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NYSE plans direct listing 2.0: primary capital could be raised at opening trade

Back with a bang: Greece becomes second most traded European sovereign CDS

ChemChina sows seeds for A-share listing of agribusiness with US$10bn fundraising

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Upfront

Force for good

Trading volumes of Greek credit-default swaps have rocketed this year to levels not seen since the height of the eurozone crisis.

That's a notable development given that politicians blamed these credit derivatives for pouring oil on the fire back then; not to mention complicating Greece's historic debt restructuring.

The cause of this latest boom is in fact far less sinister. The cost of protecting against a Greek debt default has declined sharply this year, reflecting the improved political and fiscal standing of the country.

Instead, it is Greece's own use of a different breed of derivatives contract – those designed to hedge against moves in interest rates – that explains the surge in CDS interest.

Greece's debt office has significantly reduced the amount of its debt linked to floating interest rates in recent years. As recently as 2016, 70% of its debt (which mainly consisted of loans from official institutions such as the IMF and the EU) was linked to floating rates. That has declined to just 9%, at least in part thanks to the Greek debt office using interest-rate swaps to fix more of its liabilities.

As market-interest rates have declined sharply this year to record lows, Greece is likely to be sitting on paper losses on those swaps trades. That, in turn, encourages the banks on the other side of these trades to buy Greek CDS to hedge their increased counterparty exposure to Greece.

Greece would currently be better off if it hadn't hedged its interest-rate risk. But it seems uncharitable to criticise officials for taking the decision to lock in what were at the time historically low interest rates. Neither can you blame Greece's swap counterparties for hedging their exposure to the country using CDS, as regulations encourage them to do.

In short, this appears to be an example of derivatives markets working as they're meant to. Or, to put it another way, CDS isn't always as scary as it first appears.

Diversity challenge

Singapore is hands-down Asia's leading market for REITs. It is also a tiny island, with a limited supply of high-quality properties that can be transferred to the capital markets. Sooner or later, investors will need to broaden their horizons.

Singapore's REIT market is booming, with a near-20% gain in the S-REIT index and a record S$7.8bn of new equity raised since the start of 2019.

Efforts to expand the market, however, have proved frustrating. If Singapore is to remain Asia's top REIT destination, that will have to change.

There are some positive signs. A select group of sponsors have managed to list foreign assets in the city, including US offices, Chinese shopping centres and recently a commercial complex in Milan.

Foreign investors are showing interest, too. Lendlease Global, which bundled the Milan property together with a Singapore shopping mall, drew a range of backers from Hong Kong hedge fund Segantii to Thailand's TMB Asset Management and US-based BlackRock.

The REIT product is certainly in demand. At a time when global rates are flatlining, income stocks and property assets are likely to remain popular for the foreseeable future. REITs, with stable distributions and underlying assets, provide exposure to both.

But Singapore REITs only work if they attract local buyers, and Singaporean investors are extremely suspicious of overseas assets. Trusted local sponsors have a better chance of success, but listings of entirely foreign portfolios are rare.

UOB Hampshire is still struggling to list US grocery stores, and reports of an unexpected repair bill to the Queen Mary floating hotel, now owned by Singapore-listed Eagle Hospitality REIT, have not helped.

Without a pipeline of global assets, the Singapore market will eventually become less relevant – especially as countries from India to the Philippines roll out REIT products of their own.

The next batch of S-REIT candidates includes UK offices and student accommodation in the US and UK. That is precisely the kind of diversity the Singapore market needs.

ESG questions

The move to lump environmental, social and governance issues in one pot as a way of measuring how "good" an investment is on non-financial grounds is problematic.

And that is particularly the case for sovereign debt.

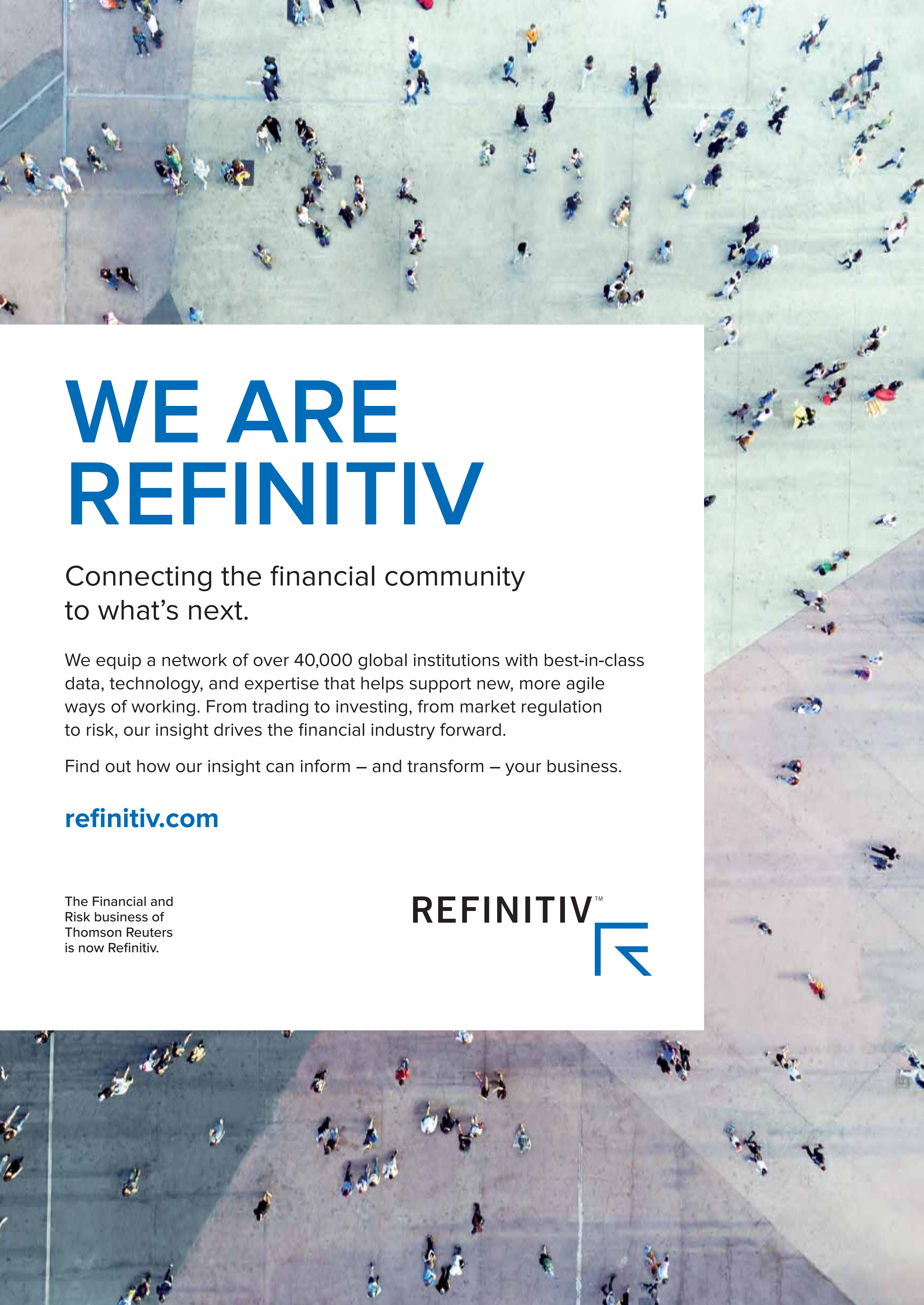
Sometimes a country can make strides on the environmental front, possibly by imposing carbon taxes or reducing fuel subsidies, but those same moves can spark a social crisis, since the changes hurt the poor disproportionately.

That is the case in Chile, which was the first sovereign to issue green bonds in the Americas but is currently struggling to contain unrest sparked by a hike in rail fares, which highlights how thin the country's social safety net is.

It's an issue in developed countries, too. In France, for example, an environmentally well-intentioned rise in fuel taxes had to be reversed after mass protests.

The truth is that the ESG category might simply be too blunt a tool – especially as the E can easily clash with the S.

Many funds use a third-party measure of ESG to give their products a sheen of respectability but the better ones will have to start focusing on how pro-green measures interact with those designed to be socially beneficial.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NYSE seeks approval for direct listing 2.0

Equities **Proposal would allow companies to raise primary capital at opening trade**

BY ANTHONY HUGHES

The New York Stock Exchange is proposing a rule change that would allow capital raisings alongside increasingly popular direct listings, throwing out a fresh challenge to the traditional US IPO model.

Egged on by Silicon Valley venture capital firms that view the traditional IPO as inefficient and subject to mispricing, the NYSE is now seeking Securities and Exchange Commission approval for an amendment to its Listed Company Manual.

Under the proposal a company would be able to sell newly issued shares directly into the exchange's open auction on the first day of trading, thereby permitting what the NYSE is calling a "primary direct floor listing".

Music streaming service Spotify Technology and workplace collaboration software provider Slack Technologies have already departed from the traditional IPO playbook in recent years by undertaking direct listings on the NYSE with no capital raised and no lock-ups on existing shareholders.

JUDGEMENT

In a traditional IPO, underwriters typically build a book of institutional demand for primary and/or secondary shares and then use their judgement to determine a final price versus a marketed range.

This, in theory, allows a company (via its bankers) to select the long-term committed investors it wishes to have as shareholders, while potentially also allocating some faster money to smooth the passage to market. But this is not possible with a direct listing where capital is raised at the open auction.

> "It's early innings but we have a very trusted way for companies to raise capital"

"It is an open question whether issuers will be able to achieve the desired pricing and distribution of shares in a way comparable to that done in a traditional underwritten IPO," , law firm Davis Polk & Wardwell wrote in a client memo.

SEEKING APPROVAL

Goldman Sachs, an adviser on the Slack and Spotify direct listings, has separately been working on what it has dubbed "direct listing 2.0" where direct listings could incorporate primary shares, a concurrent convertible offering or concurrent direct share programme, or even followed up by a so-called "dribble-out" of stock.

Another key player pushing for the evolution of direct listings is the Stanford University law professor and former SEC commissioner Joseph Grundfest, who reportedly helped organise an earlier meeting between the SEC and other interested parties.

Greek CDS is back with a bang

Derivatives **Pick-up follows Greek debt office's increased swaps use**

BY CHRISTOPHER WHITTALL

Trading volumes in Greek credit-default swaps, the derivatives contracts politicians once accused of fuelling the eurozone crisis, have surged to levels not seen since the country's historic debt restructuring.

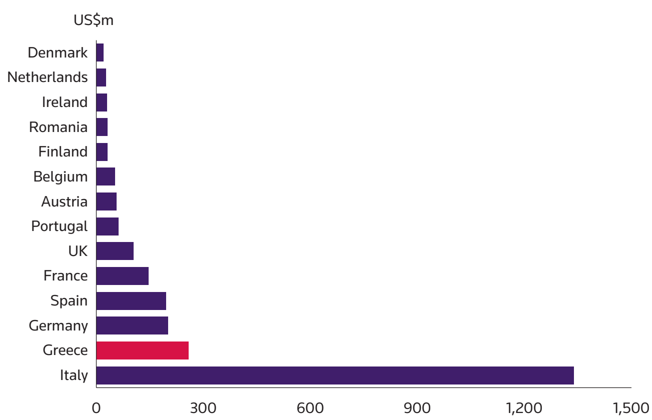
Greece has become the second most traded European sovereign CDS this year behind Italy, according to Citigroup analysis of DTCC data, with US$259m changing hands on average each week in 2019.

This time, though, analysts say the sharp uptick does not reflect concerns over the local economy. Instead, it is most likely linked to bank trading desks using CDS to hedge their exposure to Greece stemming from derivatives contracts used by the country's debt office to manage the sensitivity of Greece's debt to interest-rate moves.

This year's plunge in market interest rates, with euro swaps plumbing record lows, may have left Greece sitting on paper losses on some of those interest-rate swaps. That, in turn, could have encouraged banks on the other side of those swaps to use CDS to hedge their increased exposure to the country.

EUROPEAN SOVEREIGN CDS 2019 MOST-TRADED NAMES

AVERAGE WEEKLY VOLUME



Source: Citi Research, DTCC

"It is likely that hedging needs have picked up across the year – allowing *CDS* trading volumes to boom," Citigroup credit strategists wrote in a report last week.

Buying of CDS protection "anecdotally … seems to have largely been driven by bank CVA desks," they added, referring to the desks that manage banks' counterparty risk from derivatives trades.

BOOMING VOLUMES

Default protection costs on Greek debt have tumbled this year thanks to improving fundamentals and loose monetary policy in the eurozone. Five-year Greek CDS have narrowed from 468bp at the end of last year to 155bp on Thursday, according to IHS Markit.

That has coincided with a sharp increase in CDS trading

Still, it remains unclear whether the SEC will ultimately embrace the proposed changes.

"There are a bunch of people having discussions with the SEC to allow for primary raises with direct listings and so far [the SEC] is hearing them out. But it hasn't committed to doing anything," one senior ECM banker said.

"It's early innings but we have a very trusted way for companies to raise capital and they may want to keep that separate from the direct listing process."

The SEC, which has regulatory oversight of the NYSE, is soliciting comments on the rule change, but securities lawyers said the proposal may yet need to go through several iterations.

"With something like this, I suspect it's going to take a while," said Anna Pinedo, a partner at law firm Mayer Brown.

Nasdaq said it has had extensive conversations about direct listings with a primary raising with potential issuers, advisers and the SEC. "However, based on these conversations, we do not believe that the proposed rule change filed by the NYSE fully considers the complexity of the issue," the exchange said in a statement.

UNICORN HUNTING

The exchanges are looking to arrest the long-term decline in public listings that has in part resulted from the explosion in private capital markets and given rise to the "unicorn" phenomenon.

As part of its proposal, the NYSE is also trying to make it easier for private companies to go public via a direct listing by delaying the requirement to have 400 round lot (100 shares) holders from the time of listing to 90 trading days after the listing date.

The proposal would require a company to sell at least US$250m of securities in the opening auction to ensure the primary direct floor listing was of a "suitable size" to quickly develop a liquid trading market.

> "With something like this, I suspect it's going to take a while"

Though a direct listing is not underwritten, SEC rules already require investment banks to accept underwriter liability. This means that the SEC registration process is much the same as for a traditional IPO.

NO DILUTION

Direct listings have been touted as enabling companies, especially tech unicorns that have raised significant sums privately, to go public without dilution from primary issuance, avoid lock-ups on existing shareholders and enable market-driven price discovery.

The absence of lock-ups in direct listings remains an attractive feature for venture capital firms that do not wish to hold publicly traded securities for long.

Though some banks are taking a pragmatic view and expect to get paid a similar sum no matter how a company goes public, recent direct listings have involved significantly more work than a traditional IPO.

This is because the advisers need to consult with existing investors on when and at what price they might sell shares in the secondary market, on top of identifying buyers to establish a reference price and make a market before trading begins.

Bankers expect direct listings to remain relatively uncommon, though they now form part of the discussions with most issuers looking to go public. ■

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volumes. Greece can account for as much as 10% of the volumes in the European sovereign CDS market at times, Citigroup said, with up to US$700m trading in some weeks.

> "It is likely that hedging needs have picked up across the year"

Even during the sovereign crisis, Greece never consistently accounted for much more than 5% of total trading, although overall market volumes were far higher back then.

The only European country with higher CDS volumes is Italy, with a whopping US$1.3bn trading on average each week. Italy not only has the largest amount of government debt in Europe, it also has used derivatives to hedge risks such as interest-rate moves. That activity encourages banks on the other side of those trades to use CDS to manage their exposures to the country.

BLAST FROM THE PAST

Greece controversially used derivatives in the early part of this century to help reduce its debt load - a move that came back to haunt the country years later when concerns over its colossal debt pile sparked the eurozone crisis.

There is nothing to suggest Greece has put on similar trades this time.

But Greece's Public Debt Management Agency has said in public presentations that it has used a number of measures, including derivatives, to significantly reduce the amount of its debt linked to floating interest rates.

The vast majority of Greek debt is held by official institutions like the IMF and the EU, which often lend at floating rates of interest.

In 2016, 70% of Greece's debt was linked to floating interest rates, according to a PDMA presentation. That portion had shrunk to just 9% in the first quarter of this year.

It is very difficult to know the terms of any derivatives deals Greece struck with investment banks given such trades occur in private markets. But PDMA presentations suggest a decent chunk of those swaps were executed over the course of 2018, when market interest rates were higher.

> The only European country with higher CDS volumes is Italy

For instance, the five-year euro swap rate fluctuated between about 0.4% and 0.1% in 2018. It then fell steeply this year to a record low of less than -0.6% in August, before rebounding slightly.

That decline means the PDMA could be facing paper losses on any derivatives trades struck in 2018 that swapped floating interest rates for fixed rates.

The PDMA did not respond to repeated requests for comment.

Greek CDS volumes have picked up as 2019 has worn on and swap rates have decreased, with a spike over the summer period when rates bottomed out.

The Citigroup strategists also noted that Greece has issued several new bonds this year. Again, it is difficult to know whether there were swaps accompanying the bonds, but there has tended to be a pick-up in CDS trading after the new debt sales, they said.

"Since the start of 2018 it is quite possible that bank exposure to Greece has actually risen, in turn requiring increased aggregate need to hedge with CDS," the Citigroup strategists wrote. ■

Investors grapple with social unrest

People & Markets **Does the S in ESG fit with the E and G, investors ask**

BY CHRISTOPHER SPINK

Investors in emerging markets sovereign debt are having to confront the potential contradictions in the market's new favourite fad: environmental, social and governance investments.

Protests have been seen in Chile, Ecuador, Lebanon and other states. Most have stemmed from proposed tax hikes - including for environmental reasons - that disproportionately affect the poor.

That throws into question whether lumping ESG together in one measure is useful for an EM sovereign debt fund, since a policy seen as environmentally beneficial may spark social unrest.

"Social criteria have so far played second fiddle to environmental considerations," said Christian Nolting, global chief investment officer at Deutsche Bank's wealth management division. "Things need to change."

An investment banker said there had so far not been "enough thought about how to integrate S into the financial industry - far less than the E and G. It is more problematic and difficult."

Many investors have been wrong-footed by the ongoing demonstrations in Chile. These saw thousands take to the streets of Santiago in October to protest against public transport fare hikes and inadequate social welfare provision.

Chile had been acclaimed as a country that had carried out balanced public sector reforms and was embarking on an ambitious programme of environmental measures too.

That was topped off in June when it became the first country in the Americas to issue a green bond, raising US$2.5bn-equivalent through a dual tranche of US dollars and euros, ahead of hosting the COP25 UN climate conference in December.

But four months later, the conference has been moved to Spain as Chile said the protests would prevent it from staging the event. The Chilean peso has weakened by nearly a fifth against the US dollar since mid-October.

"We didn't see that coming in Chile," said Sergio Trigo Paz, head of emerging markets fixed income at fund manager BlackRock.

"The country is very solid and was deleveraging but then social unrest has come along. We will need to manage this social winter in the months ahead."

BlackRock launched an emerging markets ESG fixed-income fund, managed by Trigo Paz, last year.

This was benchmarked against an index measuring ESG credentials created by JP Morgan. The index overlays ESG criteria across JP Morgan's EM indices, such as the EMBI.

Those credits accorded better ESG scores are given greater weighting in the indices than those with poorer ESG scores. The latter see their weighting reduced or are even excluded. Green bonds are also over-weighted.

ONE MEASURE

Critically ESG is considered in the round, as one measure, rather than three individual criteria.

However, the recent social protests, some of which have happened, as in Chile, in

Intesa captures 'greenium' through pioneering 'circular-economy' bond

Bonds **Derbyshire yachtswoman at heart of new kind of ESG transaction**

BY TESSA WALSH

Italy's INTESA SANPAOLO has become the first bank to issue a sustainable bond dedicated to creating a more circular economy, as the intensifying focus on ESG from investors and policymakers continues to gather momentum.

The €750m five-year senior preferred bond gathered a book of more than €3.5bn and priced marginally inside the bank's traditional bonds, perhaps showing that investors are ready to put a value - a "greenium" - on sustainability and support the idea of a circular economy.

"Investors were willing to give up some yield to be involved in this trade. This is a strong message for Europe and the world," said Alessandro Lolli, Intesa's head of group treasury and finance.

The concept of the circular economy has been pioneered by Derbyshire-born international yachtswoman Ellen MacArthur's foundation, which partnered with Intesa in 2015 and renewed its commitment for another three years this January.

The circular economy aims to redefine growth by using the principles of reducing, reusing and recycling to minimise the consumption of resources and keep production to a minimum.

"The transaction ... is an important step in developing the circular economy," said Stefano Del Punta, Intesa's chief financial officer.

The five-year bullet was priced at 100bp over mid-swaps, having been announced with initial price thoughts of 120bp-125bp. The coupon is 0.75%.

"We managed to issue the bond at 2bp below the secondary market," said Lolli. "With a circular deal, you're taking a risk as a first mover; in this case, we have confirmation that we're on the right track and path."

NO STRANGER

Intesa is no stranger to ESG. The bank issued a €500m unsecured senior green bond in 2017 to support loans for environmental sustainability, renewable energy and energy efficiency, and in June 2019 funded 75 projects which, it says, prevented 350,000 tonnes of CO2 emissions.

That was followed by Intesa's 2018-21 business plan, which prioritised sustainable profitability and aimed to make the bank a world-leading model in social and cultural responsibility.

In 2018, Intesa launched a new lab in Milan dedicated to the circular economy and a €5bn credit facility for SMEs and corporates. The new bond supports loans granted through the €5bn fund that meet criteria drawn up by Intesa's Innovation Centre and the Ellen MacArthur Foundation.

Companies that meet one of five criteria, including production designed to support renewable or recycling processes, are given a loans at a 30bp-50bp discount on the margin that would otherwise have been charged by Intesa.

countries taking steps to meet environmental goals, raise the question of whether it is useful to measure ESG in such an integrated way.

> "Social criteria have so far played second fiddle to environmental considerations"

Some emerging market investors are already taking a more case-by-case approach and looking at the social issues separately rather than lumping ESG together.

"Country ESG analysis is not a black box that spits out unequivocal answers," said Mary-Therese Barton, head of emerging debt at Pictet Asset Management.

"Investors have largely struggled to join the dots across countries' E,S and G characteristics, particularly in fixed-income markets."

Pictet launched a sustainable emerging debt fund in September, based on the JP Morgan ESG EMBI too, but with a remit for Barton's team to take a more activist approach by looking at social conditions on the ground.

"It's not enough to stick to the usual repertoire of meetings with government officials and senior business people, of being bussed from smart hotel to air-conditioned office and back again," she said.

Dutch fund manager Robeco is also taking a more in-depth approach to ESG. "On sovereign debt we give more emphasis to social factors than environmental matters. Government bonds are more related to S and G than E," said Olaf Penninga, a portfolio manager at Robeco.

This analysis helped during the eurozone crisis, he said. "By looking at the society of Ireland compared to Greece, we could predict that Ireland was more likely to pay austerity taxes than Greece and prove a better investment." ■

Around 60 loans have been funded so far, totalling €600m, including a €200m loan for Thames Water and a facility for engineering firm Maire Tecnimont.

The deal has a second-party opinion on its ESG credentials from ISS and the loans will also be externally verified for their inclusion against the criteria. Intesa will provide details of the facilities, use of proceeds and environmental impact in its annual report.

POSITIVE MESSAGE

Investors liked the fact that Intesa was dedicating money to the companies that it was lending to through the discount, which was cited as a reason for the bond's large order book. The bond had a pan-European book, headed by investors from the UK and Ireland.

"In the end, investors are taking Italian credit risk. When you look at the geographic split of investors, the majority was not Italy but core Europe and the UK. This, in my opinion, is a strong and positive message for Intesa and our country," said Lolli.

Banca IMI and *Credit Agricole* acted as green structuring advisers and joint bookrunners. *ING* and *Societe Generale* were joint bookrunners.

> "The transaction ... is an important step in developing the circular economy"

While it was labour intensive to set up the platform and develop the expertise to issue the bond and educate investors on the circular economy, the process proved worthwhile for Intesa, as well as financially rewarding.

"I have no doubt it was worth the work. Sometimes finance can be cold and just about the numbers. But this project had a whole other dimension to it. It was very rewarding as a citizen and a father of young children," Lolli said. ■

LVMH sparkles with US$17bn Tiffany loans

■ Loans Luxury goods firm to buy jeweller

BY ALASDAIR REILLY, WILLIAM HOFFMAN

French luxury goods firm LVMH is lining up around US$17bn-equivalent of loans to back its recommended US$16.2bn acquisition of US jewellery maker TIFFANY, providing a welcome tonic as well as a touch of glamour to the European loan market after a disappointing year in which blockbuster M&A lending opportunities remained rare.

The loans, which will initially fund the acquisition, comprise a US$8.5bn bridge loan, a US$5.75bn commercial paper back-up line and a €2.5bn revolving credit facility.

The acquisition financing is expected to be refinanced in the bond markets with short, mid- and long-term debt.

"Despite the wider external factors that have impacted the loan market this year, lending conditions are about as good as they ever have been," a senior banker said.

"There is quite a lot of volume sitting in the pipeline, including a number of bridge-to-bonds."

Despite its size, the transaction is expected to have a limited impact on LVMH's leverage.

LVMH was rated by Moody's for the first time in July giving the luxury brand an A1 rating, a rating that was affirmed on Thursday.

"LVMH's A1 issuer rating reflects its leading position in the luxury goods market, its business and geographic diversity and very strong portfolio of brands," says Vincent Gusdorf, senior credit officer and lead analyst for LVMH at Moody's.

"It also factors in the group's strong cash-flow generation and relatively low reported debt, although its off-balance sheet commitments, mainly capitalised operating leases, are substantial."

LVMH and Tiffany said they expected to close the deal in mid-2020. Tiffany said in a statement its board of directors recommended that shareholders approve the transaction.

BANK SUPPORT

LVMH is being advised by *Citigroup* and *JP Morgan* on the acquisition, with both banks expected to take lead roles on the financing.

LVMH can also expect strong support from its wider bank group. The company increased its total undrawn credit lines to €5.9bn in 2019, agreeing a €2bn five-year revolving credit facility in April as the company completed its US$3.2bn acquisition of luxury hotel group Belmond.

That self-arranged financing was provided by BBVA, Banco Santander, Bank of America, Barclays, BNP Paribas, Citigroup, Commerzbank, Credit Agricole CIB, CM-CIC, Deutsche Bank, HSBC, ING, Intesa Sanpaolo, JP Morgan, MUFG, Mizuho, NatWest, Natixis, Societe Generale, Standard Chartered and UniCredit.

That facility is in addition to an existing core syndicated RCF that was amended and extended in 2018, increasing the facility size to €2.5bn from €2bn previously and refreshing the maturity by five years.

LVMH tapped the loan market for a jumbo acquisition financing in 2017, arranging €9bn of loans to back its €12bn acquisition of Christian Dior Couture.

That financing included a €5bn 18-month bridge loan to bond market with a six-month extension option, and an around €3.5bn five-year term loan. There was also a €500m five-year RCF for general corporate purposes.

The bridge loan was refinanced in May 2017 through a €4.5bn bond issue and in June 2017 and through a £400m bond issue, which was subsequently converted into euros. ■

China's yield curve takes shape

Emerging Markets **Biggest sovereign issue creates liquid offshore benchmark**

BY CAROL CHAN

The PEOPLE'S REPUBLIC OF CHINA added four new points to its offshore yield curve last week, ramping up its presence in the global markets and creating a liquid pricing benchmark for Chinese issuers.

The US$6bn four-trancher, the largest Reg S bond from an Asian sovereign issuer and China's largest single foreign-currency issue, comes after China issued its first euro sovereign bond in 15 years with a €4bn (US$4.4bn) triple-tranche deal earlier in November.

China has raised a striking US$10bn-equivalent in foreign currencies in November with a mix of short and long-dated tranches in both the euro and US dollar markets, which will provide "a range of useful benchmarks for Chinese entities looking to access global debt markets in the months ahead," said Sean McNelis, HSBC's co-head of DCM in the Asia-Pacific.

China's Ministry of Finance, rated A1/A+/A+, last Tuesday priced a US$1.5bn 1.875% three-year, a US$2bn 1.95% five-year, a US$2bn 2.125% 10-year and a US$500m 2.75% 20-year at 35bp, 40bp, 50bp and 70bp wide of Treasuries, respectively. The four tranches were priced at 99.843, 99.782, 98.993 and 98.019, giving reoffer yields of 1.929%, 1.996%, 2.238% and 2.881%, respectively.

Sam Fischer, head of China onshore debt capital markets at Deutsche Bank, said the transaction priced within the MoF's secondary curve across different tranches, and attracted a number of key sovereign and real-money investors.

"China MoF has further built up its US dollar curve with this jumbo deal, following the very successful euro trade earlier this month. MoF is effectively building up a solid track record as regular issuer in the international market," he said.

"MoF is effectively building up a solid track record as regular issuer in the international market"

In addition, the MoF last Wednesday reopened two tranches of its offshore renminbi bonds in Hong Kong for a tap of Rmb5bn (US$710m) via a tender, bringing its total issuance in Hong Kong's Dim Sum (or CNH) market this year to Rmb15bn.

Including another Rmb2bn offering in Macau in July, China has sold a total of US$12.8bn in the international debt market this year, an unprecedented sum.

LIQUID CURVE

The magnitude and frequency of these visits to the international market this year fit the MoF's goal of building a liquid offshore yield curve and increasing its profile among global investors.

"The repeat issuance of US dollar sovereign bonds, together with the CNH and euro bonds issuance in the year of the 70th anniversary of the PRC, shows China's determination to further open up its economy," said David Yim, head of capital markets for Greater China and North Asia at Standard Chartered.

China has been expanding its footprint in international bond markets since it ended a decade-long absence from the US dollar market with a US$2bn deal in October 2017. It returned in

EDF's bonds catch market's attention

Bonds **Investors across Asia and Europe welcome EDF's return**

BY ED CLARK

ELECTRICITE DE FRANCE last week sold one of the biggest Eurodollar bonds alongside a euro hybrid, showing investors are still happy to add to their portfolios if an attractively priced issue hits the screens.

Accounts brushed aside any uncertainty around the outcome of a potential corporate restructuring as the French government considers reforming the energy market, with the utility pricing a US$2bn 50-year Reg S bond and a €500m perpetual non-call eight-year.

The hybrid was nearly 16 times subscribed, partly reflecting support from a simultaneous tender offer, but also what bankers away from the deal deemed a wide price as it came at a yield of 3.125%.

But it was the Eurodollar bond that caught the market's attention, being one of the biggest Reg S US dollar trades anyone could recall.

"This is certainly the largest ever 50-year Reg S and perhaps the largest Reg S from a European corporate this decade," said a banker at one of the leads.

The hybrid was much more of a mainstream offering, though bankers away from the deal said pricing was very generous

Others were certainly impressed. "Something of that size in that format is an extraordinary achievement," said a banker not involved in the trade.

Even though the bond was not a Formosa, it was anchored by Taiwanese life insurers. One key account, which eventually put in a big lead order, was particularly supportive of a bond listed outside of Taiwan, as domestic insurers have a cap on the amount of Formosas they can buy. The bond will be listed in Paris.

Additional demand came from other Asian accounts (excluding Japan) and investors in London, said another lead banker, as the bond priced at a yield of 4.50%.

EDF (A3/A-/A-) has built a good following in Asia, having issued a Formosa in 2016. It sold a US$2.164bn 4.99% October 2056 alongside a US$491m 4.65% October 2046, both solely listed in Taiwan.

GENEROUS?

The hybrid was much more of a mainstream offering, though bankers away from the deal said pricing was very generous. "It looked very cheap," said one.

With the books for the €500m no-grow hitting €7.9bn, leads were able to tighten pricing to 3.125% from initial thoughts of 3.625%-3.75%.

The yield compared with a €600m 1,000-year non-call eight hybrid from Danish energy company Orsted (Baa1/BBB+/BBB+) the following day that priced at 1.875%.

Bankers on the hybrid, however, defended the execution.

"EDF has a very flat senior curve, so the sub/senior spread looks generous, but they have a hybrid curve, and that was in the end the main reference point," said one.

EDF's non-call January 2026 was bid at a yield-to-call of 2.60%. Leads saw the new issue pricing 15bp through fair value.

October last year for a further US$3bn, again attracting strong demand despite a global market sell-off during bookbuilding.

In its two previous US dollar issues it sold bonds with tenors of five, 10 and 30 years.

"Liquidity was low for the two previous issues as trading slowed quickly around one month following the issuances as investors just hold the bonds. With the bigger size of each tranche this time, liquidity should improve," a banker on the deal said.

The latest US dollar deal benefits China's sovereign US dollar curve by expanding the range of tenors, while also potentially pushing down the funding costs of Chinese issuers given the tight pricing. China's latest issue priced almost flat to some more developed markets, such as Japan.

CreditSights said the new 20-year note would fill a void in China's sovereign yield curve between the 10-year and 30-year bonds issued in 2018, while the other tranches will help to further populate the curve and provide more precise pricing. Overall, this will make for a more complete sovereign US dollar yield curve, it said.

"The repeat issuance shows China's determination to further open up its economy"

The deal drew strong demand with final orders of more than US$16.5bn, but the oversubscription was lower than on the MoF's two previous US dollar issues, mainly because of the jumbo size, tight pricing and timing.

Final orders were more than US$21bn or 10.5 times covered for the US$2bn issue in 2017 and US$13.2bn or 4.4 times for the US$3bn issue in 2018, compared with only 2.75 times for the latest offering. ■

PENT-UP DEMAND

They also said there was huge pent-up demand for the name given this was EDF's first deal in the euro market since September 2018. There were almost 500 lines in the book, illustrating the strength of the market.

Proceeds from the deal will be used to refinance the capped repurchase of EDF's €661.8m 4.125% non-call 2022 and US$3bn 5.25% non-call 2023. The company is also contemplating calling its €338.2m 4.25% non-call 2020 on January 29.

Those actions will have added to demand, given that some investors are likely to have rolled their exposure into the new transaction.

This was the first time a European issuer has taken advantage of S&P's new, more flexible treatment of hybrid bonds to reduce its hybrid stack, bankers said.

S&P no longer considers hybrid replacement necessary when bonds being redeemed are "immaterial in the context of the issuer's credit profile". Redemptions of 10% over 12 months of aggregate outstanding hybrids or 25% over a 10-year period are considered immaterial.

EDF said that the total amount expected to be bought back through the tender offers will be calibrated so that its aggregate outstanding nominal amount of hybrid capital does not fall by more than 10%.

By the end of the transaction, a minimum €9.1bn of hybrid bonds will be left on the company's balance sheet, according to Moody's.

BNP Paribas, *Bank of America*, *HSBC*, *Standard Chartered* and *SMBC Nikko* were leads on the US dollar deal. *Banca IMI*, *BNP Paribas*, *HSBC*, *ING*, *Natixis* and *NatWest Markets* were active bookrunners on the hybrid. ■

ChemChina sows seeds for A-share listing

■ **Equities** **Syngenta parent to raise US$10bn ahead of IPO**

BY FIONA LAU

China National Chemical Corp is looking to raise up to US$10bn for its agrochemicals business before listing the unit in the Chinese A-share market, according to people close to the deal.

The agrochemicals unit of the state-owned chemical giant, also known as ChemChina, is expected to include Swiss pesticides and seeds producer Syngenta, Shenzhen-listed global crop protection company Adama and other agrochemicals assets.

ChemChina is working with Chinese and international advisors to raise funds in the renminbi market through a private placement and aims to complete the deal in the first half of 2020, according to the people.

The company is expected to begin working on an A-share IPO for the agrochemicals unit next year after wrapping up the private financing, said the people, adding that it is hard to estimate the size of the IPO as it depends on regulatory approval and market conditions. The assets to be listed are yet to be finalised and are subject to change.

Given the scale of ChemChina's assets, a public listing is likely to be the biggest ever from the chemical industry, surpassing Petronas Chemicals Group's US$4.8bn IPO in 2010.

An A-share listing would give Chinese investors an opportunity to own a global business and could also appeal to international fund managers, who are increasingly looking for direct exposure to the domestic Chinese market. For ChemChina, a domestic market IPO offers a potentially higher valuation – as illustrated by the wide discounts on Hong Kong-listed Chinese shares.

It would also leave the door open for an international listing in the future, possibly at the Syngenta level.

ChemChina acquired Switzerland-headquartered Syngenta for US$43bn in 2017, cancelling its Zurich and New York listings. Speculation around a relisting has swirled ever since, but there has been little clarity on where or when that might happen.

A public listing is likely to be the biggest ever from the chemical industry

Erik Fyrwald, Syngenta chief executive officer, said in a media interview in October that the company planned to list in 2.5 years. In early November, Frank Ning Gao Ning, chairman of ChemChina and Sinochem Group, said the company was working on plans to list Syngenta on the Shanghai stock exchange. China has been working on a merger of the two chemicals giants for years.

A spin-off of the agrochemicals business will help ChemChina lower a debt burden that has ballooned through years of acquisitions, mostly with the Syngenta purchase.

Rating agency Fitch, which rates ChemChina A– on account of its central government ownership, estimates the company's debt at roughly 11 times trailing 12-month Ebitda at the end of June, with interest payments over the previous 12 months equal to 2.3 times its earnings. ChemChina has Rmb83.4bn (US$11.9bn) of debt maturing next year, according to public filings.

ChemChina did not respond to emails seeking comment. ■

Investors increase short bets on US high-yield bonds

Bonds Buyside eyes potential spill-over from troubled junk names

BY DAVID BELL

The amount of short interest against the largest high-yield exchange-traded funds jumped in November, as a handful of names dragged Triple C bonds wider and investors guard against a broader repricing of risk late in the year.

Investors added US$1.39bn in short positions against the five largest high-yield ETFs from the start of the month through November 15, according to stock exchange data analysed by CreditSights analysts.

That took the overall short positioning to US$7.3bn, equivalent to just under 20% of the total assets under management of those funds.

This puts short interest to its highest point of the year, but it still remains below the levels seen in the summer of 2017 and late 2018, according to Michael DePalma, managing director of quantitative fixed income at MacKay Shields.

> "ETFs that offer intra-day liquidity can lead to greater volatility in the underlying asset class"

Still, it could point to growing investor concern that weakness in the riskiest high-yield bonds could be set to spill over to the rest of the market.

"ETFs that offer intra-day liquidity can lead to greater volatility in the underlying asset class," said DePalma.

"The spillover effects into the credit markets could result in investors reassessing the compensation they are getting for junk or nearly junk paper, like the mountain of Triple B debt that carries junk-like fundamentals."

TRIPLE C WORRIES

The high-yield market has delivered an impressive 11.9% return in the year to date, according to ICE BofA data.

But the bulk of that performance has been driven by a rally in Double B and Single B bonds, as high-yield investors move up in quality and investment-grade buyers look to pick up yield.

Investors, on the other hand, have had little confidence in Triple C bonds - a corner of the market that has delivered losses of 1.7% in the year to date and 4.9% in the last six months, according to ICE BofA.

Much of that underperformance can be attributed to a handful of names such as Frontier Communications and Intelsat, as well as weakness in certain energy names.

The question that investors are now tackling is whether the weakness at the risky end of the spectrum is a threat to the broader market.

CreditSights analysts noted in a report on Monday that the ability of the market to "isolate the virus" from problem areas in upstream oil and gas and some healthcare and telecom names has been evident in a way that it was not in the second half of 2015 and early 2016.

S-REIT surge draws diverse crowd

Equities New currencies and asset classes heading for Singapore after record year

BY ANURADHA SUBRAMANYAN

Property owners are lining up to list real estate investment trusts in Singapore with a wider range of currencies and assets, testing appetite for diversity in the city's thriving market.

Undeterred by the current uncertainty over Brexit, alternative asset manager ELITE PARTNERS CAPITAL plans to launch the Singapore Exchange's first sterling-denominated REIT early next year. Singapore-based EPC has already received preliminary approval for the IPO, which is expected to fetch £100m–£150m. The REIT will comprise office assets in the United Kingdom. *OCBC* and *UBS* are the banks on the transaction.

While EPC is innovating on the currency front, UOB HAMPSHIRE REIT and the MAPLETREE GROUP are planning to list new asset classes – grocery stores and student accommodation, respectively. New sponsors are also knocking on SGX's door. Hong Kong-listed FAR EAST CONSORTIUM INTERNATIONAL is planning to float a portfolio of hospitality assets based in Australia, Singapore, Malaysia and United Kingdom on the SGX. The size of the listing is not yet known.

Chinese textiles and clothing company SHANDONG RUYI TECHNOLOGY GROUP is working on a S$300m–$500m (US$220m–$366m) REIT listing of its industrial assets as early as December. SRTG owns shoe and apparel companies such as Bally, SMCP, Aquascutum and Renown. *DBS* is working on the transaction.

A banker with knowledge of the EPC transaction said while there was no clarity on how the Brexit crisis will be resolved, the sponsors are optimistic that there will be no disruption to rental income because the REIT's properties are rented out to the government.

> "Given the current surge in Singapore REITs it is only natural we move to sterling"

"Given the current surge in Singapore REITs it is only natural that after US dollar and euro-denominated REITs, we move to sterling. As long as the earnings of the underlying assets are in pounds, it should be safe," the banker said.

Equity issuance from Singapore REITs has reached a record S$7.48bn this year, up 52% on 2018's annual tally.

The iEdge S-REIT Index was up 19% year to date as of November 28, outperforming the benchmark FTSE Straits Times Index which rose 5.3% during the same period.

Last year EPC acquired a portfolio of 97 properties from British developer Telereal Trillium for £282.15m. These offices are let out to the UK government's Department for Work and Pensions.

INVESTOR EDUCATION NEEDED

An analyst pointed out that with interest rates remaining low in the UK as in the rest of Europe it will be viable for the sponsor to make future acquisitions and grow the REIT.

"If you take those out, credit is really healthy," said Gregory Hahn, chief investment officer at Winthrop Capital Management. "Some default statistics are near all-time lows."

"When you look across high-yield and loans, the distress ratio has been increasing and we don't dismiss that as only being down to a small handful of names"

Others are not so sure, noting that bond rating downgrades have picked up recently.

In the past week alone, S&P downgraded clothing retailer Gap to BB (from BB+), fashion retailer L Brands to BB- (from BB), and glassmaker Libbey Inc to B- (from B), all down to performance issues.

"We're still somewhat cautious," said Adam Spielman, high-yield portfolio manager at PPM America. "When you look across high-yield and loans, the distress ratio has been increasing and we don't dismiss that as only being down to a small handful of names."

DEFAULT RATES

Default rates in the high-yield bond market are up to 2.83% this year, from 1.89% in 2018, according to JP Morgan analysts. They predict defaults will rise only slightly - to 3% - next year.

But that still remains below the long-term average default rate of 3.46%, they said.

"[It's] only a modest erosion in credit fundamentals across most sectors and the past few years' heavy pace of refinancing has balance sheets in a solid position," wrote JP Morgan analysts led by Peter Acciavatti.

But investors are not ruling out volatility in the short term that could eat into what has been a terrific year for overall returns.

"I think the real fear may not be because of anything fundamental, at least not in the near term, but just an across the board repricing of risk," said DePalma. ■

Still he said intense investor education had to be carried out to assuage any Brexit-related concerns among private banking clients, who are typically the main investors in Singapore REITs.

Despite strong demand for yield-generating investments, Singapore's high-net-worth and retail investors remain wary of new ideas.

UOB Hampshire REIT has pushed the launch of its up to US$400m IPO to early next year from the end of this year as the managers feel they need to provide more information to investors. The REIT will be denominated in US dollars.

Credit Suisse, *UBS* and *UOB* are working on the transaction. Asset manager UOB Global is part of Singapore's UOB Group while US-based Hampshire Companies is a real estate manager.

Separately, MAPLETREE GLOBAL STUDENT ACCOMMODATION PRIVATE TRUST, which owns student accommodation assets worth S$2bn in the US and the UK, plans to increase its portfolio to S$3bn next year before listing on SGX. The IPO could raise up to S$1bn. The syndicate has not yet been finalised.

Despite strong demand for yield-generating investments, Singapore's high-net-worth and retail investors remain wary of new ideas

The last IPO from the Mapletree Group was Mapletree North Asia Commercial Trust's S$1.68bn issue in 2013, still the country's largest REIT IPO.

One of the founders of EPC is Victor Song, who guided Viva Industrial Trust to a S$365m SGX listing in 2013. Viva was delisted last year after merging with ESR REIT. ■

Sanlorenzo plots course for Milan float

■ Equities Boatmaker comes in the wake of rival's failure

BY LUCY RAITANO

As Italian luxury boatmaker SANLORENZO opened books for an up to €209m IPO on Tuesday bankers admitted they have their work cut out to get the deal over the line given that it is just over a month since domestic peer Ferretti's float sank.

As the company targets €176m-€209m in primary and secondary proceeds, bankers stressed the differences between the two companies, particularly the stability provided by the fact that Sanlorenzo sells its goods at a higher price point to the ultra-rich.

"Ferretti is the Aston Martin of the boat space, and Sanlorenzo is the Ferrari," a banker involved in the deal said, playing on the divergent performance of the two carmakers as listed entities. Ferrari is up 230% in the four years since its IPO, while Aston is down 70% since its 2018 IPO.

"Sanlorenzo is exposed to the ultra-high-net-worth end of the market so is much more resilient," a second banker involved in the deal said.

Bankers also pointed to the simplicity of Sanlorenzo's single brand, as opposed to Ferretti's eight.

Sanlorenzo has never made a loss while Ferretti almost went bust before being bought out in 2012, the second banker said.

KICKED-OFF

Sanlorenzo kicked off its IPO at the end of September, when Ferretti was still marketing a €217.5m-€321.9m Milan listing.

Ferretti's IPO attempt had two extensions, a significant price cut that took proceeds down to €174m and two anchor orders covering 40% of the deal - and still failed.

MAJORITY STAKE

Sanlorenzo produces yachts mostly over 30 metres long and has been in business since 1958, producing a limited number of custom-made boats per year. Massimo Perotti acquired a majority stake in Sanlorenzo in 2005 from the company's founder Giovanni Jannetti.

The price range of €16-€19 per share values the company at €552m-€656m. Investors are honing in on EV/Ebitda, with consensus pricing metrics for 2020 of 6.9-8 times.

Different peers are being considered by investors, including boatmakers like Brunswick in the US (7.65 times, according to Refinitiv data) and France's Beneteau (six times). Other peers include luxury brands LVMH and Burberry, as well as Italian companies like Technogym and Interpump.

All being well, bookbuilding will wrap up on December 5, with trading in the shares around December 10. The condensed bookbuild follows two weeks of pre-marketing.

The company is issuing 4.5m shares for proceeds of €72m-€85.5m and Perotti is selling 6.5m shares. Proceeds will be used to repay loans, as well as funding growth and acquisitions.

On the base deal Sanlorenzo will have a freefloat of 31.9%, rising to 35.1% if a 10% secondary greenshoe is exercised.

Bankers acknowledge that the deal will require a lot of effort due to its relatively small size and a need to explain how the unique asset could fit into investors' portfolios. They expect a tight, concentrated book.

Banca IMI, *Bank of America* and *UniCredit/Kepler Cheuvreux* are bookrunners on the deal. *Banca IMI* is also sponsor and *Alantra* is advising the company. *Lazard* is advising the seller. ■

TMB parades first new-style AT1

Emerging Markets Thai bank sells AT1 during merger, setting a new benchmark for peers

BY DANIEL STANTON

TMB BANK set a new benchmark for Thai lenders last week with the country's first Additional Tier 1 offering under the Basel III framework.

The deal, through TMB's Cayman Islands branch, achieved tight pricing and a solid order book, even though the bank is currently going through a merger, with the uncertainty that entails.

TMB Bank, formerly known as Thai Military Bank, priced US$400m of perpetual non-call five securities at par to yield 4.9%, inside initial price guidance of 5.25% area, via joint bookrunners *Citigroup*, *HSBC* and *ING*.

The relatively low supply of offshore AT1 issuance in Asia this year, as Chinese banks opted to print onshore rather than raise billions of US dollars offshore, counted in TMB's favour, helping it bring in 114 orders totalling over US$1.5bn at final pricing.

"I would have chosen a bigger bank to open the AT1 market, but then again a military bank is probably quite safe in Thailand today," said a banker away from the deal.

TMB Bank recently received regulatory approval to merge with Thanachart Bank, which would create the country's sixth-largest bank by assets, according to Moody's.

Thailand's Ministry of Finance and Dutch bank ING are currently TMB Bank's largest shareholders, with respective stakes of 25.9% and 25.0%, but the merger will involve TMB raising Bt106.5bn (US$3.5bn) of equity from existing and new investors by the end of the year, which will cut the MOF's shareholding to 18.4% and ING's stake to 21.3%.

Moody's, S&P and Fitch all have positive outlooks on their respective Baa1/BBB–/BBB– ratings, with S&P writing that the merger could increase TMB's systemic importance.

TIGHT PRICING

Investors bought into the merger story, and pricing came inside Bank of East Asia's AT1 bonds callable in September 2024, which were seen at 5.05%, even though the Hong Kong bank's notes are rated a notch higher than the expected Ba3 rating from Moody's for TMB's issue.

ING's AT1s, callable in 2025 and rated Ba1/BB/BBB–, were quoted in the low 5% area.

TMB's new AT1 was estimated to come around 125bp back of a theoretical Tier 2 issue. Based on the typical 200bp senior-to-AT1 spread seen for other Asian AT1 issues, the leads put fair value for the AT1s at 5% or higher, but TMB was able to price inside that.

Asia took 85% of the Reg S notes, EMEA 14%, and offshore US accounts 1%. By investor type, asset managers and fund managers booked 74%, private banks 25%, and banks, corporates and others 1%.

The bonds were priced on Monday and were trading around reoffer on Tuesday.

Thai AT1 rules are less investor-friendly than those in some other Asian jurisdictions, as they include a hard trigger and some other features.

The bonds will be written down if the Thai authorities consider the bank to be at the point of non-viability, or if its common equity Tier 1 ratio drops below 5.15%.

TMB's CET1 ratio stood at 13.5% at the end of September, according to its third-quarter report.

Coupon payments can also be cancelled if the amount exceeds a bank's distributable reserves, which in Thailand is defined by net profits from the latest audited 12-month period. In most other Asian jurisdictions this applies to accumulated profits, so the Thai standard is tougher.

TMB was the first to sell Tier 1 bonds in Thailand under the previous regulatory regime, with a US$200m deal in 2006. The following year the Bank of Thailand prevented it from making a coupon payment because TMB had posted an operating loss, even though it had sufficient funds on hand.

It could be tricky for Thai banks to issue AT1 bonds onshore in the baht market because regulators are understood to be unwilling to allow retail investors to face write-down risks. One solution could be to structure AT1s so that they convert to equity in a crisis, which happens in jurisdictions such as China, but that might be unpopular with existing shareholders. ■

People & Markets

17 Deutsche Bank sells US$50bn of assets tied to EM debt to Goldman Sachs as part of its shrinkage plan

20 Bank of America looks set to replace Morgan Stanley in the top three for investment banking fees for 2019

21 Barbados's creditors back the restructuring of its US dollar bonds, providing relief if it's hit by a hurricane

FRONT STORY REGULATION

Westpac counts cost of AML scandal

Australian bank to refund retail investors in recent share sale

WESTPAC BANKING CORP offered to refund retail investors in a recent share placement and said its chief executive had resigned, as it unveiled a raft of remedial actions to quell outrage over a massive money-laundering scandal.

Westpac has offered to refund retail investors who signed up to a A$500m share purchase plan, launched earlier this month alongside a A$2bn overnight institutional placement, in an apparent attempt to prevent a class-action lawsuit. Law firm Phi Finney McDonald has already said it was in discussions with investors.

Australia's oldest bank and second-largest lender said *Brian Hartzer* would step down as CEO. Current chief financial officer *Peter King* is taking over as acting CEO while the search is on for a permanent successor. Current chief operating officer *Gary Thursby* will act as CFO in King's stead.

In addition, chairman *Lindsay Maxsted* will retire in the first half of next year. *Ewen Crouch*, who chairs Westpac's risk and compliance committee, will not seek re-election at next month's annual general meeting.

Westpac's share price continued its downward trajectory last week and closed at A$24.52 on Friday. It is now down 8% since Austrac filed its lawsuit on November 20, alleging the bank breached AML and counter-terrorism financing rules on millions of occasions.

"We understand the gravity of the issues presented by Austrac and reiterate our deep sorrow for failings by Westpac," Maxsted said. "We are determined to urgently fix these issues and lift our standards to ensure our anti-money laundering and other financial crime processes are industry-leading."

Austrac is seeking fines of up to A$21m for each of 23 million breaches, leaving the bank, theoretically, facing a cumulative penalty in the trillions of dollars. Most analysts expect a fine of around A$1bn, which would still exceed the A$700m paid last year by CBA for nearly 54,000 breaches of AML/CTF rules, a record fine for a bank in Australia.

COSTS MOUNT

Although Westpac said it had self-reported a large number of breaches of AML/CTF rules in an investor presentation at the time of the share placement, as well as in its last two annual reports, some investors may object that it failed to convey the gravity – and potential cost – of the cases.

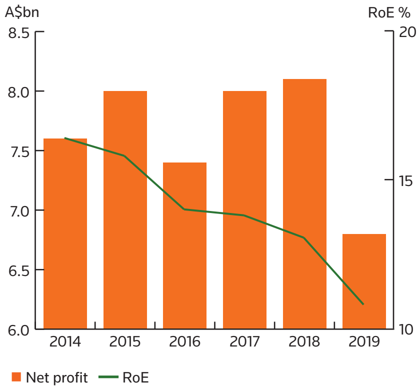
Institutional investors who bought new shares at A$25.32 on November 4 are now looking at a loss, but retail investors already have some downside protection: the retail portion will price at a 2% discount to the five-day volume weighted average price on December 2, with a cap of A$25.32.

Several regulators, including the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission and the Reserve Bank of New Zealand, also said they were investigating Westpac.

APRA forced CBA to set aside an additional A$1bn in capital following its money-laundering scandal.

Analysts also queried the A$80m (US$54.1m) Westpac has earmarked for improving its controls. UBS analyst Jonathan Mott said the cost would likely come in at "several hundred million dollars".

PROBLEMS MOUNT: WESTPAC NET PROFIT AND CASH RETURN ON EQUITY



Source: Company results

"OUTRAGE AND MISDEEDS"

Westpac is also scrapping or reducing bonuses for the full executive team, carrying out an independent review into its anti-money laundering and counter-terrorism financing controls, and has pledged up to A$34m over six years to various community organisations that fight child exploitation. That is in response to specific allegations in Austrac's lawsuit that it failed to carry out appropriate due diligence about potential child exploitation risks on customers sending money to South-East Asia and in particular to the Philippines.

"Politicians of all persuasions are expressing outrage; a swathe of regulators are investigating and the media bulges with stories of Westpac misdeeds," said Jefferies analyst Brian Johnson. "The Westpac brand has been damaged."

Hartzer's resignation followed a massive public backlash from investors, shareholders and politicians, including Prime Minister Scott Morrison, with calls for the bank's leadership team to accept personal responsibility after the scandal broke.

His resignation means that three out of Australia's big four banks have now replaced their CEO since the current spate of scandals began.

Thomas Blott

“There are hardly any clear catalysts for an improvement in bank profitability that appear on the horizon”

EUROPEAN BANKING AUTHORITY, P22

Scotiabank Q4 rebound driven by trading

BANK OF NOVA SCOTIA reported strong capital markets results for the fourth quarter - good enough to rescue the year for the Canadian bank.

