	–	–	–
Hong Kong	Aa3	Aaa	AA+	AAA	AA n	AAA	Taiwan	Aa3	Aa2	AA–	AA+	AA–	AA+
Hungary	Baa3	Baa1	BBB	A–	BBB	A	Thailand	Baa1 p	A2	BBB+	A	BBB+ p	A–
Iceland	A3 p	A3	A	A	A	A+	Trinidad & Tobago	Ba1	Baa3	BBB	BBB+	–	–
India	Baa2	Baa1	BBB–	BBB+	BBB–	BBB–	Tunisia	B2	Ba3	–	–	B+ n	BB–
Indonesia	Baa2	A3	BBB	BBB+	BBB	BBB	Turkey	B1n	B1	B+	BB–	BB–	BB–
Iraq	Caa1	B3	B–	AAA	B–	B–	Turks & Caicos	–	–	BBB+	AAA	–	–
Ireland	A2	Aaa	AA–	AAA	A+	AAA	Uganda	B2	Ba3	BB	A–	B+	B+
Israel	A1 p	Aa3	AA–	AA+	A+	AA	Ukraine	Caa1p	B3	B	B	B p	B
Italy	Baa3	Aa3	BBB n	AAA	BBB n	AA	UAE	Aa2	Aa2	–	–	–	–
Jamaica	B2	Ba3	B+	BB–	B+ p	BB–	UK	Aa2	Aaa	AA +	AAA	AA n	AAA
Japan	A1 p	Aaa	A+ p	AA+	A	AAA	USA	Aaa	Aaa	AA+	AAA	AAA	AAA
Jordan	B1	Ba1	B+	BB	BB–	BB	Uruguay	Baa2	A2	BBB	A–	BBB– n	BBB+
Kazakhstan	Baa3 p	Baa2	BBB–	BBB	BBB	BBB+	Venezuela	C	Ca	SD	CC	–	–
Kenya	B2	Ba3	B+	BB–	B+	BB–	Vietnam	Ba3	Ba1	BB	BB	BB p	BB
Kuwait	Aa2	Aa2	AA	AA+	AA	AA+	Zambia	Caa2 n	B3	CCC+	CCC+	CCC	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

* 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 RUSSIA

Russians embrace March window

Month to open with issuers braced to flood in

Russian issuers are set to get the March CEEMEA primary off to a blistering start, markets permitting, with a number of names waiting in the wings.

With rates at all-time lows because of the spread of the coronavirus, it's a potentially attractive entry point for yield-sensitive issuers, as Russian corporates tend to be.

But equally, the big sell-off in risk assets over the past week make it hard to know how far issuers can push on pricing and what size of premium may be required. "Even Russian investors have price breaks," said one banker.

Russian Railways (Baa2/BBB-/BBB) is flashing its ESG credentials, appointing banks for a green eight-year Eurorouble and a green Swiss franc offering with an intermediate maturity.

The state-owned company was the first Russian issuer to print a green note when it sold a €500m May 2027 deal last year at 2.20% that is now bid at 1.01%.

Leads said that around 25% of those bonds, which received certification to the Climate Bonds Initiative Low Carbon Land

Transport Standard, went to investors' ESG considerations.

As well as passengers, Russian Railways transports freight, including coal, coke and oil and petroleum products. In the 2019, for example, coal accounted for 29% of its rail freight volumes, and oil and oil products 18%.

Meetings for the Eurorouble begin in Moscow and London on Monday, while the roadshow for the Swiss franc deal took place last week.

Fertiliser company **EUROCHEM** (Ba2/BB-/BB-) plans to issue a five to seven-year US dollar bond.

S&P put the company on a positive outlook on Thursday, forecasting that the company will generate positive free operating cashflow of more than US\$315m in 2020, and that its credit metrics will strengthen.

"[The positive outlook] reflects our view that the proposed issuance will strengthen EuroChem's liquidity and capital structure," S&P said.

EuroChem has a couple of small bond maturities coming due. It has a US\$124m

3.80% note maturing in April and a US\$128m 3.95% bond expiring in July next year.

Also within the corporate sector, steel group **NLMK** has sent a request for proposals to banks for an international bond, according to a source.

NLMK (Baa2/BBB-/BBB) sold a US\$500m seven-year in May at 4.70%. The note is bid at 2.99%.

ING analysts said steelmaker **EVRAZ** could be another name to watch this year after the issuer announced its financial results.

"Evraz showed its ability to generate solid free cashflow, keep leverage at relatively stable low levels and maintain a comfortable liquidity position," they wrote.

"Given 2021 debt redemptions of US\$1bn we expect that company might tap Eurobond markets in 2020."

STATE TRANSPORT LEASING COMPANY (Ba1/BB-/BB+) is another looking to place a dollar bond.

The state-owned issuer is meeting investors on Monday in London ahead of a seven-year issue.

Robert Hogg

BOC Macau raises funds for virus response

Social bonds issued to mitigate the impact of the epidemic

BANK OF CHINA, Macau branch, has issued US\$638m-equivalent of senior social bonds to fund loans to small and medium-sized companies impacted by the coronavirus outbreak in Macau.

A HK\$4bn (US\$513m) two-year tranche was priced at par to yield 1.95%, inside initial guidance of the 2.25% area. A MOP\$1bn (US\$125m) two-year pataca tranche was priced at 1.90% versus initial 2.20% area guidance.

The Reg S notes, issued off the lender's MTN programme, have expected ratings of A1/A/A, on par with the issuer.

This marks the first social bond issue in the international market with an explicit Covid-19 theme.

On February 11, Agricultural Development Bank of China issued Rmb1.5bn (US\$214m) of Dim Sum bonds to finance its rural revitalisation strategy as well as to help fund China's fight against the outbreak, but these were not certified as social bonds.

Proceeds from the BOC bonds will be used to provide affordable loans to micro, small and medium-sized enterprises in Macau as they grapple with the consequences of the virus.

The bank has drawn up a list of eligible projects with a total value of MOP\$5.16bn or so in sectors including construction and public works, services, wholesale and retail, manufacturing, catering, transportation, warehousing and communications.

According to media reports, there have been 10 confirmed cases of coronavirus infection in Macau as of February 28. Gaming has been allowed to resume after the territory closed down casinos as a precautionary measure during the first half of February, but the city is only receiving around 2,000 daily visitors, a drop of around 98% year on year, according to official figures.

Sean McNelis, global co-head of debt capital markets at HSBC, which was a lead manager and bookrunner on the Hong Kong dollar

tranche, said the deal showed that public markets have a role to play in supporting SMEs affected by the Covid-19 outbreak.

"The strength of the order book shows there is clearly investor appetite to get behind this initiative, which further broadens the range of alleviation measures, from both public agencies and private institutions."

The Hong Kong dollar tranche drew final orders of over HK\$7.1bn from more than 20 accounts, including HK\$3.35bn from the leads.

Statistics for the pataca tranche were not disclosed at the time of writing.

BOC, Agricultural Bank of China Hong Kong branch, Citigroup, Commonwealth Bank of Australia, Credit Agricole, DBS Bank, HSBC, ICBC (Asia), JP Morgan and Scotiabank were lead managers and bookrunners for the Hong Kong dollar tranche.

For the pataca tranche, BOC, CCB Macau branch, China Guangfa Bank Macau branch, Luso Bank and Tai Fung Bank were lead managers and bookrunners. Carol Chan

ASIA-PACIFIC

CHINA

HONG YANG OFFERS DOUBLE-DIGIT YIELD

Single-B rated Chinese homebuilder **HONG YANG GROUP** timed a new issue well, coming out before a horrible week unfolded for global equity and credit indices as coronavirus fears gripped markets.

Hong Yang (B/B+) raised US\$275m from a 9.875% 2.5-year bond on Monday priced at 10.875%, inside initial guidance of 11.25% area.

The deal received final orders of US\$1.75bn.

"It was a very good outcome against the macroeconomic backdrop of the coronavirus outbreak, with the issuance being slightly upsized from the planned US\$250m," said a banker on the deal.

Subsidiary Hong Seng is the issuer of the senior unsecured notes, while Hong Yang Group is the parent guarantor and Hong Kong-listed Redsun Properties Group is the subsidiary guarantor.

The deal priced at a premium of about 150bp over the bonds of Redsun Properties, according to the banker.

Nomura saw fair value at mid-10%, considering Redsun Properties' 2022s due in April and October were trading at 8.80% and 9.30%, respectively.

The fat yield, however, came as credit markets benefit from ample liquidity in a low-rate environment.

"It really depends on each individual name. It seems like Chinese property names are trading at 5% to 12% in secondaries," said a banker away from the deal.

Not all investors are participating in such transactions, with bigger asset managers being more selective.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Asia-Pacific

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 HSBC	60	6,015.24	7.4
2 Standard Chartered	40	4,262.87	5.2
3 Credit Suisse	39	4,211.06	5.2
4 Citigroup	32	3,969.50	4.9
5 UBS	30	3,695.41	4.5
6 Bank of China	36	2,852.05	3.5
7 Deutsche Bank	27	2,763.50	3.4
8 DBS Group	29	2,670.55	3.3
9 Credit Agricole	24	2,653.52	3.3
10 BofA	14	2,574.13	3.2
Total	160	81,257.46	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L4

"This kind of relatively small deal – they tend to be almost like a private placement," said an investor.

Fitch expects Hong Yang Group's Ebitda margin to narrow but remain healthy at 20%–23% this year as its high-margin Nanjing projects will provide support over the next 12 months. Fitch upgraded the group's rating from B in October.

GEELY BOND BUCKS CHINA SALES SLUMP

Carmaker **ZHEJIANG GEELY HOLDING GROUP** overcame volatile market conditions and a weak outlook for Chinese vehicle sales to print a US\$400m five-year bond on Thursday.

The deal drew orders in excess of US\$1.3bn ahead of the release of final guidance.

The 3.00% 2025 bonds were priced at 99.526 to yield 3.103%, or Treasuries plus 200bp, inside initial guidance of the 215bp area.

Geely's US\$300m 2023 bonds were quoted at a G-spread of 160bp, while other private sector industrial credits also provided pricing references.

Semiconductor Manufacturing International Corp, rated Baa3 (Moody's), had 2025 bonds quoted at G plus 162bp and chemical company Shanghai Huayi (Group), rated Baa3/BBB/BBB–, had 2024 bonds seen at G plus 151bp.

Chinese vehicle manufacturers are facing challenging times. Sales have fallen for the past two years and are expected to suffer as a result of the coronavirus, as potential buyers defer purchases and production is disrupted.

Retail shipments of passenger cars dropped 21.5% year on year in January, and plunged 92% in the first 16 days of February, according to the China Passenger Cars Association.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	56	11,983.11	7.2
2 JP Morgan	54	11,201.36	6.7
3 Standard Chartered	53	10,208.73	6.1
4 HSBC	72	8,378.83	5.0
5 Deutsche Bank	37	8,215.69	4.9
6 BNP Paribas	34	7,565.37	4.5
7 BofA	32	7,121.31	4.3
8 Goldman Sachs	30	6,448.88	3.9
9 Credit Suisse	46	6,312.13	3.8
10 Morgan Stanley	25	6,199.46	3.7
Total	257	167,146.79	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L1

However, Geely has recently outperformed the sector. Its global vehicle sales rose 1% in 2019 to 2.18m, even as Chinese passenger vehicle retail shipments shrank 7.4%, according to the CPCA.

Geely benefits from its ownership of Swedish carmaker Volvo, which grew global sales 9.8% in 2019.

YIDA PINS HOPES ON BOND SWAP

YIDA CHINA HOLDINGS said that it may need to restructure its debt if an exchange offer for its US\$300m 6.95% bonds due April 19 is unsuccessful.

Holders who tender their bonds will receive US\$80 in cash per US\$1,000 in principal amount and US\$920 in new bonds due 2022.

The new bonds will pay 10% annual interest for the first six months and 14% a year thereafter.

The property developer will not go ahead with the exchange unless at least US\$225m, or 75%, in principal of the 2020s are tendered and accepted.

In response to the exchange offer, S&P cut Yida's company rating to CC from CCC– and its bonds to C from CC. The outlook is negative, reflecting the likelihood that it could downgrade the rating to selective default once the transaction is completed.

Fitch downgraded the company and its bonds to C from CCC. Moody's rates the company Caa1 and has not yet responded to the proposal.

Admiralty Harbour is dealer manager for the exchange offer, which ends on March 9. Yida is also seeking consent from bondholders to waive their claims under the old notes.

If the exchange offer is not completed, Yida said it may hire *Admiralty Harbour* as financial adviser to implement an alternative debt restructuring, as the company's resources may not be enough to redeem the bonds.

Yida's 61.2% shareholder, Jiayou (International) Investment, is facing a cash crunch because of asset freeze orders imposed on **CHINA MINSHENG INVESTMENT GROUP**. China Minsheng holds a 67.26% stake in China Minsheng Jiaye Investment, which indirectly owns Jiayou.

Asset freeze orders were imposed on China Minsheng in February and March 2019, including a freeze on its position in Minsheng Jiaye for three years. The freeze affected China Minsheng's access to finance and led to Rmb4.277bn (US\$608m) of loans becoming immediately payable.

Yida said it expects to be able to repay the new notes if the exchange offer goes through. It is also looking for strategic investors and new business partners.

The 2020s were bid at a cash price of 67 on Thursday.

PEKING FOUNDER CONFIRMS US\$3bn DEFAULT

PEKING UNIVERSITY FOUNDER GROUP has confirmed that its failure to repay an onshore bond has led to a cross-default on US\$3bn of offshore bonds and that it is now under a court-supervised restructuring.

In public filings, the university-linked conglomerate also said that it could not make repayments to individual creditors under the terms of the reorganisation.

The bonds affected include nine bonds denominated in US dollars and one in euros issued through special purpose vehicles. Seven bonds totalling US\$1.89bn-equivalent were issued through Nuoxi Capital, two bonds totalling US\$800m through Kunzhi and one bond with a principal amount of US\$350m through Dawn Victor.

Some of these bonds are guaranteed by Peking Founder and it provided a keepwell deed for most of the others.

The struggling group failed to repay an overdue onshore bond on February 21 and asked creditors to register and declare their claims with the company before April 21.

The repayment date of the Rmb2bn (US\$285m) 4.94% 270-day notes was originally December 1 2019 but was extended to February 21 on top of the original grace period of 15 business days following investor approval.

The First Intermediate People's Court of Beijing issued a civil order and a letter on February 19 which stated that it had accepted a request from creditor Bank of Beijing to begin a court-supervised restructuring of the state-controlled group.

The court appointed a liquidation team as administrators to lead the restructuring, which includes officials from the People's Bank of China, the ministry of education, financial regulators and relevant departments of the Beijing municipal government.

Peking Founder said the reorganisation of the group, including the acceptance of the petition by the court, the appointment of the administrators and the debt arrangement with creditors could also constitute an event of default under the terms of the offshore bonds.

The state-controlled group has businesses ranging from commodities trading and securities broking to semiconductors. Peking University owns a 70% stake through PKU Asset Management, and the remaining 30% is held by Beijing Zhaorun Investment Management, a company founded by Peking Founder executives. The two parties are in

IG property bond draws crowd

CHINA Developer COLI pushes out to longer tenor on good demand

CHINA OVERSEAS LAND AND INVESTMENT priced the first international bond issue from an investment-grade Chinese property company since the coronavirus outbreak, finding enough demand to add an extra tranche.

The developer printed a US\$1bn senior unsecured bond offering in three tranches.

A US\$300m 2.375% five-year tranche was priced at 99.57 to yield 2.467%, or Treasuries plus 123bp, inside initial guidance of 150bp area.

A US\$500m 2.75% 10-year tranche was priced at 99.247 to yield 2.837%, or Treasuries plus 145bp, inside guidance of 172bp area.

COLI later added a 15-year tranche, having signalled at the beginning of bookbuilding that it would be open to printing at that tenor if enough investors requested it.

A US\$200m 3.125% 15-year tranche was priced at 99.857 to yield 3.137%, or Treasuries plus 175bp, in line with final guidance. The tranche, the first with a 15-year tenor issued by a Chinese property company, was chosen to balance the cost for the issuer with the sweet spot for investors.

COLI (Baa1/BBB+/A-) had May 2024 bonds quoted at a G-spread of 129bp before the transaction, indicating that fair value for a five-year tenor would have to be at least plus 130bp. That meant that the new 2024s were priced 7bp inside the curve, helped by the relatively small size.

July 2029 and November 2029 bonds were seen at G-spreads of 141bp and 142bp, respectively, suggesting fair value of at least Treasuries plus 145bp for the 10-year tranche, indicating that it was priced flat to the curve.

Meanwhile, the 15-year yield of 3.137% was lower than the 3.147% COLI paid for 10-year bonds in November.

That is due in part to the rally in Treasuries over the past three months. In a bad day for equity markets, the five and 10-year Treasury yields fell by about 8bp each.

Leads tightened the five and 10-year bonds by 27bp during execution. Despite that, they performed well in early trade on Tuesday. The 2025s tightened by 6bp, the 2030s by 3bp, and the 15-year tranche by 7.5bp.

China Overseas Finance (Cayman) VIII will issue the bonds with a guarantee from COLI. The Reg S benchmark bonds have expected ratings of Baa1/A- (Moody's/Fitch).

The syndicate grew dramatically between initial guidance and setting the final yields, with 11 new bookrunners added.

At the start of the day, BOC International, DBS, HSBC and ICBC (Asia) were global coordinators, and joint bookrunners with Bank of Communications and CMB Wing Lung.

By the time the deal was priced, Agricultural Bank of China Hong Kong branch, CCB International, CICC, China Securities International, Citigroup, Credit Agricole, Goldman Sachs, Guotai Junan International, ICBC, Mizuho and Shanghai Pudong Development Bank, Hong Kong branch had been added as bookrunners.

A source from the original line-up said that the company had made it clear that some other banks might be added to the syndicate, based either on demand they brought in for this deal or on their participation in other types of projects for the company.

"This deal was heavily oversubscribed, so you can see that they did not rely on these bookrunners to carry the transaction," said the source.

Orders were more than US\$1.4bn from 46 accounts for the five-year tranche, including US\$460m from the leads, while the 10-year drew over US\$1.2bn from 44 accounts, including US\$490m from the leads.

State-owned China State Construction Engineering owns a 56% stake in Hong Kong-listed COLI.

Daniel Stanton

dispute over shares awarded to those executives in 2004.

SINIC PLANS DOLLAR BOND

Chinese property developer SINIC HOLDINGS (GROUP) has hired banks for a proposed offering of US dollar senior unsecured notes and held meetings last week.

Guotai Junan International, BOC International, UBS and Haitong International are global coordinators on the Reg S issue as well as bookrunners and lead managers with Barclays, CCB International, CMB International, HeungKong Financial and Orient Securities (Hong Kong).

SHUIFA GROUP PLANS DOLLAR BOND

SHUIFA GROUP has hired banks for a proposed offering of benchmark five-year US dollar bonds and held an investor conference call last week.

Guotai Junan International, China International Capital Corp, Zhongtai International, Bank of China and Standard Chartered are global coordinators as well as lead managers and bookrunners with ICBC International, SPDB International, China Securities International, ABC International and China Everbright Bank Hong Kong branch.

The proposed bonds will be issued by wholly owned subsidiary Shuifa International Holdings (BVI) and guaranteed by Shuifa Group. The bonds have an expected Baa3 rating by Moody's, on par with the guarantor.

The deal was initially targeted to launch as early as February 25, but the volatile market has pushed the group to look for another issuing window.

Shuifa Group is ultimately 100% owned by the Shandong provincial government, through

a 70% stake held by the Shandong State-owned Assets Supervision and Advisory Commission, a 20% interest owned by Shandong Guohui Investment, and a 10% stake held by Shandong Social Security Fund, according to Moody's.

The group is the sole financing and operating entity in Shandong province for water utilities and water-related construction. It also has businesses in environmental services, clean energy and agriculture.

On September 10, it priced a US\$400m debut bond issue to fund project construction and refinance onshore debt. The three-year bonds were priced at par to yield 4.15%.

» ANTON OILFIELD LAUNCHES TENDER OFFER

ANTON OILFIELD SERVICES GROUP has launched an up to US\$100m tender offer for its US\$300m

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 28/2/2020

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
ASIA							
Feb 24 2020	BoCom Financial Leasing	US\$500m	Mar 2 2025	3mL+95	100	3mL+95	-
Feb 24 2020	BoCom Financial Leasing	US\$300m	Mar 2 2023	3mL+83	100	3mL+83	-
Feb 24 2020	Zhenjiang State-owned Investment	US\$150m	Feb 24 2021	6.6	100	-	6.6
Feb 24 2020	Greenland Holding Group	US\$400m	Mar 3 2024	6.75	100	-	6.75
Feb 24 2020	Hong Yang Group	US\$275m	Aug 27 2022	9.875	97.861	-	10.875
Feb 24 2020	COLI	US\$200m	Mar 2 2035	3.125	99.857	T+175	3.137
Feb 24 2020	COLI	US\$500m	Mar 2 2030	2.75	99.247	T+145	2.837
Feb 24 2020	COLI	US\$300m	Mar 2 2025	2.375	99.57	T+123	2.467
Feb 24 2020	Beijing Properties (Holdings)	US\$600m	Feb 27 2023	5.95	100	-	5.95
Feb 24 2020	Oxley	S\$75m	Feb 28 2023	6.5	100	-	6.5
Feb 25 2020	BOCOM HK	US\$500m	Perpetual (Mar 2025)	3.725	100	T5+252.5	3.725
Feb 25 2020	China Minmetals Corp	US\$1bn	Perpetual (Sep 2024)	3.375	100	T+220.9	3.375
Feb 25 2020	Hysan Development	US\$850m	Perpetual (Aug 2025)	4.1	100	T+288.7	4.1
Feb 25 2020	China Minmetals Corp	US\$1bn	Perpetual (Sep 2024)	3.375	100	T+220.9	3.375
Feb 25 2020	BOCOM HK	US\$500m	Perpetual (Mar 2025)	3.725	100	T5+252.5	3.725
Feb 26 2020	XiAn Qujiang Culture Holdings	US\$300m	Mar 4 2023	5.5	100	-	5.5
Feb 26 2020	Bank of China	US\$2.82bn	Perpetual (Mar 2025)	3.6	100	T+244.9	3.6
Feb 27 2020	Road King Infrastructure	US\$300m	Mar 5 2025	5.9	100	-	5.9
Feb 27 2020	Guangzhou R&F	US\$400m	Mar 5 2024	8.625	100	0	8.625
Feb 27 2020	BOC Macau Branch	MOP\$1bn	Mar 5 2022	1.9	100	0	1.9
Feb 27 2020	Excellence Commercial	US\$100m	Mar 4 3023	6.8	100	0	6.8
Feb 27 2020	Zhejiang Geely	US\$400m	Mar 5 2025	3	99.526	T+200	3.103
Feb 27 2020	BOC Macau Branch	HK\$4bn	Mar 5 2021	1.95	100	-	1.95

9.75% notes due December 2020, according to a stock exchange filing.

Under the offer, it will pay US\$1,018.75 plus accrued and unpaid interest in cash for each US\$1,000 of the principal amount.

The deadline for the tender offer is March 4 and settlement is expected on March 9.

Nomura and Admiralty Harbour are dealer managers and DF King is information and tender agent. The Hong Kong-listed Chinese oilfield services provider said the tender offer was part

of its policy of actively managing its liabilities and optimising its debt structure. It intends to finance the tender offer from internal funding.

HONG KONG

GOVERNMENT PLANS GREEN BONDS

The **GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION** plans to issue green

bonds totalling HK\$66bn (US\$8.5bn) in the next five years, according to the 2020-21 budget announced last week.

Hong Kong last year sold its first international green bond, a US\$1bn offering that drew orders of US\$4bn.

The latest budget implemented stimulus measures totalling more than HK\$120bn to support Hong Kong's economy in the wake of the coronavirus outbreak and continuing anti-government protests.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3mL+125 area	-	-	A3/-/A	BoCom/BOCOMI/ANZ/BofA/CMBI/Haitong/HSBC/MUFG/StCh/WBC.	Asia 98%, EMEA 2%. Bks/FI 73%, FM/AM 22%, PB/Corp/Other 5%.
3mL+115 area	-	-	A3/-/A	BoCom/BOCOMI/ANZ/BofA/CMBI/Haitong/HSBC/MUFG/StCh/WBC.	Asia 99%, EMEA 1%. Bks/FI 61%, FM/AM 32%, PB/Corp/Other 5%.
-	-	-	-	Guoyuan/Haitong/Zhongtai/Thor Asset Management	-
7.15% area	-	-	Ba2	BOCI/CLSA/Haitong/Guotai Junan	-
11.25% area	-	US\$1.75bn	-/-/B+	CICC/DB/Guotai Junan/UBS/AMTD/Barc/CLSA/CMBI/CS/Haitong/ICBCI/Shenwan Hongyuan	Asia 97%, EMEA 3%. FM 66%, PB 26%, Bks/FI 8%.
T+175	-	US\$300m	Baa1/-/A-	BOCINTL/DBS/HSBC/ICBCA/BoCom/Wing Lung Bank/ABCHK/CCBI/CICC/CSI/Citi/CA-CIB/GS/Guotai Junan/ICBC/Miz/SPDB	Asia 97%, Eur/US O/S 3%. FM 56%, Ins 34%, Bks/FI/PB 10%.
T+172 area	-	US\$1.2bn	Baa1/-/A-	BOCINTL/DBS/HSBC/ICBCA/BoCom/Wing Lung Bank/ABCHK/CCBI/CICC/CSI/Citi/CA-CIB/GS/Guotai Junan/ICBC/Miz/SPDB	Asia 97%, Eur/US O/S 3%. Public Sec/Ins 35%, FM 33%, Bks/FI 31%, PB 1%.
T+150 area	-	US\$1.4bn	Baa1/-/A-	BOCINTL/DBS/HSBC/ICBCA/BoCom/Wing Lung Bank/ABCHK/CCBI/CICC/CSI/Citi/CA-CIB/GS/Guotai Junan/ICBC/Miz/SPDB	Asia 96%, Eur/Offshore US 4%. Public Sec/Ins 41%, FM 31%, Bks/FI/PB 28%.
6.125% area, 5.95% (#)	-	-	-	Guotai Junan/CS/CNCBI/CMBI/CCBI/SPDB/Everbright HK/Industrial/DBS/Silk Road/Zhongtai/Orient/CLSA/CMBC Cap/CISI/Wing Lung Bank	-
6.75% area	-	-	-	CS/DBS	-
4.1% area	-	-	Ba2/-/BB+	BoCom/Citi/HSBC/BoC/Everbright HK/CMBCHK/CLSA/Guotai Junan/ICBCA/JPM/Silk Road/StCh/UBS/BOCOMI	-
3.7% area, 3.375%	-	US\$4.3bn	Baa1	BOCI/DB/DBS/ICBC/JPM	APAC 82%/EMEA 18%. SWF/FM 71%, Corp 14%, Bks 8%, Ins/PB/Other 7%.
4.4% area, 4.1% (#)	-	US\$3.2bn	Baa2/-/BBB	CA-CIB/HSBC/JPM/StCh/UBS	Asia 97% EMEA 3%. AM/FM 60% PB 25% Ins/Corp 10% Bks/FI 5%
3.7% area, 3.375%	-	US\$4.3bn	Baa1	BOCI/DB/DBS/ICBC/JPM	APAC 82%, EMEA 18%. FM/SWF 71%, Corp 14%, Bks 8%, Ins/PB/Other 7%.
4.1% area	-	-	Ba2/-/BB+	BoCom/Citi/HSBC/BoC/Everbright HK/CMBCHK/CLSA/Guotai Junan/ICBCA/JPM/Silk Road/StCh/UBS/BOCOMI	-
5.8% area	-	-	-	CMBI/CNCBHK/CLSA/CICC/Orient/CEB Intl/SPDBI	-
3.95% area	-	-	Ba1/BB+/BB+	BOCI/BoC/BNPP/Citi/CA-CIB/ICBCI/MUFG/StCh/UBS/WFS	-
6.125% area, 5.9% (#)	-	US\$750m	Ba3	HSBC/JPM/StCh	-
, 8.875% area	-	-	-/-/BB-	GCs GS/StCh, JB's Heungkong/CNCBI/CLSA/Haitong	-
2.2% area	-	-	A1/A/A	BOC/CCB/China Guangfa Macau/Luso/Tai Fung	-
6.9% area	-	-	-	Guotai Junan/Haitong /CMBI/CMBCHK/Heungkong/BEA	-
T+215 area	-	-	-/BBB-	Barc/BoC/BNPP/DBS/StCh/Everbright HK/Citi/SPDB	-
2.25% area	-	>HK\$7.1bn, >20acs	A1/A/A	BoC/ABCHK/Citi/CBA/CA-CIB/DBS/HSBC/ICBCA/JPM/Scotia	Asia 98%, Eur 2%. Bks 84%, FM/PB 8%, CB 8%.

