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INTERNATIONAL FINANCING REVIEW

DECEMBER 14 2019 ISSUE 2313 www.ifre.com

Double Dutch: Shell signs US$10bn sustainability-linked loan with SOFR pricing

Saudi Aramco achieves US$2trn 'vindication' but will international money now step in?

Deutsche admits clean-up will be slower and capital release unit won't release any capital

PLUS: IFR AWARDS 2019

Upfront

Hollow victory

The Saudi Aramco IPO is a "dream come true", said an excitable headline in a Saudi newspaper last week, while a Saudi journalist praised the country's de facto ruler Mohammed bin Salman as a fortune-teller who could predict the future.

The ululation was based on a 17% rise in the trading price of Aramco's stock on the local Tadawul exchange that saw the company valued – albeit briefly – at US$2trn, allowing enthusiasts to claim that the deal was a triumph because that was the valuation that the crown prince had said was the minimum acceptable (even if he then accepted less).

And fair-minded observers will acknowledge that such a jump in a newly listed company in its first few days' trading suggests a well-priced, well-received IPO. Yes, there has to be a suspicion that some of the friends-and-family buying was not entirely natural (to put it gently) but it is also fair to say that another large chunk of price-insensitive demand will come when the company is admitted into the MSCI index, and that will also support the share price in the short term.

But is it possible that some Saudi patriots have allowed their enthusiasm to over-power their memory?

The thing is, when the crown prince and his followers (not to mention all the bankers who were chasing fees) laid out the vision for the Aramco IPO it was about much more than a US$2trn valuation. It was supposed to be a key point in the transformation and internationalisation of the Saudi economy via the so-called Vision 2030.

It was about bringing in foreign capital; opening up the main pillar of the Saudi economy to foreign influence; spearheading Saudi Arabia's move into a brave new world of openness that would welcome foreign investment. It was about putting the crown jewel of Saudi business into the portfolio of every major international fund manager and sovereign wealth fund.

It was supposed to be the kind of coming out party in the equity world that the country's (genuinely successful) US$12.5bn debut US dollar bond issue had been in the debt market.

But little of that has happened.

And set against all that, the decision to reject an international IPO that would have helped meet those targets in favour of an unambitious local affair purely to meet an arbitrary valuation target set at the apparent whim of the country's leader looks just a little short-sighted.

Wasn't me

In other news, the fact that the deal ended up as something of a Pyrrhic victory was all, apparently, Michael Klein's fault.

Or so say the banks involved (apart from Citigroup, where Klein used to work) in an effort to explain what went wrong.

Klein was an adviser to Aramco on the deal and he is being blamed in seemingly every tick-tock story in the financial press – thanks to some heroic spinning efforts by the other banks – for the fact that the Saudis were so wedded to the US$2trn valuation the banks told them was achievable.

The problem, the spin goes, wasn't that the banks were only telling Aramco and the government what they wanted to hear.

It was that (supposedly) Klein refused to help them engineer the bait-and-switch that they had in mind all along by declining to tell the Saudis that a US$2trn valuation was unrealistic.

Only insiders really know what Klein was telling the Saudis. But are banks really happy to be saying, in effect, "we wanted to tell the truth, but Michael wouldn't let us"?

It certainly looks like that. And it's definitely not a great look.

Unicorns at home

Chinese technology companies are still determined to push their private valuations into the public markets. If that is the only goal, a domestic listing would serve them best.

The US listing of OneConnect Financial Technology confirms what markets already knew: private market valuations have run far ahead of reality.

OneConnect raised US$312m from a NYSE IPO last week at a market capitalisation of about US$3.7bn, around half the US$7.5bn valuation when Japan's SoftBank bought a stake last year.

After the spectacular WeWork flop over the summer, other technology unicorns have to lower their targets if they still want to go public – especially in the US market.

The next to try its luck is Ucommune, a four-year-old co-working start-up based in China that looks strikingly similar to WeWork. Ucommune was valued at about US$2.6bn when it raised money last November, and is likely to list at a valuation of well below US$1bn.

US investors are not likely to risk their hard-won cash on a WeWork lookalike at this point, so the success of these listings will depend mainly on friendly Chinese investors. OneConnect's IPO had strong backing from Ping An Insurance, already its biggest shareholder and biggest customer. Ucommune will need a similar sponsor.

But a US listing with a small group of Chinese investors is hardly worth the effort. And in years to come, they may not need to bother.

China's domestic market is emerging as a credible alternative for fast-growing technology listings. The Star board, which comes without the profit tests and price caps that make the wider A-share market so unappealing, is already attracting a host of fast-growing companies to list in Shanghai.

Looser rules on major shareholders would tip the balance further in Shanghai's favour. As things stand, an overseas listing gives company founders an easy route to monetise their holdings, while domestic rules mean they would be locked in for years. If China is serious about keeping its unicorns closer to home, that will have to change.

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Shell signs US$10bn sustainability linked loan with SOFR pricing

■ **Loans** Jumbo deal is a significant moment in the transition away from Libor

BY ALASDAIR REILLY

Anglo-Dutch oil company ROYAL DUTCH SHELL has agreed a US$10bn revolving credit facility that features pricing based on the secured overnight financing rate, marking a major step in the loan market's transition from Libor-based pricing to risk-free rates (RFRs) ahead of the planned cessation of Libor at the end of 2021.

"Transactions such as this play a crucial role in establishing conventions that can be widely adopted across the market, and Shell has demonstrated real leadership by engaging with banks to demonstrate a path to a post-Libor world," said Tushar Morzaria, chair of the Sterling Risk Free Reference Rates Working Group.

In another notable landmark for Shell, the deal also links margins and fees to the company's progress towards its short-term net-carbon footprint intensity target, as published in its sustainability report.

Shell is aiming to reduce the net-carbon footprint of the energy products it sells by 20% by 2035 and 50% by 2050 as it moves towards meeting the aims of the Paris Agreement. The company has also set a three-year target to reduce its net-carbon footprint by 2%–3% by 2021 compared with 2016.

Shell's net carbon footprint is a measure of the emissions intensity of the portfolio of energy products sold by the company.

The calculations include a greenhouse-gas-emissions-to-equity calculation based on emissions directly from Shell operations, third parties' emissions caused by supplying energy for the production of Shell's products, and customers' emissions from consumption of those products.

Shell's net-carbon footprint is presented annually to its environmental auditor Lloyds Register Quality Assurance.

"This is an innovative deal that also demonstrates Shell's broad-based commitment to reducing the net-carbon footprint of the energy products we sell," said Russell O'Brien, Shell's group treasurer.

STOP LIBOR

Lenders are facing increased pressure to find common ground after the UK's Financial Conduct Authority's RFR Working Group set a target date of the end of the third quarter of 2020 to stop new Libor-based cash contracts that mature beyond 2021.

On top of that, lenders are also facing the huge challenge of amending existing loan agreements to transition them to the new RFRs before 2022.

Aramco trades up but will international investors now step in?

■ **Equities** With US$2trn valuation achieved in the aftermarket, Kingdom boasts of vindication

BY ROBERT VENES

It took less than two days of share trading for SAUDI ARAMCO to secure the prized US$2trn valuation that bankers were unable to deliver on the oil giant's IPO.

The rapid ascent led to energy minister Prince Abdulaziz bin Salman declaring the trading a "vindication" of the price that the government had sought - even if it was only briefly achieved on Thursday. More important than the chest-beating, though, is the question of whether the stock's run-up would prompt renewed interest from international accounts that largely avoided the SR96bn (US$25.6bn) float.

Technically, another sale, either on the Tadawul or on a foreign exchange, is not on the cards as the government and Aramco are locked up for 12 months. The lock-up was deemed vital to reassure investors buying into the largest ever IPO that more stock would not flood the market at a later date.

However, Aramco needs the agreement of just three of the nine global coordinators on the IPO to waive the lock-up.

At present, bankers on the IPO say there is no desire from the owners to sell more stock, despite the shares ending the week up 15% from the IPO at SR36.90, just shy of the SR37.50 level where the market capitalisation is US$2trn.

"It's pure speculation, but the lock-up is not particularly robust," said a head of ECM at a global coordinator on the IPO.

The government is now focused on other projects as part of its "Vision 2030" programme, said another head of ECM on the top line of the IPO syndicate, though he noted that there is no visibility on more Saudi IPOs to follow Aramco.

FEAR OF MISSING OUT

Three heads of ECM involved in the float said international investors would not reverse their position on Aramco so quickly as less than 10% of the IPO went to overseas investors.

"Definitely not," said one of the heads of ECM when asked if foreign buyers would now chase the stock. "The US$2trn number is just political and having traded up significantly, you could say [the stock] is even less attractive."

A blue-chip investor who was one of the few international investors to take part in the deal said other international investors would be looking at the stock - but investment decisions would take time and would not focus on the market capitalisation.

Index inclusion means some will have to buy the stock, said the investor, with analyst speculation that Aramco's inclusion in indices will deliver investment of approximately US$3.8bn.

Any concerns that the local

"Around US$2trn–$3trn of loans have to be renegotiated in the next year. The regulations don't tell you how to do it, just that you have to do it," a banker said.

A smattering of small sterling overnight index average-referencing bilateral loans have emerged this year. Under a NatWest pilot project, UK transport group National Express closed the first Sonia-based loan in June. This was followed, under the same pilot scheme, by deals for South West Water and UK gas and electricity utility SSE.

"In sterling, we would expect to see Sonia-linked loans become more prevalent in the new year as market participants target the end of Q3 2020 to stop new lending using Libor," Morzaria said.

To arrange a Sonia-based syndicated loan now would require loan market consensus and agreement between banks on transition methodologies.

AGAINST THE CLOCK

Banks have been hampered by a silo mentality that has meant differing flavours of transition even within the same institution. Meanwhile, anti-competition regulation has made lenders wary of engaging with each other.

However, loan market participants are being strongly encouraged to engage with regulators and the working groups on the issue in the short time available.

The Loan Market Association published exposure drafts for loan agreements based on RFRs in September and an exposure draft reference rate selection agreement for use on legacy transactions transitioning from Libor to alternative reference rates in October.

The documents highlight many of the issues that are in play and how much more work must be done to get methodologies and systems aligned and ready for transition.

Progress on Libor replacement has been slow as the loan market held out for a forward-looking term RFR that would mirror Libor providing a prediction of borrowing costs.

But with no forward-looking term RFR available yet the market has gravitated to backward-looking compounded RFRs, which will allow some advance notification on the amount of interest payable before the payment date.

Although the market is broadly in agreement over the need for compounded RFRs there is currently no consensus over the exact methodology to calculate the compounded rates, according to a report from law firm Dentons.

As the RFRs do not include bank credit risk or term risk they are lower than the Libor rates they will replace, so banks will have to decide between two pricing models to factor in these differences: the adjusted RFR option, which uses a separate adjusted spread on top of the margin and compounded RFR; or a simpler RFR plus margin option, where lenders' cost of funds are factored into the margin.

Again, no market consensus has yet emerged on an agreed methodology to be applied to these calculations or how to prevent a transfer of value between parties.

The LMA's exposure draft also assumes there will be a trusted third-party published screen rate for the RFRs, but no such screen rate exists yet, which means a fallback compounded rate would have to be manually calculated using an as yet undecided methodology. ■

market could not support the world's largest company should fall away, however, and any emerging market investor not buying would be taking an active decision not to follow an index stock.

The investor reiterated a view shared among the banking syndicate that the Saudi authorities would make sure the stock continues to rise, regardless of provision for a 15% greenshoe. As the stock rises, so does the fear of missing out.

Beyond that, investors will now look at other characteristics such as underlying income, currency of revenues, dividends and location of risk and how the stock fits into a portfolio, potentially leading to diverse views on the stock.

The first head of ECM said "it has been very important for the local market and the vendor that this has been a successful debut but international accounts can't really take a proper view until it has traded for at least six months".

He said that the overhang from retail investors getting bonus shares after six months would probably also need to be dealt with first.

LESSONS TO LEARN

Aramco's IPO broke records so should have added something to ECM knowledge. Beyond the local market, however, there is a widely held view that the largest IPO of all time will have little impact on the future of ECM.

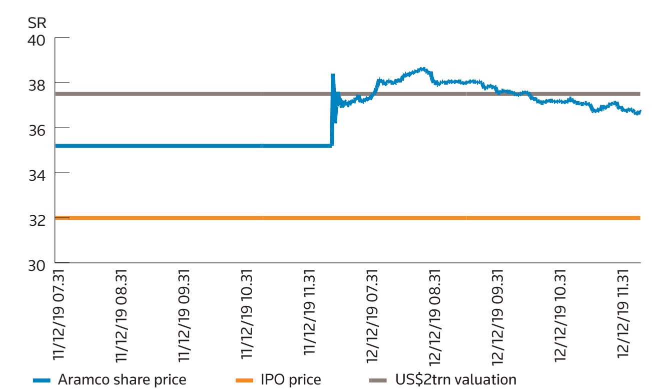
"No, honestly, no," said a head of ECM at one of the bookrunner banks when asked whether there were lessons to be learned from the deal. "What was supposed to be the deal of the century turned out to be a mostly local deal where some very wealthy people put a huge amount of money in. When I meet clients we discuss it, but there are no key takeaways. It is not something that can be replicated. We can't say the market is receptive because Aramco priced its IPO."

While it is easy to scoff at the friends and family deal - especially as government entities bought 13.2% of the IPO when the government already owned the company - there is one area in which the float may have something to offer other deals.

The banks provided regular updates on how the bookbuild was progressing. Updates were always given as a currency total with no detail on price sensitivity, and this meant investors were clear on the deal's progress and it kept order inflation to a minimum. Accounts were given the opportunity at the end of the process to upsize orders.

The global coordinators were *Bank of America*, *Citigroup*, *Credit Suisse*, *Goldman Sachs*, *HSBC*, *JP Morgan*,*Morgan Stanley*, *NCB Capital* and *Samba Capital*. *Lazard*, *M Klein* and *Moelis* advised. ■

ARAMCO (BRIEFLY) TOPS US$2trn



Source: Refinitiv

OneConnect slashes valuation

Equities IPO goes through as SoftBank faces another embarrassing haircut

BY FIONA LAU

Ping An Insurance's ONECONNECT FINANCIAL TECHNOLOGY has become the latest technology unicorn to scale back its IPO, highlighting the gap between valuations in the public and private markets.

OneConnect raised US$312m from an NYSE IPO last week at US$10 per American depositary share, around half the valuation it achieved in its last private around.