Revenue from the bank’s global banking and markets group, which is comprised of capital markets and business banking, rose 8% in the quarter to C$1.2bn, leaving annual revenues down 1% from the year before. The performance in the quarter was driven primarily by gains in fixed-income trading, the bank said.

“We’re actively focused on uptiering our corporate lending relationships and strengthening our investment banking franchise and growing our customer base and presence across the Americas to provide better growth,” Scotiabank financial chief Rajagopal Viswanathan told analysts after the results.

Canada’s third-biggest bank expects global banking and markets to contribute between 15% and 20% of total earnings in 2020, CEO Brian Porter said.

Net income in the banking and markets group fell 3% in the three months to the end of October, and down 13% for the 2018-19 financial year as expenses spiked. Expenses last quarter were up 14% from the year before due to higher compliance and technology investments because of regulatory requirements, the bank said.

TRADING SURGE

Capital markets revenue in the fourth quarter was C$539m, up 20% from a year ago. For the year, capital markets revenue was up 1%.

Revenue from Scotiabank’s business banking segment in the fourth quarter rose 1% from a year ago to C$631m. For the year, revenue in the segment fell 2% to C$2.5bn.

Within capital markets, interest rate and credit trading revenue rose 42% last quarter and was up 15% for the year to C$895m.

Citi, Goldman fined for regulatory lapses

The Bank of England has fined **CITIGROUP** a record £43.9m (US$56.3m) for failing to provide accurate regulatory returns for its UK units between June 2014 and the end of 2018.

And **GOLDMAN SACHS** was fined US$1m by US regulators for failing to record phone conversations of some of its traders in 2014, which impeded a separate investigation.

Britain’s Prudential Regulation Authority, the BoE’s banking supervisory arm, imposed its biggest fine to date on Citi’s UK framework for reporting data to regulators that was not designed, implemented or operating effectively.

Banks have to report data on capital, leverage and liquidity regularly so regulators can check firms are not taking on too much risk or holding too little capital as a buffer against market shocks.

“While Citi remained in surplus to its liquidity and capital requirements at all times, the failings persisted over a significant length of time and were serious and widespread in nature,” the BoE said.

Some of the regulatory returns were unreliable and did not provide the PRA with an accurate picture of the bank’s capital or liquidity positions.

Citi’s regulatory returns were carried out by a regulatory reporting team in Budapest and a finance and risk shared service team in Mumbai, the PRA said. UK controllers had oversight and signed off on the returns.

“Citi failed to deliver accurate returns and failed to meet the standards of governance and oversight of regulatory reporting which we expect of a systemically important bank,” said BoE deputy governor and PRA chief executive Sam Woods.

Citi said it had fully dealt with the past regulatory issues and settled the matter at the earliest opportunity. It said it cooperated with the PRA through the investigation and an independent accountancy and audit firm this year confirmed it had remedied the identified issues.

The PRA said the fine would have been £62.7m had Citi not agreed to resolve the matter early.

Citi was told by the PRA in an annual review in 2015 that its UK operations had some of the most complex legal and governance structures of all banks and had to resubmit “a significant number” of regulatory returns that had errors.

In 2017, the PRA required Citi to appoint a “skilled person” to independently assess the accuracy of its data, risk management and controls used to support data collation, and whether appropriate governance was in place.

The skilled person report found problems with liquidity returns and the regulator launched a more detailed investigation. That found Citi failed to allocate enough people for the reporting requirements, key controls

Who’s moving where…

M&A banker *Francesco Bertocchini* has joined **NOMURA** as managing director for Italy, based in Milan. He reports to Stefano Giudici, head of investment banking for Italy. Bertocchini joined from UBI Banca where he was head of M&A. Before that he was a director at Rothschild specialising in consumer goods, retail, leisure and healthcare, as well as private equity transactions.

CITIGROUP has promoted *Akin Dawodu* to head its business across Sub-Saharan Africa, expanding his reach across 32 countries. Dawodu has been Citi’s country head in Nigeria for four years and expanded his role in January to oversee West and Central Africa. He will continue as head of Nigeria until a successor is appointed. Dawodu joined Citi in Nigeria in 2000 as an FX dealer and became country treasurer, chief operating officer and public sector head. Dawodu will report to Atiq Rehman, head of Citi’s EMEA emerging markets cluster.

Revenue from equities trading fell 2% in the quarter and fell 14% for the year to C$743m.

Revenue from advisory jumped 42% in the fourth quarter, but still ended the year down 3%.

The number of impaired loans in global banking and markets fell to 200 from 208, the bank said. But that number may mask the true picture of the loan portfolio. While the number of impaired loans fell in Europe, the number rose in Canada from none a year ago to 33 in the fourth quarter, and in the US the number rose to 89 from 55 a year ago. The number of impaired loans in Europe fell from 123 to 47.

Overall Scotiabank earned C$2.31bn in the fourth quarter, compared with C$2.27bn in the same quarter last year.

Philip Scipio

did not ensure completeness and accuracy of data, and documentation of "multiple aspects" was inadequate for a firm of its size, complexity and systemic importance, the PRA said.

LOST RECORDINGS

On the other side of the Atlantic, the US Commodity Futures Trading Commission fined Goldman for failing to make and keep audio recordings of its swap dealers' conversations, which it requires.

The problem surfaced when Goldman was unable to provide recordings to the CFTC in an unrelated investigation, because it did not have the conversations recorded.

The CFTC said Goldman began using recording hardware on the phone lines of trading and sales desks in March 2013. But in January 2014 the hardware in an office failed to work for three weeks, which impeded its unrelated investigation.

Huw Jones, Steve Slater

ICMA restarts fight against mandatory buy-ins

The **INTERNATIONAL CAPITAL MARKET ASSOCIATION** is picking up the fight against EU mandatory buy-in proposals again, saying it could have "significant negative impacts" for high-yield bond market liquidity.

The right to buy in is already a common contract term, but under proposals from the European Securities and Markets Authority it will become mandatory. But that change could have a dramatic impact on prices and liquidity, banking lobby group ICMA said.

So-called buy-ins allows the injured party in a failed securities or repo transaction to require its counterparty to make good by sourcing the security on the open market.

The new mandatory buy-in regime, due to be introduced in 2020 under the EU Central Securities Depositories Regulation, could cause bid-ask spreads of all bond sub-classes to more than double, ICMA said in a study published last week. The effects would be worse for illiquid investment-grade credit and high-yield.

It is ICMA's second impact study after publishing one in 2015. This time around, 44 market participants gave their views on the mandatory buy-in proposals.

"The regulation will destroy the market, forcing much more volatile conditions and long-only trading desks," one sellsider said.

All 16 sell-side respondents, and 12 of the 16 buyside respondents said mandatory buy-ins would be bad for bond market efficiency.

"The only division of opinion is as to how bad," said the report.

A buysider, who said liquidity was already challenging, said the regulation would likely mean banks would not short bonds.

"This would have a devastating impact on market liquidity," he said.

"TOO CHEAP TO FAIL"

That was by not a unanimous opinion, however.

One high-yield trader said he would welcome any initiative with the aim to improve the settlement dispute.

"In a zero-bound rates environment it is simply too cheap to fail," he said. "There is a risk of counterparts taking the view 'I'll just fail until someone tries to buy me in' which comes at a cost to the whole system."

"The regulation will destroy the market, forcing much more volatile conditions and long-only trading desks"

But it is not just the cost of unsettled trades to the investors not receiving the bonds that is the issue; they can also cause a problem when investors want to vote on corporate actions in a timely fashion.

"Another issue to consider is the ability to vote on corporate actions in a timely fashion, which impacts implementation of corporate restructurings," said the high-yield trader.

"A market with better settlement discipline will engender more trust."

Under ESMA's new rules, securities depositories must implement a penalty mechanism for fails, required to be heavy enough to serve as an effective deterrent.

Eleanor Duncan

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MUFG BANK has appointed *Marilyn Gan* as head of origination for Asia-Pacific aviation finance. Gan reports to Masayuki Fujiki, head of the Asian Investment banking division. She is based in Singapore. It follows MUFG's purchase of the aviation finance business of DVB Bank, where Gan has worked since 2006, most recently as APAC head of aviation finance.

DANSKE BANK has hired *Frans Woelders* from Royal Bank of Scotland as its new chief operating officer and member of the executive management team. Woelders will join Danske on June 1 at the latest. He was head chief digital officer for personal banking at RBS. He previously worked with Danske's new chief executive Chris Vogelzang at ABN Amro.

Bellwether

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

MORE THAN 11 years after the financial crisis and finally the UK public appears to have found a new punchbag. With the UK general election looming and both main political parties being accused of waging a fake-news war, politicians have fallen to a new low and are now three times less trustworthy than bankers.

At least that's according to The Ipsos Mori Veracity Index. Of the 1,202 UK adults interviewed for the survey, only 14% said they would trust the likes of Boris Johnson and Jeremy Corbyn, making them less trustworthy than every other profession.

All of which is great news for bankers. After being pilloried for more than a decade they are now considered to be pillars of virtue, with 43% of UK adults saying they would trust bankers to tell the truth.

Of course no-one should get carried away. In that period a lot of bankers have been replaced by robots, which may have a stronger moral compass.

Also, to put things in context 93% of those polled trust nurses, who topped the league table of truth.

By contrast, bankers are languishing in a shifty 18th spot, separated by charity chief executives and local councillors. Still, politicians are rooted to the bottom of the table, ranking below estate agents and advertising executives in 25th position.

So as they prepare to cast their votes in the UK election, whatever bankers think of Johnson and Corbyn, they should be grateful to both party leaders for helping them rehabilitate their image.

In the interests of full disclosure journalists are ranked one notch below estate agents, with only 26% of those polled saying hacks will tell the truth, while 30% would take the word of someone from Foxtons.

IT'S SMASHED AVOCADOS all round at UniCredit after the Italian bank appointed a group of millennials to oversee a raft of new ESG commitments.

The bank unveiled a number of initiatives after asking employees to come up with 1,200 ideas on how to protect the climate.

According to the bank, "The UniCredit Millenial Board", which consists of employees ranging from 22 to 32 years of age, will oversee and vet the various ideas.

It sounds like an inter-generational version of the BBC business pitching programme Dragons' Den, except the adults are pitching while the kids can suck their teeth and sit on beanbags in judgement.

In case they need any ammunition, perhaps they could start by pointing out to the seniors that UniCredit spelt "millennial" wrong throughout the press release.

The bank claims that "sustainability is in our DNA", but is proof-reading? Then they should politely enquire whether the bank's fluffy brand-mascot Elkette is 100% recyclable. If not, surely she's got to go.

MUCH GNASHING OF teeth over at Societe Generale where the bank's worst fears were confirmed after two senior ECM bankers who resigned in September resurfaced at arch-rival BNP Paribas.

Jean-Baptiste Giros and Alexis le Touze are joining to beef up BNPP's French business. Apparently it's all part of BNPP's strategic plan, but one SG banker wasn't so sure. "This is all because we're beating them in ECM," he said.

Perhaps with SG "reviewing" parts of its equities business its bankers should forget about sour grapes and enjoy being on top while they can. ■

Who's moving where…

■ **CITIGROUP** has hired HSBC's global co-head of real estate, *Kara Wang*. Wang is due to start in January as co-head of real estate investment banking for Asia alongside Jonathan Quek. Based in Hong Kong, she will primarily cover property developers across Greater China. Formerly with Bank of America, Wang was appointed co-head of HSBC's real estate globally last year. Citi has also poached *Dayday Zhou*, a director from the same team at HSBC.

■ **HSBC** has hired *Eddie Wong* as director in its Asia-Pacific loan syndications team. He will primarily focus on syndication of event-driven loans, including corporate and leveraged acquisitions. Based in Hong Kong, he reports to Ashish Sharma, head of loan syndications for Asia-Pacific. Wong was most recently director in ING Bank's loan syndications team in Hong Kong. He left the Dutch lender in September. He previously worked for Credit Suisse and ANZ.

■ US alternative credit asset manager **CIFC** has added two more hires to the European team it started building last year. *Anders Samuelsen*, who joined from Muzinich, and *Aidan Reynolds*, from Murano Connect, will work with European managing director Josh Hughes in the investor services team. CIFC poached Apollo's Dan Robinson as CIO for Europe last year. It sold its debut European leveraged loan CLO in July, and has launched a UCITS structured credit fund with AUM standing at US$100m.

Deutsche sells EM debt assets to Goldman

DEUTSCHE BANK has sold assets with a notional value of about US$50bn tied to emerging market debt to **GOLDMAN SACHS** as part of the German bank's attempt to shrink, people familiar with the matter said.

Deutsche has sold several portfolios of unwanted assets and is keen to sell more to reduce the size and complexity of its balance sheet under a turnaround plan kicked off in July by chief executive Christian Sewing.

Goldman previously bought a book of Asian equity derivatives assets auctioned off by Deutsche as part of Sewing's turnaround plan.

The recently sold EM debt assets were previously housed in Deutsche Bank's wind-down unit, known as its capital release unit.

The CRU initially had €281bn of leverage exposure, which had reduced by €104bn to €177bn at the end of the third quarter. That equates to a €16bn reduction in risk-weighted assets to €56bn.

Deutsche is aiming to get CRU's leverage exposure below €119bn by the end of the year, or €52bn in RWAs.

Steve Slater, Christopher Spink

Raiffeisen goes digital for Swiss bonds

RAIFFEISEN SCHWEIZ plans to launch a digital platform for its capital markets business, which should allow digital execution of new Swiss bond market issues in the first quarter of 2020.

Raiffeisen said the platform will allow Swiss bond issuers to connect directly with investors at all steps in the process, including the book opening, signing of contracts and the listing of the bonds. Billing for coupon payment and redemption of the issue can be sent out through the platform as well.

Raiffeisen said the platform will improve the transparency of the book and the price discovery process, and guarantee the traceability of the allocation process. The platform is being handled by Valyo, a start-up that is fully owned by Raiffeisen Schweiz.

The CEO of Valyo will be *Daniel Schwab*, who worked at a predecessor of UBS, before moving to Swisscom in 1993 as head of group financing and later group treasurer, responsible for large financing transactions in the domestic and international capital markets.

Steve Slater

Tradeweb launches European credit portfolio trading

TRADEWEB MARKETS has expanded its portfolio trading to European credit bonds, 10 months after introducing the functionality for US dollar corporate bonds.

New York-based electronic trading platform Tradeweb has so far seen portfolio trading volumes exceed US$29bn, with single trades as large as US$12bn in notional value.

The platform will now allow investors to bundle European credit bonds into one basket, negotiate a portfolio level price with multiple liquidity providers, and then sell the portfolio in a single transaction. Everything is done electronically.

Tradeweb, which went public on the Nasdaq stock exchange in April, now facilitates portfolio trading for European, US investment grade, US high-yield and emerging markets bonds.

The main benefit of the new function is likely to be increased liquidity. The fixed income market has moved toward more electronic trading in recent years, driven in part by regulation and as investors seek to knit together various sources of liquidity in a fragmented market.

Portfolio trading has been available in equities markets for years. Institutional bond traders have been increasingly adopting the strategy to transfer credit risk thanks to the growth of fixed income ETF assets, Tradeweb said.

"We have fully streamlined a process that was previously too laborious and error-prone, with the added benefits of efficient price discovery and access to cost-saving analytics," said Charlie Collins, head of European credit at Tradeweb.

Eleanor Duncan

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■ **MORGAN STANLEY** hired *Ruchika Sethi* to lead its nine support centres worldwide. Sethi joined from insurer AIG, where she was global deputy chief operating officer and chief transformation officer for general insurance. Sethi will oversee centres in places such as Bangalore and Budapest which house staff tasked with back office and some business functions related to technology, legal and compliance and operations, among others.

■ Loan market veteran *Eric Chan* has joined **FIRST ABU DHABI BANK** as head of North Asia corporate finance. He is responsible for originating loans and bonds from Greater China and South Korea. Chan is based in Hong Kong.

■ *Citigroup's* vice-chairman for Asia-Pacific banking and capital markets *Pramit Jhaveri* is retiring after more than three decades with the bank. Jhaveri spent 32 years at Citi, including as head of India.

■ Debt restructuring and investment banking advisory firm **TRS ADVISORS** has hired distressed debt investor *Sara Tirschwell* as a consultant. TRS, a New York-based firm which was launched last year, wants Tirschwell to help build its practice focused on assisting managers of collateralised loan obligations deal with potential defaults. Tirschwell has worked on Wall Street for two decades and last year filed a lawsuit against bond manager TCW Group, alleging she was dismissed in retaliation for complaining about being sexually harassed. TCW denied that.

“This would have a devastating impact on market liquidity”

BUYSIDE SOURCE ON PROPOSED ICMA CHANGES FOR HIGH-YIELD BONDS, P15

Capital markets week ahead: **Aramco, Ageas, UniCredit**

STRIKING OIL It’s here! After almost four years of hype and hold-ups, Saudi Aramco will finally price its long-awaited IPO on Thursday. It’s nip and tuck as to whether the deal will go down as the largest in history: the SR90bn–SR96bn (US$24bn–US$25.6bn) range straddles current record holder Alibaba, which raised US$25bn from its New York listing in September 2014.

After struggling to secure an anchor investor for the deal, Riyadh has turned to its Gulf neighbours Abu Dhabi and Kuwait to help get the deal over the line. Almost five million Saudis are also expected to buy into the deal, with local banks being leaned on to extend loans to the public so they can participate. The deal was fully covered last week at the top of the range.

FINAL LAP Now that the turkey and pumpkin pie are out the way, US equity bankers head into the final IPO window of the year, with expectations of a couple of decent-sized deals still to come. US accounts software developer Bill.com and Brazilian brokerage XP Investimentos are the most likely to launch. Both could give a nice little boost to the running US IPO haul of US$41bn, 23% up on last year.

SEEKING CONSENT Belgian insurer Ageas could be in for a shock when a consent solicitation closes on Monday. It’s trying to buy back €1.25bn of bonds issued more than 17 years ago as part of a clean-up of its capital structure. But it needs a majority of investors to agree to change the language in the bond documentation, which explicitly prohibits a buyback. Many are expected to hold out for a better deal.

EXTENDING CREDIT UniCredit announces its plans for the next five years at an event in London on Tuesday. It comes almost three years to the day after chief executive Jean Pierre Mustier launched a massive turnaround plan for the Italian bank from the same location. While a €13bn rights issue and huge reduction in bad loans have gone to plan, its shares have barely budged since then.

PLACEBO EFFECT Banks meet on Monday to discuss a US$1.4bn loan package that will fund the leveraged buyout of WIRB-Copernicus Group by Leonard Green & Partners. The private equity firm, in partnership with Arsenal Capital Partners and Novo Holdings, agreed to recapitalise WCG, which provides various support services for clinical trials, for an undisclosed amount earlier this month.

CHANGE OF HEART Venus Medtech, the Chinese maker of replacement heart valves, is targeting up to HK$2.6bn (US$330m) from its Hong Kong IPO on Wednesday. It is one of five listings pricing in the city this week, as issuers tentatively return to the territory that’s been blighted by months of protests, following Alibaba’s hugely successful HK$88bn secondary listing there earlier this month.

CHOPPY SEAS Italian yacht maker Sanlorenzo is targeting more than €200m from its Milan IPO on Friday. Bankers on the deal have their work cut out, coming just over a month after rival Ferretti was forced to cancel its own plans to float. Understandably, they have focused their efforts on the differences between the two companies – and the benefits of Sanlorenzo’s more expensive boats.

BUILDING BRIDGES Greek construction company Ellaktor hits the road to meet investors ahead of its bond market debut. It’s selling a €600m green bond, tapping into rampant appetite for anything with a remotely emerald hue. The company plans to use proceeds to pay down debt, which totalled almost €1bn in bank loans at the end of the third quarter.

BANK BOOK Indian lender Ujjivan Financial Services hopes to collect Rs7.5bn (US$105m) from the IPO on Wednesday of its Ujjivan Small Finance Bank subsidiary. The deal has been substantially downsized, however: it had expected to raise Rs9.5bn following a placement of Rs2.5bn in mid-November, in which it sold 71.4m shares at Rs35 each. No reason was given for the reduced target.

FISH OUT OF WATER Credit Agricole hits the road to sell a rare Dutch consumer loan ABS. The Magoi deal, named after a species of Japanese carp, is a full-stack securitisation designed to achieve significant risk transfer for the French bank. It isn’t due to price until next week, but bankers will be visiting the Netherlands, Paris, London and Germany this week to sell the notes.

LAST WEEK IN NUMBERS

SR166bn – Total orders for Saudi Aramco’s up to SR96bn IPO, as of Friday

US$2bn – Size of EDF’s 50-year Eurodollar trade, a rarity that targeted Asian investors

£44m – Record fine doled out to Citigroup for failing to provide accurate capital and liquidity filings

US$7.3bn – Shorts against the five largest high-yield ETFs in the US market, a new high for the year

China plans Frankfurt trading link

China is planning a Stock Connect scheme with Germany, building on a similar trading link between Shanghai and London which was launched in June.

Chen Han, co-CEO of CHINA EUROPE INTERNATIONAL EXCHANGE, said at a recent conference in Frankfurt the exchange was working on setting up the trading link.

"With mutual depositary receipt listings on the exchanges in Shanghai and Frankfurt by German and Chinese companies, we strive to establish an ever closer connection between our capital markets and real economies. The feedback from high-profile corporate issuers is emboldening," he said.

CEINEX is a joint venture between the Shanghai Stock Exchange, Deutsche Boerse (which operates the Frankfurt Stock Exchange) and the China Financial Futures Exchange. Launched in 2015 and headquartered in Frankfurt, it is a trading venue for investment products related to China and the renminbi in the international markets.

LONDON MODEL

The proposed Shanghai-Frankfurt Connect would be closely modelled on the recently launched trading link between the SSE and the London Stock Exchange, one source aware of the plans said.

Under that scheme, companies listed on the LSE can issue China depositary receipts on the SSE, while SSE-listed companies issue global depositary receipts on the LSE.

Huatai Securities was the first issuer under that scheme with a US$1.69bn sale of GDRs in June that drew a stronger response from UK investors than expected. The GDRs are fungible with Huatai's domestic A-shares after a 120-day lock-up period, but around half of the issue remains traded in London, according to one source close to the deal.

Chinese energy developer SDIC Power has also received approval to issue GDRs and is expected to open books in early December on a deal that could raise about US$700m–$800m.

There have been no CDR issuers so far under the London Connect framework, although HSBC previously said it was looking at it. That was before relations with Beijing became strained over the bank's cooperation with the US investigation into Huawei.

AUTOS IN GEAR

The trading link will ape Shanghai-London Connect as closely as possible, the source familiar with Shanghai-Frankfurt Connect said, including on technical details such as the lock-up period and settlement cycle. But there will be some divergence, particularly on information disclosure, given regulatory differences between the UK and Germany.

"Why should China have a different system for different markets?" the source said. "It makes things much more straightforward for Chinese investors going outbound if the rules are the same everywhere, to the extent that it is possible."

Chinese state media reported German auto companies, in particular BMW and Mercedes-Benz, would be probable candidates for CDR listings, while Chinese manufacturing companies are most likely to issue GDRs.

> **"It makes things much more straightforward for Chinese investors going outbound if the rules are the same everywhere"**

The source said the exchanges were currently talking to about 40 or 50 issuers from a variety of different sectors, including consumer goods and finance, not just manufacturing.

CEINEX has also piloted D-shares, similar to Hong Kong-listed H-shares, as a means for Chinese companies to list in Frankfurt. That experiment, however, has produced little excitement. Chinese home appliance giant Qingdao Haier raised €278.25m (US$306.46m) in October 2018 in the first D-share sale, the only such listing to date.

Thomas Blott

Markets snap up year-end repo liquidity

The FEDERAL RESERVE was able to test the resilience of its efforts to buttress the repo market last week as market participants tapped liquidity ahead of a long holiday weekend in the United States.

With the Thanksgiving holiday falling on Thursday and the last day of the month falling on Friday, several banks and investment funds that rely on repo for liquidity were concerned that a run on repo could lead to a liquidity crunch.

In addition to the last day of the month falling on a Friday that was a quasi holiday, it also included an expected US$113bn coupon settlement and a US$87bn T-bill settlement along with typical month-end pressure.

Indeed, there was added demand for cash early in the week.

Demand for the Fed's US$120bn overnight repo facility at US$88bn was the third highest since the overnight repurchase operations began. While demand was only 73.3% of the total size of the facility, it would have easily outpaced supply before the Fed raised the size of the facility to US$120bn from US$75bn on October 24.

The current overnight operations are set to run through the middle of January, and a new repurchase schedule will be announced on December 12. The Fed will probably offer special contracts for year-end, as they did with the 42-day longer term facilities.

YEAR-END CRUNCH?

The Fed has been intervening in the repo market since mid-September, when short-term rates blew out and later created a longer-term program.

The overnight repo was expanded from November 4 through January, giving the Fed some wiggle room to keep the facility operating at least through an expected cash crunch at the end of the year, and potentially through to mid-January without having to formally extend the programme again.

With the long-term facilities, the Fed is already on the path to avoiding a long predicted year-end liquidity crunch. The first 42-day facility allowed market participants to lock up liquidity past the end of the year and demand was strong.

The US$25bn facility attracted US$49bn in bids, according to the Fed. The next two facilities will be offered on December 2 and December 9 and they are expected to see even bigger demand as the end of the year liquidity needs come into sharper focus. The Fed has already boosted the size facility.

Philip Scipio

Additional reporting Nelson Thomson

"Citi failed to deliver accurate returns and failed to meet the standards ... which we expect of a systemically important bank"

BOE DEPUTY GOVERNOR SAM WOODS, P14

BofA joins top three going into home straight

GLOBAL INVESTMENT BANKING FEES

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	4,278	6,161.7	6.7
2	Goldman Sachs	2,491	5,350.3	5.8
3	BofA	3,694	4,847.7	5.3
4	Morgan Stanley	3,167	4,655.6	5.0
5	Citigroup	3,443	4,194.8	4.5
6	Barclays	2,641	2,913.9	3.2
7	Credit Suisse	1,851	2,850.4	3.1
8	Deutsche Bank	2,579	2,193.0	2.4
9	Wells Fargo & Co	2,889	1,926.5	2.1
10	HSBC	2,833	1,775.1	1.9
11	Mizuho Financial	3,063	1,760.8	1.9
12	RBC CM	2,041	1,681.5	1.8
13	BNP Paribas	2,168	1,560.6	1.7
14	UBS	1,052	1,441.8	1.6
15	MUFG	2,302	1,352.6	1.5
16	Sumitomo Mitsui	2,528	1,293.1	1.4
17	Bank of China	3,034	1,238.1	1.3
18	Jefferies	858	1,113.5	1.2
19	Citic	3,569	939.2	1.0
20	BMO CM	1,348	883.3	1.0
	Total	**51,185**	**92,230.8**	

BANK OF AMERICA, or BofA Securities to use its investment bank's new moniker, is holding in the top three for fees from debt and equity underwriting, M&A advisory and syndicated loans this year, and is the only top bank where revenues are up from a year ago.

BofA brought in US$4.8bn in fees to November 28, up 2% from a year ago, according to Refinitiv data.

That gave BofA a 5.3% share of global fees, up 38bp from a year ago, to lift it into third spot, from fourth at the same stage of 2018 - swapping places with **MORGAN STANLEY**.

Global industry revenues from DCM, ECM, M&A and syndicated loans were US$92.2bn, down 6% from the same stage of 2018, Refinitiv data showed.

Fees have perked up since July - revenue was down 16% at mid-year - but still looks likely to finish the year down from 2018.

JP MORGAN is set to finish 2019 as the leading bank again. Its investment bank revenues were US$6.2bn, down 7% from a year ago, to give it a market share of 6.7%, down 13bp. But the number of deals it has worked on is up at 4,278, compared with 3,989 a year ago.

GOLDMAN SACHS remained in second place with market share of 5.8%, down 42bp from a year ago after a 12% drop in revenues.

Morgan Stanley and **CITIGROUP** rounded out the top five, with revenue declines of 6% and 7%, respectively, from a year ago.

BARCLAYS has overtaken **CREDIT SUISSE** to rank as the leading non-US bank in sixth position, up from seventh at the same stage of 2018. Barclays' revenues of US$2.9bn were down 5% from a year ago and gave it a market share of 3.2%, just ahead of Credit Suisse's 3.1% share.

The biggest mover among the top 20 banks has been China's **CITIC**, which ranks 19th so far this year, up from 26th at end-November 2018, the data showed. Citic's revenues are up 24% from a year ago to US$939m, giving it a 1% share of global fees, up 24bp from a year ago.

Steve Slater

AMERICAS INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	2,985	4,354.0	9.5
2	BofA	2,710	3,622.8	7.9
3	Goldman Sachs	1,448	3,493.1	7.7
4	Morgan Stanley	1,592	2,877.1	6.3
5	Citigroup	2,106	2,597.2	5.7
6	Barclays	1,610	1,910.9	4.2
7	Wells Fargo & Co	2,718	1,796.5	3.9
8	Credit Suisse	1,060	1,709.2	3.7
9	RBC CM	1,718	1,398.6	3.1
10	Deutsche Bank	1,009	1,160.4	2.5
	Total	**17,858**	**45,606.5**	

ASIA-PACIFIC & JAPAN INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Bank of China	2,868	1,115.5	4.5
2	Mizuho Financial	1,973	1,092.0	4.4
3	Citic	3,558	936.0	3.8
4	Morgan Stanley	1,141	844.3	3.4
5	Sumitomo Mitsui	1,808	836.5	3.4
6	ICBC	2,672	738.9	3.0
7	Goldman Sachs	479	656.7	2.6
8	HSBC	961	572.5	2.3
9	Citigroup	521	572.1	2.3
10	Bank of Comms	2,186	551.9	2.2
	Total	**23,384**	**24,888.8**	

EMEA INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	938	1,279.6	5.9
2	Goldman Sachs	570	1,200.5	5.5
3	Citigroup	820	1,025.5	4.7
4	Morgan Stanley	437	934.2	4.3
5	BNP Paribas	1,056	887.6	4.1
6	BofA	612	859.9	4.0
7	Barclays	724	837.9	3.9
8	Deutsche Bank	736	747.2	3.4
9	HSBC	1,012	691.8	3.2
10	Credit Suisse	492	640.7	2.9
	Total	**10,441**	**21,735.5**	

GLOBAL BONDS

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	2,413	1,934.7	6.2
2	BofA	1,917	1,786.4	5.7
3	Citigroup	2,094	1,627.4	5.2
4	Morgan Stanley	2,249	1,318.2	4.2
5	Barclays	1,700	1,136.1	3.6
6	Goldman Sachs	1,379	1,115.5	3.6
7	Credit Suisse	1,086	965.6	3.1
8	Deutsche Bank	1,854	928.1	3.0
9	Wells Fargo & Co	1,770	899.8	2.9
10	HSBC	1,900	863.4	2.8
	Total	**29,036**	**31,313.4**	

GLOBAL EQUITIES

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	389	1,397.2	8.8
2	Goldman Sachs	345	1,322.1	8.3
3	Morgan Stanley	392	1,297.7	8.1
4	BofA	278	906.2	5.7
5	Citigroup	294	808.6	5.1
6	Credit Suisse	242	610.2	3.8
7	UBS	183	444.0	2.8
8	Barclays	168	392.2	2.5
9	Jefferies	141	328.4	2.1
10	Citic	80	293.5	1.8
	Total	**4,621**	**15,954.0**	

GLOBAL LOANS

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	1,205	1,087.2	5.7
2	BofA	1,316	1,062.4	5.6
3	MUFG	1,444	881.5	4.7
4	Mizuho Financial	1,002	857.0	4.5
5	Citigroup	858	734.7	3.9
6	Sumitomo Mitsui	1,046	631.4	3.3
7	Wells Fargo & Co	935	608.0	3.2
8	HSBC	794	588.8	3.1
9	Barclays	606	575.0	3.0
10	Credit Suisse	375	538.1	2.8
	Total	**9,039**	**18,936.2**	

1/1/2019 to 28/11/2019
Source: Refinitiv

Barbados hurricane clauses backed

BARBADOS's creditors have given their formal backing to the restructuring of the Caribbean island's US dollar bonds, creating a new class of sovereign debt which will give automatic relief from payments for two years if it's hit by a hurricane over the lifetime of the bonds.

In October holders of the US$677m of notes agreed to the deal terms, which sees those bonds, with maturities up to 2035, swapped for a new US$500m 2029 note with a lower interest rate of 6.5%. That gives them a haircut of 26.3% and the risk the notes could be extended if a natural disaster strikes.

A source close to the creditors, which consisted of hedge funds Eaton Vance, Greylock, Teachers Advisors and Guyana Bank for Trade and Industry Limited, said there had been some pushback against the hurricane clauses being included.

"Why do this? It might be easier to take out insurance against such an outcome," said the source. Swiss Re and other major insurers offer such protection for an annual premium. The official sector, led by the World Bank, has also tried to develop such products.

CATASTROPHE INSURANCE

Last week the Philippines took advantage of this as the World Bank issued two tranches of catastrophe-linked bonds amounting to US$225m of protection that will pay out to the country should it be hit by an earthquake or cyclone in the next three years (see Bonds section).

Sovereigns have been encouraged to take out such protection by ratings agencies too. "One way to mitigate the economic and ratings implications of natural disasters is catastrophe insurance," said S&P in a note, saying that would prevent a two-notch downgrade if disaster struck.

LESS EXPENSIVE

Barbados's solution is seen as less expensive. Under its terms, the bonds will simply be extended by two years if a sufficiently strong hurricane batters the island. Any interest will be suspended too and capitalised.

"The clauses are in the creditors' interest," said a source close to the government. "In the wake of such a disaster the bonds just can't get paid. So instead of having to restructure them again it makes sense just to suspend interest and extend maturities for two years. That's better than a default."

He envisaged such clauses being increasingly inserted into new issues. "They could be linked to the price of oil or another commodity, which if it fell might cause an exogenous shock to a country's economy," he said.

Last year Barbados also restructured around Bds$12bn (US$6bn) of domestic debt. Together that means significant debt relief has been achieved since prime minister Mia Mottley took office in May 2018, saying it would suspend payments on its debts.

"We look forward to a new era of close cooperation and to eventually restoring our credit rating to the investment grade level achieved before the Barbados Labour Party last left office," she said.

Christopher Spink

Duo team up for Asia infra ABS

Singapore-based CLIFFORD CAPITAL and the ASIAN INFRASTRUCTURE INVESTMENT BANK have announced a groundbreaking warehouse facility for Asian project loans, in the latest bid to mobilise institutional capital for infrastructure debt.

BAYFRONT INFRASTRUCTURE MANAGEMENT will acquire predominantly brownfield project and infrastructure loans from financial institutions, warehouse and manage them, before securitising them in public markets.

The aim is to free up banks' balance sheets, allowing them to finance new projects, as well as adding to the supply of paper for investors from a relatively new asset class.

Clifford Capital, in which Singaporean state investment holding company Temasek Holdings has a 40.5% shareholding, will take a 70% stake in BIM and AIIB will hold 30%. BIM is expected to be capitalised at US$1.98bn, comprising US$180m in equity and US$1.8bn in debt issuance capacity.

The initiative builds on Asia's first securitisation of project finance loans, a US$458m multi-tranche collateralised loan obligation issued through Bayfront Infrastructure Capital, another Clifford Capital unit.

Clive Kerner, CEO of Clifford Capital, described that trade as a "proof of concept" to test whether banks and investors would support an infrastructure take-out facility.

Future deals will be issued off the BIM platform, and are expected to appeal to a similar investor base as the BIC trade, which attracted global insurers, endowments, bank treasuries and pension funds.

New issues are expected to be denominated mainly in US dollars, though Kerner said it is possible there could be some local currency issues, with a small carve-out allowing Australian dollar transactions.

Like BIC, the new entity will focus mainly on Asia and the Middle East, though there is flexibility to look at emerging markets in Africa and Latin America.

Clifford Capital is in discussions with the AIIB to apply the development bank's ESG standards to the new portfolio, which is expected to acquire some green assets.

"Renewables will become an increasing focus," said Kerner. "What we will need to see happen first is for the stock of greenfield renewable assets to be built up."

SINGAPORE SUPPORT

Singapore's government has agreed to guarantee BIM's debt issuance to allow it to acquire the loans, but the guarantee will not extend to securitised products sold to investors.

BIM has already begun discussions with 20 top project finance banks, and Kerner said these banks have been given a good idea of what kinds of assets the vehicle is seeking.

The AIIB's participation is not expected to prevent BIM from talking to other development banks.

It is also likely that BIM will acquire some loans from Clifford Capital, freeing up Clifford Capital's balance sheet and allowing it to scale up future investments.

BIM will invest in the equity tranches or vertical slices of its CLOs to align its interests with investors, though it might also consider allowing specialist investors to participate in the unrated subordinated tranches.

Work on the first issue is expected to begin in the first quarter when BIM becomes operational. As in the BIC trade, BIM will acquire infrastructure loans and warehouse them while it works with ratings agencies and bookrunners to structure a deal.

"The first transaction took 14 months to complete that process, but we expect it to be quicker this time," said Clifford Capital's Premod Thomas, who will be CEO of BIM.

The first CLO transaction could arrive as soon as Q1 2021, Thomas said, and could come every 12-15 months thereafter.

Daniel Stanton

“We understand the gravity of the issues presented by Austrac and reiterate our deep sorrow for failings by Westpac”

WESTPAC CHAIRMAN LINDSAY MAXSTED, P13

EU banks’ RoE slips to 7%, prospects stay bleak

Profitability across European banks dipped to 7% on average and prospects for an improvement remain bleak amid low interest rates and the threat of higher impairments, the region’s banking watchdog said.

The European Banking Authority said return on equity for 131 banks across 27 countries averaged 7% in the 12 months to the end of June, down from 7.2% a year earlier.

“There are hardly any clear catalysts for an improvement in bank profitability that appear on the horizon. It tends to be rather the other way round,” the EBA said on Friday.

“Even though low rates might be supportive when it is about the costs of market-based funding and new lending volumes, they still pose pressure on banks’ NIMs [net interest margins],” it said in its annual report on risks in the industry.

RoE has improved from an average of 3.5% in December 2014, but the data show most banks are still struggling to get returns above their cost of equity.

The EBA said less than 60% of banks said their RoE was above their cost of equity. The truth is likely to be far lower than that - bankers estimate cost of equity is broadly 8%-10%.

“UNATTRACTIVE PROSPECTS”

The watchdog said the “unattractive profitability prospects” are reflected by market valuations: only 28% of listed EU banks trade at a price-to-book value above 1, compared with 81% of US banks.

It is a worry for regulators, as well as banks. Low profitability limits capacity to generate capital and to fund loan growth, or pay dividends, or absorb loan losses if there is a downturn in economic conditions.

The EBA said banks point to potential cost cuts as the main area to improve profitability. “However, over the past few years banks have struggled to adapt the evolution of their operating expenses to the fall in net operating income,” it said.

The EBA released the report alongside a detailed “transparency exercise” of bank data.

Operating expenses grew by 1.5% in the year to the end of June, higher than a 1.1% rise in net operating income in the period.

The increase in expenses was driven mainly by a 2.5% rise in staff costs, which account for about 54% of expenses.

The overall soundness of the EU banking system improved in the past year, however, and capital ratios and asset quality continued to nudge higher, the EBA report showed.

The common equity Tier 1 ratio at the end of June averaged 14.4% across the banks on a fully loaded basis, up from 14.3% a year earlier. The EBA said banks with the lowest capital ratios had improved by the largest amount.

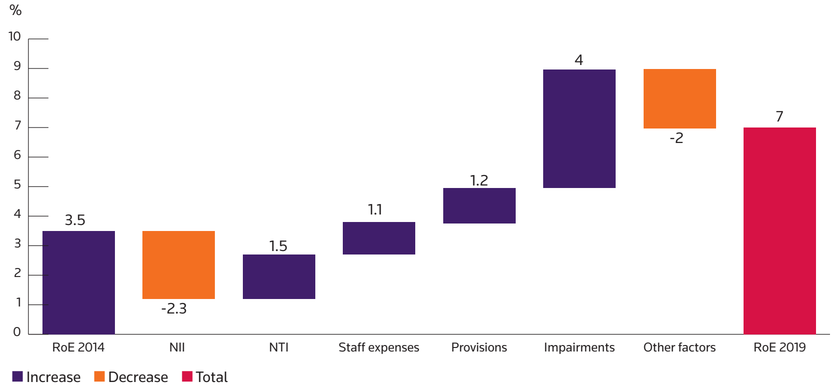
The ratio of non-performing loans to assets decreased to 3% from 3.6% a year earlier, continuing a long-term trend.

Asset volumes across Europe increased by 3% in the past year, which the EBA said confirmed the end of the deleveraging trend.

But it warned that could pose challenges. Banks have significantly increased their lending portfolios in riskier areas, such as loans to consumers, commercial real estate and small and medium-sized firms. It said banks indicated they plan to keep increasing these exposures.

Steve Slater

EUROPEAN BANKS’ RETURN ON EQUITY IMPROVES, BUT NOT BY MUCH: HOW ROE HAS MOVED FROM 3.5% AT END-2014 TO 7% AT END-JUNE 2019



Source: EBA 2019 transparency report; NII=net interest income, NTI=net trading income

IN BRIEF

FX DISMISSALS

MORGAN STANLEY has fired or placed on leave at least four traders over alleged mismarking of securities that concealed losses of between US$100m and US$140m, Bloomberg reported. The bank is investigating the suspected mismarking that was linked to emerging market currencies and the traders were based in London and New York, the report said.

A Morgan Stanley spokesman declined to comment. The probe relates to complex trading products including FX options that give buyers the right to trade currencies at a set price in the future, Bloomberg said.

CHINA RISING

MSCI has completed the third and final step in its increase of the weighting of China A-shares in its benchmark emerging markets index with mid-cap stocks also entering the index for the first time.

The US index publisher last week raised the weighting of China A-shares to 20% from 10% previously in the EM index. MSCI also added 228 mid-cap securities into the index for the first time with 244 large-cap stocks already included.

MSCI said any further increase in the weighting of A-shares in the index would be contingent on further reforms in China. These include expanding the scope of hedging instruments available to investors, reforms to the settlement cycle such as the introduction of delivery-versus-payment settlement and the introduction of omnibus trading via Stock Connect.

WE’LL HAVE PARIS

NATIONAL AUSTRALIA BANK plans to set up a unit in Paris that would offer wholesale banking and investment services to much of Europe. The move follows similar decisions by other financial firms to create new hubs in the EU due to Brexit.

“Our current operating model creates inconsistencies for clients who operate across European jurisdictions as we don’t have free access across the continent,” said a source familiar with NAB’s plans.

NAB said it had submitted an application to French regulators to establish the unit. It would be NAB’s first base in continental Europe.

OBITUARY: DAVID PEPPER

David Pepper, head of EMEA loan capital markets at Bank of America, has died.

Pepper joined the bank in 2011 and was appointed co-head of EMEA loan capital markets in 2015, alongside Charles Wickham. Pepper became sole head of loan capital markets in April 2017 when Wickham left BofA.

Pepper joined BofA from WestLB, where he was a managing director in the loan syndication team.

FRONT STORY FINANCIALS

Ageas set for capital refresher

Insurer aims to replace legacy securities but could face holdouts

Spokesman rules out new tender offer at higher price

AGEAS is preparing to replace legacy perpetual instruments with new Restricted Tier 1 notes in a three-step transaction, which observers say has clear benefits, but could face some holdout bondholders.

The Belgian insurer is looking to shift bondholders out of its €1.25bn Floating Rate Equity-linked Subordinated Hybrid (FRESH) instrument and make room for new RT1 issuance through a consent solicitation and tender. But market participants said some accounts might wait in the hope of a better offer.

Ageas also started a roadshow last Monday ahead of an expected euro benchmark perpetual non-call 10.5-year RT1 note.

The FRESH securities were issued in 2002 with a coupon of three-month Euribor plus 135bp.

They have no call or redemption date and are grandfathered as Tier 1 capital until 2026 under Solvency II. They cannot be redeemed or repurchased for cash and can only be converted into Ageas shares at €315 per share.

That is unlikely to ever happen given Ageas' share price was at €54.6 last Friday - the highest since 2008, according to Refinitiv data. Ageas said the exchange price effectively implied they are a truly perpetual instrument.

The issuer has therefore launched a consent solicitation to change the terms of the securities and permit their purchase, alongside a tender.

Ageas is offering bondholders 56% of the principal amount and an additional 3% for those who tender and consent during the solicitation period. It said that represented around a five point premium compared to the securities' closing price pre-announcement.

A majority of the aggregate principal amount of the FRESH outstanding must consent for the proposed amendment to be adopted.

The consent solicitation will close on December 2. Holders that consent after that date will only receive the 56% tender offer consideration.

The new RT1 issue could emerge this week, after the results are announced on Tuesday.

The results of the tender will be announced on January 3.

EXIT OPPORTUNITY

"With this offer to purchase the FRESH securities, Ageas provides investors with an opportunity to exit a financing instrument stemming from the past," said Ageas chief executive, Bart De Smet.

"In conjunction with the intended new debt issuance, Ageas modernises its capital structure, by proactively reducing its reliance on grandfathered capital instruments and pursuing its objective of centralising funding and capital issuance at the level of the parent company Ageas SA/NV," he said.

Raymond Tam, senior analyst at Creditsights, said the tender does indeed offer some bondholders an exit opportunity for an illiquid holding, but said, looking at the economics of the proposal, "there is only one winner, which is Ageas".

He said Ageas stands to book a capital gain on the tender offer equivalent to at least 44% of the principal amount of the tendered securities.

"Assuming a potential coupon of 4% for the new RT1, which is four times the current coupon on the FRESH securities, this is still very attractive for Ageas in our view," said Tam.

Funding costs have become significantly more attractive for insurers over the course of 2019. The average yield of the iBoxx EUR insurance subordinated index has fallen from 3.58% at the start of the year to 1.64%.

HOLD OUTS?

Both Tam and some bankers away from the deal suggested some bondholders might turn down the tender offer because they feel they can get an improved offer in the future.

The National Bank of Belgium has confirmed that any FRESH securities that are not repurchased will continue to be regarded as grandfathered Tier 1 capital.

But Tam said that if the FRESH securities stop receiving regulatory credit towards the end of the grandfathering period in 2025, they could in effect become expensive senior debt, depending on the interest rate environment at the time.

An investor, while not a holder of FRESH securities, also speculated it was more likely than not that Ageas will have to come back again to repurchase all the bonds.

However, an Ageas spokesperson told IFR the insurer did not intend to make a future tender offer at a higher price.

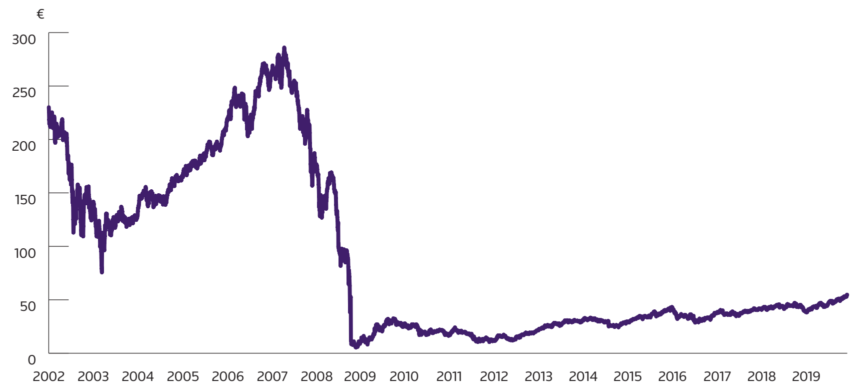
"And notwithstanding the lack of regulatory capital recognition beyond 2026, Ageas believes that, based on the commercial terms of the FRESH, and subject to future market condition, any FRESH which remain outstanding will continue to provide appropriate low-cost, long-term funding and useful economic capital for the group," he said.

BNP Paribas and *Citigroup* are structuring advisors and joint bookrunners with *Credit Suisse*, *Deutsche Bank* and *JP Morgan*.

Tom Revell

AGEAS SHARES LONG WAY FROM FRESH EXCHANGE PRICE

AGEAS SHARE PRICE SINCE 2002



Source: Refinitiv Eikon

Deutsche Telekom dials into long-end demand

Investor appetite offers borrowers chance to extend curves

DEUTSCHE TELEKOM responded to demand for long-dated paper in the euro market with a 30-year deal on Wednesday led by *Barclays*, a trade that will extend the issuer's curve by more than 10 years.

The search for yield has pushed investors further out on the curve in 2019, demand that corporate issuers have made full use of.

Including Wednesday's transaction from the German telecoms company, corporates have printed €6.8bn through nine deals in the 30-year maturity bucket in 2019, according to IFR data. In contrast, there has only been one deal per year at that specific tenor since 2013.

The search for yield has pushed investors further out on the curve in 2019, demand that corporate issuers have made full use of

As investors increasingly signal interest in the long end, several bankers away from the trade suggested Deutsche Telekom was driven by one or more reverse enquiries.

A banker familiar with the deal said that accounts had been showing interest in 30-year paper prior to Deutsche Telekom's appearance.

The spread on the deal was mid-swaps plus 140bp, the tight end of the 140bp-145bp guidance, on a €900m book. The paper was marketed as a €500m deal, although the size was increased to €600m by the time the bond priced.

The only other European investment-grade telecoms company to have a bond at the same point in the curve is Orange. Its €750m 1.375% September 2049 was bid last week at swaps plus 120bp on Tradeweb.

Bankers suggested the relative scarcity of bonds that far out would have likely added to demand for the trade.

Typically for a trade with a single lead, the dealer indicates guaranteed terms to the borrower to ensure execution, said a syndicate banker away. The tactic paid off.

"There are some investors out there looking for this kind of maturity, and for an issuer to be able to take an opportunistic trade like this at these levels is great," said a second banker off the deal.

Fair value was around swaps plus 135bp, according to bankers away from the issue.

While some suggested that the pricing looked quite tight, others thought it seemed fair given the nature of the trade.

"For a deal like this, if you are coming straight out at guidance you're not going to be 30bp back, so for me it looks fine," said the second banker away.

"You are sending a message to the market and there is likely a level you know you can get the trade done."

The company's longest outstanding euro issue before last week was a €300m 2.25% March 2039, bid at 109bp on Tradeweb.

Deutsche Telekom has had an active year in the euro market, having already raised €3.6bn over four tranches prior to the new issue. In July it sold a €1.25bn 0.50% July 2027 and a €850m 1.375% July 2034.

MERLIN CONJURES UP DEMAND

MERLIN PROPERTIES (Baa2/BBB) also took advantage of investor demand to extend its euro curves.

It sold a €500m 15-year no-grow senior bond, a deal that marked its return to the public benchmark market after an absence of more than two years.

The trade was marketed by the Spanish real estate company at 180bp area over mid-swaps. Books closed above €1bn, allowing the leads to set the spread at 165bp.

The December 2034 bond extends Merlin's curve by more than five years beyond the €300m 2.375% September 2029 that was previously its longest issue.

The December 2034 bond extends Merlin's curve by more than five years beyond the €300m 2.375% September 2029 that was previously its longest issue

That bond was bid at 128bp on Wednesday. It was issued in September 2017, the borrower's last appearance in the market, at 140bp over.

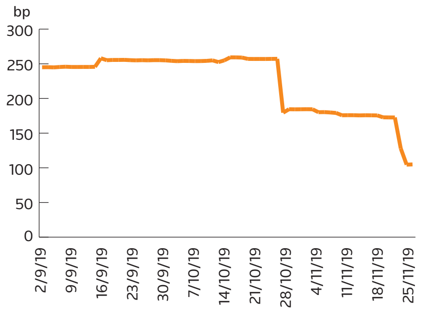
Banca IMI, *BBVA*, *BNP Paribas*, *HSBC*, *Natixis* and *Santander* were active bookrunners on last week's deal, while *Bankinter*, *Caixabank*, *Citigroup*, *Credit Agricole*, *ING*, *Mediobanca*, *Sabadell* and *Societe Generale* were passives.

Ed Clark

WEEK IN NUMBERS

68bp

THE EXTENT TO WHICH TIFFANY'S OCTOBER 2044s TIGHTENED AFTER LUXURY GOODS COMPANY LVMH SAID IT WOULD BUY THE JEWELLER FOR US$16.2bn

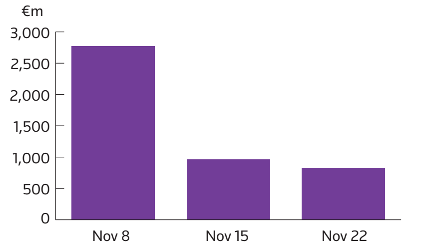


US$2bn

THE SIZE OF A RARE EURODOLLAR TRADE, WHICH WAS PRICED BY EDF WITH A 50-YEAR TENOR. THE BOND TARGETED ASIAN INVESTORS, ESPECIALLY TAIWANESE LIFERS. IT CAME IN CONJUNCTION WITH A €500m PERP NON-CALL EIGHT HYBRID

€825m

THE NET AMOUNT OF CORPORATE BONDS THE ECB BOUGHT THROUGH ITS CSPP IN THE WEEK UP TO NOVEMBER 22. IT HAD BOUGHT €966m THE WEEK EARLIER



€6.8bn

THE AMOUNT RAISED BY CORPORATES IN THE EURO MARKET USING 30-YEAR TENORS THIS YEAR THROUGH NINE DEALS AFTER DEUTSCHE TELEKOM BECAME THE LATEST TO DO SO WITH A €600m DEAL ON WEDNESDAY

US$7.3bn

THE TOTAL SIZE OF SHORT BETS HELD AGAINST THE FIVE LARGEST HIGH-YIELD ETFs IN THE US MARKET, THE HIGHEST POINT OF THE YEAR, AFTER US$1.39bn WAS ADDED IN THE FIRST TWO WEEKS OF NOVEMBER

SSAR

US DOLLARS

INVESTORS TURN TO TAXABLE MUNIS AMID CORPORATE LEVERAGE GLUT

Smaller investment management companies looking to diversify their portfolios away from over–leveraged corporates ahead of possible 2020 volatility are turning to an unlikely corner of the fixed income space – taxable municipal bonds.

A combination of tax reform and the Federal Reserve's rate cuts has created a technical bid in the market that makes the yield on taxable munis more attractive than certain Single A corporate bonds.

Municipal bond issuance has typically been dominated by tax–exempt bonds, which offer much lower yields than corporate bonds.

But after the passage of tax reform in 2018, the supply of tax–exempt munis started to decrease.

The law now prohibits borrowers from using a tax–exempt status to fund pre–refinancings – a process in which new muni bonds are issued and the proceeds invested in Treasuries in order to pay down the previous muni bonds until they reach the first call date.

To analysts expectations, pre–refunding muni issuance dropped to 18% in 2018 and 20% through October 2019 – down from around 33%–41% over the prior five years, according to a Fidelity Capital Markets report.

But pre–refunding started to pick up again after the Federal Reserve cut rates by 75bp this year – with borrowers now issuing taxable bonds, which offer a much more compelling yield for corporate investors.

"You would think that the pre–refunding would die, but the rates have dropped so much they can pre–refund at tax exempt coupons and still come down by doing it in the taxable space," said John Spear, chief investment officer of the USAA Investments Franchise, which was bought by Victory Capital earlier this year.