Size no object for BOC Tier 1

■ FIG Bank battles through volatile market with US\$2.82bn print

BANK OF CHINA last Wednesday printed a US\$2.82bn AT1 despite heightened market volatility as the coronavirus outbreak went global.

The Reg S offshore preference shares issue was the largest AT1 in the international market from a PRC-incorporated bank since Postal Savings Bank of China's US\$7.25bn deal in September 2017.

The perpetual non-call five Basel III-compliant securities were priced at par to yield 3.6%, 35bp tighter than initial guidance. The coupon is the lowest to date for an AT1 from a Chinese bank, helped by extremely low US Treasury yields.

The deal received strong anchor orders, especially from Chinese fund managers and corporates, ensuring smooth execution despite the overall market volatility.

BOC's state ownership was enough to persuade investors to look beyond the threat of a rise in bad loans as firms wrestle with the fallout of the coronavirus.

"Market sentiment turned weak in recent days amid fears over the coronavirus spreading outside of China, and risk assets have been sold off," said a banker on the deal.

"Against such a market backdrop, some investors have become more conservative in terms of pricing. But given the strong name of the issuer and solid anchor support, we were confident to get the deal done as scheduled."

Another banker on the deal said: "We cannot say it was ideal timing, but it is always difficult to predict where markets are going. The issuer is happy with the overall result, in terms of pricing and book size, in such a market situation."

Final pricing was inside the fair value estimates of 3.7% by Nomura and 3.7%–3.8% by CreditSights, which both referenced AT1s of Chinese and Singaporean banks.

Hong Kong and Shanghai-listed Bank of China is rated A1/A/A and the offshore AT1s have expected ratings of Ba1/BB+/BB+.

Feedback from investors was mainly in the mid to high 3% range and the leads put the fair value estimate at around 3.60%–3.65%.

"There was no new-issue concession. What I can say is that the pricing was pretty much at fair value," the first banker said.

NO EURO TRANCHE

BOC had considered adding a perpetual non-call seven euro-denominated tranche on a reverse-enquiry basis, but did not proceed in the face of low demand and high-yield expectations from investors.

"It could achieve a bigger issue and a lower funding cost in dollars," said the first banker.

He said investors were asking for a 3% handle for euro currency AT1s, which is about 5% in dollar terms after taking into account the cross-currency swap.

The first banker said there had been plenty of euro-denominated AT1s from European banks lately, usually at higher yields than Chinese bank AT1s, explaining the lack of investor interest.

The latest issue completed BOC's plan to raise up to Rmb120bn (US\$17bn) from preference shares, after it issued Rmb100bn-equivalent in two tranches onshore last year.

Final deal statistics were not available at the time of writing but orders were said to be in excess of US\$5.8bn ahead of the release of final guidance, including US\$460m from the leads.

The newly priced AT1s traded weaker in the aftermarket, as risk assets extended their decline following more reported cases of the coronavirus outside China. The opened were quoted at 99.20/99.45 on Thursday, giving a yield of 3.75%/3.68%.

BOC's management made clear in an investor conference call that the offshore offering was aimed at maintaining an active international investor base that can be tapped when required, even though terms are more competitive onshore.

Nicholas Yap, a credit analyst at Nomura's trading desk, said the technical backdrop for Chinese offshore AT1s remained supportive, given that supply has been limited since capital-raising efforts were redirected onshore last year. Carol Chan

central state-owned enterprises that are freer to purchase non-investment-grade securities, according to a banker on the deal.

The strength of demand meant the deal came with a lower coupon than previous AT1 issues from other Hong Kong lenders, the banker said.

The issuer, a wholly owned subsidiary of Bank of Communications, one of China's big six banks, only officially began operations in early 2018 after its parent company spun off the Hong Kong business.

The pricing of BoCom HK's AT1s was inside the fair value estimates of 3.9%–4.0% by Nomura and 3.85% by research firm CreditSights, after they referenced other AT1s issued by the Hong Kong-incorporated subsidiaries of Chinese banks such as Bank of China (Hong Kong), China Citic Bank International and CMB Wing Lung Bank.

BOCHK's 5.9% AT1, callable in September 2023, was bid at 3.41%. BOCHK's AT1s are investment-grade rated with a Baa2 rating by Moody's and a BBB rating by S&P. The bank has a significantly larger asset base and better capital ratios than BoCom HK.

CreditSights applied about 18bp for a difference of 17 months on the call date between BOCHK's 5.9% AT1 and BoCom HK's AT1 issue to arrive at a 3.60% yield and added 25bp to reflect the difference in issue ratings to come up with a fair value estimate of 3.85%.

The banker said bookbuilding was smooth and orders were strong despite sell-offs in risk assets over the rapid increase of infections from the coronavirus outside China. But participation from private banks and trading accounts was lower than expected because of market conditions, he said.

HUNT FOR YIELD

Final statistics were not available at the time of writing but orders were said to be over US\$3.35bn ahead of the release of final guidance, including US\$765m from the leads.

"For investors, in such a low-yield environment, many IG names are offering below 3% yield, except for some LGFV names, so the yield BoCom HK's AT1s is offering is already quite attractive, despite the non-IG issue rating," the banker said.

"Investors have to go down the capital structure such as AT1s and perps in exchange for a higher yield. But with expected parent support, investors feel comfortable with the name."

The banker said the issuer was happy with the pricing.

"The issuer had started to prepare the AT1 issue as early as mid-2019. At that time, it

Financial secretary Paul Chan Mo-po said he expected a record high deficit of 4.8% of GDP in the coming year, and forecast economic growth would be minus 1.5% to plus 0.5% in real terms in 2020.

■ BOCOM HK PRICES DEBUT AT1

BANK OF COMMUNICATIONS (HONG KONG) has raised US\$500m from a tightly priced debut offering of Additional Tier 1 capital

securities, taking advantage of ample liquidity and the chase for yield despite fears over the coronavirus outbreak.

The perpetual non-call five Basel-III compliant non-cumulative subordinated capital securities, which have expected ratings of Ba2/BB+ (Moody's/Fitch), were priced at par to yield 3.725%. Initial guidance was in the 4.10% area.

The deal received strong anchor support, especially from corporate clients such as

may have cost as high as 4% for the issue but given the changes in market conditions, especially a much lower US Treasuries yield, it saved more than 100bp in terms of funding cost."

BoCom HK's AT1s opened weak at 99.75/100 last Wednesday but then rebounded to 100.05-100.2 later that morning.

The distribution rate of the AT1s will be at an initial spread of 252.5bp over prevailing five-year Treasuries if they are not called on the first call date of March 3 2025.

INDIA

LODHA TACKLES BOND MATURITY

LODHA DEVELOPERS INTERNATIONAL has hired banks to arrange investor calls ahead of a proposed US dollar senior secured bond offering, as a redemption looms.

Lodha Developers is a wholly owned subsidiary of Indian property company **MACROTECH DEVELOPERS**, which was formerly known as Lodha Group.

Macrotech and Lodha Developers UK, the ultimate holding company for the group's London assets, will guarantee the proposed bonds, which are expected to be rated Caa1 by Moody's.

JP Morgan, *CLSA* and *UBS* have been hired to arrange calls with investors in Singapore, Hong Kong and London, which began last Thursday.

Moody's downgraded Macrotech, which is India's largest property company, in November to Caa1 with a negative outlook, from B3, warning of refinancing risks.

Lodha Developers has a 12% US\$325m bond guaranteed by Macrotech which is due on March 13. In November, Fitch cut Macrotech to CCC from B-, warning that it had only raised around US\$155m at that time towards repaying the maturing dollar bond. The company has been selling assets in India and securing financing against its inventory in the UK.

In January, a spokesperson for Macrotech said that it planned to raise about US\$225m from a new bond issue, following discussions with investors.

However, it needs to gather a substantial amount of cash before it can go ahead with the new issue.

"In order to proceed with the bond transaction, as a condition precedent, the company must first raise US\$118m, which will be deposited in an escrow account," wrote Sweta Patodia, a Moody's analyst.

"This amount, together with the proposed bond issuance, will be used to repay the

principal and interest associated with the maturing US\$324m bond."

The company already has access to a £86m (US\$112m) inventory facility, secured against unsold apartments at Lincoln Square, one of Macrotech's London projects, but around £60m will be used to repay a construction loan at the project, leaving just US\$34m for deposit into the escrow account.

It plans to raise the remaining required amount for the escrow account from US\$55m in pending collections from sales at Lincoln Square and a transfer of US\$29m in funds from its India operations.

"Any delays in receiving such proceeds will result in a shortfall in the escrow account and prevent the bond transaction from progressing, increasing the likelihood of default," wrote Patodia, noting that Macrotech does not have alternate financing arrangements in place to repay the maturing bond.

The outstanding bond was bid at a cash price of 93.5 last Thursday, according to Refinitiv.

REC HIRES BANKS FOR LONG BOND

Indian public infrastructure finance firm **REC**, formerly known as Rural Electrification Corporation, has hired banks for a proposed US dollar benchmark offering of up to 10 years.

Barclays, *HSBC*, *MUFG* and *Standard Chartered* are lead managers as well as bookrunners.

The 144A/Reg S deal will be drawn from the issuer's global medium-term note programme.

Investor meetings and conference calls took place in Asia, Europe and the US from February 24. The company is rated Baa3/BBB- (Moody's/Fitch).

SOUTH KOREA

KORES SKIPS KANGAROO FOR NOW

KOREA RESOURCES (Kores) has delayed a planned Kangaroo bond offering as market sentiment has worsened due to a rise in coronavirus cases in South Korea.

The state-owned company had intended to price the deal on February 24 or 25 with a target size of A\$300m (US\$197.3m), according to a Kores official.

The issuer has a US\$350m note maturing on April 29 and was planning to tap the Kangaroo bond market for the first time for refinancing purposes.

"We have some time left until the maturity of the existing bonds so found no reason to come out now when the markets look extremely jittery," said the official.

The exact timing of when the company will come back to the market, as well as the currency of the deal, is yet to be decided.

"We are re-examining our plan to raise funds in Australian dollars now that we have pushed it back. Options like issuing bonds onshore as well as a US dollar offering are up for discussion," the official said.

Kores, rated A1/A (Moody's/S&P), mandated *Citigroup*, *BNP Paribas* and *JP Morgan* for the planned three or five-year debut Kangaroo issue and held investor meetings and calls in Singapore, Hong Kong and Australia in early February.

Separately, Kores priced a A\$60m private placement on February 14. *BNP Paribas* was sole bookrunner.

The state of New South Wales last June granted mining leases for a coal mine controlled by Kores.

A US dollar deal by **KOREA NATIONAL OIL CORPORATION** (KNOC), rated Aa2/AA/AA-, is also in the pipeline. The state-owned oil and gas developer has mandated banks to refinance a US\$500m bond due March 27, but it said it has not been delaying the issue due to uncertainties over the virus.

"We've been looking for the right time to issue the bonds for internal cashflow reasons," said a KNOC official.

KNOC has hired *Citigroup*, *BNP Paribas*, *HSBC*, *UBS* and *KDB*.

EUROPE/AFRICA

BELARUS

SOVEREIGN LEAVES DIARY CLEAR

BELARUS has announced its well-flagged mandate, bringing action to a CEEMEA primary market blunted by the coronavirus and market volatility.

The sovereign is keeping its timing options open across US dollars and euros. It said it is considering a 144A/Reg S dollar benchmark 15-year tranche and a long six-year or eight-year euro benchmark tranche during the course of 2020.

Belarusian finance minister Maxim Yermolovich said in January that Belarus would aim for an issue in the first quarter of US\$1bn-\$1.2bn.

Citigroup, *Raiffeisen Bank International* and *Societe Generale* are bookrunners and are joined as leads by *Renaissance Capital*.

Belarus (B3/B/B) was last in the market in early 2018, placing a US\$600m 6.20% February 2030 bond. That note is quoted at 4.93%, according to Tradeweb.

SOUTH AFRICA

SOVEREIGN FACES WAGE BILL TUSSLE

South African finance minister Tito Mboweni plans to cut the country's public sector wage bill as the sovereign faces ratings pressure, although analysts have questioned whether the reforms can be enacted.

Mboweni delivered the country's budget on Wednesday, with measures outlined to contain a rising budget deficit.

Fitch said that budget highlighted the severe deterioration in public finances and the long-term challenge of stabilising government debt.

"Fiscal metrics worsened moderately compared with the Medium-Term Budget Policy Statement (MTPBS) in October, despite the announcement of significant expenditure cuts," wrote Fitch.

"Moreover, these consolidation measures rely heavily on hoped-for moderation in public sector wages, which might not materialise, adding further risks to South Africa's deficit and debt trajectories."

South Africa's biggest trade union federation COSATU said it will not allow workers' wages to be slashed.

Mboweni said that **SOUTH AFRICA** was determined to rein in the deficit within the three-year budget framework. He proposed no major tax increases and expressed hope Moody's would grant another reprieve at its next review, due in March.

"I don't think they will re-rate us. I am positive they may give us a bit of a 'klap' which we will absorb. But I don't think they will do anything untoward," Mboweni told a news conference, using the Afrikaans word for a slap.

The sovereign is rated Baa3/BBB+, and is on a negative outlook with all three major ratings agencies.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Europe/Africa

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	11	3,894.76	17.0
2	Citigroup	5	2,195.74	9.6
3	SG	4	1,798.35	7.8
4	BNP Paribas	5	1,738.07	7.6
5	Deutsche Bank	3	1,737.76	7.6
6	UniCredit	3	1,607.91	7.0
7	Morgan Stanley	2	1,345.85	5.9
8	Raiffeisen Bank Intl	3	1,250.17	5.4
9	Indl & Comm Bk China	4	1,160.74	5.1
10	Gazprombank	3	793.65	3.5
	Total	18	22,958.10	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L2

ING said there are concerns over the government's financial stability.

"There is no credible path towards stabilising government debt/GDP over the medium term," wrote ING analysts.

South Africa's September 2029s dropped almost two points from Monday's open to 100.95, according to Tradeweb, and the September 2049s fell nearly four points to 97.28.

The sovereign intends to raise US\$8.5bn through international bonds over the medium term.

MIDDLE EAST

LEBANON

BUYING TIME FOR RESTRUCTURING PLAN

LEBANON intends to ask for a seven-day grace period for a US\$1.2bn Eurobond that matures on March 9, as it is entitled to, to give financial advisers more time to draft a restructuring plan, a government source said on Thursday.

Lebanon will seek the seven-day grace period ahead of the March 9 date, the source said.

Financial sources said the exercising of the seven-day grace period will make it more likely the government will seek to restructure the March 2020 Eurobond. Lebanon faces two further Eurobond maturities this year, one in April and one in June.

The Lebanese government last week appointed US investment bank Lazard and law firm Cleary Gottlieb Steen & Hamilton as its financial and legal advisers on the widely expected debt restructuring.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2020 TO DATE

Middle East

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Standard Chartered	10	5,186.61	25.7
2	Citigroup	8	3,246.05	16.1
3	Morgan Stanley	2	1,833.06	9.1
4	HSBC	6	1,096.43	5.4
5	BofA	1	982.04	4.9
6	Goldman Sachs	1	982.04	4.9
7	Credit Agricole	6	743.36	3.7
8	First Abu Dhabi	4	579.21	2.9
9	Credit Suisse	1	461.02	2.3
10	Nomura	4	384.03	1.9
	Total	30	20,145.02	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L5

S&P earlier in February lowered Lebanon's sovereign rating on a probable debt restructuring. Moody's also downgraded Lebanon, saying the rating reflected expectations that private creditors will likely incur substantial losses in any debt restructuring.

Fitch also said Lebanon's financing position points to debt restructuring.

Lebanon's long-brewing economic crisis came to a head last year as capital inflows slowed and protests erupted against the ruling elite over corruption and bad governance - root causes of the crisis.

AMERICAS

ARGENTINA

RESTRUCTURING TALKS SEEN PASSING MARCH DEADLINE

The March-end deadline set by the **ARGENTINA** government to complete a multi-billion dollar bond restructuring is looking increasingly out of reach.

The complexity of talks among holders of different types of bonds, the government's focus on long-term debt sustainability and the lack of progress made has some thinking a restructuring will not take place until early summer.

While economy minister Martin Guzman was in New York last week to talk to creditors, the trip was seen by one bondholder as a "photo op" rather than the start of any in-depth discussions.

"At this point they are not ready yet to talk to us. Argentina still has to get its programme in better shape," said the bondholder.

The administration of President Alberto Fernandez last month set out a tight schedule for debt restructuring with sovereign bondholders.

That included mandating a financial adviser - which Argentina has yet to do - in the third or fourth week of February followed by 10-days of meetings with bondholders and the launch of a final structure in the second week of March.

"They have already admitted that was a political timetable. May or June is more realistic," said the bondholder.

Indeed, the government is seen having more time than the self-imposed deadline as it is thought to be ready to attend to its next big bond payment on the 8.75% Bonar 2024 on May 7.

"We have heard they have put aside money to pay the coupon but not principal in line with their stated policy," said Walter

Stoepfelwerth, chief investment officer at Portfolio Personal Inversiones.

"In theory they can negotiate with bondholders until October."

Earlier in the year, markets had hoped that a quick creditor-friendly restructuring was on the cards, especially if Guzman wanted to meet his tight timetable.

But as the government has ramped up its tough rhetoric in recent weeks and the International Monetary Fund was seen backing a deal that involved "a meaningful contribution from private creditors", investors are less sure.

A creditor-friendly restructuring could raise questions about longer-term debt sustainability and for Guzman, whose past academic career was focused on ways countries can avoid recurrent debt crises, this may well be unacceptable.

"His main concern is to deal with the restructuring in a definitive way," said Ezequiel Zambaglione, head of strategy at Balanz.

Michael Roche, an EM analyst at Seaport, calculates that a milder 15% haircut would put debt-to-GDP at an arguably unacceptable 70%.

To get to 60% - the upper end of the band that the IMF considers sustainable for countries like Argentina - a haircut for private creditors would have to be closer to 25%, he said.

But with Fernandez showing little appetite for fiscal tightening and the IMF saying countries should take ownership of adjustment programmes, discussions with private creditors could become heated.

"The magnitude of debt relief that would restore debt sustainability is inversely related to the sovereign's capacity for fiscal adjustment," said Fitch in a report on Thursday.

"Potential disagreements around the type and magnitude of debt relief needed, and how much fiscal tightening is realistic, could make a consensual restructuring challenging, particularly by end-March as the Argentinian authorities intend."

Delays may also be exacerbated by dealing with what is expected to be broad group of investors holding different bonds ranging from the globals issued under the prior administration to legacy securities from the 2005 and 2010 exchanges.

Push-back from distressed funds, which are heavily positioned in the exchange bonds, could cause further delays, said Stoepfelwerth.

And some of them are seeking to gain leverage ahead of talks, accumulating positions in legacy restructured bonds such as the pars and discounts whose thresholds for collective action clauses to amend terms are higher, said Zambaglione.

The bid for those so-called exchange bonds is reflected in the secondary markets, where they are trading about US\$10 higher than globals, he said.

Discounts are also now being held by big name real-money accounts such as Fidelity and BlackRock, according to Refinitiv, which teamed up earlier this month to form their own creditor committee.

Fidelity has already proven to be a tough negotiator failing to back down when the Province of Buenos Aires asked for an extension on amortisation payment last month.

"They may need to offer something better to holders of the discounts and the pars," said Zambaglione.

"It is difficult to say what holders of just globals will say. That is another reason why the March deadline is too soon. You have all these complex negotiations and different views depending on which bonds you hold."

Some of the world's largest asset managers such as T. Rowe Price, Pimco and Vanguard have positions in Argentina, according to Refinitiv. And it is still unclear how the various creditor groups will coordinate negotiations at this point.

"If they want to meet the deadline, maybe they meet the largest bondholders and try to agree on a framework and push it out to the smaller holders on a take-it-or-leave-it basis," said a strategist.

LA RIOJA TO START TALKS WITH HOLDERS OF 2025 BOND

The **PROVINCE OF LA RIOJA** plans to initiate talks with holders of its dollar-denominated 2025s after it "faced limitations" on making a coupon payment due earlier last week.

The government said in a statement released last week that it would make best efforts to cover the payment inside the 30-day grace period, but it will start consulting holders on ways to achieve debt sustainability.

The province first issued the 9.75% 2025 in February 2017, raising US\$200m to yield 10%, only to return later that year with a US\$100m tap for a yield of 7.539%.

Last year, the bond's price moved from 77.50 to 34.50 after primary elections in August made clear that market favourite Mauricio Macri would likely lose the presidential elections to the more populist candidate Alberto Fernandez.

It has since recovered a touch to trade at 46.50, according to Refinitiv.

The deal was the province's debut green bond, with proceeds slated to finance the development of the Arauco Wind Farm project and other public works.

"The national economy faces challenges that have resulted in significant

deterioration in the capability to cover principal and interest payments on public debt," the government said.

"The province is no exception to those difficulties and like the national government needs to face those limitations responsibly."

CHILE

COLBUN STANDS DOWN IN FACE OF CORONAVIRUS SELL-OFF

Power generation company **COLBUN** stood down on Thursday in the face of a coronavirus driven sell-off after finishing roadshows the day before, according to a source.

The borrower, rated Baa2/BBB/BBB, had been marketing a senior unsecured bond with a medium to long maturity, and will now wait for more stable market conditions.

Bank of America, *JP Morgan* and *Scotiabank* had been mandated as global coordinators.

Proceeds were slated for an any and all cash tender for its 2024 notes. Expected ratings are Baa2/BBB/BBB.

INTERNATIONAL ISLAMIC FINANCE DEBT BOOKRUNNERS: 1/1/2020 TO DATE

	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	Standard Chartered	8	1,544.12	22.3
2	HSBC	4	751.63	10.9
3	First Abu Dhabi	3	438.82	6.3
4	Islamic Dev Bk	3	424.54	6.1
5	Citigroup	3	412.44	6.0
6	Dubai Islamic Bank	3	385.34	5.6
7	Riyadh Bank	1	300.00	4.3
8	JP Morgan	1	300.00	4.3
9	Landesbanken	1	285.71	4.1
10	Natixis	1	285.71	4.1
	Total	9	6,925.31	

Excluding equity-related debt.

Source: Refinitiv

SDC code: J27

ALL INTL EMERGING MARKETS BONDS BOOKRUNNERS: 1/1/2020 TO DATE

Latin America				
	Managing bank or group	No of issues	Total US\$(m)	Share (%)
1	JP Morgan	15	4,378.57	11.0
2	Deutsche Bank	5	3,600.29	9.0
3	BNP Paribas	7	3,552.17	8.9
4	Goldman Sachs	13	3,294.16	8.3
5	BofA	14	2,842.30	7.1
6	BBVA	6	2,335.53	5.9
7	Scotiabank	9	2,220.85	5.6
8	Citigroup	7	1,997.18	5.0
9	Santander	8	1,995.92	5.0
10	Credit Suisse	6	1,640.06	4.1
	Total	44	39,916.46	

Excluding equity-related debt.

Source: Refinitiv

SDC code: L3

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■ FRONT STORY CHINA

Trip.com braves travel freeze

› Underwriter StanChart invites commitments to US\$1.2bn financing

› Support expected from heavyweight Chinese banks

Sole underwriter *Standard Chartered* is facing a stern test as it steers a US\$1.2bn loan for Chinese travel agency **TRIP.COM GROUP** through syndication amid dire conditions for the tourism industry as a result of the global coronavirus outbreak.

The bank is seeking sub-underwriting commitments of US\$300m apiece from a select group of international and Chinese lenders for the deal, which comes as the spread of the virus has forced more countries to close their borders and impose strict quarantine measures.

Trip.com's stock is down more than 20% from mid-January, and it has delayed the announcement of its Q4 and full-year results to March 18 from February 26 in order to give investors more visibility into the outlook for the current quarter.

Initial indications from market participants pointed to some support from heavyweight Chinese banks, which are likely determine the mood among the wider lending community.

“We are aware of the impact the virus might have on the credit, but we decided to go ahead given it is a top-tier borrower and an industry leader”

“We are aware of the impact the virus might have on the credit, but we decided to go ahead given it is a top-tier borrower and an industry leader,” said a Hong Kong-based banker at a major Chinese bank, which is seeking credit approvals to commit to the deal.

Trip.com, formerly known as Ctrip.com, is a barometer of sentiment among lenders for businesses that have been directly affected by the virus that continues to spread rapidly around the world.

The travel sector is facing a slump in demand as a result of containment measures aimed at curbing the spread.

Italy has reported more than 400 cases, while South Korea raised its disease alert to

the highest level after confirmed cases jumped to 1,595 as of last Thursday from less than 100 about a week earlier.

LOCAL SUPPORT

International lenders, understandably, are cautious about committing more funds, especially with lack of clarity on how badly the virus has hit Trip.com's business.

“It's obviously a tough time for tourism enterprises like Ctrip, which is faced with challenges of falling revenues on the back of diving demand. We will be more conservative in lending to the virus-hit tourism sector as we don't know how the virus will affect the industry in the long term,” said a senior loan banker at an existing lender.