The fintech company, backed by SoftBank's Vision Fund, managed to drag the deal across the finish line after cutting its fundraising target by almost half last Thursday, the last day of bookbuilding.

It had intended to raise US$432m–$504m through the sale of 36m ADSs at US$12–$14. Under the revised terms, it marketed 26m ADSs at US$9–$10 each for US$234m–$260m, before upsizing the offer to 31.2m ADS.

The poor showing follows the cancellation of the planned September IPO of WeWork, another Vision Fund investment, although SoftBank is understood to have ploughed only about US$100m into OneConnect, far less than into WeWork. The office-sharing company's valuation plunged from a high of US$47bn to US$7bn–$8bn after it launched and then abandoned its float.

> "WeWork's failed IPO definitely hit sentiment towards technology stocks"

"WeWork's failed IPO definitely hit sentiment towards technology stocks. Some investors expected OneConnect to have a big valuation cut from the last round given the company is unlikely to turn profitable in the near future," said a person close to the deal.

Another person close to the deal said the major reason OneConnect lowered its valuation was to accommodate anchor interest from high-quality global long-only investors, which can in turn help secure a decent aftermarket performance.

At the final terms, the company is valued at about US$3.7bn, around half of the US$7.5bn valuation when Japan's SoftBank bought a stake last year.

UCOMMUNE, a WeWork rival, is likely to be the next China-to-US listing at a deep valuation cut. China's biggest shared workspace provider last week made a public filing for a US$100m NYSE IPO, to be launched in January.

The four-year old company is said to be looking at a valuation of less than US$1bn, a fraction of its US$2.6bn price tag in November last year. Its investors include All-Stars Investment, a private equity fund focused on internet and consumer brands in China.

> Investors are generally more cautious at the year-end not to jeopardise their portfolio returns

OVER-RELIANCE ON PING AN

Investors are generally more cautious at the year-end not to jeopardise their portfolio returns. Some investors were also concerned about

PSBC keeps stock afloat after IPO

Equities Issuer and banks take measures to support share price

BY KAREN TIAN, FIONA LAU

POSTAL SAVINGS BANK OF CHINA managed to stay above its IPO price during its first week of trading in Shanghai after the bank and its underwriters took several steps to support the shares.

The stock closed at Rmb5.59 last Friday against the issue price of Rmb5.50, giving some relief to the market after the recent disappointing debuts of other Chinese banks.

Unusually, the IPO came with a 15% greenshoe, offering the leads a tool to stabilise the share price in the first 30 days after the listing. The last IPOs to have this feature were Agricultural Bank of China and China Everbright Bank's Shanghai IPOs in 2010.

"Applying a greenshoe on this deal is an important reform for the Chinese A-share market and regulators," said a person close to the deal. "It comes after recent market-oriented pricing attempts on ordinary A-share boards such as the IPOs of Foxconn last year and Chongqing Rural Commercial Bank in October."

Nevertheless, PSBC's share performance is still disappointing in the A-share market, where IPO valuations are capped and most new stocks surge by the maximum 44% on their first day of trading.

"The end of each year is tough timing for IPOs. Liquidity is tight and too many IPOs came out in this quarter," said a banker.

Hong Kong-listed PSBC raised Rmb28.4bn (US$4bn) from the Shanghai IPO, which was the largest A-share listing since Guotai Junan's Rmb30.1bn IPO in 2015.

To ensure the giant deal traded well, despite waning investor interest in the banking sector, the bank took several steps to shore up confidence, such as applying lock-ups to different parts of the deal.

> "Applying a greenshoe on this deal is an important reform for the Chinese A-share market"

There is a one-year lock-up for strategic investors and a six-month lock-up on 70% of the institutional investors.

Strategic investors took 25% of the float and institutional investors 40%. The bookrunners also took up about 2% of the deal after investors failed to pay for the shares, and they committed not to sell them for up to six months.

Additionally, the bank's existing shareholders committed not to sell the stock in the short term. China Post Group will lock up its shares for three years, while China Life Insurance, China Mobile Communications, Alibaba-backed Ant Financial and Tencent, the bank's top five shareholders, will lock up theirs for a year.

PSBC also sought to ensure there was sufficient buying in the secondary market.

To ensure there will still be support for the stock after the stabilisation period ends, China Post Group, PSBC's biggest shareholder with a post-IPO stake of 64.8%, has committed to increase its shareholding by at

OneConnect's close business links with principal shareholder Ping An Group.

"Ping An is the most important customer and supplier of OneConnect. OneConnect definitely enjoys a stable supply of business but at the same time investors are worried the company relies too much on Ping An," said another person close to the deal.

Ping An last week stepped in to indicate interest in buying US$100m of OneConnect's downsized IPO.

OneConnect provides technology services to small and medium-sized financial institutions. For the nine months ended September 30, almost 44% of the company's total revenue was from Ping An, and OneConnect in turn purchased Rmb392m (US$56m) of products and services from Ping An, representing 15% of its total cost of revenue and operating expenses.

The poor trading debuts of some recent China-to-US listings also did not help. Shares of 36Kr, an information service that tracks start-up fundraisings in China, fell 40% below the IPO price as of last Wednesday. Bitcoin mining equipment maker Canaan has also underperformed, with its shares trading 31% below the IPO price.

"Investors are worried the company relies too much on Ping An"

OneConnect's shares were set to start trading on December 13.

For the nine months ended September 30, OneConnect posted a loss of Rmb1bn, against a loss of Rmb579m over the same period in 2018.

Morgan Stanley, *Goldman Sachs*, *JP Morgan*, *Ping An of China Securities (Hong Kong)*, *Bank of America* and *HSBC* were the joint bookrunners. ■

least Rmb2.5bn over the next 12 months.

"A healthy stock should have a good institutional investor structure from the beginning of an IPO," an ECM banker said. "That's why this deal has a six-month lock-up on institutional investors who have done deep research on the company and are optimistic about its prospects."

MORE TO COME

PSBC is the last of China's six largest state-owned lenders to have completed a listing of both A and H shares. If its share stabilisation measures are successful, that could help drum up interest in the 16 Chinese local lenders currently lining up to launch a domestic IPO.

Investors have been cautious after a few recently listed banks traded below water. The A-shares of Hong Kong-listed Zheshang Bank, which started trading in Shanghai on November 26, closed at Rmb4.58 on December 11, 7.3% below the issue price. The A-shares of Hong Kong-listed Chongqing Rural Commercial Bank have lost 11% since a domestic listing on October 29.

"A healthy stock should have a good institutional investor structure from the beginning"

The weak outlook for the sector explains much of the drop in share prices.

Fitch has a negative sector outlook on Chinese banks in general, as "trade tensions and weakening economic growth may result in greater asset impairment and earnings volatilities".

CICC and *China Post Securities* were sponsors of the PSBC deal, and bookrunners with *UBS Securities* and *Citic Securities*. ■

EU equivalence battle looms for City

■ **People & Markets Tall order agreeing equivalence**

BY STEVE SLATER, CHRISTOPHER SPINK

Brexit negotiations will dominate the early months of Boris Johnson's new UK government, and that will include an urgent need to hammer out details of "equivalence" for financial firms.

Agreeing equivalence in financial services has been on the backburner for months, but bankers said it needed to quickly resurface as it was a complex issue and the market was still in the dark about much of it. If "equivalence" isn't agreed it will add significant costs and complexity for financial firms operating in the City.

Some observers reckon the UK Conservative Party's surprisingly large 80-seat majority after Thursday's election could smooth the path because Johnson will not need to worry about upsetting MPs pushing for a hard deal with Brussels in all areas.

"This should usher in a substantial period of stability. The [withdrawal] deal will be pushed through, leading to a period of transition," said Etay Katz, a partner at law firm Allen & Overy focused on European financial regulation. "This is very positive for anyone working in European financial markets."

DAUNTING DEADLINE

Equivalence talks face a daunting deadline to get settled, however. Johnson is expected to now push through Brexit by the end of January, with a transition period until the end of December 2020. If Johnson wants an extension to that, he needs to ask by July - so that is effectively the deadline to decide if equivalence issues can be resolved.

Agreeing equivalence in six months is a tall order, bankers and regulation experts said.

The EU has indicated it would only be prepared to allow UK firms to operate in the EU in future if regulations are on a par. Britain has said it will be "equivalent" on the first day after any transition period, as most EU financial rules are enshrined in law.

"The final outcome of any agreement is unclear," said Katz, noting that there had recently been questions about whether equivalence was the right approach for the EU to adopt when dealing with markets of major systemic importance, such as the UK.

Still, as in the past, some are confident that the need for EU companies to access London's capital markets means firms will keep access without roadblocks going up.

That has already been seen for the clearing of trades. LCH, the London Stock Exchange's derivatives clearing house, is the dominant CCP for clearing interest rate derivatives, accounting for about 60% of trades, and almost all of the trades that are centrally cleared. ICE Clear Europe and LME Clear are also core parts of the infrastructure.

Concentrating clearing deepens liquidity and helps firms compress trades, helping cut costs.

A temporary equivalence agreement for clearing was put in place until the end of March, and the EU already looks set to extend that, possibly by 12 months, in the event the UK ultimately leaves without any future bespoke trade agreement.

The main threat remains, however, that discussions get bogged down again by political wrangling between the UK and EU members. ■

Latest battleground for trading units: quant investing

People & Markets **Banks double down on QIS, overlooking recent shaky performance**

BY CHRISTOPHER WHITTALL

Banks' trading units are pinning hopes for growth on one of the hottest buzzwords in finance: QIS.

Quantitative investment strategies have become more prominent in recent years as a growing number of money managers embrace less conventional, and often more complex investment styles aimed at providing returns that are less reliant on the direction of broader markets.

That has sparked a fierce scrap between investment banks eager to capitalise on the trend.

QIS-related revenues at the largest investment banks have declined about 20% this year, industry executives estimate, in a tough trading environment and following the disappointing performance for some of these strategies in late 2018. But that dip follows several years of double-digit annual growth and comes amid an even sharper decline in other equity trading activities this year.

It certainly hasn't deterred banks from investing to expand the range of investors and asset classes in QIS and engaging in a ferocious price war to cement their share of what many believe will be an important money-maker for years to come.

"QIS is a business that banks value: the revenues tend to be sticky, with lower volatility," said Arnaud Jobert, head of EMEA equities structuring and QIS at JP Morgan.

"The reason it's been growing is because there's genuine demand from a much broader range of clients. Clients that used to invest with hedge funds are looking for something more liquid at a fraction of the cost."

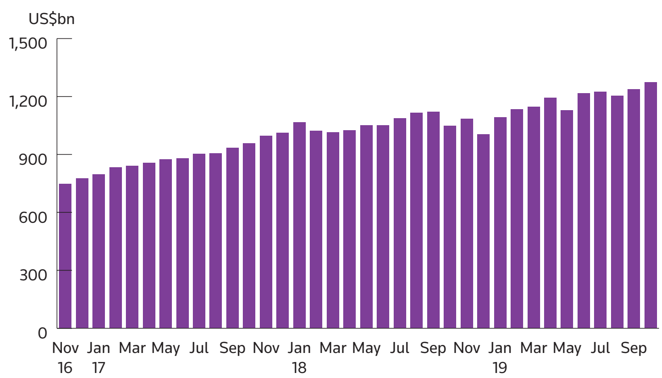
FACTORING IN

The umbrella term "QIS" spans a variety of activities. It usually involves systematically placing trades designed to generate steady returns that depend less on the path of broader markets than simply buying broad equity or debt benchmarks. For large institutional investors like pension funds, QIS can also be used to formulate hedging programmes to protect investor portfolios against market downturns.

Quant investors aim to capture factors that drive returns and risks in different asset classes such as momentum, carry and value.

They also look to harvest so-called alternative risk premia. These strategies often emulate hedge fund activities: trading options to take advantage of dislocations in the safety

TOTAL NET ASSETS IN STRATEGIC BETA FUNDS



Source: Morningstar

Deutsche admits clean-up will be slower

People & Markets **Deal with BNP Paribas leaves German bank holding more assets for longer**

BY GARETH GORE, STEVE SLATER

DEUTSCHE BANK has scaled back its ambitions for a rapid clean-up of €250bn of legacy trades and former businesses, with the bank substantially cutting back its estimates for planned reductions in its capital release unit for this year and next.

The unit is expected to still have a leverage exposure – the best gauge for the size of the portfolio – of €140bn by the end of this year and €50bn at the end of 2020. That is sharply higher than forecasts of €119bn and €17bn respectively when plans were announced in July.

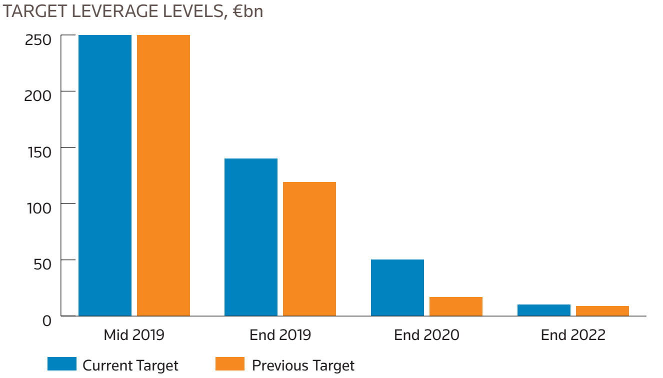
While substantial progress has been made during the first five months, including a deal to sell the prime brokerage and cash equities business to BNP Paribas, progress in other areas has been slower than expected, leading to targets being pushed out into the future.

The BNP Paribas deal, which was finalised last month and will see 1,300 people eventually move to the French bank, is also part of the reason for the pushback. Deutsche now expects to retain about €60bn of the assets until final migration happens in 2021.

"Pursuant to the BNP transaction and the final completion of our strategic timetable, we have slightly slower rundown of leverage exposure in 2020, and therefore we are slightly increasing our 2020 leverage target to €50bn," CRU head Louise Kitchen told analysts on Tuesday.

DEUTSCHE REDUCES AMBITIONS FOR CRU

TARGET LEVERAGE LEVELS, €bn



Source: IFR

EATING INTO CAPITAL

The capital release unit is also expected to prove anything but, with the unit expected to burn capital on a net basis over its lifetime.

While having a positive impact this year, with the 65bp premium that investors pay to protect against market swings, building long-short equity portfolios, or betting that share prices in an index will diverge.

Within banks, QIS started life on equity trading desks, where many of these strategies find their roots, and branched out across asset classes as this style of investing has proliferated.