Through the first week of October, the supply of taxable munis grew to US$33bn, exceeding all prior years excluding the post financial crisis stimulus Build America Bonds, according to the Fidelity report.

Because of the increase in supply, USAA has increased its portfolio's share of muni issuance to 3%–5% up from 0%–0.5% at many other competing firms, Spear said.

And unlike tax–exempt muni bonds, taxable munis offer similar yields on better credit ratings than investors could find in the corporate space.

"The same buyers of these taxable munis are the same buyers of corporate debt – pensions, endowments, insurance companies, taxable yield buyers," said Guy Benstead, portfolio manager at Shelton Capital.

"They can buy a Single A corporate or a Double A taxable muni at the same yield. It's a source of diversification and maybe even better credit quality."

A recent bout of spread tightening makes taxable munis all the more attractive to crossover buyers, Citigroup analysts noted in a recent report.

The widest trading muni bonds are averaging just 60bp tighter than the widest trading high–grade corporate bonds of similar duration – down from over 100bp differential at the beginning of the year, according to the report. For that 60bp differential, investors can buy into a market where two–thirds of the bonds at AA– or better, compared with the corporate high–grade space, where half of the bonds are rated in the Triple B space.

"We believe it behoves investors to seize on these windows of relative value quickly, as the long duration of taxable municipals acts as a powerful boost to total returns arising from spread tightening," Citigroup wrote in the report.

EUROS

ITALY TAKES OUT CHUNKY LINKER IN PRIVATE PLACEMENT MARKET

The ITALIAN REPUBLIC turned to the private placement market last week to sell a €800m inflation-linked bond, an unusual trade as the sovereign tends to favour multi-billion syndications or auctions.

ALL INTERNATIONAL GREEN BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Agricole	65	11,230.61	7.8
2	BNP Paribas	54	10,058.05	7.0
3	HSBC	71	9,673.65	6.7
4	BofA	40	7,324.84	5.1
5	JP Morgan	48	7,293.61	5.1
6	Citigroup	48	6,386.31	4.4
7	SG	30	5,328.18	3.7
8	Barclays	32	5,211.76	3.6
9	Goldman Sachs	21	4,458.88	3.1
10	SEB	23	4,161.32	2.9
	Total	**282**	**143,637.97**	

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

ALL INTERNATIONAL BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	1,307	295,998.96	7.8
2	Citigroup	1,115	256,032.76	6.7
3	Barclays	913	233,893.87	6.1
4	BofA	959	222,911.49	5.8
5	HSBC	1,075	209,254.47	5.5
6	Goldman Sachs	772	184,760.51	4.8
7	Deutsche Bank	825	169,148.39	4.4
8	BNP Paribas	770	168,751.81	4.4
9	Morgan Stanley	659	153,537.18	4.0
10	Credit Agricole	556	117,813.15	3.1
	Total	**5,615**	**3,815,918.26**	

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

ALL BONDS IN EUROS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	420	90,881.91	7.2
2	JP Morgan	308	77,249.41	6.2
3	Credit Agricole	341	73,678.82	5.9
4	SG	292	72,032.94	5.7
5	Deutsche Bank	332	70,829.85	5.6
6	HSBC	377	70,675.51	5.6
7	Barclays	267	67,950.11	5.4
8	UniCredit	324	63,730.38	5.1
9	Goldman Sachs	217	53,863.25	4.3
10	Citigroup	248	51,571.04	4.1
	Total	**1,670**	**1,255,639.02**	

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

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING NOVEMBER 28 2019

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Nov 26 2019	Italy	€1.75bn	0.00	Nov 29 2021	−0.033	1.82
Nov 26 2019	Italy (€i)	€660m	2.55	Sep 15 2041	1.02	1.47
Nov 26 2019	UK	£3bn	0.625	Jun 7 2025	0.491	2.16
Nov 27 2019	Germany	€2.4252bn	0.00	Oct 18 2024	−0.60	1.95
Nov 28 2019	Italy (FRN)	€750m	0.771	Jan 15 2025	0.71	1.75
Nov 28 2019	Italy	€2.25bn	0.35	Feb 1 2025	0.64	1.29
Nov 28 2019	Italy	€2.75bn	1.35	Apr 1 2030	1.29	1.22

Source: IFR

The 0.913% September 2039 deal linked to eurozone inflation was arranged by *UniCredit*.

"If you look in the EU, there's not many issuers that can do these types of trades," a banker said.

"Ireland, Belgium do a bit, but not many have the capacity or the willingness to do so. It's a nice trade for Italy. They're a big issuer, which means they're able to serve investors who want to do something a bit special."

Italy last used the private placement market in 2016, bankers said, pricing a €686m 1.483% May 2046 deal linked to eurozone inflation via Barclays.

The Italian treasury said in its 2019 guidelines for public debt management that it would evaluate the opportunity of issuing a new 10-year linked to eurozone inflation.

The sovereign sold a 0.4% €4bn May 2030 in early October, a deal that received over €22bn of demand and is the sovereign's most recent institutionally targeted benchmark.

That bond emerged despite inflation remaining stubbornly low in the single currency bloc.

"A lot of the demand is driven by asset and liability matching, which forces some people to buy into this stuff," the banker said.

"That's also why they buy 100-year bonds from Austria, even though that yields less than 1%. At least with a linker there's a benefit if the economy recovers in the next 20 years."

Davide Iacovoni, directorate general at Italy's treasury, told IFR that the placement had been executed to satisfy the request of a key insurance group.

He added that the inflation structure was similar to the one of the domestic BTPei and included the floor (minimum threshold) on the notional amount at maturity.

"The investor requested a new private security rather than participating in the auction because of their need to have a maturity no longer than 20 years with the aim of guaranteeing a perfect matching with their liabilities," he said.

Italy sold €660m of September 2041 inflation-linked paper via auction on Tuesday, one of five visits to that market during the week that saw it raise a total of €8.16bn, the rest in conventional format.

In its guidelines, the sovereign also said that "should market and demand conditions be favourable, a new benchmark on the long-term segment of the real yield curve [will be evaluated], which was not made in 2018 due to the difficulty for executing such a transaction in that year context."

No such deal emerged, however, until this week's private placement.

Italy has adopted a nimble approach to markets in 2019. It returned to the dollar sector in October after an absence of almost a decade, raising US$7bn through a three-part Global.

"Generally, we use the EMTN format due to its flexibility in terms of size, structure and maturity and in order to enlarge the investors base and respond to specific needs from the market," he said.

"To do that, we always align market needs to our debt management strategy."

BREMEN 2039 TAP BLOWS OUT

The **FREE HANSEATIC CITY OF BREMEN** attracted nearly €700m of orders last Tuesday for a no–grow €250m tap of the 1% May 2039 it sold in May.

"This was a fantastic result. I thought it would sell but I was surprised by the size of the book. We expected perhaps €330m or €350m," said a syndicate official at one lead manager.

ALL AGENCY BONDS IN EUROS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Credit Agricole	33	9,821.18	8.8
2	JP Morgan	25	8,783.00	7.9
3	Deutsche Bank	29	8,552.47	7.7
4	BNP Paribas	32	7,405.70	6.6
5	Goldman Sachs	21	7,138.92	6.4
6	BofA	17	7,061.66	6.3
7	Commerzbank	20	6,827.09	6.1
8	Barclays	24	6,350.24	5.7
9	SG	18	5,616.06	5.0
10	NatWest Markets	12	5,533.99	5.0
	Total	**156**	**111,736.27**	

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

ALL SUPRANATIONAL BONDS IN EUROS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	JP Morgan	19	6,095.36	9.7
2	Credit Agricole	17	6,074.60	9.7
3	BofA	17	4,891.38	7.8
4	HSBC	15	4,804.03	7.7
5	Barclays	8	4,115.99	6.6
6	Goldman Sachs	7	3,727.94	5.9
7	UniCredit	5	3,715.01	5.9
8	BNP Paribas	10	3,652.33	5.8
9	Morgan Stanley	7	3,487.46	5.6
10	Deutsche Bank	9	3,361.16	5.4
	Total	**63**	**62,782.18**	

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

MUNICIPAL, CITY, STATE, PROVINCE ISSUES IN EUROS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	UniCredit	35	8,469.22	14.4
2	DGZ-DekaBank	34	5,156.47	8.8
3	HSBC	31	4,062.56	6.9
4	LBBW	25	3,903.19	6.6
5	Barclays	14	2,618.29	4.4
6	JP Morgan	13	2,560.02	4.3
7	Nord/LB	19	2,515.50	4.3
8	Deutsche Bank	20	2,446.70	4.2
9	BayernLB	19	2,287.91	3.9
10	DZ Bank	18	2,113.52	3.6
	Total	**120**	**58,914.76**	

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

ALL US DOLLAR FIXED-RATE GLOBALS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	278	75,981.04	10.9
2	Citigroup	235	69,837.76	10.0
3	BofA	237	56,452.35	8.1
4	Barclays	170	54,196.72	7.8
5	Goldman Sachs	162	45,079.72	6.5
6	Morgan Stanley	136	38,760.54	5.6
7	Wells Fargo	177	32,673.92	4.7
8	HSBC	84	30,852.29	4.4
9	RBC	119	29,747.35	4.3
10	Deutsche Bank	83	23,892.51	3.4
	Total	**509**	**697,736.27**	

Excluding equity-related debt, ABS/MBS.
Source: Refinitiv SDC code: O5

ALL INTERNATIONAL US$ BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	868	194,997.88	9.5
2	Citigroup	800	183,428.10	8.9
3	BofA	691	148,839.51	7.2
4	Barclays	552	133,701.88	6.5
5	Goldman Sachs	542	117,515.56	5.7
6	Morgan Stanley	478	108,497.58	5.3
7	HSBC	501	99,211.01	4.8
8	Wells Fargo	418	83,433.14	4.0
9	Credit Suisse	452	81,827.22	4.0
10	Deutsche Bank	422	77,800.27	3.8
	Total	**2,631**	**2,060,905.26**	

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

ALL SOVEREIGN BONDS IN EUROS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	JP Morgan	25	16,537.50	10.4
2	BNP Paribas	24	14,210.67	9.0
3	SG	19	12,523.87	7.9
4	Citigroup	21	10,823.54	6.8
5	HSBC	14	10,563.90	6.7
6	Goldman Sachs	18	10,323.53	6.5
7	Credit Agricole	12	8,888.92	5.6
8	Barclays	15	8,874.69	5.6
9	UniCredit	6	8,400.59	5.3
10	Banca IMI	6	6,587.24	4.2
	Total	**61**	**158,548.51**	

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

"They are not investors' favourite of the federal states, but this was quite a good transaction for them," said a banker away from the deal.

They compared it with the recent sustainable bond 20–year from the more active and well–followed North Rhine–Westphalia and said the new issue avoided the struggle faced by recent deals by another German city–state, Berlin, and agency Rentenbank.

Joint leads *Barclays, DZ Bank, Helaba, Nord/LB* and *RBI* marketed the increase at swaps plus 10bp area and went on to price at 9bp – the same spread as NRW's sustainable in a similar maturity last week, as well as the original offering in May. The reoffer level translated to 65.6bp over the January 2037 Bund.

Demand was reported at more than €680m, excluding joint lead manager interest.

"This is an unpredictable time of year when it's a bit unclear if investors are waiting for the new supply in January. But given the low rate environment, the deal saw strong demand from decent quality real money," a second lead manager said, citing insurance companies in particular.

Buying was from a broad mixture of European institutions, the first lead said. Besides local interest, he said there was appetite from Austria, Denmark, France, Spain and Switzerland.

"It's not like a domestic deal, though for sure more than 50% will be going to Germany."

The deal's traction reflected a lack of competing supply and Bremen's relative value against other German states, as well as unaggressive pricing.

"We saw fair value at 8bp–ish. Now, you might say plus 9bp, but 10bp area was the right level to start. It created a lot of interest when there is not a lot else coming on the market," the first lead said, noting that no other Laender offerings were due last week, for example.

"Maybe this was the last opportunity to buy these bonds this year."

The issuer, rated AAA by Fitch, now has €750m outstanding under the line.

The tap was not driven by reverse enquiry, leads said. Rather, Bremen required a final €250m to complete its 2019 borrowing programme.

"We also advised them to do a tap and thought the 20–year was the best option for that," said the banker away from the deal.

Philippines sponsors first cat bond

SSAR World Bank brings disaster insurance template to Asia

The **INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**, better known as the World Bank, has issued two tranches of catastrophe-linked bonds to provide the Republic of the Philippines with financial protection against losses from natural disasters, in the first deal of its kind in Asia.

A US$75m tranche due December 22 2022 covers risks from earthquakes. It pays three-month dollar Libor less 12bp, plus a risk margin of 550bp.

A US$150m tranche due December 2 2022 covers risks from tropical cyclones. It pays three-month Libor less 12bp, plus a risk margin of 565bp.

The bonds will pay out to the Philippines when an earthquake or cyclone meets the criteria under the bond terms, giving the national treasury an immediate boost to help the country cope with an emergency.

"Many countries in Asia are highly vulnerable to natural disasters, which makes finding innovative, capital markets solutions a major priority to address the impact on their economies," said Hua Jingdong, World Bank vice-president and treasurer.

"The World Bank CAT bonds for the Philippines are the first to be sponsored by the government of an Asian country and the result of a close and long-term partnership between the World Bank and the Philippines government."

The catastrophe bonds are listed on the Singapore Exchange, making them the first such instruments to be listed in Asia.

The World Bank has issued cat bonds several times on behalf of governments in Central and South America, and the Philippines deal follows the same template.

Unlike traditional insurance cover, which typically pays out well after the fact based on actual losses, cat bonds pay out through principal reductions as soon as an event occurs that meets certain objective criteria. That means they can be structured to provide a quick boost to national budgets in the event a disaster hits.

In the Philippines' case, the earthquake-linked notes pay out if an earthquake measuring at least 5.0 causes losses above a certain amount under a formula calculated by AIR Worldwide, an independent consultancy. Modelled losses of over Ps11.1bn (US$219m) will trigger a 35% payout, rising to 70% above Ps28.9bn and 100% for losses of Ps115.8bn of higher.

The tropical cyclone tranche pays out on the same scale for losses above Ps40.6bn, Ps81.1bn and Ps152.7bn. That means investors will lose all of their principal if a storm costs the Philippines more than about US$3bn.

With Triple A rated World Bank as the issuer and a floating-rate coupon, the format appeals to investors looking for non-correlated exposure, as well as to the specialist insurance market.

Investors in Europe took 58% of the bonds, North America 25%, Asia 13%, and Bermuda 4%. By investor type, asset managers booked 50%, insurance-linked securities (ILS) funds 29%, insurers and reinsurers 13%, and pension funds 8%.

GC Securities and *Swiss Re* were joint structuring agents, bookrunners and managers. *Munich Re* was joint structuring agent, placement agent and manager. *AIR Worldwide* was risk modeller and calculation agent.

The supply of cat bonds in Asia is growing, albeit slowly. The region's first deal came in 2003 when Taiwan issued a US$100m three-year deal as part of its earthquake insurance scheme, while Japanese property insurers have also made use of the instruments. The concept has also been discussed more recently in Pakistan and the Pacific Islands.

In February, Singapore saw its first cat bond offering, a A$75m (US$53m) issue through Orchard ILS to provide Australia and New Zealand catastrophe protection to Insurance Australia Group. Singapore offers a government subsidy that covers the upfront issuance costs of cat bonds.

Daniel Stanton

AFL KEEPS PUBLIC SECTOR TAP OPEN

AGENCE FRANCE LOCALE took to the single currency with a small tap of an outstanding bond last week, rounding off its 2019 funding programme.

"Most investors are done for the rest of the year and issuers are all preparing for the beginning of next year. As the market backdrop is not the best, I'm almost sure that there will only be small taps in the SSA market now," said one syndicate official.

"Not every investor can look at taps but there's still room for some small trades," agreed a second banker.

Following Bremen's successful €250m 2039 increase a day earlier, the French local government financing agency offered an additional €190m of its 1.125% €500m June 2028 bond on Wednesday.

Lead managers *Barclays* and *Credit Agricole* marketed the no–grow deal at mid–swaps plus 17bp, the number. This was equivalent to OATs plus 32bp area – a pricing level that attracted strong investor demand recently when peer Agence Francaise de Developpement drew a hefty €2.3bn–plus of orders for a new May 2035 bond marketed initially at 32bp area over interpolated OATs.

"You don't often see anything at France plus 30," said one syndicate manager away from the leads.

Having built the transaction around reverse enquiries for the bond, AFL's leads priced the tap at the indicated spread and flat to the outstanding's secondary price. One lead reported "solid demand", while conceding that the level of oversubscription had not merited an announcement to the market.

"We would have mentioned if it was three times oversubscribed," he said.

More than 10 investors bought the tap. Nearly two–thirds of buyers were non–French institutions.

Pricing represented "a nice level that was fair for investors", said Romain Netter, executive director – medium and long–term funding at AFL.

The "opportunistic" deal completed the Aa3/AA– rated agency's funding programme for the year, said Netter. It raised €950m in 2019 after growing its loan portfolio more than expected. AFL had previously aimed for a programme of €750m–€800m.

The deal's unusual size "exactly answered to demand on the loan side", Netter explained. Marketing against a mid–swaps level is unusual in France but reflected the deal's size and helped avoid volatility in the cash/swap basis, he said.

CORPORATES

EUROS

STRYKER HITS EURO MARKET FOR ACQUISITION FINANCING

STRYKER took to the euro market last Monday to raise €2.4bn of acquisition financing, luring investors with attractive IPTs following significant movement in its outstanding bonds.

The medical technology company (Baa1/A–) brought five, long nine and 12–year tranches through active bookrunners *Barclays*, *BNP Paribas*, *Goldman Sachs* and *Morgan Stanley*.

Respective IPTs were mid–swaps plus 75bp area, 100bp area and 115bp area.

"Investors found the IPTs extremely interesting," said a banker on the trade. "Especially as they offer a decent pick–up over where Stryker has been trading recently, which is a lot wider than where they were trading before the acquisition was announced."

On November 4, Stryker announced an agreement to acquire all issued and outstanding shares of Wright Medical for a total equity value of around US$4bn.

Funded with a combination of cash on hand and debt, the transaction is expected to close in the second half of 2020.

Prior to the merger announcement, Stryker's €650m 2.625% November 2030s were bid at around swaps plus 63bp on Tradeweb, but by last Monday were quoted in the high 80s over.

Leads were able to bring in pricing on each leg, launching a €850m December 2024 at 55bp, a €800m March 2029 at 75bp and a €750m December 2031 at 90bp.

While the lead would not be drawn on fair value given the movement in the outstanding bonds, a banker away saw no concessions on any of the tranches.

Launch followed a three–day roadshow.

Stryker decided to fund the acquisition in euros due to the low coupons on offer, said a lead, as well as the fact that US–listed and headquartered Wright Medical is legally domiciled in the Netherlands.

In early November, S&P downgraded Stryker a notch to A– (stable) because the acquisition raises leverage above the agency's 2.0x tolerance level.

On November 22, Moody's affirmed its Baa1 rating, concluding a review for downgrade that began early in the month.

The ratings agency had cited increased leverage resulting from the deal as a potential cause for downgrade, but on Friday said it expected this to improve promptly following closing.

ORSTED SENDS GREEN THROUGH HYBRID WINDOW

ORSTED took to the buoyant euro hybrid market last Wednesday in the slipstream of EDF's outing the day before, with a green deal that was nearly seven times subscribed.

Orsted (Baa1/BBB+/BBB+) utilised investors' rapacious appetite for corporate hybrids to bring the €600m no–grow 1,000–year non–call eight to market following the jumbo €7.9bn book seen on EDF's €500m 3% PNC8 issued last Tuesday.

The Danish energy company drew an impressive book of its own, with orders peaking at €4.5bn and later dropping to €4.1bn. The yield was brought in 50bp from IPTs of 2.375% to land at 1.875%, flat to or through fair value, according to bankers.

Alongside the new issue, Orsted also tendered for its €600m 3% 3015 hybrid, on the basis of a –0.35% purchase yield.

"The market is highly constructive for this type of exercise at the moment with yields where they are," said a lead banker.

"Sure, it will likely continue into next year, but to avoid the uncertainty the issuer opted to for the current window."

The average yield on the iBoxx euro corporate index closed at 1.44% last Tuesday, some 79bp higher than where the iBoxx euro non–financial index closed.

Syndicate bankers away agreed that with such strong demand for the product it made sense to execute the trade now.

"Investors also love the name, especially with the green element," said one of the bankers away.

The timing of the issue was, however, effected by EDF's decision to print the day before.

With the French energy company

ALL INV-GRADE US CORPORATE BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	88	18,135.67	12.1
2	BofA	85	16,243.75	10.8
3	Citigroup	67	12,837.52	8.6
4	Wells Fargo	77	12,082.51	8.1
5	Morgan Stanley	66	11,325.71	7.6
6	Barclays	34	7,891.93	5.3
7	Goldman Sachs	40	7,809.33	5.2
8	MUFG	42	6,348.70	4.2
9	Mizuho	37	5,963.02	4.0
10	Deutsche Bank	26	5,077.90	3.4
	Total	**195**	**149,971.26**	

Excluding equity-related debt, ABS/MBS, all foreign issues, global issues and non corporates.

Source: Refinitiv SDC code: F6a

ALL US INVESTMENT GRADE CORPORATE DEBT
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BofA	438	117,171.92	10.6
2	JP Morgan	485	114,795.02	10.4
3	Citigroup	396	101,155.26	9.1
4	Morgan Stanley	307	82,242.24	7.4
5	Goldman Sachs	289	74,113.84	6.7
6	Wells Fargo	296	71,184.14	6.4
7	Barclays	235	66,580.18	6.0
8	MUFG	180	45,091.16	4.1
9	HSBC	130	42,591.45	3.8
10	Mizuho	172	36,497.35	3.3
	Total	**988**	**1,108,267.83**	

Source: Refinitiv SDC code: F9

ALL CORPORATE BONDS IN EUROS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	208	34,564.60	8.1
2	Barclays	105	29,904.34	7.0
3	Deutsche Bank	147	26,628.85	6.2
4	JP Morgan	136	26,378.41	6.2
5	BofA	105	22,731.05	5.3
6	SG	134	22,407.86	5.2
7	Citigroup	129	22,165.59	5.2
8	HSBC	135	20,698.20	4.8
9	Goldman Sachs	106	20,644.36	4.8
10	Credit Agricole	129	20,030.58	4.7
	Total	**535**	**427,197.31**	

Excluding equity-related debt. FIGs, ABS/MBS.

Source: Refinitiv SDC code: N8

announcing what many in the market considered to be cheap IPTs, Orsted decided not to go head–to–head with the issue.

"It was no secret that we were considering Tuesday, but we knew it was not the last window and it was good that EDF demonstrated the strength of demand," said the lead.

Investors still have cash to put to work, and if there are any other borrowers considering the issuance of hybrids they would likely be well received, added the lead.

JP Morgan was global coordinator on the bond, and joint bookrunner with *Citigroup*, *Danske Bank* and *MUFG*.

GREENING WASTE MANAGEMENT

In green euro senior issuance, Spanish waste management company **FCC SERVICIOS MEDIO AMBIENTE**, rated BBB– by Fitch, announced a dual–tranche bond following the setting up of its green bond framework earlier this month.

Leads offered a December 2024 at price thoughts of 135bp area and a December 2026 at 200bp. Both were expected to be sized at €500m. However, books over €1.9bn meant the shorter tranche was increased to €600m and the spread set at 110bp.

The seven–year priced in the expected size, receiving a pre–reconciled book of over €1.3bn. The spread was set at 180bp.

Under the issuer's green bond framework proceeds will go towards pollution prevention and control, renewable energy, energy efficiency, clean transportation and terrestrial and aquatic biodiversity conservation.

The framework has obtained an independent verification from Cicero.

Santander was global coordinator and a bookrunner alongside *BBVA*, *CaixaBank*, *HSBC* and *Societe Generale*.

TESCO TIGHTENS FOLLOWING IG RATINGS HAT-TRICK

TESCO took pricing down to fair value as it triumphantly returned to the euro market last Monday following the return to full investment-grade ratings the week before.

The UK supermarket operator announced a 6.5-year euro benchmark at IPTs of 145bp area over mid-swaps, with bankers on the deal seeing fair value around 115bp.

Concurrently, the retailer launched an any-and-all tender offer for its €500m 2.125% November 2020.

Barclays, *BNP Paribas*, *Santander* and *SMBC Nikko* are managing the tender offer and ran the new issue.

The trade followed a one-notch upgrade by S&P to BBB- that returned the issuer to full investment-grade ratings from all three major agencies of Baa3/BBB-/BBB-.

"The story at the moment around the credit is a very positive one," said a banker away from the trade.

The increasingly positive view of the name supported good price progression, with the spread guidance set at 120bp area on orders of over €3.7bn.

Books then grew even further, topping €4.4bn and allowing final guidance of 110bp-115bp and for a €750m trade. Pricing landed at 110bp with a final book of over €3.2bn.

S&P said Tesco was consistently improving operating results while reducing debt and lease and pension liabilities.

Tesco's third-quarter results highlighted increased operating profitability, cashflow and cost savings.

In June, the company reclaimed its investment-grade rating from Moody's, having been upgraded to Baa3 from Ba1 based on similar factors. Fitch upgraded Tesco to BBB- from BB+ at the end of 2018.

Tesco has not issued in the euro market since October 2018, when it sold a €750m 1.375% October 2023 at mid-swaps plus 110bp. It was last week bid at 78bp over on Tradeweb.

The issuer made an appearance in sterling earlier this year, when it issued a £400m 2.50% May 2025. Tesco Personal Finance, the company's banking unit, also issued a £250m 3.5% 6NC5 in July.

ARKEMA PUSHES PRICING DESPITE COMPETITION

ARKEMA saw strong demand on its return to the primary market last Monday, allowing leads to tighten pricing past fair value despite competing supply in same part of the curve.

The French chemicals and materials company (Baa1/BBB+) sounded out a €500m no-grow 10-year at IPTs of mid-swaps plus 100bp area.

The trade was announced alongside competing supply of a similar maturity from Stryker (Baa1/A-), which brought a March 2029 as part of a larger deal at identical IPTs of 100bp area.

"We announced before the Stryker deal but both seemed to go pretty well," said a lead on Arkema. "We got a decent granular book and this allowed us to push the pricing."

ALL INVESTMENT-GRADE BONDS IN EUROS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	333	76,121.73	7.4
2	JP Morgan	234	66,816.79	6.5
3	Credit Agricole	261	62,199.22	6.0
4	SG	224	60,791.80	5.9
5	HSBC	301	60,376.38	5.8
6	Barclays	213	59,782.35	5.8
7	Deutsche Bank	250	56,552.58	5.5
8	UniCredit	244	53,217.25	5.1
9	Goldman Sachs	148	42,514.53	4.1
10	BofA	154	42,400.19	4.1
	Total	**1,290**	**1,034,462.44**	

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

ALL INTERNATIONAL STERLING BONDS EXCLUDING SECURITISATIONS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Barclays	95	17,021.98	14.0
2	HSBC	98	15,113.74	12.5
3	NatWest Markets	89	12,437.42	10.3
4	RBC	60	8,653.86	7.1
5	BofA	42	7,638.04	6.3
6	Citigroup	35	6,834.83	5.6
7	Lloyds Bank	46	6,816.99	5.6
8	JP Morgan	32	5,732.07	4.7
9	Deutsche Bank	28	5,460.87	4.5
10	TD Securities	29	4,711.94	3.9
	Total	**256**	**121,243.91**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv SDC code: K05a

ALL CORPORATE BONDS IN STERLING
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Barclays	32	3,533.84	13.9
2	NatWest Markets	27	2,979.01	11.7
3	HSBC	29	2,742.68	10.8
4	Lloyds Bank	16	1,699.48	6.7
5	Goldman Sachs	13	1,615.44	6.3
6	RBC	17	1,579.35	6.2
7	BNP Paribas	16	1,491.36	5.8
8	Santander	14	1,240.53	4.9
9	JP Morgan	9	1,213.45	4.8
10	Morgan Stanley	10	1,173.58	4.6
	Total	**71**	**25,504.03**	

Source: Refinitiv SDC code: N8a

ALL SWISS FRANC BONDS INCLUDING SECURITISATIONS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total SFr(m)	Share (%)
1	Credit Suisse	137	14,910.0	31.3
2	UBS	109	11,815.9	24.8
3	Verband	20	5,725.4	12.0
4	ZKB	61	4,964.8	10.4
5	Raiffeisen Schweiz	36	2,651.1	5.6
6	BNP Paribas	17	2,104.8	4.4
7	Commerzbank	11	1,009.7	2.1
8	Basler KB	13	895.6	1.9
9	Deutsche Bank	9	803.9	1.7
10	HSBC	3	650.0	1.4
	Total	**244**	**47,666.1**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv

Leads managed to ratchet in to a final spread of 70bp following guidance of 75bp (+/-2bp), flat to or through fair value, according to bankers on and off the deal. Orders peaked at €2.7bn. The deal sold with a coupon of 0.75%.

Arkema's longest outstanding senior bond prior to the new issue, a €900m 1.5% April 2027, was last Monday seen bid at 56bp.

Proceeds from the new deal will be used to refinance the issuer's €480m 3.85% April 2020.

A recent upgrade from Moody's likely supported demand for the new trade, according to bankers. The ratings agency lifted Arkema's issuer rating to Baa1 on November 13 from Baa2.

"[The upgrade] reflects the continued rebalancing of Arkema's portfolio towards specialty chemicals," said Moody's.

"Moody's views the higher share of specialty chemicals favourably as these chemical products tend to be less prone to volatile cyclical swings and carry a higher Ebitda margin."

CIC, *Citigroup*, *Natixis* and *SMBC Nikko* ran last Monday's deal.

While Arkema has not issued senior debt in the public market in over two years, it did raise €400m in June through a 2.75% PNC5.25 hybrid bond.

ESOTERIC SUB-BENCHMARKS SING

Despite heavy competition in the corporate market last week, four issuers placed well-received sub-benchmark trades, capturing the buoyant market environment to tighten pricing.

Last Thursday, **CHORUS** moved the pricing level on a seven-year bond by 25bp, making the most of the investor demand at the tenor.

New Zealand's largest fixed-line communications business, rated Baa2/BBB, had considered a tenor of seven to 10 years during a three-day roadshow that ended on November 27.

"As an issuer they are very cost focused," said a lead. "It was felt that the greatest depth of demand would be for the seven-year so we could achieve the greatest tightening."

The plan appears to have worked. The spread on the €300m no-grow was set at mid-swaps plus 110bp, the tight end of the 110bp-115bp guidance and 25bp inside the 135bp area IPTs. The book closed at around €1.5bn.

The deal also includes a 125bp step-up should Chorus be downgraded to below investment-grade. The lead banker explained this was a legacy feature of previous bond issues to which investors had responded positively.

Chorus has only one euro bond outstanding - a €500m 1.125% October 2023 that was on Thursday bid at 72bp over swaps, according to Tradeweb. It also has a £260m 6.75% April 2020.

"There was a lot of price discovery involved [in the new trade]," said the lead. "I'd say there is a very limited concession if you look at other Triple B telcos for comparables."

BT's (Baa2/BBB/BBB) €1.3bn 1.75% March 2026 was seen bid at 105bp on Thursday.

On why the issuer was looking to raise funds in the euro market, the lead explained that although the company has relatively low leverage, it has occasional funding needs and the European market was offering compelling levels.

"These are the types of trades I would expect to see now," said a banker away from last Thursday's deal. "Issuers looking to get bits of funding done before the end of the year in what is still a very attractive environment for borrowers."

"Our decision to issue another euro bond reflects our desire to add further depth to our euro position, with investors increasingly recognising us as a regulated utility-type business," said a spokesman at the issuer.

Last week's trade was run by *Citigroup*, *HSBC* and *MUFG*.

WEDNESDAY DUO

Two credits took to the market for €300m sub-benchmark five-year deals last Wednesday.

GAS NETWORKS IRELAND (A3/A) offered a €300m no-grow five-year at IPTs of mid-swaps plus 60bp area and managed to bring guidance in to 40bp-45bp with books that peaked over €1.1bn.

GNI then managed to squeeze the spread on its new issue down to 40bp, paying no new issue premium. The final book was €890m.

The company owns and operates the natural gas network in Ireland.

ESB (A3/A-), the Irish state-owned electricity company, was the key comparable for the trade, said a lead. The issuer has €300m 3.494% January 2024 bid at 33bp on Tradeweb last Wednesday.

GNI itself only has two bonds outstanding: a €500m 1.375% December 2026 and a €125bn 2.25% December 2036.

Barclays, *BNP Paribas* and *NatWest Markets* led last Wednesday's deal.

RAI-RADIOTELEVISIONE ITALIANA, rated Baa3 by Moody's, the Italian national public broadcasting company 99.56% owned by the Italian Ministry of Economy and Finance, also offered a €300m no-grow five-year.

It initially offered the deal at mid-swaps plus 210bp area through *Citigroup* and *UniCredit.* But with books peaking over €2.9bn, it was able to set the spread at 165bp. The final book dropped to around €2.6bn and the trade priced with a coupon of 1.375%.

The issuer will use the proceeds to finance capital expenditure and refinance the issuer's financial commitments. RAI had only one other outstanding bond: a €350m 1.5% May 2020.

On October 22, Moody's changed its outlook on RAI to negative from stable, reflecting declining credit metrics. In its investor presentation, the company notes weak cashflow, low revenues from domestic advertising and the regulatory environment as key challenges.

FRIDAY FUNDS

Unrated **GN STORE NORD** rounded out the week by shaving 30bp off the pricing of a €220m deal last Friday.

Buoyant market conditions have meant that the absence of a credit rating has not seen a significant cost penalty for a number of issuers in recent weeks.

"I think, given the market conditions, even the unrated names are coming to the market more," said a banker away from the deal.

"Obviously, one of the key things is doing the roadshow and answering any questions investors have."

The Danish hearing aid and headset manufacturer managed to squeeze pricing to mid-swap plus 110bp on its €200m-€250m four-year, from IPTs of 140bp area.

Books peaked at €625m, later dropping to €600m at the 120bp area guidance, with the issuer eventually setting the size at €220m.

The company only this month established the EMTN programme off which the new bond is issued. The prospectus for the €1bn programme was approved on November 20.

GN Store Nord company hit the road with the deal on November 25, sounding out demand for a three to four-year bond.

The borrower was the second unrated name to successfully test the euro market last week, following **TAMBURI INVESTMENT PARTNERS**' €300m 2.5% December 2024.

Although not issued publicly, GN Store Nord raised euros as recently as May, when it sold a €330m 0% May 2024 convertible bond, according to Refinitiv Eikon data.

BNP Paribas and *Nordea* were joint bookrunners on Friday's bond issue.

STERLING

VOLKSWAGEN HEADS INTO ROUND FOUR WITH STERLING

VOLKSWAGEN FINANCIAL SERVICES managed to get a £350m December 2024 benchmark over the line with a single–digit concession and healthy book last Tuesday despite a wider slump in the auto sector.

Leads *HSBC* and *NatWestMarkets* started marketing at IPTs of 165bp area over Gilts.

At that level, VW was offering a 20bp new issue premium versus sterling comparables, a lead syndicate banker said.

At IPTs, the company built a book in excess of £800m. Final orders dropped off to around £700m, and VW priced at 152bp over – leaving 7bp of NIP on the table.

The bond was the fourth sterling deal of the year for VW.

"This was an opportunistic transaction and the landing spread represents an 8bp arbitrage inside its euro curve," said the banker.

One investor, who said he was staying out of autos completely because of macro concerns, said he would be more comfortable with VW than other carmakers.

"Arguably, [VW is] done with the emissions scandal and the diversity of its models should shield it much better from the sales downturn," he said.

With yields still hovering around all–time lows in the European investment–grade corporate market, it is unlikely that any auto company will be penalised for slumping sales, the investor said.

"I think that while any story can be told about them weathering the storm okay, the market grind is what dominates and issuance costs don't rise."

The lead syndicate banker said many of the concerns around the auto sector were priced in at the end of 2018.

"Now, autos are offering a compelling yield pick–up versus similarly rated names," he said.

"The key thing that investors are concerned about is the propensity for continual issuance [from auto companies]. That is probably more a key factor."

VW last issued sterling out of its financial services entity in August, when it printed a £300m 1.625% November 2022.

The company cut its forecasts for operating profit and sales growth in November due to a downturn in demand for passenger cars, while keeping profit margin targets.

"It is fair to say that the very best of the party is over," chief financial officer Frank Witter told analysts in a November 18 call to discuss the company's outlook.

VW joins a string of automakers and suppliers including Ford and Continental in warning of tough times for an industry facing higher investments into cleaner and self–driving technologies at a time when a trade war between Washington and Beijing is curbing global growth.

Global car sales are expected to decline by around 3.1 million in 2019 – a steeper drop than in 2018, according to a Fitch Ratings report published last Monday.

The main source of weaker–than–expected economic sales this year has been China, wrote analysts.

NON–CORE CURRENCIES

SYNLAIT MILK SETS GUIDANCE

SYNLAIT MILK has released guidance at mid-swaps plus 250bp–270bp for a maximum NZ$200m (US$128m) five-year subordinated retail note offer.

ANZ and *Jarden Securities* are joint arrangers, and joint lead managers with *Deutsche Craigs* and *Forsyth Barr* for the offer, which is expected to open on December 9 and close on December 13.

The notes will be subordinated to the Canterbury-based dairy processing company's senior bank debt facilities and used to repay a portion of Synlait's bank debt.

FIG

US DOLLARS

DNB RETURNS TO US MARKET WITH RARE SENIOR OFFERING

Oslo–based **DNB BANK** returned last week with its second US dollar bond of November, but this time it hit the market with senior notes – its first such deal in the US since 2017.

On November 5, the bank priced an US$850m Additional Tier 1 note at 314bp over Treasuries. It followed it up last Monday with a US$2bn two–part senior unsecured offering.

DNB Bank, rated Aa2/AA–, priced a US$600m three–year floater at three–month Libor plus 62bp and a US$1.4bn three–year fixed note issue at 58bp over Treasuries.

The deal comes on the back of large one–time writedown as a result of its loans to UK tour operator Thomas Cook, which entered compulsory liquidation earlier this year.

Even so, bookrunners *Barclays*, *Bank of America*, *Citigroup* and *Morgan Stanley* managed to tighten the spread on the fixed note by 12bp through price progression and garnered an order book of US$2.9bn.

"The quality of the order book was extremely strong, with typical asset managers but also European [bank] treasuries buying some of the floating–rate piece and corporate cash participating in the transaction," said a lead banker.

US corporate cash accounts have been particularly strong buyers in the market and were eager participants in this deal too, he said.

"We saw it again with DNB just because of the Double A rating and three–year tenor, which is a good fit for them," the banker said.

The new fixed note came flat to the bank's existing curve after accounting for the maturity extension, according to IFR calculations.

DNB's 2.375% 2021s had been trading at around 43bp over Treasuries, according to MarketAxess data.

Compared with other foreign banks that have accessed the US bond marker recently, DNB falls somewhere in the middle of the pack.

For example, ANZ (Aa3/AA–/AA–) priced inside of DNB with a similar US$1bn 2.068% 2022 note issue earlier in November at 48bp over Treasuries.

But UK–based Lloyds (Aa3/A+/A+) came wide of DNB in August with a US$1.5bn 2.362% 2022 at 85bp over.

DNB, Norway's biggest bank, is one of several lenders that took a hit from the collapse of Thomas Cook, recently taking a NKr1.06bn (US$116m) impairment charge as a result. Even so, the bank enjoyed a 7% year–on–year

ALL FINANCIAL INSTITUTION BONDS IN EUROS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	91	19,852.21	8.6
2	SG	62	18,129.93	7.8
3	HSBC	95	15,803.91	6.8
4	Credit Agricole	72	14,538.49	6.3
5	JP Morgan	68	13,455.82	5.8
6	Deutsche Bank	59	12,817.06	5.5
7	Natixis	47	10,384.51	4.5
8	Goldman Sachs	49	8,183.39	3.5
9	UniCredit	52	7,821.48	3.4
10	Barclays	54	7,523.71	3.2
	Total	**378**	**231,657.48**	

Including banks, insurance companies and finance companies. Excluding equity-related and covered bonds. Excluding publicly owned institutions.

Source: Refinitiv SDC code: N11

ALL SUBORDINATED FINANCIAL INSTITUTION BONDS (ALL CURRENCIES)

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Barclays	26	9,501.32	10.0
2	HSBC	47	6,744.72	7.1
3	Citigroup	42	6,678.22	7.0
4	JP Morgan	43	5,807.69	6.1
5	UBS	42	5,343.23	5.6
6	Credit Agricole	18	5,129.96	5.4
7	BofA	37	5,126.18	5.4
8	Morgan Stanley	25	4,675.81	4.9
9	Goldman Sachs	27	4,584.17	4.8
10	BNP Paribas	35	4,239.73	4.5
	Total	**156**	**95,123.57**	

Source: Refinitiv SDC code: J3a

ESG, premium-driven blowouts to take FIG supply to extra time

FINANCIALS Hits for European banks could inspire December issuance

A sudden splurge of blowout deals from the likes of **BNP PARIBAS**, **INTESA SANPAOLO**, **BANCO SANTANDER** and **CREDIT AGRICOLE** revitalised a FIG bond market that looked to be winding down, potentially taking 2019 issuance into extra time.

A green senior preferred issue for **BPCE** last Tuesday changed some participants' perspective on the market and set the tone for others.

The French lender's no-grow €500m deal attracted just over €2bn of demand and at 40bp over mid-swaps was priced just 1bp back of its curve.

The response convinced others to follow. Six financial institutions then stormed the primary market last Wednesday, with €5bn of euro-denominated supply attracting some €13.2bn of demand.

"[Investors] have done well this year and the base case was that the market would close down earlier than it ordinarily does," said a syndicate banker.

"But deals are still coming, and as they're actually continuing to work and perform on the break, that means you're seeing more of a sustained period of access."

The positive sentiment was supported by rising hopes of a US-China trade deal, which pushed European shares close to record highs - although those hopes were quickly knocked back on Thursday.

Spotting a last minute pre-Thanksgiving opportunity, issuers piled in.

Three of the day's five euro tranches had an ESG element and, as a result, secured some of the day's biggest books.

BNP Paribas and Intesa Sanpaolo respectively pulled in over €3.6bn and €3.5bn of orders for €750m green trades, the former in senior non-preferred format and the latter senior preferred.

BNP Paribas' June 2026 non-call June 2025 issue was launched at 75bp over mid-swaps, inside IPTs of 95bp area.

Intesa's five-year bullet was launched at 100bp, having been announced with IPTs of 120bp-125bp.

The degree of oversubscription for both deals spoke of the scale of unsatisfied investor demand for green bonds.

A banker at one of BNP Paribas' leads said that to get such sizeable demand at the end of a busy year for the French bank - it has now sold €7bn of euro SNP paper in 2019 - was particularly impressive.

"It went ridiculously well," he said.

CLARITY

Faced with a busy market, Credit Agricole sought to add to the momentum of its 10-year green covered bond by marketing the deal with a fixed guidance range, of mid-swaps plus 4bp-7bp.

The spread was quickly fixed at the tight end and a €1.25bn deal subsequently launched on the back of more than €2bn of demand.

Vincent Hoarau, head of FIG syndicate at Credit Agricole, said opening books with a fixed range accelerated the bookbuilding, ensuring investors came in earlier with their orders.

"You offer clarity and definition around pricing from the outset, that is, you limit the downside implied for people waiting for guidance to put in their orders, and you limit the number of iterations and increase the probability of a swift bookbuilding," he said.

All three green deals were priced flat to or inside the issuers' respective curves, providing evidence of a so-called "greenium", bankers said.

Bankers said that as the market winds down, targeting additional ESG demand is a smart move for issuers with that option.

"There's still a decent supply/demand mismatch for SRI assets so in that regard, capping the size and adding on that novelty element should work in their favour," said one.

"In the last few days, issuers are trying to add on some sort of extra flavour to entice investors to participate."

CHERRY-PICKING

The frenzy were not limited to green deals, however.

Banco Santander sold the largest single-tranche euro covered bond since April, a €1.75bn long 10-year Cedulas Hipotecarias.

The Spanish lender hit the screens with initial guidance of mid-swaps plus 15bp area and launched the deal at 12bp, with books closing above €2.6bn.

Elsewhere, **COMMERZBANK** sold a €500m no-grow seven-year senior preferred. The deal was launched at 68bp over mid-swaps, inside IPTs of 80bp area, on more than €1.3bn of demand.

Santander paid a new issue concession of 4bp-5bp, whereas Commerzbank paid around 7bp.

That pricing approach was deemed prudent for the two non-green deals, as it caught investors' interest and ensured they did not get lost in the crowd.

A banker at one of Commerzbank's leads said that after a good year, investors can now cherry-pick trades that offer either scarcity value or an attractive premium.

"And [today's deals] were all cherries," he said. "Commerzbank paying a 6bp-7bp premium is a cherry you have to have because normally issuers are not paying that much in senior preferred."

EXTRA TIME

After last Wednesday's splurge, the market stayed quiet during the Thanksgiving holiday.

But the strength of Wednesday's trades is expected to encourage some follow-on issuance, defying initial expectations that the market would close early this year. Some mandates are already said to be in place for this week.

"We're going deep into extra time this year," said a senior DCM banker.

Tom Revell

jump in net income to NKr6.06bn in the third quarter.

A rise in net interest income and a strong performance at its SME division helped offset a drop in pre–tax operating profit among large corporates, namely Thomas Cook, research firm CreditSights said in an October report.

MASTERCARD ACCESSES BOND MARKET FOR RARE M&A FUNDING

US financial services company **MASTERCARD** was in the market last Monday with its second bond offering of the year to help fund its US$3.2bn acquisition of European pay tech company **NETS**.

The US$750m five–year bond was well bid as A1/A+ rated Mastercard remains an infrequent borrower, which drove scarcity demand for the credit.

Bookrunners *Deutsche Bank*, *Mizuho*, *Lloyds* and *Santander* tightened the spread to 43bp over Treasuries from initial price thoughts of 50bp–55bp over.

At that level, Mastercard launched its bonds some 17bp wide of its 3.375% 2024s, which had been changing hands at a G–spread of 26bp, according to MarketAxess data.

Accounting for the maturity extension, IFR calculations put the new issue concession at 8bp over the existing curve.

Mastercard was last in the market in May with a 2.95% 2029 that priced at 70bp over Treasuries and a 3.65% 2049 that came at 95bp.

Those bonds have since tightened to Treasuries plus 56bp and 82bp, respectively.

The US$2bn offering in May benefited from one–notch ratings upgrades from both S&P and Moody's.

Had the bolt–on acquisition of Nets been funded entirely through new debt, Mastercard's gross leverage level would have risen to 1.1 times up from 0.8 times, according to a report by CreditSights.

But ultimately the company opted to fund the bulk of the transaction with its US$6bn of annual free cashflow.

"The company has ample capacity to flex the balance sheet and remain within ratings tolerances," CreditSights noted in the report.

"To the degree Mastercard remains active on the M&A front, we could see a modest pick–up in debt issuance for funding, but do not expect any step change to capital allocation policies, ie, expect management to defend the high A ratings and keep gross leverage in the low one times area."

There remains a relatively large pool of private, venture capital–funded tech companies focused on payments that represents a wellspring of potential targets going forward, the report added.

While relatively small, the acquisition still marks one of Mastercard's largest ever.

Much of the big–ticket M&A deals in this space were completed this year, consolidating six of the largest players in the sector to three.

Fidelity National Information Services priced a three–currency transaction focused on European markets this year to help fund its US$35bn acquisition of Worldpay.

Fiserv priced the bulk of its three–currency trade through a US$9bn bond that helped fund its US$22bn purchase of First Data, while Global Payments issued a US$3bn note with regards its US$21.5bn buyout of Total System Services.

EUROS

GRENKE UPSIZES MINI AT1

Grenke found sufficient demand to upsize a rare Additional Tier 1 issue to €75m last week, with demand driven by an eye-catching yield.

The German institution provides services in IT leasing, factoring and banking to small and medium-sized companies and as such is subject to certain banking regulations.

The issue is Grenke's third sale of regulated AT1 capital, following sub-benchmark trades in 2015 and 2017.

Following an investor call last Monday, leads *Deutsche Bank* and *HSBC* started marketing last Tuesday morning at IPTs of 5.75% area for an expected €50m.

Guidance followed at 5.5% area (+/-12.5bp) before launch at 5.375%. The deal's attractive yield generated a book in excess of €190m.

"If you're bringing yield to the table, something subordinated or rare, people will still be willing to buy," said a syndicate banker.

The deal has a perpetual non-call six structure with a six-month par call and is expected to be rated BB- by S&P.

STERLING

BNS SENIOR ATTESTS TO PRE-ELECTION STERLING WINDOW

A window for sterling-denominated issuance remains open this week, bankers said, after **BANK OF NOVA SCOTIA** raised £350m of senior paper and with pre-election polls giving the market confidence.

BNS's four-year senior unsecured issue last Wednesday was the first sterling-denominated issue from a financial institution in more than a week.

With the UK's December 12 general election nearing, some issuers were reportedly cautious about entering the market.

Those mulling trades were waiting to get a sense of the market's stability and - in some cases - to see the results of pre-election polls before playing their hand, bankers said.

With polls published last week pointing towards a Conservative majority, participants have taken confidence that the market will remain open.

"The fact the polls have been consistent and are generally steering towards what is the most predictable outcome - in terms of what government policy would look like and what the market reaction to that would be - is assisting the underlying stability in the sterling market," said a syndicate banker.

"I think that were the polls predicting a closer race or a Corbyn government the market would not be in quite as stable a spot as it appears to be at present."

A second syndicate banker agreed.

"The market is very calm about the election, as long as the Tories continue to poll well," he said.

BNS hit the market the day after announcing its fourth-quarter results.

The Canadian lender's deal was priced at 93bp over Gilts, having been marketed with IPTs of 100bp-105bp by leads *HSBC*, *Lloyds*, *RBC* and *Scotiabank*.

That level is the joint-tightest loss-absorbing senior bond ever priced in the sterling market, alongside two holdco offerings from Wells Fargo and JP Morgan in 2015, according to the leads.

Books closed above £475m, and bankers said the response would offer encouragement to other issuers that deals could be done in December.

Furthermore, the sterling market offered BNS a 2bp-5bp saving versus what it would have been able to achieve in other currencies, according to bankers at the leads.

ALL GLOBAL AND EUROMARKET YEN BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	17	344,396.71	22.6
2	Sumitomo Mitsui	13	208,238.40	13.7
3	Daiwa Securities	10	137,030.00	9.0
4	BofA	2	129,075.00	8.5
5	Morgan Stanley	8	122,066.73	8.0
6	Nomura	8	121,608.33	8.0
7	Goldman Sachs	2	112,500.00	7.4
8	JP Morgan	2	112,500.00	7.4
9	MUFG	6	66,955.02	4.4
10	BNP Paribas	5	53,630.00	3.5
	Total	**33**	**1,525,328.20**	

Excluding equity-related debt. Including preferreds.

Source: Refinitiv SDC code: K10

ALL SAMURAI BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	39	385,426.67	24.1
2	Daiwa Securities	35	350,560.00	21.9
3	Sumitomo Mitsui	38	333,860.00	20.8
4	Nomura	27	241,400.00	15.1
5	Morgan Stanley	15	103,283.33	6.4
6	HSBC	5	89,626.67	5.6
7	Natixis	5	40,900.00	2.6
8	Citigroup	3	32,500.00	2.0
9	BNP Paribas	4	18,460.00	1.2
10	Credit Agricole	2	5,983.33	0.4
	Total	**44**	**1,602,000.00**	

Excluding equity-related debt.

Source: Refinitiv SDC code: K11

ALL INTERNATIONAL YEN BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	56	729,823.38	23.3
2	Sumitomo Mitsui	51	542,098.40	17.3
3	Daiwa Securities	45	487,590.00	15.6
4	Nomura	35	363,008.33	11.6
5	Morgan Stanley	23	225,350.07	7.2
6	BofA	2	129,075.00	4.1
7	JP Morgan	2	112,500.00	3.6
8	Goldman Sachs	2	112,500.00	3.6
9	HSBC	7	101,626.67	3.2
10	BNP Paribas	9	72,090.00	2.3
	Total	**77**	**3,127,328.20**	

Including all Euro, foreign and global issues. Excluding equity-related debt.

Source: Refinitiv SDC code: K12

"All things being equal, you probably wouldn't have been expected that we'd be able to print a deal like this just two weeks before the UK election," said the first syndicate banker.

It was BNS' first sterling-denominated senior issue since the Canadian bail-in regime came into force in September 2018.

Canada's approach to MREL differs from other jurisdictions' in that all new senior paper issued by banks is bail-in-able. Other countries have retained the option of raising non-bail-in-able senior debt.

SWISS FRANCS

MUNHYP DEBUTS AT1s IN SWISS FRANCS, CBA FOLLOWS WITH SENIOR

MUENCHENER HYPOTHEKENBANK chose the Swiss franc market for its first ever Additional Tier 1 outing, selling a SFr125m (US$125m) perpetual non–call 5.5–year at 3.125%. That was the tight end of 3.125%–3.25% guidance, in from the 3.25%–3.5% IPTs, putting it just 0.125% over where Swiss champion banks Credit Suisse and UBS AT1s were trading.

MunHyp held a roadshow the previous week ahead of the 7% CET1 trigger temporary writedown note. The bank has a substantial Swiss franc mortgage book of around SFr5bn, according to one lead official.

DZ Bank and *UBS* were structuring advisors, with *Credit Suisse* joint bookrunner.

The bonds will be rated Ba1 by Moody's, four notches below the issuer's Aa3 senior rating.

COMMONWEALTH BANK OF AUSTRALIA followed on Tuesday with a SFr200m 10–year senior deal. It priced at mid–swaps plus 37bp, around 2bp wide of its own rather flat Swiss curve, which was in line with comparable Double A rated Australian banks.

An all–Swiss roster of asset managers and banks took around a third each, with insurers taking about half that and treasuries and pension splitting the remainder.

Both bonds were quoted reoffer bid on Tradeweb coming into the end of the week.

ALL COVERED BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	68	12,656.13	6.5
2	UniCredit	85	12,386.45	6.4
3	LBBW	62	10,481.54	5.4
4	Barclays	41	9,613.34	4.9
5	Credit Agricole	49	9,375.85	4.8
6	Natixis	48	8,995.93	4.6
7	NatWest Markets	38	7,145.80	3.7
8	Commerzbank	45	7,004.31	3.6
9	DZ Bank	49	6,924.91	3.6
10	UBS	34	6,886.74	3.5
	Total	**275**	**194,713.13**	

Source: Refinitiv SDC code: J15a

YEN

BANCO SANTANDER REOPENS YEN MARKET

BANCO SANTANDER, rated A2/A/A, raised ¥50bn (US$456m) from a five-year senior preferred Samurai bond issue last week, putting an end to the new issue drought in the international yen market.

The market had seen no new issuance since Canadian Imperial Bank of Commerce printed a five-year bail-in-able bond issue on October 11.

It was the Spanish bank's second Samurai offering since it made its debut in December 2017 with ¥95.9bn of five and 10-year senior non-preferred bonds.

This time, it priced five-year bonds with a 0.463% coupon at 45bp over yen offer-side swaps, in the middle of the 43bp–47bp initial price guidance range issued last Tuesday.