Some also felt the borrower was back to the market too soon after completing a US\$2bn three-year loan last July. Of the 19 banks participating in that deal, including the mandated lead arrangers and bookrunners, 15 were Chinese.

Chinese lenders are again expected to dominate the new loan in what would be seen as supporting state policy.

“The message from the Chinese government is to be accommodative, especially to borrowers from sectors that have been impacted by the virus,” said a senior loans banker at an international bank.

“A lot of onshore liquidity in China will be made available, which means Chinese banks will dominate lending in the coming weeks, if not months,” the banker added.

SARS EXPERIENCE

Other Chinese borrowers have managed to tap into Chinese liquidity in difficult periods in the past. Last November, Huawei Technologies approached mainly the Chinese lenders market for a US\$1.5bn loan after foreign banks snubbed a similar-sized financing for the telecoms giant a few months earlier, after the US put the firm on an export blacklist.

Some international lenders shied away from lending to Huawei, despite the company's solid performance, in the face of the sanctions and an economic slowdown in

China stemming from the country's ongoing trade war with the US.

Trip.com weathered the outbreak of Severe Acute Respiratory Syndrome, another coronavirus that killed hundreds in China and Hong Kong, in 2003, going on to complete a popular listing on Nasdaq in December that year.

“The message from the Chinese government is to be accommodative, especially to borrowers from sectors that have been impacted by the virus”

The company made a loss in the second quarter of 2003, the height of the Sars crisis, with revenues down 42%, before rebounding in Q3, when its top-line revenues surged 196%.

The strong performance was due to a swift turnaround for the travel industry in China following a three-month travel downturn during the Sars period and a broader recognition of the Ctrip brand.

Some market participants are optimistic about Trip.com's prospects this time too.

“Once the restrictions on travel are lifted, Ctrip will recover with a higher monthly run-rate. Business executives affected by travel restrictions in January and February could look at resuming travel around April or May. That's when Ctrip's numbers will pick up,” said another loans banker in Hong Kong.

Trip.com has also significantly increased its non-Chinese operations in the last few years, with the acquisition of fares search engine Skyscanner, an increase of its stake in India's MakeMyTrip to 49% and the announcement of a partnership with TripAdvisor last November.

Trip.com's international air ticketing volume (excluding Greater China destinations) has enjoyed triple-digit growth for the past 12 quarters, according to its last earnings statement.

Evelynn Lin, Apple Li

ASIA-PACIFIC

AUSTRALIA

ICHTHYS LNG EYES DEBT REFI

French oil and gas giant Total and Japan's Inpex Corp have appointed Citigroup as adviser for the refinancing and repricing of loans for the **ICHTHYS LIQUEFIED NATURAL GAS** project in Western Australia.

The sponsors are considering a 8.5 year loan from commercial banks for refinancing, and looking to reprice a loan from export credit agencies.

In August 2017, Total raised a US\$1.8bn sponsor loan for the LNG project, after completing a repricing exercise in June the same year for US\$3bn in project level debt.

ANZ and BNP Paribas coordinated the repricing of the US\$3bn facility with most of the existing lenders stepping up to increase their commitments.

The US\$3bn facility matures in December 2028 and offers an interest margin of 95bp over Libor. Mandated lead arrangers and bookrunners were paid a 60bp fee, MLAs received 55bp and lead arrangers earned 50bp.

In June 2017, Total also refinanced a US\$600m 12.5 year loan (Tranche 1) and reset the margins for a US\$1.2bn 12.5 year loan (Tranche 2) and a US\$1.2bn subordinated piece (Tranche 3). The tranches were part of a US\$20bn project financing closed in December 2012.

The Ichthys LNG project, which began production in July 2018, is located in the Browse Basin, 220km offshore Western Australia and 820km south-east of Darwin.

WHITEHAVEN COAL NETS A\$1bn REFI

WHITEHAVEN COAL has completed a A\$1bn refinancing with a group of existing and new lenders.

Bank of China, ICBC Bank, Mizuho Bank, National Australia Bank, SMBC and Westpac were the mandated lead arrangers and bookrunners for the new senior revolving credit facility, which matures in July 2023.

Bank of Communications, CAT Finance, China Everbright Bank, Credit Suisse, Deutsche Bank and MUFG also participated, while NAB acted as the agent.

The facility offers interest margins of 200bp–400bp over BBSY, which are tied to Whitehaven Coal's net debt-to-Ebitda ratios.

Grant Samuel acted as the financial adviser to Whitehaven Coal on its latest transaction, which also includes four-year bilateral credit support facilities, according to a media release.

The company had drawn A\$550m of its senior debt, A\$424.3m of bank guarantees and A\$22.4m of an export credit agency facility as at December 31, according to its half-year financial results announced on February 20.

In August 2017, the company had extended a A\$1bn portion of a A\$1.4bn borrowing by two years to July 2021. The latest refinancing extends that maturity by two years.

ANZ, MUFG Bank, NAB and Westpac were the MLAs for the facility, which offered a margin, calculated on a leverage ratio, of 200bp over BBSY, and an extension fee of 20bp per year.

In June 2015, the A\$1.4bn four-year loan offered an opening margin of 250bp over BBSY linked to a leverage grid, and a top-level fee of 90bp.

TOOWOOMBA BYPASS CLOSING REFI

TOOWOOMBA BYPASS public-private partnership has raised a A\$400m five-year refinancing loan from three banks.

ANZ Bank, Commonwealth Bank of Australia and Westpac are the lenders of the new loan, which fully refinances the earlier debt.

The A\$1.6bn project, formerly known as the Toowoomba Second Range Crossing, is a 41-kilometre bypass that runs to the north of Toowoomba, in Queensland state, from Warego Highway to Fore Highway via Charlton. The bypass fully opened to traffic in September 2019.

In 2015, the Plenary-led Nexus consortium reached financial close on the project. ING, Intesa Sanpaolo, National Australia Bank and Westpac provided a five-year project loan of about A\$400m on a club basis.

The consortium, which also includes Acciona, Cintra and Broadspectrum, won a concession from the Queensland government to design, build, finance and maintain the project for 25 years.

VIVA LENDERS TO REVIEW DEBT

The sale by Viva Energy Australia of its entire 35.5% stake in **VIVA ENERGY REIT** opens a 60-day period for the trust's lenders to review the continuation of existing debt facilities, according to a filing with the Australian Securities Exchange.

Such a review event is provided for in the debt facilities should Viva Energy Group's holding in Viva Energy REIT fall below 20%. Viva Energy Australia is part of the Viva Energy Group.

The review may lead to changes in the borrowing's terms, and should an agreement not be reached, the lenders may seek repayment no earlier than a further 120 days.

Viva Energy REIT has commenced consultation with its lenders, the filing says.

In June 2018, Viva Energy REIT completed a A\$60m (US\$39.6m) fundraising via two separate loans from an Australia-based international fund manager and an Australian industry superannuation fund. The unsecured facilities carried tenors of eight and 10 years and a weighted average life of 8.7 years.

Earlier in May that year, the borrower completed a A\$836.7m three-tranche loan. Bank of America, DBS Bank and National Australia Bank were the mandated lead arrangers of the borrowing, which comprised a A\$200m three-year revolving credit facility, a A\$268m four-year term loan and a A\$368m five-year term loan. The interest margins were tied to a gearing ratio.

HONG KONG

HAITONG LIFTS LOAN TO HK\$12bn

Hong Kong-listed **HAITONG INTERNATIONAL SECURITIES GROUP** has increased its three-year revolving credit facility to HK\$12bn, after attracting commitments from 19 lenders.

Lenders are Bank of Communications, ICBC, CMB Wing Lung Bank, HSBC, Agricultural Bank of China, China Merchants Bank, Shanghai Pudong Development Bank, Maybank, China Construction Bank, China Citic Bank International, Standard Chartered Bank, Bank of China, China Everbright Bank, Nanyang Commercial Bank, Hang Seng Bank, First Commercial Bank, China Zheshang Bank, Chong Hing Bank and Fubon Bank.

The self-arranged deal was increased from an original HK\$10bn target following the strong response, despite all-in pricing of less than 150bp being tighter than on a similar tenor deal closed in March last year.

That HK\$16bn revolver paid top-level all-in pricing of 150bp based on an interest margin of 130bp over Hibor.

ASIA-PACIFIC LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME (INCLUDING JAPAN) BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Mizuho	22	4,757.60	19.8
2 MUFG	49	3,269.46	13.6
3 Sumitomo Mitsui	42	2,642.38	11.0
4 HSBC	7	1,350.12	5.6
5 China Merchants Bk	3	1,083.29	4.5
6 Standard Chartered	7	872.94	3.6
7 Citigroup	3	833.02	3.5
8 CBA	3	610.69	2.5
9 DBS Group	6	546.38	2.3
10 ANZ	3	507.52	2.1
Total	153	24,029.62	

Proportional credit
Source: Refinitiv

SDC code: S3a

Proceeds from the latest loan are for refinancing the outstanding amount of a HK\$6.68bn three-year club loan signed in March 2017.

SHENWAN HONGYUAN SEEKS DEBUT

Hong Kong-listed financial services firm **SHENWAN HONGYUAN (HK)** is making its loan market debut with a HK\$3bn-equivalent (US\$385m) one-year bridge loan.

Shanghai Pudong Development Bank Hong Kong branch is the sole mandated lead arranger and bookrunner of the transaction, which comes with an unspecified greenshoe option.

Proceeds will be for general corporate purposes.

Shenzhen-listed parent Shenwan Hongyuan Securities is providing a letter of comfort for the facility.

The loan, to be available in Hong Kong and US dollars, offers an interest margin of 110bp over Hibor/Libor.

Lenders joining on or before March 26 will earn a 5bp early-bird fee.

MLABs joining with tickets of HK\$500m-equivalent or above will receive top-level all-in pricing of 155bp, based on a 40bp upfront fee and the early-bird fee.

MLAs taking HK\$300m–\$499m earn 145bp all-in via a 30bp upfront fee, while lead arrangers with HK\$150m–\$299m are offered 130bp all-in based on a 15bp fee.

The borrower is the flagship company of Shenwan Hongyuan Group, which counts state-owned investment company Central Huijin Investment as a controlling shareholder.

INDIA

RELIANCE MANDATES 16

Conglomerate **RELIANCE INDUSTRIES** has mandated 16 banks on a US\$1.45bn dual-currency financing, returning to the syndicated loan markets in less than a year.

The borrowing, which will be pre-funded, includes a US\$350m-equivalent yen-denominated portion. The US dollar and yen tranches carry tenors of 3.5 and five years, respectively.

Banks mandated on the US dollar piece are ANZ, *Bank of America*, *Barclays*, *BNP Paribas*, *Citigroup*, *DBS Bank*, *First Abu Dhabi Bank*, *HSBC*, *Scotiabank*, *Standard Chartered Bank*, *State Bank of India* and *United Overseas Bank*.

Credit Agricole CIB, *Mizuho Bank*, *MUFG* and *SMBC* are mandated on the yen tranche.

About US\$1.1bn of the new loan will refinance two existing facilities – a US\$550m 3.5-year club loan signed in January 2017 and a US\$550m syndicated

tranche of a larger US\$1.75bn financing completed in March that year.

The club loan comes due in July this year, while the syndicated facility matures on April 27. The latter offered a top level all-in of 106bp based on an interest margin of 83.5bp over Libor and an average life of 3.02 years.

Ten banks committed to the club loan, while a total of 26 lenders participated in the US\$550m syndicated portion of the March 2017 borrowing.

Last June, RIL closed a US\$1.5bn-equivalent portion of a broader US\$2.25bn jumbo financing, with 27 lenders joining in general syndication. A US\$750m piece for Reliance Jio Infocomm was not launched into general syndication.

The US\$1.5bn portion comprised two facilities – Facility 1 had a US\$650m tranche and a ¥38.85bn (US\$350m) piece, while Facility 2 had a US\$350m portion and ¥16.65bn tranche.

The US dollar and yen tranches of Facility 1 paid top-level all-in pricing of 128.5bp and 88.5bp based on margins of 106bp over Libor or 72.5bp over yen Libor, respectively, and an average life of 5.25 years.

Facility 2 offered top-level all-in pricing of 131bp and 91.5bp for the US dollar and yen tranches, respectively, based on margins of 108bp over Libor or 75.5bp over yen Libor and an average life of 5.5 years.

HPCL PICKS THREE

HINDUSTAN PETROLEUM CORP has picked three banks for a five-year financing of up to US\$500m.

Bank of Baroda, *State Bank of India* and *SMBC* are expected to be mandated on the deal, which has a base size of US\$300m and a greenshoe option of US\$200m.

The state-owned refiner had sent out a request for proposals in January for a five-year financing, returning to the offshore loan markets after 18 months.

Proceeds from the new money financing will be used for general corporate purposes.

HPCL closed a US\$300m three-year bullet loan in June 2018 as a four-bank club. That loan pays an interest margin of 60bp–65bp over Libor.

CAIRN INDIA DRAWS TWO

CAIRN INDIA HOLDINGS has closed syndication of its US\$500m five-year amortising loan with two banks joining, while more commitments are being sought through an accordion.

Union Bank of India joined with a big-ticket commitment of US\$100m, while *Taishin International Bank* is the other bank participating.

Axis Bank, *Citigroup* and *ICICI Bank* were the original mandated lead arrangers and bookrunners of the loan, which was launched in mid-October with a base size of US\$500m and an accordion of up to US\$250m.

Signing with the five banks was expected to take place late last week.

A few more banks could still join via the accordion.

The financing for the wholly owned subsidiary of Indian mining conglomerate Vedanta pays a top-level all-in of 279.3bp based on an interest margin of 265.5bp over Libor and a remaining average life of 3.63 years assuming participating lenders were transferred into the facility by November 29 last year.

Cairn India's previous loan was a US\$651m multi-tranche financing completed in October 2017, which offered a blended top-level all-in pricing of 233.4bp based on a blended margin of 205bp and a blended remaining average life of 3.17 years.

INDONESIA

FREEPORT MANDATES NINE

FREEPORT INDONESIA has mandated nine lenders and firmed up the size of a five-year loan at US\$2.8bn.

The mandated banks are *Bank Mandiri*, *Bank Rakyat Indonesia*, *BNP Paribas*, *Citigroup*, *HSBC*, *Maybank*, *Mizuho Bank*, *Standard Chartered* and *SMBC*.

The banks have equally underwritten the financing.

Freeport Indonesia, operator of Grasberg, the world's second-biggest copper mine, has not firmed a target launch date into general syndication given the uncertain market environment amid the coronavirus outbreak.

Bank Negara Indonesia, MUFG and Societe Generale were part of an initial working group that was formed in November, but fell away recently.

Proceeds will finance the construction of a new copper smelter in Gresik, East Java, which is expected to begin in August.

The Indonesian government, via state-owned Mining Industry Indonesia, became the majority owner of Freeport Indonesia after increasing its share ownership to 51.23% from 9.36% through a US\$3.85bn deal in December 2018.

US-based Freeport-McMoran owns 48.8% of Freeport Indonesia.

SMI ENDS FOUR-YEAR HIATUS

SARANA MULTI INFRASTRUKTUR has approached lenders for a five-year term financing of up to US\$500m, returning for its largest syndicated loan after a four-year hiatus.

CIP closes Taiwan's largest wind farm PF

■ TAIWAN Sponsor wraps up NT\$90bn debt package

Danish infrastructure fund management company **COPENHAGEN INFRASTRUCTURE PARTNERS** has closed a jumbo multi-tranche project financing at around NT\$90bn (US\$2.96bn) in what is the largest debt package for Taiwan's booming offshore wind market.

The financing consists of a NT\$80bn-plus 18-year PF, a term loan of about US\$230m and a performance bond facility for the remaining amount.

A group of 21 international and Taiwanese lenders, and six export credit agencies are providing the debt.

Unusually, one of CIP's funds, Copenhagen Infrastructure II (CI II), is also participating as a lender on the PF, as are other sponsors Taiwan Life Insurance and TransGlobe Life Insurance.

MUFG acted as financial adviser and CTBC as the local financial adviser for the project debt.

Of the 19 other lenders participating, only four were Taiwanese – *E. Sun Commercial Bank, EnTie Commercial Bank, KGI Bank and Taipei Fubon Commercial Bank*.

The other lenders include *ABN AMRO, Banco Santander, Credit Agricole CIB, DBS Bank (Taiwan), DBS Bank Taipei branch, Deutsche Bank, HSBC, JP Morgan, KfW IPEX-Bank, Korea Development Bank, Mizuho Bank, Natixis, Oversea-Chinese Banking Corp, Societe Generale, Standard Chartered and SMBC*.

The NT\$80bn-plus 18-year project financing is further split into an export credit agency portion and a commercial piece.

Insurance cover for the ECA tranche is from Atradius of the Netherlands, EKF of Denmark, GIEK of Norway, K-Sure of South Korea, NEXI of Japan, and UK Export Finance.

The ECA tranche offers interest margins ranging from 105bp to 115bp over Taibor during the construction period, before stepping down to 75bp to 85bp during the first five years of operations. From the sixth year of operations until maturity, the margins will range from 85bp to 95bp.

The commercial tranche offers a margin of 240bp during the construction period, before stepping down to 210bp during the first five years of operations. From the sixth year of operations until maturity, the margin will step up to 230bp.

Banks were offered top-level upfront fees of 110bp and 165bp for the ECA and commercial tranches, respectively.

Funds are for the development of the 589MW Changfang and Xidao project located off the coast of Changhua county.

In February last year, the project entered into a 20-year power purchase agreement with state-owned Taiwan Power. The project will use 62 wind turbine generators from Danish manufacturer MHI Vestas Offshore Wind.

Commissioning for a first phase of up to 100MW is scheduled for the end of 2021, with a second 500MW phase slated to commence in 2024.

In April 2018, Taiwan's Ministry of Economic Affairs awarded CIP a contract for two projects with a combined capacity of 900MW, including 600MW for wind farms in Changfang and Xidao, and 300MW for Site 29, all located off the coast of Changhua county.

CIP will develop Site 29 with partners China Steel and Diamond Generating Asia.

CIP has majority ownership of the project through its funds CI II and CI III. Taiwan Life Insurance, a wholly owned subsidiary of CTBC Financial Holding, and TransGlobe Life Insurance hold minority stakes.

Separately, Danish wind energy developer Orsted is in the market for a NT\$61.9bn 18-year project financing for its offshore wind farms in Changhua.

CTBC Bank and HSBC are the financial advisers of the borrowing, which is likely to comprise a NT\$29.3bn commercial tranche, a NT\$29.3bn ECA-backed portion, a NT\$2.6bn ancillary facility, and a NT\$700m pre-completion revenue facility.

These projects are also part of Taiwan's target to install 15.5GW of offshore wind power capacity by 2035.

Evelynn Lin

Banks are processing the borrower's request for proposals that was sent out in December.

A mandate is expected to be awarded around early March.

The financing carries an unspecified greenshoe.

SMI's last loan market visit in June 2016 was a blockbuster, with 29 banks joining its US\$175m 1.5-year refinancing in general syndication.

Standard Chartered was the sole mandated lead arranger and bookrunner of the transaction, which offered top level all-in pricing of 138.2bp based on an interest margin of 110bp over Libor and a remaining life of 1.33 years.

The government-owned borrower, established in 2009 to boost infrastructure development projects, is rated BBB (Fitch).

JAPAN

■ MARUBENI RENEWS

Trading house **MARUBENI** has rolled over a US\$555m 364-day revolving credit facility without any change in pricing on its previous borrowing completed a year ago.

The new facility pays all-in pricing of 60bp based on an interest margin of 50bp over yen Libor and a facility fee of 10bp.

Citigroup was the original mandated lead arranger and *Credit Agricole CIB* joined to share the MLA title.

All the existing lenders, including *ANZ, Bank of America, BNP Paribas, Deutsche Bank, HSBC, ING Bank, JP Morgan, Societe Generale and Standard Chartered*, renewed their commitments.

Marubeni is rated Baa2/BBB/A/A (Moody's/S&P/JCR/R&I).

■ NCD RETURNS WITH ¥20bn DEAL

NIPPON COMMERCIAL DEVELOPMENT has closed a ¥20.3bn (US\$184m) one-year loan, returning slightly over a year after its debut.

SMBC was the arranger, while *77 Bank, Aeon Bank, Awa Bank, Fukuho Bank, Higo Bank, Hyakugo Bank, Juroku Bank, Kagawa Bank, Keiyo Bank, Kochi Bank and Nishi-Nippon City Bank* joined in syndication.

Funds are for general corporate purposes.

In December 2018, the real estate company raised a ¥20bn one-year debut syndicated loan.

■ DAIO PLANS LOANS FOR BRAZIL BUY

DAIO PAPER is considering long-term loans as well as hybrid financing to back its planned R\$2.3bn (US\$570m) acquisition of a Brazilian sanitary goods maker.

Daio Paper will initially fund the acquisition of Sanither-Fabrica de Papel Santa Therezinha with cash on hand.

Daio and Marubeni have agreed to buy all shares of Sanither via their 51:49 Brazilian joint venture.

Marubeni is also mulling various options to finance its part of the consideration, including cash on hand.

■ HULIC REIT TO REFINANCE

HULIC REIT has agreed a ¥16.815n bullet term loan for refinancing.

MUFG, Mizuho Bank and SMBC are the mandated lead arrangers of the loan, which is split into five tranches with tenors ranging from 4.5 to 7.5 years and margins ranging from 20bp to 37bp over three-month Tibor.

77 Bank, Mitsui Sumitomo Insurance, Mizuho Trust & Banking, Nishi-Nippon City Bank,

Norinchukin Bank, Resona Bank, Shinkin Central Bank, Shinsei Bank and Sumitomo Mitsui Trust Bank joined in syndication.

The Tokyo Stock Exchange-listed real estate investment trust mainly invests in commercial properties in Tokyo.

MACAU

► MGM CHINA SEEKS WAIVERS

Macau casino operator **MGM CHINA HOLDINGS** has requested from lenders a temporary waiver of the leverage covenants on a HK\$9.75bn (US\$1.24bn) loan, as the spread of the coronavirus in Asia has hurt its business.

MGM China is looking to have the covenants waived for a year and requires consent from 50% of lenders (by value).

According to the facility agreement, the borrower must maintain a maximum debt-to-Ebitda ratio of 4.5x and a minimum interest coverage ratio of 2.5 times.

The covenants are to be tested on a quarterly basis, with the next test slated for March 31.

Casinos in Macau were forced to close for 15 days last month, as the city's government looked to curb the spread of the deadly virus.

Macau gaming operators could take a potentially big hit to visitor traffic if the situation remains protracted, which is a credit negative for affected US rated issuers, according to Moody's.

Wynn Resorts, Las Vegas Sands Corp and MGM Resorts International are the most vulnerable to revenue declines based on their exposure to the region, the report said.

MGM China had signed the unsecured HK\$9.75bn revolving credit facility with 13 banks in August last year. The borrowing, which matures in May 2024, carried an opening interest margin of 275bp over Hibor based on a leverage ratio of 4.00 times or more.

MALAYSIA

► SERBA DINAMIK RAISES MURABAHA

Oil and gas services company **SERBA DINAMIK HOLDINGS** has signed an increased M\$1.2bn (US\$280m) five-year syndicated Islamic financing.

AmInvestment Bank, Bank Islam Malaysia, HSBC, MIDF Amanah Investment Bank, Standard Chartered Bank and United Overseas Bank are the lenders on the financing, which is structured as a commodity murabaha instrument.

Mandated lead arranger and bookrunner HSBC structured, underwrote and pre-funded the initial M\$900m of the facility

before it was raised to M\$1.2bn.

In December, the borrower priced a US\$200m 5.25-year non-call three sukuk issue at par to yield 7%. Credit Suisse and HSBC were the joint global coordinators of the Islamic bond.

VIETNAM

► THACO UNIT INTO SENIOR

A real estate subsidiary of Vietnamese auto manufacturer Truong Hai Auto (Thaco) has invited banks to join a US\$130m borrowing in senior syndication.

Maybank is the sole mandated lead arranger and bookrunner on the 30-month amortising loan, which pays an interest margin of 250bp over Libor and carries a US\$30m greenshoe option.

The borrower is **DAI QUANG MINH REAL ESTATE INVESTMENT JOINT STOCK COMPANY**, while parent Thaco is the guarantor.

The deal is slated for launch into general syndication in mid-March.

Dai Quang Minh invests in infrastructure, urban areas and real estate in Ho Chi Minh City, Quang Nam, Ben Tre, and Dalat.

The borrowing is the second offshore loan from the Thaco group in three months.

In December, Thaco increased its maiden five-year borrowing to US\$210m from an original US\$180m target after attracting 10 lenders in general syndication.

Standard Chartered Bank was the sole MLAB of the amortising term loan, which pays an interest margin of 250bp over Libor.

EUROPE/MIDDLE EAST/AFRICA

DENMARK

► MAERSK SIGNS US\$5bn SLL

Container shipping company **AP MOLLER-MAERSK** has signed a US\$5bn sustainability-linked revolving credit facility, refinancing the company's US\$5.1bn RCF that was due to mature in 2021.

The RCF, which will be part of the Maersk's liquidity reserve, is for an initial five years plus two one-year extension options.

The margin on the facility loan will be adjusted based on Maersk's progress in meeting its target of reducing CO2 emissions per cargo moved by 60% by 2030, based on a 2008 baseline.

The target is significantly more ambitious than the International Maritime Organisation's target of 40% by 2030, Maersk said.

In 2019 the company announced its commitment to becoming carbon neutral by 2050.

The RCF is also the first bank financing arranged by Maersk since its transformation from a diversified conglomerate to a global container shipping company.

The financing saw strong support from Maersk's global relationship banks and closed oversubscribed from a syndicate of 26 banks.

Banco Santander, Bank of America, Barclays, BNP Paribas, Citigroup, Commerzbank, Credit Agricole CIB, Danske Bank, Deutsche Bank, Handelsbanken, HSBC, MUFG, Nordea, SEB and Standard Chartered Bank were mandated lead arrangers.

BBVA, DNB Bank, ICBC, ING Bank, JP Morgan, Mizuho Bank, Morgan Stanley, NatWest, SMBC, Societe Generale and Standard Bank of South Africa joined as lead arrangers.

Credit Agricole and SEB were sustainability coordinators while MUFG was documentation agent and BNP Paribas was facility agent.

GERMANY

► GRAMMER AGREES €223m LOAN

Auto parts and accessories company **GRAMMER** has agreed a €223m-equivalent syndicated loan.

The financing includes a €150m five-year revolving credit facility with two one-year extension options.

The facility will be used to refinance Grammer's €100m credit facility that was due to mature in October.

There is also a US\$80m four-year term loan to cover the remaining purchase price of US automotive components supplier TMD.