It is hard to give a comprehensive figure for the total amount of money in QIS given that banks handle billions of dollars worth of QIS mandates for clients that aren't disclosed publicly. One proxy for its growth is assets in "strategic beta" funds, which include multi-factor and other risk-orientated strategies. Morningstar data show these have grown from US$775bn at the end of 2016 to US$1.3trn at the end of October.

"QIS is one of the biggest growth opportunities and one of the areas with the highest amount of innovation," said Nicolas Marque, global head of equity derivatives at BNP Paribas.

COMPETITIVE ADVANTAGE

Banks have focused on two main areas to profit from this trend. They develop their own proprietary indices, sometimes teaming up with outside funds or academics, to sell to investors. They also execute trades on behalf of more sophisticated investors who develop their own in-house formulas, providing a regular stream of revenues from rolling these strategies.

> "QIS is one of the biggest growth opportunities and one of the areas with the highest amount of innovation"

"One of our competitive advantages as banks is the closer link to trading and the ability to optimise execution," said Michael Steliaros, head of quant execution services at Goldman Sachs. "We, and other banks, may have the ability to create hundreds of products, but you need critical mass in the demand for those products to make them viable."

Goldman Sachs and JP Morgan are two of the biggest firms in QIS. Other banks investing to expand QIS include BNP Paribas, Citigroup, Credit Suisse, Societe Generale and UBS. Increased competition is visible in the prices offered to clients.

"Banks do seem keen on doing deals and making more aggressive prices," said Guido Baltussen, co-head of quant allocation at asset manager Robeco.

"When you look at the bank products, they don't really differ much from one bank to the next. It's more about execution and prices. We have some strategies where we know that the execution power is with the bank."

CHALLENGING BACKDROP

Banks' determination to grow this business is noteworthy given the struggles of some high-profile QIS funds of late and the declining revenues many trading desks have recorded this year.

Guillaume Garchery, head of quantitative research and development at Paris-based investment manager LFIS, said investors last year faced challenges around the diversifcation of their investments, with momentum and value strategies negatively correlating.

"That seemed to surprise some players," said Garchery. "We try to diversify our investments to the maximum; it's a daily focus for us."

Despite last year's setback, there is good reason to think QIS will continue to grow over the longer term thanks to increased marketing around the topic, the patchy performance of the hedge fund industry in recent years, ultra-low interest rates encouraging alternative investments and the need to find workable hedges against a potential downturn in markets.

Banks are bringing QIS to a broader range of clients, including using these indices in retail structured notes. Many believe there is also room to grow in less liquid asset classes such as fixed income.

"Fixed-income risk premia, strategies exploiting market microstructure, and hedging strategies have been in the forefront of new development in 2019 and are part of investors' allocation going in 2020," said Sandrine Ungari, head of cross-asset quantitative research at Societe Generale. ■

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drag on Deutsche's core equity Tier 1 ratio from CRU losses and clean-up costs more than offset by the 85bp lift from the reduction in risk-weighted assets, that process is expected to reverse over the next three years.

Indeed, the cost of running the CRU is projected to lead to a 105bp drag on CET1 over the next three years, implying losses of around €3.5bn based on today's levels. That more than offsets the 75bp gain in CET1 because of the shrinkage in the balance sheet and reduction in RWAs.

"It is a significant, complex book of work that we need to complete as efficiently as we can to minimise the disruption to the bank," said Kitchen. "Over the long term the group will obviously benefit from a more focused and profitable business mix."

The CRU lost €1.6bn in the first nine months of this year. While costs are expected to come down, partly through the BNP deal but also through reductions in IT costs, it is still expected to be losing up to €1bn a year by the end of 2022, when deleveraging is supposed to be largely complete.

For the first time, Deutsche provided more detail on the shape of the portfolio and where money was being lost. Some €137bn of the initial €250bn came from the shuttered prime brokerage and equity businesses. A further €88bn came from legacy rates trades, and €20bn from credit assets.

Crucially, it showed there are some lengthy time frames for the remaining positions in the CRU, such as interest-rate swaps, cross-currency swaps and options assets. Indeed, Deutsche said the weighted average life for the remaining €88bn of rates positions is eight years.

> "Most of our assets, like our substantial derivatives portfolio, do not have a yield in themselves but do have ongoing hedging costs"

"Most of our assets, like our substantial derivatives portfolio, do not have a yield in themselves but do have ongoing hedging costs," Kitchen said. "However, this impact will, of course, reduce use over time as we reduce the overall size of the capital release unit."

ROLLING OFF

Between 10% and 15% of assets are expected to roll off naturally each year, with the remaining assets earmarked for sale. The CRU has brought in teams and drawn up de-risking strategies for assets that will be balanced against the bank's wider financial targets. Sales can be costly.

"When we can rely on just run-off to take place, that's great and that doesn't create just de-risking costs," said CFO James von Moltke. "Where we accelerate is where it is capital productive, if you like, to engage in a sort of a proactive de-risking cost."

Deutsche said the CRU assets are marked at fair value on its books and disposal to date had confirmed those valuations, diminishing the threat of losses. Bankers said those valuations are likely to be more severely tested, however, as it moves to more complex and illiquid sales. ■

New year cheer for lev loan bankers

Loans Deals totalling around €14bn lined up for launch in first quarter

BY CLAIRE RUCKIN

Around €14bn of leveraged loans are set to hit Europe's loan market in the first quarter of 2020, promising a solid start to the year as the pipeline of new issuance builds.

The pipeline involves deals of all sizes, from a €3bn-equivalent financing backing a buyout of UK defence and aerospace group COBHAM to €690m of leveraged loans backing Platinum Equity's acquisition of European biscuits manufacturer BISCUIT INTERNATIONAL.

"Holy moly, €14bn is more than I thought," a senior banker said. "It won't all come at the same time and people have lots of money and want new supply and choice so it feels like there will be a healthy and active market. We should all rejoice."

A loan backing technology-focused private equity firm Thoma Bravo's US$3.82bn acquisition of UK cyber security company SOPHOS could be the first out of the blocks in the new year. The financing totals US$2.075bn and, although a US$520m second-lien loan has been preplaced, a US$1.43bn Term Loan B still needs to be syndicated. It is expected a portion of that TLB will be denominated in euros.

While much of the pipeline is awaiting syndication, some is comprised of potential deals in the final stages of auction processes such as a sale of German classifieds group SCOUT24's autos unit AUTOSCOUT24, which will require up to €750m of debt financing to back a buyout.

In keeping with 2019, there will be huge differentiation between credits and there is unlikely to be a one-size-fits-all approach when it comes to leverage levels and pricing.

> "Holy moly, €14bn is more than I thought. We should all rejoice"

Highly leveraged and non-cyclical deals include £1.4bn of debt to back an acquisition of UK forensic sciences group LGC by a private equity consortium led by European firms Cinven and Astorg, which equates to around eight times LGC's approximate £165m-£170m Ebitda. That financing will consist of first-lien loans and subordinated debt either in the form of second-lien loans or mezzanine-like cash-pay and payment-in-kind.

Others are lower leveraged and cyclical deals including a €1.5bn-equivalent debt financing backing a sale of BASF's construction chemicals business to Lone Star, which comes in at around 4.25-4.5 times the unit's Ebitda.

"There is certainly choice to be had and something for everyone," a capital markets head said.

Other deals in the pipeline include a €2.5bn debt financing backing French entertainment production and distribution company BANIJAY GROUP's acquisition of ENDEMOL SHINE; £2.4bn of loans backing TDR Capital's British pubs group STONEGATE PUB's buyout of the UK's largest pub owner EI GROUP;

US IG market prepares for January surge

Bonds Sound fundamentals and a front-loaded calendar to push up supply

BY WILLIAM HOFFMAN

With 2019 high-grade supply largely finished for the year, market participants are already looking forward to what is shaping up to be a blitz of new deals in January.

Several factors are setting up the month for a supply surge including a dearth of volume in December, tightening spreads, low Treasury rates, a front-loaded calendar and improving US-China trade relations.

Borrowers storming the gates in January is not a new phenomenon but it is a stark departure from 2018's late-year sell-off that had issuers limping into 2019.

"The expectation is for a pretty heavy issuance load at the beginning of the year," said Dan Moore, co-portfolio manager at DuPont Capital's merger arbitrage strategy desk.

"Markets should stay open, and if there are M&A deals there shouldn't be any issues because people are ready to buy that debt."

Announcements could come as early as January 2 because the release date for non-farm payroll numbers is delayed until January 10 this year.

> "Markets should stay open, and if there are M&A deals there shouldn't be any issues because people are ready to buy that debt"

STRONG TECHNICALS

December volume was at a multi-year low in 2018 at just US$8.5bn, which fed into a muted January in which just under US$110bn priced - down from January supply of US$129bn and US$176bn the two years prior, according to IFR data.

While the market fundamentals are much stronger this year, December volumes remain low at just US$18.445bn up to December 12.

The lack of supply is driving demand and pushing spreads to their tightest levels of the year at 107bp over Treasuries - 52bp lower year to date, according to ICE BofA data.

BIG RISK

The big risk to January supply, however, is a negative outcome on the US-China trade talks.

Reports on Thursday indicated that both sides were prepared to sign a deal before Sunday when new US tariffs are set to be activated. However, details were scarce and markets continue to swing with every new bit of information.

Another US bank syndicate leader said he is hopeful for a positive trade outcome but admits negative trade news would have an impact on risk appetite.

"The technical backdrop remains very favourable because we're going to have close to three weeks of very meaningfully reduced supply," he said.

"We should have a good dynamic set up as we go into January but a negative tariff outcome could take that off course."

FRONT-LOADED CALENDAR

Meanwhile, US elections are less than a year away, which is likely to push issuance forward ahead of any headline volatility.

Specifically, borrowers may look to print ahead of Super Tuesday on March 3, which is when more than a third of Democrat's pledged around €800m of debt for PAI Partners' buyout of insulation foam maker ARMACELL; £305m of loans backing CapVest Partners' acquisition of YOUNG'S SEAFOOD; and a debt financing for Dutch equipment rental firm BOELS' acquisition of Finland's CRAMO.

MORE BESIDES

The €14bn pipeline figure has not taken into account a second potential syndication of the remaining portion of a €1.8bn buyout financing for German chemicals group EVONIK's methacrylates plastics unit MADRID that banks are stuck with having backed Advent International's buyout.

It also doesn't include possible mega-trades such as a €7bn debt deal to back a potential sale of German THYSSENKRUPP's elevator unit or a ground-breaking US$50bn debt financing for a possible sale of WALGREENS BOOTS ALLIANCE.

The first quarter is certainly promising to be more fruitful that the first three months of 2019, which saw volumes plummet following a difficult fourth quarter 2018 in Europe's leveraged loan market.

"There is certainly choice to be had and something for everyone"

Bankers are hoping the European CLO market will pick up again after a slower end to 2019, following saturation issues with Triple A investors and year-end fatigue.

"We should move gently into 2020. It is a far better start to the year than 2019 knowing there is deal flow to kick off with, but there is still plenty of capacity. Having said that, we will need the CLO market to restart again," a second senior banker said. ■

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delegates will be decided and markets will have a clearer view of who the Democratic nominee to run for president will be.

While that may result in a busy first quarter, most analysts across the Street are expecting full-year volumes to drop by around 5% next year because of lower M&A activity.

"The technical backdrop remains very favourable"

Political uncertainty was always likely to inhibit M&A activity given that M&A was down year-over-year in four of the past five presidential election years, according to a Barclays report.

But analysts are particularly keen on accessing the risks of an Elizabeth Warren presidency as her name comes up in more meetings and 2020 outlook reports than any other Democratic candidate.

"Warren has proposed major changes to several large sectors and companies are less likely to make transformative changes in an uncertain regulatory environment," the Barclays report stated.

Still, the syndicate head said this uncertainty could push companies to pursue M&A early in the year in hopes of closing before the election.

Some more bullish analysts are predicting 2020 high-grade supply could be flat or up 5% over 2019 levels, which assumes a flurry of M&A announcements this month or in the early part of the new year.

Absent new announcements, the forward looking M&A calendar is the lightest it has been in years.

High-profile M&A deals that are expected to tap the bond market for funding include T-MOBILE and SPRINT's US$26bn merger, LVMH's US$16.2bn acquisition of TIFFANY and AMGEN's US$13.4bn purchase of CELGENE's psoriasis treatment Otezla. ■

Risky deal finances Apollo's media move

■ **Bonds** **Grab for yield works its magic again**

BY DAVID BELL

A Triple-C rated unsecured bond to help finance APOLLO's buyout of US television and radio assets from COX ENTERPRISES reached the finish line on Thursday, after banks downsized the deal and inched pricing wider.

Apollo raised just over US$3.3bn of debt in the bond and loan market to finance a series of acquisitions of COX MEDIA GROUP's radio and television properties and NORTHWEST TELEVISION which total about US$3.9bn.

The structure puts leverage at the company at about six times.

The low ratings, high leverage and aggressive covenant package that came with the deal made the bond stand out amid a wave of vanilla Double B refinancings that have dominated the US high-yield primary market lately.

The sponsor is also known as one of the more aggressive in the market, giving some investors cause for concern.

Bookrunners had to make some tweaks to the size and terms of the bond to get it done.

"There's a price for everything," said one high-yield investor. "There's still a global reach for yield."

Banks led by *JP Morgan* priced a US$1.015bn eight-year non-call three unsecured note, rated Caa1/CCC+, after downsizing it from US$1.165bn in favour of boosting a seven-year Term Loan B.

Price talk was widened from an initial 8.50% area to 8.75%-9.00% before the deal was priced at par with a 8.875% coupon.

Demand had been solid for the loan, according to one of the syndicate bankers involved. It came with much stronger Ba3/BB- ratings.

With an eye on next year's presidential election, buysiders had a positive view on the sector despite the cyclicality of TV advertising and declines being driven by digital advertising.

"I think people are okay with the industry, especially going into a political year where there is going to be an uptick in ad spending on TV," said a portfolio manager.

The yield also looked attractive, the portfolio manager said, given other TV companies such as Nexstar Broadcasting or Gray Television have similar maturities - albeit with higher ratings - that have coupons around 5%.

But the bigger concern for investors was the execution of the buyout and the aggressive financial strategy.

"We got the sense that they are going to be a buyer or seller of assets," the portfolio manager said. "You have to worry about how they finance any acquisitions or what the company looks like once they figure out the synergies."