Lead managers expected investors to find the bond attractive as the guidance range was equivalent to about 20bp over the issuer's euro curve and about 10bp—15bp over its US dollar curve. Indeed, trust banks saw the relative value and were the main buyers. The bonds also drew demand from city banks, asset managers, specialised banks, shinkin banks, life insurers and other accounts, including foreign investors.

The smaller size of the deal compared with its debut two years ago shows that some Japanese investors are still hesitant to broaden their horizons and add southern European credits.

"Japanese investors do buy Spanish sovereign bonds, but when it comes to a Spanish credit there is an extra hurdle to overcome," said a banker on the deal.

According to monthly data from the Ministry of Finance, Japanese investors bought a net ¥900bn of Spanish bonds from January to September, but the net purchases are believed to have been mainly sovereign bonds.

Another drawback was the complexity of calculating the risk weighting of European senior preferred notes, which deterred some investors. European lenders are allowed to partly count senior preferred debt towards total loss-absorbing capacity requirements, so Japanese investors need to adjust risk weightings on their TLAC bond investments accordingly.

Mitsubishi UFJ Morgan Stanley, *Mizuho* and *Nomura* were lead managers on the deal.

NON–CORE CURRENCIES

AMP SUB NOTES PAY SCANDAL PREMIUM

AMP is having to pay up for an Additional Tier 1 note issue to reflect the financial company's prominent role in Australia's financial scandals.

The size of its retail offer of AMP CAPITAL NOTES 2 has been increased from an indicative A$200m to a minimum A$250m, while the margin has been set at the tight end of three-month BBSW plus 450bp–470bp guidance following the bookbuild.

The spread is 150bp wider than the three-month BBSW plus 300bp margins paid by Suncorp Group and Commonwealth Bank of Australia for their recent respective A$300m of perpetual non-call 6.5-year Convertible Share 3 (CPS3) and A$1.65bn of perpetual non-call 7.5-year CommBank PERLS XII Capital Notes.

The offer for the AMP perpetual non-call six-year subordinated notes opens on December 4. The security-holder and broker firm offers close on December 18 and 20.

UBS is arranger and joint lead manager with *CBA*, *Morgans* and *NAB*.

BANK AUSTRALIA SUSTAINS ESG BENEFITS

BANK AUSTRALIA, rated Baa1/BBB (Moody's/S&P), raised A$125m from its second three-year floating-rate senior unsecured sustainability bond offering, which was priced last Tuesday at the tight end of three-month BBSW plus 90bp–93bp area guidance.

ANZ and *NAB* were joint lead managers for the transaction, 95% of which was allocated to Australian investors, with Asia taking 5%. Asset managers bought 47%, banks 27%, middle-market investors 21% and others 5%.

The Victoria-based mutual bank raised A$125m from a debut three-year sustainability bond issue in August 2018.

The proceeds of the new bond offering will be used in accordance with the bank's sustainability bond framework to finance or refinance eligible assets.

Last week's issuance from Bank Australia and OCBC Sydney takes year-to-date supply of environmental, social and governance (ESG) bonds in the Australian market and offshore bonds sold by Australian credits to just under A$12bn.

This represents more than 40% growth from the previous annual record of A$8.4bn in 2018 and a dramatic pick-up from A$5.2bn in 2017 and just A$1.1bn in 2016.

COVERED BONDS

EUROS

RBI COVERED DEBUT LIFTED BY PICK–UP OVER PEERS

An attractive pick–up over domestic peers ensured RAIFFEISEN BANK INTERNATIONAL's debut covered bond was well received last Monday, with the €500m 10–year twice subscribed.

The deal was the first benchmark covered issued by RBI, which is the central institution for the hundreds of banks within the Raiffeisen Banking Group Austria.

The no–grow €500m mortgage–backed transaction priced at mid–swaps plus 11bp, inside guidance of 14bp area.

The final book stood at €1.1bn, including €45m JLM interest, with over 50 investors in.

The deal offered a pick–up versus 10–year covereds from established Austrian issuers, reflecting that RBI's covered bonds are lower rated than many of its peers', at Aa1, and that its cover pool has an unusual multinational composition.

RBI's mortgage pool comprises 47% loans originated in Austria, with the rest from Germany and Central and Eastern Europe. It is mostly made up of commercial real estate loans.

Ten–year comparables the likes of Erste, UniCredit Bank Austria and Raiffeisenlandesbank Niederoesterreich–Wien were trading between 2.5bp and 4bp over swaps pre–announcement.

"Compared to other names in Austria, especially the first row names such as Erste, they are paying up, but of course that makes sense to make sure the deal is working," said a syndicate banker away from the deal.

"The Raiffeisen sector, and especially this name, had some troubles in the past, and often covered bond investors do not forget that quickly. But at this spread it works."

Demand was also supported by the deal's positive yield, of 0.176%.

The deal, which followed a European roadshow, was run by *DZ Bank*, *Mediobanca*, *RBI*, *Societe Generale* and *UniCredit*.

SWISS FRANCS

VALIANT EXTENDS SWISS COVERED CURVE

VALIANT BANK printed its longest structured covered bond on Wednesday, raising its maximum targeted size of SFr310m (US$310m) despite volatile swaps levels. One lead said the result compared well with that for Pfandbriefzentrale, whose 2034 reopening on November 19 "only" reached SFr224m.

At 15bp over mid–swaps, Valiant's 15–year paid 5bp more spread than the recent PfZ, a premium investors require given that structured covered bonds are not repo eligible at the Swiss National Bank. The spread was equivalent to 56bp over government paper, the yield coming in at 0.0925%.

A book containing 42 accounts, all Swiss, was led by asset managers, which took slightly under half the bonds, followed by private banks, insurers and pension funds. Bank treasuries accounted for only a very small amount (1%), given the lack of repo eligibility.

BNP Paribas (Suisse) and *ZKB* led the deal, which is rated Aaa by Moody's.

HIGH–YIELD

UNITED STATES

THREE DOUBLE Bs HIT US MARKET AHEAD OF HOLIDAY

Three Double B rated borrowers hit the market last week, with two able to upsize their deals as the market headed into the Thanksgiving holiday.

Despite primary markets winding down, some issuers at the higher end of the high–yield rating spectrum have still been able to take advantage of good financing conditions.

"One of the big incentives in this low interest rate environment is for corporates to term out their debt," said Gregory Hahn, chief investment office at Winthrop Capital Management.

"They don't want to have to worry about the capital markets going forward and they're effectively locking in their cost of capital in doing that."

On Tuesday, Asian casino and gaming resort operator MELCO RESORTS FINANCE sold a US$900m (upsized from an initial US$650m) 10–year non–call five senior unsecured note at 5.375%, which carried Ba2/BB ratings.

The new debt will repay a 2015 revolving facility in full and partially pre–pay term loan debt.

Real estate investment company ISTAR, which has Ba3/BB–/BB ratings, added US$100m face value to its existing 4.75% senior notes due 2024. They had been trading around 103 the week before, while the add–on was priced at 102.

Those deals followed a bond from oil and gas firm HESS MIDSTREAM PARTNERS on Monday, which priced a US$550m 8.5–year non–call 3.5 senior unsecured note with Ba3/BB+/BB+ ratings at 5.125%. The deal was upsized from an initial US$500m.

Hess is using the funds to help finance the acquisition of Hess Infrastructure Partners (HIP) from Hess Corporation and Global Infrastructure Partners.

The three deals clear out the high–yield pipeline for now, leaving the market with just a short few weeks until the end of the year.

PROTECTING POSITIONS

Investors will be looking to protect the over 11% average returns that the high–yield market has generated in the year–to–date, mindful of the volatility that wiped out gains at the end of last year.

"I think everyone remembers that quarter, so they want to protect that position," said Hahn. "Liquidity is going to be tough heading into the end of the year.

That has been evident with companies that have missed earnings or have other credit concerns, spurring a drop in bond prices with little "buy–on–the–dip" appetite to prop them up.

ALL US$ DENOMINATED HIGH-YIELD BONDS
BOOKRUNNERS – 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	216	27,384.28	9.0
2	BofA	199	22,020.19	7.2
3	Citigroup	168	20,839.10	6.9
4	Goldman Sachs	166	19,509.89	6.4
5	Morgan Stanley	153	18,691.21	6.1
6	Credit Suisse	154	17,126.43	5.6
7	Deutsche Bank	161	15,617.49	5.1
8	Barclays	152	15,531.42	5.1
9	Wells Fargo	125	13,452.97	4.4
10	RBC	107	11,789.25	3.9
	Total	**534**	**304,166.24**	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.
Source: Refinitiv SDC code: B5

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS
1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Goldman Sachs	48	6,375.52	8.8
2	Deutsche Bank	43	5,679.55	7.8
3	JP Morgan	43	5,342.96	7.3
4	Citigroup	39	4,791.99	6.6
5	BNP Paribas	42	4,643.25	6.4
6	HSBC	40	3,827.90	5.3
7	Barclays	31	3,609.50	5.0
8	Credit Agricole	36	3,465.25	4.8
9	BofA	30	2,971.26	4.1
10	Credit Suisse	30	2,691.77	3.7
	Total	**141**	**72,723.65**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B6

"Our view is not overly bearish but we are generally cautious on earnings growth," said Adam Spielman, high–yield portfolio manager at PPM America.

"If we're going down the rating spectrum, we're trying to make sure it's not in cyclical credits. People are quick to shoot first and ask questions later if a company has credit issues."

XEROX TURNS HOSTILE IN HP MERGER BID

XEROX said it will engage directly with HP shareholders in its bid to acquire the company after being rebuffed again by the board of directors.

Xerox, which has battled declining revenues amid declining demand for print services, put a proposal to HP on November 5 to merge the two companies in a deal valued at US$33.5bn, which was rejected by the HP board which said it "significantly undervalues" the company.

The rejection has sparked some back–and–forth between the two companies that further escalated last Tuesday.

Xerox vice–chairman and CEO John Visentin said in a letter to HP's chairman and CEO that their refusal to engage in mutual due diligence for a potential transaction "defies logic", and they would engage directly with shareholders to urge the board to pursue the merger.

"While you may not appreciate our 'aggressive' tactics, we will not apologise for them," Visentin wrote.

"The most efficient way to prove out the scope of this opportunity with certainty is through mutual due diligence, which you continue to refuse, and we are obligated to require."

DEBT FINANCING

Xerox's initial bid proposal involved 77% of the financing coming from cash, which would be funded with a combination of cash on hand and new financing. The rest would be financed with stock.

Citigroup has provided a "highly confident" letter showing its certainty of arranging financing for the deal. Xerox said there would be no financing condition to the completion of the acquisition.

Based on the proposed structure, the deal would add around US$20bn of new debt to the combined company and bring leverage to around 3.5 times Ebitda, including synergies, according to CreditSights research.

Xerox and HP's current leverage is 2.9 times and one times Ebitda, respectively.

While Xerox bonds carry high–yield ratings (Ba1/BB+) after becoming a so–called fallen angel last year, the company expects the debt of the combined company would carry investment–grade ratings.

But CreditSights said the structure of the deal, with the large debt component, may make obtaining investment grade ratings a stretch.

"If Xerox is forced to raise its offer price, it could become more challenging to achieve IG ratings as pro forma leverage becomes even more stretched," said CreditSights.

"We think pro forma leverage of ~3.5x including synergies is on the high side for a printing business, even with a commitment to pay down debt."

OTHER OPTIONS

This has led analysts to speculate whether Xerox would pursue a split–rated capital structure, such as issuing secured investment–grade notes and high–yield unsecured, similar to Dell and Charter Communications.

On the other hand, HP has also indicated that it was open to exploring a combination of the two companies by acquiring Xerox instead.

CreditSights noted the combined entity in this scenario would have much less leverage, given Xerox's smaller market capitalisation, and that HP might be able to maintain its mid–Triple B ratings in that scenario.

Xerox bonds have reacted positively since the merger proposal came out. The longest dated, a 6.75% note due 2039, is up over four points to 105.025.

That note was broadly flat on Tuesday, while other bonds in the capital structure had a mixed response – the 4.125% 2023s were up 0.625%, while the 4.8% 2035s were down 1.9 points.

HP bonds have not reacted significantly to the merger noise – its most heavily traded bond, according to MarketAxess, is the 6.35% 2045, which is 7bp tighter in the month to date, last trading at 278bp over Treasuries on Wednesday.

TEXAS SETTLES IN T–MOBILE, SPRINT MERGER CASE

Texas' attorney general, Ken Paxton, dropped his opposition to the merger of mobile carriers SPRINT and T–MOBILE, giving a small boost to the prices of some of the firms' bonds.

He struck a deal last Monday with T–Mobile to prevent price increases on wireless services for Texans for five years after the merger completes, as well as committing T–Mobile to build out a 5G network throughout Texas, including rural areas, over the next six years.

In the week through to Wednesday, Sprint's 6.875% 2028 notes were up 1.5 points to 106.56 and its 8.75% 2032s up 2.3 points at 119.80.

T–Mobile bonds displayed a more muted response and were mostly trading in a half–point range either side of flat.

The move by the Texas attorney general leaves just Democratic attorneys general from 14 states and the District of Columbia to fight a court case starting on December 9 that will argue the merger will lead to higher prices for consumers.

The trial remains the last major obstacle to the US$26bn merger of the two companies.

The Department of Justice approved the merger in July after the companies agreed to sell Sprint's pre–paid businesses, including Boost Mobile to Dish Network to create a new wireless competitor.

The Federal Communications Commission approved the merger in November after the firms pledged to roll out 5G wireless technology to cover 97% of Americans within three years, as well as pledges to deliver certain levels of service speeds to most Americans including those in rural areas over the next six years

EUROPE/MIDDLE EAST/ AFRICA

BIGGER IS BETTER FOR HIGH-YIELD INVESTORS

High-yield companies with larger capital structures are having an easier time accessing the market, helped by investors seeking shelter from defaults and liquidity as the economic cycle slows.

Companies such as Jaguar and Casino that have large debt stacks and offer higher yields have seen their recent debt raisings receive an enthusiastic response from the buyside.

In contrast, smaller cyclical credits are increasingly being sidelined from the debt market, with banks in some cases declining to underwrite high-yield debt raisings from smaller companies.

"We always filter, but our rate of filtering is higher than it has been," said Toby Ali, Citigroup's EMEA co-head of leveraged finance, at a breakfast briefing held by the bank on Friday.

"This reflects that market appetite around smaller companies is not as high as it has been."

Investors that have shied away from larger capital structures are feeling left behind by the recent rally.

"The pain trade has been betting against the ability of struggling credits to access liquidity in this strong a market," said one investor.

"That's one of the types of effects that loose monetary policy has engendered."

The investor cited Casino's recent €3.8bn refinancing exercise, wrapped up on November 22, as one example of a deal that went surprisingly well for a credit that was seriously struggling as recently as six months ago.

Casino's 1.865% June 2022s were quoted as high as 10.4% in June. That bond is now bid at 3.522%, according to Refinitiv data.

"The logic is that the fewer investors involved in a credit, the more likely it is to struggle to access markets. Look at something like Casino: there are so many stakeholders involved in keeping that thing alive," said the investor.

Casino now has a total of €7.2bn in outstanding loans and bonds and the stakes could hardly have been higher in early November, when it was looking to land a €3.5bn refinancing to extend maturities to buy enough time to allow it to sell assets and delever.

The company need not have worried: demand from investors allowed it to upsize its debt package by €300m and to push out its maturities to 2023 and 2024.

"That was a peak market conditions deal," said a banker involved in the debt raise.

"The market rebound had been proven for six to eight weeks beforehand. But we wouldn't have been able to get it done earlier this year. It was a hot market trade."

BIFURCATED MARKET

UK auto company Jaguar's recent €800m dual-tranche high-yield bond also took by surprise those investors who had been resistant to previously struggling larger credits.

Jaguar has €4.6bn-equivalent in outstanding debt.

Investors' response to Jaguar's latest bond was strong enough that the company was able to upsize the deal by adding a second tranche.

"You're increasingly finding that the market is very bifurcated between large cap structures and one-off issuers," said the investor.

"You have to pay up as a smaller issuer to get investors to pay any interest, because you're unlikely to affect their overall portfolio performance."

In addition, larger capital structures in the high-yield market tend to be rated Double B, so defaults are seen as more unlikely, he said.

Another factor at play is the involvement of the European Central Bank in the corporate bond market, and overall central bank efforts to keep rates low.

LOWER FOR LONGER

Investors are beginning to accept that rates are going to be at a low level for the foreseeable future.

"Investors that are buying into the lower-for-longer dynamic can accept a lower coupon because the rate environment won't work against you. But they can't have the bond trade down significantly. For investors, this impacts their view of cyclical and smaller companies," said Ali.

While it's most noticeable in the high-yield market, the 'bigger is better' trend is happening across the credit spectrum.

"Secondary liquidity is somewhat challenged," said Peter Charles, Citigroup's EMEA head of debt capital markets syndicate, referring to the investment-grade bond market at Friday briefing.

As always, the question is for how long can these market conditions last.

"Whether these conditions last is another story," said the investor.

"These credits have boosted their balance sheets but will fundamentals come back to bite them in the first quarter?"

WEPA ROLLS BONDHOLDERS UP INTO FRESH DEAL

WEPA rolled its bondholders into a much tighter deal, pushing its maturities out in the process with its new €550m two-trancher.

Proceeds from the German toilet roll maker's bond will redeem in full its €450m 3.75% 2024 senior secured, as well as finance the acquisition of Wepa's new production site in Chateau-Thierry.

Initial price talk for the eight-year non-call three bond was set on Wednesday at the 3.25% area, before leads tightened pricing to land the €350m senior secured note at 2.875% on Thursday.

Wepa also sold a €200m senior secured floating-rate seven-year non-call one bond at Euribor plus 287.5bp with a 0% floor. Initial price thoughts were in the 325bp area.

"Wepa is accessing two distinct pools of capital," said a syndicate banker of the two tranches. The floating-rate tranche also has the attraction of potential pre-payment, he said.

One investor said Wepa was paying a slight premium because of its relatively small size in the high-yield market.

"You're increasingly finding that the market is very bifurcated between large cap structures and one-off issuers. You have to pay up as a smaller issuer to get investors to pay any interest because you're unlikely to affect their overall portfolio performance," he said.

Wepa was last in the market in May 2016, when it priced its €450m 3.750% May 2024s. That bond will be taken out by the new notes, leaving the company with just €550m in outstanding public bonds, according to Refinitiv Eikon data.

ASSEMBLIN LOOKS TO HEAT UP FUNDING WITH HY BOND

ASSEMBLIN broadened its sources of financing when it landed its debut bond in the euro high-yield market on Friday.

The Swedish electricity and heating installation company approached investors with €250m of senior-secured floating-rate notes (B2/B/B+) carrying a 5.5-year non-call one maturity.

Price talk was set at Euribor plus 500bp-525bp with a 0% floor and the deal priced at the tight end of that range.

Assemblin faced some push-back: investors asked for - and got - the company to increase its reporting requirements to quarterly conference calls.

It also added a 50% consolidated net income build-up basket, and removed a zero floor from its restricted payments.

"We thought it would be beneficial for the marketing of the bond to concede to those changes requested by a couple of important investors," said a source familiar with the exercise.

Deutsche Bank and *Nordea* were active bookrunners.

The proceeds will repay Assemblin's €161m senior facilities - and will also pay a €93m dividend to shareholder Triton, which has owned the business since 2015.

"We've been financing the business with straightforward bank financing provided by DNB and Nordea," said a source familiar with Assemblin.

"As the company has grown, and has a great growth path to come with organic and accretive growth, we decided to expand and widen its sources of financing to include the capital markets."

Assemblin opted for a floating-rate bond to give itself flexibility, said the source close to the issuer.

"It provides us with the opportunity to refinance at a reasonable cost - should we want to do so - within 24 months," he said.

A banker familiar with the transaction said Assemblin was issuing in the bond market rather than loans as the company "had heard good things [about the bond market]".

"Their main comparable, now listed, is Bravida, which is a former high-yield issuer," he said.

"They felt going for an FRN was a marriage of that positive halo from other issuers and pre-payability as they are quite cash generative."

Two other issuers are lining up refinancing bonds for this week.

French industrial and construction equipment rental company **KILOUTOU** is kicking off a four-day roadshow on Monday for a dual-tranche €820m senior secured deal.

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 29/11/2019

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
Amsr 2019-Sfr1 Trust	US$122.915	7.12	2.774	Goldman Sachs/Nomura/Amherst Securities	Aaa/NR/NR	ABS
Amsr 2019-Sfr1 Trust	US$40.971	7.12	3.023	Goldman Sachs/Nomura/Amherst Securities	Aa2/NR/NR	ABS
Amsr 2019-Sfr1 Trust	US$29.898	7.12	3.148	Goldman Sachs/Nomura/Amherst Securities	A2/NR/NR	ABS
Amsr 2019-Sfr1 Trust	US$18.824	7.12	3.247	Goldman Sachs/Nomura/Amherst Securities	Baa2/NR/NR	ABS
Amsr 2019-Sfr1 Trust	US$88.588	7.12	3.471	Goldman Sachs/Nomura/Amherst Securities	NR/NR/NR	ABS
Amsr 2019-Sfr1 Trust	US$37.649	7.12	3.867	Goldman Sachs/Nomura/Amherst Securities	NR/NR/NR	ABS
Amsr 2019-Sfr1 Trust	US$15.502	7.12	4.857	Goldman Sachs/Nomura/Amherst Securities	NR/NR/NR	ABS
Amsr 2019-Sfr1 Trust	US$33.22	7.12	6.040	Goldman Sachs/Nomura/Amherst Securities	NR/NR/NR	ABS
BAMLL 2019-BPR	US$232.655	4.88	3.112	BofA	NR/AAA/NR	CMBS
BAMLL 2019-BPR	US$51.775	4.88	3.465	BofA	NR/AA-/NR	CMBS
BAMLL 2019-BPR	US$38.76	4.88	3.843	BofA	NR/A-/NR	CMBS
BAMLL 2019-BPR	US$47.595	4.88	3.843	BofA	NR/BBB-/NR	CMBS
BAMLL 2019-BPR	US$64.6	4.88	3.843	BofA	NR/BB-/NR	CMBS
BAMLL 2019-BPR	US$44.365	4.88	3.843	BofA	NR/B-/NR	CMBS
BMARK 2019-B15	US$15.769	4.88	2.003	Citgroup/DB/JP Morgan	NR/AAA/AAA	CMBS
BMARK 2019-B15	US$48.56	4.90	2.914	Citgroup/DB/JP Morgan	NR/AAA/AAA	CMBS
BMARK 2019-B15	US$24.167	6.90	2.667	Citgroup/DB/JP Morgan	NR/AAA/AAA	CMBS
BMARK 2019-B15	US$75	9.80	2.673	Citgroup/DB/JP Morgan	NR/AAA/AAA	CMBS
BMARK 2019-B15	US$385.107	9.90	2.928	Citgroup/DB/JP Morgan	NR/AAA/AAA	CMBS
BMARK 2019-B15	US$24.285	7.30	2.859	Citgroup/DB/JP Morgan	NR/AAA/AAA	CMBS
BMARK 2019-B15	US$61.38	9.90	3.231	Citgroup/DB/JP Morgan	NR/AA/AAA	CMBS
BMARK 2019-B15	US$40.921	9.90	3.564	Citgroup/DB/JP Morgan	NR/NR/AA-	CMBS
BMARK 2019-B15	US$36.829	9.90	3.840	Citgroup/DB/JP Morgan	NR/NR/A-	CMBS
CAS 2019-HRP1	US$557.792	2.20	1mUSL+215bp	BofA/Citgroup	NR/B/NR	RMBS
CAS 2019-HRP1	US$405.667	6.60	1mUSL+925bp	BofA/Citgroup	NR/NR/NR	RMBS
Clny 2019-Ikpr	US$204.725	1.94/6.94	USL+135bp	Morgan Stanley/JP Morgan/BofA	NR/AAA/NR	CMBS
Clny 2019-Ikpr	US$72.865	1.94/6.94	USL+170bp	Morgan Stanley/JP Morgan/BofA	NR/AA-/NR	CMBS
Clny 2019-Ikpr	US$54.15	1.94/6.94	USL+190bp	Morgan Stanley/JP Morgan/BofA	NR/A-/NR	CMBS
Clny 2019-Ikpr	US$71.535	1.94/6.94	USL+225bp	Morgan Stanley/JP Morgan/BofA	NR/BBB-/NR	CMBS
Clny 2019-Ikpr	US$100.605	1.94/6.94	USL+295bp	Morgan Stanley/JP Morgan/BofA	NR/NR/NR	CMBS
Clny 2019-Ikpr	US$101.935	1.94/6.94	USL+365bp	Morgan Stanley/JP Morgan/BofA	NR/NR/NR	CMBS
Clny 2019-Ikpr	US$111.435	1.94/6.94	USL+470bp	Morgan Stanley/JP Morgan/BofA	NR/NR/NR	CMBS

The company will be marketing a €320m seven-year non-call three fixed-rate tranche and a €500m seven-year non-call one bond. Expected ratings are B1/B+ (Moody's/S&P).

Kiloutou has mandated *JP Morgan* (sole physical bookrunner) *BNP Paribas, Credit Agricole, Natixis* and *Societe Generale* (joint books).

Proceeds will refinance the company's existing Term Loan B.

And Greek construction group **ELLAKTOR** is set to market a €600m green bond - also to refinance existing debt.

Ellaktor has opted for a five-year non-call two senior note. Expected ratings are B/BB (S&P/Fitch). The company took to the road on Friday and will wrap up investor meetings on Thursday. *HSBC, Citigroup, JP Morgan* are global coordinators and *Goldman Sachs* is joint books.

ALL EUROPEAN HIGH-YIELD ISSUERS
1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	54	9,941.41	9.6
2	JP Morgan	55	7,918.17	7.6
3	Goldman Sachs	49	7,823.21	7.5
4	Deutsche Bank	42	6,843.21	6.6
5	BNP Paribas	47	6,259.35	6.0
6	HSBC	43	5,365.41	5.2
7	Barclays	31	5,196.37	5.0
8	BofA	31	4,523.62	4.4
9	Credit Agricole	36	4,232.15	4.1
10	Credit Suisse	33	4,155.86	4.0
	Total	**159**	**103,954.55**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06c

ALL ASIAN HIGH-YIELD ISSUERS
1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	57	5,781.65	7.8
2	Haitong Secs	92	5,124.06	6.9
3	HSBC	58	4,216.83	5.7
4	Deutsche Bank	59	4,050.44	5.5
5	Citic	59	3,826.37	5.2
6	Morgan Stanley	42	3,523.60	4.8
7	JP Morgan	24	3,489.24	4.7
8	UBS	50	3,331.15	4.5
9	Guotai Junan Secs	72	2,724.80	3.7
10	Goldman Sachs	20	2,575.96	3.5
	Total	**199**	**74,039.74**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06d

STRUCTURED FINANCE

EMEA MBS

CO-OP'S SILK ROAD COMES BACK OF IPTs

THE CO-OPERATIVE BANK priced the comeback issue from its Silk Road RMBS programme at 85bp over Sonia last week, wide of the Sonia plus 75bp-80bp initial price thoughts and further still from the 72bp print of the last UK RMBS one week earlier.

The Co-op hadn't publicly sold bonds off Silk Road since 2012, one year before the bank was downgraded to junk. Co-op has securitised in recent years off another programme, called Warwick Finance, allowing it to delever a non-core "Optimum" portfolio of non-conforming mortgages.

The new deal is backed by newly originated prime mortgages and is intended to restart Silk Road as a regular funding source for the Co-op. As well as £960m of drawings under the Term Funding Scheme to repay by 2022, the bank also has a £600m

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 29/11/2019 (CONTINUED)

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
ELVET 2019-1	£390.01	3.14	SONIA+88bp	Citgroup	NR/AAA/AAA	RMBS
ELVET 2019-1	£26.38	4.91	SONIA+150bp	Citgroup	NR/AAA/AA	RMBS
ELVET 2019-1	£18.35	5.00	SONIA+200bp	Citgroup	NR/A/A+	RMBS
ELVET 2019-1	£8.03	5.00	SONIA+250bp	Citgroup	NR/BBB/A-	RMBS
ELVET 2019-1	£5.74	5.00	SONIA+325bp	Citgroup	NR/BBB-/BBB-	RMBS
ELVET 2019-1	£4.59	5.00	SONIA+425bp	Citgroup	NR/BB/B-	RMBS
ELVET 2019-1	£5.74	–	N/A	Citgroup	NR/NR/NR	RMBS
First Swiss Mobility	SFr227	3.00	0.000	Credit Suisse/ZKB	NR/AAA/AAA	ABS
First Swiss Mobility	SFr13.5	3.00	0.625	Credit Suisse/ZKB	NR/AA-/AA	ABS
First Swiss Mobility	SFr9.5	3.00	1.500	Credit Suisse/ZKB	NR/A-/A+	ABS
HOF 2019-3	US$263.522	2.57	2.675	Credit Suisse	NR/AAA/NR	RMBS
HOF 2019-3	US$27.339	2.57	2.879	Credit Suisse	NR/AA/NR	RMBS
HOF 2019-3	US$48.922	2.57	3.031	Credit Suisse	NR/A/NR	RMBS
HOF 2019-3	US$24.872	5.22	3.518	Credit Suisse	NR/BBB/NR	RMBS
HOF 2019-3	US$19.939	5.22	4.018	Credit Suisse	NR/BB/NR	RMBS
Mf1 2019-Fl2	US$371.85	1.67/4.39	1mUSL+113bp	JP Morgan/Credit Suisse	Aaa/NR/NR	CMBS
Mf1 2019-Fl2	US$88.775	1.97/4.91	1mUSL+143bp	JP Morgan/Credit Suisse	NR/NR/NR	CMBS
Mf1 2019-Fl2	US$30.987	1.97/4.97	1mUSL+160bp	JP Morgan/Credit Suisse	NR/NR/NR	CMBS
Mf1 2019-Fl2	US$42.713	2.22/4.97	1mUSL+200bp	JP Morgan/Credit Suisse	NR/NR/NR	CMBS
Mf1 2019-Fl2	US$21.775	2.56/4.97	1mUSL+235bp	JP Morgan/Credit Suisse	NR/NR/NR	CMBS
Mf1 2019-Fl2	US$20.100	2.73/4.97	1mUSL+265bp	JP Morgan/Credit Suisse	NR/NR/NR	CMBS
NRMLT 2019-6	US$154.945	2.50	3.500	JP Morgan/Amherst Securities/DB	Aaa/NR/NR	RMBS
PFMT 2019-1	US$158.957	5.00	3.000	Amherst Securities/BofA	Aaa/NR/NR	RMBS
PFMT 2019-1	US$96	2.80	3.000	Amherst Securities/BofA	Aaa/NR/NR	RMBS
PFMT 2019-1	US$32	11.60	3.000	Amherst Securities/BofA	Aaa/NR/NR	RMBS
PFMT 2019-1	US$32.241	5.00	3.000	Amherst Securities/BofA	Aa1/NR/NR	RMBS
STARR 2019-2	US$355.047	5.20	3.536	Goldman Sachs/Citgroup/DB/Credit Agricole	NR/NR/A	ABS
STARR 2019-2	US$56.57	5.20	4.581	Goldman Sachs/Citgroup/DB/Credit Agricole	NR/NR/BBB	ABS
STARR 2019-2	US$34.72	3.60	6.656	Goldman Sachs/Citgroup/DB/Credit Agricole	NR/NR/BB	ABS
Silk Road Finance Number Six	£650	3.40	SONIA+85bp	BofA/HSBC	Aaa/NR/AAA	RMBS
World Bank	US$75	–	3mUSL+12bp	GC Securities	NR/NR/NR	ABS
World Bank	US$150	–	3mUSL+12bp	GC Securities	NR/NR/NR	ABS

covered bond coming due in 2021. The covered bond was rated Triple A when it was sold in 2011 but is now rated just Single A by Moody's and Fitch.

Bank of America Securities and *HSBC* were joint leads for the new RMBS, **SILK ROAD FINANCE NUMBER SIX**. It was announced two weeks ago with a benchmark portion of its 3.38-year Triple As on offer.

After Monday's IPTs, a Tuesday lunchtime update reported the book at around £225m, excluding trading interest, and set guidance at 85bp area.

The deal was priced later in the afternoon with the spread set at 85bp and the books reported as fully covered, excluding trading interest.

Last week, Principality Building Society's sold UK RMBS Friary No.6, printing £350m of 2.93-year Triple As at Sonia plus 72bp.

Distribution statistics for Silk Road showed fund managers bought 80% of the deal, banks 19% and central banks and official institutions 1%.

Buyers from the UK made up 84% of the book, Germany 8%, France 6% and others 2%.

The underlying portfolio weighs in at £993m and was intended to produce retained Triple A collateral in addition to the placed portion of senior bonds. There is a revolving period out to the step-up date of September 2023.

There are 6,152 loans with an average balance of £161,550. The weighted average unindexed current LTV is 69%, seasoning is 0.87 years and the WA interest rate is 2.06%. All are first-lien owner-occupied loans and none are in arrears.

The deal is STS eligible.

DUTCH RMBS EDML 2019-1 SET FOR PRICING

Books closed on Friday for the Class A from **ELAN WONINGHYPOTHEKEN**'s Dutch RMBS **EDML 2019-1**. The mezzanine classes are being sold using a modified reverse Dutch auction, with results and terms due on Monday morning.

The spread for the €315m Class A, rated Triple A (Moody's/Fitch), was set at a 48bp discount margin over three-month Euribor.

The 4.5-year tranche was just one time covered, excluding joint lead interest. Initial price thoughts were high 40s.

Last November the originator's second RMBS of 2018 sold its €307.5m Triple As at 55bp, for a shorter 2.8-year WAL.

BofA Securities, *BNP Paribas*, *Goldman Sachs*, *ING* and *Natixis* are joint leads on the new issue.

INTESA RETAINS €7.5bn ITALIAN RMBS

INTESA SANPAOLO has structured and retained a €7.5bn securitisation of Italian first-lien residential mortgages, issuing two tranches off its **BRERA SEC SRL** vehicle.

The deal was closed on November 27 and arranged by Intesa Sanpaolo and Banca IMI.

There are 67,411 loans in the pool, with an average current balance of €113,954. Seasoning is 1.12 years and the weighted average current LTV is 65.15%. The WA coupon is 2.09%.

Some 97.5% of the loans were originated in the last three years.

The €6.65bn Class A is rated A1/AH by Moody's and DBRS and carries a coupon of 85bp over three-month Euribor. The €859.5m unrated Class B pays a fixed 0.5% coupon.

ATOM BANK PRE-PLACES ELVET 2019-1 UK RMBS

UK challenger **ATOM BANK**, which describes itself as the UK's first app-only bank, announced its second UK RMBS on Thursday.

But unlike its debut last year, which publicly sold a Triple A tranche and retained the rest, the new transaction pre-placed its entire capital structure with a single investor.

ELVET MORTGAGES 2019-1 PLC was arranged by *Citigroup*, which is sole lead. It is structured as a Reg S/144a transaction, indicating it may have gone to a US account. The first deal was Reg S only.

Atom Bank will retain an undisclosed portion of the £390.01m Triple As, and will also take the Class VRR notes which make up a 5% vertical slice for risk retention.

The holder of the deal's refinancing option can call it after five years either through a regular portfolio call, or by exercising an option to refinance the deal.

The £507.87m portfolio holds loans to 2,919 accounts, with an average current balance of £173,986. The weighted average current LTV is 72.1%, WA interest rate is 2.16%, and WA seasoning is 10.3 months.

All are repayment mortgages on owner-occupied properties. First-time buyers make up 28.6% and self-employed borrowers make up 5.4%.

The RMBS is intended to comply with STS requirements.

The £390.01 Triple A tranche (S&P/Fitch), which has a 3.14 year average life, has a coupon of Sonia plus 88bp, and the £26.38m 4.91-year AA/AAA Class B is at 150bp.

The £18.35m A/A+, £8.03m BBB/A- and £5.75m BBB-/BBB- Classes C, D and E are at 200bp, 250bp and 325bp, while the £4.59m BB/B- Class F margin is 425bp. There is also an unrated Class Z.

Margins double after the November 2024 step-up date, with a 100bp cap.

EMEA ABS

SPANISH AUTONORIA SPARKS INVESTOR SURGE

BNP PARIBAS PERSONAL FINANCE picked up very strong demand last week for the latest full-stack consumer ABS from one of the group's eurozone subsidiaries.

After full-stack significant risk transfer trades earlier this year from Italy, France and Germany, its Spanish subsidiary Banco Cetelem was set to sell Spanish auto loans **AUTONORIA SPAIN 2019** late on Friday afternoon, as IFR was going to press.

Sole lead manager *BNP Paribas* initially sized the trade at €750m. At that size the senior tranche, rated Aa1/AAA (Moody's/DBRS), went two times covered at its mid to high 40s initial price thoughts.

The mezzanine and junior pieces were between 4.2 times and 9.5 times covered at IPTs.

Demand allowed BNP Paribas to squeeze price guidance tighter, with the Class As going to 42bp (+/-1bp, wpir) and setting the fixed rate junior piece, rated B3/C, at 6%.

After an upsize to €1bn, the spread for the €790m seniors was set at 41bp. A one-time test followed for the mezzanine notes.

That showed the Aa1/AA Class B at 95bp-100bp, from 125bp area IPTs, the Aa3/A Class C at 135bp-14bp, from mid to high 100s, and the Baa2/BBB Class D at 185bp-190bp, from low 200s IPTs. The Ba1/BBL Class E was tested at 285bp-290bp, from low 300s IPTs, and the B1/BL Class F was shown at 400bp, after mid 400s IPTs.

CACF FISHING FOR YEAR-END INVESTORS WITH DUTCH ABS

CREDIT AGRICOLE CONSUMER FINANCE announced rare Dutch consumer loan ABS **MAGOI BV** last week. It is named after a species of Japanese carp, in line with the originator's previous Dutch ABS deals, the most recent of which was Matsuba BV in 2016.

The new deal is a full-stack securitisation designed to achieve significant risk transfer and follows the structure - which has quickly become standard - introduced by BNP Paribas Personal Finance's Italian auto ABS AutoFlorence 1 in July.

BNP Paribas was in fact in the market last week with another SRT deal, this time securitising Spanish auto loans. And all tranches of that deal found very strong support from investors, a reassuring sign for Credit Agricole that, across the capital stack, euro investors have not yet packed up and gone home for the Christmas holidays.

Magoi is not due to be priced until next week. A roadshow will run from this Monday to Thursday, visiting the Netherlands, Paris, London and Germany.

There is already another Dutch securitisation in the market: EDML 2019-1, an RMBS from Elan Woninghypotheken. EDML, a funding trade, is also selling through the capital structure, although its mezzanine tranches are being marketed using a modified reverse Dutch auction rather than a syndicated bookbuild.

Magoi is arranged by Credit Agricole. *Credit Agricole* and *Rabobank* are joint leads on the Class A, while Credit Agricole is sole lead on the rest of the structure.

That structure is topped by a €326.4m Triple A Class A FRN and runs down to a €17.6m unrated Class G fixed rate piece. The weighted average lives are 2.91 years to a 10% clean-up call.

The underlying assets are unsecured personal loans which are not tied to any purchase. Some 99% are fixed rate and all are amortising - none are the type of revolving loan which has hit headlines in the Netherlands.

CACF Netherland decided to stop extending revolving credit in 2018 following criticism over high interest rates, and is preparing a compensation scheme for existing and former borrowers.

There are no borrowers in the Magoi pool with revolving loans, and none who are eligible to claim more than five euros under the compensation plan.

The notes are backed by €417.98m portfolio holding 23,282 loans with an average outstanding balance of 17,953. Weighted average seasoning is 16 months and the WA interest rate is 5.05%.

The originators are CACF subsidiaries Interbank and Findio.

The last public ABS involving the CACF group was Agos Ducato's Italian second consumer loan securitisation Sunrise 2019-2 in October. Agos Ducato is 61% owned by CACF and 39% by Banco Popolare.

NEGATIVE BAR FOR MULTILEASE SWISS AUTO ABS

MULTILEASE, the leasing subsidiary of Swiss auto dealer group Emil Frey, found ABS investors reluctant to accept negative yields for its latest leasing securitisation when it came to market last week.

Joint leads *Credit Suisse* and *Zurcher Kantonalbank* priced Swiss franc-denominated **FIRST SWISS MOBILITY 2019-1** on Thursday after testing demand for a negative yield on the Sfr227m Class A.

That tranche was initially shown at a range of -0.02% to 0.00%, before pricing at par for a zero coupon.

The Sfr13.5m Class B and Sfr9.5m Class C were pre-placed, both at par, with coupons of 0.625% and 1.5%.

One of the leads reported 27 orders in the book, with asset managers taking 57.53%, insurance 26.78% and pension funds 15.68%.

EMEA CLO

WEAKER COLLATERAL FOR EUROPEAN CLOs IN 2020 - MOODY'S

European CLO collateral will continue to weaken next year and collateral defaults will increase slightly, but credit enhancement will keep CLOs performing well, according to Moody's.

Issuance volume will decline, but leveraged lending will be down too, so the arbitrage will remain challenging, Moody's said in a report on Tuesday.

"New CLOs will weaken in 2020 as leveraged borrower credit quality deteriorates and transactions continue to include weaker structural elements."

That weakening reflects general deterioration in speculative-grade credit. Moody's rates 10% more B2 and B3 companies than it did in January 2018, and its trailing 12-months downgrade/upgrade ratio was 2.8x in September, more than double the long-term average of 1.4x.

Worsening WARF and other collateral credit metrics are likely to further constrain CLO managers' trading flexibility.

Although the rating agency expects credit enhancement will allow CLOs to continue performing well, it said structures will continue weakening in favour of equity holders.

"With asset yields continuing to fall, pressuring arbitrage, CLOs will continue to include structural features to increase cash flows available to the equity class, such as facilitating par leakage after building par," the report said.

APOLLO REFINANCES ALME II

APOLLO refinanced its ALME LOAN FUNDING II European leveraged loan CLO last week, lead managed by *Goldman Sachs*.

The deal has a non-call period of one year and reinvestment period of around one year.

The €234.8m Triple As came at 75bp over three-month Euribor, while the €23.8m floating and €14.1m fixed rate Double As came at 160bp over and 1.90%.

The €24.4m Single A and €23.6m Baa3/BBB- tranches came at 230bp and 385bp, while the €20.6m Ba3/BB- came at a 97% cash price with a coupon of three-month Euribor plus 507bp.

RESET OF DRYDEN 35 EURO CLO 2014 IN MARKET

PGIM is resetting €444.5m European leveraged loan CLO DRYDEN 35 EURO CLO 2014. *Goldman Sachs* is arranger and placement agent.

The roll deadline is Monday, and pricing is expected later this week.

Price talk includes 98bp for the floating rate Triple As. At the other end of the stack, the Ba3/BB- Class E is at 700bp are and the B3/B- Class F is in the low 1000s.

The deal has a two-year non-call period and 4.5-year reinvestment period.

US MBS

FANNIE MAE SEES MORE SEASONED LOAN RISK TRANSFER IN 2020

FANNIE MAE said last Tuesday it plans to issue more credit risk transfer transactions backed by seasoned refinanced single–family mortgages in 2020 following the pricing of its first such offering earlier that day.

"As part of our ongoing capital management efforts, we anticipate bringing three to five seasoned loan deals of varying sizes and loan types to market in 2020, subject to market conditions and other factors," Laurel Davis, Fannie Mae's vice president of credit risk transfer, said in a statement.

The mortgage agency last Tuesday sold a US$963.459m Connecticut Avenue Securities (CAS) deal, CAS 2019–HRP1, backed by home loans produced from its "Refi Plus" programme that includes ones that came from the Home Affordable Refinance Program (HARP).

HARP was created by the US government in 2009 with the goal to help consumers, whose homes were worth less than their loan balances, to refinance their mortgages.

CAS 2019–HRP1 marked the eighth and final CAS offering of the year. *Bank of America* was the lead structuring manager and joint bookrunner, and *Citigroup* was the co–lead manager and joint bookrunner.

Fannie Mae said it is expected to return to the market with a CAS deal referencing newly–acquired loans in mid–January.

US ABS

US WHOLE BUSINESS ABS FACES INVESTOR TASTE-TEST IN 2020

Issuance of US whole business securitisation (WBS) is expected to stay solid in 2020, but it will unlikely match this year's record pace due to fewer new entrants and a pullback in refinancing from established issuers.

It is also unclear how first-time issuers with lesser known brands and shorter track records would fare against greater investor scrutiny, according to analysts.

This fledging area of the asset-backed securities market has raised US$8.6bn so far in 2019, a record for the sector.

Yield-hungry investors have feasted on deals backed by franchise fees and licensing revenues, mainly from casual and fast dining operators such as DUNKIN BRANDS, JACK IN THE BOX and DINE BRANDS.

But investors also expanded their palate this year to debut WBS from companies such as performing rights organization SESAC, disaster restoration firm SERVPRO and wellness chain MASSAGE ENVY, whose businesses have nothing to do with doughnuts and burgers.

Earlier this month, US gym chain Planet Fitness priced a US$US550m whole business transaction that was over three times oversubscribed.

"It underscores the reception of non-food whole business securitization. This is driven by investors' desire to diversify away from restaurants," said Ben Fernandez, managing director and head of non-traditional ABS with Barclays.

Fewer companies with top-notch brands with refinancing needs are expected to hit the market next year, which may weigh on deal volumes.

"We're not going to see as much refi activity in 2020," Fernandez said.

Still, those companies which are looking to queue whole business deals in the coming months should find a receptive audience for their paper as investors stay hungry for yields and diversification from corporate bonds.

"I still see relative value in whole business securitisations and they offer yield pickup over investment-grade corporates," said Evan Shay, fixed income analyst at T. Rowe Price.

Earlier this month, Planet Fitness' A-2 class notes, rated BBB with an average weighted life of 9.50 years, sold at a yield of 3.876%.

At about the same time, average Triple B rated corporate bonds yield 3.20%, according to ICE BofA index data.

ECONOMIC UNCERTAINTIES

ABS investors, while still keen on whole business deals, will likely be more selective, prompted by concerns about the US economy.

"We continue to look at strong brands and franchises with long operating histories and stable cash flows," Shay said.

Relatively new companies may face greater challenge than established issuers, according to bankers and analysts.

"There is considerable tiering in new-issue (whole business ABS) pricing based on factors such as brand recognition, line of business or transparency provided by publicly traded equity," Wells Fargo analysts John McElravey and Ryan Brinkoetter wrote in a research note last week.

In June, spa chain Massage Envy's five-year, BBB rated notes cleared at a yield of 6.50%, while performance rights group SESAC's longer-dated 6.7-year, BBB-/BBB rated class of ABS fetched a lower yield at 5.25% two months later.

SESAC, founded in 1931, licenses the public performances of songs written by famous writers such as Bob Dylan and Neil Diamond.

Meanwhile, Massage Envy, which began franchising in 2003, is facing rockier times. On Monday, it named a new chief executive after the previous CEO resigned earlier this month for engaging in a relationship with an employee.

Going forward, in addition to their yields, investors will remain focused on those whole business ABS names that can weather an economic downturn.

"The higher-quality issuers within the sector should hold up quite well over the next few years even if there happens to be a recession," Shay added.

FITCH RAISES CAUTION ON US AUTO BORROWING

The performance of US auto loans has been deteriorating with late payments hitting a near eight-year peak, especially among lower-credit borrowers, Fitch Ratings said last Tuesday.

A wider economic downturn would see this trend not only hurt asset-backed securities backed by car loans but also ABS supported by credit cards, student loans and other types of consumer credits, according to the ratings agency.

"Auto loan ABS delinquency rates are trending up and reached their highest levels in almost eight years, primarily driven by an increasing share of sub-prime borrowers," Fitch analysts wrote in a research note.

As of August, the delinquency rates on prime and sub-prime auto loan ABS stood at 0.27% and 5.93%, respectively.

Meanwhile, net annualised loss rate on prime auto ABS was 0.48% and that on sub-prime auto ABS was 9.43% in August, according to Fitch data.

The divergence between the two tiers of auto loans reflects the lack of wage growth during the longest ever US expansion among lower-income borrowers, who tend to carry higher levels of debt, Fitch analysts said.

Nonetheless, auto ABS issuance has been robust in 2019 at near US$110bn, with sub-prime paper making up about 27% of overall supply.

There are signs that some US families have been struggling to make payments on other types of loans in addition to auto loans.

The share of outstanding student loans, which are 90-day past due, has been hovering at a relatively lofty 11% each quarter in the past seven years, Fitch analysts said.

On the other hand, delinquencies on mortgages, which make up the bulk on most US families' overall debt load, had subsided after surging during the global credit crisis. They have remained low, they said.

A sustained period of low interest rates has reduced the debt servicing costs for consumers, in particular for prime borrowers, since the last US recession over a decade ago.

The nominal per capita household debt of US$51,000 in second quarter of 2019, compared with a peak of US$53,000 leading up to the credit crisis 2008, Fitch analysts noted.

Sub-prime borrowers are more vulnerable than their prime counterparts in the next economic downturn, squeezing their ability to meet their debt obligations, they said.

"An increase in unemployment would likely result in increased delinquencies and charge-offs for non-prime sectors," they wrote.

US CLO

US CLO ISSUANCE FORECAST TO FALL IN 2020 AS SPREADS REMAIN WIDE

Issuance in the US CLO market is forecast to fall next year as spreads remain wide, eating into returns paid to the most junior investors in the funds.

Banks are calling for US$75bn-$100bn of US CLO volume in 2020 after more than US$108bn was arranged this year through November 22. A record US$127.7bn was issued in 2018, according to LPC Collateral data.

The US$656bn US CLO market, the largest buyer of leveraged loans, has been battling criticism from regulators and lawmakers, and dealing with three rate cuts that curtailed the pitch of the funds as a safe-haven in a rising-rate environment.

"It has certainly been a year of challenges and surprises for the loan and CLO markets, but a key theme that has revealed itself in the second half of the year was a return to credit fundamentals," said Dagmara Michalczuk, portfolio manager at Tetragon Credit Partners.

Morgan Stanley is calling for US$75bn of broadly syndicated US CLO volume in 2020, while Barclays has forecast US$80bn-$90bn, according to their research reports.

Bank of America and Nomura are both forecasting US$80bn-$90bn, Wells Fargo and Deutsche Bank are both expecting US$90bn and JP Morgan is calling for US$90bn-$100bn.

The higher end of the forecasts would place 2020 as the fifth or sixth-largest year of issuance on record.

"The market has proven to be resilient," said Rachel Russell, co-head of the US CLO new-issue business at Morgan Stanley.

There is a "global buyer base ... and every year we've continued to see new investors. If one region has some disruption, we've seen a pick-up (in buyers) in other regions."

Japanese bank participation in US CLO Triple A tranches has been lower than last year following risk-retention regulations released by the Bank of Japan. But US investors – including existing and new buyers – have stepped in, leading to a number of broadly syndicated senior tranches, she said.

US family offices and foundations, as well as larger traditional mutual fund managers, have also been interested, said Christopher Long, founder of Palmer Square Capital Management.

"The CLO spaces has gotten more widespread adoption in terms of the types of clients as well as the depth of how they are invested; that's a good thing and it's due to the track record of low defaults and the fact there has been a premium yield in CLOs," he said.

Mutual funds overseen by Eaton Vance and Western Asset Management both announced this year that they could increase their exposure to CLOs.

TRANCHE TALK

Spreads on CLO tranches are expected to remain wide after gapping out in 2019 with Triple As widening to an average of 134bp last month from an average 118.75bp in October 2018, according to LPC Collateral.

Morgan Stanley forecasts Triple A spreads to remain at 134bp, while Nomura said spreads might tighten modestly. Morgan Stanley expects Double B tranche spreads to increase to 900bp from 825bp currently. In October 2018, Double B spreads were around 600bp.

A 32% drop in three-month Libor this year to November 26 has put additional pressure on the asset class because CLOs pay debt investors a coupon plus Libor, so as Libor falls, so do investor payments.

The drop comes ahead of the 2021 deadline for Libor to be phased out. Its recommended replacement, SOFR, a broad measure of the cost of borrowing cash overnight collateralised by US Treasury securities, has not been widely adopted by the loan or CLO markets.

The market will also need to deal with an anticipated uptick in defaults – Fitch expects the default rate to rise to 3% by the end of 2020 from 1.8% in November – and the potential for an increase in downgrades, which could weigh on the funds.

To prepare, investors pushed CLO managers to allow for the ability to swap out defaulted or deeply distressed assets with similar loans that offer better recoveries in the next downturn. Some funds also included larger buckets for Triple C rated credits beyond the typical 7.5%.

"The credit quality and performance of CLOs in the US will weaken in 2020 as corporate leverage continues to creep up and CLO structural protections loosen," Moody's Investors Service analysts wrote in a November 26 report.

"Issuance will decline from its historically high levels over the past few years, owing to investor concerns over late-cycle credit risks and high funding costs."

ASIA–PACIFIC MBS

BEYOND BANK PRINTS A$500m

BEYOND BANK AUSTRALIA returned to the RMBS market last Thursday with a capped A$500m prime offering, **BARTON SERIES 2019-1 TRUST**, arranged by joint lead managers *ANZ* and *Westpac*.

Like other bank and non-bank RMBS originators in recent months, Beyond Bank Australia was unable to gain any price traction on the senior notes.

The A$460m of A1 notes with a 3.0-year WAL printed at the wide end of one-month plus 115bp–120bp area guidance, 5bp more than initial 115bp area price thoughts.

The A$18.5m of Class A2, A$7.5m of Class AB, A$8.25m of Class B and A$4.5m of Class C notes, all with 7.2-year WALs, were priced in line with guidance at 145bp, 160bp, 185bp and 250bp over one-month BBSW.

The transaction was completed by A$1.25m of retained Class D notes with a 7.2-year WAL, priced at one-month BBSW plus 580bp.

The mutual bank, which operates in South Australia, the Australian Capital Territory, Western Australia and New South Wales, previously issued the A$500m Barton 2017-1 RMBS in July 2017.

ING RMBS ENJOYS SCARCITY VALUE

ING BANK (AUSTRALIA) raised an enlarged A$1.65bn (US$1.12bn) from its first RMBS offering in two and a half years, the prime funding-only **IDOL 2019-1 TRUST**.

The A$1.518bn of Class A notes with a three-year weighted average life and 8% credit support were priced last Thursday in line with guidance at one-month BBSW plus 100bp, 5bp wide of where an Australian major bank would price a new RMBS issue.

The transaction was completed by A$132m of retained Class B notes with a 5.5-year WAL.

ING and *Macquarie* were arrangers and joint lead managers with *ANZ*, *Standard Chartered Bank* and *Westpac* for the deal, which had an indicative minimum size of A$750m.

The leading non-major bank previously accessed the RMBS market in June 2017 with the enlarged A$1.17bn IDOL 2017-1 Trust.

FIRSTMAC SETS RMBS GUIDANCE

Regular non-bank issuer **FIRSTMAC** has released initial guidance for an indicative A$500m RMBS offering to be launched as early as this week.

ANZ, *Standard Chartered Bank*, *NAB* and *United Overseas Bank* are joint lead managers.

For the A$425m of Class A1 and A$35m of Class A2 notes, with respective WALs of 3.2 and 4.4 years, price talk is one-month BBSW plus 118bp–120bp area and 145bp–150bp area.

For the A$17.5m of Class AB, A$9m of Class B, A$6m of Class C, A$3.4m of Class D, A$2m of Class E and A$2.1m of Class F notes, all with 5.6-year WALs, guidance is 160bp–170bp area, 185bp–195bp area, 250bp area, 370bp area, 570bp area and 700bp area over one-month BBSW.