EMEA LOANS BOOKRUNNERS – FULLY

SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Deutsche Bank	9	4,513.33	13.4
2 BofA	7	3,223.88	9.6
3 Commerzbank	11	2,732.81	8.1
4 Citigroup	7	2,673.69	7.9
5 JP Morgan	6	1,685.55	5.0
6 UniCredit	11	1,632.46	4.8
7 HSBC	8	1,529.22	4.5
8 ING	5	1,305.31	3.9
9 Santander	10	1,194.96	3.5
10 SG	5	820.96	2.4
Total	47	33,698.52	

Proportional credit
Source: Refinitiv

SDC code: R17

The financing was arranged by *Commerzbank* and *UniCredit Bank* as bookrunners and mandated lead arrangers.

Erste Bank, *HSBC* and *ING* are mandated lead arrangers. *Commerzbank* is facility agent.

› VNG PLACES GREEN SSD

Natural gas company **VERBUNDNETZ GAS** has placed a €100m green and digital *Schuldscheindarlehen*.

The SSD, which can only be used for environmentally sustainable purposes, has four tranches with maturities of seven and 10 years.

The financing, which was arranged by *NordLB* and *UniCredit*, was marketed through the *Finpair* digital platform.

NordLB is first lender and paying agent while *UniCredit* is green structuring adviser.

The financing, which closed significantly oversubscribed after high demand from investors, was increased from €75m at launch.

The use of proceeds was reviewed by independent sustainability ratings agency *Imug*.

The financing is in line with VNG's 2030 strategy which has a medium to long-term focus on green gases, especially biogas and renewable and decarbonised hydrogen.

Through its subsidiary *Balance Erneuerbare Energien*, VNG has acquired several biogas plants over the past few months, making it one of the largest biogas producers in central Germany.

IRELAND

› ESB SIGNS €1.4bn SLL

ELECTRICITY SUPPLY BOARD has signed a €1.4bn five-year sustainability-linked loan, refinancing its existing revolving credit facility.

The loan is the first SLL for an Irish utility and is ESB's second transaction in the sustainable finance markets after its debut €500m green bond was launched in June 2019, Ireland's first corporate public green bond.

The SLL contains specific key performance indicators directly linked to ESB's 2030 Brighter Future Strategy.

By 2026 the company plans to reduce the carbon intensity of their generation output by 40% and to increase their renewable generation output by 170% relative to 2018 carbon intensity and renewable generation output.

The KPIs will be tested throughout the life of the SLL and ESB will benefit from an interest reduction if the KPI targets are met

or will pay a higher interest rate if the KPI targets are not met.

ESB's total renewable capacity is on target to increase to almost 1 gigawatts in the coming months once its *Grousemount Wind Farm* in County Kerry comes into commercial operation.

The company also has a number of strategic partnerships developing other renewable projects in solar, battery, onshore and offshore wind in Ireland and the UK.

The financing is being provided by a group of 14 international banks coordinated by *BNP Paribas*, which is also acting as sustainability coordinator.

The syndicate comprises *Allied Irish Banks*, *BBVA*, *Bank of Ireland*, *Barclays*, *BNP Paribas*, *Danske Bank*, *HSBC*, *Intesa Sanpaolo*, *JP Morgan*, *MUFG*, *Royal Bank of Canada*, *Societe Generale*, *SMBC* and *Ulster Bank*.

NORWAY

› ADEVINTA SIGNS €600m REFI

Online classifieds company **ADEVINTA** has signed €600m of multi-currency term loan and revolving credit facilities, replacing its existing €300m bank facility that was put in place last year as part of the company's spin-off from *Schibsted*.

The term loan has a three-year maturity while the revolving credit facility has a five-year maturity with two additional one-year extension options.

The financing includes the option for a €120m increase.

DNB Markets and *Danske Bank* acted as coordinators, mandated lead arrangers and bookrunners on the transaction.

BNP Paribas and *Swedbank* joined as mandated lead arrangers and bookrunners, while *JP Morgan* and *ING* participated as lead arrangers.

The previous multi-currency revolving credit facility had a five-year maturity with a one-year extension option.

› AMERICAN SHIPPING NETS REFI

AMERICAN SHIPPING has agreed terms on US\$325m of senior secured loans to refinance most of its bank debt on improved terms.

The refinancing also positions the company for refinancing its US\$220m 9.25% senior unsecured bonds due in February 2022.

The loans include a US\$160m five-year facility A, comprising a US\$90m term loan and a US\$70m revolving credit facility. The facility is secured on five vessels and pays 270bp over *Libor*.

Annual repayments are US\$13.3m giving the facility a 12-year repayment profile.

There is also a US\$165m five-year term loan secured on four vessels and paying 325bp over *Libor*.

Annual repayments are US\$9.7m, giving the facility a 17-year repayment profile.

AMSC has secured credit approvals from ship finance lenders and US banks and the loan is expected to close in the second quarter.

POLAND

› EMITEL AGREES Z1.5bn REFI

Broadcasting infrastructure company **EMITEL** has agreed a Z1.5bn (US\$380m) loan to refinance loans that were agreed in 2016.

The 3.5-year financing, which also finances the company's operations and investments, includes an option to increase the financing by Z100m.

Banks providing the financing are *Bank Handlowy w Warszawie*, *Bank Pekao*, *DNB Bank*, *DNB Bank Polska*, *PKO Bank Polski* and *Societe Generale*.

DNB Bank Polska is facility agent.

Alinda Capital Partners-owned *Emitel* is the largest terrestrial radio and television infrastructure operators in Poland.

Emitel agreed an around Z1.7bn leveraged loan refinancing and dividend recap in June 2016.

› WIRTUALNA NETS Z978m

Media and e-commerce group **WIRTUALNA POLSKA** and a group of its subsidiaries has signed Z978m (US\$243m) of credit facilities with a group of local banks.

The company and subsidiaries *Wirtualna Polska Media*, *TotalMoney*, *Wakacje* and *Domodi*, which acted as the guarantors, signed the senior term, capital expenditure and overdraft facilities with a bank consortium comprising *mBank*, *Powszechna Kasa Oszczednosci Bank*, *ING Bank*, *Bank Polska Kasa Opieki* and *BNP Paribas*.

mBank was also facility agent.

The seven-year facilities include a Z602m capex tranche that will be used to finance acquisition and investment expenses.

The remaining financing will be used to refinance a December 2017 credit facility provided by *mBank*, *Powszechna Kasa Oszczednosci Bank* and *ING*.

Pricing is linked to the group's net-debt-to-Ebitda ratio.

The capex tranche will be repaid in 16 quarterly instalments of up to Z240.8m, payable from the second quarter of 2022, and up to Z361.2m on final maturity.

The remaining will be repaid in 20 quarterly instalments totalling up to Z138.4m, starting from the second quarter of 2021, with Z207.6m due on final maturity.

Norilsk Nickel sparks life into Russian loan market

■ RUSSIA Biggest pipeline of deals since sanctions introduced in 2014

Nickel and palladium producer **NORILSK NICKEL**'s completed US\$4.15bn facility is expected to be the first of a number of syndicated loans for Russian borrowers that are expected to hit the market in the coming months, after more than five years of limited dealflow in the country.

Russian corporates have effectively been shut out of the international loan market since sanctions were imposed in 2014 in response to Moscow's annexation of Crimea. However, Norilsk's landmark loan suggests that fortunes for the country's borrowers could be changing.

Norilsk's five-year facility is the largest and cheapest unsecured syndicated loan for a Russian corporate since sanctions were introduced, and bankers said there is a growing pipeline of deals.

"Activity is increasing very rapidly," said one banker. "I haven't seen this sort of pipeline since before the sanctions."

The pipeline includes a roughly US\$1bn deal for another metals and mining company that has not been to the market since 2014, which will close in the second week of March, the banker said.

CREDIT BANK OF MOSCOW is also looking to refinance the one-year tranches of a US\$500m syndicated loan that it signed in April 2019, while pulp and paper group **ILIM** is closing a US\$750m five-year loan.

"We are talking to several fertiliser and metals and mining companies," the banker said.

Some bankers are, however, cautioning against talking about a longer term recovery in the market.

"There is no guarantee this will continue into the second half of the year and we are nowhere near the tens of deals a month we were seeing in 2013," a second banker said.

NICKEL BACK

Norilsk Nickel signed an amendment with its banks that increases the funding limit to US\$4.15bn on its US\$2.5bn 2017 syndicated loan.

The facility, coordinated by **ING**, is divided between the two tranches that made up the original 2017 loan - a US\$2bn facility A and a US\$500m facility B - and a new up to US\$1.65bn facility that can be drawn at any point in the next nine months.

The original tranches have been extended by two years and now mature in 2024. The new money tranche has a five-year maturity from drawdown.

As well as being the biggest internationally syndicated loan to close in the market since sanctions were imposed, it is also the cheapest unsecured dollar loan with this tenor. The facility pays 140bp over Libor, down from 175bp on the original loan.

"It was a great opportunity for banks to put capital to work," the second banker said. "It's investment-grade so most banks can play in it. Even SMBC, which can't look below investment-grade, is in this bank group. It was a moment where supply met demand."

That contrasts with the first half of 2019, which was characterised by a pricing disconnect between lenders and borrowers, underpinned by an uncertainty at that time as to whether the Federal Reserve was going to increase interest rates and a more general lack of borrower appetite.

This year borrowers are keen to follow Norilsk Nickel and negotiate better terms for their financings.

"It's very different to last year. The first half of this year will be extremely good," said the second banker. "The Russian economy is doing very well compared to most of western Europe and borrowers are keen to lock in cheaper liquidity."

Norilsk Nickel's funds will be used to finance capital expenditure and for general corporate purposes as well as refinancing.

Agricultural Bank of China, Bank of China, China Construction Bank, Citibank, Commerzbank, Credit Agricole, Credit Suisse, Deutsche Bank, Banca IMI, Vseobecná uverova banka, CIB Bank, JP Morgan, Mizuho, MUFG, Natixis, Raiffeisenbank, Societe Generale, SMBC and UniCredit were mandated lead arrangers.

Sandrine Bradley

The financing is secured on financial and registered pledges over the shares, registered pledges on all bank accounts, assets and rights in WPM, TotalMoney, Domodi and Wakacje.

SPAIN

■ EL CORTE INGLES SIGNS €2bn REFI

Privately-held Spanish department store operator **EL CORTE INGLES** has signed a €2bn syndicated loan to replace its €3.65bn loan, of which €2.05bn was outstanding.

The financing, which is structured as an investment-grade loan, provides El Corte Ingles with stable long-term funding at a lower cost without requiring guarantees or collateral.

With an initial five-year maturity plus two one-year extension options, the financing comprises a €900m term loan and a €1.1bn revolving credit facility for working capital.

The financing includes margins linked to the achievement of certain sustainability targets in line with El Corte Ingles' corporate social responsibility strategies.

The refinancing agreement also includes the possibility of transferring up to €2.5bn of real estate assets to the company's new real estate division without triggering an early repayment of the debt.

The financing is provided by *Banco Santander, BBVA, BNP Paribas, CaixaBank, UniCredit, Banco Sabadell, Credit Agricole CIB, Bankia, Bank of America, Societe Generale, Goldman Sachs, JP Morgan, Intesa Sanpaolo, BBK, Commerzbank, Raiffeisen Bank, Ibercaja, Liberbank, Targobank, ICBC, Cooperativa, Aresbank and Deutsche Bank*.

El Corte Ingles' previous financing was put in place in January 2018 via Banco Santander, Bank of America and Goldman Sachs.

The financing comprised a €1.2bn 12-month bridge loan with two six-month extension options; a €1.45bn five-year term loan; and a

€1bn five-year revolving credit facility.

El Corte Ingles is rated BB+ by S&P and Fitch.

SWITZERLAND

■ GLOBAL BLUE DETAILS REFI

Tax-free shopping and payment company **GLOBAL BLUE** has detailed its refinancing ahead of its proposed listing on the New York Stock Exchange through a merger with special purpose acquisition vehicle Far Point Acquisition.

The five-year financing comprises a €630m term loan and a €100m revolving credit facility, which will replace Global Blue's €630m term loan and €80m RCF.

The term loan pays an initial margin of 200bp over Euribor while the RCF pays an initial 175bp, subsequently ratcheting on a leverage grid.

Abu Dhabi approaches relationship banks

■ UAE Sovereign seeks debut US\$2bn loan

The government of Abu Dhabi has approached its relationship banks for a debut US\$2bn loan.

The move is an effort by the Abu Dhabi, the largest emirate in the UAE, to diversify its sources of liquidity as it faces pressure from low oil prices.

Middle East syndicated loan volume has been falling for several years, and in 2019 it dropped 34% to US\$63.85bn from US\$96.46bn in 2018, according to LPC data.

This fall was mainly down to a lack of sovereign borrowing, which had helped buoy volumes in previous years, leaving plenty of pent-up appetite for Abu Dhabi's debut loan.

"They could easily get more than US\$2bn, but volume is not the intention of this exercise," said one banker. "This is a very targeted move with relationship banks to test the water in the syndicated loan space."

The government is self-arranging the loan and is talking specifically to banks that led its previous bond issuances.

The emirate sold its latest international bonds in September last year, raising US\$10bn. They were used for budgetary purposes.

BNP Paribas, Citi, FAB, HSBC, JP Morgan and MUFG were lead banks on the bonds.

ON HOLD

Sources told Reuters earlier this month that the emirate had been in discussions with banks for potential issues in the debt markets this year

as part of plans to engage global fixed-income investors on a more regular basis.

Discussions with potential bond advisers were put on hold about two weeks ago, Reuters reported.

It would make sense for the emirate to tap different pools of liquidity after the US\$10bn jumbo bond, another source told Reuters.

Governments in the Gulf region have resorted to large amounts of debt finance over the past few years to offset the impact of lower oil prices on their revenues.

After oil prices dropped in 2014 and 2015, Abu Dhabi reduced public spending and increased dividends from state-owned entities.

It had forecast a deficit of Dh27.2bn (US\$7.41bn) for 2019, according to its latest bond prospectus.

Rated AA by S&P and Fitch and Aa2 by Moody's, Abu Dhabi has one of the world's largest sovereign net foreign asset positions and low levels of debt, but its fiscal balance depends almost entirely on revenue from hydrocarbon royalties and taxes and dividends received from Abu Dhabi National Oil Company.

ADNOC was last in the loan market in January last year when it raised a US\$2.5bn loan from a group of banks, including Abu Dhabi Commercial Bank, Bank of America, BNP Paribas, First Dhabi Bank, HSBC, JP Morgan, MUFG, Mizuho Bank, Societe Generale, SMBC and Union National Bank. **Sandrine Bradley**

■ ARBONIA EYES REFI

Building supplies company **ARBONIA** intends to refinance its SFr350m (US\$357.5m) syndicated loan in 2020.

The facility, which matures in September 2021, was put in place in September 2016 as part of a wider SFr500m loan.

The financing included a SFr100m one-year term loan to finance the cash portion of Arbonia's acquisition of Looser.

There was also a SFr400m credit facility that was reduced to SFr350m in 2017 after the sale of Arbonia's industrial services unit.

The company tapped the Schuldschein market in mid-April 2018 for €125m to back its acquisition of Belgian radiator company Vasco Group.

Commerzbank and LBBW arranged the SSD, which comprised five, seven and 10-year fixed-rate tranches.

UK

■ JOHN MENZIES BAGS REFI

Airport services and distribution group **JOHN MENZIES** has refinanced its syndicated loans as it faces headwinds from the outbreak and continued spread of coronavirus.

The company's £325m-equivalent of loans have been extended to 2025 from 2021.

The financing features improved covenants.

John Menzies said that it expects an adverse profit impact in the year of £6m-£9m, assuming the impact of the virus subsides towards the end of the second quarter.

The impact on the company is at its greatest in its operations in Macau where it handles Chinese carriers across its network.

With only limited visibility of what flight schedules are being impacted into March and beyond the company said it is difficult to assess how extensive the impact could be at this point.

John Menzies tapped the loan market in 2016 for US\$450m-equivalent in loans backing its acquisition of aviation services provider ASIG and to refinance its bank facilities.

The five-year financing, which was arranged by Barclays and HSBC, comprises a US\$250m term loan and a £150m revolving credit facility paying margins of 150bp-300bp over Libor.

■ BAT LOOKS TO REFI RCF

BRITISH AMERICAN TOBACCO intends to refinance its £6bn revolving credit facility in the first half of 2020.

The financing will include a £3bn 364-day tranche with two one-year extension

For leverage of more than 4.0 times, the term loan pays 275bp over Euribor and the RCF pays 250bp; for 3.5-4.0 times the TL pays 225bp and the RCF pays 200bp; for 3.0-3.5 times it is 200bp and 175bp; for 2.5-3.0 times it is 175bp and 150bp; for 2.0-2.5 times it is 150bp and 125bp; for 1.5-2.0 times it is 125bp and 100bp; and for lower than 1.5 times it is 100bp and 75bp.

There is a 0% floor.

The previous financing, which was arranged in July 2012, paid 350bp over Euribor.

BNP Paribas and Morgan Stanley are coordinators and active bookrunners on the senior debt financing alongside Royal Bank of Canada, Barclays, Bank of America, Credit Suisse and JP Morgan as mandated lead arrangers and bookrunners.

Royal Bank of Canada is facility agent.

Global Blue is expected to have a net-debt-to-Ebitda ratio of 3.3 times

with a potential rapid deleveraging thereafter.

The merger will see Far Point and new investors invest around US\$1bn in Global Blue, reflecting a total enterprise value of €2.3bn.

Far Point is co-sponsored by institutional asset manager Third Point and former NYSE president Thomas Farley.

The new investors, anchored by Ant Financial Services Group, a member of the Chinese e-commerce giant Alibaba Group, and Third Point, have committed to invest a total of US\$350m.

Existing owners of Global Blue, including Silver Lake, will remain significant shareholders in the company.

The merger is expected to close during the second quarter.

The new public company will be incorporated in Switzerland and will trade as Global Blue on the NYSE.

options and a one-year term-out option; and a £3bn five-year tranche with two one-year extension options.

The existing £6bn RCF comprises a £3bn 364-day tranche that was extended last year to mature in July 2020; and a £3bn tranche that matures in May 2021.

The financing was put in place in January 2017 as the company worked towards completing its US\$49bn acquisition of the stake in Reynolds American that it did not already own.

Bank of America, Citigroup, Deutsche Bank, HSBC and Royal Bank of Scotland arranged that financing. HSBC was facility agent.

BAT tapped some of its core banks for £745m of short-term bilateral loans in July 2019.

The company has evaluated its floating-rate debt maturing beyond the potential discontinuation of Libor at the end of 2021.

It said its Libor-based contracts adequately provide for alternate calculations of interest if Libor becomes unavailable.

Although the alternative calculation may cause an administrative burden, BAT said it will not materially affect the group or its ability to manage its interest rate risk.

BAT is rated BBB+ by S&P and Baa2 by Moody's.

CLINIGEN GEARS UP FOR £430m

Pharmaceuticals company **CLINIGEN** has increased its debt facilities to £430m from £375m to finance upcoming deferred payments from its acquisition of packaging and distribution company CSM in October 2018 and the US rights to cancer treatment Proleukin in April 2019.

The increased facilities will also provide headroom for potential acquisitions.

The unsecured financing comprises a £180m bullet term loan, increased from £150m, and a £250m revolving credit facility, up from £225m.

The financing matures in October 2023.

As part of the CSM acquisition Clinigen refinanced and increased its financing to £300m from £220m, split between a £150m term loan and £150m RCF.

The financing was agreed via mandated lead arrangers HSBC and NatWest with ABN AMRO, Banco Santander and Royal Bank of Canada also participating.

Clinigen increased the financing again in March 2019 by £75m to finance the acquisition of the US rights to Proleukin, after the company had acquired the rest of world rights in July 2018.

The financing pays a drawn margin of 200bp over Libor.

HAMMERSON UPS RCF TO £410m

Property developer **HAMMERSON** has increased one of its revolving credit facilities by £50m to £410m after a new lender joined the bank syndicate.

The unsecured RCF was originally arranged in April 2017 via coordinating bank MUFG.

BNP Paribas, First Commercial Bank, ICBC, JP Morgan, Royal Bank of Scotland and Wells Fargo were also mandated lead arrangers and bookrunners on the transaction, which matures in April 2024.

Agricultural Bank of China, Bank of China, Bank of Taiwan, Chang Hwa Commercial Bank, CIC and Hua Nan Commercial Bank also provided commitments.

Deutsche Bank is facility agent.

Hammerson now has £1.245bn of RCFs, including a £415m facility signed in April 2015 and a £420m facility signed in April 2016.

HEATHROW LINKS REVOLVERS TO ESG

The expansion of London's **HEATHROW AIRPORT** was declared unlawful by an appeal court judge on Thursday, a major setback for the US\$18bn project that could prompt the UK government to pull its support for a third runway.

Heathrow said on Wednesday that it had linked its revolving credit facilities to environmental, social and corporate governance factors as part of an amendment of the facilities in November.

As part of the amendment the RCFs were also extended by two years to November 2023.

In line with industry-wide agreements, Heathrow has committed to reach net-zero carbon by 2050.

Heathrow achieved carbon-neutral status in January and is working towards operating zero-carbon infrastructure by mid-2030s for all its infrastructure.

The company also said on Wednesday before the ruling that unless the proposed expansion of Heathrow meets strict environmental targets, no additional capacity can or will be used.

Under the £14bn expansion plan, Heathrow's new runway was scheduled to open in 2028.

However the judge said that in its current form the UK government's policy was unlawful as it failed to take into account climate change commitments made by the government when it signed up to the Paris Agreement in 2015.

The £1.3bn RCFs are provided by a large club syndicate of *Banco Santander, Bank of America, Barclays, BNP Paribas, CIBC,*

Commonwealth Bank of Australia, Credit Agricole CIB, CIC, Credit Suisse, Deutsche Bank, HSBC, ICBC, JP Morgan, Lloyds Bank, Morgan Stanley, National Australia Bank, Royal Bank of Canada, NatWest, Scotiabank, Societe Generale, TD Bank and UBS.

INTU AMENDS AND EXTENDS

Shopping centre operator **INTU** has agreed terms on amendment and extension of its revolving credit facility.

The revised £440m four-year facility replaces a £600m RCF that was due to mature in October 2021.

The amended financing, which is conditional on Intu raising a minimum of £1.3bn of equity, is being provided by the banks on the existing RCF comprising *Bank of America, Barclays, Credit Suisse, HSBC, Lloyds, NatWest and UBS.*

Intu is working with corporate brokers Bank of America and UBS, and financial adviser Rothschild & Co, on the equity raise.

BAKKAHOR TO REFINANCE

Prepared food producer **BAKKAHOR** is refinancing its £517.5m of loans.

The existing financing includes a £200m revolving credit facility maturing in June 2021 and term loans totalling £247.5m, of which £210m mature in June 2021 and the remainder in June 2024.

There are also £70m of other debt facilities, of which £25m matures in August 2020, £20m in November 2020, and £25m in September 2026.

The refinancing is expected to close in the coming months.

Bakkavor agreed a £485m refinancing in February 2017 comprising the £200m revolving credit facility, the £210m term loan and a £75m term loan.

That financing was arranged by coordinating banks HSBC and Rabobank as bookrunning mandated lead arrangers.

CRODA REFIS WITH SLL

Chemicals company **CRODA INTERNATIONAL** has agreed a sustainability-linked revolving credit facility to refinance its principal bank debt.

The company worked with a core group of nine banks to agree the revolver, which requires Croda to reduce its carbon use every year by a specified amount.

If Croda achieves the target it will pay a reduced interest margin, using the savings to invest in sustainability projects. If Croda does not achieve the target in any year it will pay increased interest margins which the banks will also use to invest in sustainability projects.

The facility is aligned to Croda's commitment to be climate positive by 2030 as part of its sustainability strategy Smart Science to Improve Lives.

The strategy has been developed in line with UN's Sustainable Development Goals.

Croda said it is committed to becoming climate, land and people positive by 2030.

The refinancing and issue of US private placement bonds in 2019, meant Croda had £1.059bn of committed debt facilities at the end of 2019 with principal maturities between 2023 and 2029 and committed facility headroom of £463.8m.

Previously, Croda had two club facilities including a £400m financing, originally agreed in 2014 via bookrunners and mandated lead arrangers Barclays, Clydesdale Bank, HSBC, Royal Bank of Scotland and Santander; and lead arrangers Bank of China, Commerzbank and SMBC.

There was also a £100m facility agreed in 2016 via Bank of China, Barclays, Commerzbank, HSBC, Royal Bank of Scotland, Santander and SMBC.

Both facilities were due to mature in July 2021.

ASCENTIAL GETS REFI

Business information services group **ASCENTIAL** has agreed an expanded £450m multi-currency revolving credit facility, replacing the company's existing term loans.

NatWest and BNP Paribas coordinated the refinancing, while Ashurst advised the lenders.

The previous financing, which was due to mature in February 2021, comprised term loans of £66m, €171m and US\$96m as well as an undrawn RCF of £95m.

The financing has an initial five-year maturity but may be extended through two one-year extension options.

The RCF also features an accordion facility of up to £120m or 150% of Ebitda.

There are two financial covenants comprising maximum net leverage of up to 3.25 times with options for additional 0.5 times leverage spikes for relevant acquisitions; and minimum interest cover of 3.0 times.

The previous financing was arranged in February 2016 as part of the company's IPO via coordinating bookrunners and mandated lead arrangers Bank of America, Deutsche Bank, and BNP Paribas Fortis.

The term loans paid margins ranging from 150bp-300bp over Libor/Euribor depending on leverage; while the revolver paid 125bp-275bp with a commitment fee of 35% of the applicable margin.

The previous financing had a semi-annual tested leverage covenant of a maximum 3.5 times.

On completion of the new financing capitalised arrangement fees of £1.2m on the previous loans will be written off in 2020 as exceptional costs. Expected fees of £3.9m on the new financing will amortise over the life of the facility.

VITEC SEALS £165m REFI

Imaging equipment company **VITEC** has agreed a £165m multicurrency revolving credit facility, replacing a £150m that was due to mature in July 2021.

The financing, which was agreed with a syndicate of five banks, has a five-year maturity with two one-year extension options.

The previous financing was arranged in July 2016 for £125m via Fifth Third Bank, HSBC, Royal Bank of Scotland, UniCredit and Wells Fargo Bank.

The financing was increased to £150m in November 2018.

With half its revenues coming from products either sourced from China or made in Italy, Vitec estimates that the coronavirus outbreak could impact its first-half and full-year 2020 operating profit by £3m-£5m.

The company also said that as it works with a variety of customers on large sporting events, the coronavirus outbreak could see large events being cancelled, which would also affect its results.

Vitec's customers include broadcasters, film studios, photographers and enterprises, as well as independent content creators.

IHG PLANS LIBOR REPLACEMENT

INTERCONTINENTAL HOTELS GROUP has started reviewing and planning for the expected discontinuation of Libor after 2021.

The company's main exposure to Libor is the underlying reference rate on its existing US\$1.275bn syndicated revolving credit facility and its US\$75m bilateral RCF, which both mature in March 2022.

IHG said the terms of the financings will need to be renegotiated to address the transition from Libor.

The replacement of Libor with alternative reference rates is not expected to have a material impact on IHG at this stage, the company said.