Given that expectation, a very loose covenant package came as a concern.

In a report, credit research firm Covenant Review said the company was looking to eliminate entirely any financial performance tests for making restricted payments using the build-up basket.

Typical terms usually require the issuer to be able to incur US$1 of ratio debt pro forma for the restricted payment.

"The idea is that if an issuer is not healthy enough to meet the minimum test for incurring debt, then it should not be making payments out to equity," Covenant Review said.

Some changes were made to the covenant package, including the addition of a 5.5 times total leverage test for restricted payments.

But Covenant Review said that the changes did not resolve several other issues they had highlighted, such as a two-year time limit on enforcement for any covenant breaches.

Joint bookrunners on the bonds were *JP Morgan*, *RBC*, *Citigroup*, *Barclays*, *Credit Suisse*, *Deutsche Bank* and *Mizuho*. ■

Greece tasks Hercules ABS to cut NPLs

Structured Finance **Greek parliament approves ambitious securitisation scheme**

BY CHRIS MOORE

Greek's largest banks are poised to take advantage of a new government-guaranteed securitisation scheme to ease tens of billions of euros of non-performing risk off their balance sheets.

All four systemic banks have non-performing loans ready to securitise under the new Hercules Asset Protection Scheme, which the IMF calls "a bold step of the government's strategy to reboot the Greek financial system".

Greece's parliament approved the scheme on Thursday.

"HAPS is a game changer," Piraeus Bank's CFO Theodore Gnardellis told IFR. "It paves the way to significant risk transfer, even when banks fully retain senior notes – it's much better from a capital perspective than a securitisation without HAPS."

Banks will each transfer non-performing exposures into separate securitisation vehicles issuing senior, mezzanine and junior tranches. If the senior tranche is structured to a minimum Double B minus credit rating and the majority of the mezzanine and junior notes are sold, the banks can apply for a government guarantee on the senior notes.

Hedge funds and private equity are expected to buy the mezzanine and junior bonds, while the banks will retain the senior tranches, which could represent perhaps 30% of the gross book value of the securitised NPLs.

FLOOR PRICE

The guarantee on the seniors effectively sets a minimum floor on the recovery value of the NPLs, providing comfort to the banks' equity investors that distressed portfolios will not end up inflicting more damage than expected on banks' balance sheets.

In addition, the ECB is expected to rule that the government guarantee will confer zero-percent risk-weightings on each senior tranche. That is a particular advantage to banks such as Alpha Bank, Piraeus and National Bank of Greece, which use the standardised approach and would otherwise have to apply 100% risk-weighting to those notes.

POSITIVE IMPACT

JP Morgan analysts say the zero-percent senior risk-weighting would imply around 40bp new positive CET1 impact for Alpha Bank on its planned €12bn NPL securitisation, the largest of the projects announced so far.

Alpha Bank says its €12bn Project Galaxy will issue up to €3.7bn of senior notes covered by the HAPS guarantee.

Galaxy is expected to sell four separate securitisation SPVs, each backed by different portfolios of mortgages, small business loans, corporate loans and retail unsecured loans, and also sell a servicing company.

These will be sold as one package to a single investor or a consortium, with marketing due to kick off in January and

European banks pile into CLOs

Structured Finance **Support fuels market growth following Japanese pullback**

BY CHRISTOPHER WHITTALL, CHRIS MOORE

The CLO market has a new giant buyer in town: European banks.

The European collateralised loan market is on track to grow around 25% in 2019, according to Barclays, confounding predictions that it would struggle after Japanese lenders dialled back their billions of euros of purchases earlier this year. That is largely down to European banks filling the void.

Short of positive-yielding investments to choose from, European lenders have upped their buying of the most senior slices of CLO debt this year. That represents a significant broadening of the investor base for a market that regularly relied on Japanese banks, led by Norinchukin, to buy over half of Triple A-rated tranches to get deals out the door.

Japanese banks hold around 15% of global CLOs, but their buying of European deals stopped abruptly around the second quarter this year after Japanese regulators increased their scrutiny of banks gobbling up so much of the market.

The newfound support from local banks has allowed the growth of European CLO issuance to outstrip that of the far larger US market, while the prices of top-rated tranches have remained stable in contrast to the decline in riskier pieces of CLO debt.

"Japanese banks have largely been out of the market since the first quarter. All the new paper since then had to find a home. We think the majority went to European banks," said Geoffrey Horton, a strategist at Barclays.

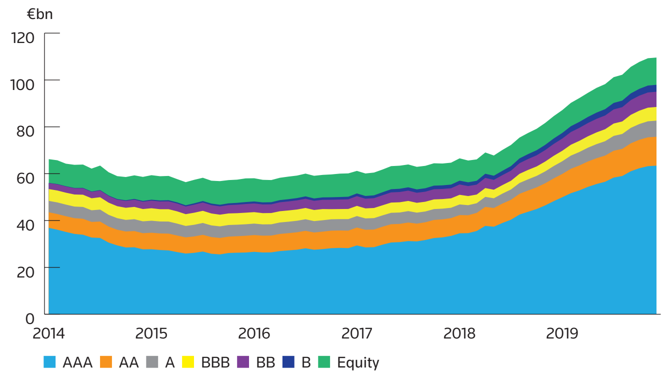
CLOs carve up pools of leveraged loans into slices with varying degrees of risk and return. The top-rated Triple A tranche makes up the majority of the capital stack: around US$455bn (or 59%) of the US$776bn global market, Barclays data show.

Japanese banks long acted as an anchor for new CLO sales in Europe, often taking the entire Triple A tranche. When that stopped, many questioned how a market that had become so reliant on one set of investors could continue to function smoothly.

But since then, the European CLO market has grown by €15bn. Triple As accounted for around €9bn of that growth, suggesting European banks have probably bought billions of euros of CLO tranches.

And not only has the market grown, but spreads on Triple As have outperformed riskier tranches thanks to a wave of investors stepping in. Primary spreads have narrowed from 110bp at the end of March to 98bp in early December, Barclays

EUROPEAN CLOs OUTSTANDING*



Note: *By original tranche rating

Source: Barclays

binding bids expected by the end of the first half of 2020.

Piraeus Bank, meanwhile, is planning to come to market early next year with a €2bn mortgage NPL securitisation called Project Phoenix, to be followed by a €1bn SME loan deal called Project Bridge.

National Bank of Greece originally planned to securitise €3.5bn out of a €6.5bn portfolio of mortgage NPLs but the introduction of HAPS, as well as an improved economic outlook, could see that €3.5bn figure rise.

And Eurobank will use HAPS for its €7.5bn multi-asset securitisation called Cairo even though the IRB standardised approach it follows means it can apply a lower risk-weighting to NPLs on its balance sheet.

MORE COMING

More announcements are expected from the banks, and around €30bn of NPLs in total are expected to be securitised through HAPS, which will be open for an initial 18 months.

HAPS is modelled on the successful Italian programme known as GACS, which has helped Italian banks shed almost €70bn of NPLs since 2016.

As with GACS, banks must pay for the government guarantee, which allows the European Commision to determine the schemes do not constitute state aid.

Under HAPS the securitisation SPVs must pay the government a recurrent fee linked to Greek sovereign CDS spreads.

"Given the way the CDS is evolving and the way the cash curve has contracted, we're looking at a fee that is affordable – and its costs will be outweighed by the capital benefit," said Piraeus Bank's Gnardellis. ■

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data show. By contrast, spreads on Double B rated tranches have widened by 70bp to 700bp, while Single B rated spreads are 50bp wider at 1,000bp.

"As Japanese banks left the CLO Triple A new issue market in light of their regulator having a closer look at the exposures, the market feared Triple A spreads would widen out," said Alexander Ohl, head of structured credit at Union Investment. "But nothing happened as European as well as US banks stepped in and financed the growth in CLO new issue."

FLOORED

Analysts put forward two main reasons for the resilience in Triple As. The negative interest-rate environment in Europe has increased the value of the Euribor floor embedded in the tranches - thanks to the 0% floors structured into the underlying loans - attracting investors such as hedge funds. But the increased buying from local banks seems to have been a decisive factor.

European bank treasuries had good reason to up their purchases. Post-crisis reforms force them to hold billions of euros in liquidity reserves, a costly exercise in the negative-rate environment in Europe. Banks can park these reserves in securities, though regulators make them hold capital against these investments depending on how risky they deem them to be.

The spreads on CLO Triple As look attractive given the relatively low risk-weighting regulators assign to them, analysts say. Barclays calculated in October that banks could earn a return on capital of 51.2% on Triple A CLOs.

Banks across the continent have stepped up their buying of CLOs, including in Italy, Scandinavia and Germany, bankers say, along with pension funds, asset managers and US lenders.

"The Japanese banks always got pre-placed stuff, making it really hard for others to get exposure to top-tier CLO managers. After they stepped back, it became much easier for others to get access and there have been a number of investors coming into Triple A tranches," said Horton. ■

Freddie Mac debuts SOFR-linked CMBS

■ **Structured Finance** **Deal adds to move away from Libor**

BY RICHARD LEONG

US mortgage finance agency FREDDIE MAC last Thursday priced the first-ever commercial mortgage-backed securitisation that references the secured overnight financing rate as an interest rate benchmark.

US regulators, including the Federal Reserve, have urged Wall Street to adopt SOFR as an alternative to the London interbank offered rate as the scandal-ridden reference rate is expected to be phased out at the end of 2021.

Libor is a reference rate for US$200trn of US financial products, mainly interest rate derivatives.

Demand for Freddie's US$765.645m SPC Series K-573 deal, which is secured by a US$850.717m multifamily loan pool, was solid, according to sources familiar with the deal.

Morgan Stanley and *Goldman Sachs* were the deal's joint bookrunners, while *Amherst*, *Bank of America*, *CastleOak* and *Wells Fargo* were the co-managers.

This milestone offering expanded the types of SOFR investments due to growing demand ahead of Libor's potential demise, analysts said.

Banks and US mortgage agencies have been raising money by selling their own SOFR debt, while the Federal Home Loan Banks are keen buyers.

"[Freddie is] doing the deal to support SOFR. They are also doing it to bring back buyers of agency CMBS floaters, most notably the Federal Home Loan Banks," said Scott Buchta, head of fixed income strategy at Brean Capital.

LIBOR, SOFR MIX

Freddie's offering featured two classes of floaters with a weighted average life of 9.54 years.

Interest payments on the US$565.645m Class AL certificates will track Libor, while those on the US$200m Class AS notes will reference against SOFR, the offering document on the deal showed.

"Freddie Mac Multifamily is proud to have brought to market its first multifamily real estate securitisation with bonds indexed to SOFR," said Robert Koontz, Freddie Mac's senior vice-president of Multifamily Capital Markets in a statement.

The Libor-linked paper was priced at a spread of 60bp, while the SOFR notes were priced at a 67bp premium. Both matched their earlier price guidance.

If Libor ceases to exist, the AL certificates will track SOFR as their reference rate.

If SOFR is deemed unsuitable in the future, another reference rate can be adopted for both classes of notes, based on recommendations from the Fed. Else Freddie would select one in place of Libor, according to the offering document.

On Friday, three-month dollar Libor was 1.89363%, while overnight SOFR was 1.53% on Thursday.

HEDGING

The Freddie deal provides a window into the predicament the market participants are grappling with about the transition away from Libor.

Libor is seen as a forward-looking gauge of bank borrowing costs, while SOFR is a backward measure of secured financing.

The difference between two rates, at about 33bp, carries a "basis" risk for holders of the AL certificates if Libor goes away after 2021.

Hedging of this risk has been a market concern.

Freddie Mac declined to comment on the specifics of its hedging strategy.

Meanwhile, solid demand for this deal should bode well for future Freddie multifamily CMBS issues with a similar structure. ■

LGFV flop highlights default fears

Emerging Markets **Pricing, policy concerns and year-end timing scupper Shangrao deal**

BY CAROL CHAN

China's local government financing vehicles came under renewed scrutiny last week after a delayed onshore payment spooked investors and one planned offshore issue failed to print.

An LGFV from Inner Mongolia failed to repay a Rmb1bn (US$142m) onshore bond in full on December 6, adding to concerns over the extent of state support for the sector.

Weaker sentiment spilled over into the primary markets. SHANGRAO INVESTMENT HOLDING GROUP, an investment-grade issuer, was forced to shelve a US$300m three-year bond issue on Tuesday after investors pushed back on tight pricing.

"The pricing was just too demanding amid weak sentiment due to the LGFV default news," a person familiar with the situation said. "Moreover, investors are very conservative about new investments towards the end of the year. All market orders dropped off, including a big order from a Chinese bank. Many leads also cut their order size, even the joint global coordinators."

The latest sign of stress in China's public sector comes as TEWOO GROUP, owned by the Tianjin municipal government, pushed through an exchange offer that handed investors a steep haircut on US$1.25bn of debt, the first major offshore debt restructuring by a local government-owned SOE in more than a decade.

Shangrao Investment, rated BBB– by Fitch, was marketing a benchmark-sized three-year US dollar bond offering at initial price guidance of 4.25% area last Tuesday morning. It said the issue would be capped at US$300m when final price guidance of 4.00% area (plus or minus 2bp) was released that evening, with orders said to be over US$1.25bn, including US$1bn from the leads.

The leads had tried to launch a US$200m deal at 3.98% but the remaining books could not fully cover it, even with 18 joint lead managers and joint bookrunners on the deal.

A banker from one of the JBRs said the issuer may look at revisiting the market in future, but declined to give further details.

A person from one of the JGCs said Shangrao Investment had abundant financial resources and had set high targets for both price and size. Considering the weak market situation, it decided to postpone the bond offering but may revisit the market next year, she said.

The senior unsecured bonds were to be issued by wholly owned subsidiary Shangrao Investment Holdings International and guaranteed by the state-owned parent. The bonds were expected to be rated BBB– by Fitch.

The proceeds were to be used to finance existing projects, repay bank borrowings and for general corporate purposes.

Shangrao Investment is a primary investment and financing entity for the Shangrao municipal government in Jiangxi province.

It is not a first-time issuer, having sold a US$200m 5.70% three-year at 98.116 to yield 6.40% in February last year. The bonds were quoted at 100.375/101.00 or a yield of 5.357%/4.804% last Wednesday, according to Tradeweb. The bonds are not liquid and the leads did not use them as comps for the new issue.