ASIA–PACIFIC ABS

ECLIPX STEERS TURBO AUTO ABS

ECLIPX GROUP released initial guidance for the indicative A$450m **FP TURBO SERIES 2019-1 TRUST** auto ABS offering, comprising operating and finance leases, which is expected to launch and price this week.

Westpac is arranger and joint lead manager with *ANZ*, *CBA*, *NAB* and *Macquarie*.

For the A$75m Class A1 and A$269.25m Class A2 notes, with 0.3 and 1.58-year WALs, guidance is one-month BBSW plus 75bp area and 100bp area.

For the A$32.4m Class B, A$15.3m Class C, A$3.6m Class D, A$17.1m Class E and A$13.5m Class F notes, all with 2.04-year WALs, guidance is 165bp area, 220bp area, 310bp area, 500bp area and 650bp area over one-month BBSW.

The offering is completed by A$1.35m of Class G and A$22.5m of seller notes, each with a 2.58-year WAL.

The diversified Antipodean financial services company previously issued the A$351.5m Eclipx Turbo Trust Series 2017-1 Trust auto ABS in November 2017 following the A$330m FP Turbo Series 2016-1 Trust auto ABS in December 2016.

US ASSET-BACKED SECURITIES
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	129	31,295.22	10.2
2	JP Morgan	110	29,086.62	9.5
3	Barclays	103	27,608.26	9.0
4	Wells Fargo	99	26,142.45	8.5
5	BofA	84	21,479.13	7.0
6	Credit Suisse	85	17,499.01	5.7
7	Deutsche Bank	82	16,841.21	5.5
8	RBC	67	16,663.23	5.4
9	Goldman Sachs	61	11,762.60	3.8
10	MUFG	50	11,244.06	3.7
	Total	**564**	**307,045.31**	

Excludes MBS.
Source: Refinitiv SDC code: F14

GLOBAL CDOs
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	21	10,809.74	12.3
2	Citigroup	24	10,367.86	11.8
3	Wells Fargo	16	8,002.74	9.1
4	Morgan Stanley	18	7,824.49	8.9
5	Barclays	16	6,282.31	7.2
6	Deutsche Bank	13	5,607.63	6.4
7	Credit Suisse	11	4,604.46	5.3
8	Goldman Sachs	11	4,435.44	5.1
9	Jefferies	11	4,290.49	4.9
10	BofA	8	4,009.12	4.6
	Total	**198**	**87,649.07**	

Including Euro, foreign, global, US domestics.
Source: Refinitiv SDC code: B12

ALL EUROMARKET CDOs
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	13	5,689.09	14.6
2	Credit Suisse	10	4,199.36	10.8
3	Barclays	11	3,793.68	9.7
4	Deutsche Bank	8	3,259.96	8.4
5	Citigroup	7	3,141.77	8.1
6	Jefferies	7	2,685.64	6.9
7	Goldman Sachs	6	2,683.04	6.9
8	BNP Paribas	5	2,214.59	5.7
9	JP Morgan	7	2,012.98	5.2
10	BofA	4	1,826.59	4.7
	Total	**92**	**38,968.87**	

Excludes global and domestic.
Source: Refinitiv SDC code: J11

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 29/11/2019

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
EUROS							
Nov 26 2019	Bremen	€250m incr (€750m)	May 27 2039	1	108.793	MS+9 / B+65.6	0.524
Nov 27 2019	AFL	€190m incr (€690m)	Jun 20 2028	1.125	1.125	MS+17 / OATs+32	0.133
Nov 27 2019	IsDB sukuk	€1bn	Dec 4 2024	0.037	100	MS+28	0.037
Nov 28 2019	Berlin	€125m incr (€625m)	Jul 15 2039	0.625	103.488	-	-
NON CORE							
Nov 29 2019	KfW	A$150m incr (A$1.7bn)	Feb 17 2021	2.8	102.201	ASW+24 / ACGB+25.25	0.948
CORPORATES							
US DOLLARS							
Nov 25 2019	Mastercard	US$750m	Mar 3 2025	2	99.759	T+43	2.049
Nov 27 2019	EdF	US$2bn	Dec 4 2069	4.5	100	T+229.8	4.5
EUROS							
Nov 25 2019	Arkema	€500m	Dec 3 2029	0.75	99.904	MS+70 / B+111.4	0.76
Nov 25 2019	Stryker	€850m	Dec 3 2024	0.25	99.634	MS+55 / B+90.3	0.324
Nov 25 2019	Stryker	€800m	Mar 1 2029	0.75	99.848	MS+75 / B+115.5	0.767
Nov 25 2019	Stryker	€750m	Dec 3 2031	1	99.171	MS+90 / B+142.5	1.074
Nov 25 2019	Tesco	€750m	May 29 2026	0.875	99.493	MS+110 / B+150	0.956
Nov 26 2019	EdF	€500m	Perpetual (Dec 2027)	3	99.127	MS+319.8 / B+363.7	3.125
Nov 26 2019	Tamburi Partners	€300m	Dec 5 2024	2.5	99.421	-	2.625
Nov 26 2019	Grenke AT1 green	€75m	Perpetual (Mar 2026)	5.375	100	MS+554.5	5.375
Nov 27 2019	Deutsche Telekom	€600m	Dec 9 2049	1.75	97.623	MS+140 / B+172.8	1.854
Nov 27 2019	FCC Servicios Medioambiente	€600m	Dec 4 2023	0.815	100	MS+110 / B+146.2	0.815
Nov 27 2019	FCC Servicios Medioambiente	€500m	Dec 4 2026	1.661	100	MS+180 / B+220.1	1.661
Nov 27 2019	Gas Networks Ireland	€300m	Dec 4 2024	0.125	99.806	MS+40 / B+74.7	0.164
Nov 27 2019	Merlin Properties	€500m	Dec 4 2034	1.875	99.174	MS+165 / B+216.1	1.939
Nov 27 2019	Ørsted green hybrid	€600m	Dec 9 3019 (Dec 2027)	1.75	99.079	MS+195.2	1.875
Nov 27 2019	RAI - Radiotelevisione Italiana	€300m	Dec 4 2024	1.375	99.823	MS+165 / B+200.2	1.412
Nov 28 2019	Chorus	€300m	Dec 5 2026	0.875	99.353	MS+110 / B+150.1	0.971
Nov 29 2019	GN Store Nord	€220m	Dec 6 2023	0.75	99.683	MS+110 / B+146.4	0.831
STERLING							
Nov 26 2019	United Utilities Water Finance	£50m incr (£300m)	Jul 3 2033	2	102.179	G+103	1.809
Nov 26 2019	VW FS	£350m	Dec 3 2024	1.875	99.535	G+152	1.964

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+10 area	-	>€680m, nr.40acs	-/-/AAA	Barc/DZ/Helaba/NordLB/RBI	Ger/Aus 52.8%, Fr 24.6%, Benelux 7.8%, UK/Ire 4.4%, N.Eur 3.6%, S.Eur 2.6%, Switz 2.4%, Other 1.8%. Ins 44.2%, Bks 33.4%, FM 16.2%, CB/OI 4%, Other 2.2%.
MS+17 (#)	-	-	Aa3/AA-	Barc/CA-CIB	-
MS+31 area, MS+29 area		>€1bn	Aaa/AAA/AAA	HSBC(struc)/Citi/1ADB/LBBW/Natx/SG/StCh	-
-	-	-	Aa1/-/AAA/Scope AAA	JPM	-
ASW+24 (#)	-	-	Aaa/AAA	Nomura	-
T+50/55, T+45 (+/-2)	8	US$1.3bn	A1/A+	DB/Miz/Lloyds/Santan	-
4.5% (#)	-	>US$2.75bn	A3/A-/A-	BNPP/BofA/HSBC/StCh/SMBCNikko	-
MS+100 area, MS+75 (+/-2)	-3	€2.7bn	Baa1/BBB+	CIC/Citi/Natx/SMBCNikko	-
MS+75 area, MS+55/60	0	~€2.35bn	Baa1/A-	Barc/BNPP/GS/MS	-
MS+100 area, MS+75/80	0	~€2.7bn	Baa1/A-	Barc/BNPP/GS/MS	-
MS+115 area, MS+95 area	-5	~€2.25bn	Baa1/A-	Barc/BNPP/GS/MS	-
MS+145 area, MS+120 area, MS+110/115	-	>€3.2bn	Baa3/BBB-/BBB-	Barc/BNPP/Santan/SMBCNikko	-
3.625%/3.75% , 3.125%	-	>€7.5bn	Baa3/BB/BBB	BcaIMI/BNPP/HSBC/ING/Natx/NatWest(a), BBVA/CMZ/Lloyds(p)	-
3% area, 2.5%/2.75%, 2.625%	-	>€350m	-	BNPP	-
5.75% area, 5.5% (+/-12.5), 5.375%	-	>€150m	-	DB/HSBC	-
MS+140/145	5	€900m	Baa1/BBB+/BBB+	Barc	Ger/Aus 57%, UK/Ire 21%, Benelux 4%, Scandi 4%, It 4%, ME 4%. AM 52%, Ins/PF 32%, Bks/PB 10%, CB/OI 4%, HF 2%.
MS+135 area, MS+120 area, MS+110/115	-	>€1.9bn	-/BBB-	Struc BBVA/HSBC, Caixa/Santan/SG	-
MS+200 area, MS+185/190, MS+180/185	-	>€1.3bn	-/BBB-	Struc BBVA/HSBC, Caixa/Santan/SG	-
MS+60 area, MS+40/45	0	>€1.1bn	A3/A	Barc/BNPP/NatWest	-
MS+180 area, MS+165/170	-	>€1bn	Baa2/BBB	Actives BcaIMI/BBVA/BNPP/HSBC/Natx/Santan Passives Bankinter/Caixa/Citi/CA-CIB/ING/Medio/Saba/SG	-
2.375% area, 1.875%	0	€4.1bn	Baa3/BB+/BBB-	GC JPM, JBs Citi/Danske/MUFG	UK/Ire 23%, Ger 22%, Nordics 14%, Fr 13%, It 8%, Benelux 7%, Aus/Switz 6%, S.Eur 4%, Other 3%. AM 78%, Bks 11%, Ins/PF 7%, CB 2%, Other 2%.
MS+210 area, MS+180/185, MS+165/170	-	>€2.6bn	Baa3	Citi/Uni	-
MS+135 area, MS+110/115	-	~€1.5bn	Baa2/BBB	Citi/HSBC/MUFG	-
MS+140 area, MS+120 (+/-5)	-	>€600m	-	BNPP/Nordea	-
G+105 area	-	-	A3/A-/A-	Miz	-
G+165 area, G+155 (+/-3)	-	~£700m	A3/BBB+	HSBC/NatWest(a)	UK/Ire 89%, Ger/Aus/Switz 5%, Fr 3%, Asia 2%, RoEur 1%. FM 94%, Bks/PB 3%, Ins 1%, CB/OI 1%, Other 1%.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 29/11/2019 (CONTINUED)							
Pricing date	**Issuer**	**Amount**	**Maturity**	**Coupon (%)**	**Reoffer**	**Spread (bp)**	**Yield (%)**
NON CORE							
Nov 27 2019	Fastighets AB Balder	SKr600m	Jan 28 2022	3mS+52	100	3mS+52	-
Nov 27 2019	Fastighets AB Balder	SKr400m	Jan 28 2022	0.708	100	-	0.708
Nov 28 2019	Luossavaara-Kiirunavaara	SKr1.45bn	Mar 10 2025	0.875	99.598	-	0.954
Nov 28 2019	Luossavaara-Kiirunavaara	SKr550m	Mar 10 2025	3mS+65	100	3mS+65	-
Nov 29 2019	L E Lundbergföretagen	SKr750m	Dec 6 2024	0.825	100	MS+51	0.825
FINANCIALS							
US DOLLARS							
Nov 25 2019	DNB Bank	US$1.4bn	Dec 2 2022	2.15	99.919	T+58	2.178
Nov 25 2019	DNB bank	US$600m	Dec 2 2022	3mL+62	100	3mL+62	-
EUROS							
Nov 26 2019	BPCE green	€500m	Dec 4 2024	0.125	99.816	MS+40 / B+75.5	0.162
Nov 27 2019	BNP Paribas green SNP	€750m	Jun 4 2026 (Jun 2025)	0.5	99.806	MS+75 / B+111.8	0.536
Nov 27 2019	Commerzbank	€500m	Dec 4 2026	0.5	99.671	MS+68 / B+108.2	0.548
Nov 27 2019	Intesa Sanpaolo green	€750m	Dec 4 2024	0.75	99.966	MS+100 / B+134.6	0.757
YEN							
Nov 29 2019	Banco Santander	¥50bn	Dec 5 2024	0.463	100	OS+45	0.463
STERLING							
Nov 27 2019	BNS	£350m	Dec 5 2023	1.375	99.919	G+93	1.396
SWISS FRANCS							
Nov 25 2019	MunHyp AT1	SFr125m	Perpetual (Jun 2025)	3.125	100	MS+365.6	3.125
Nov 26 2019	CBA	SFr200m	Dec 10 2029	0.113	100	MS+37 / Eidg+71	0.113
NON CORE							
Nov 26 2019	Bank Australia (sustainability)	A$125m	Dec 2 2022	3mBBSW+90	100	3mBBSW+90	-
Nov 29 2019	AMP AT1	A$250m	Perpetual (Dec 16 2025)	3mBBSW+450	100	3mBBSW+450	-
COVERED BONDS							
EUROS							
Nov 25 2019	RBI	€500m	Dec 3 2029	0.125	99.495	MS+11 / B+52.7	0.176
Nov 27 2019	Credit Agricole SFH	€1.25bn	Dec 6 2029	0.05	99.672	MS+4 / B+45.1	0.083
Nov 27 2019	Santander	€1.75bn	Jun 4 2030	0.125	99.325	MS+12 / B+56	0.19
SWISS FRANCS							
Nov 27 2019	Valiant Bank	SFr310m	Dec 4 2034	0.125	100.484	MS+15 / Eidg+56	0.093
HIGH YIELD							
US DOLLARS							
Nov 22 2019	Compass Minerals	US$500m	Dec 1 2027 (Dec 2022)	6.75	100	T+504	6.75
Nov 22 2019	Enviva Partners	US$550m	Jan 15 2026 (Jan 2021)	6.5	100	T+483	6.5
Nov 22 2019	Telesat Canada and Telesat	US$400m	Jun 1 2027 (Jun 2022)	4.875	100	T+318	4.875
Nov 25 2019	Hess Midstream	US$550m	Jun 15 2028 (Jun 2024)	5.125	100	T+339	5.125
Nov 26 2019	Istar	US$100m incr (US$775m)	Oct 1 2024 (Jul 2024)	4.75	102	T+268	4.289
Nov 26 2019	Melco Resorts	US$900m	Dec 4 2029 (Dec 2024)	5.375	100	-	5.375
Nov 27 2019	OKEA	US$120m	Dec 11 2024 (Dec 2022)	8.75	99	-	-
EUROS							
Nov 28 2019	Wepa Hygieneprodukte	€350m	Dec 15 2027 (Dec 2022)	2.875	100	B+366	2.875
Nov 28 2019	Wepa Hygieneprodukte	€200m	Dec 15 2026 (Dec 2020)	E+287.5	100	E+287.5	-
Nov 29 2019	Assemblin	€250m	May 15 2025 (Dec 2020)	3mE+500	100	3mE+500	-

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
-	-	-	-/BBB	Danske/Nordea	-
-	-	-	-/BBB	Danske/Nordea	-
-	-	-	-	Danske/SEB	-
-	-	-	-	Danske/SEB	-
-	-	-	-/A+	HCM	-
T+70 area, T+58 (the #)	0	US$1.9bn	Aa2/AA-	Barc/BofA/Citi/MS	-
3mL+equiv, 3mL+62 (#)	-	US$1bn	Aa2/AA-	Barc/BofA/Citi/MS	-
MS+55/60, MS+42 (+/-2)	-	>€2.06bn	A1/A+/A+	Natx	-
MS+95 area, MS+75/80	-	>€4bn	Baa1/A-/A+/AH	BNPP	-
MS+80 area, MS+70 (+/-2)	-	>€1.3bn	A1/A-/A-/A	ABN/CMZ/Santan/Uni	-
MS+120/125, MS+100/105	-	>€3.5bn, >220acs	Baa1/BBB/BBB/BBBH	Green struc BcaIMI/CA-CIB, +ING/SG	-
OS+43/47, OS+44/46	-	-	A2/A/A (A+ JCR)	MUMSS/Miz/Nomura	-
G+100/105, G+95 (+/-2)	-3	>£475m, 51 acs	A2/A-/AA-	HSBC/Lloyds/RBC/Scotia	UK/Ire 71%, Ger/Aus/Switz 13%, APAC 12%, RoEur 4%. AM 52%, Ins/PF 35%, CB/OI 8%, Bks/PB 5%.
3.25%/3.5%, 3.125%/3.25%, 3.125%	-	>SFr125m, 53acs	Ba1	Struc DZ/UBS, + CS	Switz 99%, Ger 1%. AM 46.5%, PB 26%, Ins 17.5%, PF 9%, Tsy 1%.
MS+37 area	2	>SFr200m, 45acs	Aa3/AA-/AA-	UBS	Switz 100%. AM 35%, Bks/PB 33%, Ins 16%, Tsy 8%, PF 7%.
3mBBSW+90/93	-	-	Baa1/BBB	ANZ/NAB	Oz 95%, Asia 5%. AM 47%, Bks 27%, MM 21%, Other 5%.
3mBBSW+450/470	-	-	-	UBS/CBA/NAB	-
MS+14 area	3	>€1.1bn, >50acs	Aa1	DZ/Medio/RBI/SG/Uni	Aus 29%, Ger 36%, It 15%, Scandi 7%, Asia 5%, Fr 4%, Other 4%. Bks 43%, AM 32%, CB/OI 21%, Other 4%.
MS+4/7	-	>€2bn	Aaa/AAA/AAA	BBVA/CA-CIB/CMZ/SEB/TD	-
MS+15 area	-	>€2.6bn	Aa1/-/AA	Barc/BNPP/Helaba/NordLB/Santan	-
MS+15 area	-	>SFr310m, 42acs	Aaa	BNPP/ZKB	Switz 100%. AM 46.5%, PB 26%, Ins 17.5%, PF 9%, Other 5%, Tsy 1%.
6.25%/6.5%, 6.75%	-	-	B1/B+	JPM/BofA/BMO/FITB/PNC	-
6.5%/6.75%, 6.5%	-	-	B1/B+/BB-	Barc/BMO/Citi/GS/HSBC/JPM/RBC	-
4.75% area, 4.875%	-	-	Ba3/BB-	JPM/GS	-
5.125% /5.25% area, 5.125%	-	-	Ba3/BB+	JPM/Citi/WFS/MUFG/GS/MS	-
101.50%/102%	-	-	Ba3/BB-/BB	JPM/BofA/Barc/MS/GS	-
5.625% area, 5.375%	-	-	Ba2/BB	MS/ANZ/BOC/Miz	-
99.00-100.00	-	-	-	DNB(GC)/SpareBank1	-
3.25% area, 3% area, 2.875%	-	-	B1/BB-	GCs HSBC(phys)/DB, JB JPM	-
E+325 area, E+300 area	-	-	B1/BB-	GCs HSBC(phys)/DB, JB JPM	-
E+500/525	-	-	-	DB/Nordea	-

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (29/11/2019)

Sovereign	Moody's		S&P		Fitch	
	1	2	3	4	5	6
Abu Dhabi	Aa2	–	AA	AA+	AA	AA+
Albania	B1	Ba2	B+	BB	–	–
Andorra	–	Ba2	BBB	AAA	BBB+	A+
Angola	B3	B2	B– n	B–	B n	B
Argentina	B2 n	B1	CCC-	B-	RD	B-
Armenia	Ba3	Ba1	–	–	**BB– ▲**	**BB ▲**
Aruba	–	–	BBB+ n	BBB+	BBB– n	BBB
Australia	Aaa	Aaa	AAA	AAA	AAA	AAA
Austria	Aa1	Aaa	AA+	AAA	AA+ p	AAA
Azerbaijan	Ba2	Ba2	BB+	BB+	BB+	BB+
Bahamas	Baa3	Baa1	BB+	BBB-	–	–
Bahrain	B2	Ba3	B+	BB–	BB–	BBB–
Bangladesh	Ba3	Ba2	BB–	BB–	BB–	BB-
Barbados	Caa1	B2	SD	B-	–	–
Belarus	B3	B3	B	B	B	B
Belgium	Aa3	Aaa	AA	AAA	AA–	AAA
Belize	B3	B1	B–	B–	–	–
Bermuda	A2	Aa3	A+ p	AA+	–	–
Bolivia	Ba3	Ba2	BB–	BB–	**B+ ▼**	**B+ ▼**
Bosnia Herzegovina	B3	B3	B p	BB–	–	–
Botswana	A2	Aa3	A–	A+	–	–
Brazil	Ba2	Ba1	BB–	BB+	BB –	BB
Bulgaria	Baa2	A3	BBB–	A–	BBB p	A–
Cambodia	B2	B1	–	–	–	–
Cameroon	B2	Ba2	B n	BBB–	B	BB+
Canada	Aaa	Aaa	AAA	AAA	AAA	AAA
Cape Verde	–	–	B	BB–	B	B+
Cayman Islands	Aa3	Aa2	–	–	–	–
Chile	A1	Aa2	A+	AA	A	AA
China	A1	Aa3	A+	A+	A+	A+
Colombia	Baa2	A3	BBB–	BBB+	BBB n	BBB+
Congo (DR)	B3 n	B3	CCC+	CCC+	–	–
Congo (Rep)	Caa2 n	B2	B-	BBB-	CCC	B+
Cook Islands	–	–	B+	AAA	–	–
Costa Rica	B1n	Ba2	B+n	BB	B+n	BB–
Cote d'Ivoire	Ba3	Baa3	–	–	B+	BBB–
Croatia	Ba2 p	Baa3	BBB	BBB+	BBB- p	BBB+
Cuba	Caa2	Caa2	–	–	–	–
Curacao	–	–	BBB+	BBB+	–	–
Cyprus	Ba2 p	A2	BBB-	AAA	BBB –	A
Czech Rep	Aa3	Aa1 up	AA–	AA+	AA-	AAA
Denmark	Aaa	Aaa	AAA	AAA	AAA	AAA
Dominican Rep	Ba3	Ba1	BB–	BB+	BB–	BB–
Ecuador	B3 n	B2	B–	B–	B –	B –
Egypt	B2	B1	B	B	B+	B+
El Salvador	B3	B1	B-	AAA	B–	B
Estonia	A1	Aaa	AA–	AAA	AA-	AAA
Ethiopia	B1 n	B1	B	B	B n	B
Fiji	Ba3	Ba3	BB–	BB–	–	–
Finland	Aa1	Aaa	AA+	AAA	AA+ p	AAA
France	Aa2 p	Aaa	AA	AAA	AA	AAA
Gabon	Caa1 p	B1			B	BB+
Georgia	Ba2	Baa3	BB	BBB–	BB	BBB–
Germany	Aaa	Aaa	AAA	AAA	AAA	AAA
Ghana	B3	B1	B	B+	B	B
Greece	B1	Baa1	BB–	AAA	BB-	BBB-
Guatemala	Ba1	Baa3	BB–	BB+	BB n	BB+
Honduras	B1	Ba2	BB–	BB	–	–
Hong Kong	Aa2	Aaa	AA+	AAA	AA n	AAA
Hungary	Baa3	Baa1	BBB	A–	BBB	A
Iceland	A3 p	A3	A	A	A	A+
India	Baa2	Baa1	BBB–	BBB+	BBB–	BBB–
Indonesia	Baa2	A3	BBB	BBB+	BBB	BBB
Iraq	Caa1	B3	B–	B–	B–	B–
Ireland	A2	Aaa	A+	AAA	A+	AAA
Israel	A1 +	Aa3	AA-	AA+	A+	AA
Italy	Baa3	Aa3	BBB n	AAA	BBB n	AA
Jamaica	B3 p	Ba3	B+	BB–	B+	BB-
Japan	A1	Aaa	A+ p	AA+	A	AAA
Jordan	B1	Ba1	B+	BB	–	–
Kazakhstan	Baa3 p	Baa2	BBB–	BBB	BBB	BBB+
Kenya	B2	Ba3	B+	BB–	B+	BB–
Kuwait	Aa2	Aa2	AA	AA+	AA	AA+
Kyrgyzstan	B2	Ba3	–	–	–	–
Latvia	A3	Aaa	A	AAA	A–	AAA
Lebanon	Caa2	B2	CCC	CCC	CCC	B–
Lesotho	–	–	–	–	B	B+
Liechtenstein	–	Aaa	AAA	AAA	–	–
Lithuania	A3 p	Aaa	A	AAA	A– p	AAA
Luxembourg	Aaa	Aaa	AAA	AAA	AAA	AAA
Macau	Aa3	Aa2	–	–	AA	AAA
Macedonia (FYR)	–	–	BB–	BB	BB+	BBB-
Malaysia	A3	A1	A–	A+	A–	A
Maldives	B2 n	Ba3	–	–	B+	BB–
Malta	A2	Aaa	A– p	AAA	A+ p	AAA
Mauritius	Baa1	A2	–	–	–	–
Mexico	A3 n	A1	BBB+ n	A+	BBB	A–
Moldova	B3	B2	–	–	–	–
Mongolia	B3	B1	B	B+	B	B+
Montenegro	B1 p	Ba1	B+	AAA	–	–
Montserrat	–	–	BBB–	BBB–	–	–
Morocco	Ba1	Baa2	BBB–	BBB+	BBB–	BBB
Mozambique	Caa2	Caa1	**CCC+ ▲**	**CCC+ ▲**	CCC	B–
Namibia	Ba1 n	Baa2	–	–	BB	BB+
Netherlands	Aaa	Aaa	AAA	AAA	AAA	AAA
New Zealand	Aaa	Aaa	AA p	AAA	AA	AAA
Nicaragua	B2n	B1	B-n	B-	**B- ****	B-
Nigeria	B2	B1	B	B	B+	B+
Norway	Aaa	Aaa	AAA	AAA	AAA	AAA
Oman	Ba1 n	Baa3	BB n	BB+	BB+	BBB-
Pakistan	B3 n	B2	B–	B–	B–	B–
Panama	Baa1	A2	BBB+	AAA	BBB	A
Papua New Guinea	B2 n	B1	B	BB–	–	–
Paraguay	Ba1	Baa3	BB	BB+	BB+	BB+
Peru	A3	A1	BBB+	A	BBB+	A–
Philippines	Baa2	A3	BBB+	A-	BBB	BBB+
Poland	A2	Aa3	BBB+	A	A–	AA–
Portugal	Baa3 p	Aa3	BBB p	AAA	BBB p	AA
Qatar	Aa3 n	Aa3	AA–	AA	AA–	AA
Ras al-Khaimah			A	AA+	A	AA+
Romania	Baa3	A3	BBB–	A–	BBB–	BBB+
Russia	Baa3	Baa2	BBB-	BBB	BBB	BBB
Rwanda	B2	B1	B+	B	B+	B+
St Vincent & Gren	B3	Ba3	–	–	–	–
San Marino	–	–	–	–	BBB- n	BBB+
Saudi Arabia	A1	A1	A–	A	A	A+
Senegal	Ba3	Baa1	B+ p	BBB–	–	–
Serbia	Ba3	Ba1	BB p	BB+	BB+	BBB–
Seychelles	–	–	–	–	BB	BBB-
Singapore	Aaa	Aaa	AAA	AAA	AAA	AAA
Slovakia	A2	Aaa	A+	AAA	A+	AAA
Slovenia	Baa1 p	Aa1	AA–	AAA	A	AAA
Solomon Islands	B3	B2	–	–	–	–
South Africa	Baa3	A3	**BB n**	BBB–	BB+ n	BBB–
South Korea	Aa2	Aa1	AA	AAA	AA–	AA+
Spain	Baa1	Aa1	A	AAA	A–	AAA
Sri Lanka	B2	Ba3	B	B	B	B
Suriname	B2	Ba3	B	B+	B– n	B-
Sweden	Aaa	Aaa	AAA	AAA	AAA	AAA
Switzerland	Aaa	Aaa	AAA	AAA	AAA	AAA
Tanzania	B1n	Ba3	–	–	–	–
Taiwan	Aa3	Aa2	AA–	AA+	AA–	AA+
Thailand	Baa1 p	A2	BBB+	A	BBB+ p	A–
Trinidad & Tobago	Ba1	Baa3	BBB	BBB+	–	–
Tunisia	B2 n	Ba3	–	–	B+ n	BB–
Turkey	B1n	B1	B+	BB-	BB–	BB–
Turks & Caicos	–	–	BBB+	AAA	–	–
Uganda	B2	Ba3	B	B	B+	B+
Ukraine	**Caa1p**	B3	B	B	B+	B
UAE	Aa2	Aa2	–	–	–	–
UK	Aa2	Aaa	AA n	AAA	AA n	AAA
USA	Aaa	Aaa	AA+	AAA	AAA	AAA
Uruguay	Baa2	A2	BBB	A–	BBB– n	BBB+
Venezuela	C	Ca	SD	CC	WD	WD
Vietnam	Ba3	Ba1	BB	BB	BB p	BB
Zambia	Caa2 n	B3	CCC+	C	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 CEE

Patient Avia makes maiden journey

Aviation company finalises debut deal, albeit at high yield

A patient approach paid off for AVIA SOLUTIONS GROUP as the company finally got its debut bond deal done on Tuesday, though some thought the price was high given the solid standing of the underlying business.

The Baltic aviation company priced a US$300m 7.875% five-year non-call two (modified from a non-call three) at a yield of 8%, the tight end of price talk which went out to 8.25%.

"I think it is very wide [for] the underlying credit. It is complicated, but leverage is not that high and the business is performing," said a banker away.

Pricing was based on feedback with accounts considering deals by airlines and Asian aviation leasing companies, though there were no direct comparables.

The deal was structured akin to a high-yield offering with covenants on leverage limits, dividends and other payment restrictions. But it was targeted to emerging markets investors.

Its success ultimately relied on getting a couple of anchor investors comfortable with the business with others then subsequently coming on board.

The underlying business is financially robust. Avia (BB/BB) reported revenues of just under €1bn in the first half of the year on a consolidated basis and an Ebitda margin of around 18%.

The company has a relatively low leverage ratio of 1.2x with its total debt comprising €247m of aircraft leases and €38m of bank loans. Offsetting that is €84m of cash and cash equivalents on its balance sheet.

But while investors had few qualms about the numbers, there were still a number of things they needed to get comfortable with before they put orders in.

The company itself is involved in a variety of aviation-related businesses, such as ground-handling, fuelling and transport; aircraft leasing and trading; consulting services; and tour operation. Revenues are generated from more than 160 countries.

"One of the biggest challenges for an EM audience is that they know how they can price up metals and mining. TMT is easier too; with retail you can see how it relates to the macroeconomy. But these sorts of credits for investors are very hard," said the banker away.

And while the businesses are long-standing operations grown over a number of years, none of them are market leading. Moreover, it's only over the past 12 months that they've been consolidated into one entity.

The timing of the deal also made it difficult for the leads. Year-end is always challenging as investors look to close books and don't necessarily want to spend time doing due diligence on a new credit.

However, with credit markets in decent shape and January always swamped by the sovereigns and other blue-chip issuers, the rewards on timing outweighed the risks.

One of the key reasons why the deal succeeded was management's willingness to keep lines open. As well as a roadshow, some accounts held several calls with management before committing.

The securities are guaranteed by all the main operating entities as well as the ultimate holdco.

BNP Paribas and *JP Morgan* were the bookrunners.

Sudip Roy

Braskem Idesa brings attractive debut

Mexican petrochemical firm offers decent concession

BRASKEM IDESA had investors' full attention in a quiet week when it brought its debut bond to refinance project debt and gain greater financial flexibility.

The petrochemical firm - a joint venture between Brazil's Braskem and Mexico's Idesa to develop a polyethylene complex - priced a US$900m senior secured 10-year non-call five, rated BB-/BB, at a yield of 7.5%.

That was the tight end of initial price thoughts of mid to high 7% area, but still resulted in a decent concession for a credit that was difficult to compare and helped build a book that peaked at around US$1.9bn.

While the JV is majority owned by Braskem - a solid Brazilian investment-grade name - it has a 20-year supply contract for ethane with troubled Mexican state-owned oil firm Pemex.

"The sponsor helps, but this is not Braskem risk; it's Mexican risk," said a banker.

Either way, the yield provided a decent pick-up to both Pemex and Braskem, which had a 4.5% 2031 and 6.5% 2029 trading respectively at around 4.817% and 6%, according to MarketAxess data.

Other bankers, meanwhile, looked beyond Pemex for comparables.

"I wouldn't comp against Pemex as Braskem Idesa is better managed," said a second banker, who thought Mexican industrial names like Cydsa and Orbia Advance (formerly Mexichem) might be better references.

The Double B rated Cydsa had a 6.25% 2027 trading at around 6%, while Orbia, rated Baa3/BBB, had a 4% 2027 being quoted at a yield of 3.83%, according to MarketAxess.

Braskem Idesa wins praise from Fitch for its strong competitive position and high market share, and the refinancing of some of its project finance debt should help provide added financial flexibility.

"It is a single asset with really strong cashflows and a take-or-pay contract," said the first banker.

Thanks to its large scale and modern facilities, Braskem Idesa enjoyed strong Ebitda margins of 55% and 61% in 2017 and 2018, versus 20%-25% for its peers, according to Fitch.

However, the higher concession on last week's bond may have reflected some of the risk from Pemex, which is having its own problems and has also only been able to supply on average 70% of its contracted volumes to Idesa Braskem.

As a result, the company has been forced to import ethane from the US market, which could have an impact on margins, though Braskem Idesa is receiving compensation from Pemex for the shortfall.

Paul Kilby

ASIA-PACIFIC

CHINA

TIANFENG SECURITIES PRINTS DEBUT BOND

Shanghai-listed **TIANFENG SECURITIES** has priced a US$200m debut offering of three-year non-call one senior unsecured notes at par to yield 4.3%, 70bp tighter than initial guidance.

The issue size was smaller than the US$300m offshore debt issuance quota granted by the National Development and Reform Commission.

A banker on the deal said that was mainly because the issuer did not have a big funding need. The deal received strong demand from onshore banks and the leads, he said.

Final statistics were not available at the time of writing but orders were said to exceed US$1.1bn, including US$399m from the leads at the time of final guidance.

"As a first-time and unrated issuer, I think a 70bp tightening from IPG with a final yield of 4.3% has showed market recognition of the name," said the banker.

Southwest Securities International Securities' 6.90% 2021s, used as a comparison and also an unrated name, were bid at 4.803% ahead of the release of IPG.

The new bonds were thinly traded and hovering around reoffer last Friday morning, according to a trader.

The bonds will be dual-listed on the Stock Exchange of Hong Kong and Chongwa (Macao) Financial Asset Exchange, or MOX.

Tianfeng, a medium-sized national securities company, is 36.29%-owned by entities that are under the control of the PRC government. Wuhan SASAC is its largest shareholder with 12.3% of total outstanding shares.

The Chinese brokerage is aiming for international ratings from the global rating agencies in the first quarter of next year and is likely to revisit the market next year, according to the banker.

TF International, *HSBC*, *China Minsheng Banking Corp Hong Kong branch* and *CMBC Capital* were global coordinators. They were also leads with *CCB International*, *China Investment Securities International*, *CMB Wing Lung Bank*, *Haitong International*, *Huatai Financial Holdings (Hong Kong)* and *Shanghai Pudong Development Bank Hong Kong branch*.

CHINA HUANENG GROUP HIRES

State-owned power producer **CHINA HUANENG GROUP**, rated A2/A–/A, has hired banks for a proposed offering of US dollar bonds and started to meet investors in Hong Kong, Singapore and London from November 27.

Bank of China and *HSBC* are global coordinators on the Reg S issue, as well as bookrunners and lead managers with *China Construction Bank (Asia)*, *DBS Bank* and *ICBC (Asia)*.

The proposed bonds will be issued by China Huaneng Group (Hong Kong) Treasury Management Holding and guaranteed by the parent company.

The bonds have expected ratings of A2/A (Moody's/Fitch).

KUNMING RAIL TRANSIT GOES ON THE ROAD

KUNMING RAIL TRANSIT GROUP, rated Baa1/BBB+ (Moody's/Fitch), has mandated nine banks to arrange investor meetings in Hong Kong and Singapore starting on December 2.

Bank of China, *CEB International* and *China International Capital Corporation* are global coordinators as well as bookrunners and lead managers with *BoCom International*, *China Minsheng Banking Corp Hong Kong*, *CMBC Capital*, *Guotai Junan International*, *Standard Chartered* and *TF International*.

A Reg S US dollar offering with expected ratings of Baa1/BBB+ (Moody's/Fitch) may follow.

Tewoo gives bondholders unpalatable choice

CHINA **Offer of haircut or bond exchange shows risks from China SOEs**

Municipal government-owned **TEWOO GROUP** has told holders of its offshore bonds they will not be bailed out, highlighting the growing risks from China's government-owned issuers.

Instead, bondholders face the choice between a steep haircut or a sharply reduced coupon and maturity extension.

Holders of Tewoo's US dollar bonds have been invited to tender them for cash or exchange for new bonds from **TIANJIN STATE-OWNED CAPITAL INVESTMENT AND MANAGEMENT** (TSCI).

This is the first debt restructuring proposal by a major regional and local government-owned SOE in the offshore bond market since Guangdong International Trust and Investment defaulted in 2008, according to Moody's.

"The incident is the latest sign that state-backed rescues of struggling state-owned enterprises are not automatic, especially at the regional and local government level," wrote Moody's, noting that SOEs that provide essential economic and social services to the community are more likely to receive government support.

Commodities trader Tewoo is a wholly owned subsidiary of the Tianjin State-owned Asset Supervision and Administration Commission, but has had difficulties servicing its debt.

Earlier this month Tewoo appointed TSCI, a finance arm of the Tianjin government founded by Tianjin State-owned Assets Supervision and Administration Commission and Tianjin Bohai State-owned Assets Management, to manage its offshore debts and implement debt management measures.

Under the proposal, holders of unrated Tewoo's US$1.25bn offshore bonds can choose to tender them for cash at a discount to face value or exchange them at par for new bonds issued by TSCI, which does not have international credit ratings either.

Switching into a new SOE credit does not give investors much confidence, since the government did not support Tewoo's bonds.

"People are assuming there is no credit enhancement, and they have said nothing about asset enhancement," said a fund manager. "People don't think it's a good deal."

Holders can tender the US$300m 4.5% bond due on December 16 this year and receive US$667.28 per US$1,000 in principal; US$572.78 per US$1,000 for the US$300m 4.625% bond due April 6 2020; US$530.78 per US$1,000 for the US$200m 5.5% bond due April 6 2022; and US$370 per US$1,000 for the US$450m 5.8% senior perpetual bond callable in March 2021. The price for the perps was raised by a single point from an initial offer of US$360, but all other tranches were unchanged.

Alternatively, holders can exchange the 2019s for new zero-coupon bonds issued by TSCI and due 2024; the 2020s for 0.15% bonds due 2026; the 2022s for 1.55% bonds due 2029; and the perps for 1.60% bonds due 2039.

There is no maximum size to any new series of exchange bonds, and no cap for the tender offer.

The exchange offer, led by dealer manager *CICC* and information, exchange and tender agent *DF King*, ends on December 9 and the tender offer on December 10.

Tewoo also has US$500m 3.15% credit-enhanced bonds due on December 1 2020, but these are not included in the offer. The bonds, issued in 2017 through Tewoo Group No 4, came with a standby letter of credit from ICBC's Tianjin branch, and the company said ICBC would pay the next coupon on December 1.

Daniel Stanton

PTTEP prints Asia's longest bond of year

THAILAND Energy company picks 40-year tenor to refinance perpetuals

PTT EXPLORATION AND PRODUCTION last Tuesday priced Asia's longest senior bond of the year, using the proceeds to take out a more expensive perpetual bond.

The US$650m 144A/Reg S 40-year issue priced at par to yield 3.903%, as the Thai oil and gas producer took advantage of demand for duration to move down the curve at negligible extra cost.

Excluding perpetual securities, it is the longest offshore bond from Asia since Alibaba's multi-tranche deal in 2017, which also included a 40-year maturity.

PTTEP, rated Baa1/BBB+/BBB+, drew orders in excess of US$1.5bn from 106 investors and priced at 172.5bp over 30-year Treasuries, at the tight end of final guidance of 175bp plus or minus 2.5bp, and inside initial guidance of the 195bp area.

The new notes have expected ratings of Baa1/BBB+ (Moody's/Fitch).

The proceeds will be used to repurchase US$500m of 4.6% subordinated perpetual securities callable in 2022, after a successful tender offer.

The company no longer needs the equity credit that the perps provide for its credit ratings, but still wanted long-tenor paper at a lower coupon.

Having weighed up 30-year and 40-year tenors, and ideally wanting a coupon below 4%, PTTEP found that investors had no objection to a longer tenor, especially if it meant they could earn some extra yield.

"I don't think there were any accounts who said they wouldn't buy a 40-year versus a 30-year, or who downsized their orders as a result," said a source close to the deal.

Investors did not earn much pick-up, though. One banker estimated that PTTEP paid 20bp–30bp more than it would have for a 30-year.

Two like-rated credits provided a comparison: parent company PTT had 2042s quoted at Treasuries plus 145bp, meaning that PTTEP paid less than 30bp for 17 years of extension, while Thai Oil had 2049s trading at 143bp–145bp.

PTTEP this month announced an offer to repurchase the perps, using a ratchet mechanism rarely seen in Asia.

It offered to pay US$1,041.25 per US$1,000 in principal amount, or US$1,046.25 if 80% or more of the notes were tendered, which would allow it to trigger a clause to redeem the remaining notes.

Midway through bookbuilding, PTTEP announced that the 80% threshold had been met, meaning that it could take out all of the perps. It extended the deadline to December 4 to allow the remaining holders to benefit from the tender price, rather than being redeemed at 104.125 under the clean-up call.

The new bonds were trading around reoffer on Wednesday morning.

Asia took 62% of the bonds, the US 23%, and EMEA 15%. By investor type, fund managers booked 73%, insurers 24%, and banks and private banks 3%.

Wholly owned subsidiary PTTEP Treasury Center will issue the bonds with a guarantee from the parent company. Oil, gas and petrochemicals company PTT, in which the Thai government holds a 51% shareholding, owns a 65% stake in PTTEP.

Bank of America, *Citigroup*, *HSBC* and *Societe Generale* were bookrunners.

The same four banks are dealer managers for the tender offer. *DF King* is tender agent.

Daniel Stanton

State-owned KRT is the operator of the rapid transit system in Kunming, the capital of China's Yunnan province.

UBS is sole global coordinator and bookrunner with *Barclays*.

A US dollar Reg S three-year senior secured bond offering may follow.

The proposed bonds have expected ratings of BB–/BB– (S&P/Fitch), in line with the issuer.

The proposed bonds will be issued off a US$750m bond programme.

INDIA

MANAPPURAM FINANCE EYES DEBUT

Non-bank finance company MANAPPURAM FINANCE, which lends mainly against gold jewellery and ornaments, began investor meetings and calls in Asia and Europe from November 28 ahead of a proposed US dollar bond debut.

REC PICKS FOUR BANKS

REC, formerly known as Rural Electrification Corp, has hired *Barclays*, *DBS Bank*, *MUFG* and *Standard Chartered Bank* as lead managers to arrange meetings in Asia and Europe, starting on Monday.

A benchmark US dollar Reg S senior unsecured notes offering of up to five years, under the Indian state-owned company's global MTN programme, may follow.

REC is rated Baa3 (stable) by Moody's and BBB– (stable) by Fitch.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2019 TO DATE

Asia-Pacific

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	300	29,931.16	8.4
2	Standard Chartered	207	18,634.14	5.3
3	Citigroup	155	18,012.19	5.1
4	Bank of China	217	15,610.39	4.4
5	Credit Agricole	93	12,863.57	3.6
6	UBS	134	11,967.73	3.4
7	JP Morgan	105	11,884.64	3.4
8	Credit Suisse	116	10,998.23	3.1
9	BNP Paribas	105	10,693.15	3.0
10	Goldman Sachs	66	10,328.31	2.9
	Total	**846**	**354,535.79**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L4

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	270	53,834.24	8.2
2	HSBC	381	50,484.26	7.7
3	JP Morgan	227	46,837.92	7.1
4	Standard Chartered	265	33,194.87	5.0
5	BNP Paribas	155	27,358.08	4.2
6	Goldman Sachs	112	26,996.12	4.1
7	Deutsche Bank	135	21,863.86	3.3
8	BofA	136	21,225.73	3.2
9	Credit Agricole	116	20,298.08	3.1
10	Morgan Stanley	124	19,025.08	2.9
	Total	**1,209**	**657,570.87**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L1

MALAYSIA

SERBA DINAMIK EYES NEXT SUKUK

Oil and gas services company SERBA DINAMIK HOLDINGS has mandated *Credit Suisse* and *HSBC* as global coordinators and, together with *Standard Chartered*, bookrunners for a US dollar sukuk issue.

The notes have expected ratings of BB–/BB– (S&P/Fitch), in line with the issuer.

Serba Dinamik made its dollar debut in May, when it issued a US$300m three-year sukuk deal at par to yield 6.3%. That was the first high-yield dollar sukuk offering from Asia Pacific.

MALDIVES

REPUBLIC MULLS YEN BOND ISSUE

The REPUBLIC OF MALDIVES is considering issuing yen-denominated bonds, according to three sources, with a Japanese bank already hired.

"I hear lots of work needs to be done, but I am aware that the discussion is going on," one of them said.

Issuing a Samurai bond was one of the key measures the Maldives government set out in its medium-term debt management strategy for 2020 to 2022 in July.

Japanese bankers think the Maldives, rated B2/B+ (Moody's/Fitch), would need a guarantee from Japan Bank for International Cooperation to sell bonds to Japanese investors. This was the case with Malaysia recently and a similar arrangement is expected to be used by the Democratic Socialist Republic of Sri Lanka later this year.

The Maldives made its debut in the international capital market two years ago with a US$200m five-year bond, which was reopened for another US$50m later in the year.

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 29/11/2019

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Nov 22 2019	Zhenjiang Transportation Industry	US$220m	Nov 28 2022	7	100	-	7
Nov 25 2019	Braskem Idesa	US$900m	Nov 15 2029	7.45	99.659	-	7.5
Nov 25 2019	Uzpromstroybank	US$300m	Dec 2 2024	5.75	98.934	MS+444.9 / T+434.6	6
Nov 25 2019	China State Construction International	US$500m	Perpetual (Dec 3 2024)	4	99.794	T+241	4.046
Nov 25 2019	TMB Bank (AT1)	US$400m	Perpetual (Dec 2024)	4.9	100	T+325.6	4.9
Nov 25 2019	Xuzhou Hi-Tech	US$100m	Dec 2 2022	6	100	-	6
Nov 26 2019	AC Energy green	US$400m	Perpetual (Dec 2022)	5.65	100	-	5.65
Nov 26 2019	China	US$1.5bn	Dec 3 2022	1.875	99.843	T+35	1.929
Nov 26 2019	China	US$2bn	Dec 3 2024	1.95	99.782	T+40	1.996
Nov 26 2019	China	US$2bn	Dec 3 2029	2.125	98.993	T+50	2.238
Nov 26 2019	China	US$500m	Dec 3 2039	2.75	98.019	T+70	2.881
Nov 26 2019	Melco Resorts Finance	US$900m	Dec 4 2029 (Dec 4 2024)	5.375	100	-	5.375
Nov 26 2019	OCBC Sydney (green)	A$500m	Dec 5 2022	3mBBSW+63	100	3mBBSW+63	-
Nov 26 2019	PTTEP	US$650m	Dec 6 2059	3.903	100	T+172.5	3.903
Nov 26 2019	Yichun Development Investment Group (SBLC: Jiangxi Bank)	US$300m	Dec 3 2022	4.2	100	-	4.2
Nov 26 2019	Jiayuan International	US$37.5m incr (US$237.5m)	Feb 18 2023	13.75	100	-	15.066 YTP
Nov 27 2019	Avia (ASG Finance DAC)	US$300m	Dec 3 2024 (Dec 2021)	7.875	99.493	T+640.7	8
Nov 27 2019	ONGC	US$300m	Dec 5 2029	3.375	99.253	T+170	3.464
Nov 27 2019	Dalian Wanda	US$400m	Dec 5 2022	6.95	98.875	-	7.375
Nov 27 2019	Geely Automobile	US$500m	Perpetual (Dec 9 2024)	4	99.641	-	4.08
Nov 27 2019	Hangzhou Linjiang	US$300m	Dec 4 2022	5.3	100	-	5.3
Nov 27 2019	Shaoxing Shangyu	US$300m	Dec 4 2022	4.18	100	-	4.18
Nov 27 2019	BOC Group Investment	US$600m	Dec 5 2024	2.5	99.594	T+95	2.587
Nov 28 2019	Tianfeng Securities	US$200m	Dec 9 2022	4.3	100	-	4.3
Nov 28 2019	Jiangxi Water (green)	US$300m	Dec 5 2022	3.4	100	-	3.4
Nov 28 2019	Bengbu Gaoxin Investment (SBLC: Industrial Bank)	US$100m	Dec 5 2022	3.6	100	-	3.6

PHILIPPINES

AC ENERGY FOLLOWS IN PARENT'S FOOTSTEPS

AC ENERGY has sold a US$400m green fixed-for-life perpetual bond, after its parent, Philippine conglomerate Ayala, made a rare offshore visit last month with the same structure.

The deal achieved a solid order book of US$1.2bn from 70 accounts, while the issue size exceeded a target of US$300m.

The Reg S senior perpetual non-call three notes priced at par to yield 5.65%. Price guidance started at the 6% area before tightening to the 5.7% area.

The offering is "effectively a play on Ayala" with a slight premium, said a banker on the deal.

There is a change of control put option if Ayala ceases to control 50% of AC Energy. Investors can redeem the bonds at 101 until the first call date and par thereafter.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
7.15% (#)	-	-	-	Cinda Intl/Central/Haitong/Industrial/CMBC	-
Mid/High 7%s, 7.5% (the #)	-	-	BB-/BB	Citi/Santan/SMBC	-
Mid 6%s, 6.375% area, 6.125% (+/-12.5), 6%	-	>US$1.1bn	-/BB-/BB-	GCs Citi/JPM, JBs CMZ/RBI	-
T+293 area, T+246 (+/-5)	-	-	Baa3	Haitong/CICC/DBS/Miz/BNPP/CS/Mirae/ICBCA	-
5.5% area, 4.9%/5%, 4.9%	-	US$1.5bn	Ba3	Citi/HSBC/ING	Asia 85%, EMEA 14%, O/S US 1%. AM/FM 74%, PB 25%, Bks/Corp/Other 1%.
6.25% area, 6%	-	-	-	Industrial/Zhongtai/CMBC Cap/China Inv Sec	-
6% area, 5.7% (+/-5), 5.65%	-	US$1.2bn	-/BB-	BPICap(GC)/CLSA/CS/UBS	Asia ex Phil 49%, Phil 45%, Eur 6%. AM/FM 41%, Onshore Bks/PB 42%, Offshore PB 17%.
T+60 area	-	US$4.6bn	-	BoC/BoCom/CCB/CICC/BofA/CA-CIB/CTBC/DB/GS/HSBC/JPM/Miz/StCh	Asia 62%, EMEA 33%, O/s US/Americas 5%. Bks 46%, Public Sec 41%, FM 7%, Ins/Corp/PB 6%.
T+65 area	-	US$5.8bn	-	BoC/BoCom/CCB/CICC/BofA/CA-CIB/CTBC/DB/GS/HSBC/JPM/Miz/StCh	Asia 46%, EMEA 50%, O/s US/Americas 4%. Bks 55%, Public Sec 37%, FM 5%, Ins/PF/PB 3%.
T+70 area	-	US$5bn	-	BoC/BoCom/CCB/CICC/BofA/CA-CIB/CTBC/DB/GS/HSBC/JPM/Miz/StCh	Asia 76%, EMEA 23%, O/s US/Americas 1%. Bks 68%, Public Sec 15%, FM 13%, Ins/PF/PB/Corp 4%.
T+80 area	-	US$1.1bn	-	BoC/BoCom/CCB/CICC/BofA/CA-CIB/CTBC/DB/GS/HSBC/JPM/Miz/StCh	Asia 62%, EMEA 35%, O/s US/Americas 1%. Bks 51%, FM 31%, Ins/PF/Public Sec/PB 18%.
5.625% area, 5.375%-5.500%	-	-	Ba2/BB	DB/MS/ANZ /BoCom/BOCI/ICBC/Miz	-
3mBBSW+65 area	-	A$800m	Aa1/AA-/AA-	ANZ/BNPP/CBA/OCBC/WBC	Aus 53%, Asia 47%. Bks 56%, AM 27%, OI 17%.
T+195 area, T+175 area (+/-2)	-	US$1.5bn	Baa1/-/BBB+	BofA/Citi/HSBC/SG	Asia 62%, US 23%, EMEA 15%. FM 73%, Ins 24%, Bks/PB 3%.
4.5% area	-	-	-	Guotai Junan/CMBC Cap	-
100	-	-	B3/B-	Guotai Junan/Haitong/Zhongtai	-
8%/8.25%, 8%	-	-	-/BB/BB	BNPP/JPM	-
T+195 area	-	-	Baa1/BBB-	Citi/DBS/MUFG/SBI/StCh	-
7.625% area	-	US$1.3bn	Ba3/-/BB+	CS/HSBC/BOC/Orient	Asia 88%, Eur 12%. FM/AM 87%, PB/Bks 13%.
4.5% area, 4.1% (+/-2)	-	US$2.1bn	Baa3	Barc/BNPP/BofA/HSBC/UBS/BoC/CLSA /DBS/StCh	Asia 69%, EMEA 30%, US O/S 1%. FM/AM 77%, Bks 10%, PB 9%, Ins/CB 4%.
5.5% area	-	-	-	Fosun Hani/BoC/Dongxing/Zhongtai	-
4.6% area	-	US$2.3bn	-/-/BBB-	BoC/CNCB HK/Guotai Junan/Industrial/CMBCHK/OCBC /CMBI/BOCOMI/Orient/CMBC	Asia 98%, Eur 2%. AM/FM 53%, Bks 27.5%, FI/PB 19.5%.
T+120 area, T+95/100	-	-	A1/A	GCs BoC/BOCHK/BOCINTL/UBS(B&D), JBs ABCI/CNCBI/CMBC	-
5% area	-	-	-	HSBC/CMBCHK/CMBC Cap/SPDB/CCBI /WingLung/Haitong/Huatai/TFIntl/CISI	-
3.85% area	-	US$2.67bn	Baa3/-/BBB	SPDBI/CCBI /StCh/ABCI/BOCOMI/CEB Intl/CMBI/CNCB HK/Guotai Junan/Industrial/Ping An HK/CMBC Cap	Asia 98%, EMEA 2%. Bks/FI 68%, FM/Ins 31%, PB/Other 1%.
3.6% area	-	-	-	Industrial	-

The Manila-based blue chip printed a US$400m fixed-for-life perp non-call five in October, which priced at par to yield 4.85%.

AC Energy's timing was also right, according to another source involved in the transaction.