The syndicated loan was put in place in March 2015 via Bank of America, Barclays, HSBC, MUFG, Royal Bank of Scotland and SunTrust Bank as bookrunners and mandated lead arrangers.

The financing pays a margin ranging from 40bp to 100bp over Libor depending on IHG's consolidated net debt to Ebitda ratio.

NORTH AMERICA

UNITED STATES

MONDELEZ RETURNS FOR RCF

Snack maker **MONDELEZ INTERNATIONAL** has signed a US\$1.5bn 364-day revolving credit facility, replacing an existing 364-day revolver arranged in February 2019.

The financing will be used for general corporate purposes, including working capital, and to support the company's commercial paper programme.

The facility may be extended by a further year.

The financing pays a margin and facility fee based on Mondelez's long-term senior unsecured debt ratings (currently BBB/Baa1).

For A/A2 the margin is 83.5bp over Libor with a 4bp facility fee; for A-/A3 it is 95.5bp and 4.5bp; for BBB+/Baa1 it is 107.5bp and 5bp; for BBB/Baa2 it is 118bp and 7bp; and for lower than BBB/Baa2 it is 128.5bp and 9bp.

The highest available rating applies.

Although the financing pays the same all-in pricing as the previous facility, lower facility fees mean undrawn pricing has decreased.

Administrative agent **JP Morgan** together with Citigroup, Credit Suisse, HSBC, Bank of America, Barclays, BNP Paribas, Deutsche Bank, Goldman Sachs, Mizuho Bank, Societe Generale, TD Securities and Wells Fargo as joint lead arrangers and joint bookrunners.

BofA, Citi, Credit Suisse and HSBC are co-syndication agents.

BBVA, Banco Santander, Commerzbank, Credit Agricole CIB, Intesa Sanpaolo, SMBC, Westpac, US Bank, PNC Bank, Truist Bank, NatWest, Morgan Stanley, Banco Bradesco, DBS Bank, Northern Trust, Standard Chartered and Standard Bank of South Africa also participated.

Mondelez tapped the loan market in September 2019 for a US\$1bn term loan for its wholly-owned Dutch subsidiary Mondelez International Holdings Netherlands.

That financing, which was for general corporate purposes including dividend payments, capital reduction, intercompany loans and the repayment of debt, comprised a US\$500m three-year term loan and a US\$500m five-year term loan.

Mondelez brands include Oreo, Cadbury, Wheat Thins, Toblerone and Trident.

BOEING UPS LOAN TO US\$13.8bn

BOEING has increased its loan to US\$13.825bn from US\$13bn after two new lenders joined the banking group.

Bank of China committed US\$500m and PNC committed US\$325m to the loan, which was raised earlier this month.

The company has drawn US\$7.5bn of the loan.

The company was initially looking for at least US\$10bn of loans as it sought to shore up its balance sheet ahead of earnings in an attempt to reassure investors it had sufficient access to short-term liquidity.

The move came as financial pressures mounted for the aircraft manufacturer following a production halt on its 737 MAX airliner.

The financing is set up as a delayed-draw term loan that matures in two years.

Citigroup led the transaction, which opens at 100bp over Libor, in line with Boeing's current borrowing costs. The loan pays a 9bp fee before the company draws down on the funds. JP Morgan, Wells Fargo and Bank of America also signed on as leads.

Fourteen additional banks initially joined the lead banking group with commitments of between US\$325m to US\$850m. The four leads came in with US\$1.25bn each. With the two additional banks joining after the closing, the banking group grew to 20 lenders.

WP CAREY SIGNS US\$1.8bn RCF

Real estate investment trust WP CAREY has signed a US\$1.8bn revolving credit facility.

Bank of America is the administrative agent on the deal, and lead arranger with JP Morgan and Wells Fargo.

The credit facility amends and extends a financing agreed on February 22 2017.

The company also lined up a term loan for £150m and a delayed-draw term facility for US\$105m.

All facilities mature on February 22 2025.

Pricing for the revolving credit facility opens at 85bp over Libor with a 20bp facility fee. Pricing for the term facility opens at 95bp over Libor.

The delayed-draw term facility has a fee of 20bp on unused commitments.

WP Carey is rated BBB by S&P and Baa2 by Moody's.

Other lenders are Barclays, Capital One, US Bank, BMO Harris Bank, PNC Bank, Regions, BBVA, Citizens, Fifth Third, Scotiabank, RBC, BNY Mellon and Signature Bank.

APPLIED MATERIALS BAGS RCF

Semiconductor manufacturing company APPLIED MATERIALS has signed a US\$1.5bn five-year revolving credit facility.

JP Morgan is the administrative agent on the deal. Citigroup, MUFG, US Bank, Wells Fargo, Bank of America and Mizuho are syndication agents.

BNP Paribas and Goldman Sachs are documentation agents.

The revolving credit matures on February 21 2025.

Pricing is based on a ratings grid. For A+/-A1 or above the margin is 62.5bp and the commitment fee is 5bp; for A/A2 it is 75bp and 6.5bp; for A-/A3 it is 87.5bp and 8bp; for BBB+/Baa1 it is 100bp and 10bp; and for lower than BBB+/Baa1 or unrated it is 112.5bp and 12.5bp.

Applied Materials is rated A- by S&P and A3 by Moody's.

KIMCO REALTY NETS US\$2bn RCF

REIT KIMCO REALTY has signed a US\$2bn revolving credit that will mature on March 17 2024.

The loan replaced a US\$2.25bn revolving credit signed in February 2017.

Pricing on the deal opens at 77.5bp over Libor.

JP Morgan is the administrative agent, and bookrunner with Wells Fargo, PNC Bank and RBC Bank.

Kimco is rated BBB+ by S&P and Baa1 by Moody's.

LEVERAGED LOANS

UNITED STATES

BANKS UNDERWRITE STG LOAN

Four banks have underwritten a US\$1.425bn three-part debt financing in support of a SYMPHONY TECHNOLOGY GROUP-led consortium acquisition of digital risk manager RSA from Dell Technologies.

The debt comprises a US\$1bn term loan B, a US\$350m second-lien term loan and a US\$75m revolving credit facility.

UBS, Jefferies, Barclays and Deutsche Bank are arranging the financing.

Private equity investor STG, Ontario Teachers' Pension Plan and Alpinvest Partners agreed to acquire RSA for US\$2.075bn.

The acquisition includes RSA Archer, RSA NetWitness Platform, RSA SecurID, RSA Fraud and Risk Intelligence and RSA Conference.

The deal is expected to close in the next six to nine months.

UBS and Jefferies advised the STG-led consortium and Morgan Stanley advised Dell on the sale of RSA.

Computer manufacturer Dell is expected to use the majority of the proceeds from the sale of RSA to reduce debt, Moody's said.

Dell has a goal to reduce its adjusted debt-to-Ebitda ratio to 3.0 times or below, the ratings agency said.

The computer company acquired RSA in 2016 through the purchase of cloud computing multinational EMC.

Dell raised US\$4.75bn through a six-year first-lien TLB in September, offered at 200bp over Libor with a 0.75% floor.

Dell is rated Ba1/BB+/BB+ and the first-lien debt is rated Baa3/BBB-/BBB-.

IT services provider SCIENCE APPLICATIONS INTERNATIONAL has announced terms for a US\$600m incremental term loan B.

The seven-year TLB is being marketed at 200bp over Libor with a 0% floor, 99.5 OID and 101 soft-call protection for six months.

Citigroup, Bank of America, MUFG, PNC, SunTrust, US Bank and Wells Fargo are lead arrangers. Capital One, SMBC and TD Securities are co-managers.

Corporate ratings are Ba2/BB+ and first-lien ratings are Ba1/BB+.

Proceeds will support the company's US\$1.2bn cash acquisition of Unisys Federal.

The transaction will raise SAIC's debt to Ebitda to roughly 4.8 times from 3.8 times on an adjusted basis, according to Moody's.

AMERICAS LOANS BOOKRUNNERS - FULLY

SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BofA	110	31,022.44	11.4
2 JP Morgan	97	30,116.80	11.1
3 Citigroup	71	29,408.40	10.8
4 Wells Fargo	75	21,434.58	7.9
5 Credit Suisse	47	17,157.18	6.3
6 Goldman Sachs	60	13,274.09	4.9
7 Morgan Stanley	34	11,711.66	4.3
8 RBC	51	9,763.26	3.6
9 BMO	46	6,728.64	2.5
10 Barclays	48	6,581.46	2.4
Total	340	271,687.16	

Proportional credit

Source: Refinitiv

SDC code: R7

US LEVERAGED LOANS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	47	17,081.07	10.5
2 BofA	75	14,896.61	9.2
3 JP Morgan	57	14,648.28	9.0
4 Credit Suisse	39	12,846.81	7.9
5 Goldman Sachs	54	11,724.48	7.2
6 Wells Fargo	39	9,521.15	5.9
7 Morgan Stanley	27	6,807.08	4.2
8 RBC	32	6,495.43	4.0
9 Barclays	39	5,980.36	3.7
10 Deutsche Bank	33	5,441.95	3.4
Total	201	162,420.81	

Excluding Project Finance.

Source: Refinitiv

SDC code: P2

Borrowers warn virus outbreak could impact earnings

■ US Loan market may remain quiet, especially for opportunistic deals

Companies are warning that the fast-spreading coronavirus could disrupt operations and cut into earnings as the loan market feels the pinch from a sell-off in equity markets.

Borrowers, including toy manufacturer **HASBRO** and publisher **HOUGHTON MIFFLIN HARCOURT** warned last week that production could be impacted by a slowdown at manufacturers due to the coronavirus.

Some opportunistic loan financings have been pushed off amid the volatility, while the high-yield bond market was in a holding pattern for all of last week.

The most immediate economic impact is expected in China, but the risk of a pandemic could send ripples through financial markets globally. The virus will likely have the largest negative impact on goods and services sectors that rely on Chinese consumers and intermediary products, Moody's said this month.

The Dow Jones Industrial Average fell more than 11% last week. The LPC 100, a cohort of the 100 most liquid US loans, dropped 46bp last week up to Wednesday.

The loan market tends to react slower than equities. At least one trader said there was a bit of a "buyers strike" early in the week as firms sought to determine how best to position their portfolio. Both the trader and a banker said firms had cash they are willing to put to work at the right price.

"The loan market is down half to one point and this will eventually ripple into the primary market," the banker said.

The volume of loan deal launches was slower with a few opportunistic financings put on hold.

MANUFACTURING CONSTRAINTS

Hasbro said that while it had the manufacturing capacity to meet expected demand this year, if the company or its suppliers suffer prolonged manufacturing disruptions due to public health conditions such as coronavirus, its manufacturing capacity could be adversely impacted.

Hasbro signed a US\$1bn term loan in September to partially fund its acquisition of Entertainment One.

Disruption for toy companies, including Hasbro, could extend into the second quarter if the outbreak is not contained, S&P said.

Houghton Mifflin Harcourt, which refinanced in November with a US\$380m term loan, said that an operational disruption to its business from factors including coronavirus could restrict its ability to supply products and services to customers.

Home decor and furniture retailer **PIER 1 IMPORTS**, which filed for Chapter 11 on February 17, noted it could face a potential disruption of its inventory due to the virus.

"While factories are beginning to reopen in China, this will likely have some effect on inventory levels for the foreseeable future," CEO Robert Riesbeck said in a court filing.

The loan asset class may remain quiet, especially for opportunistic deals, until markets seem more hospitable.

"Deals that have deadlines ... will have to wait and see what the sentiment is next week," the banker said last week. "We wanted to launch deals this week too, but now we've hit the pause button."

Kristen Haunss, Aaron Weinman

SAIC provides engineering IT services primarily to the US government, including the Department of Defense. The company was spun off from Leidos Holdings in September 2013.

Unisys Federal provides cloud migration and enterprise IT services to US government agencies. The company is an operating unit of Unisys.

■ DUFF & PHELPS FLOATS TERMS

Corporate financial adviser **DUFF & PHELPS** floated price guidance for a financing package that will back its acquisition by a global investor consortium led by Stone Point Capital and Further Global Capital Management.

The debt deal comprises a US\$1.225bn first-

lien Term Loan B facility, a €300m first-lien TLB and a US\$200m revolving credit facility.

Both the dollars and euros are being offered at 350bp over Libor/Euribor with a 0% floor, 99.5 OID and 101 soft call protection for six months.

The dollar and euro-denominated TLBs have seven-year tenors.

Goldman Sachs, UBS, Bank of America, Morgan Stanley, Stone Point Capital Markets, KKR Capital Markets, CapitalOne and Credit Suisse are arranging the transaction.

Corporate ratings are B3/B- and the first-lien debt is rated B2/B-.

Duff & Phelps agreed to be acquired by the consortium of investors for US\$4.2bn.

CAPSTONE LOGISTICS, a provider of outsourced supply chain services, has

guided the terms of a US\$395m Term Loan B that will refinance existing debt.

The seven-year, first-lien TLB is being offered at 450bp–475bp over Libor with a 0% floor, 99.5 OID and 101 soft-call protection for six months.

Credit Suisse is leading the deal.

Capstone is also raising a US\$75m revolving credit facility and privately placing a US\$105m second-lien term loan, according to Moody's.

Corporate and first-lien ratings are B3/B-.

Adjusted debt to Ebitda is roughly 6.3 times, Moody's said.

In October 2014, Capstone raised a US\$182.5m seven-year TLB at 450bp over Libor with a 1% floor.

The Jordan Company acquired the company in August 2014.

■ SNAPAV RELAUNCHES ADD-ON

SNAPAV has relaunched a US\$390m incremental debt transaction to support the company's acquisition of Control4.

The transaction now comprises a US\$290m first-lien term loan B and a US\$100m second-lien loan.

The first-lien loan is being offered at 475bp over Libor with a 0% floor, a 95-96 OID and 101 soft-call protection until July 31.

SnapAV originally launched the deal in July as a US\$390m first-lien incremental TLB at 500bp over Libor and an OID of 99 but it was postponed due to adverse market conditions.

SnapAV will attach the non-fungible debt to a TLB that matures in August 2024.

UBS, BMO Capital Markets and SunTrust are arranging the deal.

SnapAV's corporate rating is B3/B.

Moody's upgraded SnapAV's first-lien loan to B2 from B3 after the company included the second-lien tranche in the financing. The US\$100m second-lien loan creates a first loss absorption and reduces the total amount of first-lien debt, the ratings agency said.

The debt-to-Ebitda ratio is roughly 8.2 times, but this is expected to decrease to less than 7.0 times over the next 12 months, Moody's said.

The US\$680m acquisition includes US\$247m in new equity from SnapAV's private equity sponsor Hellman & Friedman.

SnapAV manufactures and distributes audio, video, networking, structured wiring and surveillance products.

Pet food manufacturer **CJ FOODS** has launched a US\$285m first-lien term loan B that will support its acquisition of peer American Nutrition.

The seven-year TLB is being offered at 450bp over Libor with a 0% floor, a 99 OID and 101 soft-call protection for six months.

Citizens Bank is leading the deal.

CJ Foods, rated B2/B-, is also raising a US\$40m senior secured first-lien revolving credit facility.

Pro forma for the acquisition of American Nutrition, CJ Foods' debt to Ebitda is roughly 6.1 times, Moody's said.

This excludes some of management's pro forma Ebitda add-backs and partial credits. When included, pro forma leverage reduces to 4.1 times, the ratings agency said.

Debt-to-Ebitda leverage is expected to decline to the low-to-mid 5.0 times area over the next 12-18 months due to earnings growth and debt repayments.

Biopharmaceutical company **ALKERMES** has floated price talk for its US\$350m term loan B refinancing.

The five-year loan is being offered at 225bp over Libor with 0% floor at 99.5 OID.

The loan carries 101 soft-call protection for six months. It amortises at 1% per year.

Morgan Stanley and Cowen are lead arrangers. Morgan Stanley is also administrative agent.

The company is rated Ba3/BB- and the facility is rated Ba3/BB.

AMEX GBT AMENDS TERMS

AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL

amended the terms on a US\$1.13bn debt financing.

The transaction now comprises a US\$615m funded tranche and a US\$515m delayed-draw term loan, versus the initial terms of US\$615m in funded debt and a US\$605m DDTL.

The seven-year term loan B was priced at 400bp over Libor with a 0% floor, 98 OID and 101 soft-call protection for 12 months.

American Express GBT guided the deal at 350bp over Libor with a 0% floor, 99 OID and 101 soft-call protection for six months.

Ticking fees will now kick in from day one of the loan at 100% of the margin, plus Libor.

Previously ticking fees worth 50% of the margin were scheduled to start between days 46 and 90 of the DDTL, before increasing to 100% of the margin from day 91 onwards.

American Express GBT is also raising a US\$150m revolving credit facility.

Credit Suisse, Morgan Stanley, Goldman Sachs, UBS, Bank of America and South Korea's Kookmin Bank led the deal.

Proceeds will refinance debt, fund a shareholder distribution and go towards acquisition financing.

In December 2019, private equity firm Carlyle Group agreed to buy a stake in American Express GBT.

American Express GBT was a wholly-owned unit of credit card issuer American Express until 2014 when it sold half its stake to an investor group led by Certares.

Berry Global's TLY dips after shareholder request

US Loans drop in secondary after Canyon writes to board

Plastics maker **BERRY GLOBAL**'s term loan Y dipped last week after the company's board of directors received a letter from Canyon Capital Advisors, which asked Berry to curb its appetite for acquisitions and correct "market misperceptions" about the sustainability of its products.

Berry's term loan Y, which has roughly US\$4.25bn outstanding, was quoted at an average bid of 98.625-99.125 on Thursday after opening the day on Monday at par, according to investors.

"The loan was as high as par and a half [earlier in 2020], so there is definitely some weakness," one investor said.

Canyon, which owns more than 9m shares in Berry or 7% of the company's common stock, has requested three things of Berry. It wants Berry to appoint an investment bank or financial adviser to develop a "clear plan" to speed up its deleveraging process. It also wants the company to commit to obtaining an investment-grade credit rating and limit mergers and acquisitions activity to reduce debt, and to further address environmental, social and governance themes and misconceptions about the sustainability of its products in the paper and packaging sector.

Canyon's letter noted that Berry's stock was down 6.8% this year versus the S&P 500 partly due to investor concerns over the company's product volumes. The investor also said that Berry had failed to reassure the market of its M&A strategy.

Confidence prevails that the company will continue to meet its cashflow targets, said two investors. Canyon stated similar confidence in the letter.

"Berry is high quality in terms of the US leveraged market," another investor said. "They could get to investment-grade level because they are a decent cash producer."

The company is rated Ba3/BB+ and its first-lien loan is rated Ba2/BBB-.

Berry has grown through acquisitions, the most recent being its US\$6.5bn purchase of UK packaging firm RPC Group in July.

Canyon said now is an opportune time for Berry to deleverage and sell non-core assets as packaging companies have locked in strong Ebitda sale multiples in recent years. Global packager **AMCOR**, for example, is valued at a 4.0-5.0 times Ebitda premium to Berry due to a less-leveraged capital structure, Canyon said in its letter.

GETTING OUT FRONT

As a plastics and packaging company, firms such as Berry have faced criticism for the adverse effects that plastic can have on the environment, and industry players have been quick to promote ESG measures in their business practices.

Nestle has committed US\$2bn to develop food-grade recycled plastic resins and Unilever has transitioned some of the packaging it uses to recycled materials, Canyon said.

Canyon, however, said Berry should "get in front" of ESG trends and "correct" market misconceptions about how sustainable its products can be. It also noted that Berry has announced a collaboration with Saudi Arabian chemicals company Sabic to use recycled resins that form some of its plastics.

"Although the company has been more vocal with ESG issues, faulty market perceptions have proven difficult to alter," Canyon said in the letter addressed to Berry chief executive Thomas Salmon.

The investment firm urged Berry to prioritise ESG ratings and said the company was behind the rest of the market.

Berry went public via an IPO on the New York Stock Exchange in October 2012.

Aaron Weinman

Certares bought a 50% stake in the company alongside the Qatar Investment Authority, funds managed by BlackRock and the Teacher Retirement System of Texas.

Certares will offload a part of its stake to Carlyle, which invested in the travel business alongside Singapore's sovereign wealth fund GIC, the University of California Office of the Chief Investment Officer of the Regents and Kaiser Permanente.

American Express will still retain 50% of the GBT business.

Jukebox music provider **OCTAVE MUSIC** has finalised the extension of its existing term loan B and added US\$60m to the facility.

The TLB priced at 525bp over Libor with a 0% floor, a 99 OID and 101 soft-call protection for six months.

The TLB maturity has been extended by four years to May 2025.

Octave guided the transaction at 500bp-525bp over Libor with a 0% floor.

Citizens Bank arranged the deal.

Proceeds from the US\$60m upsize will pay down a second-lien term loan.

In May 2015, Octave, then known as TouchTunes, raised a US\$257.5m credit facility that supported private investment firm SearchLight Capital Partners' takeover of the company.

The US\$170m six-year first-lien facility priced at 475bp over Libor with a 1% floor; US\$62.5m was also raised in seven-year second-lien debt.

✶ BORROWERS PULL LOANS

Jitters throughout the financial markets have forced two opportunistic borrowers to pull their loan deals from the primary sector.

The stock market freefall continued through to Friday morning as investors flocked to safe havens such as US Treasuries and other government bonds while fears mounted that coronavirus will stunt global economic growth.

In the loan market, energy company **NORTHRIVER MIDSTREAM** withdrew a US\$535m add-on Term Loan B, a deal it intended to use to refinance debt.

Fire safety company **MINIMAX VIKING** also yanked a US\$1.145-equivalent, dual-currency repricing effort.

The two opportunistic borrowers that sought to take advantage of the benign credit conditions and strong investor appetite for debt were blindsided by the impact of the virus and could be the first of more primary deals to hit the pause button.

"This whole year it's been about opportunistic deals, but these companies will need stability in the market before they can do these types of deals," said one banker.

NorthRiver Midstream had offered its fungible add-on at 325bp over Libor with a 0% floor, 99 OID and 101 soft call protection for six months. The TLB matures in October 2025.

Citigroup, CIBC, Credit Suisse, HSBC, RBC Capital Markets and Scotiabank were arranging the deal.

Minimax Viking had given lenders until February 26 to commit to terms on a US\$590m and €506m dual-tranche repricing. The dollars were being shopped at 225bp over Libor with a 0.75% floor and the euros were being offered at 250bp over Euribor with a 0% floor.

Both tranches came with no OID and 101 soft call protection for six months.

Deutsche Bank was leading this two-part offering.

✶ ASTRA HIKES MARGIN

Software company **ASTRA** has increased the margin on the first-lien term loan B linked to a US\$435m transaction that backs the

takeover of the company by Veritas Capital from Leeds Equity Partners.

The US\$325m seven-year first-lien TLB priced at 550bp over Libor with a 0% floor, a 98.5 OID and 101 soft call protection for six months.

The UBS-led loan was initially shopped at 500bp over Libor with a 99 OID.

A US\$110m eight-year second-lien loan priced at 875bp over Libor with a 1% floor and 97 OID.

Astra is also raising a US\$40m revolving credit facility.

Corporate ratings are B3/B-, the first-lien loan is rated B2/B and the second-lien debt is rated Caa2/CCC.

Proceeds from the term loans, plus rolled over equity from Leeds and new equity from Veritas will support the takeover, pay fees and expenses related to the transaction, and allocate US\$40m of cash to the company's balance sheet, Moody's said.

Astra is the combination of Leeds' two portfolio companies, Campus Management and Edcentric Holdings.

Veritas has agreed to acquire a majority stake in the two companies. Leeds will continue as a minority investor in the combined company.

Adjusted debt to Ebitda will ease towards 9.0 times by the end of this year, Moody's said.

Low-cost airline **JETBLUE AIRWAYS** has completed an amendment to its US\$550m revolving credit facility to include a sustainability-linked provision to the transaction.

BNP Paribas was the sustainability structuring agent on the deal.

The senior secured facility includes a pricing mechanism related to the margin and commitment fee on the loan, which is then linked to JetBlue's environmental, social and governance score provided by ESG evaluator Vigeo Eiris.

In 2018, JetBlue started to review the sustainability strategies of its lenders and is shifting its business to work with financial institutions with stronger ESG policies.

This year, JetBlue said it will operate carbon neutral domestic flights in the US by offsetting emissions from jet fuel. The company aims to reduce CO2 emissions by more than 7.7 million tonnes this year.

The airline also aims to start using sustainable aviation fuel on flights from San Francisco.

TECOMET has increased its add-on loan to US\$165m.

The loan was issued at a 99.5 OID.

The US\$165m add-on loan is fungible with the company's senior credit facilities priced at 350bp over Libor and due May 2024. It was originally marketed as a US\$135m loan.

Proceeds will be used to fund a shareholder distribution.

Jefferies, Antares and KKR Capital Markets arranged the loan.

Tecomet provides high precision manufacturing services to medical device and aerospace and defence manufacturers.

✶ APTOS WRAPS LBO LOAN

Retail software company **APTOS** has set final pricing terms for its US\$300m first-lien Term Loan B. The seven-year loan was priced at 550bp over Libor, with 0% floor and 96 OID.

The loan will amortise at 1% per annum. Soft call protection will be reset at 101 for 12 months.

Goldman Sachs was lead left. ING and KeyBank also led the transaction.

Proceeds from the loan, and a contribution of new common equity from Goldman Sachs Merchant Banking and rollover equity from management, will fund the leveraged buyout of Aptos from Apax Partners and refinance existing debt, according to Moody's.

The company and the first-lien tranche is rated B3/B-.

Power generator **INVENERGY** has repriced its US\$390m Term Loan B. The TLB was offered at 300bp over Libor with a 0% floor, no OID and 101 soft call protection for six months.

Initially, Invenergy shopped the loan at 275bp-300bp over Libor with no floor. The loan, led by Credit Suisse and Goldman Sachs, matures in August 2025.

In June 2018, Invenergy raised a US\$350m first-lien seven-year TLB at 350bp over Libor.

Corporate and first-lien ratings are Ba2/BB.

Invenergy has a portfolio of seven operating gas-fired electric power plants with a 2.68 gigawatt capacity.

EUROPE/MIDDLE EAST/AFRICA

✶ BOELS OUTLINES PRICE TALK

Dutch equipment rental firm **BOELS** has released price talk on a €1.61bn term loan B that will back its €614m acquisition of Finland's Cramo.

The TLB, which matures in February 2027, is guided at 300bp-325bp over Euribor with a 0% floor and a 99.5 OID. The loan includes soft-call protection for six month and has a maintenance leverage covenant.

There is also a €200m revolving credit facility that will mature in August 2026.

Proceeds will be used to fund the acquisition, refinance all of Boels' and Cramo's debt and pay transaction costs.

Corporate and issue ratings are BB-/BB-/B1 with a stable outlook.

Credit Suisse, ING, ABN AMRO, Rabobank and BNP Paribas are physical bookrunners on the financing.

The combined company will have annual revenues of around €1.25bn.

GERFLOR DETAILS TLB

Pricing has emerged on an €850m senior secured term loan B backing investment firm Cobepa's acquisition of French flooring and interior finish company GERFLOR.