RENEWED CONCERNS

The LGFV sector is policy-driven and investment decisions have partly been built on the belief that the government would step in if needed, not necessarily on the credit metrics of issuers. But this belief has been shaken by the recent credit event at HOHHOT ECONOMIC & TECHNOLOGICAL DEVELOPMENT ZONE INVESTMENT DEVELOPMENT GROUP.

The Inner Mongolia LGFV failed to make a payment on its Rmb1bn (US$142m) of 6.80% five-year privately placed bonds after investors exercised a put option. Xinhua News Agency on December 10 reported that the LGFV had reached an agreement with bondholders, citing the company's general manager. It has repaid Rmb565m of the principal and Rmb68m of interest on the bonds, with the remaining principal of Rmb435m to be repaid in three months.

The Hohhot LGFV's former chairman is under investigation and some of its assets have been frozen. It also earlier defaulted on a trust loan, so the missed payment of the privately placed bonds, its only outstanding bonds, was not totally unexpected.

Ivan Chung, an associate managing director at Moody's, said the effect on sentiment towards LGFVs will be temporary. But he pointed out that there is a big credit differentiation among LGFVs so investors should be selective.

"At least the incident showed to the market that the local government has come out to cope with the matter, even in the case of privately placed LGFV bonds such as this one."

ANZ analysts said the default risks were manageable, describing the recent repricing as a buying opportunity. LGFV offshore issuance increased by 45% year-on-year to US$34bn in 2019, according to ANZ, which expects next year's issuance to be slightly lower as refinancing needs fall and regulators curb offshore issues from lower-tier LGFVs.

CNCB Capital, *Standard Chartered Bank*, *GF Securities*, and *Central Wealth Securities Investment* were joint global coordinators on the aborted Shangrao bond. They were also joint bookrunners and joint lead managers with *Bank of China*, CCB International, *CMB International*, *BoCom International*, *China Minsheng Banking Corp Hong Kong branch*, *ICBC (Asia)*, *Guotai Junan International*, *Haitong Bank*, *Huatai Financial Holdings (Hong Kong)*, *China Securities International*, *Zhongtai International*, *Industrial Bank Hong Kong branch*, *SPDB International* and *Orient Securities (Hong Kong)*. ■

People & Markets

17 Georges Elhedery will become co-head of HSBC's investment bank alongside former JP Morgan banker Greg Guyett

19 Citigroup promotes 137 people to managing director in its investment bank, up 10% from its promotions a year ago

23 Top ECB bank supervisor Andrea Enria says eurozone banks face a reduction in their capital requirements

■ **FRONT STORY RESULTS**

Q4 trading up on year, led by FICC

JPM, Citi, CS all bullish, but advisory/underwriting more muted

A slew of banks said trading revenue in the fourth quarter is ahead of last year to lift hopes for a strong end to a tough year, and market leader **JP MORGAN** said its markets revenue will be "up meaningfully" from a year ago.

CITIGROUP, **DEUTSCHE BANK** and **CREDIT SUISSE** also all said last week that trading in the fourth quarter was ahead of a year ago, but signalled a weaker performance for advisory and debt and equity underwriting desks.

JP Morgan said its rise in the fourth quarter will be driven by gains in fixed income, currency and commodities trading.

"We expect to be up meaningfully year-on-year [for] FICC and equities, more so in FICC," JP Morgan financial chief Jennifer Piepszaks said at a banking conference.

That would extend a strong third quarter, when JP Morgan's FICC revenues surged 25% to US$3.6bn, with particular strength in agency mortgage trading and improved flows in rates and commodities.

But that followed a weak first six months of the year, which has left banks struggling to claw back reductions from a year ago. JP Morgan's FICC revenues in the first nine months of the year were up 1% from the year before, but its equities revenues were down 11% - meaning the bank needs a strong Q4 showing for trading revenues to beat 2018 levels.

"WELL AHEAD"

Other banks also signalled a strong bounce from 2018 levels is possible in the fourth quarter.

Citigroup CFO Mark Mason said he expects revenue in FICC and equities trading to up "in the high teens." In the fourth quarter of 2018 Citi's FICC revenues fell 21% from the year before and revenue from equity trading was up 18%.

Struggling Deutsche Bank said its fourth quarter FICC revenues are higher than at the same stage last year, although its challenge to beating year ago levels is not that challenging. Deutsche brought in just €786m from FICC sales and trading in the final quarter of 2018, which was down 23% from the year before and its worst quarter since Q4 2016.

Credit Suisse's global markets revenues, which includes FICC and equities trading, had continued an improvement seen throughout 2019 and revenues in the fourth quarter were "well ahead" of a year ago, finance chief David Mathers said at the Swiss bank's investor day presentation.

IBD FLAT OR DOWN

There was less good news for M&A advisory and underwriting revenues, however.

JP Morgan's Piepszaks said investment banking fees were on course to be near flat from a year ago. That's an improvement from a couple of months ago, however, when the bank expected fee revenue to be down slightly.

"The quarter has played out a little bit better than we thought, largely on healthy investment-grade flow given the rate environment," Piepszaks said.

Citi's Mason also saw fees in the division near last year's levels. "When I look at the investment banking business and market activity, market activity is certainly lower than it was last year. The wallets are down for the industry," he said.

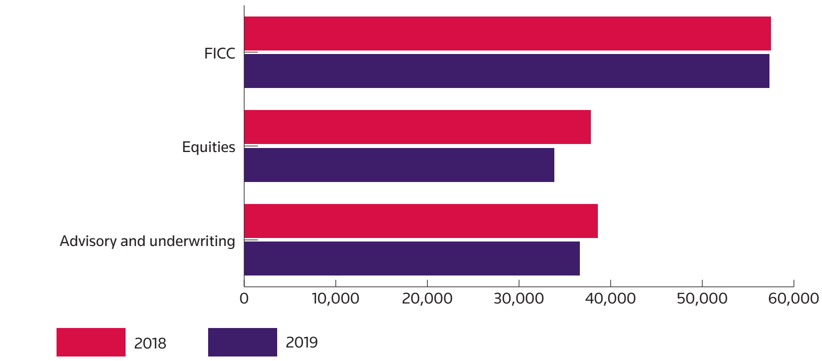
"We expect to continue to take share. But it is ... likely to equate to investment banking revenues that are flat to slightly down versus last year," he said.

Credit Suisse's investment banking and capital markets division has struggled all year, and Mathers said IBCM's revenues in the fourth quarter are on track to be down from a year earlier. That will leave IBCM with a full-year loss compared with a SFr344m (US$349m) profit in 2018. (see story on page 20).

Philip Scipio, Steve Slater

Q4 HAS SOME GROUND TO MAKE UP TO GET AHEAD OF 2018

REVENUES IN FIRST NINE MONTHS OF 2019 VS 2018 FOR TOP 12 BANKS, IN US$M



Source: Bank results, IFR calculations

“I’m glad I got my firm’s name right”

ANALYST ANDY STIMPSON AT ~~BAML~~ BOFA SECURITIES, BELLWETHER P18

Morgan Stanley to cut up to 1,500 jobs

MORGAN STANLEY is cutting about 2% of its global workforce across all businesses, or 1,200-1,500 jobs, as it attempts to reduce expenses ahead of a potential slowdown.

The cuts will fall primarily in operations, including back office and technology, but will include some staff in sales, trading and research, according to people familiar with the plans. The investment banking groups, equity and debt underwriting will be largely unaffected, one person said.

Morgan Stanley had 60,500 staff worldwide at the end of September.

While some back office staff will be targeted in trading, the impact is expected to be minimal. The bank took a dramatic 25% reduction in its fixed income trading group four years ago and has kept trading teams lean since then while maintaining a leading position in equity trading.

In its most recent third quarter the bank easily beat analysts earnings expectations on the strength of investment banking and trading revenue. But revenue for the first nine months of the year was down 3% at US$30.6bn.

Wells Fargo bank analyst Mike Mayo said the cuts represent good and bad news.

Fed unleashes cash to avert year-end squeeze

The US **FEDERAL RESERVE** is prepared to inject money markets with tens of billions of additional US dollars into early 2020 to avoid the turbulence seen in September and to safeguard other areas of the financial markets.

On Thursday the Fed released its latest schedule of repurchase operations into mid-January, covering a period when wholesale lending is light.

The Fed will offer an overnight repo size of at least US$120bn, starting last Friday to December 30, according to the latest schedule on the New York Federal Reserve’s website.

“In accordance with the most recent FOMC directive, the Desk will conduct repo operations to ensure that the supply of reserves remains ample and to mitigate the risk of money-market pressures around year-end that could adversely affect policy implementation,” said the New York Fed, which conducts open market operations like repos for the central bank.

It will ramp up the size of overnight repos to at least US$150bn on December 31 to January 2.

The minimum repo size will return to US$120bn on January 3 and stay at that level through January 14.

The Fed added an operation on December 30 with a one-day forward settlement with a minimum of US$75bn.

The Fed’s bump in temporary cash, however, fell short of what some analysts had predicted.

One analyst last week had forecast for the central bank to kick off a fourth round of Treasuries purchases by year-end to allay funding strain.

In these operations, the Fed allows primary dealers to use their Treasuries and mortgage-backed bonds as collateral for short-term loans at a fixed interest rate.

SEPTEMBER SURGE

In a move to keep providing longer-dated cash, the Fed will offer a series term repos over the coming four weeks.

The longest repo maturity will be a 32-day operation conducted on December 16 with a minimum size of US$50bn.

In September the Fed began pumping cash into the financial system in an attempt to hold down short-term interest rates.

Who’s moving where…

MITSUBISHI UFJ FINANCIAL GROUP has hired *Matteo Ferrario* from Barclays to lead its public and private side distribution team in EMEA from January. He had been at Barclays for 16 years, most recently as head of asset finance origination, which he helped establish in 2015 to handle the origination of advisory and financing for financial institutions, government entities, sponsors and private equity funds. Ferrario worked at Barclays with John Winter, now head of MUFG EMEA’s corporate investment banking unit.

GOLDMAN SACHS has appointed *Jonathan Penkin* as head of its Johannesburg office, the bank’s base for sub-Saharan Africa. Current boss *Colin Coleman* is retiring at the end of the year. Penkin will relocate to Johannesburg. He joined Goldman in 2006 and was named partner in 2010. He has been head of growth markets ECM and chairman of ECM for Asia ex-Japan since 2016. *Willem Baars* and *Olivier Frendo* were named as co-heads of investment banking for sub-Saharan Africa.

"The good news is that the layoffs seem largely skewed toward operations and technology, which benefit from greater efficiencies," Mayo wrote in a note.

"The bad news is that a portion of the layoffs seem related to ongoing global uncertainties, which have the potential to negatively impact results over the next year."

Mayo said the cuts do not relate specifically to the fourth quarter, which should benefit from higher asset values, mitigated by softness in banking and transaction volumes. But "Morgan Stanley appears to be playing it conservative with expenses, so that they can generate positive operating leverage", he said.

Philip Scipio

Some overnight costs had soared to 10%, more than four times the Fed's target rate at the time.

Analysts have blamed a lack of cash in the banking system for the disruption in money markets. They have cited huge payments on taxes and Treasury supply, as well as a shrinking Fed balance sheet for the dearth of money for wholesale lending.

"The Fed's liquidity operations have not been sufficient to relax the constraints banks will face in the upcoming year-end turn. Reserves are still insufficient; there are no true 'excess' reserves," Credit Suisse analyst Zoltan Pozsar said in a research note last week before the latest schedule was released.

Pozsar, who had worked at the New York Fed and US Treasury Department, said the Fed may embark on a fourth round of quantitative easing, or QE4, by year-end if there were severe imbalances in funding markets.

Richard Leong

Sweeping changes in HSBC leadership

HSBC has appointed new chiefs for its investment bank and risk management and hired a Hewlett-Packard executive to run operations under a sweeping leadership overhaul by interim chief executive Noel Quinn.

The moves came two months before Quinn unveils a strategy update, in HSBC's latest attempt to kick-start growth and lift profitability.

Europe's biggest bank said *Georges Elhedery*, head of global markets, and *Greg Guyett*, head of global banking, will take over as co-heads of its investment bank at the start of March, when current boss Samir Assaf moves to a new role.

Assaf has been in charge of global banking and markets for almost nine years and will become chairman of corporate and institutional banking. Assaf's move had been expected, and Elhedery and Guyett had been among the front-runners to replace him.

More surprising was the hiring of an outsider, *John Hinshaw*, to run the bank's operations, which span 65 countries and have long been criticised as being too unwieldy.

It shows Quinn is ready to shake things up, even though he is only interim chief. It also indicates he has the full backing of chairman Mark Tucker, and is in a strong position to stay in the CEO hot-seat on a permanent basis.

His audition will include a new strategic plan alongside 2019 results on February 18. Quinn said the new team would help him "execute plans for the next phase of the bank".

In the investment bank arm - global banking and markets - Quinn is expected to slash equities and activities in the US and Europe, shifting more to Asian operations.

ALL CHANGE

Guyett is expected to continue to run global banking, which includes debt and equity underwriting and M&A advisory, and Elhedery will oversee global markets, which spans all trading operations. As co-heads of GBM, they will also have oversight of liquidity and cash management and securities services, which are big revenue generators at HSBC.

Elhedery has been running global markets since March, after several years running operations in the Middle East, North Africa and Turkey. He joined HSBC in 2005 and held several senior investment bank roles, including regional head for MENA and head of markets and capital financing for the region. Before that he was global head of structured rates in London. He previously worked for Paribas in Tokyo and Goldman Sachs in London.

Guyett joined HSBC in October 2018 as co-head of global banking, and has been sole head of the business since April.

The American previously spent 29 years at JP Morgan, working in Shanghai and Hong Kong from 2013 to 2015, including as Greater China CEO and co-head of investment banking for Asia-Pacific. He was also CEO of JP Morgan Japan. Guyett then left JP Morgan in 2015 and was president and chief operating officer of East West Bank, a US-China focused commercial bank.

Hinshaw joined HSBC last week and will take over from Andy Maguire as chief operating officer from February 1.

HSBC said Hinshaw had extensive experience in transforming organisations and has worked across several industries. He was most recently HP's executive vice-president, where he was chief customer officer and managed technology and operations. He has also been on the board of Bank of New York Mellon for five years.

Marc Moses is also being replaced as chief risk officer after nine years in the role. *Pam Kaur* will take over on January 1.

Steve Slater

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Christian Berendes has been appointed head of government and regulatory affairs at **DEUTSCHE BANK**, succeeding *Karin Dohm*, who will take up an unspecified new role at the bank after four years in the position. Berendes has been with Deutsche for over 20 years, working in the finance department, investment banking and private banking. He was most recently chief of staff to CEO Christian Sewing and was chief operating officer for Germany. He will retain the latter role.