"The deal caught the perfect window to market a fixed-for-life structure – equities, bonds and rates had all rallied in the prior session and continued to be constructive throughout the day."

The source said though the green angle was not a big driver of demand, pointing out that there was only one investor who specifically sought environmentally friendly assets.

The bonds were trading at a cash price of 100.50 to 100.75 on their first trading day.

Although this was Asia's third fixed-for-life public offering this year, bankers say this structure is still reserved for best-in-class names.

The so-called true perpetuals, which come with no coupon step-up or rate reset, have made a comeback as investors reversed their expectations on Treasury rates early this year.

The AC Energy bonds gained traction from overseas with more than half of the deal being placed with international investors. Asia ex-Philippines took 49% of the fixed-for-life perps, the Philippines 45% and Europe 6%. By investor type, 41% went to fund managers, 42% to onshore banks and private banks and 17% to offshore private banks.

Wholly owned unrated subsidiary AC Energy Finance International is the issuer and AC Energy is the guarantor.

AC Energy plans to use the funds for renewable energy expansion across Asia-Pacific, in countries such as the Philippines, Indonesia, Vietnam, Myanmar, India and Australia. It aims to generate at least 50% of total energy output from renewables by 2025.

BPI Capital was global coordinator as well as lead manager and bookrunner with *CLSA*, *Credit Suisse* and *UBS*.

VIETNAM

SHB MEETS INVESTORS

SAIGON-HANOI COMMERCIAL JOINT STOCK BANK, rated B2 by Moody's, has mandated *Citigroup* and *HSBC* to arrange investor meetings in Hong Kong and Singapore from December 5.

Earlier this year, SHB sought shareholder approval for the proposed issuance of US$500m in offshore bonds. The planned offering comprises US$200m of 10-year non-call five Tier 2 bonds and US$300m in senior bonds with a tenor of three to five years.

EUROPE/AFRICA

ROMANIA

SOVEREIGN SEEKS EARLY 2020 RETURN

ROMANIA has mandated banks for a euro-denominated bond, according to a person familiar with the matter. The issuance could be for up to €2bn with maturities ranging from five to 30 years, said a second person.

Romania (Baa3/BBB–/BBB–) was last in the market in July when it raised €2bn through €1.4bn July 2031 and a €600m tap of its April 2049s.

Three months earlier, the sovereign raised €3bn through a triple-tranche offering.

RUSSIA

RUSSIAN RAILWAYS ANNOUNCES TENDER RESULTS

RUSSIAN RAILWAYS will buy back just over US$450m across three notes after it increased the maximum amount it would consider through a tender offer.

RZD Capital had set a limit of US$250m after it launched a tender on its 2022s, 2024s and 2031s.

However after investors put forward US$355.4m of the 2022s, US$76.1m of the 2024s and US$29.1m of the sterling-denominated 2031s, the company decided to "accept for purchase the entire aggregate principal amounts of the validly tendered notes."

UZBEKISTAN

UZPROM PROVIDES VALUE IN DEBUT DEAL

UZPROMSTROYBANK priced a debut offering on Monday at a level considered attractive for investors.

The US$300m December 2024 note priced at a yield of 6%, which was about 250bp over the sovereign. That compares with 100bp-150bp more typical in emerging markets.

Determining fair value wasn't necessarily a simple process of applying a particular premium over the sovereign, which in any case trades at a tight technical level.

Although Uzprom (BB-/BB-) is majority government-owned, the bonds are not eligible for the Embi (the sovereign or quasi-sovereign index) as the state's stake is less than 100%. Instead they are eligible for JP Morgan's Cembi - the corporate bond index.

That led some investors to consider how the price stacked up against peers, such as Credit Bank of Moscow, Georgia's TBC Bank and Turkey's Akbank.

TBC Bank (Ba2/-/BB-) has June 2024s bid at just over 5% but has a big advantage in being London-listed, and investors in Uzprom sought a premium as a result.

Uzbekistan's banking sector is in the early stages of reform and the government hopes to privatise the leading banks either through strategic sales or IPOs.

The government has already committed to cleaning up state-owned banks' balance sheets as they begin the process of turning into commercial lenders from their historical role of policy banks.

With so much information to take on board feedback from a roadshow was wide-ranging producing a 300bp spread.

Leads, therefore, trod carefully and allowed accounts more time to consider their options after the roadshow ended on November 20.

Books opened at mid-6% before demand peaked at US$1.2bn, enabling leads to tighten by 50bp. More than 150 accounts participated with the bulk of interest in the Reg S-only deal coming from accounts in Continental Europe and the UK.

The former ended up taking 40% and the latter 30%. Offshore US, Middle East and Asian investors got the rest.

Citigroup and *JP Morgan* were global coordinators and were joined on the books by *Commerzbank* and *Raiffeisen Bank International*.

MIDDLE EAST

REGIONAL

ISDB STEERS DEBUT GREEN HOME

The **ISLAMIC DEVELOPMENT BANK** underscored growing global demand for socially-responsible issuance last Wednesday,

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2019 TO DATE

Europe/Africa

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	46	13,154.58	14.1
2	JP Morgan	46	12,678.40	13.6
3	BNP Paribas	19	6,562.87	7.0
4	Standard Chartered	16	5,613.09	6.0
5	VTB Capital	18	5,342.23	5.7
6	Deutsche Bank	11	4,582.67	4.9
7	Gazprombank	10	4,204.41	4.5
8	HSBC	13	3,866.76	4.1
9	Goldman Sachs	9	3,382.96	3.6
10	SG	16	3,248.76	3.5
	Total	**106**	**93,420.73**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L2

building its debut green sukuk to a size of €1bn.

The Triple A supranational priced the five-year sukuk - its second in the single currency following a €650m inaugural in the same maturity a year ago - under its new Sustainable Finance Framework.

Having marketed the Reg S benchmark deal at mid-swaps plus 31bp area last Tuesday and tightened to 29bp area the following morning, lead managers *Citigroup*, *First Abu Dhabi Bank*, *HSBC*, *LBBW*, *Natixis*, *Societe Generale*, *Standard Chartered* and *Warba Bank* (which joined the group on Wednesday) set the spread at 28bp.

This gave it the positive yield anticipated during marketing. The five-year euro swap was quoted at -23.4bp on Wednesday, according to Tradeweb.

Bookbuilding saw a notable level of sensitivity in investors' orders. "They were not so sensitive to the swap spread, but quite strong on a negative yield," said one lead manager.

Orders peaked at around €1.3bn but fell back with the tightening, said leads. Final books were over €1bn.

"There was some discussion about absolute levels and spreads as we were on the frontier between positive and negative," said a second lead, who termed the deal's fixed annual profit rate of 0.037% "a buffer".

"Given that it was the inaugural green there was some element of education and price discovery. In the end we made the best of the quality we had and balanced the price where we could reconcile all those factors."

Official statistics have not yet been released, but central banks from Asia, the Middle East and North Africa participated, while European buying included dedicated green and ESG investors - some from the Netherlands and Scandinavia. "It was quite a healthy mix of investors," said the second lead.

Lack of legal clause poses risk

LEBANON Sovereign repaid bond last week but concerns remain

As Lebanon's crisis-hit bonds flash warnings of a sovereign debt distress ahead, any potential restructuring is likely complicated by the absence of widely used legal clauses barring bondholders from holding up the negotiations in the courts.

Lebanon is one of the few countries - alongside the Bahamas, Azerbaijan, Macedonia and Poland - to not include so-called enhanced collective action clauses, or CACs, in the legal framework governing its recent bond sales.

The crisis-hit Mediterranean state has issued around US$15bn of international bonds since October 2014 without those clauses - more than any other country, according to an International Monetary Fund report from March.

Championed by the IMF, such provisions can make it easier for countries to proceed with orderly debt restructuring by enabling a majority of creditors to agree to modify payment terms of the contract or otherwise restructure the debt, overcoming any obstacles presented by minority creditors who favour holding out for legal recourse.

The absence of these so-called CACs effectively means the debtor has to get broad agreement to any restructuring, playing into the hands of often litigious speculative funds which seek to stall any workout by demanding court-sanctioned payouts.

Lebanon, gripped by its most severe economic crisis since the 1975-90 civil war following protests since October 17, has repeatedly stated its commitment to paying its foreign currency bonds on time.

Last Thursday it repaid the principal and coupon on a US$1.5bn bond due that day. The day before the sovereign issued two new bonds, according to Refinitiv data. These were a US$1.5bn with a maturity of 10 years and a US$1.5bn with a maturity of 16 years.

SUSTAINABLE FOOTING

But with prices of its dollar bonds having slumped to less than half their face value since the demonstrations began, many financial observers believe Lebanon might need to restructure at least a portion of its estimated US$86bn in outstanding bonds in order to put its finances on a sustainable footing.

"Lebanon will need to demonstrate that the treatment of holders of each bond is comparable to the others," said Oussama Himani, chief investment officer of Parkview Advisors, a wealth and asset management firm not invested in Lebanon.

"Comparability of treatment is not easy to demonstrate. For example, delaying all payments for all by 10 years will not be comparable treatment if the coupons paid are different."

In the past, an absence of CACs posed a challenge for countries such as Argentina. It underwent a messy and drawn-out restructuring after defaulting on its debt in 2001, in part as few of its bonds at the time included such clauses, opening the door to hedge funds and other activist bond holders to pursue legal action.

As Argentina prepares for fresh re-negotiations over its debt, the majority of its new bonds now contain CACs which means a restructuring can go ahead if it is backed by either two-thirds or three-quarters of debt holders.

Camille Abousleiman, caretaker minister of labour and former head of international capital markets for the law firm Dechert, said Lebanon's situation was not comparable to Argentina's, from a legal perspective.

While Argentina's Eurobonds required 100% of holders' consent for any amendment to the terms, Lebanon's terms provide for 75% holders' consent, voting on a series-by-series basis, he said.

Efforts to apply the collective action clause to Lebanon's bonds in 2016 were not successful due to political complications arising from a government vacuum, said a financial source familiar with the matter.

"It is true that political considerations prevented the adoption of the more recent collective action clauses recommended by ICMA [International Capital Market Association] which permit the aggregation of series for voting and amendment purposes," said Abousleiman, who worked on drafting the legal framework for Lebanon's bonds.

Lebanon is locked in its latest political paralysis, with Saad al-Hariri on Tuesday saying he did not want to be prime minister of a new government after resigning from the post on October 29.

The financial source, who noted Lebanon had then not issued a Eurobond since 2017, said the absence of CACs meant that Lebanon would need to negotiate series by series if it were to go towards a restructuring.

The IMF has stressed that such clauses generally contribute to lower borrowing costs and can be particularly helpful for lower-rated countries during episodes of market stress.

Around two-thirds of Lebanon's foreign debt is estimated to be held by local banks, but the remainder is held by international names.

Amundi, Invesco, JP Morgan, AllianceBernstein and Fidelity were among those listed as holders of the bonds up to the end of September, according to Refinitiv data. Fidelity said it still held a position, while the others did not immediately respond to a Reuters request as to whether they remained holders.

It is not clear who is currently holding the outstanding debt - after weeks of domestic upheaval and dramatic bond price falls.

Hedge funds that specialise in debt litigation and known for their legal battles with Argentina over its defaulted debt, such as Elliott Management and Aurelius Capital Management, did not immediately respond to a request for comment.

Tom Arnold, Thomas Perry

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2019 TO DATE

Middle East

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	42	9,434.77	10.2
2	Standard Chartered	40	8,539.30	9.3
3	Citigroup	23	8,501.32	9.2
4	JP Morgan	18	7,347.80	8.0
5	BNP Paribas	14	5,978.70	6.5
6	Goldman Sachs	10	5,197.31	5.6
7	Deutsche Bank	14	4,675.54	5.1
8	First Abu Dhabi	25	4,634.76	5.0
9	Credit Agricole	11	4,049.71	4.4
10	Nat'l Com SA	3	3,586.97	3.9
	Total	**100**	**92,256.94**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L5

The size was also notable. "It was good to see you can do €1bn in green even if you are not EIB or KfW," said the first lead, who noted the common €500m green bond size from European agencies.

"Overall it was a success versus the inaugural, and positive for the issuer that they now have more options. Dollar sukuk is probably going to remain the core for IsDB, but euro is not far behind now," said the second lead.

Proceeds of the deal, which will be listed in Dubai, Dublin and Kuala Lumpur, will finance or refinance eligible projects in accordance under IsDB's sustainability framework.

These include renewable energy, clean transport, energy efficiency, pollution prevention and control, environmentally-sustainable management of natural resources and land, and sustainable water and wastewater management.

HSBC served as green structuring agent, while Cicero is the framework's second-party opinion provider. In addition, Sustainalytics has rated IsDB 'Low Risk'.

INTERNATIONAL ISLAMIC FINANCE DEBT

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Standard Chartered	25	3,399.88	11.7
2	HSBC	19	2,486.38	8.5
3	Citigroup	12	1,998.18	6.9
4	First Abu Dhabi	17	1,835.23	6.3
5	Dubai Islamic Bank	14	1,534.66	5.3
6	Kuwait Finance	7	1,356.65	4.7
7	Emirates NBD	13	1,216.24	4.2
8	JP Morgan	6	968.37	3.3
9	Barclays	7	731.18	2.5
10	Gulf Int	4	685.71	2.4
	Total	**35**	**29,116.99**	

Excluding equity-related debt.

Source: Refinitiv SDC code: J27

Aside from *BTG Pactual, Bradesco BBI, Citigroup, Deutsche Bank, Itau, Morgan Stanley* and *UBS* have been mandated as bookrunners.

The bank was last in the dollar market in February, when it sold US$600m of Tier 2 7.75% notes.

DAYCOVAL EYES FIVE-YEAR

BANCO DAYCOVAL, a Brazilian financial institution specialising in SME lending, has mandated banks for a five-year US dollar bond.

The bank, rated Ba2/BB-/BB-, has hired *HSBC* and *Safra* to schedule a day of investor meetings and investor calls starting on December 2. Marketing efforts end the following day.

A Reg S-only deal may follow.

AMERICAS

BRAZIL

BTG PACTUAL TO ROADSHOW FIVE-YEAR BOND

Brazilian investment bank **BANCO BTG PACTUAL** started meetings last week to market a benchmark-size five-year bond.

The borrower, rated Ba2/BB-, held meetings in London on November 27, London and Singapore on November 28, Zurich and Hong Kong on November 29 and will end in New York on December 2, with calls scheduled that same day for investors in Boston and Los Angeles.

COLOMBIA

BANCOLOMBIA APPOINTS BANKS AHEAD OF TIER 2 BOND

BANCOLOMBIA has appointed banks ahead of issuing a US dollar 10-year non-call five SEC-registered Tier 2 bond.

Citigroup and JP Morgan are leading investor meetings that run from December 2-9.

The bank is also offering a tender for up to US$750m of its 6.125% 2020 and 5.125% 2022 bonds. The offer has an early expiration date of December 9.

Expected ratings on the transaction are Ba3/BB+ by Moody's and Fitch.

The issuer is in Bogota on December 2, New York and Lima on Decemmber 3, New York and Santiago Wednesday, Boston and New York on December 5, and London and Los Angeles on December 9.

Bancolombia has not been active in the dollar bond market since October 2017, according to Refinitiv data.

VENEZUELA

CONOCOPHILLIPS MOVES TO SEIZE CITGO ASSETS

ConocoPhillips became the latest entity to make a claim on the shares of **CITGO** after filing a motion in a Delaware court to seize shares of its parent PDV Holdings.

ConocoPhillips, which says that **PDVSA** defaulted on its US$2bn settlement agreement, follows a string of companies seeking to seize PDVSA-owned Citgo in an attempt to recover compensation from the Venezuelan state-owned oil company.

US glass manufacturer Owens Illinois, oil services company Tidewater, and Canadian gold miner Crystallex are making similar claims in US courts.

That further complicates recovery attempts of holders of PDVSA's 2020 bond, which is backed by Citgo shares and defaulted earlier this year.

Venezuelan opposition leader Juan Guaido, who is battling president Nicolas Maduro for power, has been trying to block attempts to seize the US refiner after gaining control of the company earlier this year thanks to US sanctions.

For now, Guaido has won several reprieves on this front.

Not only has PDVSA and the trustee for its 2020 bond reached a forbearance agreement on the seizure of Citgo shares backing the bonds, but the US government has also sided with Guaido.

This month, the US Treasury said claimants against Venezuela could not enforce liens, judgments, arbitral awards or decrees by seizing property to collect on unpaid debts without authorisation from Washington.

The forbearance agreement, meanwhile, gives PDVSA and holders of the 2020s until May 5 when a hearing on summary judgment motions is scheduled.

ALL INTL EMERGING MARKETS BONDS

BOOKRUNNERS: 1/1/2019 TO DATE

Latin America

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	47	12,983.42	12.5
2	Citigroup	38	12,678.11	12.2
3	BofA	32	9,941.43	9.6
4	Goldman Sachs	23	7,620.66	7.3
5	HSBC	26	6,711.60	6.5
6	Santander	33	6,128.41	5.9
7	Scotiabank	19	4,906.94	4.7
8	Morgan Stanley	16	4,773.54	4.6
9	BNP Paribas	15	3,929.57	3.8
10	Itau Unibanco	18	3,213.25	3.1
	Total	**127**	**103,883.34**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L3

FRONT STORY ASIA MARKETS

Huawei makes long-distance call

› Borrower returns for second loan after earlier snub from foreign lenders

Chinese telecommunications giant HUAWEI TECHNOLOGIES is back for its second offshore loan this year, gauging interest among lenders for a loan of up to US$1.5bn after being snubbed by foreign banks on its previous visit.

Huawei is looking to raise five-year and seven-year money through bullet maturities, the same structure as a US$1.5bn club loan completed in July. That facility failed to attract international banks as it came soon after damaging sanctions restricting Huawei's ability to buy components and technology from US firms without government approval.

Some international lenders still remain hesitant to commit to any loan for the company, despite Huawei'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.

"Huawei is a resilient credit, so we're not giving a straight 'No' like last time, but with the US ban still in place, we remain very cautious," said a Hong Kong-based banker at an international bank.

As in July this year, Chinese banks are expected to continue to show support with big-ticket commitments to Huawei on the latest loan.

"The borrower may not really need to tap international lenders as it should be able to obtain funding from its Chinese relationship banks," said a Hong Kong-based banker at a Chinese bank.

BETTER NEWS

Recent developments bode well for Huawei's latest loan. Earlier this month, the US government granted a second 90-day reprieve, allowing US firms to restart sales to the Chinese company. US technology giant Microsoft said on November 20 that the US Department of Commerce had granted it a licence to export mass-market software to Huawei.

The company's business performance is also encouraging with revenues jumping 24.4% year on year to Rmb610.8bn (US$86bn) in the first three quarters of 2019. Its smartphone sales in China rose 66% year on year in the third quarter and captured a record 42% market share in the country, according to data from market research firm Canalys.

It remains to be seen whether international banks resume lending to Huawei, which is eyeing a tight timeline and pricing for its latest loan.

The company is looking to close the latest loan by the end of the year and is offering all-in pricing of about 130bp and 160bp respectively for the five-year and seven-year tranches – similar to the US$1.5bn loan that closed in July.

That loan took two months to close and was wrapped up in a highly secretive manner. It is unclear how many Chinese banks participated in the financing in light of the dramatic fall from grace of Huawei, which had gone from a darling to pariah within a few months.

In September 2018, seven of the 10 banks participating in its US$1.5bn five-year offshore club loan were international lenders. In December 2017, it raised another US$1.5bn syndicated loan which had 25 non-Chinese lenders out of a 27-strong syndicate.

Apple Li

SMBC Aviation takes off for borrowing spree

› Borrower taps multiple financings

Aircraft leasing company SMBC Aviation Capital is raising a US$600m five-year facility.

ANZ, *CaixaBank*, *Cathay United Bank* and *E.Sun Commercial Bank* are the mandated lead arrangers and bookrunners of the unsecured financing, which comprises a US$200m term loan and a US$400m revolving credit facility.

The interest margins for the term loan and revolver are 92bp and 97bp over Libor, respectively.

Banks have been invited to join on two levels on a pro rata basis.

Lead arrangers joining with tickets of US$40m or more earn a top-level all-in pricing of 103.3bp based on a 40bp fee, while arrangers with commitments of US$20m–$39m receive an all-in pricing of 101.8bp based on a 32.5bp fee.

Hong Kong-incorporated SMBC AVIATION CAPITAL HONG KONG 2 is the borrower, while Ireland-headquartered SMBC Aviation Capital is the guarantor.

Separately, SMBC Aviation Capital signed a US$1bn loan with Japan Bank for International Cooperation on November 29. Commercial banks, including *SMBC*, are also providing a loan of an undisclosed amount in addition to the JBIC facility.

Proceeds from both latter borrowings will finance purchase of aircraft up to March 2024.

SMBC Aviation Capital's previous loan market visit was in April last year for a five-year dual-tranche loan of the same size. ANZ, Apple Bank for Savings, Bank of China Singapore branch, Cathay United Bank, Citigroup, Maybank, OCBC Bank and Westpac Banking Corp Singapore branch were the MLABs with five others joining in syndication.

That deal offered a top-level all-in pricing of 112.1bp based on a blended average life of 4.67 years and interest margins of 97bp and 102bp over Libor respectively for the term loan and revolver.

SMBC Aviation Capital has ratings of A– from both Fitch and S&P. As at September 30 this year, its portfolio comprised 717 owned, managed and committed aircraft with 83 customers in 37 countries. The company's shareholders are Sumitomo Mitsui Financial Group (66%) and Sumitomo Corp (34%).

Apple Li, Wakako Sato

ASIA-PACIFIC

AUSTRALIA

EVOLUTION MINING PLANS LOAN

EVOLUTION MINING plans to fund its proposed acquisition of the Red Lake gold complex in Canada with a new A$600m (US$406.7m) five-year senior unsecured syndicated term loan.

The gold mining company, which also plans to raise a C$125m (US$94m) three-year performance bond, extended a A$360m revolving credit facility and a A$175m performance bond for another three years.

Evolution plans to fully repay a A$250m term loan that backed the company's acquisition of Ernest Henry upon the completion of the Red Lake transaction.

It announced in the filing that it has reached an agreement to acquire 100% of the gold complex in Ontario from Newmont Goldcorp Corp.

The acquisition consideration comprises US$375m payable in cash upon the closing of the transaction and up to an additional US$100m payable upon new resource discovery. The transaction is expected to complete by March 31 2020 and is subject to Evolution receiving all required consents, permits and regulatory approvals. Goldman Sachs is Evolution's financial adviser on the transaction.

In 2016, the company closed a A$475m five-year loan to partially fund the purchase of the production of gold, silver and copper from Glencore Plc's Ernest Henry mine.

The deal was funded by ANZ, Citigroup, Commonwealth Bank of Australia, National Australia Bank, Societe Generale, SMBC and Westpac. Pricing was in line with the A$855m loan in 2015, which funded its acquisition of Barrick Gold's Cowal gold mine, with the opening margin starting at 250bp over BBSY.

ASIA-PACIFIC LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME (INCLUDING JAPAN)

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Mizuho	438	90,454.82	18.4
2	MUFG	650	58,131.99	11.8
3	Sumitomo Mitsui	517	55,110.14	11.2
4	Bank of China	182	32,340.58	6.6
5	HSBC	82	15,692.49	3.2
6	Bank of Comms	74	15,156.18	3.1
7	Standard Chartered	86	14,592.58	3.0
8	ANZ	69	12,170.05	2.5
9	China Construction	28	10,025.40	2.0
10	United Overseas	32	9,556.69	1.9
	Total	**2,485**	**491,293.56**	

Proportional credit

Source: Refinitiv SDC code: S3a

LENDERS PILE INTO WALKER DEAL

Property developer WALKER CORP has closed an A$880m seven-year loan following an overwhelming response with 26 lenders joining in general syndication.

The facility for the company's Parramatta Square redevelopment project was heavily oversubscribed and commitments were scaled back as a result.

ANZ, *Commonwealth Bank of Australia*, *Credit Agricole* and *HSBC* were the mandated lead arrangers and bookrunners.

Mandated lead arrangers are Agricultural Bank of China, AXA Investment Managers, Bank of China Sydney branch, Bank of China Macau branch, Bank of China Singapore branch, Bank of Communications, China Construction Bank, ICBC, ING, Mega International Commercial Bank, Metlife Alico Life Insurance, SMBC, Bank of East Asia and *Societe Generale*.

Lead arrangers are Credit Industriel et Commercial, Hua Nan Commercial Bank and KEB Hana Bank. Co-arrangers are Woori Bank, Bank SinoPac, E Sun Commercial Bank, IFM Investors, Shinhan Bank, Chang Hwa Commercial Bank, Eastspring Investments, KGI Bank, Shanghai Commercial & Savings Bank, Taishin International Bank and Taiwan Cooperative Bank.

The loan is split into a A$531.25m Tranche A and a A$348.75m Tranche B, and offers an opening interest margin of 190bp over BBSY.

The borrowing represents a loan-to-value ratio of about 60%.

Parramatta Square, located 25km west of Sydney, is a A$2.7bn project including commercial towers, a library and a civic building, according to Walker's website.

In July, Walker completed an extension of a A$1.5bn loan that involved splitting the original 2018 facility, which was a five-year loan, into a five-year Tranche A1 maturing in 2024 and a seven-year Tranche A2 maturing in 2026.

The extended loan for Collins Square in Melbourne, which comprises a A$849.5m Tranche A1 and a A$650.5m Tranche A2, offered margins of 170bp and 190bp over BBSY, respectively.

HARVEY NORMAN CLOSES A$370m REFI

Electronics retailer HARVEY NORMAN HOLDINGS has closed its A$370m loan for refinancing.

ANZ and *Commonwealth Bank of Australia* were the mandated lead arrangers and bookrunners.

Other lenders are National Australia Bank, SMBC, Bank of China, Mega International Commercial Bank, Taiwan Cooperative Bank, First Commercial Bank, Agricultural Bank of China and Taiwan Business Bank.

The facility is split into a A$170m two-year Tranche A1 and a A$200m three-year Tranche A2, paying opening interest margins of 120bp and 130bp over BBSY, respectively.

Banks were invited to join with commitments of A$40m or more as lead arrangers, A$25m–$40m as arrangers and less than A$25m as managers for upfront fees of 20bp and 30bp for the two tranches respectively for all three ticket levels.

The borrower's previous loan was in December 2017 when it raised a A$400m facility split equally into two and three-year tranches.

CHINA

BAIC WRAPS €2.2bn LOAN

State-owned Beijing Automotive Group has closed a €2.2bn-equivalent (US$2.45bn) loan backing its acquisition of a minority stake in German automaker Daimler after attracting 18 banks during syndication.

Bank of China Luxembourg branch, *Credit Agricole CIB*, *DBS Bank* and *Natixis Hong Kong branch* were the mandated lead arrangers and bookrunners of the transaction, which is split into a €1.056bn euro Tranche A and a €1.144bn-equivalent US dollar Tranche B. Only Tranche B was syndicated.

Facility agent *BOC Luxembourg* did not commit to Tranche B, although *BOC Hong Kong* committed US$55m-equivalent as MLA.

Among the banks joining at lower levels, 10, including BOCHK, were Chinese and committed US$539m-equivalent combined.

MLAs are *China Construction Bank*, *Bank of Communications*, *Shanghai Pudong Development Bank*, *ICBC*, *ANZ*, *Bank of China*, *First Abu Dhabi Bank*, *Intesa Sanpaolo* and *Mizuho Bank*. Lead arrangers are *China Citic Bank*, *Agricultural Bank of China*, *Commerzbank*, *OCBC Bank*, *SMBC* and *Korea Development Bank/KDB Asia*. Arrangers are *China Everbright Bank*, *China Guangfa Bank* and *Nanyang Commercial Bank*. Lead manager is *Banque Internationale a Luxembourg*.

The facility offered a top-level all-in pricing of 117.82bp based on a margin of 100bp over Libor.

INVESTMENT GLOBAL is the borrowing entity, while BAIC is providing a guarantee and its newly acquired shares in Daimler will serve as security for the loan.

BAIC built a 5% stake in Daimler in July.

This follows a purchase of Daimler shares in February 2018 by Li Shufu, founder and CEO of Zhejiang Geely Holding Group, another Chinese automaker. As of October this year, Tenaciou3 Prospect Investment, a company controlled by Li, was Daimler's largest shareholder with a 9.7% stake.

NEW HOPE SEEKS US$300m LOAN

Conglomerate New Hope Group has launched a US$300m three-year loan into syndication.

China Construction Bank (Asia) and *HSBC* are the mandated lead arrangers and bookrunners of the bullet transaction, which offers an interest margin of 125bp over Libor.

Banks have been invited to join at three levels. MLAs joining with tickets of US$50m or more earn an all-in pricing of 165bp based on a 120bp fee, while lead arrangers taking US$30m–$49m receive an all-in of 160bp based on a 105bp fee. Arrangers coming in with US$20m–$29m will earn an all-in of 155bp based on a 90bp fee.

New Hope is the guarantor of the loan, while its subsidiary NEW HOPE INTERNATIONAL (HONG KONG) is the borrower.

Proceeds will be for general corporate purposes.

The borrower's last loan was a US$150m three-year club deal from four banks in November last year.

United Overseas Bank was the coordinator and facility agent of the 2018 deal, which offered an interest margin of 120bp over Libor.

New Hope owns about 24.9% of Shenzhen-listed New Hope Liuhe, which is China's largest animal feed maker.

HONG KONG

HAITONG EYES TIGHTER PRICING

HAITONG INTERNATIONAL SECURITIES GROUP is self-arranging a HK$10bn (US$1.28bn) three-year revolving credit facility, returning for its second borrowing of the year.

The Hong Kong-listed borrower has approached relationship banks for the club deal, and is offering an all-in pricing tighter than a HK$16bn revolver closed in March.

Proceeds will be for refinancing the outstanding amount of a HK$6.68bn three-year club loan signed in March 2017.

The HK$16bn three-year revolver in March this year paid a top-level all-in pricing of 150bp based on an interest margin of 130bp over Hibor.

The loan was increased from a launch size of HK$13.8bn after 15 banks joined the 16 mandated lead arrangers and bookrunners in general syndication.

As at June 30, Haitong Securities held about 64% of the borrower, which is rated Baa2/BBB (Moody's/S&P).

CR LAND RAISES HK$8.6bn CLUB

Property developer CHINA RESOURCES LAND has raised a HK$8.6bn (US$1.1bn) five-year club loan.

The MLAs were *Agricultural Bank of China Hong Kong branch, Bank of China (Hong Kong), Bank of Communications Hong Kong branch, China Construction Bank (Asia), Hang Seng Bank, HSBC, Industrial and Commercial Bank of China (Asia) and Mizuho Bank*. *BOCHK* was the facility agent.

Funds are for refinancing and general corporate purposes.

CR Land last raised a HK$14.8bn five-year bullet loan in May 2018. That facility paid an interest margin of 110bp over Hibor.

The Hong Kong-listed borrower is the flagship listed vehicle for China Resources Group's real estate operations in China. State-owned China Resources (Holdings), which is supervised by the State-owned Assets Supervision and Administration Commission of the State Council, has a 65% stake in CR Land.

INDIA

TATA STEEL TO CUT COSTS

TATA STEEL is targeting a larger €1.75bn dual-tranche facility with an eye on cutting costs and refinancing debt raised in 2014.

Tata Steel Netherlands Holding will be the borrower of the new loan, which is split into five and six-year tranches.

Banks are in the midst of processing credit approvals for the deal, which will carry a letter of comfort from Tata Steel.

The Dutch subsidiary, along with Singapore-incorporated Tata Steel Global Holdings, raised a US$3.095bn-equivalent multi-tranche loan in October 2014. Sixteen banks were the mandated lead arrangers and bookrunners of that borrowing, while another 18 joined in syndication.

The borrowings for the Dutch subsidiary included a €370m five-year bullet term loan Tranche A1, a £700m six-year bullet revolver Tranche B1 and a separate €1.88bn seven-year loan from six Indian lenders.

Tranches A1 and B1 paid top-level all-in pricing of 358bp based on interest margins of 315bp over Euribor and 343bp over sterling Libor, respectively.

The Singapore unit had raised a US$1.5bn dual-tranche financing, split into a US$700m five-year Tranche A and an US$800m seven-year Tranche B, and paid a top-level all-in of 327bp based on margins of 280bp and 315bp over Libor, respectively.

In September, Tata Steel signed a US$525m six-year club loan with nine lenders for capital expenditure purposes.

Rated Ba2/BB–/BB, Tata Steel is a subsidiary of Tata Group.

INDONESIA

FREEPORT TO MANDATE US$3bn LOAN

FREEPORT INDONESIA is expected to mandate its loan of up to US$3bn this week after a dozen lenders formed a working group.

The banks in the working group are Bank Mandiri, Bank Negara Indonesia, Bank Rakyat Indonesia, BNP Paribas, Citigroup, HSBC, Maybank, Mizuho Bank, MUFG, Societe Generale, Standard Chartered and SMBC.

The working group was formed the week before last. Launch into syndication is targeted for January.

Proceeds will finance the construction of a copper smelter in Gresik, East Java. Construction is expected to begin in early 2020, according to local media.

The Indonesian government, via state-owned Mining Industry Indonesia, became the majority owner of Freeport Indonesia after it increased its share ownership to 51.23% from 9.36% through a US$3.85bn deal in December 2018.

US-based Freeport-McMoran owns around 48.8% of Freeport Indonesia.

In August 2018, MII, formerly known as Indonesia Asahan Aluminium (Inalum), had originally sought an 18-month bridge loan of up to US$4bn to partially back the majority share ownership purchase. The bridge was cut to US$2.85bn and subsequently cancelled as the company completed a mammoth US$4bn bond issue.

BNP Paribas, CIMB, Citigroup, Maybank, MUFG, SMBC and StanChart were mandated on the bridge.

TRIO TO FUND VALE LOAN

State-owned MINING INDUSTRY INDONESIA is seeking a US$500m loan from *Bank Mandiri*, *MUFG* and *SMBC* to fund the acquisition of a stake in Vale Indonesia.

The tenor of the facility has yet to be finalised.

Nickel producer Vale Indonesia has agreed to sell a 20% stake to MII, formerly known as Indonesia Asahan Aluminum Persero (Inalum), for about US$500m to comply with local regulations.

Mining companies in Indonesia are required to reduce their foreign ownership to a maximum of 49% within 10 years of starting operations.

Brazil's Vale and Japan's Sumitomo Metal Mining currently own 59% and 20%, respectively, of Vale Indonesia, which is currently valued at US$2.33bn.

A conditional sales purchase agreement between MII and Vale is expected to be signed around mid-December, with completion targeted for June 2020.

MII controls listed gold miner Antam, listed coal miner Bukit Asam, tin miner Timah and Freeport Indonesia.

BTN RETURNS WITH REFI

State-owned lender BANK TABUNGAN NEGARA has launched a US$100m 359-day refinancing into limited syndication at two ticket levels.

ANZ is the coordinator of the deal, which carries an unspecified greenshoe option. The transaction pays interest margins of 50bp (offshore) and 70bp (onshore) over Libor, which is 15bp tighter than the previous one-year loan it raised last December.

Mandated lead arrangers earn top-level all-in pricings of 69bp (offshore) and 89bp (onshore) for commitments of US$25m or more via a participation fee of 19bp, while lead arrangers receive all-ins of 67bp (offshore) and 87bp (onshore) for tickets of US$10m–$24m via a fee of 17bp.

BTN's previous loan from December 2018 was increased to US$165m from US$130m with two additional banks joining via an accordion feature in February.

That facility, which attracted five banks in syndication and was led by ANZ, offered a top-level all-in pricing of 80bp (offshore) and 100bp (onshore) based on interest margins of 65bp (offshore) and 85bp (onshore) over Libor, respectively.

JAPAN

NYK RAISES JAPAN'S FIRST SLL

NIPPON YUSEN has signed a ¥50bn (US$457m) five-year commitment line, marking Japan's first sustainability-linked loan.

MUFG was the arranger and agent, while *Mizuho Bank, Norinchukin Bank* and *SMBC* joined in syndication.

Japan Credit Rating Agency has certified the loan, which offers terms linked to the shipping firm's performance against pre-determined sustainability performance targets.

In March NYK completed a ¥9bn loan, its first green syndicated facility. MUFG was also the arranger and agent.

It followed a bilateral green loan in December last year from Taiyo Life Insurance and NYK's first green bonds in May the same year.

ASAHI KASEI TAPS FOR VELOXIS BUY

ASAHI KASEI will fund its planned DKr8.9bn (US$1.31bn) acquisition of Danish pharmaceuticals firm Veloxis with cash on hand and bank loans.

The chemicals company said it would launch an offer for Veloxis at DKr6 per share next month, a 6% premium to the weighted average share price of the last 30 trading days.

Asahi Kasei wants to double the operating profit of its healthcare business to ¥80bn (US$736m) by the fiscal year ending in March 2026, Reuters reported.

Veloxis's primary focus is in the US, where it sells the Envarsus XR immunosuppressant used to treat transplant patients.

The borrower last visited the syndicated loan market in March when it raised a ¥50bn 19-month revolving credit facility arranged by Mizuho Bank and SMBC.

MALAYSIA

MALAKOFF WRAPS A$140m REFI

Power producer MALAKOFF INTERNATIONAL has wrapped up a A$140m (US$97m) three-year term loan after a five-month-long syndication.

SMBC was the sole mandated lead arranger, bookrunner and underwriter of the financing, which was signed on June 10 and fully pre-funded. *Mizuho Bank* joined as MLAB, while *Bank of East Asia* participated as a lead arranger. *Chang Hwa Commercial Bank Singapore branch* committed as an arranger.

The transaction paid a top-level all-in pricing of 154.7bp based on an interest margin of 143bp over BBSY and an average life of 2.565 years.

Malakoff Corp is the guarantor of the deal, which will be used to refinance a similar-sized transaction from October 2016.

ANZ and SMBC were the MLABs of the previous facility, which attracted five banks in general syndication. That loan paid a top-level all-in pricing of 143.3bp based on a margin of 133.34bp over BBSY and an average life of 2.83 years.

Malakoff, an independent water and power producer, is a subsidiary of utilities and infrastructure group MMC. The company has projects in Algeria, Australia, Bahrain, Oman and Saudi Arabia.

PRESS METAL SEEKS ISLAMIC LOAN

PRESS METAL is seeking a US$300m dual-tranche Islamic structured financing to back its purchase of a stake in Bintan Alumina Indonesia.

Maybank is the sole mandated lead arranger and bookrunner of the transaction, which has launched into senior syndication.

The sharia-compliant deal comprises tranches with tenors of one and seven years.

Press Metal will acquire a 25% stake in Bintan Alumina for US$80.23m.

The proposed acquisition is expected to be completed by the second quarter of 2020.

Bintan Alumina will also provide Press Metal with long-term supply of alumina.

Bintan Alumina is building a million-tonne alumina refinery plant in Indonesia's Bintan Island and has plans for a second phase.

Press Metal's last loan, in June 2012, was a M$350m (US$110m then) eight-year financing for its subsidiary Press Metal Bintulu. Maybank and RHB Bank were equal lenders.

Listed on Bursa Malaysia, Press Metal is a manufacturer and trader of aluminium products. It operates the largest aluminium smelter in South-East Asia.

PHILIPPINES

EMPERADOR LURES 11 FOR REFI

Liquor company Emperador has raised a €405m five-year bullet term loan with 11 lenders joining in general syndication.

Mizuho Bank and *MUFG Bank* were the mandated lead arrangers and bookrunners, while *Cathay United Bank*, *CTBC Bank*, *OCBC* and *Rabobank* joined as MLAs.

Bank of Taiwan Singapore, *Hua Nan Commercial Bank OBB*, *Hua Nan Commercial Bank Singapore*, *ING Bank Singapore* and *Mega International Commercial Bank OBB* participated as lead arrangers, while *First Commercial Bank OBB*, *Land Bank of Taiwan OBB* and *Taipei Fubon Commercial Bank Singapore* came in as arrangers.

The transaction paid a top-level all-in of 113bp based on an interest margin of 105bp over Euribor.

EMPERADOR INTERNATIONAL is the borrower, while its parent Emperador and affiliate Emperador Distillers are the guarantors.

Proceeds refinance a €370m five-year loan signed in 2017, which took out a bridge facility that backed Emperador's buyout of Spanish brandy maker Bodegas Fundador.

HSBC, ING, JP Morgan, MUFG and OCBC Bank were the lenders of the five-year club loan, which paid an interest margin of 155bp over Euribor.

Emperador is part of Chinese Filipino billionaire Andrew L Tan's Alliance Global Group, which has interests in real estate, consumer goods, quick service restaurants, hotels and gaming.

TAIWAN

YAGEO TAPS US$1.1bn BRIDGE

Electronic components maker YAGEO CORP has put in place a US$1.1bn 12-month bridge loan to support its proposed acquisition of US rival Kemet Corp.

Citigroup is the sole M&A adviser and sole provider of the bridge loan.

Yageo's US$1.8bn bid for Kemet marks a rare outbound acquisition from Taiwan.

The takeover is expected to close in the second half of 2020 and would result in combined annual revenues of about US$3bn.

It has been approved by the boards of both companies and is subject to customary closing conditions and regulatory approvals.

In 2011, private equity giant KKR & Co attempted to acquire Yageo through a US$1.6bn take-private deal, but local regulators blocked it, citing insufficient protection of minority shareholder rights, among other reasons.

Yageo has a market capitalisation of NT$139.76bn (US$4.58bn).

Yageo last tapped the loan markets in April 2017 for a NT$10.8bn five-year loan. Mega International Commercial Bank and Taipei Fubon Commercial Bank were the mandated lead arrangers and bookrunners of the transaction, which pays an interest margin of 60bp over Taibor, with a pre-tax interest rate floor of 1.7%.

VIETNAM

NO VA LAND UPS LOAN TO US$250m

NO VA LAND INVESTMENT GROUP has increased a three-year secured term loan to US$250m after nine banks joined in general syndication.

Credit Suisse is the original mandated lead arranger and bookrunner of the transaction, while *Industrial and Commercial Bank of China*, *Taichung Commercial Bank*, *Taiwan Business Bank* and *Taiwan Cooperative Bank* came in as MLABs during senior syndication.

Among the others joining in general syndication were *OCBC* as MLA and *Union Bank of Taiwan* as lead arranger.

Cathay United Bank, *King's Town Bank*, *Maybank* and *Taishin International Bank* joined as arrangers, while *Entie Commercial Bank*, *Far Eastern International Bank* and *Sinopac Capital International* committed as managers.

The deal was launched at US$150m with a US$100m greenshoe and offered a top-level all-in pricing of 460.71bp based on an interest margin of 425bp over Libor and an average life of 2.8 years.

The property developer said it raised US$520m in 2018, including US$460m via Credit Suisse through a mix of loans, convertible bonds and private equity placement, and a US$60m loan with Standard Chartered Bank as arranger.

In April 2017, the borrower raised a US$30m 30-month loan. Maybank was the MLAB on that deal, which attracted two other lenders.

Ho Chi Minh-listed No Va Land is primarily focused on the development of mid to high-end residential real estate in the city and recently expanded into the hospitality sector.

EUROPE/MIDDLE EAST/AFRICA

AUSTRIA

LENZING GOES BIG ON ESG SSD

Cellulose and fibre producer LENZING has placed a €500m dual-currency Schuldscheindarlehen linked to the company's environmental, social and corporate governance performance.

The SSD will be used for general corporate financing, including the early refinancing of a bond from 2015, and for sustainable projects.

The financing was launched at €200m but strong interest from investors in Europe and Asia led to a multiple oversubscription and an increase in the amount to €500m.

The financing includes five-year, seven-year and 10-year maturities as well as longer-dated 15-year Namensschuldverschreibungen.

Nearly 12% of the financing, US$65m, was in US dollars.

BNP Paribas, *LBBW* and *UniCredit* arranged and structured the SSD, parts of which were placed via digital platform Debtvision.

Average interest rates across the tranches is just under 1%, below Lenzing's previous SSD issues.

Interest rates increase or decrease by 2.5bp depending on the company's sustainability ratings provided by MSCI, which are based on Lenzing's key sustainability goals.

Those goals include reducing sulphur and CO_2 emissions, cutting waste water pollution, implementing environmental protection solutions and verifying the sustainability of suppliers by introducing new environmental checks.

Interest savings achieved by an improved ESG rating will be donated to charity.

Lenzing's MSCI sustainability rating has been confirmed as A for 2019.

MSCI rates companies on a AAA to CCC scale according to their exposure to ESG risks and how well they manage those risks relative to peers.

The sustainability-linked SSD is in line with Lenzing's sCore TEN corporate strategy, which focuses on sustainability and environmental protection and the sustainable production of botanic fibres.

FRANCE

BORALEX SIGNS REFI

Canadian renewable energy developer BORALEX has signed a €1.1bn refinancing of almost all its wind farm operations in France.

The financing is the largest refinancing agreement in the renewable energy sector in France, the company said, and the largest refinancing arrangement ever for Boralex.

The financing comprises three credit agreements maturing in 2034, 2036 and 2040.

Boralex took advantage of European market conditions to reduce the average interest rate for the related assets and projects by 95bp, to 1.75% from 2.7%.

The reduced interest coupled with the improved capital structure, will reduce Boralex's consolidated annual interest expense by C$15m.

By grouping together assets which were previously financed individually through 30 different credit agreements, the transaction immediately makes available over €123m of funds which will be used to reduce Boralex's existing corporate credit facility, giving the company more capacity to develop future projects across the group.

The financing includes €140m for the construction of short-term projects, while an additional €125m tranche, earmarked to finance the construction of future projects, should become available in early 2020 after documents have been finalised.

Estimated net non-recurring expenses of €12m, mainly due to penalties for early repayment will be recorded in the 2019 fourth quarter results, Boralex said.

CIC, *Bpifrance*, *Credit Agricole CIB* and *Unifergie*, along with the *Caisse Regionale Nord de France*, *CaixaBank* and *La Banque Postale* jointly arranged the refinancing.

OMAN

OMAN GAS PLANS US$800m LOAN

State-owned OMAN GAS COMPANY plans to raise a US$800m syndicated loan.

The loan, with a seven-year maturity, would be provided by a group of six or seven banks.

The natural gas transport company, which was bought by state-owned Oman Oil Company in 2013, signed a financing agreement last year with a group of seven local and international banks.

SOUTH AFRICA

SASOL GETS US$1.25bn

Energy and chemicals company SASOL has signed US$1.25bn of loans.

Sasol said it has put in place incremental liquidity through a US$1bn syndicated loan facility with a maturity of up to 18 months provided by *Bank of America*, *Citigroup*, *Mizuho* and *MUFG;* and two bilateral facilities with a combined value of US$250m with a tenor of two years.

In line with the company's revolving credit facility and dollar term loan facility, the covenant on the new facilities has been set at 3.0 times net debt to Ebitda, although it will be increased to 3.5 times for the financial reporting periods ending December 2019 and June 2020.

In June Sasol signed a five-year loan comprising a US$1.65bn term loan and a US$150m revolving credit facility.

BofA, Mizuho and SMBC were global coordinators, bookrunners and mandated lead arrangers on that deal.

IMPLATS SIGNS US$350m BRIDGE

Platinum group metals miner **IMPALA PLATINUM** has signed a US$350m bridge loan backing its US$758m acquisition of Canada-based North American Palladium.

Joining *Morgan Stanley* on the financing were *Nedbank*, *RMB International* and *Standard Bank of South Africa*.

The acquisition will also be funded through US$288m of cash and proceeds from a metal pre-payment of excess inventory of US$120m.

Although it has various options open to it, Implats will refinance the bridge loan through a combination of internally generated cash from operations, term debt at the BidCo level and the potential placement of 16,233,994 treasury shares.

The acquisition is expected complete on or about December 13.

SWEDEN

GRANGES TAPS BRIDGE

Rolled aluminium group **GRANGES** is backing its acquisition of Polish producer Aluminium Konin with a SKr2.3bn (US$240m) 18-month bridge loan from *Danske Bank*, *Nordea* and *Svenska Handelsbanken*.

The bridge loan will be repaid through bank loans, debt capital market instruments, and a new share issue with preferential rights for existing shareholders of around SKr2bn.

After the completion of the acquisition and the rights issue, Granges' net debt is expected to be around SKr4.3bn or 2.6 times adjusted Ebitda.

Granges is acquiring Aluminium Konin from Boryszew Group for SKr2.3bn.

Under the acquisition, Granges will complete a SKr1.1bn expansion programme over three years to increase Aluminium Konin's annual capacity to 140,000 tonnes from around 100,000 tonnes. The programme will be financed by future cashflow and existing credit facilities.

ATTENDO DETAILS REFI

Social and healthcare outsourcer **ATTENDO** has detailed its €415m-equivalent loan refinancing.

The financing comprises SKr1.25bn (US$131m) and €125m of term loans and a SKr1.8bn revolving credit facility.

The refinancing has a three-year maturity with two one-year extension options.

SEB, *Danske Bank* and *Nordea* are providing the financing on an equal basis.

The financing refinances loans that were originally agreed in October 2015 via Danske Bank, SEB and Handelsbanken as part of Attendo's IPO from IK Partners.

That financing, which was set to mature in 2020, comprised a €106.4m term loan, a SKr1bn term loan and a SKr2bn multicurrency revolving credit facility.

As a result of the repayment of the previous loan, Attendo will book a one-off cost of around SKr10m in the fourth quarter.

SWITZERLAND

NOVARTIS EYES BORROWING

Pharmaceuticals firm **NOVARTIS** plans to fund its US$9.7bn acquisition of US-based The Medicines Company with short- and long-term borrowings.

The financing mix for the acquisition is expected to be roughly one third cash and two thirds long-term borrowings.

Novartis is offering US$85.0 per share for TMC.

The acquisition is expected to close in the first quarter of 2020.

TURKEY

VAKIFBANK SIGNS US$580m LOAN

VAKIFBANK has signed a US$580m-equivalent 367-day refinancing of the one-year tranches of a US$855m-equivalent loan signed in November 2018.

The loan comprises a US$239.5m tranche paying 225bp over Libor and a €309.3m tranche paying 210bp over Euribor.

The loan was coordinated by *NBD Capital* as facility agent alongside *Commercial Bank of Qatar*.

The financing, which closed oversubscribed with commitments close to 125% of the loan amount, is being provided by a group of 28 banks from 17 countries, including 12 new banks not included in last year's financing.

VakifBank said it has also agreed a US$150m 3.5-year project loan-backed financing from international debt capital markets.

Last year's facility, which was coordinated by facility agent Emirates NBD, comprised a US$122m tranche and €528.5m tranche with 367-day maturities and a US$130m tranche with a two-year maturity.

Total costs on the 367-day tranches were 275bp over Libor and 265bp over Euribor.

VakifBank was last in the loan market in April when it signed a US$1.1bn-equivalent 367-day refinancing. That loan comprised a US$279.5m tranche paying 250bp over Libor and a €723.5m loan paying 240bp over Euribor.

UAE

FLYDUBAI COMPLETES US$500m LOAN

State-owned **DUBAI AVIATION CORP** has completed a US$500m five-year term loan.

Emirates NBD Capital and *Noor Bank* were global coordinators, bookrunners, mandated lead arrangers and underwriters on the deal. They were joined by *Dubai Islamic Bank* as mandated lead arranger and bookrunner.

The loan will be used to refinance the carrier's US$500m sukuk that matured on November 26.

Flydubai was last in the syndicated loan market in November 2013 when it signed a US$228m loan.

UK

KENNEDY WILSON GETS SONIA LOAN

Global real estate investor **KENNEDY WILSON** has agreed a loan referencing the sterling overnight index average risk-free rate.

EMEA LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	197	41,888.74	8.1
2	Credit Agricole	166	38,515.69	7.4
3	UniCredit	139	28,810.22	5.5
4	BofA	75	28,482.34	5.5
5	SG	123	24,735.88	4.8
6	Deutsche Bank	89	23,123.05	4.4
7	JP Morgan	86	21,722.92	4.2
8	Natixis	96	18,781.32	3.6
9	ING	126	18,765.26	3.6
10	Commerzbank	119	18,639.50	3.6
	Total	**764**	**519,996.04**	

Proportional credit

Source: Refinitiv SDC code: R17

The loan is another step on the path to the loan markets' transition from Libor-based rates by the end of 2021.

The financing, which is being provided by Deutsche Bank, was arranged as part of Kennedy Wilson's acquisition of Ditton Park in West London.

This is the first Sonia-based loan for Kennedy Wilson and the first arranged by Deutsche Bank as well as one of the first Sonia-based loans in the real estate sector generally.

Ashurst advised Kennedy Wilson on the financing, after previously acting for NatWest on its inaugural Sonia-based loan for National Express and sustainability-linked Sonia loans for South West Water and SSE.

Kennedy Wilson closed its acquisition of office campus Ditton Park for £41.3m in June 2019.

Ditton Park was previously owned and occupied by Computer Associates, as its UK headquarters, prior to its sale to Broadcom.

SWW RAISES £190m SLL

SOUTH WEST WATER, part of Pennon Group, has raised £190m of sustainable loans, bringing Pennon's total sustainable financing to £845m.

The financing comprises a £50m sustainable CPI-linked loan that helps SWW maintain a proportion of net debt in line with regulator Ofwat's notionally funded company, as part of Ofwat's transition from retail price index to CPI.

There is also a £140m delayed-draw term loan to support SWW's sustainable projects into the next regulatory period.

The financing comes after SWW completed the first Libor to Sonia amendment for a sustainable revolving credit facility that was announced in May.

The amendment allowed Pennon to address documentation and early system changes that will be required ahead of the expected discontinuation of Libor at the end of 2021.

SWW has agreed £85m of new facilities in 2019 including a £25m sustainable RCF.

Pennon helped set up the Sustainable Financing Framework in May 2018 to integrate commitments to environmental and social objectives into a variety of funding opportunities.

The group had raised £655m of sustainable funding up to September 30, including £230m against Pennon's ESG performance, £90m green long-funding lease facilities, £260m from sustainability-linked counterparties and £75m against SWW's bathing targets.

Pennon Group has also agreed a £500m RCF to provide flexible funding during an ongoing strategic review that will look at strategic focus, growth options and capital allocation.

LATIN AMERICA

CHILE

MINERA ESCONDIDA NETS US$500m

Copper mine operator **MINERA ESCONDIDA** has signed a US$500m loan with a club of lenders.

The five-year loan will pay 110bp over Libor.

MUFG was the administrative agent, sole bookrunner and joint lead arranger on the transaction. It committed US$60m to the loan.

Scotiabank and *SMBC* joined as joint lead arrangers with US$60m tickets each. *Export Development Canada* and *Santander* are mandated lead arrangers with US$50m contributions.

BBVA, *BNP Paribas*, *Credit Agricole*, *KfW* and *Mizuho* committed US$44m apiece as arrangers.

Proceeds will go toward general corporate purposes.

Minera Escondida owns and operates the Escondida copper mine in Chile's Atacama desert.

Anglo-Australian mining company BHP owns 57.5% of the Chilean company, while fellow miner Rio Tinto holds a 30% share. Japanese company JECO Corp, a joint venture established between conglomerates Mitsubishi and Nippon Mining & Metals Co, hold the remaining 12.5%.

LEVERAGED LOANS

UNITED STATES

WCG EYES US$1.39bn DEAL

Clinical research company **WIRB-COPERNICUS GROUP** has lined up US$1.39bn in debt to support the company's acquisition by private equity firm Leonard Green & Partners.