The seven-year TLB is guided to pay 350bp-375bp over Euribor and it is offered at 99.5 OID.

There is also a €125m 6.5-year revolving credit facility.

Moody's assigned a B2 rating to the loan.

Cobepa agreed to buy a majority stake in Gerflor in January. After the transaction, it will control the firm alongside previous majority shareholder Intermediate Capital Group and Gerflor management. ICG bought Gerflor in 2011 from AXA Private Equity.

The sale, subject to regulatory approval, is expected to close this month.

Moody's said adjusted opening leverage was 6.5 times in December 2019 pro forma for the transaction and the full-year effect of acquisitions, but before any future synergies and expected cost savings. The ratings agency expects leverage to decline to below 6 times in the next 18 months.

INOVYN SEALS REFI, ADD-ON

Chemicals and plastics company INOVYN has allocated a €1.064bn term loan that will refinance debt and fund expenditure at parent level.

The term loan B, which includes a €250m fungible add-on, priced in line with guidance at 200bp over Euribor with a 0.5% floor. The loan was issued at an OID 99.75 having been guided at 99.75-par.

EUROPEAN LEVERAGED LOANS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	6	1,685.55	14.6
2 Deutsche Bank	6	1,092.62	9.5
3 Goldman Sachs	4	723.02	6.3
4 ING	3	722.40	6.3
5 Santander	4	646.28	5.6
6 Barclays	4	640.42	5.5
7 Citigroup	3	536.11	4.6
8 BofA	3	518.23	4.5
9 SG	2	493.91	4.3
10 UBS	2	481.22	4.2
Total	13	11,553.59	

Excluding project finance. Western Europe only included.

Source: Refinitiv

SDC code: P10

Banks struggle to shift Iliad loans

■ EUROPE Loans totalling €1.8bn should have closed two weeks ago

Banks are struggling to shift €1.8bn of loans for French telecom and fibre network operator ILIAD.

The loans were launched to back founder and majority shareholder Xavier Niel's share buyback, in which he increased his stake in the company to just over 72%.

The loans are being raised at a holding company level, so as not to affect leverage at Iliad's operating company, where leverage is at around 2.0 times.

BNP Paribas, Credit Agricole, Natixis and Societe Generale are leading the corporate leveraged financing, which should have closed for syndication around two weeks ago.

"The financing is trundling along slowly in the background like a slow train to nowhere. It will get there in the end," a senior banker said.

The banks have since gone out to a wider group of lenders to try and shift the excess paper.

The covenanted-holdco financing is split between a €1.5bn term loan A paying 300bp over Euribor and a €300m term loan B, guided to pay 375bp over Euribor.

"For most CLO investors the loans are not secured and unrated, which makes them very hard to buy," a second senior banker said.

A senior investor added: "If it is unrated it just doesn't work at all and there won't be a CLO solution for that deal. They need to find a private credit shop with a lot of fire power to take the whole thing at whatever price."

Claire Ruckin

Additional reporting by Alasdair Reilly

The transaction includes 101 soft call for six months.

The TLB will refinance its €823m TLB that it repriced in November 2018 at 200bp over Euribor.

Apart from raising additional debt, the firm is extending the maturity of the loan to February 2027 from November 2025. It also sought covenant amendments on the TLB.

Ratings are Ba3/BB-

Bank of America and JP Morgan were global coordinators and physical bookrunners. JP Morgan is admin agent.

Inovyn is owned by chemicals group Ineos.

■ ATNAHS WRAPS ADD-ON

UK-headquartered pharmaceutical firm ATNAHS has issued its €260m acquisition add-on at par, after being guided at a 99 OID.

EMEA SPONSORED LOAN BOOKRUNNERS

BY VOLUME: 1/1/2020 TO DATE

Europe, Middle East, Africa			
Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	3	839.01	11.6
2 ING	2	622.40	8.6
3 Barclays	3	548.03	7.6
4 Deutsche Bank	3	536.11	7.4
5 Citigroup	3	536.11	7.4
6 UBS	2	481.22	6.7
7 Goldman Sachs	3	338.32	4.7
8 HSBC	3	338.32	4.7
9 Credit Suisse	2	283.42	3.9
10 BofA	2	283.42	3.9
Total	5	7,218.40	

Excluding project finance.

Source: Refinitiv

SDC code: P13

The covenant-lite loan priced at 500bp over Euribor, in line with guidance, with a 0% floor.

Proceeds will fund the acquisition of a cardiovascular medicine portfolio from AstraZeneca and a single product from a large pharma company.

Corporate and issue ratings are B2/B-/B+ with stable outlook.

Barclays, Credit Suisse and HSBC are physical bookrunners, alongside KKR Capital Markets, Investec, MUFG and NatWest Markets.

The loan, due August 2026, is fungible to a €354m term loan that was raised in September at 500bp over Euribor to back Atnah's acquisition by private equity firm Triton.

Triton agreed to acquire a majority stake in Atnahs in June.

■ STONEGATE INCREASES BRIDGE

TDR Capital's UK pubs group STONEGATE PUB has increased the senior bridge loan put in place in July 2019 to help finance the acquisition of the UK's largest pub owner EI Group by £100m to £1.45bn.

Stonegate is backing the acquisition of EI with £2.5bn of loans comprising the senior bridge loan; a £450m senior term loan, a £200m senior revolving credit facility, and a £400m second lien facility.

Initial mandated lead arrangers and bookrunners on the wider financing are Barclays, Goldman Sachs and Nomura, which were subsequently joined by Deutsche Bank, Lloyds Bank and Rabobank.

In addition to the senior and second-lien financing, there is a £325m 8.5-year PIK facility, which is being provided by AlbaCore Partners.

Lenders line up €3.25bn for Coty unit sale

■ EUROPE Sale is attracting private equity and trade buyers

Credit Suisse and UniCredit have lined up around €3.25bn of leveraged loans to back a potential sale of the hair and nail care unit of US-based cosmetics maker **COTY**.

Coty is exploring the sale of the division that houses brands such as Wella, Clairol and OPI as part of its plan to whittle down its portfolio and cut debt.

Bids are due on March 2 in the first round of an auction process and the sale is attracting private equity and trade buyers, including consumer goods giants Unilever and Henkel, and buyout funds such as Advent, Bain, Blackstone, CD&R, Cinven, CVC, CPPIB, GIC, KKR, Partners and TDR.

"We are still trying to work out who is not around it. It is a global trade so global, US and European sponsors are trying to decide whether to put indicative bids in. There are around 29 names on the list," a senior banker said.

The €3.25bn leveraged loans from Credit Suisse and UniCredit is a staple financing that will be available to any potential bidder to give them certainty of funds.

The staple financing totals around 6.5 times the unit's approximate €500m Ebitda and consists of first and second-lien loans.

"It is super punchy leverage because it is not one business but a collection of different businesses that are not all aligned. Whoever buys it is going to have to take the business apart and put it back together again so bankers need to work out what it might look like and then what leverage it can support," the senior banker said.

"Retail is a tricky sector but it is an attractive proposition with some high-profile brands and it is gaining a lot of interest," a syndicate head said. "It is also an event-driven financing, which let's face it, everyone has been screaming out for."

FRUSTRATING TIME

Bankers and investors in Europe's leveraged loan market have been desperate to invest in new paper in a bid to put a meaningful amount of money to work following a lack of M&A and several opportunistic financings, as borrowers take advantage of the supply/demand imbalance to improve the borrowing terms on their portfolios.

Coty said it will use the proceeds from any transaction to pay down debt and return excess cash to shareholders.

The company, which is majority owned by German conglomerate JAB Holdings, hired Credit Suisse to run a sale process for the unit, which generated about US\$2.7bn in net revenue in 2019.

Last year, JAB raised its stake in Coty to 60%, giving it a firmer grip on the company.
Claire Ruckin

The acquisition values EI Group's shares at around £1.272bn or an enterprise value of £2.97bn when debt is included.

■ CALDIC SEEKS AMENDMENTS

Dutch chemical distributor **CALDIC** is seeking to amend and extend existing loans after the firm divested its tank storage business.

Caldic is aiming to make some documentation amendments to align the facility agreement reporting with the new IFRS reporting that is being adopted for financial year 2019.

It also plans to extend the maturity of the term loan B and the second-lien loan by two years and to seek more operational flexibility allowed under the existing loan documentation.

Goldman Sachs is leading the transaction.

In December 2019, Caldic agreed to sell its Dutch tank storage and production facilities in Europort to First State Investments in an undisclosed amount.

The divestment decision is to focus more on solution-driven distribution activities within the food, health and personal care and industrial markets, the company said.

As part of the divestment process, the firm is looking to partly repay existing debt and pay a one-time dividend to shareholders using proceeds from the sale.

Caldic last tapped the loan market in June 2017 for a €245m seven-year covenant-lite term loan at 325bp over Euribor to back its acquisition by Goldman Sachs Merchant Banking Division.

The first-lien included a €55m-equivalent Canadian dollar-denominated pre-placed tranche.

In addition, there was an €84m eight-year pre-placed second-lien loan and a €60m revolving credit facility to support the buyout.

ASIA-PACIFIC

■ HEALTHE CARE FLEXES PRICING

Healthe Care Australia is flexing the pricing on portions of its A\$735m (US\$482m) multi-tranche financing for its subsidiaries.

A A\$245m five-year senior tranche for **HEALTHE CARE SURGICAL** and a A\$285m five-year first-lien term loan for **HEALTHE CARE SPECIALTY** is now offering interest margins of 475bp over BBSY each, up from 425bp when the deal was launched last November.

A A\$80m mezzanine piece for Healthe Care Surgical is guided at 10.5%, and a A\$105m 5.5-year second-lien term loan for Healthe Care Specialty at 800bp over BBSY.

The financing for the latter also includes a A\$10m capex tranche and a A\$10m revolving credit facility.

Goldman Sachs is underwriting the facilities for the companies, owned by China's Luye Medical Group.

Healthe Care Surgical operates hospitals and day surgeries, while Healthe Care Specialty runs mental health and rehabilitation hospitals as well as oncology and cardiology centres.

Luye Medical Group, part of China's Luye Life Sciences Group, has repaid outstanding loans of about A\$295m that funded its acquisition of private hospital operator Healthe Care Australia in 2016.

ANZ, DBS Bank, Industrial and Commercial Bank of China, National Australia Bank and Westpac were the lenders.

■ TRADE ME WRAPS REPRICING

New Zealand online classified operator **TRADE ME** has finalised the terms on its US\$602m term loan B repricing.

The TLB priced at 400bp over Libor with a 0% floor from guidance of 375bp-400bp over Libor.

The loan was issued with no OID and 101 soft-call protection will be reset for six months.

Corporate ratings are B1/B.

Credit Suisse arranged the first-lien loan, which will mature in May 2026.

Trade Me raised a US\$605m seven-year TLB in April at 425bp over Libor with a 0% floor.

Proceeds supported the company's buyout by private equity firm Apax Partners.

The buyout was also supported with a NZ\$276m (US\$178.7m) second-lien loan that was privately placed.

■ BARING TAPS FOR EDUCATION FIRM

BARING PRIVATE EQUITY ASIA has raised a US\$70m five-year club loan to back its purchase of a

majority stake in an operator of English language training centres in Vietnam, marking its first investment in the country.

Nine banks participated in the transaction, which offers an interest margin in the high 300s.

Lenders are Bank SinoPac, CTBC Bank, E. Sun Commercial Bank, ING, Taipei Fubon Commercial Bank, KGI Bank, SMBC, Cathay United Bank and Taishin International Bank.

Asia-focused BPEA acquired the stake in Vietnam USA Society English Centres, the largest provider of English language training services in the South-East Asian nation. It operates 20 centres across Vietnam, enrolling approximately 200,000 students annually.

TPG SEEKS FOR SCHOOLS LBO

Private equity firm **TPG CAPITAL ASIA** is seeking a US\$90m five-year loan to back its leveraged buyout of the K-12 education business of Malaysia's Paramount.

Deutsche Bank is leading the deal, which is said to pay an interest margin of 450bp over Libor and has been launched into limited syndication.

TPG's majority stake in Vietnam Australia International School, located in Ho Chi Minh City, will form the security for the loan.

On June 20 last year, Paramount announced that it was divesting its controlling stakes in Paramount Education, Paramount Education (Klang) and Sri KDU to

TPG-backed Two Horses Capital for an indicative M\$540.5m (US\$128m) in cash.

Paramount's K-12 education businesses comprises Sri KDU and REAL national and international schools, REAL Kids pre-schools, and Cambridge English for Life enrichment centres.

Rothschild & Co is the sole financial adviser to the Paramount board for the sale. RHB Investment Bank is the sole principal adviser. Credit Suisse is a buy-side adviser and Maybank is the co-adviser to TPG Capital Asia.

In 2017, TPG bought a majority stake in K-12 education group VAS from two PE funds, Mekong Enterprise Fund II and MAJ Invest.

RESTRUCTURING

EUROPE/MIDDLE EAST/AFRICA

BRITAX WRAPS RESTRUCTURING

Lenders have taken over UK child safety product manufacturer **BRITAX** from private equity firm Nordic Capital in a debt-for-equity swap.

US investment firms Avenue Capital and Marblegate are now the majority owners of the company, having previously bought into Britax's debt in Europe's secondary market.

Prior to the restructuring, the company had a covenant-lite US\$392.76m-equivalent term loan B that was set to mature this year and was led by Goldman Sachs and HSBC. The loan comprised a US\$280m tranche, a €65m tranche and a A\$25m tranche.

That financing has now been predominately written off and a "sizeable" new money facility has been put in place, a source said.

The 2013 loan refinanced Britax's £260m buyout financing that backed Nordic Capital's £430m acquisition of the company in 2011.

Houlihan Lokey advised the company and PJT advised the lenders on the debt restructuring.

Moody's downgraded Britax's debt in September to Caa3 from Caa1 as its operating performance continued to deteriorate, with Ebitda falling 17% to €19m between June 2018 and June 2019.

The deterioration was driven cost inflation, IT problems in Europe and soft market conditions in China, Moody's said.

The company was acquired by Nordic Capital Fund VII and the plan was to drive geographical expansion and to capitalise on emerging market growth, predominantly in China and Latin America.

In April 2018, Nordic Capital completed the transfer of its remaining nine unlisted portfolio companies, including Britax, to a continuation vehicle, Nordic Capital CV1, providing fresh capital over an additional five-year holding period.

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■ FRONT STORY ACCELERATED BOOKBUILDS

Two brave market sell-off

Two ABBs in EMEA tick the right boxes to attract buyers

Two brave sellers executed accelerated bookbuilds last week, shedding small stakes in Portuguese utility **EDP** and South African gold miner **SIBANYE STILLWATER** despite markets falling sharply amid the coronavirus outbreak.

Bank of America bagged a spot on both sell-downs, working with *BNP Paribas* on state-owned power company China Three Gorges' sale in EDP on Wednesday and with bookrunner *Citigroup* on the Sibanye sell-down on Thursday.

A banker involved highlighted the "horrendous" market backdrop but pointed out that exposure to gold and blue-chip ESG companies are assets investors are turning to as indices tumble and uncertainty grows.

"This is not a larger trend, these two sellers are very case specific and the vast majority would not be looking to sell in this market," he said.

Gold One Group sold 2.7% of Johannesburg-listed Sibanye Stillwater on Thursday evening, with the view to paying off a loan, cashing in around R2.4bn (US\$154m).

A speedy turnaround saw wall-crossing begin at 2pm UK time with the deal launching after the UK close, about 90 minutes after the South African exchange closed.

A total of 72m shares were sold at R33.60, a 7.9% discount to Thursday's close of R36.50.

The book was around 60 lines and the top five orders took more than half the shares.

Investors were nervous as Thursday progressed, but the view was that the next day would be no better for the seller and with a decent discount the deal would go through.

While the deal was sold the stock traded heavier than expected on Friday with shares in Sibanye Stillwater plunging 13.8% to R33.02.

Gold One Group remains Sibanye's largest shareholder with 13.3%. *Momentum Securities* was co-bookrunner on the sale.

The Sibanye ABB followed a 1.8% sell-down in Portugal's EDP on Wednesday that saw China Three Gorges pick up €293m.

"In this market environment, EDP was one of the few names and sectors you could consider," said a banker that worked on the trade. "A small-cap stock, illiquid, in the travel or leisure space, the discussion would have been short-lived."

After seeing stocks re-rating throughout the day, it was felt that there was a good window for a deal of this size and in this name and the banks went on risk.

Books on EDP opened shortly after the close, offering 65.82m shares in EDP, representing a light six or seven days' trading. Although there was no wall-cross in advance, there had been significant reverse enquiry, providing comfort for bookrunners Bank of America and BNP Paribas.

Pricing at €4.45 per share was a 2.5% discount to the close. The banker said the market environment favoured simple messaging and not pushing too heavily on pricing.

A book of more than 80 lines was dominated by UK money and infrastructure specialists, and inevitably populated by hedge funds. The top 15 orders took approximately two-thirds of the trade. A second banker on the trade said that an ESG angle for EDP, which retains 83% of EDP Renovaveis, was helpful in populating the order book.

EDP shares opened at €4.50 on Thursday, falling 3.59% on the day to close at €4.402. By the close on Friday they were €4.22 each.

CTG is left with a 21.5% stake in EDP, subject to a 120-day lock-up, but said it intends to remain a long-term shareholder. Lucy Raitano, Robert Venes

Intu loan contingent on £1.3bn rights issue

Shopping centre owner's market cap has fallen to £150m

Troubled shopping centre operator **INTU PROPERTIES** has extended its revolving credit facility to 2024 but its lenders have cut the size to £440m and it is contingent on the troubled company raising at least £1.3bn through a rights issue.

The cash call is a massive stretch at more than eight and a half times the company's market cap of £150m on Friday afternoon.

Intu's already depressed share price fell 7.3% last Wednesday following the news. The fall accelerated as the week went on, falling another 7.5% on Thursday and 13.6% by early afternoon on Friday to 11.07p.

The company has said it will update the market on the equity fundraising in March alongside publishing its annual results.

The low share price and massive scale of the fundraising relative to the market

capitalisation leaves very little room to set desirable terms in a rights issue. It is not possible for the discount to the theoretical ex-rights price – which is critical to securing bank underwriting – to be set at more than 9.4%. Achieving that level would require pricing the new shares at 1p and the rights issue to be conducted on an eye-watering 96-for-1 level that would effectively wipe out non-participating shareholders.

A distressed rights issue would typically see a discount to TERP in excess of 30%.

One option, if Intu can find a willing buyer, is to replicate Aston Martin's strategy of securing a chunk of the £1.3bn needed at a price close to the current share price and then conducting a rights issue in which the new investor is committed to participate.

Intu said late last year that it needed to raise equity and its shares have fallen significantly in the subsequent months.

Intu shares ended 2019 at 34p. Its shares have been on a downward path since early 2015 when shares traded at about 374p each.

The revised £440m credit facility will replace a £600m RCF that expires in October 2021.

Bank of America and *UBS* are corporate brokers to Intu and *Rothschild* is its financial adviser.

Two weeks ago Intu said it was talking to Hong Kong-listed Link REIT about an investment, leading to a sharp increase in the share price as the firm seemed to have secured a lifeline. Link said the next day it would not participate and the shares resumed their precipitous fall.

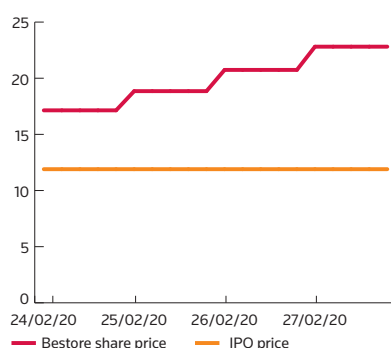
Lucy Raitano, Owen Wild

WEEK IN NUMBERS

↑92%

■ **BESTORE, A SNACKS MAKER HEADQUARTERED IN WUHAN, THE EPICENTRE OF THE CORONAVIRUS OUTBREAK, BEGAN TRADING ON THE SHANGHAI STOCK EXCHANGE ON MONDAY. ITS SHARES QUICKLY HIT THE 44% UPSIDE LIMIT ON THE FIRST DAY OF TRADING AND THE 10% LIMIT IN SUBSEQUENT DAYS TO CLOSE AT Rmb22.81 ON THURSDAY, UP 92%**

RMB, HOURLY PRICE



US\$1.25bn

■ **EUROPEAN INDICES FELL 3%-4% ON MONDAY, MORE IN ITALY, SO RUSSIAN SEARCH ENGINE YANDEX CAPITALISED ON A REVERSAL ON TUESDAY MORNING TO RAISE US\$1.25bn FROM FIVE-YEAR CONVERTIBLE BONDS. STOCKS TRADED OFF AGAIN IN THE AFTERNOON BUT THE COMPANY HAD ALREADY CLOSED BOOKS BY THEN**

275bp

■ **ASTON MARTIN LAGONDA IS PAYING UNDERWRITERS 275bp FOR £93.6m OF UNDERWRITING. THE STRUGGLING CARMAKER'S £317.2m RIGHTS ISSUE HAS STRONG SUPPORT FROM MAJOR SHAREHOLDERS AND LAWRENCE STROLL'S INCOMING CONSORTIUM SO LAUNCHED OVER 70% COVERED**

39.16

■ **THE CBOE VOLATILITY INDEX MORE THAN DOUBLED IN FOUR DAYS TO REACH 39.16 ON THURSDAY. THE VIX HAD ENDED THE PREVIOUS WEEK AT 17.08**

ASIA-PACIFIC

CHINA

BOHAI BANK FILES FOR IPO

CHINA BOHAI BANK filed with the Stock Exchange of Hong Kong last Wednesday for an IPO that could raise about US\$2bn–\$3bn this year.

ABC International, CCB International, CLSA and Haitong International are the joint sponsors.

The national joint-stock commercial bank, which counts Standard Chartered as its second-largest shareholder, also disclosed in the filing how the coronavirus outbreak may affect its business.

Since the outbreak, the Chinese government has encouraged banks and financial institutions to enhance their credit support to affected enterprises and individuals.

On February 15, the China Banking and Insurance Regulatory Commission announced that it may raise regulatory tolerance of banks' non-performing loans to businesses facing liquidity difficulties due to the epidemic.

In response to this, Bohai Bank said it has launched special supportive measures for qualified entities, through offering loans at reduced interest rates, fee waivers, and expedited credit approval procedures.

The bank said the outbreak has had no material adverse impact on its financial results or business operations for now. However, it also said the outbreak may affect the ability of micro and small enterprises to repay their loans, which in turn may materially and adversely affect its business, financial condition and results.

As of September 30 2019, Bohai Bank's loans to micro and small enterprises

amounted to Rmb122bn, representing 26.6% of its total loans.

Founded in 2005, Bohai Bank also counts Tianjin TEDA Investment, China Shipping Investment and State Development & Investment among its shareholders. StanChart owns a 19.99% stake, behind TEDA, which holds 25%.

The Chinese lender posted a net profit of Rmb6.5bn (US\$929m) for the nine months ended September 30 2019, up 16% over the same period of 2018. Its total assets stood at Rmb1.1trn as of September 30 2019, while its non-performing loan ratio and Core Tier 1 capital adequacy ratio were at 1.77% and 8.17%, respectively.

MEGVII IPO APPLICATION LAPSES

The Hong Kong listing application of **MEGVII TECHNOLOGY** lapsed last Tuesday, six months after the facial recognition company filed it.

The company, which was blacklisted by the US administration in October, originally aimed to raise US\$500m–\$1bn at the end of last year but was asked to answer more questions by the Stock Exchange of Hong Kong after it sought listing approval from the regulator on November 21.

People close to the deal said the company still wants to list in the city and will refile the IPO once its updated financials are ready, though there is no timeline for the deal now.

"The company intends to do the deal after it's removed from the US blacklist but the US presidential election this year could add uncertainty," said one of the people. "And now with a global outbreak of coronavirus, it's even harder to have a timeline."

Another person close to the deal estimated the IPO will come in the second half of the year.

Megvii filed its listing application on August 25. In October, the US Department

ASIA-PACIFIC EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Morgan Stanley	14	3,267.73	11.4
2 China Secs	5	2,702.20	9.4
3 CICC	15	2,677.38	9.4
4 Citic	7	2,024.37	7.1
5 Goldman Sachs	10	1,355.01	4.7
6 UBS	8	1,114.22	3.9
7 HSBC	7	946.49	3.3
8 BofA	7	936.41	3.3
9 Citigroup	7	924.24	3.2
10 Sinolink Secs	3	642.11	2.2
Total	280	28,596.44	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4a1

ASIA-PACIFIC EQUITIES (EX-JAPAN)

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Morgan Stanley	10	3,056.10	11.5
2 China Secs	5	2,702.20	10.1
3 CICC	15	2,677.38	10.0
4 Citic	7	2,024.37	7.6
5 Goldman Sachs	9	1,295.38	4.9
6 UBS	8	1,114.22	4.2
7 HSBC	7	946.49	3.5
8 Citigroup	7	924.24	3.5
9 BofA	6	908.17	3.4
10 Sinolink Secs	3	642.11	2.4
Total	256	26,688.92	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4a2

Politics disrupt Malaysian deals

■ ASIA-PACIFIC Mr DIY IPO and sovereign Samurai bond face delays

The sudden collapse of Malaysia's governing coalition, coming on top of an economic downturn and the coronavirus epidemic, is holding back the country's already quiet capital markets.

Home improvement retailer **MR DIY GROUP**, which is currently meeting potential cornerstone investors for an IPO of around US\$500m, is likely to delay the deal to the second quarter from the first, people with knowledge of the transaction said.

"We were looking at a possible launch in April, pending regulatory approval, but may have to wait as investors want more clarity on the political situation," said a banker close to the deal.

A planned issue of Malaysian sovereign bonds in Japan's Samurai market, expected early in the year, is also likely to be deferred until a new government is in place, bankers said.

Spurring interest in ECM deals is hard as recent IPOs are not performing well. Shares of cosmetics retailer **INNATURE**, which raised M\$113m from the year's biggest IPO to date in early February, closed at M\$0.56 on Thursday, down 12.5% from the M\$0.64 issue price. Last year's largest float, poultry producer Leong Hup

International, has seen its shares lose 35% to M\$0.715 against the issue price of M\$1.10.

CIMB, Credit Suisse, JP Morgan, Maybank and *RHB* are the joint global coordinators and bookrunners with *UBS* on the Mr DIY IPO.

The country has been plunged into turmoil by the collapse of the Pakatan Harapan coalition that took power after a stunning victory in the 2018 general election. After some members of the fractious coalition held talks with opposition parties at the weekend, Prime Minister Mahathir Mohamad suddenly resigned last Monday, only to be immediately reappointed as interim caretaker. Mahathir, 94, was accused of teaming up with other groups to form a new government that would exclude his anointed successor Anwar Ibrahim.

By the end of the week, it was still unclear who would lead the country, with Anwar, as president of the People's Justice Party, left as the leader of the diminished Pakatan Harapan coalition. On Friday, the country's king decided not to call for a special session of parliament, while he continues to seek a solution in talks with lawmakers.