Emerging markets fixed-income trader *Gary Harper* has left **MIZUHO**, sources said. Harper joined from Barclays in December 2018 to trade Russia, Turkey and South Africa. He joined as the Japanese bank added to its headcount in fixed-income trading for CEEMEA. Harper had spent five years at Barclays as an EM credit trader and also worked at BNP Paribas, ING and CIBC Capital Markets.

Bellwether

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

BELLWETHER HAD HIGH hopes for Deutsche Bank's "deep dive" investor day on December 9 so was disappointed when Christian Sewing took to the stage wearing business attire rather than an oxygen tank and full scuba outfit. And the marketing team hadn't even attempted to create a shimmering sea-bed backdrop.

It was a shame, especially as among the top executives offering testimonials about Deutsche in a series of ads between the sessions was the head of the Professional Association of Diving Instructors.

DECEMBER 9 WAS an important date for another reason. It was the day that Bank of America finally ditched the Merrill Lynch name and the rebranding went live. And banks analyst Andy Stimpson passed an important test – correctly referring to his firm as Bank of America Securities – as he pitched in with a question at the Deutsche deep dive. "I'm glad I got my firm's name right," he said proudly.

Presumably, with Credit Suisse and Credit Agricole following Deutsche with investor days, by the end of the week the novelty had well and truly worn off for Stimpson.

IT'S CHRISTMAS PARTY season, and when it comes to predicting next year's stock market performance, champagne corks are popping with analysts queuing up to predict a record year.

Apart, that is, from Morgan Stanley, which is the equivalent of Grumpy Dave from accounts sitting in the corner at All Bar One refusing to dance and blowing through a broken party whistle.

Not only is Morgan Stanley the only bank predicting the S&P will fall, but it is also laying off staff a week before the Christmas holidays. "Amazing what James Gorman will do to get a share price bump," said one staffer.

But if Gorman is scrooge, then Tidjane Thiam is Santa Claus. Credit Suisse is predicting the biggest rise in the S&P, while the CS boss is responding to the bank losing money in corporate finance by hiring more staff.

On this evidence, CS is the equivalent of the last man standing on the dance floor, refusing to go home even when the lights have come up and the cleaners are hoovering around him. Let's hope Thiam and Credit Suisse don't end up with a hangover.

DAVID SOLOMON CAN reflect on a decent first full year as CEO of Goldman Sachs, rounded it off by being picked as the fifth worst dressed man in the world by GQ magazine.

GQ paid tribute to Solomon for relaxing the dress code "to accommodate a more laid-back style (read: fintech fleeces). But it's his side hustle as DJ D-Sol where he really lets loose in T-shirts and baseball caps. Did someone say 'grandad at the disco'?"

Now Goldman doesn't like to come fifth in anything so expect Solomon to up the bling and double denim quotient in 2020 and knock Dominic Cummings, Boris Johnson' hoodie-wearing Svengali, off top spot.

For now, Solomon can find comfort in the fact that at least he was ahead of Cristiano Ronaldo and Tory MP, Victorian throwback and complete bell-end Jacob Rees-Mogg. ■

Who's moving where…

■ **BARCLAYS**' head of corporate broking, *Kunal Gandhi*, has left the bank, sources said. Gandhi led Barclays' broking business, an advisory role unique to investment banking in Britain. Gandhi ran some of the bank's relationships with top blue-chip companies.

■ **NOMURA** has appointed *Justin Dean* as chief executive officer of global sales for its global markets business, based in London. Dean joined Nomura from Russia's VTB Capital, where he was global head of business management for global markets. He previously worked for Standard Chartered.

■ **MORGAN STANLEY** has replaced the head of its macro trading business for North America, Bloomberg reported. *Mitchell Nadel* will be replaced by *David Flowerdew*, currently the head of US rates, the report said.

■ **BARCLAYS** has hired *Yuhiko Yano* for the newly created role of chairman of Japan banking and vice chairman of its securities business in Japan. Yano's appointment is effective January 1 and he will report to Vanessa Koo, head of Asia Pacific banking. Yano spent the last three years at Credit Suisse, where he was head of Japan corporate coverage. He was previously with Deutsche Bank, Lehman Brothers and Merrill Lynch. Last month, Kosuke Morihara took over as Japan country manager at Barclays following Mark Dearlove's retirement.

■ Credit trader *Iftikhar Ali* has joined the EM trading desk at **MIZUHO**, sources said. He will be based in London and will trade Turkey, Russia and Ukraine bonds. Ali most recently worked at BNP Paribas as head of CEEMEA credit trading.

Citi promotes 137 to MD ranks

CITIGROUP is promoting 137 people to managing director in its institutional clients group (ICG), up 10% from 125 promotions in the business last year.

Citi said 39 of the new MDs are in banking, capital markets and advisory, the unit that was set up last year to span capital markets origination and corporate and investment banking.

"A promotion to managing director is a career-defining accomplishment," Paco Ybarra, head of ICG, said in a memo to staff announcing the promotions. The promotions are effective on January 1.

The new MDs in BCMA include emerging markets debt banker *Tommaso Ponsele* and head of UK corporate debt capital markets *Colm Rainey*, both based in London.

In the US, the new MDs in BCMA include *Brad Epstein*, global energy investment banking in Houston; *Chris Gartin* from healthcare investment banking in New York; and *Aoiffe McGarry* on the US syndicate desk in New York.

In Asia, the new MDs in BCMA include *Prashant Thakker*, head of China corporate finance; *Gilbert Ng*, the Singapore head of the global subsidiaries group; *Jennifer Pu*, a Hong Kong-based equity capital markets banker; and *Ruo Yang*, a Hong Kong-based technology, media and telecommunications banker.

Elsewhere in ICG, Citi said it will promote 53 people to managing director in its markets and securities services business.

They include *Georgia Kaliora* and *Armin Lindtner* in London - respectively on the equity derivatives funding and capital management desk, and the emerging market credit trading team, according to their profiles on LinkedIn.

Also being promoted are *Brian Carlstead*, co-head of the not-for-profit healthcare investment banking team in Chicago; *Danny Nathan* in leveraged credit sales in New York; and *Andrea Galvis* on the Latin America derivatives and structured products team in New York.

There are 16 new MDs in the private bank, 11 in operations and technology and six in the commercial bank business.

Steve Slater

BNP Paribas sets up sustainable finance team

BNP PARIBAS is creating a sustainable finance markets team to help companies incorporate sustainability into their debt financing, in a move that will combine the bank's bond and loan sustainability teams.

Starting immediately, co-heads Agnes Gourc and Cecile Moitry will lead the team, which will be focused on the EMEA market and be based in London, Paris and Lisbon.

The move reflects the sustained business and revenue growth the team has seen in 2019 as the profile and volume of sustainable financing continues to rise and companies accelerate their progress towards the UN's Sustainable Development Goals.

The team is part of ambitious wider sustainability transformation plans and corporate social responsibility policies for the bank's investment banking arm, which are also designed to streamline its operations.

"Sustainable finance is at the core of BNP Paribas strategy, and the bank has integrated sustainability across its business lines," said Constance Chalchat, head of company engagement at BNP Paribas CIB.

The focus on sustainability in the wider banking industry is continuing apace as banks ramp up their ESG credentials.

Barclays launched a sustainable and impact banking group in November to find and invest in companies at the forefront of the battle against climate change and Citigroup created a new role to lead environmental, social and governance issues in its markets arm.

Credit Suisse introduced a climate risk strategy earlier this year, and said last week it would no longer provide any form of financing specifically related to the development of new coal-fired power plants.

ECOLOGICAL TRANSITION

BNPP's move towards a multi-product origination approach and away from single product specialism will also help to coordinate deal execution and structuring.

The bank has a leading position in sustainability-linked loans, and is top of Refinitiv LPC's global green and ESG-linked loan league tables, with 64 deals totalling US$63.6bn this year, and was also a joint bookrunner for Italian utility Enel's first sustainability-linked bonds in September.

It also recently announced its commitment to protect the oceans (SDG 14: life below water) by putting €1bn by 2025 to finance the ecological transition of vessels.

Tessa Walsh

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■ *Walid Haram* has left his role in the emerging market credit trading team at **MORGAN STANLEY**, according to a source. Haram only joined Morgan Stanley in late 2018, having previously worked for nine years on the EM trading desk at Nomura.

■ **AUSTRALIA AND NEW ZEALAND BANKING GROUP** has appointed *Peter Chan* as its Hong Kong CEO. Chan, who was most recently Taiwan CEO and has also served as CEO in the Philippines, reports to Huang Xiaoguang, country head for China and head of Greater China. Chan is due to start his new role in January and is a replacement for Ivy Au Yeung, who was appointed deputy CEO of OCBC Wing Hang Bank earlier this month.

■ Emerging markets investment bank **RENAISSANCE CAPITAL** has appointed *Oladipupo Olalere Adekanmbi* as vice president for investment banking in Nigeria. Adekanmbi is based in Lagos and reports to Temitope Popoola, CEO of Nigeria, and Risana Zitha, head of investment banking for Africa.

■ **SANTANDER** has hired new analysts to expand its Latin American research team, raising the team to 28 people. *Alan Alanis* joined from UBS as head of Mexico strategy and sector head for food and beverage. *Maria Tereza Azevedo* also joined from UBS to head TMT. *Rafael Barcellos*, joining from Citi, is sector head for metals and mining and pulp and paper. *Pedro Bruno* has taken over as sector head for capital goods in addition to his role as transportation sector head. *Bruno Mendonca* became head of real estate. *Marcio Osako* has joined from Safra to head education and healthcare.

“A promotion to managing director is a career-defining accomplishment”

CITIGROUP ICG CHIEF PACO YBARRA, P19

UBS doubles down on China JV

UBS is planning to double the investment banking headcount at its China securities joint venture, the head of its investment bank in Asia-Pacific said, one year on from becoming the first foreign bank to acquire a majority stake in a JV under new rules.

“We don’t have a fixed target per se. It has to be sustainable; it has to be profitable,” said David Chin. “UBS Securities has altogether around 400 people currently and within that, I imagine that the investment banking component of that could easily double the size in three to four years.”

In December 2018, UBS became the first foreign bank to acquire a 51% stake in its JV under rules introduced eight months earlier. HSBC, which benefited from a specific trade deal between China, Hong Kong and Macau, already held a majority stake in its JV.

UBS is still the only foreign bank to acquire a majority stake under the new rules, although several others have either received approval from the regulator or their partners to increase their shareholdings, including Goldman Sachs, Morgan Stanley and Credit Suisse. Nomura and JP Morgan are also expected to set up new JVs.

OPENING UP

The clamour among global banks to grow their onshore businesses comes as Beijing has embarked upon a slew of liberalisation efforts designed to increase foreign investor and issuer engagement with the country’s capital markets, such as reforms to Stock Connect and the launch of the new Star board.

> **“We don’t have a fixed target per se. It has to be sustainable; it has to be profitable”**

Still, most of the JVs to date have disappointed. UBS Securities booked a profit of just Rmb7.82m (US$1.11m) last year. Fierce competition from local brokerage houses on fees is only likely to make it harder for foreign banks to compete going forward, although Chin said there were opportunities as China opens up.

He said China Pacific Insurance’s planned sale of global depositary receipts was an example. UBS is sponsor alongside Huatai Financial on the roughly US$3.3bn deal, which involves UBS’s Hong Kong, China and London investment banking teams working together.

“Making sure that we can service our global clients by offering something that our domestic competitors can’t do because they don’t have the global touchpoint and our international competitors can’t do because they don’t have the local Chinese domestic execution capability, I think that’s our niche,” he said.

Chin’s comments came only a few months after UBS announced a major restructuring, which saw it combine its equities, foreign exchange, rates and credit divisions in one global markets unit and ditch its corporate client solutions moniker for its investment banking business, renaming it global banking. It has also cut jobs, including about 40 in Asia-Pacific.

OFFSHORE COMPETITION

UBS has also had a tough time in Hong Kong after it was stripped this year of its sponsorship licence for 12 months due to shoddy due diligence work. Whereas it used to regularly compete for the top slot in the equity capital markets league tables in Asia, it ranked only sixth for the first nine months of 2019, according to Refinitiv data, although it has gained ground in M&A and high-yield debt.

Chin said UBS’s plans to grow its business in China would not come at the expense of shrinking offshore. “We will steadily grow our onshore China presence, but there are no plans to move a tonne of people from Hong Kong. The two are unrelated,” he said.

In addition to allow foreign banks to acquire majority shareholdings for the first

CS cuts return targets as IBCM faces 2019 loss

CREDIT SUISSE said its struggling investment banking and capital markets business will make a loss this year and the bank lowered profitability targets for this year and next.

Credit Suisse said last week IBCM’s revenues in the fourth quarter are expected to be down from a year earlier, but chief executive Tidjane Thiam said it has a strong pipeline and he is confident new leadership will turn around the unit’s fortunes.

IBCM will swing to a full-year loss from a SFr344m (US$349m) profit in 2018. The loss includes some restructuring charges and extends a weak first nine months of the year, when IBCM’s revenues fell 27% from a year earlier and it chalked up a loss of SFr102m.

Thiam said the bank is taking action to reinvigorate the division and it has a decent pipeline of business.

“We had three good years for IBCM, but this year has been unsatisfactory. We expect a loss for 2019, but we are optimistic,” Thiam told investors and analysts at an annual investor day in London on Wednesday.

“A big difference is we went into 2019 with a relatively weak pipeline. We are going into 2020 with a very strong pipeline, particularly in M&A, which has been a pressure point, and that’s what gives us a lot of comfort that the machine works,” Thiam said.

> **“We had three good years for IBCM, but this year has been unsatisfactory. We expect a loss for 2019, but we are optimistic”**

Credit Suisse last month shook up the leadership of IBCM and appointed David Miller to run the business, replacing Jim Amine who has run it for more than 10 years. Miller has been with Credit Suisse for 22 years and was most recently head of credit, and previously ran leveraged finance capital markets.

Thiam said the advisory and underwriting businesses in Asia and Switzerland, which report in separate units, were doing well and had market leading positions. The IBCM division reflected weakness in the US and Europe, Middle East and Africa.

Credit Suisse said it plans to continue to invest in IBCM in the US and EMEA, and said several M&A-focused strategic initiatives are underway to drive revenue growth.