The debt comprises a US$920m first-lien term loan B, a US$345m second-lien term loan that will be privately placed, and a US$125m revolving credit facility.

Barclays, *Morgan Stanley*, *Goldman Sachs*, *BMO Capital Markets*, *Golub Capital* and *HSBC* are arranging the transaction. Barclays is also administrative agent.

A bank meeting to discuss the financing will take place on Monday.

Leonard Green, in partnership with Arsenal Capital Partners and Novo Holdings, agreed to recapitalise WCG for an undisclosed amount.

Barclays was also financial adviser to Leonard Green.

Private aviation business **ONESKY FLIGHT** has set terms for a US$425m first-lien term loan B.

The seven-year TLB is being offered at 625bp-650bp over Libor with a 1% floor, 98 OID and 101 soft call protection for 12 months.

Proceeds will refinance debt, purchase leased aircraft and add cash to the company's balance sheet.

Debt to Ebitda is 6.5 times and this is expected to decline to 4.8 times by 2022, according to Fitch.

OneSky is rated B2 by Moody's and B by Fitch. The first-lien TLB is rated B+ by Fitch.

Jefferies, *CIBC* and *Guggenheim* are coordinating the deal.

CAMBREX SEALS LBO DEAL

Pharmaceuticals services company **CAMBREX** has finalised the terms on a dual-currency financing that will back the company's acquisition by Permira.

The debt finalised as a US$710m first-lien Term Loan B that was reduced from US$875m.

Cambrex opted to raise the outstanding US$165m as a euro-denominated first-lien loan.

The seven-year dollar tranche priced at 500bp over Libor with a 1% floor, 98 OID and 101 soft call protection for 12 months.

Pricing terms were initially floated at 450bp-475bp over Libor, a 99 OID and 101 soft call protection for six months.

The euro-denominated, seven-year portion cleared at 525bp over Euribor with a 0% floor and 98 OID.

Cambrex's second-lien term loan was shifted to a US$175m tranche from US$250m.

Pricing on the second-lien dollar loan finalised at 900bp over Libor with a 1% floor, 98 OID and 102, 101 hard call protection in years one and two of the eight-year loan. The second-lien loan was originally guided at a range of 850bp-875bp with a 98.5 OID.

The company carved out the US$75m into a second-lien, euro-denominated term loan. This loan also priced at 900bp over Euribor with a 0% floor, 98 OID and 102, 101 hard call protection for the first two years of the eight-year loan.

Cracks appear in the private debt market

US MIDDLE MARKET Many BDCs reported lower yields for Q3

A large number of business development companies reporting earnings on the third quarter of the year saw their net asset value per share drop as a declining Libor rate and underperforming credits take their toll on middle market lenders.

The NAV of 83% of BDCs in the US deteriorated in the third quarter, according to BDC Collateral, continuing a similar downward trend from the second quarter.

Driving the decline is the US Federal Reserve's decision to cut rates three times this year, a dramatic pivot from the rising interest-rate policy in effect this time last year. In October, the base rate was cut to 1.5%-1.75%.

Because the loans that BDCs provide to middle market companies are floating rate, the cut in the base rate has put pressure on yields. Libor, for instance, is 1.9% today, down from 2.8% in December.

As rates climbed in 2018 spreads in the middle market tightened, but even as rates came down this year, spreads have not widened to compensate. As a result, many BDCs reported lower yields for the quarter.

"Libor is non-discriminatory, so its fall will have an impact on BDCs across the board," said Michael Ewald, chief executive officer at Bain Capital Specialty Finance.

LEVERAGE SPIKE

To absorb the declining yields and meet return targets, BDCs have boosted leverage as they focused their investments on first-lien assets – the least risky part of the capital structure for debt investors.

On average leverage levels have gone up the past two quarters after legislation passed last year enabled BDCs to take on more debt.

BDCs' leverage levels were 0.98 times on average, according to data from BDC Collateral, ticking up from 0.94 times recorded in the second quarter. In the first quarter and third quarter of 2018, leveraged was 0.86 times and 0.8 times, respectively.

Market analysts, however, are not too concerned with the spike in leverage, but are bothered by the growing trend of leverage facilities used to meet yield targets, rather than boosting distributions to shareholders.

"If a BDC is generating the same earnings with higher leverage then there is more risk to that entity," said Ryan Lynch, an equity analyst at KBW. "But if this happened three years ago then BDCs wouldn't have had the capacity and we would have seen dividend cuts. We haven't seen that yet."

SOFTENING ECONOMY

Continued declines in NAV per share highlight that the US middle market is not immune to softening across the US economy. While few expect a downturn anytime soon, many are seeing credits underperform.

Non-accruals, which are essentially defaulted loans within the BDC, for the third quarter continued to tick up. In the past three months, non-accruals were 4.08% of portfolio costs, up from 4% in the second quarter and 3.63% in the first quarter, according to BDC Collateral.

While underperforming credits put pressure on BDC portfolios, many are attributing the NAV decline to unique challenges faced by the borrowers, rather than any sector-wide trends.

"It depends on the BDC. Some BDCs have seen non-accruals jump up and it's not surprising NAV came down. But most of our NAV decline can be attributed to idiosyncratic issues," Ewald said. "There are some pockets of cost increases – for instance wage pressure – but it's not something felt across the entire portfolio."

BDCs funding aggressive private equity buy and build strategies have seen their loans underperform as add-on acquisitions fail to perform to expected levels. For analysts this is one sign that a broader slowdown in the US economy is being felt in the middle market and adversely impacting non-bank lenders.

"We're seeing slower revenue and Ebitda growth, and broader economic data have shown some issues," Lynch said. On average, this means certain borrowers are going to have stable growth, but other borrowers are going to have weaker or negative growth, which could increase credit issues across the space."

David Brooke

RBC Capital Markets, *Barclays*, *Societe Generale*, *UBS* and *Mizuho* arranged the deal.

Cambrex agreed to be acquired by investment fund Permira for approximately US$2.4bn, including net debt.

Permira will contribute US$1.382bn in equity to finance the acquisition, which is expected to close in the fourth quarter.

Digital consulting firm AHEAD has obtained US$440m debt from the private-lending market after initially seeking a syndicated financing in September for its merger with Data Blue.

Backed by private equity firm Court Square Capital Partners, Ahead initially tapped the syndicated market for the financing. That loan, also pitched at US$440m, was offered at 450bp-475bp range over Libor with a 0% floor and 99 OID. That financing was subsequently pulled.

The latest US$440m financing packaged was backed by *Varagon*, *Churchill* and *TD Securities*. All three were joint lead arrangers on the deal.

In addition to the merger, Ahead and Data Blue said last month that it was acquiring Sovereign Systems, an Atlanta-based company.

All three companies help businesses make the transition to cloud computing and help develop their digital infrastructure.

The financing is the latest in a trend of private equity borrowers turning away from the broadly syndicated market and to the private lending market for financing needs.

"The significant capacity and deep relationships of direct lenders such as Churchill give private equity sponsors real advantages over broadly syndicated loans," Randy Schwimmer, head of origination at Churchill, said in an email.

US FOODS REPRICES TLB

Food service distributor US FOODS has completed a repricing of its US$2.134bn senior secured Term Loan B.

The TLB priced in line with guidance at 175bp over Libor with a 0% floor, at par, and 101 soft call protection for six months. It amortises at 1% per annum.

Proceeds will reprice the company's existing TLB. It matures in June 2023, the same as the existing deal.

Citigroup was the lead arranger.

In June 2016, US Foods raised the US$2.2bn seven-year term loan at 325bp over Libor.

Corporate and first-lien ratings are Ba3/BB+.

Chemical supplier ELEMENT SOLUTIONS widened the spread on a US$744.4m Term Loan B that will refinance existing debt.

The TLB, which matures in January 2026, priced at 200bp over Libor with a 0% floor versus guidance of 175bp.

The debt was issued at par from guidance of 99.75-par.

Soft call protection will reset at 101 for a further six months.

Barclays and *Credit Suisse* arranged the deal.

Proceeds will refinance and reprice Element Solutions' existing US$734.9m TLB.

Corporate ratings are Ba3/BB- and the first-lien debt is rated Ba2/BB.

Dublin-headquartered global aircraft leasing firm FLY LEASING has repriced its existing US$385m term loan.

The margin on the financing was reduced by 25bp to 175bp over Libor.

The maturity of the financing was also extended by more than two years to August 2025 from February 2023.

Lenders were paid a 0.25% OID for the amendment.

"Fly's strong upward trajectory, combined with its significant deleveraging and recent Standard & Poor's rating upgrade, created the momentum for the successful repricing of Fly's largest debt facility. We anticipate annual cash interest savings of nearly US$1m," Colm Barrington, CEO of Fly, said.

At the end of 2018, the term loan totalled US$407.8m and was secured by 29 aircraft. Royal Bank of Canada led the deal.

Fly is rated BB by S&P and Ba3 by Moody's.

PLAYTIKA SWEETENS TERMS

Israeli mobile gaming company **PLAYTIKA** sweetened terms for investors on a US$2.5bn Term Loan B that will refinance existing debt.

The five-year TLB is now at 600bp over Libor with a 1% floor, 98 OID and 101 soft call protection for 12 months.

Originally, the loan was shopped at 400bp over Libor with a 0% floor, 99 OID and 101 soft call protection for six months.

The TLB will amortise at 5% per year.

Corporate and first-lien ratings are Ba3/B+.

Credit Suisse, *Goldman Sachs* and *UBS* are coordinating the transaction, which will close on Tuesday.

Proceeds will refinance a bridge loan.

In 2016, a consortium comprised of Chinese investors Giant Investment, Yunfeng Capital, China Oceanwide Holdings Group, China Minsheng Trust, CDH China HF Holdings and Hony Capital Fund acquired Playtika from Caesars Interactive Entertainment for US$4.4bn.

Real estate investment trust **ESSENTIAL PROPERTIES** has closed a US$430m unsecured term loan facility.

Pricing is based on a leverage grid that ranges between 150bp-220bp over Libor.

The term loan will mature in November 2026 and contains an up to US$500m accordion feature.

The facility also has a delayed-draw component. Essential Properties can borrow the money when needed before May 2020.

Concurrently, the REIT amended its US$600m unsecured credit facility and voluntarily prepaid US$70.4m in asset-based securities at par plus accrued interest. It also cancelled US$200m in ABS notes purchased in May.

Capital One was joint bookrunner and administrative agent. *SunTrust* and *Mizuho* were joint bookrunners and co-syndication agents. *Chemical Bank* was documentation agent. *United Bank*, *First Horizon Bank*, *Stifel Bank & Trust* and *Associated Bank* were additional lenders.

US LEVERAGED LOANS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BofA	512	95,463.77	11.7
2	JP Morgan	460	79,683.66	9.8
3	Wells Fargo	382	79,024.94	9.7
4	Citigroup	215	39,076.43	4.8
5	Barclays	199	37,276.38	4.6
6	Goldman Sachs	201	35,225.74	4.3
7	Credit Suisse	167	30,814.48	3.8
8	Deutsche Bank	172	27,542.58	3.4
9	RBC	133	24,303.13	3.0
10	PNC Financial	150	21,624.56	2.7
	Total	**1,945**	**812,769.44**	

Excluding Project Finance.

Source: Refinitiv SDC code: P2

EUROPE/MIDDLE EAST/ AFRICA

MFG SEEKS £186m LOAN

Private equity-owned UK petrol station operator **MOTOR FUEL GROUP** is looking to raise an extra £186m-equivalent of leveraged loans to pay a dividend to shareholders.

BNP Paribas is leading the financing.

Clayton, Dubilier & Rice acquired MFG in 2015, and merged it with peer MRH in 2018.

"MFG has performed well over the past 18 months and deleveraged well since its merger with MRH so the shareholders are looking to take some money off of the table," a senior banker said.

The loan will be fungible with MFG's euro term loan B that pays 350bp over Euribor, with a 0% floor.

Private investors keen for capital deployment

EUROPE Competition intensifying for lending opportunities

An ability to deploy capital is a major concern among investors and fund managers as liquidity continues to pile into the private debt market.

The issue emerged at the SuperInvestor conference in Amsterdam this month, which covers private equity with a specific focus on LP/GP relations. The four-day event drew 1,500 participants from private equity firms, limited partners and private lenders to family offices.

"Deployment nowdays is an asset itself," said Frank Meijer, European head of alternative fixed income at Aegon Asset Management.

At the conference, 61% of participants in one of the panels said competition for lending opportunities is their main concern.

With limited deals in the market, investors are struggling to find places that can put all their money to work.

To deploy capital quicker, LPs that invest in private equity funds have increasingly pushed for co-investments, to invest in companies with private equity firms, aiming to generate higher returns and leverage the expertise of private equity in asset selection.

It is unknown how big the co-investment market is, but the conference speakers agreed that LPs are increasingly engaged in them, with some taking a proactive approach to maximise investment opportunities.

"We built up a team, not only to support execution side, but also to be a lot more proactive and methodical in sourcing," said Corentin du Roy, managing director at HarbourVest Partners. He said that each senior member of investment team communicate regularly with private equity firms to increase its chances of securing co-investments.

GOOD SHAPE

While trade war and high asset valuations were mentioned in some conference panels, David Rubenstein, co-founder and co-executive chairman, at Carlyle Group, assured participants the global economy is still in a good shape.

"Right now I don't see a recession happening," the billionaire said, given the low interest rate environment and low unemployment rate globally.

Rubenstein, who discussed topics ranging from Brexit, interest rate cuts, the trade war to unexpected geo-political events in a keynote speech, said capital will continue pile into private equity.

"Some wonder why so much money goes in private equity right now -- people are seeing it as hedging against a recession plus private equity is outperforming," said Rubenstein.

In addition, fewer investment opportunities in public-listed companies means that more attention is turning towards the private market, speakers at the conference said.

"Companies don't need to IPO, they can raise cash in private market," said Helen Steers, head of European investment team at Pantheon. "And investors realise they can't miss out on the private market."

Prudence Ho, Kerstin Kubanek

Banks get set for LGC's £1.4bn buyout loan

EUROPE Financing will launch for syndication in January

Banks are lining up to provide about £1.4bn of debt to back the acquisition of life sciences tools company LGC by a private equity consortium led by European firms Cinven and Astorg, but high leverage on the loan is preventing some banks from getting involved.

A number of banks are expected to be appointed including *HSBC*, *KKR Capital Markets*, *Morgan Stanley*, *Nomura* and *BNP Paribas*.

The financing is expected to total around 8.0 times LGC's approximate £165m-£170m Ebitda and will consist of first-lien loans and subordinated debt either in the form of second-lien loans or mezzanine-like cash-pay and PIK.

While the financing is highly leveraged, the company is a well-known, well-liked credit in Europe's leveraged loan market and is expected to be well received.

"LGC is awesome. Every bank will want a piece of it," a syndicate head said when the company was up for sale.

The financing will be not too dissimilar to a staple financing offered by JP Morgan, HSBC and KKR Capital Markets during a competitive auction process, when KKR looked to sell the company to an array of bidders.

While JP Morgan was on the staple, the bank is not expected to underwrite the buyout financing.

A number of bankers site leverage will approach levels closer to 8.5-9.0 times.

While it is acknowledged that the company can justifiably take such high leverage, given it is highly cash generative, delevers quickly, is backed with a large equity cheque and is in a strong sector, some banks have been prevented from doing it from a regulatory standpoint.

In the US, regulators introduced lending guidelines in 2013 to curb loans leveraged above six times debt to Ebitda.

"It is disappointing as it is a great deal but at those levels it just cannot get the nod internally," a senior banker said.

A second senior banker added: "US banks regulated by the Fed could find it tricky to do LGC given the leverage levels. However, there is a load of equity behind it, it is a very strong cash-generating business that delevers well and is arguably in the best sector. Every comp in the sector is well supported."

The financing will launch for syndication in January, providing some relief to investors and bankers fearful that the pipeline for 2020 is rather sparse.

"This will be a good one to kick off the year," another senior banker said.

SHOPPING SPREE

New York-based private equity firm KKR bought LGC from Bridgepoint in 2015 for about £650m and helped the company grow through a string of acquisitions.

While Cinven has a focus on the pharmaceuticals and life sciences industry, Astorg has interests across software, healthcare, business-to-business, and technology-based industrial companies.

LGC last tapped the loan market in July 2019 when it raised an incremental €210m-equivalent leveraged loan to fund upcoming acquisitions. KKR was sole arranger of the loans, with Wilmington Trust acting as agent.

After that, LGC's complete capital structure comprised a US$420m TLB paying 350bp over Libor; a €490m TLB paying 325bp over Euribor; a €115m TLB paying 400bp over Euribor; a €145m second-lien paying 650bp over Euribor; and a US$105m second-lien paying 675bp over Libor. There was also a £50m revolving credit facility.

LGC previously had sterling loans but they were removed from the capital structure when LGC sold a business in the UK that generated most of its sterling cashflow.

Claire Ruckin

The new money will be offered with a 25bp OID at 99.75, while existing lenders will be offered a 25bp consent fee for approving a majority lender waiver, to enable the dividend to go ahead.

The 2018 merger between MFG and MRH was backed with a £700m TLB, paying 450bp over Libor and a €565.44m TLB, paying 350bp over Euribor, as well as a £230m-equivalent RCF and £50m-equivalent letter of credit.

MFG is the UK's second-largest independent fuel retailer.

ZENTIVA RINGS CHANGES

Generic pharmaceuticals manufacturer ZENTIVA has revised terms on a €470m term loan as part of wider €560m financing to back the acquisition of central and eastern European peer Alvogen.

The 2025 loan priced at 400bp over Euribor with a 0% floor and a 97 OID. It now includes a margin ratchet holiday for two financial quarters from the closing date of the loan.

It was guided to pay 400bp with a 99.5 OID, in line with Zentiva's existing loans.

The covenant-lite loan now also has a ticking fee, to pay 50% of the margin between 46 to 75 days and the full margin after 76 days. It includes 101 soft call protection for six months.

The financing also includes a €70m pre-placed second-lien loan and a €20m revolving credit facility. The second-lien loan will mature in September 2026, while the RCF will mature in March 2025.

Goldman Sachs, *Jefferies* and *Morgan Stanley* were physical bookrunners on the transaction.

Pro forma leverage will be 4.8 times through the senior and 6.1 times in total.

Corporate ratings are B3/B, while the TLB is B2/B, with a recovery rating of 3.

Zentiva raised €880m-equivalent of euro and sterling loans in 2018 to back Advent's €1.9bn acquisition of Zentiva from French healthcare group Sanofi.

That financing comprised €680m and £175m seven-year Term Loan Bs, which priced at 400bp and 475bp respectively, as well as a €275m eight-year second-lien loan.

OVH ALLOCATES TLB

French cloud computing company OVH has allocated a €400m term loan B.

The seven-year first-lien covenant-lite loan priced at 325bp over Euribor, the tight end of 325bp-350bp guidance range, with a 0% floor and a 99.5 OID.

The deal includes 101 soft-call protection for six months. Proceeds will be used to refinance debt, repay preference shares and for general corporate purposes.

BNP Paribas and *JP Morgan* were physical bookrunners, while *Credit Agricole*, *HSBC* and *Societe Generale* were arrangers and bookrunners.

The issuer last tapped the loan market in June 2017 when it received a €400m five-year revolving credit facility to back its global expansion plans.

ALL3MEDIA REPRICES

UK-based TV show producer ALL3MEDIA has shaved off 25bp on a €405m term loan B it raised six months ago.

The first-lien secured term loan, which will mature in May 2026, priced at 350bp over Euribor with a 0% floor and at par. The OID was guided at 99.875-par.

The repricing will include 101 soft-call for six months. Corporate ratings are B2/B.

JP Morgan and *NatWest Markets* were physical bookrunners, while *Bank of America*, *Barclays* and *Scotiabank* were bookrunners.

All3Media wrapped the €405m refinancing in May with a margin of 375bp.

All3Media is the largest independent television producer in the UK and Germany with an established and growing presence in the US. Its programmes include The Only Way is Essex, Horrible Histories, Call The Midwife and Gogglebox.

HYPERION TIGHTENS OID

UK-based **HYPERION INSURANCE GROUP** has tightened the OID on a US$100m incremental term loan B.

The fungible debt was issued at a 99.5 OID after being guided at 99.

Pricing remained at 350bp over Libor with a 1% floor and 101 soft-call protection will be reset for a further six months.

The TLB matures in December 2024.

Consenting lenders will pick up a 25bp fee.

Morgan Stanley, *Barclays*, *JP Morgan* and *RBC* were lead arrangers and bookrunners. *HSBC and Lloyds* were lead arrangers.

Corporate ratings and facility ratings are B2/B.

Hyperion is also amending its US$1.18bn TLB, €245.7m TLB and £125m revolving credit facility.

Proceeds will fund the company's locked account and pay fees and expenses related to the transaction.

In December 2017, the company raised US$1.33bn in crossborder, seven-year debt.

AMEOS SEEKS €100m ADD-ON

Swiss private hospital group **AMEOS** has launched a €100m add-on that will finance acquisitions and repay revolving credit facility drawings.

The loan, which is fungible to its existing term loan, is guided at 350bp over Euribor with a 0% floor.

JP Morgan is sole bookrunner and admin agent.

The firm last tapped the loan market in May 2017 when it raised €450m at 350bp over Euribor, with a 0% floor and a 99.75 OID.

That deal, which also included a €75m six-year revolving credit facility, was used to refinance existing debt and repay shareholder funding.

ACTION WRAPS €625m ADD-ON

3i-owned Dutch discount retailer **ACTION** has completed a €625m add-on loan that will be used to fund a dividend to shareholders.

The seven-year covenant-lite Term Loan B was issued at par, tightened from 99.5 OID guidance at launch. The margin remains unchanged at 375bp over Euribor, with a 0% floor.

The new financing is expected to re-lever Action to just inside 5.0 times, from approximately 3.6 times.

S&P and Moody's corporate and facility ratings are B+/B1, with stable outlooks.

ABN Amro, *BNP Paribas*, *Deutsche Bank*, *ING*, *Natixis*, *Rabobank* and *Barclays* were joint bookrunners.

The transaction is part of a plan to restructure 3i's investment in Action because its EuroFund V is approaching the end of its life.

EFV's investment in Action will be sold to 3i's new managed entities, 3i 2020 co-investment vehicles. A number of LP investors in EFV have decided to reinvest in the new vehicles. The restructuring fund is scheduled to close in early January 2020.

Prior to the fund restructuring, a total distribution of €745m will be paid to all existing Action shareholders through the add-on term loan and surplus cash in the business.

3i intends to reinvest its share of these proceeds back into Action.

The Action investment has brought a strong return to the private equity firm as the restructuring values Action at an enterprise value of €10.25bn, representing 31.3x 3i's original investment in 2011.

Action was last in the market in February 2018 when it priced a €2.285bn term loan at 350bp over Euribor, at par. The loan was used to refinance a €1.6bn loan and pay a €760m dividend to shareholders.

Excluding the current transaction, the firm paid out more than €2bn in dividends to shareholders over the past eight years due to strong performance and rapid deleveraging.

In the first ten months this year, Action generated strong like-for-like sales growth of 5.6% and opened 148 new stores, taking its total to 1,473 across seven countries.

Direct lenders take on TLB sector with stretched funds

■ EUROPE Private debt competition pushes players into competing for senior debt

An increasing number of direct lenders are launching a new generation of stretched senior debt funds that will compete with the syndicated Term Loan B market as they diversify strategies in a bid to put more money to work.

Direct lenders have identified an opportunity to replace syndicated loans with stretched senior lines, which are similar to first out-second out unitranches that saw banks and debt funds team up.

However, a stretched senior loan is provided by only one lender -- a private debt fund. In these deals, the overall blended interest rate for the borrower is cut to 350bp-500bp, a similar pricing level to syndicated loans and less expensive than unitranches, which usually price at 550bp-650bp.

While a stretched senior structure is not new as direct lenders have offered them in the past, due to the relatively low yield of 3.5%-5% it was considered as a complement to unitranche lending, rather than a strategy in its own right.

Despite significantly lower yields, competition in the private debt market has forced fund managers and investors to compete for senior debt, including Ares Asset Management, Hayfin, Pemberton and Arcmont, the former credit arm of BlueBay Asset Management.

"Funds want to deploy more money, but there is currently a mismatch between demand and supply in the market, which is why they are pursuing different strategies," Faisal Ramzan, partner at Proskauer Rose said.

Stretched senior funds are also gaining appeal as investors become more cautious about lending to companies in the current credit cycle and are happy to accept lower yields for lower risk.

At the SuperInvest 2019 conference, which was held in Amsterdam this month, 56% of attendees surveyed said that senior debt would provide the best risk-reward ratio of all direct lending strategies.

RISKY BUSINESS

European banks' have been limited by regulation forcing them to withdraw more and more frequently from mid-market transactions. New capital requirements implemented by EU law have turned mid-market lending into a risky business for banks because of capital reserves they have to put aside on a risk adjusted basis.

Direct lenders can be more flexible and give borrowers access to far more capital than they would historically have had access to.

"There are usually eight banks involved in a syndicated loan deal. Sometimes there are seven banks available and one partner is missing. In that case a private debt fund has the chance to operate as the eighth lender," Robert von Finckenstein, managing partner at Alantra Germany said.

A senior market participant said: "The origination of a private debt deal is very time consuming and cost intensive. Therefore, funds are reluctant to lose it (to the TLB market) and would consider a stretched senior loan as an opportunity to eventually participate."

Kerstin Kubanek

EUROPEAN LEVERAGED LOANS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	50	11,841.87	9.3
2	BNP Paribas	66	10,477.94	8.3
3	Goldman Sachs	43	8,846.10	7.0
4	Credit Agricole	44	8,179.05	6.4
5	Deutsche Bank	43	6,818.06	5.4
6	Barclays	36	5,796.26	4.6
7	Natixis	35	5,560.88	4.4
8	Credit Suisse	27	5,041.72	4.0
9	BofA	24	4,887.73	3.9
10	HSBC	31	4,628.93	3.6
	Total	**194**	**126,895.72**	

Excluding project finance. Western Europe only included.

Source: Refinitiv SDC code: P10

ASIA-PACIFIC

HEALTHE CARE PRICE TALK EMERGES

Price talk has emerged for the combined A$735m multi-tranche financing from Healthe Care Australia's subsidiaries.

HEALTHE CARE SURGICAL, which operates hospitals and day surgeries, is offering opening interest margins of 425bp over BBSY for a A$245m five-year senior tranche and 10.5% for a A$80m mezzanine piece.

HEALTHE CARE SPECIALTY, which operates mental health and rehabilitation hospitals as well as oncology and cardiology centres, is offering opening margins of 425bp over BBSY for a A$285m five-year first lien term loan and 800bp over BBSY for A$105m 5.5-year second lien term loan. The financing 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.

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.

Healthe Care operates 34 private hospitals and facilities across Australia and New Zealand with more than 2,500 hospital beds.

BGH, OTPP SEEK FOR ABANO BUY

Private equity firm BGH Capital and Ontario Teachers' Pension Plan Board have mandated *Royal Bank of Canada* to arrange a loan backing the pair's planned acquisition of healthcare and medical services provider Abano Healthcare Group.

Abano entered into an agreement under which ADAMS NZ BIDCO, an entity owned by BGH Capital and OTPP, will acquire 100% of fully paid shares in Abano for NZ$5.70 a share.

The scheme is subject to approvals from Abano shareholders, the New Zealand High Court, Overseas Investment Office and Australian Foreign Investment Review Board.

NZX-listed Abano is a dental care group with more than NZ$345m (US$221.6m) of annualised gross revenue.

RESTRUCTURING

UNITED STATES

BUMBLE BEE GETS DIP APPROVAL

Canned foods company BUMBLE BEE FOODS has received approval to access US$280m in debtor-in-possession financing.

The DIP financing comprises a US$200m asset-based loan, which includes the roll-up of approximately US$192.4m in outstanding pre-petition ABL debt, and an US$80m delayed-draw term loan.

Wells Fargo is the ABL DIP lender, while *Brookfield* and *TCW Asset Management* are term loan DIP lenders. Brookfield is also term loan DIP agent.

Bumble Bee filed for Chapter 11 protection on November 20.

AlixPartners, Paul Weiss and Young Conway are advising the company.

Bumble Bee's Canadian affiliate, Connors Bros Clover Leaf Seafoods Company, has appointed Alvarez & Marsal to oversee proceedings in Canada.

The company has already agreed to sell its assets to affiliates of FCF Co for US$925m.

Bumble Bee is filing a bid procedure and sale motion with the court, and FCF will be the "stalking horse" purchaser for the sale process.

Lion Capital acquired Bumble Bee in 2010 for US$980m.

EUROPE/MIDDLE EAST/ AFRICA

DONCASTERS MOVES ON

UK engineering group DONCASTERS GROUP has entered into a lock-up agreement with a significant majority of its first-lien and second-lien lenders to implement a debt for equity restructuring.

Following the completion of the restructuring, which is expected in the first quarter of 2020, DGL's senior lenders will take ownership of the company.

A group of funds including CVC, Carlyle, Brigade, Barings and CSAM, which bought into DGL's US$615m first-lien loan in Europe's secondary loan market, formed an ad hoc group earlier this year and hired financial restructuring advisers PJT Partners and legal advisers Latham & Watkins.

As well as the first-lien loan that matures in March 2020, there is a US$290m second-lien loan maturing in September 2020 and a US$153m ABL facility from banks including Bank of America, Credit Suisse, Royal Bank of Scotland and Wells Fargo that matures in January 2020.

The final restructuring deal will also see a reduction in the bank debt of its operating subsidiaries and the provision of new liquidity facilities.

As part of its turnaround plan, the company appointed Deloitte to help it sell a number of its assets to pay down the debt. These disposals have included its Doncasters USA Fabrications division, Doncasters SETTAS, Belgium, its UK Fabrications division in Sheffield and Shrewsbury, Doncasters Blaenavon, Pontypool and Doncasters Precision Castings, Sheffield.

The deal will be implemented via a UK scheme of arrangement.

Doncasters is the remaining asset of DIC, which acquired Doncasters in 2006, and has ceased trading after finalising its own US$1bn debt restructuring in May this year.

SURVITEC ENTERS LOCK-UP

UK safety and survival equipment maker SURVITEC, which is owned by Canadian private equity firm Onex, has entered a lock-up agreement with the majority of its lenders to support a debt restructuring.

Under the terms of the debt-for-equity deal, Survitec's debt will be reduced by 80%, with lenders committing a new money facility of £75m that will be used to fund the management team's business improvement programme.

M&G Investments and Searchlight Capital Partners will each hold at least 30% of Survitec's equity following the implementation of the deal, which will be done via a scheme of arrangement if a 100% consensual agreement can not be reached.

Final closing of the restructuring is expected before the end of January, subject to regulatory approvals.

Survitec, which makes equipment ranging from lifejackets to anti-gravity suits, was acquired in 2015 by Onex from private equity firm Warburg Pincus in a £450m deal.

The deal was backed by a £300m-equivalent debt package that included a £250m term loan.

Survitec/Onex hired Houlihan Lokey to advise on the restructuring, while the lenders hired Moelis.

FRONT STORY AUSTRALIA

Suitor inconveniences Caltex

› Property spin-off in doubt after Canadian takeover approach emerges

CALTEX AUSTRALIA is offering to spin off its freehold retail sites as it grapples with an unsolicited A$8.6bn (US$5.8bn) takeover proposal from Canadian convenience store operator Alimentation Couche-Tard, known in Asia for its Circle K shops.

ASX-listed Caltex last Monday announced the plan to spin off 250 sites, or half of its retail network, via a listed property trust in the first half of 2020.

Analysts say the IPO, in which Caltex will sell up to a 49% interest, could raise about A$900m–$1.1bn.

Left unsaid – until a further announcement the next day in response to media reports – was that Caltex had previously received an "unsolicited, conditional, confidential, non-binding and indicative" takeover proposal from ACT.

In response, the Canadian suitor confirmed that it had approached Caltex twice, first on October 11 and again on November 18, when it offered to pay A$34.50 per share in cash to acquire 100% of Caltex, putting an enterprise value of around A$10bn on the Australian company. It owns around 2% of Caltex's.

ACT's proposal, however, comes with the condition that the target cannot undertake "material asset sales, divestments or similar transactions including its planned property IPO".

Caltex said it had rejected ACT's first approach (at A$32 per share) as inadequate, but that its board was considering the second one, while insisting that the decision to undertake the IPO was not related to the Canadian offer.

Mark Taylor, senior equity analysts at Morningstar, concurred. "I suspect they may have felt that they are undervalued and the value of service stations was not being recognised, and so there is a need to rectify that situation," he said.

According to him, the A$34.50 per share offered by ACT is "still too low to seriously tempt the Caltex board". That price is 15.8% above Caltex's closing price last Monday.

Following the news, investors bid Caltex shares only slightly above that level. The stock closed at A$34.56 on Friday, up 24.5% for the week.

IPO BOOST

An IPO of Caltex's freehold sites would be a boost for Australia's IPO market, which has failed to see a sizable listing so far this year.

Analysts believe the proposed IPO, if it goes ahead, would be well received as it would unlock the value of the retail assets and probably benefit from a strong REIT market.

Taylor at Morningstar estimates the IPO will release A$400m–$600m of real estate value for Caltex.

"The retail business has been under pressure in intense competition. Maybe it's easier to get value recognition by reminding people of their land value," Taylor said.

Caltex said it will enter into long-term lease agreements for each service station in the REIT, making up to A$100m of rental payments in the first year.

ACT operates a network of more than 16,000 convenience stores and service stations worldwide. This includes 2,250 stores under the Circle K banner via a licensing agreement in 16 countries, including China, Hong Kong, Indonesia, Saudi Arabia and Vietnam.

Caltex has appointed *UBS* as lead manager for the planned property trust float. *Goldman Sachs* is advising ACT.

Candy Chan

Aramco IPO well covered as retail tranche wraps up

› Potentially largest-ever IPO has US$45bn of demand

Oil giant SAUDI ARAMCO has achieved nearly two times coverage on the full IPO size at the top of the range with days left to go.

Aramco said on Friday that total institutional bids and retail subscription had totalled SR166bn (US$45.2bn), well in excess of the SR90bn-SR96bn Tadawul IPO target.

Total institutional orders amounted to SR118.9bn, compared to a tranche size of SR60bn-SR64bn. The subscription update did not comment on price sensitivity in the book.

Shares are offered in a price range of SR30-32, representing a market capitalisation of US$1.6trn-$1.7trn. The Saudi government is offering 1.5% of Aramco in the IPO, with one-third reserved for retail investors.

The retail offering concluded on Thursday, while books close for institutions on December 5. A trading date is yet to be communicated.

Retail demand totalled SR47.4bn, following a 46% increase in orders of the final day of bookbuilding.

A banker involved in the deal predicted the last-minute surge in demand, as it is typical investor behaviour in the region and most Saudis receive their salaries at the end of the month.

The retail portion was 1.5 times covered at the top of the range, with orders from 4.9m individual investors.

Saudi corporates have contributed 54% of institutional orders so far, 24.1% have come from Saudi funds and 11.1% from Saudi government-related entities and 0.3% from others. Just 10.5% of demand is from non-Saudi investors, including GCC demand.

The SR2.47bn IPO for Arabian Centres in May saw similar late order flow from local investors, but had low 6% retail take-up, from 26,476 subscribers. The IPO was 1.1 times covered including the greenshoe, with just 16.7% international demand.

Global coordinators on Aramco are *Bank of America, Citigroup, Credit Suisse, Goldman Sachs, HSBC, JP Morgan, Morgan Stanley, NCB Capital* and *Samba Capital*.

Domestic bookrunners are *Al Rajhi Capital, EFG Hermes, GIB Capital, Riyad Capital* and *Saudi Fransi Capital*.

Foreign bookrunners are *BNP Paribas, BOCI Asia, Credit Agricole, Deutsche Bank, First Abu Dhabi Bank, Mizuho International, RBC Europe, Santander, SMBC Nikko Capital Markets, Societe Generale* and *UBS*.

Lazard, M Klein & Co and *Moelis & Co* are advising.

Lucy Raitano

ASIA-PACIFIC

AUSTRALIA

SHAREHOLDERS SELL MORE IN TYRO IPO

Existing shareholders in electronic funds transfer company **TYRO PAYMENTS** have decided to sell more shares in its ASX IPO, bringing the deal size to up to A$287.1m (US$195m).

The IPO of primary and secondary shares is now expected to raise A$272.4m–$287.1m, up from the original A$241m–$253m. The indicative price range of A$2.50–$2.75 is unchanged.

Some existing shareholders will sell 12.5m additional shares in the offer, together with shareholders Tiger Global, David Fite and Hans-Josef Stollmann, who originally planned to sell 46.4m shares combined. Secondary raisings represent about A$147.2m–$162.1m.

The primary shares will raise about A$125m and the final number on offer, in an indicative range of 45.5m–50.1m shares, will be determined at final pricing.

The price range values the company at a forecast 2020 EV/gross profit of 10.9 times to 12 times and an enterprise value of A$1.08bn–$1.2bn with an indicative market capitalisation of A$1.25bn–$1.36bn.

A number of cornerstone institutional investors have committed A$140m of shares.

Indicative orders from institutional investors, together with cornerstone demand, covered the book at the top of the pricing range.

Bookbuilding will run from December 3 to 4. Pricing will be announced on December 5 and the shares will begin trading on December 6.

Tyro is Australia's fifth-largest provider of electronic fund transfers at points of sale or terminals, behind the four major banks. It launched an online and mobile application payments system in 2019 as part of a plan to shift to software from hardware.

It posted a loss of A$18.3m for the year ended June 30, wider than A$16.3m a year earlier.

JP Morgan and *Morgan Stanley* are working on the float.

ATLAS ARTERIA COMPLETES INSTO RAISING

Toll road operator **ATLAS ARTERIA** has completed the institutional portion of an entitlement offer and underwritten placement of an overall A$1.35bn (US$917m) equity raising.

There was a 95% take-up for the institutional entitlement offer. The shortfall attracted strong demand from both existing and new shareholders and was oversubscribed.

The placement received strong demand from new and existing institutional investors, both from Australia and offshore, and was also oversubscribed.

The company is raising A$898m from the 4-for-12 entitlement offer and has raised A$452m from the underwritten placement. About 196m new shares are on offer at A$6.90 per share, representing a discount of 9.7% to the pre-deal close.

The retail entitlement offer runs from November 28 to December 9.

Morgan Stanley and *UBS* are bookrunners and underwriters.

BOQ COMPLETES PLACEMENT

BANK OF QUEENSLAND has completed an A$250m (US$169m) institutional share placement to strengthen its balance sheet.

The bank sold 32.1m new shares at A$7.78, or a 10% discount to the pre-deal close of A$8.64 on November 22.

It had marketed 32.1m–32.5m shares in an A$7.69–$7.78 price range.

Additionally, the bank is aiming to raise A$25m through a share purchase plan allowing shareholders to apply for up to A$30,000 of shares from December 3–20.

The bank said the proceeds from the fundraising will increase its buffer above the Australian Prudential Regulation Authority's "unquestionably strong" common equity Tier 1 capital ratio benchmark and give it additional capacity to implement its priorities.

The offer is expected to add about 80bp–88bp to the bank's level 2 CET1 ratio, which was 9.04% at the end of the 2019 fiscal year.

Goldman Sachs is lead manager and bookrunner.

ASIA-PACIFIC EQUITIES

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	81	14,965.98	8.1
2	Goldman Sachs	57	11,090.82	6.0
3	JP Morgan	51	10,719.72	5.8
4	UBS	72	10,242.28	5.6
5	CICC	58	10,116.34	5.5
6	Citic	55	8,702.94	4.7
7	Citigroup	61	8,555.89	4.6
8	Credit Suisse	54	6,609.11	3.6
9	BofA	30	6,243.58	3.4
10	HSBC	24	5,378.11	2.9
	Total	**1,913**	**184,373.44**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4a1

CHINA

BOOKS COVERED FOR CMC REIT'S IPO

Books are covered for **CHINA MERCHANTS COMMERCIAL REAL ESTATE INVESTMENT TRUST**'s Hong Kong IPO of up to HK$3bn (US$383m), according to a person close to the deal.

CMC REIT is selling 750m primary units at HK$3.42–$4.00 each, or a 2020 forecast yield of 5.9%–6.9%.

The first REIT IPO in six years in Hong Kong is attracting investors with a potentially higher yield than that offered by its competitors. Hong Kong-listed Yuexiu REIT, the closest comparable, was trading at a forecast yield of around 6%.

Pricing is scheduled on December 3.

Citigroup is the sole listing agent and *China Merchants Securities* is financial adviser. The two banks are also joint global coordinators with *DBS*.

Hong Kong investors have not taken to REITs as they typically prefer high-growth stocks, and only 11 have been listed in the city since the structure was first allowed in 2005. Spring REIT's HK$1.67bn listing in December 2013 was the last one.

The CMC REIT, owned by Shenzhen-listed China Merchants Shekou Industrial Zone, comprises four office buildings and one shopping centre in Shekou, Shenzhen.

The REIT posted profit and comprehensive income of Rmb392m for the first half of 2019, down 50% year-on-year mainly because of a significant drop in fair value changes on investment properties.

NONGFU SPRING PLANS HK IPO

NONGFU SPRING, one of China's biggest bottled water and beverage companies, is working with *CICC* and *Morgan Stanley* on a Hong Kong IPO of at least US$1bn next year, said people close to the deal.

ASIA-PACIFIC EQUITIES (EX-JAPAN)

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	61	12,372.35	7.4
2	CICC	58	10,116.34	6.1
3	UBS	70	10,095.25	6.1
4	Goldman Sachs	52	10,038.44	6.0
5	JP Morgan	50	9,922.61	6.0
6	Citic	55	8,702.94	5.2
7	Citigroup	58	8,381.65	5.0
8	Credit Suisse	52	6,331.19	3.8
9	BofA	26	5,388.38	3.2
10	HSBC	24	5,378.11	3.2
	Total	**1,782**	**166,538.21**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4a2

The company recently started preparing for the IPO after giving up on its plan to list on the A-share market.

According to an announcement by the Zhejiang bureau of the China Securities Regulatory Commission in January, Nongfu Spring terminated an IPO tutorial agreement with Citic Securities in December 2018.

BOOKS COVERED FOR VENUS MEDTECH IPO

The books are covered for the up to HK$2.6bn (US$331m) **VENUS MEDTECH (HANGZHOU)** Hong Kong IPO, people close to the deal have said.

Heart valve replacement developer Venus Medtech is selling 78.5m primary shares, a 20% free-float, in an indicative range of HK$29–$33 per share.

The price range represents an implied market capitalisation of US$1.46bn–$1.66bn.

The company has brought in five cornerstone investors to take up a combined US$130m of shares – Hillhouse (US$50m), GIC (US$30m), Aspex Master Fund (US$20m), Cephei Fund (US$20m) and China Alpha (US$10m).

There is a 15% greenshoe.

The deal will be priced on December 3 and the shares are due to begin trading on December 10.

Venus posted a loss of Rmb138m (US$19.6m) for the five months ended May 31 2019 on revenues of Rmb86m, compared with a loss of Rmb51m over the same period in 2018. Its full-year 2018 loss was Rmb261m.

CICC, China Merchants Securities, Credit Suisse and *Goldman Sachs* are the joint sponsors.

BOC CLEARS SHANGHAI IPO HEARING

BOC INTERNATIONAL (CHINA) has cleared a Chinese Securities Regulatory Commission hearing for a proposed Shanghai IPO.

The investment bank still needs final written approval from the CSRC to proceed with the deal.

Bank of China holds 37.1% of the bank's total share capital of 2.5bn shares.

The investment bank plans to sell not more than 25% of its enlarged capital in the IPO. Proceeds will be used to replenish working capital and for business expansion.

BOC International (China) was founded in 2002. It is jointly controlled by BOC International Holdings and five other large Chinese enterprises – China National Petroleum, State Development and Investment Corporation, Hongta Tobacco Group, China General Technology (Group) Holding, and Shanghai State-owned Assets Operation Corporation.

The bank is active in investment banking, sales and trading, retail and brokerage, and asset management.

PSBC brings mega IPO

CHINA More than 120 times coverage for retail tranche on US$4bn float

Hong Kong-listed **POSTAL SAVINGS BANK OF CHINA** has wrapped up a Shanghai IPO of Rmb28.4bn (US$4bn) with the retail tranche more than 120 times covered.

China's biggest bank by number of branches attracted orders worth Rmb1.1trn from 8.9 million retail investors. Although the size of the order book was remarkable, 18% fewer retail investors participated in the deal compared with China Zheshang Bank's Rmb12.8bn Shanghai IPO earlier this month.

The less enthusiastic retail participation comes after a few recently listed Chinese lenders traded below water.

Shares of Hong Kong-listed Zheshang Bank, which started trading in Shanghai last Tuesday, closed at Rmb4.70 last Friday, 4.9% below the issue price of Rmb4.94. As of Friday, the A-shares of Shanghai and Hong Kong-listed Chongqing Rural Commercial Bank had also lost 9.6% since listing domestically on October 29.

PSBC's A-shares could trade better than its peers as its IPO includes a rare greenshoe option equal to 15% of the base deal. The Shanghai IPO of China Everbright Bank in 2010 was the last deal to carry such a feature.

PSBC announced that it has over-allocated the greenshoe. This means leads on the deal have a tool to stabilise the share price in the first 30 days after listing.

PSBC sold 5.17bn A-shares for a 6% free-float at Rmb5.50 each, slightly higher than the net asset value per share of Rmb5.49 as of June.

About 40% of the shares were sold to strategic investors and the remaining ones were split 34%/66% between institutional and retail investors.

The strategic investor tranche and 70% of the institutional tranche have lock-up periods of 12 months and six months, respectively.

The Shanghai listing will be the largest IPO in China since Guotai Junan's Rmb30.1bn Shanghai IPO in 2015.

The bank's H-share closed at HK$5.08 last Friday, down 1.2%.

CICC and *China Post Securities* are the joint sponsors and joint bookrunners with *UBS Securities* and *Citic Securities*.

Fiona Lau

Guotai Junan Securities is the sponsor on the IPO and joint bookrunner with *Ping An Securities*.

SPEEDY COVERAGE FOR ALPHAMAB IPO

Biopharmaceuticals company **ALPHAMAB ONCOLOGY** started bookbuilding last Thursday for a Hong Kong IPO of up to HK$1.83bn (US$234m).

The company is selling about 179m primary shares, representing a 20% free-float, in an indicative range of HK$9.10–$10.20 per share.

The range represents an implied market capitalisation of US$1.1bn–$1.2bn.

Books are covered across the range, said people close to the deal.

Seven cornerstone investors will take up a combined US$133m of shares, or about 60% of the deal, based on the mid-point of the price range. They are Matthews Funds (US$28m), OrbiMed Funds (US$20m), Greenwoods (US$20m), Morgan Stanley Asia, as investment manager acting as an agent on behalf of certain discretionary funds (US$15m), Lake Bleu Capital (US$15m), Luye Pharma (US$5m) and Taikang Life (US$30m).

There is a 15% greenshoe.

The deal will price on December 5 and the shares are due to begin trading on December 12.

Established in 2009, the Suzhou-based company specialises in the development of biologics for cancer therapy. It has a pipeline of eight oncology drug candidates.

It posted a loss of Rmb33m (US$4.8m) for the first quarter of this year, wider than Rmb14m for the same period last year. For full-year 2018, it posted a loss of Rmb203m.

CLSA, *Jefferies* and *Morgan Stanley* are the joint sponsors.

CMGE FULLY EXERCISES GREENSHOE

Mobile game publisher **CMGE TECHNOLOGY GROUP** has fully exercised the greenshoe on its Hong Kong IPO, lifting the deal size to HK$1.5bn (US$192m).

An additional 69m shares, or 15% of the base size, were exercised at the offer price of HK$2.83.

The base deal comprised 461m primary shares.

Seven cornerstone investors invested about US$31.7m.

BNP Paribas and *CICC* were the sponsors.

JY GRANDMARK COMPLETES HK IPO

Property developer **JY GRANDMARK** has raised HK$1.26bn (US$161m) from a Hong Kong IPO after pricing it in the lower half of an indicative range.

The company sold 400m primary shares, a 25% free-float, at HK$3.16 per share versus the marketed price range of HK$2.91–$3.63.

The book was multiple times oversubscribed, according to a person close to the deal. Investors included institutional funds, corporates and ultra-high-net-worth buyers.

There is a 15% greenshoe.

The shares are due to begin trading on December 5.

The company, which also provides property management services, mainly develops residential properties in Guangdong and Hainan provinces.

It posted a 2018 profit of Rmb392m (US$56m), up 344% from 2017.

DBS is the sponsor.

RENRUI PRE-MARKETS IPO

RENRUI HUMAN RESOURCES TECHNOLOGY started pre-marketing last Monday for a Hong Kong IPO of about US$150m.

Founded in 2011, the company provides staffing and recruitment services to Chinese companies.

The company is planning to sell about 25% of its enlarged share capital in the IPO, according to a term-sheet.

Books are tentatively set to open on December 2 with pricing on December 6. The shares are due to begin trading on December 13.

The company posted an adjusted profit of Rmb58m (US$8.2m) for the six months to June 30, up 170% from the same period of 2018.

BNP Paribas is the sponsor.

XD OPENS BOOKS FOR HK$1bn IPO

Mobile game developer **XD** has launched a Hong Kong IPO to raise up to HK$1bn (US$128m).

The base deal of 63.6m primary shares, or a 15% free-float, is being marketed at HK$11.10–$15.80, representing a valuation range of US$601m–$856m.

There is a 15% greenshoe.

Four cornerstone investors have committed to a total investment of US$23m: Bytedance (US$10m), miHoYo (US$5m), Lilith Mobile (US$5m) and Nikkigames (US$3m).

The deal will price on December 5 and the shares are due to start trading on December 12.

The company publishes 40 online games and operates game community TapTap in China.

CLSA is the sole sponsor.

CHEN LIN EDUCATION LAUNCHES HK IPO

CHEN LIN EDUCATION GROUP has launched a Hong Kong IPO to raise up to HK$880m (US$112m).

The Jiangxi-based group is selling 250m primary shares, or a 25% free-float, in an indicative price range of HK$2.20–$3.52, representing a market capitalisation of HK$2.2bn–$3.52bn.

There is a 15% greenshoe.

Five cornerstone investors have indicated a combined US$26m interest in the deal – Nanchang State-owned Venture Capital Management (US$7m), Shanghai Ruihai Chuangfeng Industrial Development (US$6.9m), Zhong Bang International (US$6.3m), Sunet Global (US$3.8m) and Feifan Electronic Commerce (US$2m).

Proceeds will be used to build school facilities and infrastructure, repay bank loans, acquire private education institutions and for working capital and general corporate purposes.

The books will be open until December 3. The deal will be priced on December 4 and the shares are due to start trading on December 13.

First Shanghai Group is the sole sponsor.

LIZHI ADDS BANKS TO NASDAQ IPO

Audio streaming company **LIZHI** has added *Haitong International* and *Tiger Brokers* to work alongside lead banks *Credit Suisse* and *Citigroup* on its Nasdaq IPO of US$100m.

WB Online Investment, an affiliate of Weibo, and Green Better, an affiliate of Xiaomi, have each indicated an interest in investing up to US$10m in the IPO.

The Guangzhou-based podcast app operator enables users to set up their own radio programmes and create and upload audio clips. It has 46.6m average active monthly users.

It posted a net loss of Rmb104m (US$14.5m) for the nine months ended September 30, compared with Rmb11.3m a year earlier, and an annual loss of Rmb9.3m last year.

Lizhi FM has completed several rounds of fundraising since it was established in 2013. Its investors include Orchid Asia Group Management, Xiaomi, Shunwei Capital and Matrix Partners China. The last round in early 2018 secured US$50m.

INDIA

POWER GRID HIRES FOUR FOR INVIT IPO

State-owned **POWER GRID CORPORATION OF INDIA** is set to hire *Axis*, *Edelweiss*, *HSBC* and *ICICI Securities* to manage an infrastructure investment trust IPO of up to Rs100bn (US$1.4bn), people with knowledge of the transaction said.

The fee has been fixed at 0.17% of Rs100bn divided equally among the banks.

Citigroup, Credit Suisse, HDFC Securities, IIFL, IDFC, JM Financial, SBI Capital and Yes Securities did not make it.

InvITs can be listed through an IPO or a private placement.

The deal would be the first InvIT from a state-owned company. Currently, India Grid Trust, sponsored by KKR, is the only listed InvIT of power transmission assets.

Power Grid last raised Rs71bn through a follow-on offering in 2013 managed by Citigroup, ICICI Securities, Kotak, SBI Capital and UBS.

SBI CARDS FILES PROSPECTUS

SBI CARDS AND PAYMENT SERVICES has filed the draft prospectus for a Rs80bn–Rs96bn (US$1.12bn–$1.35bn) IPO targeted for the January quarter.

The IPO will comprise a primary issuance of up to Rs5bn and 130.5m secondary shares. State Bank of India will be selling 37.3m shares (4% of current capital) and CA Rover Holdings, an affiliate of Carlyle Asia, 93.2m (10%).

The primary component is smaller than the previously disclosed Rs10bn but the IPO is likely to be bigger than earlier estimates of Rs50bn–Rs80bn. The final size will be subject to valuation at launch.

SBI Cards, India's second-largest credit card company in terms of users, reported revenue of Rs43.6bn in the six months ended September 30 against Rs32.2bn in the same period of 2018. Net profit climbed to Rs7.26bn from Rs3.77bn.

SBI Cards is a joint venture between State Bank of India (76%) and global private equity firm The Carlyle Group (24%).

The deal, if it goes through, will be the first IPO by a credit card company in India.

Axis Bank, *Bank of America*, *HSBC*, *Kotak*, *Nomura* and *SBI Capital* are the lead managers.

JSW CEMENT DEFERS Rs45bn IPO TO 2021

JSW CEMENT has deferred an IPO of up to Rs45bn (US$631m) by a year to 2021 as its planned expansion has been delayed, managing director Parth Jindal said.

The Indian company was planning to expand its installed capacity to 20 million tonnes in 2020 from 14 million currently but the expansion has been delayed by a year.

The IPO will be a combination of primary and secondary shares. The banks on the transaction have not yet been appointed.

JSW Cement is part of the JSW Group, which has interests in the steel, power and infrastructure sectors.

PURANIK FILES FOR UP TO RS10bn IPO

Property developer **PURANIK BUILDERS** has filed the draft prospectus for an IPO of Rs9bn–Rs10bn (US$125m–$139m).

Primary shares totalling Rs8.1bn and 1.86m secondary shares will be sold. Controlling shareholders Puranik Business Private Trust, Puranik Family Private Trust, Gopal Puranik and Ravindra Puranik are the vendors.

The company is targeting a pre-IPO placement of up to Rs2bn and if successful the IPO size will be reduced accordingly.

Puranik posted revenue of Rs1.8bn in the quarter that ended on June 30 2019, up from Rs1.4bn in the same period of 2018. Net profit rose to Rs178m from Rs127m during the same period.

Axis and *Edelweiss* are the lead managers.

Last year the company put the share offer on hold because of weak sentiment towards the real estate sector.

UJJIVAN SFB SETS PRICE RANGE FOR IPO

UJJIVAN SMALL FINANCE BANK has set the price range for a smaller-than-expected IPO of up to Rs7.5bn (US$105m) at Rs36–Rs37 per share, according to a public announcement.

Anchor books for the all-primary deal opened on November 29 and the rest of the offer will run from December 2 to December 4.