The turmoil caused a steep sell-off of government bonds with yields spiking 18bp–

20bp across the curve at one stage on Monday, before ending the day 5bp–11bp higher.

The yield on the 10-year benchmark, which had closed at 3.03% on Monday, had retreated to 2.83% on Friday as a relative calm returned to the political scene. The ringgit fell 0.84% to 4.2260 against the US dollar on Monday, before recovering to around 4.2100 on Friday morning. The benchmark FTSE Bursa Malaysia KLCI index fell 3.2% over the week.

"The first half of this year is as good as gone. While we are not as badly hit as Hong Kong or Thailand because of the coronavirus, many doubts remain on the course of economic reforms in the country," a Kuala Lumpur-based ECM banker said.

As of Friday, there were 22 reported coronavirus cases in Malaysia, against 93 in Hong Kong and 41 in Thailand, according to media reports.

Despite the political vacuum, a much-needed M\$20bn (US\$4.74bn) economic stimulus package was announced as scheduled on Thursday, giving market participants hope that the extra spending will offset the impact of the coronavirus epidemic in the second half.

Anuradha Subramanyan, Kit Yin Boey
Takahiro Okamoto

of Commerce placed it on a blacklist alongside seven other companies and 20 public security bureaus over their alleged involvement in human rights violations in the formally autonomous region of Xinjiang.

On November 20, a day before Megvii sought listing approval, Hong Kong protesters began a letter-writing campaign to stop it from listing because of their opposition to surveillance technologies.

A sample letter said that should the US decide to impose sanctions on Megvii, the company's ability to continue its operations would be severely undermined.

The line-up of Megvii's syndicate is another concern for the company. Currently, the three sponsors on the deal – *Citigroup*, *Goldman Sachs* and *JP Morgan* – are all US banks.

"If the US really sanctions the company, none of these banks can work on the deal. The company needs a backup plan," said a third person close to the deal.

It is understood that Megvii has been considering adding non-US banks as sponsors but no decision has been made.

Last April, Megvii raised US\$750m from a private financing at a valuation of about US\$4bn.

■ DUO PLAN FOLLOW-ONS

CONTEMPORARY AMPEREX TECHNOLOGY, a top supplier of power battery systems in China, plans to raise Rmb20bn (US\$2.85bn) from a private share placement.

The Shenzhen-listed company will sell 221m shares, or up to 10% of its existing share capital, to up to 35 investors at a floor price of 80% of the 20-day average before the pricing day.

Proceeds will be used to expand and build three lithium battery production bases in Fujian, Jiangsu and Sichuan provinces, upgrade an energy storage research project, and replenish working capital.

The company has partnerships with Tesla, Volkswagen and BMW.

It posted a net profit of Rmb1.41bn on revenues of Rmb12.6bn for the first nine months of 2019.

Also last week, **HAITONG SECURITIES** amended some of the terms of a Rmb20bn A-share private placement.

The brokerage, which is listed in Hong Kong and Shanghai, plans to increase the number of proposed investors in the placement to 35 from 10.

Existing shareholders Shanghai Guosheng Group, Shanghai Tobacco Group

Investment, Bright Food Group, and Shanghai Electric have committed to buy Rmb10bn, Rmb3bn, Rmb800m–Rmb1bn and Rmb1bn of the offering, respectively.

The company has also lowered the floor price to 80% of the 20-day average before the pricing day, down from the previous 90%. It plans to sell up to 1.62bn A-shares.

Proceeds will be used mainly to develop its capital-based intermediary business, increase investments in fixed income, currencies and commodities, as well as to replenish working capital.

The deal still needs written approval from the CSRC after passing a hearing in December.

China Securities is the sponsor.

■ CR LAND MANDATES FOUR

CHINA RESOURCES LAND has picked four banks to lead the Hong Kong IPO of its property management unit, according to people close to the deal.

CCB International, *CICC*, *Citigroup* and *Goldman Sachs* are sponsors for the IPO, which could raise about US\$500m this year.

Several Chinese property developers have spun off their property management service arms in the past two years, including

Country Garden, Agile Group and Poly Developments and Holdings Group.

Hong Kong-listed Shimao Property is also considering spinning off its property management service unit in a Hong Kong IPO to raise about US\$500m–\$600m this year, IFR reported in January.

▶ TWO IPOs WIN FINAL APPROVAL

SHANDONG DONGYUE ORGANOSILICON MATERIALS and **HUNAN HESHUN PETROLEUM** have won final approval from the China Securities Regulatory Commission for A-share listings.

Shandong Dongyue Organosilicon Materials, a chemical products manufacturer, plans to raise Rmb2.07bn (US\$294m) from a ChiNext listing of 300m shares, representing a 25% free-float.

Proceeds will be used for an organic silicon processing project, to upgrade production and build an R&D centre.

Its original target was Rmb4.5bn, of which Rmb821m was to replenish working capital, but the company cut out this part in the latest IPO filing.

China Securities is the sponsor.

Hunan Heshun Petroleum, a wholesaler and retailer of refined oil products, aims to raise Rmb1.27bn from a Shanghai IPO. Cinda Securities is the sponsor.

▶ SHANGHAI MOVES IPO CEREMONIES ONLINE

Three companies newly listed in Shanghai had to move their IPO ceremonies online last week because of the coronavirus crisis, but that did not stop their shares from enjoying the customary first-day pop.

BESTORE, a snacks manufacturer headquartered in Wuhan, the centre of the outbreak, marked its debut on the Shanghai Stock Exchange with a video broadcast on February 24 that came complete with a gong-striking animation.

The first-of-its-kind web broadcast was a way to maintain the sense of ritual for company listings while in-person events are restricted because of the epidemic, the SSE said.

The exchange said that 13 companies that were listed between February 4 and February 21 without a celebration could hold ceremonies, actual or virtual, after the epidemic subsides.

In the video, the CEO of Bestore, the vice-president of sponsor *GF Securities* and the founder of venture capital investor Capital Today exchanged introductions and congratulations, as they would have in a normal listing ceremony.

Coronavirus-related concerns were absent when trading began, with Bestore shares

quickly hitting the 44% cap on first-day gains for newly listed stocks at Rmb17.14.

The company raised Rmb488m (US\$69m) at Rmb11.90 per share and had the retail portion of its IPO 7,054 times covered.

BOC INTERNATIONAL (CHINA)'s A-shares also hit the 44% cap, surging to Rmb7.88 from the IPO price of Rmb5.47 in morning trading on their February 26 debut.

The company's chairman and the president of sponsor *Guotai Junan Securities* starred in a celebratory online video broadcast.

The Shanghai-registered bank raised Rmb1.52bn from the float to replenish working capital and for business expansion.

The bank is active in investment banking, sales and trading, retail and brokerage, and asset management.

Ping An Securities was joint bookrunner with the sponsor.

On Shanghai's tech-focused Star market, **CHINA RESOURCES MICROELECTRONICS**' A-shares soared 228% to Rmb42.01 on their February 27 debut, which marked the first listing of a red chip, or overseas-domiciled company, in China's A-share market. Unlike on the main board, there are no limits on price movements on the Star market in the first five trading days.

The semiconductor manufacturer raised Rmb3.75bn from the sale of 293m A-shares at Rmb12.80 each. It is also the first IPO to employ a greenshoe on the new board.

CICC is the sponsor and committed to buy 3% of the IPO.

INDIA

▶ PARK HOTELS DEFERS IPO TO SECOND QUARTER

APEEJAY SURRENDRA PARK HOTELS has deferred the launch of an IPO of up to Rs10bn (US\$140m) to the second quarter from March, people with knowledge of the transaction said.

The coronavirus outbreak and the resulting weak outlook for the hospitality sector have caused the delay.

The offer will comprise primary shares for Rs4bn and Rs6bn of secondary shares.

Controlling shareholders Apeejay Surrendra Trust, Apeejay House and Apeejay Private are among the vendors.

Park Hotels is part of the Apeejay Surrendra Group, which has interests in tea, hospitality, shipping, real estate, retail and financial services. The company runs hotels under the brands "The Park" and "Zone by The Park"

In the financial year to March 31 2019, the company's total income was Rs4.31bn compared with Rs3.88bn in 2018. Operating

profit rose to Rs927m from Rs791m during the same period.

Axis, *JM Financial* and *ICICI Securities* are the banks on the transaction.

▶ ROSSARI BIOTECH EYES APRIL IPO

Chemical maker **ROSSARI BIOTECH** plans to launch an IPO of up to Rs7bn (US\$98m) in April, having recently obtained Securities and Exchange Board of India approval, people with knowledge of the transaction said.

Around Rs1.5bn of primary shares and 10.5m secondary shares will be sold. Founders Edward Menezes and Sunil Chari are the vendors of the shares. The company is planning a pre-IPO placement of up to Rs1bn and the primary tranche of the IPO will be reduced accordingly if it is completed.

The company was founded in 1997 and its products include textile chemicals, enzymes, polymers and animal healthcare products.

Revenues rose to Rs5.16bn in the financial year to March 31 2019, up 73% from Rs2.99bn in 2017/18. Net profit rose 80% to Rs456.83m from Rs254.03m.

Axis and *ICICI Securities* are the lead managers.

SOUTH KOREA

▶ BIG HIT HIRES FOUR FOR KRX IPO

Music group **BIG HIT ENTERTAINMENT**, which manages K-pop stars such as BTS and TXT, has hired four banks to work on its planned KRX IPO targeted for the second half of this year, people with knowledge of the matter said.

JP Morgan, *Korea Investment & Securities* and *NH Investment & Securities* are the joint lead bookrunners and *Mirae Asset Daewoo* is the lead manager. IFR reported earlier that Citigroup had also applied for a role in the IPO, but its bid was not successful.

Local media have reported analysts as saying that Big Hit is poised to pull off one of the biggest IPOs of the year with an estimated valuation of between W2trn and W4trn (US\$1.65bn–\$3.3bn).

Founder and executive producer Bang Si-hyuk is the company's largest shareholder with a 43% stake. Its other major shareholders are gaming company Netmarble, the second biggest investor after it bought a 25.7% stake in 2018 for W201.4bn, and venture capital firm STIC Investment.

Big Hit, founded in 2005, posted revenues of W214.2bn and a net profit of W50.2bn for 2018, according to its website.

TAIWAN

YAGEO GDR WINS APPROVAL

Shareholders have approved **YAGEO CORP**'s plan to sell global depositary receipts in a deal that could raise about US\$1.08bn.

The Taiwanese electronic components maker announced in January that it planned to sell up to 80m shares in the form of GDRs. Based on the company's closing price of NT\$410 on Friday, the deal could raise some NT\$32.8bn (US\$1.08bn).

Yageo plans to use the proceeds for working capital, to purchase materials overseas, and for loan repayments and capital expenditure.

Last November, it announced a plan to acquire US rival Kemet Corp for US\$1.8bn. The takeover is expected to close in the second half of 2020.

Citigroup, the sole M&A adviser on the Kemet acquisition, is also close to the GDR sale.

Yageo shares slid 7% last Friday but were still up 22% in the past three months.

EUROPE/MIDDLE EAST/AFRICA

FRANCE

NACON PRICES IPO TOWARDS TOP OF RANGE

Gaming company **NACON** survived the market turmoil to price its €100m Euronext Paris IPO on Friday in the upper half of the range.

Allocations concluded late on Friday after books closed at 12pm in Paris, after a dramatic pricing and allocation process against the worst possible backdrop.

The deal had been accelerated to close books after just one week on a combination of strong demand and falling markets. The wisdom of the decision was underlined by the flow of orders out of the book on Friday morning. Even so this was deemed fluff and only reduced oversubscription as the deal remained four times done at the close with around 100 investors in the book.

Allocations were heavily skewed towards long-only investors. The top 10 orders took 60% of the deal and the top 20 took around 80%.

French and UK names took 40% each of the deal with the remaining slice going to Nordic and DACH investors.

A banker involved described allocations as "brutal", with a third of the book zeroed.

European indices falling several percent again on Friday morning led to a revision in planned pricing with an expected €5.70 price dropping to the final level of €5.50, with Nacon's founder willing to forgo proceeds to reduce aftermarket risk for new investors.

Several days separate Nacon from its market debut which is set for March 4.

The IPO gives Nacon a market cap of €458.1m on admission and a free-float of 21.4% pre-green shoe.

The base deal comprised 16.5m new shares and a 10% upside was also exercised, both covered within hours of books opening on February 20. There is also a 10% primary green shoe. A banker working on the float had indicated on Monday that the schedule would likely be accelerated, and that was confirmed on Tuesday.

Launching with a price range of €4.90-€5.80 per share, bookbuilding began on February 20 and was scheduled to wrap up on March 5.

Berenberg, Gilbert Dupont and Louis Capital Markets were bookrunners.

SANOFI TARGETS 2022 FLOAT FOR API UNIT

Pharma company **SANOFI** is to separate its active pharmaceutical ingredients business and list it in Paris, with a decision to be taken on the move by 2022.

Sanofi said that the new company will rank as the world's second-largest API company, with about €1bn in expected sales by 2022. Sanofi will retain a stake of approximately 30% and said it intended the new business to be debt-free.

Active pharmaceutical ingredients are the molecules responsible for the beneficial effects used in the composition of any drug. The company consists of Sanofi's API commercial and development

EMEA COMMON STOCK ISSUER LEGAL ADVISERS 1/1/2020 TO 27/2/2020

Legal adviser	No of issues	Total US\$(m)	Share (%)
1 Bar & Karrer	1	2,402.5	12.3
2 Sullivan & Cromwell	1	635.9	3.3
3 Linklaters	1	250.1	1.3
=3 Webber Wentzel	1	250.1	1.3
5 Cooley	3	235.1	1.2
6 Roschier Advokatbyrå	1	198.1	1.0
7 Cuatrecasas	1	163.2	0.8
8 DLA Piper	2	120.0	0.6
9 ENSafrica	1	108.3	0.6
10 Baker McKenzie	2	107.6	0.6
Total	125	19,503.2	

Source: Refinitiv

SDC code: AX3

activities and six of its European API production sites in Italy, Germany, the UK, France and Hungary. It is expected to include 3,100 employees and be headquartered in France.

Sanofi said that the API market was growing at 6% per year.

KAZAKHSTAN

KAZMUNAYGAZ AIMS FOR OCTOBER/NOVEMBER IPO

Kazakh state oil and gas firm **KAZMUNAYGAZ** plans to float its shares in October or November this year, deputy chief executive Zhakyp Marabayev said on Tuesday.

Marabayev, speaking at a meeting at the energy ministry, provided no other details. Kazakhstan has said it will sell a stake of up to 25% in the company this year, targeting US\$3bn-\$5bn.

MALAWI

AIRTEL MALAWI DEBUTS UP 39.5%

It was worth the wait for investors in **AIRTEL MALAWI**, with the subsidiary of London-listed telecoms business Airtel Africa closing up 39.5% on debut on the Malawi Stock Exchange.

Having opened flat to the MK12.69 pricing in the MK27.9bn (US\$38m) float, the stock closed up 39.5% at MK17.71. In total, 1.25m units changed hands, representing a tiny fraction of the 2.2bn shares offered in the IPO.

Following a bookbuild that began on December 27 and wrapped up on January 31, investors had to wait until mid-February for the IPO to complete and until Monday for trading to begin.

EMEA COMMON STOCK MANAGER LEGAL ADVISERS 1/1/2020 TO 27/2/2020

Legal adviser	No of issues	Total US\$(m)	Share (%)
1 Linklaters	2	2,351.2	12.1
2 Freshfields Bruckhaus Deringer	2	879.4	4.5
3 Davis Polk & Wardwell	1	250.1	1.3
=3 ENSafrica	1	250.1	1.3
Attorneys At Law			
5 Borenus	1	198.1	1.0
6 Baker McKenzie	3	171.2	0.9
7 Goodwin Procter	3	155.2	0.8
8 Skadden	1	152.0	0.8
9 Covington & Burling	2	119.6	0.6
10 Advokatfirmaet Thommessen AS	1	94.7	0.5
Total	125	19,503.2	

Source: Refinitiv

SDC code: AX4

The IPO comprised a 20% free-float, of which 15% was underwritten by Old Mutual, NICO Asset Management and National Bank of Malawi, all of which are listed on the Malawi Stock Exchange. The other 5% was a non-underwritten upsize that was exercised.

The stock closed on Thursday at MK17.62, having finished Wednesday once again at MK17.71.

Airtel Malawi's listing brings the total number of listed stocks in the country to 15. *Standard Bank* was bookrunner.

SWEDEN

COLLECTOR SETS TERMS FOR SKr1bn RIGHTS ISSUE

COLLECTOR BANK has set terms for its SKr1.03bn (US\$103.8m) rights issue.

Shares will be issued on a one-for-one basis, leading to 102.7m issued at SKr10 each.

The company's major shareholders are backing the fundraising with 72% of the deal spoken for. Fastighets AB Balder, StrategiQ Capital, Collector chairman Lena Apler and Balder CEO and Collector vice-chairman Erik Selin have subscribed to their pro rata shares. The latter three shareholders have also agreed to cover the rest of the rights issue meaning it is fully underwritten.

Pricing of SKr10 per share represents a 49.5% discount to TERP of SKr19.80, based on Collector's closing price of SKr25.90 on February 24 before the terms were announced.

Subscription will run from March 5 to 19 with rights trading until March 17. The record date is March 3. A result will be posted on March 24.

Collector's share price closed on Tuesday at SKr29.55, but fell further towards the end of the week and was trading at SKr26.10 last Friday at 11am.

EMEA EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Credit Suisse	5	2,829.31	14.5
2 Barclays	10	1,464.78	7.5
3 JP Morgan	11	1,456.06	7.5
4 Morgan Stanley	9	1,382.41	7.1
5 Goldman Sachs	10	1,370.92	7.0
6 Citigroup	11	1,286.11	6.6
7 UBS	5	1,285.78	6.6
8 BofA	4	1,039.05	5.3
9 Jefferies	4	873.90	4.5
10 BNP Paribas	5	585.17	3.0
Total	124	19,482.29	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C4cr

The company announced plans for the rights issue in January and shares are down 42% for the year to-date.

SEB is financial adviser on the rights issue.

UK

ASTON MARTIN LAUNCHES RIGHTS ISSUE AS LOSSES DEEPEN

ASTON MARTIN LAGONDA set the terms for a £317.2m rights issue last Thursday as it revealed a 9% drop in annual revenue to £997.3m and 46% fall in adjusted Ebitda to £134.2m.

The rights issue forms the bulk of a £500m bail-out of the struggling carmaker announced at the end of January, but the commitments of existing shareholders and the incoming Lawrence Stroll-led consortium means it is now a relatively low-risk transaction.

Canadian billionaire Stroll is leading the rescue deal with a consortium of investors who will collectively pour £182.4m into the company through a placing representing a 20% capital increase in advance of the rights issue. Stroll and co will buy 45.6m shares at 400p in the placing and exercise all of its rights.

Other shareholders are also reinvesting – some at a fraction of the £19 where they sold shares in the October 2018 IPO.

Prestige/Strategic European Investment Group, Adeem/Primewagon, Yew Tree (Stroll's group), Mercedes Benz, and Torreal will support the deal. All bar Adeem/Primewagon will exercise 100% of their rights.

Adeem/Primewagon will exercise 39% of its rights, having previously said 50%. The remainder of its rights will be taken up by the consortium led by Stroll, which, after the placing and rights issue will have put around £280m into Aston.

The commitments represent 70.5% of the rights issue.

The rights issue will see 153.2m new shares issued at 207p each on a 14-for-25 basis. Pricing represents a 36.3% discount to TERP, based on Wednesday's close of 391p.

Morgan Stanley, *Deutsche Bank* and *JP Morgan* are bookrunners on the rights issue with underwriting of £93.6m. The underwriting fee is 275bp. Sub-underwriting took place on Thursday.

As well as delivering the turnaround of the company's performance, Aston said the rights issue would improve liquidity and help finance the ramp-up in production of its DBX SUV.

The record date is February 27 and the fundraising is subject to shareholder

approval – which is a formality – at a general meeting on March 16. Subscription runs March 18– April 1, with a rump placing the following day.

Shares in Aston Martin closed down 9% last Thursday at 355.8p. By last Friday at 11am they were down a further 9.5% at 322p each, albeit against wider market falls.

The cash injection comes around a year and a half after Aston floated in London, in an IPO that valued the company at £4.33bn. The company's market cap has since fallen to about £800m.

Aston also announced the departure of CFO Mark Wilson on Thursday.

HIPGNOSIS SONGS FUND MULLS FURTHER FUNDRAISING

HIPGNOSIS SONGS FUND is considering a capital raise to fund further investments, after spending 95% of the proceeds from a £231m fundraising in October.

Hipgnosis sold 231m C shares at 100p each. Before that, it raised £51.1m in August and £141.5m in April.

Hipgnosis has been on a shopping spree for the past year, and has bought 11 music catalogues since the start of December.

The acquisitions saw Hipgnosis take ownership of the copyright to songs such as "Moves Like Jagger" by Maroon 5 and Ed Sheeran's "Shape Of You" – the most streamed song of all time.

JP Morgan and *N+1 Singer* are corporate brokers for Hipgnosis and ran the October placing.

The fund has bought 30 music catalogues since it floated in July 2018 in a £202.2m IPO. It aims to pay a 5p annual dividend.

Shares in Hipgnosis dropped a penny in response to the plan to 106p on Wednesday and closed the week at 105p.

JLEN ENVIRONMENTAL FUND PLACING IN DEMAND

JLEN ENVIRONMENTAL ASSETS GROUP raised £57.2m in fresh capital in a placing that wrapped up on Thursday.

Proceeds will be used to reduce the drawn amount on its revolving credit facility.

A result was posted on Thursday after the placing launched on February 11.

A total of 49.7m shares were sold at 115p each, a 10% increase in the company's share capital. JLEN said the placing was significantly oversubscribed.

Winterflood ran the placing.

JLEN invests in environmental infrastructure projects including renewable energy generation, water treatment and supply, and waste processing.

JLEN has drawn £69.8m from its revolver with €25m of further outstanding

Passage Bio extends biotech IPO streak

■ US Gene therapy specialist prices twice-upsized IPO

Proving yet again that biotech ECM is a world unto itself, **PASSAGE BIO** raised a better-than-expected US\$216m from its IPO after upsizing the deal twice to 12m shares and pricing it at the top end of the US\$16–\$18 range.

Despite the challenging market backdrop and a late litigation threat over intellectual property, the outcome was another impressive notch on the belt of biotech ECM bankers, the double upsize now well established as a sector trend.

JP Morgan, Goldman Sachs and Cowen hinted at their confidence by increasing the offering size from 7.4m shares to 10m shares ahead of the market open on Thursday, a familiar progression for biotech IPOs this year.

The final price was a little more conservative than it otherwise might have been had Passage

come public a few weeks ago, but long forgotten are the days when biotech IPOs were regularly priced below range.

The IPO attributes Passage a starting market cap of nearly US\$820m assuming the shoe is exercised. Passage opened Nasdaq trading on Friday at US\$22.27, a 23% opening gain.

Passage, a pre-clinical developer of gene therapies for central nervous system disorders, followed a typical sequencing from late-stage crossover financing quickly followed by an IPO.

In September, it raised US\$110m from a Series B round at US\$14.50 per share. The IPO valuation therefore represents 1.24 times the private mark, again relatively tame by biotech standards.

Investors that participated in the crossover are believed to be playing the IPO too.

Access Biotechnology, Ukrainian-born billionaire Len Blavatnik's investment vehicle, led the Series B along with existing shareholders OrbiMed (a 19.6% pre-IPO shareholder), Versant Ventures (14.8%) and Frazier Healthcare Partners (6.5%).

Passage is planning to launch Phase I/II trials on two gene therapy treatments later this year and another trial for dementia in early 2021.

Biotech remains an ECM oasis. Passage joins the 2020 biotech class of Revolution Medicines (89.2% above offer), Beam Therapeutics (34.9%), Arcutis Biotherapeutics (62.4%) and Black Diamond Therapeutics (52.1%) that have all delivered massive aftermarket gains.

Robert Sherwood

commitments. Its acquisition pipeline includes targets in the bioenergy and flexible generation sectors.

■ SEQUOIA RAISES £300m IN UPSIZED PLACING

SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND has raised £300m in an upsized open offer, placing and offer for subscription.

The fund had targeted £250m with strong demand leading to the upsize and even outstripping the final £300m raised.

A total of 267.9m new shares were sold at 112p each, a 5.3% premium to the fund's unaudited NAV per ordinary share on December 31, and a 1.7% discount to Monday's close of 114p.

Sequoia is planning to repay the balance on its £280m revolving credit facility. The excess proceeds will go towards the company's near-term pipeline of more than £380m.

Books opened on February 10 for the placing and offer for subscription, and the following day for the open offer.

Jefferies was bookrunner on the ABB.

Sequoia raised fresh capital twice in 2019, cashing in £138.75m in September and £216m in June. Stifel ran both deals.

■ NOTHING TO SEE AS INSPECS DEBUTS

There was little to look at on debut for UK eyewear maker **INSPECS**, whose shares opened up more than 1% but spent much of the day flat to pricing.

Following its £94m London AIM IPO, Inspecs shares opened on Thursday at 197.5p versus pricing at 195p for 48.2m

shares in the float. The shares quickly shifted back to 195p, where they have spent the rest of the day. In total, 403,052 shares had changed hands, a tiny fraction of the shares placed in the IPO.

There was no further movement on Friday morning with no trades.

Inspecs raised £23.5m for its acquisition strategy, with Harwood Capital and Lombard Odier picking up £70.5m from a secondary tranche. The free-float is 52.2%.

Peel Hunt was bookrunner.

AMERICAS

UNITED STATES

■ US ECM IN WAIT-AND-SEE MODE

The rapid stockmarket correction spurred by escalating fears of a coronavirus pandemic is inevitably forcing ECM syndicate desks to reassess their March pipelines.

Coming just as the US IPO calendar was poised to restock, major US stock indices plunged into correction territory during the week and spoiled the funding plans of a string of issuers.

One IPO, from gene therapy developer Passage Bio, still managed to price during the week and did so in style with a large upsize, highlighting the insulated status of the biotech sector.

Only one company, Canadian waste management company GFL

Environmental, was brave enough to launch its IPO into increasingly treacherous market conditions.

GFL is undertaking a short five-day roadshow ahead of pricing on Tuesday, bifurcating demand with a US\$700m concurrent mandatory convertible alongside a US\$1.5bn common stock offering. The company is also pitching investors with better metrics than its failed IPO attempt in November.

Still, GFL's four direct comps fell on average about 6% during the week through Thursday, dampening investors' enthusiasm to pay a price inside the US\$20–\$21 range.

Banks close to the deal expressed confidence late in the week that the deal would still go ahead, noting the offering was already spoken for at launch.

Several other sponsor-backed IPOs were set up to launch around this time, among them decking company Azek, record label Warner Music and shoe company Cole Haan, but all are now in wait-and-see mode.