RETURNS ON RISE

Thiam scaled back his profitability targets for the group, although they are on the rise.

Return on tangible equity is expected to be 8% or above for 2019, up from 5.4% in 2018 but short of the bank’s previous target of 10%-11%.

time, last year's rule changes also expand the scope of licences available to foreign banks, scrapping the previous hurdles around the profitability and longevity of JVs before banks can apply for new licences.

UBS already holds more licences than any of the other JVs, including securities brokerage, securities underwriting and sponsorship, and securities investment advisory, effectively research, the three licences informally referred to in the industry as the "golden triangle".

In October, the bank was also approved as a GDR conversion agent. It is also looking to grow its onshore over-the-counter derivatives business, particularly for Bond Connect, although Chin cautioned that the bank would take a patient approach.

"We need to pace it because for each licence, it comes with IT requirements, it comes with tonnes of compliance requirements," he said. "We can't do everything all at the same time. But there are definitely new areas that we are actively exploring at the moment."

In October, China went a step further on ownership limits, announcing it would allow foreign banks to acquire a 100% stake in their JVs from December 2020.

Chin said UBS was considering all its options. "We will consider increasing our shareholding, but the bigger priority is to capture the current window to grow our business."

Thomas Blott

Thiam also scaled back expectations for next year, targeting RoTE of 10%, down from a previous target of 11%-12%. Thiam said his lowered target is based on market conditions remaining tough, and with better markets RoTE should hit 11%. He is targeting 12% over the medium term.

Part of the improvement is due to a turnaround in its trading division, after Thiam scaled it back and restructured it, slashing its cost base. Revenues for global markets, which includes fixed income, currencies and commodities trading and equities, were up 7% in the first nine months of this year, and finance director David Mathers said its revenues in the fourth quarter were "well ahead" of levels in 2018.

Mathers said Credit Suisse plans to issue SFr7bn-SFr10bn of total loss-absorbing capacity or 'holdco' debt instruments in 2020, and SFr1bn-SFr2bn of Additional Tier 1 debt.

Steve Slater

Deutsche aims to lift 'unacceptable' returns

DEUTSCHE BANK wants to lift return on tangible equity at its core investment banking division to between 7% and 8% over the next three years - a modest level compared with rivals, but up sharply from 2% in the first nine months of this year.

Mark Fedorcik, head of the investment bank, called the current rate of return "unacceptable" at the bank's "deep dive" on its turnaround plan last week. He outlined plans to lift RoTE above the 6% originally set out at July's restructuring.

"We are not yet where we want to be on our return on equity to shareholders," said Fedorcik. Finance director James von Moltke said the new targeted return was "still lower than the cost of capital, but sets a base for further growth."

The majority of the uplift will come from cutting costs, leaner use of technology, back office staff reductions, and reducing funding costs by managing liquidity better. Deutsche said it had already got rid of 975 front-office roles, or a fifth of the headcount in that area.

"We have taken hard decisions, and we reduced headcount materially in some of our front office businesses. And we have a detailed plan to continue to drive down costs. Second, we will eliminate inefficiencies in our funding costs," said Fedorcik.

"STRONG START"

Fedorcik also targeted modest revenue growth in certain areas, such as rates flow trading and emerging markets fixed income and currencies. The division will also work more closely with the corporate bank to provide FX and others services to clients.

Ram Nayak, head of fixed income, said this approach was paying off. He said in the first nine months of the year "revenues with our top 100 institutional clients was actually up 20%." He highlighted progress in Asia in particular on this front, where FIC revenues are up 60% over the last two years.

"We have a strong starting point, our client footprint, our talent and, in many cases, our market leading businesses. This all gives us a solid foundation on which to build on, and we are seeing promising signs of revenue momentum," said Fedorcik.

Deutsche is still optimistic it can expand its origination and advisory business. The bank said it aimed to make targeted hires to improve coverage of certain industries.

Investment banking revenues are expected to rise by 2% annually over the next three years, Deutsche said.

Across the group, Deutsche said it wanted to deliver an 9% RoTE in 2022, not including its capital release unit of non-core loans. The reduction of assets in the CRU is ahead of plan, it said (see TopNews story).

The higher investment bank returns will compensate for lower returns in the private and corporate banking divisions, largely stemming from weaker than expected net interest margins due to negative interest rates in the eurozone.

"Management recognises that this has become more ambitious given external headwinds, particularly interest rate developments in the euro area," the bank said.

The bank said to offset the impact of low interest rates it is "selectively passing through negative interest rates" and trying to "optimise liquidity reserves", as well as taking advantage of the introduction of the ECB's deposit tiering arrangements.

Christopher Spink

Barclays CIB promotes 56 to MD

BARCLAYS has promoted 56 staff from its corporate and investment bank to managing director, down from the scale of promotions in the last two years.

Barclays has restructured its businesses so comparisons with recent years are not equivalent. Last year its international business, which included CIB, named 85 new managing directors. About 79 of those were estimated to be in CIB, with the rest in private banking and international cards. The international division named 74 new MDs in 2017 and 60 and 2016.

Of this year's promotions, 28 are in Barclays' banking division, covering M&A advisory and debt and equity underwriting.

Another 21 are in its markets division, five are in research and two are in corporate banking.

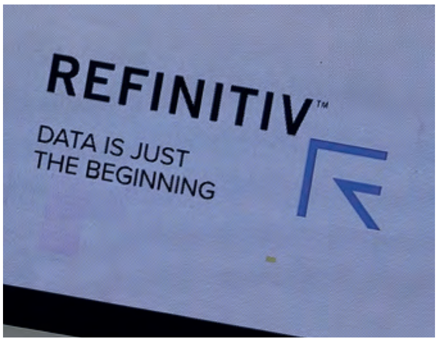
The promotions are effective January 1. Almost all of the promotions were in the US and the UK, reflecting CIB's focus on those "home" markets.

Steve Slater

> “We have a strong starting point, our client footprint, our talent and, in many cases, our market leading businesses”

MARK FEDORCIK, HEAD OF DEUTSCHE’S INVESTMENT BANK, P21

Capital markets week ahead: **Refinitiv, Bank of Guizhou, Marfrig**



VESTED INTEREST Refinitiv hopes to slash the cost of servicing its US$13bn debt pile on Tuesday, when it is due to wrap up the repricing of a US$6.5bn tranche of loans. The refinancing comes just over a year after the financial data provider – and owner of IFR – was bought by a consortium led by private equity giant Blackstone in one of the largest leveraged buyouts since the financial crisis.

Tuesday’s refinancing is expected to be wrapped up 50bp inside the current agreement, which could save the company US$30m a year in interest costs. The fall in interest costs comes after a rally in Refinitiv’s outstanding loans and bonds, following a US$27bn bid for the company from London Stock Exchange Group, which has removed concerns over its ability to carry such a large debt pile.

BANK BOOK Bank of Guizhou finally prices its HK$5.7bn (US$730m) listing on Thursday, in what will be Hong Kong’s last sizeable float of the year. Pre-marketing on the IPO of the lender, which was formed in 2012 through the merger of three banks in the south-west of China, kicked off three months ago, but the deal seems to have been delayed by ongoing political unrest in Hong Kong.

FRESH MEAT Brazilian lender BNDES looks set to collect R$2.2bn (US$560m) on Tuesday from the sale of a 34% stake it holds in Marfrig. The meat producer, which slaughters more than 33,000 cattle a day and which caused controversy in September with the launch of a transition bond, plans to use the follow-on offering to also sell an additional 90m shares, which could net R$1bn in proceeds.

PANDA BEAR French waste company Veolia Environnement turns to the onshore China bond market on Tuesday, where it plans to sell Rmb1.5bn (US$220m) of one-year securities. The deal, which will be split into two Rmb750m tranches, comes three years after Veolia became the first French issuer to tap the Panda market with a Rmb1bn issue.

STERLING PERFORMANCE Several UK banks are expected to rush out bond deals once results of the Bank of England’s annual stress testing of the industry is out the way on Monday. It’s a good time to come to market given the rally in sterling assets since the results of the general election last week, which saw the Conservatives win a majority, removing uncertainty that had been weighing on UK assets.

SHUTTING SHOP French commercial property fund Selectirente wraps up a €190m equity fundraising on Monday, which the company intends to use for future acquisitions and to repay a €25m loan taken out to finance recent purchases in Bordeaux and Paris. Approximately 2.2m shares are being offered at €86.60 each, with an option to increase the deal to up to €217m or 2.5m shares.

GOAL! Subscription ends on Wednesday for a €300m rights issue from Italian football club Juventus. The Turin-based team is raising funds to get its finances in better shape. 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.

The IFR Capital Markets Week Ahead briefing will be taking a short break, returning in January. We wish all our readers a Merry Christmas and a Happy New Year.

LAST WEEK IN NUMBERS

US$2.1trn – Peak intraday valuation for Saudi Aramco during its second day of trading post-IPO

One – Number of European deals in the market, a €1.5bn dual-trancher from JAB Holdings

4.50% – Yield on Casino’s January 2024s after the latest shenanigans in its debt reduction plan

Capital bar for eurozone banks lowered

Eurozone banks are set for a reduction in their capital requirements as new rules lower the bar for which bonds count towards the mandatory buffer, the European Central Bank's top supervisor said last week.

Addressing the European Parliament in Brussels, Andrea Enria put that saving at 90bp of banks' common equity Tier 1 (CET1) requirements, which the ECB sets every year for the eurozone's largest banks.

"According to our calculations, the change will generate an average reduction in CET1 requirements of 90bp, as banks will be able to rely on lower quality additional Tier 1 and Tier 2 capital, which is now available at favourable conditions," Enria said.

IFR reported last week that eurozone banks could issue an extra €45bn of AT1 and Tier 2 debt after guidance from the regulators to Italy's UniCredit that the debt instruments can replace CET1.

Analysts said UniCredit's guidance had significant implications for eurozone banks and marked a big policy change by the ECB - which they attributed to the arrival at the start of this year of Enria as head of the ECB's Single Supervisory Mechanism.

UniCredit CEO Jean Pierre Mustier had said his bank would be allowed to cover up to 44% of its so-called Pillar 2 requirement with AT1 and Tier 2 instruments, rather than CET1 capital. That will reduce UniCredit's CET1 requirement by about €3bn, or 80bp, which will be filled by AT1 and Tier 2.

Banks' capital requirements include basic capital, buffers and Pillar 2, and vary according to their risk profile.

"OUTPUT FLOOR"

Enria also said the ECB would ensure there is no duplication of capital charges as a result of Basel III rules, which introduce a minimum capital requirement for large banks that use their own models for calculating risk, or "output floor".

"We could sterilise the purely arithmetic effect of the increase in risk-weighted assets generated by the output floor," Enria said.

But he warned that the effects of the Basel III standards, which have been introduced to avoid a repeat of the 2008 financial crisis, "cannot, and should not, be fully compensated".

Francesco Canepa

Additional reporting by Steve Slater

Credit Agricole sets out CIB plan

CREDIT AGRICOLE plans to grow revenue in its investment bank at 3% annually over the next three years, balanced across its business lines.

That is the same level of growth envisaged by UniCredit's CIB, and just above the modest 2% average annual growth in investment bank revenues that Deutsche Bank is targeting over the next three years.

In an investor day in Paris last week, Credit Agricole said it is targeting return on notional equity above 10% at its CIB. That is better than the 7%-8% that Deutsche is targeting and above the 8% that UniCredit wants to achieve across its group.

That would largely come from keeping costs at below 55% of income, much lower than rivals. The bank said it will reduce annual costs by €190m.

A quarter of CACIB's business growth will come from transaction banking. It singled out eight sectors where it expects above average revenue growth of 5%. It also foresees average annual revenue growth of over 6% from acquisition finance and advisory activity.

It wants to increase revenues in Asia-Pacific by an average 6.4% annually by 2022, with more than €100m coming from China.

Credit Agricole also wants to double the size of its green loan portfolio to €13bn over the period.

In June the group set out three-year targets for the whole bank, envisaging a return on tangible equity greater than 11% and net income of more than €5bn by 2022.

Christopher Spink

EU, Euratom move to Luxembourg law

The EUROPEAN UNION and EUROPEAN ATOMIC ENERGY COMMUNITY will stop borrowing under English law and issue debt under Luxembourg law as a result of the UK's decision to leave the EU, the borrowers said last week.

Uncertainty over the status of bonds governed by English law after Brexit has prompted issuers on the Continent to move programmes to their home country law or Luxembourg law.

At the end of September, the European Stability Mechanism said it will stop issuing euro deals under English law and shift to Luxembourg law instead.

The EU and Euratom said they had signed and released a new debt issuance programme governed by Luxembourg law.

It is the first time the programme has been updated since March 2015. Credit Agricole is sole arranger.

The EU has only a small requirement for 2020. It has outlined plans to borrow €500m under its Macro-Financial Assistance programme for Ukraine, although further MFA could emerge.

Its needs jump to €9.75bn in 2021 under the European Financial Stabilisation Mechanism, established in 2010 to preserve the financial stability of the European Union. Ireland has €22.5bn outstanding under the programme and Portugal has €24.3bn.

Helene Durand

“According to our calculations, the change will generate an average reduction in CET1 requirements of 90bp”

ECB SUPERVISOR ANDREA ENRIA, P23

Regulators scrutinise banks in the cloud

The FINANCIAL STABILITY BOARD said the increasing use of cloud computing by major financial institutions could pose legal and regulatory issues, since it relies on only a handful of providers such as Amazon, Microsoft, IBM and Google.

“The adoption of cloud computing and data services across a range of functions at financial institutions raises new financial stability implications,” the FSB said.

Banks are keen to outsource some processes to the cloud to save money. UBS, for example, has just moved many of its systems in Switzerland to the cloud after Microsoft opened a data centre in the country.

The FSB, which is made up of central bankers from the world’s top 20 economies, said the cloud had benefits over existing technology. Rather than relying on their own systems, firms can make use of third-party infrastructure that might prove more resilient.

This could allow them to operate more flexibly and create economies of scale that could result in lower costs to clients.

But the report said there were only a few providers of cloud computing of any scale and over-reliance on a handful of operators may result in a reduction in the ability of financial institutions and authorities to assess whether a service is being delivered in line with legal and regulatory obligations.

The FSB said while there were no “immediate financial stability risks stemming from the use of cloud services by financial institutions” it encouraged authorities to assess how adequate regulatory standards and supervisory practices are in relation to outsourcing arrangements.