The bank was expected to raise Rs9.5bn following a placement of Rs2.5bn in mid-November, in which it sold 71.4m shares at Rs35 each. No reason was given for the reduced target but investor caution towards the finance sector may have prompted the bank to sell fewer shares.

In the draft prospectus filed in August the bank said it planned to raise Rs12bn through the IPO but that it would raise less if it completed the pre-IPO placement of up to Rs3bn.

Ujjivan SFB is a subsidiary of microfinance lender Ujjivan Financial Services, which was listed in 2016.

IIFL Holdings, *JM Financial* and *Kotak* are the banks on the transaction.

Ujjivan SFB reported total income of Rs20bn for the year to March 31 2019 against Rs16bn in 2018, while its net profit rose to Rs2bn from Rs67m over the same period.

CSB BANK TO PRICE IPO AT TOP OF RANGE

CSB BANK is set to price its IPO at Rs195 per share, the top of the Rs193–Rs195 range, for a deal value of Rs4.1bn (US$57m).

The offer was covered 86.93 times when books closed on Tuesday, data on the National Stock Exchange shows. The institutional tranche was covered 62.18 times, the high-net-worth investor tranche 164.68 and retail 44.53.

Primary shares of Rs240m and 19.8m secondary shares are being sold. ICICI Lombard General Insurance, HDFC Life Insurance, ICICI Prudential Life Insurance, Federal Bank, Bridge India Fund, Satellite Multicomm and Way2Wealth Securities were among the vendors.

FIH Mauritius Investments, a subsidiary of Fairfax India Holdings, is the bank's controlling shareholder with a 50% stake. It is not selling shares in the IPO.

CSB, formerly Catholic Syrian Bank, was founded in 1920 and is one of the oldest private sector banks in India. Based in Kerala, it serves customers principally in South India.

The bank had revenue of Rs14.8bn in the financial year ended March 31, up from Rs14.2bn in 2018. Its net loss narrowed to Rs656m from Rs1.2bn.

Axis Capital and *IIFL Securities* are the bookrunners.

INDONESIA

UNICHARM INDONESIA LAUNCHES IPO

UNICHARM INDONESIA has launched an IPO of up to Rp1.5trn (US$106m) in a Rp1,400-Rp1,800 per share range.

Up to 831m new shares or 20% of the issued capital are being sold.

The price range translates into 2020 P/E of 12.4–16.

Books close on December 3 and the shares will list on the Indonesia Stock Exchange on December 20.

Unicharm will use the IPO proceeds to expand its business and for working capital purposes.

Japan's Unicharm owns 74% of the diaper and feminine care company while Indonesia's Sinar Mas Group owns 26%.

Nomura is the sole global coordinator and *Sinarmas Sekuritas* is the lead domestic underwriter.

JAPAN

AIR WATER TO LAUNCH FOLLOW-ON

TSE-listed AIR WATER is set to open books for a follow-on share offering to raise up to ¥53.4bn (US$490m), based on a minimum 3% discount to the November 25 close of ¥2,039.

The base deal of 27m primary shares is being marketed at an indicative discount range of 3%–5% to the market close on the pricing day. There is a 4.05m primary share greenshoe.

About 85% of the deal will be set aside for retail buyers and the rest for institutional investors.

Air Water is a producer of industrial gases for industries ranging from chemicals and energy to healthcare, agriculture and logistics.

Bookbuilding will run from December 3 to 4. The deal will price between December 4 and 9.

SMBC Nikko is the sole lead manager and bookrunner.

IIFI TO RAISE FUNDS VIA FOLLOW-ON

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT plans to raise up to ¥13.7bn (US$125m) from an offering of new investment units, based on a minimum 2.5% discount to last Friday's closing price of ¥171,200.

The base deal of 81,800 units is being marketed in an indicative discount range of 2.5%–5% to the market close on the pricing day. There is a 4,200 unit greenshoe.

About half of the deal will go to international investors and the rest to local buyers. The split for domestic retail and institutional investors is 40%/60%.

There is a 90-day lock-up on the sponsor.

The books will be open on December 6–10 and the deal will be priced on December 11–17.

Morgan Stanley, Nomura and *SMBC Nikko* are joint global coordinators and joint bookrunners with *Citigroup* on the international offering.

MALAYSIA

U MOBILE INVITES BIDS FOR IPO

Mobile service provider U MOBILE has invited bids from banks to pitch for an IPO of up to US$500m planned for next year.

The major shareholders of U Mobile, Malaysia's fourth-largest mobile operator, include Temasek subsidiary Straits Mobile, Sultan Ibrahim (the ruler of Johor state), Malaysian tycoon and U Mobile chairman Vincent Tan and Berjaya Infrastructure, a water company controlled by Tan.

U Mobile could not be immediately reached for comment.

Edotco, the tower subsidiary of Malaysian telecoms major Axiata, has been planning an IPO of up to US$1bn since last year.

SOUTH KOREA

HYUNDAI CARD HIRES THREE FOR KRX IPO

HYUNDAI CARD, the credit card unit of Hyundai Motor Group, has mandated *Citigroup* and *NH Investment & Securities* as joint bookrunners to work on its proposed KRX listing, together with joint lead manager *Korea Investment & Securities*, people with knowledge of the matter have said.

IFR reported earlier this month that the company had shortlisted six banks to make final pitches. The list also included JP Morgan, Mirae Asset Daewoo and Morgan Stanley.

A source told IFR in October the deal could come in the second quarter of next year at the earliest but a person close to the transaction said both the timeline and deal size were not certain at this stage.

The IPO could value Hyundai Card at around W2.5trn (US$2.1bn) and is intended to provide an exit for investors such as Affinity Equity Partners, GIC and AlpInvest, said one of the people.

Hyundai Motor, South Korea's largest automaker by sales, is Hyundai Card's biggest shareholder with a direct 37% stake. Group companies Hyundai Commercial and Kia Motors own 24.5% and 11.5%, respectively. Affinity Equity Partners has 9.99%, GIC 9% and AlpInvest 5% – all having bought their stakes from General Electric in 2017.

Hyundai Card, which is led by Ted Chung, brother-in-law of Hyundai Motor Group heir apparent Euisun Chung, saw its net income rise 57% to W121.8bn in the first half of 2019 on operating revenue of W1.178trn. The company had 8.21m cardholders as of June.

EUROPE/MIDDLE EAST/AFRICA

EGYPT

RAMEDA SETS PRICING FOR US$109m IPO

Pharmaceuticals company **RAMEDA** has fixed pricing at E£4.66 per share for a E£1.75bn (US$108.9m) IPO.

The offer comprises 376.6m secondary shares from Greville Investing and includes a 5% retail tranche.

The IPO is in effect a mix of primary and secondary as a concurrent closed subscription of 125m new shares will be subscribed by Greville at the IPO price, raising E£582.5m to fund acquisitions.

Following the offering and closed subscription, Rameda will have a market cap of around E£3.6bn. Trading in the shares will start on December 11. *HSBC* and *Investec* are global coordinators, and bookrunners with *CI Capital Investment Banking*. *Compass Capital for Financial Investments* is IPO adviser.

GERMANY

DIAMONTECH CALLS OFF FRANKFURT LISTING

Medtech business **DIAMONTECH** called off its up to €59m Frankfurt listing last Tuesday, citing insufficient oversubscription.

Books were due to close last Tuesday, and were covered on the full deal size since November 22. The book for the all-primary offering was open since November 14.

DiaMonTech said that it has sufficient funds to continue developing its main product, a laser-based device that allows diabetics to measure blood sugar without the need to draw blood. Proceeds were going to fund development of a pocket-size version for the end of 2020.

Pricing was €32-€38 per share for a deal size of €50m-€59m. A 15% greenshoe would have increased the deal to as much as €68m, with a free-float of 26.7% and market cap of €255m.

Mainfirst was bookrunner on the IPO.

ITALY

JUVENTUS WARMS UP FOR €300m GOAL

Football club **JUVENTUS** has set terms on Wednesday morning for a €300m capital increase to improve its finances.

It is offering 322.48m new shares on an 8-for-25 basis at €0.93, a 29% discount to TERP, based on the November 26 close of €1.445.

The deal is fully underwritten. Majority shareholder the Agnelli family via its EXOR vehicle has committed to subscribe for its pro rata 63.8% stake and the €108.6m balance is underwritten by *BNP Paribas*, *Goldman Sachs*, *Mediobanca* and *UniCredit*.

Rights trading runs from December 2-12, with subscription wrapping up on December 18.

Juventus shares were down nearly 3% at €1.40 after the terms were set and closed the day at €1.41.

EL.EN EYES 2020 FLOAT FOR LASER SURGERY UNIT

Laser technology group El.En is aiming to float its laser surgery technology business **ELESTA** in the first half of 2020.

Elesta's products are used to treat benign and malignant tumours as outpatients, which it calls laser ultrasound.

Elesta recorded revenues of €3.1m in 2018, up 45% on the previous year. El.En has a 50% stake, with the balance held by foreign investors and company management.

El.En has a market cap of €653m on the STAR segment of Borsa Italiana.

NEWLAT IPO PROCEEDS RISE TO €80m

Italian food company **NEWLAT**'s IPO has increased to €80m after the primary greenshoe was partially exercised on Thursday.

Newlat exercised 1.1m shares on November 28, representing the vast majority of the total 10% greenshoe option of 1.27m shares.

Newlat debuted on the Milan Stock Exchange on October 29 and shares closed their first day flat to IPO pricing.

EMEA EQUITIES

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	69	10,234.55	10.3
2	Morgan Stanley	48	10,056.96	10.1
3	Goldman Sachs	53	8,973.89	9.0
4	Citigroup	59	6,301.13	6.3
5	Credit Suisse	32	4,836.75	4.9
6	BofA	26	4,607.93	4.6
7	UBS	29	4,193.15	4.2
8	Barclays	27	3,466.46	3.5
9	Jefferies	41	3,316.39	3.3
10	BNP Paribas	20	2,435.40	2.4
	Total	**792**	**99,605.09**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4cr

EMEA COMMON STOCK ISSUER LEGAL ADVISERS

1/1/2019 TO DATE

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Freshfields Bruckhaus Deringer	10	7,052.5	7.1
2	Davis Polk & Wardwell	9	5,213.4	5.2
3	Linklaters	8	4,319.9	4.3
4	Latham & Watkins	16	3,221.0	3.2
5	Clifford Chance	5	3,106.5	3.1
6	Kirkland & Ellis	5	2,947.4	3.0
7	Allen & Overy	6	2,808.9	2.8
8	Uria Menendez	2	2,644.3	2.7
9	Advokatfirman Vinge	12	1,914.7	1.9
10	Cooley	10	1,634.4	1.6
	Total	**792**	**99,605.1**	

Source: Refinitiv SDC code: AX3

EMEA COMMON STOCK MANAGER LEGAL ADVISERS

1/1/2019 TO DATE

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Linklaters	14	8,186.2	8.2
2	Allen & Overy	7	5,200.8	5.2
3	Latham & Watkins	11	5,027.8	5.1
4	Clifford Chance	5	4,315.7	4.3
5	Freshfields Bruckhaus Deringer	10	3,201.8	3.2
6	Cleary Gottlieb Steen & Hamilton	6	2,374.8	2.4
7	White & Case	11	2,115.5	2.1
8	Lenz & Staehelin	1	1,526.1	1.5
9	Ropes & Gray	4	945.9	1.0
10	Ashurst	4	859.8	0.9
	Total	**792**	**99,605.1**	

Source: Refinitiv SDC code: AX4

Shares fell slightly below IPO pricing in early November, but have steered clear since and have risen to about 6% in the past week. On Friday afternoon they were trading around €6.30 each, 9.3% up from IPO pricing.

Newlat listed at a tricky time in Europe, with fellow Italian companies RCF Group and Ferretti cancelling IPOs around the same time. It slashed the size of the offering from 17m to 12.7m shares as a result of the market environment, and finally priced at the bottom of a €5.80-€7.30 price range.

Equita SIM, HSBC and *Societe Generale* were bookrunners on Newlat's IPO.

NETHERLANDS

SPEEDY SELL-DOWN IN ADYEN

Goldman Sachs achieved coverage within minutes for a small but highly sought-after sell-down on Monday night in payments group ADYEN.

The seller was Index Ventures, which sold just 310,000 shares out of its 2.3m share holding, representing little more than 1% of the company. There was no lock-up as Index has no intention of selling any more stock in the short term.

That also meant that the seller was keen to maintain a steady aftermarket price and wanted fundamental interest in the book, hence the decision to sell such a small number of shares through an accelerated bookbuild.

There was no wall-cross ahead of a 4:50pm launch in London. Pricing of €658 was a 1.5% discount to the €668 close and represented a €204m deal size. The deal was backstopped by Goldman.

The book was covered several times and fairly concentrated, skewed towards fundamental interest.

Adyen shares opened on Tuesday at €671 and pushed up 1.95% on the day to close at €681.

NORWAY

SPAREBANKEN VEST RAISES NKr2.3bn IN FOLLOW-ON

Norway's third largest savings bank SPAREBANKEN VEST has broadened its appeal to investors through a NKr2.3bn (US$250.8m) follow-on.

The bank had listed equity capital certificates traded on the Oslo bourse representing 22.5% of the bank, but that has increased to 40% with this transaction.

Ahead of the placing the bank created a foundation to which it transferred the ECCs, which it has then largely sold on.

Equity certificates are the equity instruments of savings banks in Norway.

The intended result is a more liquid line of stock making it more relevant to domestic and international investors and with a more accurate value. The bank also has a foundation with significant liquid capital that can be a source of equity if needed.

The foundation Sparebankstiftelsen Sparebanken Vest offered 45.5m ECCs to the market through a nine-day bookbuild led by *Swedbank* with *Kepler Cheuvreux* and *Pareto Securities* as global coordinators, and bookrunners with *Norne Securities.*

Bookbuilding began on November 13 and wrapped up on November 22, with trading in the new ECCs beginning the same day.

The base offering was 41.3m ECCs with a 10% greenshoe, which increases the deal size to NKr2.6bn.

Around 84% of the offering went to institutional investors, and the bulk of the rest to retail investors and a fraction to eligible employees. More than 6,000 investors participated in the retail offering.

Final pricing on the new ECCs came at NKr56.50, just above the middle of the initial range of NKr52-NKr58.

Shares closed on November 22 at NKr59.40, 5.1% above the offering price and were unchanged by Monday's close.

Sparebanken Vest has a market cap of around NKr6.5bn and a free-float of around 87% post-greenshoe.

A banker involved said the conversion and sale of the ECCs puts the bank's listed market cap on par with other similar banks.

The offer was significantly oversubscribed with interest from foreign and Norwegian institutional investors.

ALTOR EXITS TGS-NOPEC

Altor sold its entire 3.8% stake in oil and gas services company TGS NOPEC GEOPHYSICAL last Tuesday evening, raising around NKr1.16bn (US$126.4m).

Around 4.5m shares were sold at NKr259 each, representing a 3.2% discount to last Tuesday's close of NKr267.70.

A wall-cross preceded the launch and the book was covered within 15 minutes.

The share sale equated to around 11 days' trading, and resulted in a book of around 150 lines. The top 10 orders took two-thirds of the deal and the top 20 took 80%.

Notably for a Nordic deal, less than 25% was allocated locally with significant portions going to US and UK accounts.

Shares in TGS stayed above the accelerated bookbuild pricing last Wednesday following the trade, and closed at NKr263.30.

By last Friday at 11am in London shares were more or less flat at NKr264.1.

Altor was left with the shares following TGS's acquisition of Spectrum in August. Altor first invested in Spectrum in 2014 during a downcycle in the oil service sector.

ABG Sundal Collier and *Carnegie* were bookrunners on the placing.

SWEDEN

MORE SHAREHOLDERS BACK RECIPHARM RIGHTS ISSUE FOR CONSORT BUY

Three more shareholders in pharmaceutical company RECIPHARM have backed its acquisition of Consort Medical and will support a SKr2bn (US$208m) rights issue.

That takes total backing for the capital increase to around 46.6% of the share capital from five shareholders.

Recipharm has offered to buy Consort Medical for an enterprise value of £627m, backed by around £1bn-equivalent of loans. Some of that will be refinanced with proceeds from up to SKr2.5bn of new equity, the first stage of which is the Skr2bn rights issue.

The acquisition and fundraise already has the backing of Recipharm's largest shareholders, CEO Thomas Eldered and Lars Backsell with an aggregate 27.1% stake, who have said that they will vote in favour of the deal at an upcoming EGM and will exercise their rights in full.

On Tuesday, First Swedish National Pension Fund, Lannebo Fonder and Fourth Swedish National Pension Fund, holding 7.4%, 7.1% and 5.1%, respectively, said they will back the acquisition and capital raise. They will also subscribe for at least their pro rata rights in the equity fundraising.

The support amounts to around 46.6% of the share capital and 82.3% of voting rights in Recipharm. No date has yet been communicated for the EGM.

The two equity raises are expected to take place in the first half of 2020, with *Danske Bank* and *DNB* mandated as advisers and leads for the share issues.

Recipharm shares closed at SKr139.30 on Monday.

MIDSONA GETS NEAR PERFECT RESULT FOR CAPITAL INCREASE

Food group MIDSONA received 99.7% take-up on Monday for its SKr613m (US$64m) rights issue, which repays a bridge loan to finance the €57.5m acquisition of Alimentation Sante.

The capital increase was done on a 2-for-5 basis with pricing at SKr33, a 28.5% discount to TERP of SKr46.14.

There were acceptances for 18.51m of the 18.57m shares offered, with take-up of 98%

for 215,948 A shares and 99.7% for 18.35m B shares.

The balance of 4,392 A shares and 56,856 B shares was covered by oversubscription.

Danske Bank was advising.

Midsona shares closed on Monday at SKr47.90.

GRANGES TARGETS SKr2bn FOR ACQUISITION

Rolled aluminium producer GRANGES is targeting SKr2bn (US$209m) in a rights issue, which is expected to take place in Q2.

The fresh capital will partially fund Grange's SKr2.3bn proposed acquisition of Polish producer Aluminium Konin from Boryszew Group, which it announced alongside the planned capital increase on Thursday.

The transaction is subject to regulatory approval and is expected to close in the second half of 2020.

Around SKr1.5bn of the SKr2bn proceeds will be used to finance part of the acquisition, and the remaining SKr500m will be used for future growth.

The Fourth Swedish National Pension Fund, which owns 9.5% of Granges, has committed to exercise all its rights.

Danske Bank, Nordea and *Svenska Handelsbanken* are bookrunners and have entered into a standby underwriting agreement for the rights issue less the portion covered by The Fourth Swedish National Pension Fund.

Additional shareholders representing 24.6% of Grange's shares have also expressed support for the acquisition and intend to subscribe for their pro rata shares in the rights issue. They include AFA Insurance, Swedbank Robur and Handelsbanken Fonder.

Shares closed 3% down at SKr94.70 on Thursday following the news. They recovered on Friday and were at SKr96.35 early afternoon in London.

Granges' products are mainly used by the automotive and heating, ventilation and air-conditioning industries.

SWITZERLAND

SOFTWAREONE SURGES AS STABILISATION ENDS

There was a partial exercise of the IPO greenshoe for SOFTWAREONE on Monday with the stock now rising rapidly and comfortably above the IPO price.

Approximately 3.3m secondary shares were exercised out of the 5.77m shares available, taking the total deal size to SFr752m (US$754m). The free-float rose to 26.4% from 24.3%.

SoftwareONE stock traded up from the SFr18 issue price on the first two days to give a gain of 4%, which while modest stood out in comparison to TeamViewer. Shares then slipped back and closed at or below the SFr18 issue price for most of November, with stabilisation taking place every day apart from November 19. Shares have risen strongly since November 20 to add two francs to the share price, which closed at SFr19.636 on Monday.

KKR and Raiffeisen provided the greenshoe shares.

Founding shareholders Daniel von Stockar, Beat Curti and Rene Gilli retain the largest stake at 30.9%, followed by KKR with 14.8%, current and former staff with 9.4%, Raiffeisen Informatik with 7.9%, the heirs of SoftwareONE co-founder Patrick Winter with 7.8% and treasury shares of 2.8%.

Credit Suisse was stabilisation manager, and global coordinator with *JP Morgan* and *UBS*. Other bookrunners were *BNP Paribas*, *Citigroup*, *Deutsche Bank*, *UniCredit* and *Zuercher Kantonalbank*. *Rothschild* advised.

EDISUN POWERS UP WITH SFr51.9m FUNDRAISE

Solar energy company EDISUN POWER EUROPE has completed a SFr51.9m (US$52m) capital increase, with proceeds to be used to complete projects in Portugal.

There was 47% take-up from existing shareholders for 415,000 new shares on a 2-for-3 basis at SFr125. As is typical in Switzerland, the shares were offered on an at-market basis, requiring a concurrent bookbuild.

Guidance was SFr120-SFr130 per share. There was also provision for a 60,000 share greenshoe that was not included at pricing.

The balance of 219,931 shares were placed with institutional and private investors through the bookbuild.

The stock closed at SFr136 on the first day of subscription on November 14, dropped to a close of SFr130 during the bookbuild, and wrapped up on November 22 at SFr133.

The shares closed on Tuesday at SFr134.

Bank Vontobel was lead manager.

UK

PEBBLE CUTS VALUATION AND EXTENDS AIM BOOKBUILDING BY A DAY

Promotional products business PEBBLE cut the valuation for its London AIM float and extended bookbuilding until Friday morning.

Pricing is fixed at 105p, nearly 20% below the bottom of the original 130p-150p price range, for a deal size of £135m that is covered on the revised terms. Books were originally due to close on Thursday. The deal wrapped up on Friday with allocations due on Monday.

As before, Pebble is targeting primary proceeds of £78m to pay down all its debt. Secondary selling has been significantly cut, however, to £56m from up to 79m shares originally totalling up to £118.5m. Elysian Capital is providing the bulk of secondary stock.

As a result, the IPO is significantly smaller than the previous £180.7m-£196.5m and the market capitalisation is now £176m from £201m-£221m previously. The free-float also drops to around 77% from 90%.

There is no greenshoe and trading in the shares begins on December 5.

Berenberg is bookrunner.

WINDFALL FOR FUTURE EXECUTIVES AFTER 3.2% SALE

A group of current and former managers of publishing company FUTURE got a collective windfall of around £43.4m last Tuesday evening through the sale of 3.1m shares, amounting to 3.2% of the company.

Nineteen individuals were selling, with about half sold by the CEO Zillah Byng-Thorne and CFO Penny Ladkin-Brand. The sellers had received share options through performance plans in November 2016 and February 2017. The options vested on November 23 and were exercised on Tuesday.

Pricing came at £14 per share, an 11% discount to last Tuesday's close of £15.72.

Byng-Thorne cashed in around £14.6m, Ladkin-Brand took around £7.7m while the remaining 17 took home an average of £1.25m each. The CEO and CFO are locked up for 90 days.

The accelerated bookbuild was run by *Numis* and *N+1 Singer*.

Shares in Future fell on Wednesday, momentarily dropping below ABB pricing in early trading before closing at £14.46.

Shares fell below ABB pricing towards the end of last week. Last Friday at 11am they were around £13.16 each.

Future was in the headlines on October 30 when it raised £104.4m for its acquisition of TI Media. It sold shares at £12.75 each and they have since risen about 16%. Numis and N+1 Singer also ran that trade.

ACCSYS TARGETS €46.3m FOR EXPANSION

ACCSYS TECHNOLOGIES, a UK-headquartered maker of sustainable wood building products, is raising €46.3m through an underwritten firm placing, placing and open offer.

Proceeds will fund expansion and construction of plants in the Netherlands, UK and a potential plant in the US. Accsys said it plans to invest the vast majority of the proceeds over the next 18 months.

Approximately 27.23m shares have been allocated in the firm placing to raise €28.6m. A further 16.85m were in the placing and subject to clawback in the open offer to raise €17.7m.

The open offer is on a 1-for-7 basis and closes at 11am on December 19.

Pricing of €1.05 is a 10.3% discount to Wednesday's €1.17 close in Amsterdam and a 7.6% discount to the 97.4p AIM close.

Books were covered at launch from wall-crossing, which had significant existing shareholder participation. A number of existing shareholders have already come in, with overall interest split largely between Dutch, European and UK money, with locals putting in slightly larger orders.

Some existing shareholders were surprised at the size of the fundraising but any concerns were mitigated by the clear use of proceeds.

The capital increase is conditional on shareholder support at an EGM on December 20.

The deal is fully underwritten by *Numis*, *Investec* and *NIBC Bank*.

Accsys also provided interim results on Thursday for the six months to September 30, showing group revenue up 39%, gross profit up 83% and underlying Ebitda up 171%.

Accsys shares closed on Thursday at €1.18 in Amsterdam and 99p in London.

UP TO 10% OF INVESTEC SPIN-OFF TO BE SOLD ON ADMISSION

Investec will carry out a demerger of its asset management business next year, to be known as **NINETY ONE**, with 10% to be sold at the same time in an around £189m sale.

Following the demerger, Investec will comprise the Investec banking and wealth & investment business, together known as Investec Bank and Wealth.

Ninety One will be a dual-listed company in the UK and South Africa.

Approximately 37.7% of Ninety One will be held by Investec plc (the UK entity) shareholders and 17.3% by Investec Limited (South Africa) shareholders, with 10.7% held by Investec plc, 4.3% by Investec Limited and 20% by management and directors of Ninety One.

The remaining 10% of Ninety One will be sold on admission, expected to be March 16 2020, with proceeds going to Investec. The cash will support growth plans, fund tax liabilities arising as a result of the share sale and costs estimated at £56m.

A circular sent to Investec shareholders on Friday said that proceeds from the 10% share sale are expected to be around £189m based on an October 25 valuation of the Ninety One businesses of £1.89bn.

Investec shareholders will receive one Ninety One share for ever two Investec shares held.

Shareholder approval will be sought at an EGM on Monday February 10 2020. The demerger is expected to be effected on Friday March 13 2020.

JP Morgan and *Fenchurch Advisory Partners* are advising Investec in relation to the demerger.

Investec shares closed on Friday in London down 2% at 438.9p, and down 1.8% at R84.21 in Johannesburg.

HICL INFRASTRUCTURE RAISES £100m

HICL INFRASTRUCTURE raised £100m in fresh capital through a placing which concluded last Friday.

A total of 62.5m new shares were sold at 160p each, representing a 3.5% increase in the fund's share capital.

Pricing came at a 1.4% premium to the company's NAV of 157.8p as of September 30. It effectively represents a 4.9% discount to the price before the placing was announced, on an ex-dividend basis, using the close on November 21 of 170.4p per share minus the Q2 interim dividend of 2.1p.

The placing opened on November 22 and books closed last Friday at 12.30pm in London.

A banker involved said there was a good mix of existing and new shareholders in the book attracted by the dividend yield, including UK wealth managers, multi asset and income oriented funds as well as infrastructure investors.

Investec and *RBC* were joint bookrunners.

Shares in HICL fell about 1.6% last Friday following the result.

The proceeds will be used to fund the company's current net funding requirement of £90m and also for its existing commitment to an offshore wind project.

AMERICAS

UNITED STATES

US ECM HEADS INTO BUSY DECEMBER

US ECM syndicate desks hope to finish the year in style as an amenable market backdrop allows them to bring a final wave of IPOs and secondaries.

Bankers expect to be busy in the week ahead, one of three clear weeks to fund before investors shut down for the holidays.

The past week was almost completely absent of US ECM deals as investors chowed down for Thanksgiving Day on Thursday, but stocks at or near record highs and low volatility levels have created a much better environment than normal for end-of-year issuance.

In contrast, a fourth-quarter market sell-off doomed ECM in December last year, though a handful of IPOs were still priced with mixed results.

Payments and subscription software company Bill.com and Brazilian fintech XP are among likely US IPO launches as early as Monday (December 2).

While aluminium foil and waste bags maker Reynolds Consumer Products is on file for an expected US$1bn-plus IPO and positioned to launch in December, its owner, Kiwi billionaire Graeme Hart, has been running a dual-track process that means a listing is no certainty.

A surge in biotech stocks in November also opens a path for more sector issuance, though there are relatively few biotech IPOs on file publicly positioned to debut in December.

SPACs and China-to-US companies, a fixture in US ECM despite limited broader appeal, are also sure to be part of the end-of-year IPO mix.

Given doubts about how markets will fare in a presidential election year next year, there could be more incentive to raise equity in December than normal.

That said, bankers concede investor price sensitivity is unlikely to recede in the final month of the year as investors remain wary of endangering strong 2019 portfolio returns.

X4 BREAKS ECM SILENCE

Last week's only registered deal of note was a US$65m overnight offering from **X4 PHARMACEUTICALS**, a rare disease specialist.

US EQUITIES

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	152	27,398.86	18.3
2	Morgan Stanley	126	18,122.24	12.1
3	JP Morgan	165	17,166.01	11.4
4	BofA	125	14,100.06	9.4
5	Citigroup	99	13,194.13	8.8
6	Barclays	84	9,610.84	6.4
7	Credit Suisse	71	5,965.63	4.0
8	Wells Fargo	60	5,210.21	3.5
9	RBC	45	4,752.88	3.2
10	Jefferies	62	3,924.92	2.6
	Total	**629**	**150,107.90**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C3r

Cowen and *Stifel* priced 5.4m units, comprised of common stock, prefunded warrants and Class B warrants at US$12.00 each.

The banks were oversubscribed by confidential marketing on Monday and upsized from US$60m at launch.

The offering consisted of 3.67m shares of common stock, 1.75m prefunded warrants and Class B warrants to purchase 5.42m shares of common stock.

The Class B warrants are exercisable into common stock or prefunded warrants at US$15.00 each.

Existing shareholders that would own more than 10% of X4 shares outstanding after exercising the warrants are eligible to receive pre-funded warrants instead of common stock.

Pre-funded warrants have the same economic interest as common stock but carry no voting rights until they are exercised, usually for a nominal sum.

X4 shares slumped US$11.03 on Tuesday, down 8% from the offer price and 26.5% below the exercise price of the Class B warrants.

The biotech is using the proceeds to fund an upcoming Phase II trial of its treatment for a rare type of bone marrow cancer.

ALUSSA ENERGY SPAC BRINGS ADDED SUPPORT

ALUSSA ENERGY ACQUISITION is the latest SPAC to target investment in the long beaten down energy sector.

The vehicle raised an upsized US$250m on its IPO Monday that featured extra support from management and its sponsor. In addition to investing US$12.5m on the offering, they entered into a plan to purchase up to 4.5m warrants in the aftermarket at prices below 75 cents.

BTIG, sole bookrunner, placed 25m units at US$10.00 apiece, a slight increase from the 22.5m units marketed at the same US$10.00 fixed price. Each unit is structured as one common share and one-half warrant exercisable at US$11.50 per full warrant that are to trade separately.

Alussa Energy units closed on NYSE debut Tuesday at US$10.02.

Alussa Energy will focus its search for acquisitions within energy, across both midstream transportation and upstream E&P, with a targeted enterprise value of between US$500m-$1bn. It is structured with a 24-month investment horizon.

The S&P 500 Oil & Gas E&P sub-index has fallen 2% for the year. Energy accounted for just a 5% weighting in the broader S&P 500 as of June 30, a historic low.

Alussa Energy is sponsored by Encompass Funds, an energy-dedicated PE firm that was spun off from Citadel in 2012 and is headed by Todd Kantor, a former energy banker at JP Morgan. Encompass purchased 1.25m units on the public offering, which combined with the earlier purchase of 7.2m founder shares gives it slightly higher ownership than the 20% typical of SPACs.

The vehicle's management is led by chairman James Musselman, the former CEO and co-founder of deepwater explorer Kosmos Energy, and CEO Daniel Barcelo, the former director of research and PM at Moore Capital Management and a longtime sell-side research analyst.

Alussa Energy's purchase plan provides an added layer of support through open market purchases, subject to limit orders and administered by an independent broker-dealer unaffiliated with BTIG or Encompass.

Alussa Energy will hold 100% of the IPO proceeds raised in trust. Those proceeds will be returned to common shareholders if an acquisition is not found.

The warrants expire worthless in the event of a failed acquisition, so the purchase programme is a real show of support in Alussa management. These programmes are commonplace on IPOs of financial-oriented BDCs and mortgage REITs to purchase stock below net asset value.

CIIG A SUPERHERO SPAC

CIIG MERGER, led by former Marvel Entertainment CEO and turnaround expert Peter Cuneo, has already drawn a queue of institutional support for a US$225m SPAC IPO that could potentially price before the year is out.

UBS and *Barclays* started the clock on the 15-day viewing period on Monday morning.

The banks filed for a public offering of 22.5m units (one share paired with half a warrant) at US$10.00 each after filing confidentially on October 24.

Testing the waters meetings held in the weeks between the private and public filings have yielded US$50.6m of anchor orders, 22% of the IPO (as disclosed on the cover of the filing).

"The hit rate has been off the charts," a banker told IFR.

Affiliates of BlackRock and CIIG Management (the sponsor), along with hedge funds Magnetar Financial and Atalaya Capital Management, are the anchor investors.

BlackRock and CIIG Management will invest another US$6.5m in a concurrent private placement of warrants at US$1.00 each and are exercisable at US$11.50.

Cuneo was Marvel's CEO from 1999 until 2009, when Disney bought it for US$4bn. Through CIIG, Cuneo hopes to find media assets that can be retooled, like Marvel was, for a digital world.

Cuneo has tapped Michael Minnick, a former investment banker and the co-founder of M&A advisory IIG Holdings, as chief investment officer.

ECM DEALS: WEEK ENDING 29/11/2019

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Atlas Arteria	Australia	25/11/2019	A$1.35bn	A$6.90	Follow-on (primary, secondary)	Morgan Stanley, UBS
Bank of Queensland	Australia	26/11/2019	A$250m	A$7.78	Follow-on (primary)	Goldman Sachs
Allied Properties REIT	Canada	25/11/2019	C$300m	C$52.70	Accelerated bookbuild (primary)	Scotiabank, RBC Capital Markets, Goldman Sachs
Charlotte's Web	Canada	25/11/2019	C$66.3m	C$13.25	Accelerated bookbuild (primary)	Canaccord Genuity
First National Financial	Canada	25/11/2019	C$50m	C$42.40	Accelerated bookbuild (primary)	National Bank Financial, TD Securities
Fortis	Canada	25/11/2019	C$600m	C$52.15	Accelerated bookbuild (primary)	Scotiabank, CIBC World Markets, RBC CM
Frey	France	27/11/2019	€161.5m	€30	Rights issue (primary)	CM-CIC, Societe Generale
CSB Bank	India	26/11/2019	Rs4.1bn	Rs195	IPO (primary)	Axis, IIFL
Rites	India	22/11/2019	Rs11bn	Rs293.50	Follow-on (secondary)	Elara, IDBI Capital, SBI Capital
Adyen	Netherlands	25/11/2019	€204m	€658	Accelerated bookbuild (secondary)	Goldman Sachs
TGS NOPEC Geophysical	Norway	26/11/2019	NKr1.16bn	NKr259	Accelerated bookbuild (secondary)	ABG Sundal Collier, Carnegie
Midsona	Sweden	25/11/2019	SKr600m	SKr33	Rights issue	Danske Bank
Edisun Power Europe	Switzerland	27/11/2019	SFr51.9m	SFr125	Rights issue	–
Emirates NBD Bank	UAE	28/11/2019	Dh6.45bn	Dh8.50bn	Rights issue	Emirates NBD Capital
Future	UK	26/11/2019	£43.7m	£14	Accelerated bookbuild (secondary)	Numis, N+1 Singer
Pebble Group	UK	29/11/2019	£135m	105p	IPO (primary, secondary)	Berenberg
Alussa Energy Acquisition	US	25/11/2019	US$250m	US$10	Accelerated bookbuild (primary)	BTIG
X4 Pharmaceuticals	US	25/11/2019	US$65m	US$12	Accelerated bookbuild (primary)	Cowen, Stifel

Minnick has participated in more than US$185bn of transactions, including buyouts of Univision and Clear Channel Communications and Verizon's US$28.1bn purchase of Alltel Communications.

CANADA

FORTIS RAISES C$1.1bn FOR CAPEX

TSX and NYSE-listed power utility **FORTIS** raised C$1.1bn (US$752m) overnight Monday from a dual-tranche bought deal offering and concurrent placement that will help fund its capital plan.

Scotia Capital, *CIBC Capital Markets* and *RBC Capital Markets* led the C$600m bought deal tranche, selling 11.5m Fortis shares at C$52.15 each or just a 1% discount to last sale.

An unnamed institutional investor in the US separately invested C$500m by buying 9.6m shares at the same price without an underwriter or placement agent.

The combined offering, which equated to 5% of outstanding, surprised some given Fortis had in plan an at-the-market programme and a DRIP, the latter with a 2% discount, to incrementally meet its funding needs.

However, recent regulatory clarity for its US transmission business opened the way for it to pre-fund some of its capex.

Alongside the offering, Fortis terminated the ATM and ended the 2% DRIP discount, the latter expected to reduce the number of Fortis shareholders that reinvest their dividends.

Earlier this month, Fortis increased its 2020-2024 capital plan by C$1bn to C$18.3bn due to grid enhancements and cleaner energy spending, the expansion of an LNG site and weakness in the Canadian dollar.

The stock came under a little pressure ahead of the offering after the US Federal Energy Regulatory Commission adjusted down the base return on equity of Fortis's US transmission arm ITC. However, Fortis said this removed uncertainty and allowed it to accelerate funding of its capital plan.

Having hit a high of C$56.94 early last month, Fortis shares eased in Tuesday's aftermarket, trading in a C$51.65–C$53.18 range before closing at C$52.27.

Utilities have remained active in ECM this year thanks to another strong year of sector returns amid low interest rates.

ALLIED PROPERTIES RAISES C$300m

Toronto-based **ALLIED PROPERTIES REAL ESTATE INVESTMENT TRUST**, which owns office properties and data centres, raised C$300m (US$205m) overnight Monday from a bought deal equity financing.

Bookrunners *Scotia Capital*, *RBC Capital Markets* and *Goldman Sachs* sold 5.7m Allied units at C$52.70 each or a 3.7% discount to last sale.

Proceeds will fund three acquisitions for C$53m, development costs and capex.

Allied has funded about 87% of its C$1bn acquisition and "value-add" programme with equity and the rest with debt, ensuring its funding is leverage-neutral by early next year.

Allied units closed at C$53.16 in Tuesday's aftermarket, comfortably above the offering price.

STRUCTURED EQUITY

BELGIUM

AKKA DEBUTS IN EQUITY-LINKED WITH €175m PERPETUAL

Paris-listed Belgian engineering business **AKKA TECHNOLOGIES** printed an up to €175m perpetual convertible bond on Wednesday, with proceeds for general corporate purposes including strengthening its balance sheet.

Akka Technologies focuses mostly on the automotive, aerospace, rail and life science sectors.

Perpetuals are still fairly rare in Europe but appeal to some issuers as they earn 100% equity credit under IFRS accounting.

As perpetuals are not a product that all long-only accounts can invest in, pre-sounding was in part about ensuring outright buyers had time to get to know the company and a growth equity story.

A key feature of 100% equity credit CBs is that they are both perpetual and that the conversion option is limited, in this case the bonds can only be converted up until January 2025 at which point they become straight debt.

The bonds priced with a coupon of 3.5%, the best end for investors of 3%-3.5% guidance, which is valid until January 2025, from which point the bonds will pay six-month Euribor plus 900bp.

The bonds are callable from January 25 2023 subject to a 130% trigger.

There are no obvious peers in the sector, Akka is unrated and has no outstanding debt. A credit assumption of 525bp was derived from the five-year senior debt portion that is convertible and a further 300bp for subordination. There was no investor pushback.

Implied vol on pricing was 16% with a 93% bond floor.

The conversion price is €77.3582, a 35% premium to the €57.2283 reference price set from the VWAP for the full day. The premium range was 35%-40%.

The bonds launched with a €150m base and €25m upsize option.

Having been listed in Paris since April 2005, Akka is also due to add a second listing on Euronext Brussels imminently.

BNP Paribas was global coordinator, and bookrunner with *CIC Market Solutions*.

Akka shares closed down 7.05% on Wednesday at €56.70.

JAPAN

TOA RAISES ¥7bn VIA ALPINE YEN CB

Japanese construction company **TOA** has raised ¥7bn (US$64m) via a rare zero-coupon Alpine yen convertible bond offering.

The five-year put three CB was priced at a conversion premium of 21.97% versus the marketed range of 12%–22%. The issue price is 100 and the offer price is 102.5. There is a 180-day lock-up on the company.

The deal, aimed at Swiss investors, is governed under Swiss law.

The most recent deal before this in the Alpine yen format was Japanese travel business HIS's ¥25bn CB in October 2017, according to Refinitiv data.

The company used ¥2bn from the proceeds to repurchase 1.29m shares via Tokyo Stock Exchange Trading Network-3, based on the November 27 closing price of ¥1,543. It will continue the share repurchase on the open market until March 31.

Mizuho is the bookrunner.

SOUTH AFRICA

BRAIT ISSUES CONVERTIBLE ALONGSIDE RECAPITALISATION

South African investment company **BRAIT** launched a new convertible bond issue and repurchase of outstanding CBs on Wednesday morning alongside a recapitalisation of the company and arrival of new major investor Ethos Private Equity.

The company had previously said it was looking at ways to reduce leverage and term out maturities and has settled on a plan to reduce net debt by R5.3bn (US$359m) through a combination of the new CB, repurchasing outstanding bonds, an underwritten capital increase of Z5.25bn-Z5.6bn and partial repayment of a revolver.

The bonds were therefore part of an overall package of how to recapitalise a company whose market capitalisation had fallen to around £400m and was faced with a £350m convertible maturity in 2020 along with a revolver on which R6.4bn was drawn.

Leads *Goldman Sachs* and *JP Morgan* pre-sounded to investors with a focus on those that already held the company's bonds. That got the deal going and covered by midday, but investors coming cold to the deal on Wednesday morning needed time to look everything over.

The £150m five-year convertible launched on Wednesday morning came alongside an offer to buy £185m (principal) of its 2.76% 2020 CB at 99% plus accrued (the bonds had been trading in the low 90s).

The bonds were offered with a coupon of 5.5%-6.5% and 25% fixed premium, with the coupon finalised at 6.5%.

The book comprised a mix of those recycling from the old into the new bonds and some new investors.

The reference price was the VWAP on Wednesday which at R14.2409 is 13.7% below the previous close. However, prior to a statement from Brait a week earlier that it was close to extending debt maturities and agreeing a new strategy its shares had closed at R14.00.

The rights issue will see Ethos invest R1.35bn, including R1bn by exercising rights held by Brait's largest shareholder Titan. Titan, which currently owns 40% of Brait, will also invest R1bn through the rights issue. Together Titan, Ethos and lender *Rand Merchant Bank* are underwriting the rights issue.

An EGM will be held on January 14 2020 to seek approval for the share issues, including those underlying the new CB. The rights issue is expected to complete in February 2020.

There is an investor put if the rights issue is not completed by August 20 to make the bond terms watertight. There is also a conversion price reset following the rights issue, in addition to the standard anti-dilution adjustment.

The company has also agreed with lenders to extend its RCF by three years, once the rights issue is completed.

Goldman Sachs and JP Morgan were joint bookrunners on the new CB and tender. Co-bookrunner was RMB.

GLOBAL CONVERTIBLE OFFERINGS – EMEA

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	14	1,977.24	11.5
2	HSBC	11	1,703.82	9.9
3	Credit Suisse	3	1,566.38	9.1
4	JP Morgan	12	1,402.84	8.2
5	SG	10	1,127.03	6.6
6	Citigroup	4	1,071.53	6.2
7	Morgan Stanley	6	912.71	5.3
8	Credit Agricole	6	817.24	4.8
9	UBS	3	764.25	4.5
10	BofA	3	762.10	4.4
	Total	**40**	**17,155.84**	

Including exchangeables.

Source: Refinitiv SDC code: C09d

CONVERTIBLE EQUITY LEGAL ADVISER TO MANAGER, EMEA

1/1/2019 TO DATE

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Linklaters	16	6,318.9	36.8
2	Allen & Overy	5	5,074.0	29.6
3	Homburger	1	1,303.9	7.6
4	Cleary Gottlieb Steen & Hamilton	1	180.0	1.1
5	Noerr	1	45.3	0.3
	Total	**40**	**17,156.0**	

Including exchangeables and domestic.

Source: Refinitiv SDC code: AX8

GLOBAL CONVERTIBLE OFFERINGS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	52	11,739.87	10.0
2	BofA	47	8,781.41	7.5
3	JP Morgan	58	8,425.50	7.2
4	Morgan Stanley	50	7,973.45	6.8
5	Citigroup	39	6,420.45	5.5
6	Citic	14	6,118.29	5.2
7	Credit Suisse	30	6,071.23	5.2
8	Barclays	34	4,664.90	4.0
9	CICC	6	3,843.26	3.3
10	BNP Paribas	27	3,680.46	3.1
	Total	**346**	**117,073.28**	

Including exchangeables and domestic offerings.

Source: Refinitiv SDC code: C9

ALL INTERNATIONAL ASIAN CONVERTIBLES

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	11	3,065.42	25.4
2	Credit Suisse	9	1,514.06	12.5
3	BofA	6	1,308.06	10.8
4	JP Morgan	8	1,261.89	10.4
5	Morgan Stanley	8	977.32	8.1
6	UBS	6	789.45	6.5
7	Citigroup	6	608.77	5.0
8	HSBC	3	363.12	3.0
9	Barclays	2	362.87	3.0
10	BNP Paribas	4	332.70	2.8
	Total	**36**	**12,079.84**	

Including exchangeables.

Source: Refinitiv SDC code: M10

CONVERTIBLE EQUITY LEGAL ADVISER TO ISSUER, EMEA

1/1/2019 TO DATE

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Linklaters	3	3,517.0	20.5
2	White & Case	4	2,097.0	12.2
3	Allen & Overy	4	1,434.5	8.4
4	Noerr	1	1,064.2	6.2
5	Latham & Watkins	2	614.0	3.6
6	Cleary Gottlieb Steen & Hamilton	1	592.5	3.5
7	Bar & Karrer	1	255.8	1.5
8	Alston & Bird	1	180.0	1.1
9	Baker Mckenzie	1	167.6	1.0
	Total	**40**	**17,156.0**	

Including exchangeables and domestic.

Source: Refinitiv SDC code: AX7

GLOBAL CONVERTIBLE OFFERINGS – US

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BofA	36	6,675.83	14.2
2	Goldman Sachs	32	5,765.67	12.3
3	Morgan Stanley	32	5,753.60	12.3
4	JP Morgan	36	5,600.31	11.9
5	Citigroup	28	3,996.26	8.5
6	Barclays	27	3,914.50	8.4
7	Wells Fargo	20	2,606.21	5.6
8	Credit Suisse	16	2,379.04	5.1
9	BNP Paribas	9	1,370.52	2.9
10	RBC	10	1,202.43	2.6
	Total	**106**	**46,870.10**	

Source: Refinitiv SDC code: C9a

ALL INTERNATIONAL ASIAN CONVERTIBLES (EXCLUDING JAPAN)

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	9	2,848.31	25.5
2	Credit Suisse	9	1,514.06	13.5
3	BofA	6	1,308.06	11.7
4	JP Morgan	8	1,261.89	11.3
5	Morgan Stanley	7	961.41	8.6
6	UBS	6	789.45	7.1
7	Citigroup	6	608.77	5.4
8	HSBC	3	363.12	3.2
9	Barclays	2	362.87	3.2
10	BNP Paribas	4	332.70	3.0
	Total	**29**	**11,184.13**	

Including exchangeables.

Source: Refinitiv SDC code: M11

EQUITY-LINKED DEALS WEEK ENDING: 29/11/2019

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon/YTM %	Premium (%)	Bookrunner(s)
Akka Technologies	Belgium	28/11/2019	€175m	–	Perp	3.5	35	BNP Paribas, CIC Market Solutions
TOA	Japan	28/11/2019	¥7bn	–	5 yrs	0	21.97	Mizuho
Brait	South Africa	28/11/2019	£150m	–	5 yrs	6.5	25	Goldman Sachs, JP Morgan

EDITOR
Matthew Davies
+44 (0)20 7542 7504

DEPUTY EDITOR
Equities/Structured equity:
Owen Wild
+44 (0)20 7542 8541

AMERICAS BUREAU CHIEF
Jack Doran
+1 646 223 6302

ASSOCIATE EDITORS
Features and analysis: Gareth Gore
+44 (0)20 7542 4279

US editor: Stephen Lacey
+1 646 223 8808

Fixed-income, Emerging markets:
Sudip Roy
+44 (0)20 7542 4617

People & markets: Steven Slater
+44 (0)20 7542 4367

Green/ESG Financing Editor:
Tessa Walsh
+44 (0)20 7542 4048

Derivatives: Christopher Whittall
+44 (0)20 7542 3256

MANAGING EDITOR
Philip Wright
+44 (0)20 7542 8144

IFR ASIA EDITOR
Steve Garton
+852 2912 6670

HEAD OF US CREDIT
Paul Kilby
+1 646 223 4733

HEAD OF ASIA CREDIT
Daniel Stanton
+65 6417 4548

EQUITIES EDITOR, ASIA
Fiona Lau
+852 2912 6673

ASSISTANT EDITORS: LONDON
Emerging Markets: Robert Hogg
+44 (0)20 7542 9077

People & markets:
Christopher Spink
+44 (0)20 7542 3814

Equities/Structured equity:
Robert Venes
+44 (0)20 7542 8326

NEW YORK
Equities: Anthony Hughes
+1 646 223 8174

SINGAPORE
Equities: Anuradha Subramanyan
+65 6417 4547

SENIOR CREDIT CORESPONDENT
Kit Yin Boey
+65 6417 4549

SENIOR REPORTERS: LONDON
Fixed-income/Structured Finance:
Chris Moore
+44 (0)20 7542 5018

Fixed-income: Jon Penner
+44 (0)20 7542 7348

NEW YORK
Fixed-income: Miluska Berrospi
+1 646 223 7586

People & markets: Philip Scipio
+1 646 223 8767

HONG KONG
People & markets: Thomas Blott
+852 2841 5878

Fixed-income: Carol Chan
+852 2912 6604

SYDNEY
Fixed-income: John Weavers
+612 9373 1655

TOKYO
Fixed-income: Takahiro Okamoto
+813 6441 1773

REPORTERS: LONDON
Fixed-income: Edward Clark
+44 (0)207 542 7630

Fixed-income: Eleanor Duncan
+44 (0)207 542 5016

Fixed-income: Tom Revell
+44 (0)207 542 2794

Equities: Lucy Raitano
+44 (0)20 7542 4282

NEW YORK
Fixed-income: William Hoffman
+1 646 223 6141

Equities: Robert Sherwood
+1 646 223 8792

High-yield: David Bell
+1 646 223 8388

HONG KONG
Equities: Candy Chan
+852 2912 6672

Fixed-income: Jihye Hwang
+852 2843 1679

SINGAPORE
Fixed-income: Krishna Merchant
+91 9833847353

BEIJING
Equities: Karen Tian
+86 10 6627 1045

Credit: Yanfei Wang
+86 10 6627 1104

CREDIT EDITOR
Alex Chambers
+44 (0)20 7542 8389

DEPUTY CREDIT EDITOR
Helene Durand
+44 (0)20 7542 3469

NEWS EDITORS
Julian Baker
+44 (0)20 7542 7432

DESK EDITORS
Vincent Baby
+852 2912 6612

Ian Edmondson
+44 (0)20 7542 9703

David Holland
+852 2912 6676

CHIEF SUB-EDITOR
Richard Stanbury

EDITORIAL ASSISTANT
Anna Farish
+44 (0)20 7542 3474

BUREAU CHIEF: LONDON
Chris Mangham
(IFR Associate Editor)
+44 (0)20 7542 3582

BUREAU CHIEF: HONG KONG
Prakash Chakravarti
+852 2912 6671

BUREAU CHIEF: NEW YORK
Michelle Sierra
+1 646 223 8592

SENIOR REPORTERS: LONDON
Sandrine Bradley
+44 (0)20 7542 0651

Alasdair Reilly
+44 (0)20 7542 3197

Claire Ruckin
+44 (0)20 7542 1891

NEW YORK
Kristen Haunss
+1 646 223 6790

Aaron Weinman
+1 646 223 6278

HONG KONG
Apple Li
+852 2912 6685

Evelynn Lin
+852 2912 6607

Chien Mi Wong
+852 2912 6611

SINGAPORE
Mirzaan Jamwal
+65 6417 4541

SYDNEY
Mariko Ishikawa
+61 2 9321 8179

TOKYO
Wakako Sato
+813 6441 1876

REPORTER: LONDON
Prudence Ho
+44 (0)20 7542 2875

Kerstin Kubanek
+44 (0)20 7542 0631

NEW YORK
David Brooke
+1 646 223 4697

Daniela Guzman
+1 646 223 6667

Sasha Padbidri
+1 646 223 4442

PRINT/WEB PRODUCTION, LONDON
Head of production: Clive George
+44 (0)20 7542 3869

IFR production manager:
Carole Styles

Andreas Michael, Nita Webb,
Gavin White

GLOBAL HEAD – ADVERTISING & SPONSORSHIP SALES
Shahid Hamid
+65 9755 5031

ADVERTISING & SPONSORSHIP SALES DIRECTOR
Leonie Welss
+44 (0)20 7542 7752

GLOBAL ADVERTISING PRODUCTION MANAGER
Gloria Balbastro
+44 (0)20 7542 4348

SUBSCRIPTION SALES ENQUIRIES
UK/EMEA: +44 (0)20 7542 4569
Americas: +1 646 223 5543
China, Hong Kong, Japan, Korean, Taiwan
Alan Wong +852 2912 6606

Australia, India, Indonesia, Malaysia, Singapore, Thailand
Samantha Harris +612 9373 1749

CLIENT SERVICES
IFR.Clientsupport@refinitiv.com

NEW ISSUES LEAGUE TABLE & DATABASE
Loans: Iolanda Barbati
+44 (0)20 7542 0971

ECM: Rebecca Cox
+44 (0)20 7542 7376

DCM: Ian Willmott
+44 (0)20 7542 4376

REPRINTS OR LICENCE TO COPY
Gloria Balbastro
+44 (0)20 7542 4348

E-MAIL ADDRESSES
firstname.lastname@refinitiv.com

LONDON, HEAD OFFICE
30 South Colonnade
Canary Wharf
London E14 5EP
Tel +44 (0)20 7250 1122

NEW YORK
3 Times Square
18th Floor
New York
NY10036

HONG KONG
16/F Cityplaza 3
14 Taikoo Wan Road
Taikoo Shing,
Hong Kong
Tel +852 2522 4159

SINGAPORE
18 Science Park Drive
Singapore 118229
Tel +65 6775 5088

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Save the Children would like to thank Co-Lead Managers Credit Agricole, UBS, IFR, Goldman Sachs, Barclays and Royal Bank of Canada for their donations to the tombstone auction at the 2018 IFR Awards Dinner.

Thanks once again to the generosity of the investment banking industry, the event raised £866,249 – making a grand total of £27,510,115 raised for Save the Children since the IFR Awards Dinner's inception 25 years ago.

Together we have helped more children to stay safe, healthy and keep learning, such as 15-month-old Naura (pictured with her sister Shadia, eight-years-old) who is receiving treatment from Save the Children's mobile health team in Yemen for malnutrition.

Join us at the next **IFR Awards Dinner** on **Tuesday 28 January 2020** so we can give them a future to look forward to.

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