Fortive split-off Vontier and clinical-stage blood disease specialist Imara are theoretically ready to launch but few bankers are likely to recommend moving ahead while the VIX fear gauge is mired in no-go territory (48 as of Friday morning or 185% above the prior week).

■ REALTY INCOME JAMS RETAIL ON US\$696.2m RAISE

REALTY INCOME got its money but left investors holding the bag. Shares of the triple-net lease realtor plunged on Thursday in the backwash of a US\$696.6m equity raise overnight on Wednesday.

Realty Income opened Thursday trading at US\$74.30, ticked a low of US\$73.26 shortly thereafter, and languished throughout the session to close at US\$72.89, forming a chasm between the US\$77.40 print on the 9m shares sold the night before.

“Our understanding is that it got done but with heavy retail allocations,” said a banker involved, whose firm signed on for a small ticket after the formal launch. “Retail does not buy in the aftermarket, particularly if you don’t scale them back. I was a little bit surprised by the size in a market like this.”

Bank of America, Morgan Stanley, Wells Fargo and RBC Capital Markets, which had marketed the offering overnight at US\$77.40-\$79.00, were later joined by eight additional banks on the bookrunner line and 18 in more junior roles – yes, a 30-strong syndicate.

The one-day delta equates to US\$40m of paper losses.

Realty Income managed to lock down funding to repay part of the US\$1.2bn drawn on its revolver, providing capacity to fund US\$2.25bn-\$2.75bn of acquisitions it hopes to complete this year.

Realty Income, which dubs itself the monthly dividend company, last month bumped its monthly payout to 23.25 cents, or 3.6% annualised at offer.

Amid a flight to safety, 10-year US Treasuries yielded an anaemic 1.335% at the time of the Realty Income follow-on, and 1.162% as of midday Friday.

On the basis of that income pick-up and improved debt and equity cost of capital, analysts at Jefferies last week bumped their price target on Realty Income to US\$107, from US\$102.

▶ B2B PLATFORM ZOOMS TOWARDS IPO

The US IPO market in 2020 has so far remained bereft of cloud software deals, though tech ECM bankers have been promising that will soon change.

Laying the groundwork for a US\$500m offering that could be priced as soon as next month, **ZoomInfo Technologies** filed publicly early on Thursday for a Nasdaq IPO.

The cloud-based sales and marketing “intelligence” platform/B2B contact database’s filing names *JP Morgan* and *Morgan Stanley* as leading a syndicate of 16 banks, unusually specifying that those two banks are listed in alphabetical order.

CEO Henry Schuck founded Vancouver-based predecessor company DiscoverOrg in 2007. It then bought Zoom Information for US\$748m early last year from private equity firm Great Hill Partners, which had bought the business for significantly less just 18 months prior.

ZoomInfo’s current major shareholders include private equity firms TA Associates, Carlyle and 22C Capital.

The combined company generated nearly US\$300m of revenues last year, mostly from subscriptions paid by 192,000 users, and made a bottom-line loss of US\$78m.

This loss partly reflects the company’s leveraged balance sheet, which carried US\$1.2bn of long-term debt and US\$41.4m of cash at year-end.

On an adjusted Ebitda basis, ZoomInfo generated US\$173.2m last year.

The company cites “allocated combined receipts” (revenue including that recorded by acquired companies previously) as a non-GAAP measure of organic growth. These receipts rose 39% to US\$336m last year.

The IPO proceeds will be used to purchase holding company and LLC units, and to repay debt.

The company does not plan to pay dividends, though an operating entity paid US\$93.4m and US\$16.5m in cash distributions to equity partners in 2018 and 2019.

The ZoomInfo platform uses artificial intelligence and machine learning to help marketers find target accounts and customers.

Competitors include LinkedIn, TechTarget, Infogroup and Dun & Bradstreet, the latter notably also on file (confidentially) for an IPO.

▶ SELECTQUOTE SEEKS PUBLIC QUOTE

Direct-to-consumer insurance platform **SelectQuote** filed publicly on February 21 for an NYSE IPO that could price as early as

March, notwithstanding the deterioration in fundraising conditions.

Credit Suisse and *Morgan Stanley* lead an 11-firm syndicate.

Founded more than 30 years ago as the first term life insurance exchange platform in the US, SelectQuote is on track to generate more than US\$480m of revenue this fiscal year and is profitable.

In the half-year ended December, the insurer’s top-line grew 37% to US\$241.5m, mostly in the form of commissions.

In the same period, it reported net income of US\$37.4m and adjusted Ebitda of US\$69.8m.

More than half of the company’s revenue and earnings are generated from the senior market, including Medicare Advantage and Medicare Supplement plans for retirees.

A banker close to the deal said investors were interested in the space, noting the filing had since generated some reverse inquiry.

One unusual aspect of the SelectQuote story is that it has historically purchased leads from platforms owned by its executives, including CEO Tim Danker, though at least one of these platforms (InsiderResponse) is in the throes of being bought by SelectQuote.

SelectQuote’s long history and financials should enable it to distance itself from “blitzscaled” DTC stories such as Casper Sleep or Blue Apron.

Backed by Brookside Equity Partners, SelectQuote earlier this month filed confidentially, though in fact that was a belated disclosure since its first filing was in late November.

▶ GIGCAPITAL3 SPELLS SPAC PPE

GigCapital3, which filed for a US\$200m NYSE IPO last week, uses the trademarked term “Private-to-Public Equity” (PPE) to describe what it is. To all intents and purposes, it is a SPAC.

GigCapital3 is seeking to sell 20m units at US\$10.00 apiece, the standard SPAC pricing template.

Each unit comprises one common share and one-half warrant.

ECM DEALS: WEEK ENDING 28/2/2020

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
EDP	Portugal	26/02/2020	€293m	€4.45	Accelerated Bookbuild (Secondary)	BofA, BNP Paribas
Sibanye-Stillwater	South Africa	27/02/2020	R2.4bn	R33.60	Accelerated Bookbuild (Secondary)	BofA, Citigroup
JLEN Environmental Assets Group	UK	26/02/2020	£57.2m	115p	Follow-on (Primary)	Winterflood
Sequoia Economic Infra Income	UK	27/02/2020	£300m	112p	Follow-on (Primary)	Jefferies
Freshpet	US	26/02/2020	US\$231m	US\$66	Follow-on (Secondary)	BofA
Passage Bio	US	27/02/2020	US\$216m	US\$18	IPO (Primary)	JP Morgan, Goldman Sachs, Cowen
Realty Income	US	26/02/2020	US\$696.6m	US\$77.40	Accelerated bookbuild (Primary)	BofA, Morgan Stanley, Wells Fargo, RBC CM

Freshpet raises US\$231m for five-year vision

■ US Refrigerated pet-food maker hopes to reach US\$1bn of sales by 2025

FRESHPET took one day of marketing to raise US\$231m of equity to help bankroll its aggressive five-year growth plans, but it picked an unfortunate week to do so.

Billed by some analysts as one of the most compelling stories in the consumer staples sector, the refrigerated pet food maker took advantage of a 40% stock price surge since the start of December to sell 3.5m primary shares at US\$66.00.

However, the poor timing alongside a savage market correction meant the company had to accept a 10.8% file-to-offer discount after marketing the deal during a rugged session for stocks on Wednesday.

Bank of America was sole bookrunner on the sale of nearly 10% of outstanding.

The offering, increased slightly from a fixed size proceeds target of US\$215m at launch, was well-over-subscribed, bankers said, even though its shares slumped 9.3% as the deal was pitched to investors.

Certain officers and directors agreed to buy US\$1m of shares in the offering.

Despite another horror session for stocks, Freshpet closed at US\$66.41 or slightly above the offering price in Thursday's aftermarket.

Freshpet is disrupting the US\$30bn North American pet food market, playing directly into investment themes such as the humanisation of pets and health and wellness.

CAPACITY

The offering proceeds are being used to help fund extra manufacturing capacity as Freshpet looks to lift sales to US\$1bn in 2025 from US\$246m last year.

Freshpet, best known for the chillers it places with retailers to showcase its products, plans to build what it calls "Kitchen 3.0" at a 74-acre site in Ennis, Texas, for a total cost of US\$700m over two phases.

The site is four times the size of Freshpet's existing facility in Bethlehem, Pennsylvania.

The company's "Kitchens 2.0" (in Hanover Township, Pennsylvania) will start production in the second half of this year, giving Freshpet the capacity to satisfy fast-growing demand for its products.

The offering came with the tailwind of Freshpet's guidance for 26% top-line growth and 65% adjusted Ebitda growth this year.

DA Davidson analyst Brian Holland, a bull on the stock with a US\$102.00 price target, said there was "logic" in Freshpet raising equity now to keep capacity a year ahead of demand and preserve first-mover advantage before more competition emerged.

"Given increased confidence Freshpet's revenue trajectory can sustain greater than 20% growth, we believe the top-line will remain the primary investment consideration (in valuing the stock)," he wrote in a note to clients.

Anthony Hughes

Of those 20m units, an anchor investor, the vehicle's sponsor, and the IPO underwriters are purchasing a combined 2.5m "private units".

These carry the same economic value and are similarly structured to the "public units" being sold to public investors.

GigCapital3 is the third SPAC headed by TMT executive chairman Avi Katz, who first used the PPE designation on GigCapital2.

Like its predecessors, GigCapital3 will focus its search on TMT with a focus on companies embracing digital transformation to speed their growth either organically or through acquisitions.

Nomura and *Oppenheimer* are joint bookrunners, replacing the earlier

syndicates of *Cowen* and *Chardan* that led the US\$125m IPO of *GigCapital* and the *EarlyBirdCapital*/Northland Capital Markets syndicate on *GigCapital2*'s US\$172.5m IPO last June.

Nomura and *Oppenheimer* are purchasing 100,000 of the private units and an investment vehicle controlled by Katz another 650,000 units. *Cohen & Company*, a publicly traded fixed-income manager with US\$2.67bn under management, has indicated for 1.74m private units.

Notably, *GigCapital2* has yet to announce an acquisition, though *GigCapital1* completed its US\$187m purchase of Italian mobile messaging specialist *Kaleya* in November.

This continues a trend of SPAC sponsors seeking to undertake an IPO without having closed an acquisition on the earlier vintage SPAC, following IPOs earlier this year of *Churchill Capital III* and *Gores Holdings IV*.

Doubling-up raises a conflict issue (which vehicle should the next acquisition go to) but may be a sign that SPAC issuers are recognising the need to raise capital before the funding window closes.

GigCapital3 continues the trend of more aggressive SPAC warrant/acquisition horizon structures.

Its half-warrant structure and 24-month investment horizon compares with the more investor-friendly three-quarter warrants and 15 months of *GigCapital1* and full warrant and 18 months for *GigCapital2*.

■ INARI MEDICAL FILES FOR US\$100m IPO

Medical device maker **INARI MEDICAL** has publicly filed for a US\$100m Nasdaq IPO to support sales and marketing of its two FDA-approved treatments for vascular diseases.

Bank of America and *Morgan Stanley* are joint bookrunners on the offering, which now looks on track (notwithstanding market conditions) for an early March launch after confidentially filing in December.

Inari, like other recent medical device IPOs, has been able to fund itself with limited outside funding.

Ahead of its commercial launch in late 2018, the company last raised money privately via a US\$27m Series C round in March 2018 that took the total outside funding to just US\$54m.

Inari has two approved products called *ClotTrier* and *FlowTrier* that treat two major types of blood clots.

Both products remove blood clots through use of a catheter.

The treatments have been used to treat more than 6,700 patients since they were launched.

Inari posted a net loss last year of just US\$1.2m on revenue of US\$51.1m, versus the US\$10.2m loss and US\$6.7m of revenue in 2018 when it had only a few months of sales.

High-gross margins (88.4% last year) suggest *Inari* can profitably scale its business.

US EQUITIES

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Goldman Sachs	24	3,709.60	16.1
2 Morgan Stanley	22	2,998.98	13.0
3 JP Morgan	25	2,554.62	11.1
4 BofA	21	2,365.72	10.3
5 Citigroup	15	1,536.65	6.7
6 Barclays	13	1,186.28	5.1
7 Jefferies	18	1,140.00	4.9
8 Cowen & Co	16	927.12	4.0
9 UBS	10	887.01	3.8
10 Wells Fargo	14	828.87	3.6
Total	122	23,071.30	

Including all domestic and international deals and rights issues

Source: Refinitiv

SDC code: C3r

The company plans to use proceeds from the IPO primarily to support commercial activities and new product development. It had 63 sales representatives at December 31.

DEERFIELD SPAC IN IPO HEADLIGHTS

DFP HEALTHCARE ACQUISITIONS, the latest SPAC out of the Deerfield Management stable, publicly filed on Friday, February 21 for a US\$200m IPO.

Deutsche Bank, *Jefferies* and *UBS* are joint bookrunners on a deal that could conceivably debut in early March.

Deerfield, the life sciences-focused sponsor of the SPAC, has plans to buy US\$50m of shares in the offering, lightening the load for the remaining US\$150m targeted.

DFP is the successor to the (very similarly named) DFB Healthcare, which raised US\$250m from its IPO in February 2018 and completed a US\$1bn merger with AdaptHealth in November. The new vehicle comes with virtually the same management team, including Richard Barasch, Steven Hochberg and Christopher Wolfe as executive chairman, CEO and CFO, respectively.

AdaptHealth, a medical equipment maker focused on sleep therapies, has been a happy experience for investors, as the stock is now trading at US\$16.37 or well above the US\$10.00 IPO price/cash redemption value of the SPAC.

DFP is more aggressively structured.

Most significantly, the vehicle is offering up just one-quarter of warrant versus the one-third warrant structure employed by DFB.

Only three SPACs have gone public with a one-quarter warrant structure, including the recent US\$1bn deal by the Michael Klein-backed Churchill Capital III, according to SPACInsider.

DFP is also structured with a larger working capital drawdown.

Whereas DFB was able to take out a total US\$250,000 annually of proceeds held in trust over its 24-month investment horizon, DFP has upped the working capital draw to up to US\$500,000 annually over the same 24-month investment horizon.

Lower warrant gearing and larger working capital drawdowns highlight the trend towards more aggressive, management-friendly structures.

Lower gearing, in particular, makes it easier to close an acquisition, though this requires a long-only fundamental investor support as opposed to the technical investors that often make up a big proportion of SPAC IPO demand.

DFP, consistent with the Deerfield pedigree, is planning to make an acquisition in the healthcare space, either on a standalone basis or via an “affiliated joint acquisition” with a Deerfield fund.

BRAZIL

BRAZILIAN REAL ESTATE IPOs QUEUE UP

Brazil is witnessing a mini-boom in IPO filings from real estate companies as the local ECM pipeline continues to expand, though the global stock market correction has put near-term launch plans in considerable doubt.

On February 21, **CURY CONSTRUTORA E INCORPORADORA** filed with the Brazilian corporate regulator for an upcoming Brazilian Stock Exchange IPO, adding to a rush of real estate firms looking to raise money in local equity capital markets.

Founded in 2007, Cury was formed from a joint venture with Cyrela, also a selling shareholder in the planned offering. The primary proceeds of the IPO, meanwhile, will be used mainly to buy land.

Cury describes itself as a low and middle-income developer focused on Sao Paulo and Rio de Janeiro, the largest real estate markets in the country.

The company reported a 2019 profit of R\$204m (US\$45.3m) on net revenues of R\$1bn, the latter up 10.8%.

BTG Pactual, *Itau BBA*, *Bank of America* and *Caixa* are slated to lead the IPO, one of at least five real estate-related companies that have filed to go public.

Mitre Realty's Bovespa IPO earlier this month marked the first from the sector in a decade.

Recent interest rate cuts have helped support the sector's rebound.

Other real estate companies that have filed recently include Canopus, Pacaembu and One Innovation.

Also joining the broader IPO queue in recent weeks is waste management and recovery services provider Ambipar, which generated R\$484.4m of revenue last year. *Bradesco BBI*, *Bank of America* and *BTG Pactual* will lead the offering.

Ambipar was founded in 1995 by Tercio Borlenghi Jr, the company's current president and controlling shareholder.

In 2008 the company expanded from waste management to emergency response services.

STRUCTURED EQUITY

UNITED STATES

EXACT SCIENCES FLOODS CB MARKET YET AGAIN

EXACT SCIENCES, a darling of the CB market, made the somewhat predictable move of returning overnight on Monday with a new US\$1bn eight-year convertible bond to replenish cash holdings.

The new CB is already the medical diagnostic company's third, and largest deal in the past 20 months, leaving it with US\$2.16bn of convertible debt that matures between 2025 and 2028.

Sole bookrunner *Bank of America* managed to increase the size of the new deal from US\$850m to US\$1bn placed at a 0.375% coupon and 27.5% conversion premium, after being marketed overnight at those fixed-price terms.

BofA was sole bookrunner on the two prior CBs and defended the mandate this time around by agreeing to backstop the deal. The upsize and par-pricing ensured this was a lucrative trade.

The challenge, of course, is that the new deal had to be cheap to the existing bonds without eroding value of the overall CB complex, an exercise made more difficult by overnight marketing and broader market volatility.

The underlying plunged 9.4% to US\$86.54 post-pricing on Tuesday, no doubt aided by the broader market sell-off.

Exact's new 0.375% paper due 2028 traded at 99.25-99.75 against that same reference.

In addition to the new 0.375% CB, Exact has a US\$747.5m principal 0.375% CB that comes due in 2027 and another US\$415.1m principal of a 1% CB that matures in 2025.

The 2027 bonds, which are eligible to convert at prices above US\$111.66, fell about eight points to 106, and its 1% notes (convertible at US\$74.43) fell six points to 150.

“It's a very tight and incremental type of proposal,” said one convert trader away from the deal. “Typically, you are able to force incremental cheapness on investors to get them to take an allocation on a new deal. In a normal market, investors that wanted to hedge would be more patient. But not in this market.”

After November's US\$2.5bn cash-and-stock purchase of Genomic Health, Exact ended the year with just US\$323.7m of cash, making a new financing somewhat inevitable.



LOOKING FOR A WIDER VIEW OF THE GLOBAL SYNDICATED LOAN MARKET? **LOOK TO LPC**

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And while Exact has created a lot of investor goodwill and does have a bright future, there are limitations to how far a money-losing company can push the envelope.

STRIKE UP THE BANDWIDTH

BANDWIDTH, the communications-as-a-service provider, powered through market volatility to land an upsized US\$350m on Tuesday's sale of a six-year convertible bond.

No consideration was given to putting off the financing and there was little concession necessary aside from a market-assisted sell-off in the underlying.

"These are exact same terms that we would have launched at one or two weeks ago," one banker involved in the transaction

told IFR. "There is a view that the market could get worse.

"A lot of companies don't have long windows to fund. If they're confident in their story, it's not worth it to sacrifice the opportunity for a few basis points."

Bandwidth, whose communications software integrates into customer platforms, landed US\$350m of new funding on which it will pay a coupon of just 0.25% annually with dilution recognition offset to a 32.5% premium.

Morgan Stanley and *JP Morgan* had marketed a US\$300m offering at a coupon and conversion premium of 0.25%–0.75% and 30%–35% for one day on Tuesday. They waited until Tuesday morning, rather than the night before, to formally launch the transaction.

GLOBAL CONVERTIBLE OFFERINGS

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BofA	8	2,923.89	15.7
2 JP Morgan	10	2,267.11	12.2
3 Morgan Stanley	9	1,875.10	10.1
4 Goldman Sachs	8	1,587.98	8.5
5 Citigroup	6	1,167.55	6.3
6 Barclays	4	1,011.71	5.4
7 Wells Fargo	2	848.86	4.6
8 UBS	3	565.78	3.0
9 CICC	3	557.34	3.0
10 HSBC	4	540.52	2.9
Total	42	18,604.83	

Including exchangeables and domestic offerings.

Source: Refinitiv

SDC code: C9

GLOBAL CONVERTIBLE OFFERINGS – EMEA

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 JP Morgan	3	667.46	20.0
2 Morgan Stanley	2	528.38	15.8
3 HSBC	1	278.38	8.3
4 UniCredit	1	278.38	8.3
5 Barclays	1	278.38	8.3
6 Citigroup	1	278.38	8.3
7 BNP Paribas	1	278.38	8.3
8 Goldman Sachs	1	250.00	7.5
9 UBS	1	250.00	7.5
10 VTB Capital	1	250.00	7.5
Total	3	3,337.71	

Including exchangeables.

Source: Refinitiv

SDC code: C09d

GLOBAL CONVERTIBLE OFFERINGS – US

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 BofA	7	2,551.86	30.5
2 JP Morgan	4	1,173.86	14.0
3 Goldman Sachs	5	972.20	11.6
4 Morgan Stanley	5	859.70	10.3
5 Wells Fargo	2	848.86	10.2
6 Barclays	2	533.33	6.4
7 Jefferies	2	248.75	3.0
8 Truist Financial Corp	2	151.36	1.8
9 Citigroup	2	151.36	1.8
10 RBC	1	150.00	1.8
Total	14	8,362.98	

Source: Refinitiv

SDC code: C9a

ALL INTERNATIONAL ASIAN CONVERTIBLES

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	3	737.81	17.9
2 Morgan Stanley	2	487.03	11.8
3 JP Morgan	3	425.78	10.3
4 BofA	1	372.03	9.0
5 Goldman Sachs	2	365.78	8.9
6 Credit Suisse	4	359.48	8.7
7 UBS	2	315.78	7.6
8 HSBC	2	225.78	5.5
9 Barclays	1	200.00	4.8
10 BNP Paribas	1	200.00	4.8
Total	9	4,130.06	

Including exchangeables.

Source: Refinitiv

SDC code: M10

"I do think you'll see (pre-open) launches become more commonplace if market conditions don't stabilise," said the banker. "It allows you to avoid unnecessary overnight risk."

Bandwidth's shares did fall 7.4%, or 740bp in bond parlance, to US\$68.70 over the Tuesday marketing, against a 3% broader market sell-off.

Bandwidth spent a portion of the proceeds raised on a derivative to offset economic dilution to share prices above US\$137.40, a 100% premium to reference.

The company, which went public in late 2017 at US\$20.00 a share and sold stock last March at US\$54.25 a share, last week reported strong quarterly results that has it guiding towards break-even net earnings by the fourth quarter.

Bandwidth is a first-time CB issuer, something in short supply relative to a large amount of software paper outstanding.

CONVERTIBLE EQUITY LEGAL ADVISER TO MANAGER, EMEA

1/1/2020 TO 27/2/2020

Legal adviser	No of issues	Total US\$(m)	Share (%)
1 Freshfields Bruckhaus Deringer		11,948.6	58.4
2 Linklaters	1	139.1	4.2
Total	3	3,337.7	

Including exchangeables and domestic.

Source: Refinitiv

SDC code: AX8

ALL INTERNATIONAL ASIAN CONVERTIBLES (EXCLUDING JAPAN)

BOOKRUNNERS: 1/1/2020 TO DATE

Managing bank or group	No of issues	Total US\$(m)	Share (%)
1 Citigroup	3	737.81	19.0
2 Morgan Stanley	2	487.03	12.5
3 JP Morgan	3	425.78	11.0
4 BofA	1	372.03	9.6
5 Goldman Sachs	2	365.78	9.4
6 UBS	2	315.78	8.1
7 Credit Suisse	2	265.00	6.8
8 HSBC	2	225.78	5.8
9 Barclays	1	200.00	5.1
10 BNP Paribas	1	200.00	5.1
Total	6	3,884.98	

Including exchangeables.

Source: Refinitiv

SDC code: M11

EQUITY-LINKED DEALS WEEK ENDING: 28/2/2020

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon/YTM %	Premium (%)	Bookrunner(s)
Yandex	Russia	25/02/2020	US\$1.25bn		5y	0.75	47.5	GS, JP Morgan, MS, UBS, VTB Capital
Bandwidth	US	25/02/2020	US\$350m	US\$50m	6y	0.25	33	Morgan Stanley, JP Morgan
Exact Sciences	US	24/02/2020	US\$1bn	US\$150m	8y	0.38	28	BofA
NuVasive	US	26/02/2020	US\$450m	US\$50m	5y	0.38	35	Morgan Stanley, BofA, RBC CM
RingCentral	US	27/02/2020	US\$1bn	US\$150m	5y	0	50	Morgan Stanley, GS, JP Morgan, BofA

NUVASIVE PRINTS FIVE-YEAR AT 0.375%, UP 35%

NUVASIVE landed US\$450m from the sale of a five-year convertible bond, providing firepower in a transition year for the medical device maker.

Morgan Stanley, Bank of America and RBC Capital Markets conducted one day of marketing Wednesday before pricing the CB at 0.375%, up 35%, towards the aggressive ends of 0.375%-0.875% and 32.5%-37.5% talk.

Nuvasive, a serial CB issuer, spent US\$31.2m of the base proceeds raised on a capped call to offset dilution to share prices above US\$127.84, an 85% premium to the US\$69.10 reference on pricing of the CB.

Separately, the company indicated the potential for stock buybacks over time as part of a recently enlarged US\$150m programme.

RINGCENTRAL CHIMES IN WITH LOW-COST US\$1bn CB

In a down market, RINGCENTRAL shares were up alongside the refinancing of one deep-in-the-money CB issue with another new, larger CB offering.

RingCentral's shares rose 0.3% to US\$235.73 on Thursday, after trading

much higher earlier in the session, while the refinancing was being hashed out, even as software stocks fell roughly 2%.

RingCentral raised US\$1bn from the sale of a new five-year CB issue on which it pays a 0% coupon with investors eligible to convert at a 50% premium. As part of the same transaction, it purchased a call spread to offset economic dilution to prices above US\$481.00, a 100% premium.

Morgan Stanley, Goldman Sachs, JP Morgan and Bank of America marketed the new CBs for one day on Thursday at a fixed 0% coupon and 50%-55% conversion premium, representing the most aggressive coupon/premium pairings of any new issue since 2014, according to two bankers involved.

The banks negotiated the repurchase of up to US\$230m principal of a US\$460m 0% CB issue due 2023 that is eligible to convert at prices above US\$81.45.

Those bonds traded at 295, so some premium to that was required to buy them back. And as a delta-one security, there was also substantial short-covering to unwind hedges associated with the repurchase.

"Existing holders that participated are being taken out for cash. They have to go

out and find stock to cover their short," said a banker involved.

The quick recap saw RingCentral spend US\$509.6m of the proceeds raised to buy back US\$175m principal (downsized) of the existing 0%, another US\$60.9m on the capped call, and reset stock dilution to double the current share price.

RingCentral set the reference price on both the new CB and the one being bought back at the one-day VWAP of US\$240.28, rather than the lower US\$235.73 close, as is typical.

The VWAP mechanism provided certainty on the price being paid for the bonds being bought back and allowed investors in the new deal hedge over the course of the day.

"You want to avoid the risk that the last trade is materially different from where the stock was trading today," said a second banker, referencing a similar situation on a CB refinancing by Insulet in September.

MongoDB was first to employ the VWAP reference on a US\$1.15bn CB-plus buyback in January.

RingCentral's software allows communication and collaboration across devices (phone, mobile, computer) under one number.

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