The report said about 70% of financial services companies were only at the initial or trial and testing stage of cloud computing.

It said most of the services on the cloud was internal email and similar processes where advantages of cloud deployment are seen as outweighing the risks, rather than “crown-jewel” systems and data that are business-critical.

A parallel report also assessed the implications of financial stability from so-called BigTech firms, such as Amazon, Apple, Facebook and Google, entering the financial arena.

The FSB said these firms “could grow quickly given their significant resources and widespread access to customer data”, leading to a concern “that a small number of BigTech firms may in the future come to dominate, rather than diversify, the provision of certain financial services”.

Christopher Spink

Bangkok Bank to acquire Permata

BANGKOK BANK, Thailand’s third-largest lender by assets, has agreed to acquire Indonesia’s BANK PERMATA from Standard Chartered and conglomerate Astra International.

Bangkok Bank said it would pay a multiple of 1.77 times Permata’s book value for an aggregate 89.1% shareholding in the bank. The final price will be based on the last financial statement published by Permata prior to the closing of the transaction. Based on its most recent earnings, this implies an acquisition price of Rp37.43trn (US$2.67bn).

Bangkok Bank said it expected to close the transaction sometime next year. It said the deal would be financed through existing cash and “routine funding activities”.

It said it planned to launch a mandatory tender offer for the residual 10.9% stake in Permata once the initial acquisition is completed.

StanChart, which holds a 44.6% stake in Permata, or half the shares being acquired by Bangkok Bank initially, said proceeds of the sale would be reinvested or returned to shareholders.

It also said the completion of the acquisition would allow it to turn its attention to its wholly owned business in Indonesia. StanChart had signalled it was prepared to sell Permata after it announced in February its investment in the bank was no longer core.

Permata, the 12th-largest bank in Indonesia by total assets, had US$7.6bn in loans and US$8.5bn in deposits as of the end of September.

Bangkok Bank said the acquisition would allow it to expand in Indonesia by tapping Permata’s retail deposits and franchise.

Thomas Blott

IN BRIEF

FRENCH FINE

France’s markets watchdog AMF fined MORGAN STANLEY €20m (US$22m) for manipulation of sovereign bonds. The fine relates to manipulation of French and Belgian bond prices in June 2015, AMF said.

Morgan Stanley said it intended to lodge an appeal. “The activities in question were undertaken in accordance with market practice and as part of the firm’s role and obligations as a market maker,” the US bank said.

CANADA CAPITAL

Canada’s banking regulator raised the amount of capital lenders must hold to guard against risks including near-record household and corporate debt levels.

The move by Canada’s OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS shines a further spotlight on the challenges facing Canadian banks, which have been hurt by a fall in investment banking income, rising credit provisions and pressure on margins. In 2019, they posted the slowest earnings growth since the financial crisis.

OSFI said banks must hold 2.25% of total risk-weighted assets from April 30, up from 2% now. OSFI, which reviews the domestic stability buffer requirement twice a year, has increased it by 25 basis points every time since it was introduced at 1.5% in June 2018.

SHORT NOTICE

A prosecution witness in an Australian criminal cartel case against CITIGROUP and DEUTSCHE BANK testified he had just 30 seconds’ notice about an underwriting conference call and that there was no collusion between banks.

The testimony from former JP MORGAN markets head Jeff Herbert-Smith appears to be at odds with the prosecution’s case that the three banks and their client AUSTRALIA AND NEW ZEALAND BANKING GROUP agreed to withhold details about a A$2.5bn (US$1.72bn) ANZ share sale in 2015 to support the stock.

The case, in which JP Morgan has been given immunity in exchange for cooperating with the authorities, is being closely watched by investment banks around the world because it could influence how they are allowed to conduct capital raisings. Prosecutors have argued that discussions on two conference calls in August 2015 between bankers on the deal amounted to an agreement to not tell investors that underwriters were buying some of the stock.

But Herbert-Smith, who was on the calls, told a Sydney court in a pre-trial hearing the staff of the three banks decided to withhold information about the share sale independently and there was no agreement. “I had 30 seconds’ notice, and three seconds to make up my mind,” Herbert-Smith said of one of the calls.

■ FRONT STORY CORPORATES

ECB largesse spurs buybacks

› Tender volumes hit record as yields tumble

› Refinancing of hybrids striking feature

Ultra-low yields have encouraged a record amount of bond buy backs by Europe's corporates this year with the pace expected to continue in 2020 thanks to the ECB's largesse.

Some €20bn of investment-grade and high-yield bonds have been tendered, more than double that of 2018 and 2017, according to Commerzbank. It exceeds the previous 2016 record of €15.5bn when the European Central Bank first started purchasing investment-grade corporate bonds.

The vast majority of tenders have come alongside new issues extending borrowers' maturity profiles, as historically tight spreads have allowed corporates to raise long-dated funding at little cost.

"In the absence of liquidity requirements, a buyback allows issuers to lock-in current market conditions and extend the maturity profile while reducing the cost of carry," said Jon Magnusson, director at Commerzbank.

Expectations that the ECB would restart its Asset Purchase Programme earlier this year sent yields plummeting across the board making funding costs extremely alluring.

The bank has bought over €6.2bn of investment-grade corporate bonds since it restarted purchases in November, just under 25% of the total bought under the APP.

One of the notable features of the liability management flow has been the variety of names taking part.

"It's been interesting to see how diverse the types of issuers and credits have been," said Graham Bahan, head of liability management, EMEA, at Citigroup.

"We've worked on maturity extensions for extremely strong rated issuers, Double A category names, but also seen maturity extensions for plenty of Double Bs."

As if to underscore this year's surge in borrowers locking in attractive yields while taking out shorter-dated debt, Italgas (Baa2/BBB+) recently brought its longest ever euro bond in conjunction with a tender offer for its €750m 0.5% January 2022 and €650m 1.125% March 2024 bonds.

By issuing a €500m December 2031 at 1%, the borrower achieved one of its lowest ever coupons and extended its euro curve by over 18 months.

WIN-WIN

For investors, these tender and extension exercises have the benefit of allowing them to exit bonds due to mature soon, many of which are trading at negative yields, while also providing somewhere to put the freed up liquidity.

"If the issuer comes in generously above market then it works well for investors," said Gordon Shannon, portfolio manager at TwentyFour Asset Management. "With the tender premium, they are selling at a low yield and able to reinvest into a higher yielding bond."

An alternative option for issuers looking to replace short more expensive debt with longer cheaper issuance would be a bond exchange.

However, the flexibility afforded to investors by tender offers alongside new issues has led to a preference for them over exchanges.

"A tender offer in combination with a new issue tends to have higher participation ratios than exchange offers due to the added flexibility for investors," said Magnusson.

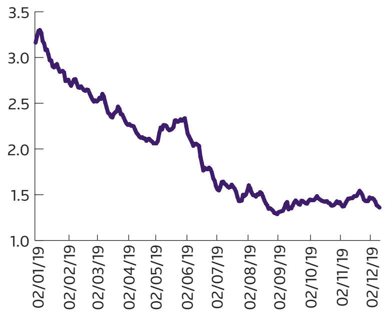
"Furthermore, unlike for exchange offers, issuers are provided with the added flexibility of being able to issue a new bond before finalising the buyback."

EXTENDING HYBRIDS

The refinancing of hybrid bonds has been one of the most striking features of the surge in tenders, a product of a change in S&P's methodology and the highly attractive rates backdrop.

"One notable trend has been the corporate hybrid extension trade," said Citigroup's Bahan.

IBOXX EUR CORPORATE SUBORDINATED INDEX



Source: Refinitiv Eikon

"It's been a particularly notable trend continuing, and even accelerating, on from 2018 when S&P made their methodology change facilitating early hybrid refinancing."

Before 2018, all of an issuer's outstanding hybrids lost equity credit status at S&P if the issuer called one of its hybrids within the first five years of issuance.

It has since changed its methodology to allow for the continued assigning of equity content providing the repurchase is funded by a replacement hybrid issued on or before the repurchase date.

Some €25bn of euro hybrids have been sold in the corporate market this year, up on the €20bn issued during 2018, itself a substantial increase on the less than €14bn seen in 2017, according to IFR data.

The cost of raising hybrid debt has dropped dramatically over the course of 2019, underscored by the more than halving of the average yield on the iBoxx EUR Corporates Subordinated Index since the start of 2019, now around 1.4%.

German utility E.ON and Danish energy company Orsted have both recently refinanced hybrids with new, lower yielding deals, issuing a €500m 3% perpetual non-call eight and €600m 1.75% 1,000-year non-call eight respectively.

MORE TO COME

With rates in Europe likely to remain near all-time lows and spreads perhaps even tightening over the first half of next year this trend is set to persist.

"It should definitely continue into 2020," said Bahan. "Providing new issue conditions remain this accommodative then continued maturity extension makes complete sense."

Magnusson agreed.

"We see a spread tightening as possible during the first half of the year on the back of improving economic sentiment, central bank buying and structural inflows into the asset class," he said.

Issuers are likely to continue to capitalise and make use of tender offers to reduce upcoming repayment peaks and lengthen their debt maturity profile. In 2020 nearly €200bn of euro investment-grade corporate bonds are due to mature, according to Refinitiv.

Ed Clark

Investors pick up pencil for rare RT1 tap

SCOR reopening only second of a hybrid capital bond

SCOR reaped surprising demand for a rare tap of a hybrid capital transaction last Wednesday, pulling in more than US$500m of orders for a US$124.8m increase to its Restricted Tier 1 notes.

Taps of hybrid capital trades are a rare sight, with SCOR's only the second reopening of an RT1 transaction, after an ASR Nederlands tap of a euro deal in September.

"SCOR, at the end of the day, is not the biggest issuer. So, with these smaller issuers, taps are a win-win for everybody, as it allows the issuer to print a small size and it doesn't put a sub-benchmark in the market," said a banker close to the new deal.

"It is something that from the regulatory side and the market side should be more encouraged."

The French reinsurer reopened the US$625m 5.25% perpetual non-call March 2029 Reg S RT1 during Asian hours.

Leads *BNP Paribas, Credit Agricole* and *JP Morgan* marketed the tap with initial thoughts of 97.875 reoffer cash price, equivalent to a yield-to-call of 5.546%, for a maximum size of US$125m.

After the European open, guidance was revised to 98.75 area. The price was ultimately fixed at 99.125 (equivalent to a yield-to-call of 5.37%) and the size at US$124.8m.

"With these smaller issuers, taps are a win-win for everybody, as it allows the issuer to print a small size and it doesn't put a sub-benchmark in the market"

The scale of demand surprised bankers, with books peaking at more than US$600m, before closing above US$500m. That was an impressive outcome for a deal launched so late in the year, they said.

"For anything that's high margin, people are willing to pick up the pencil," said a syndicate banker at one of the leads.

The original deal was priced in March 2018 and was the first RT1 issued in US dollars.

That was a success for SCOR, coming at a time of historically low spreads and attracting more than US$2.8bn of demand.

But, like other subordinated transactions priced in the low-spread environment of that era, it has consistently traded below par. It hit a low of 81.10 in January, and was bid at a cash price of 99.30 at last Wednesday's open, according to Tradeweb.

"It priced at the market price, where it should price, and it so happens that the credit spread is higher than the reset"

The tap offered a spread of 354.5bp over Treasuries - according to IFR calculations - well above the 237bp on the original issue.

RARE SIGHT

Part of the reason for the dearth of taps of hybrid capital instruments are that, in the bank space at least, the European Banking Authority has said that taps of callable instruments that come at a tighter spread than the original bonds create an incentive to redeem.

This is because the spread on the tap at the reset date would increase and create an inventive to call.

The debate was academic for SCOR, given that the spread at the tap is pricing at is higher than that of the reset margin of the original tranche.

But other insurers contemplating RT1 taps may have to consider the implications of the EBA's guidance in the insurance sector, said the first banker close to the deal.

"It priced at the market price, where it should price, and it so happens that the credit spread is higher than the reset," said the structurer. "That means you cannot argue there is a step-up - and, if anything, it is a step-down."

The deal was sized just below US$125m, or 20% of the initial issue size, in order to comply with the rules of the prospectus directive as they applied when the original bond was issued.

A tap of 20% or bigger would be required to comply with new prospectus regulation that took full effect in July, whereas smaller taps can continue to follow the old rules, according to bankers involved in the trade.

As of the end of June, SCOR had €989m of hybrid Tier 1 outstanding - including grandfathered debt - and said it had remaining capacity for a further €644m (US$713m) of issuance.

The deal is expected to be rated A- by S&P.

Tom Revell

WEEK IN NUMBERS

0.76%

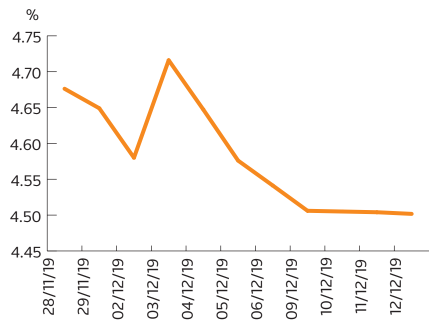
THE YIELD ON 10-YEAR GILTS ON DECEMBER 12 AS POLLING BOOTHS OPENED FOR A GENERAL ELECTION

1

THE NUMBER OF DEALS IN THE EURO CORPORATE MARKET LAST WEEK. THE ISSUER WAS JAB HOLDINGS, WHICH RAISED €1.5bn THROUGH A DUAL-TRANCHE OFFERING

4.50%

THE YIELD ON CASINO'S JANUARY 2024s, WHICH ACTUALLY RALLIED DESPITE A TWIST IN PARENT COMPANY RALLYE'S DRAFT RESCUE PLAN, WHICH COULD RELY ON LARGE DIVIDEND PAYMENTS FROM THE FRENCH RETAILER IN FOUR YEARS' TIME



US$500m

THE AMOUNT OF ORDERS FOR SCOR'S US$124.8m INCREASE OF ITS RT1 NOTES, IN A RARE TAP OF A HYBRID CAPITAL TRANSACTION. IT WAS ONLY THE SECOND REOPENING OF AN RT1, FOLLOWING ASR NEDERLANDS IN SEPTEMBER

€597m

THE NET AMOUNT OF BONDS THE ECB BOUGHT THROUGH ITS CSPP IN THE WEEK UP TO DECEMBER 6 COMPARED WITH €1.086m A WEEK EARLIER

In total it has bought €6.246bn

SSAR

US DOLLARS

KAWASAKI CITY MAKES DOLLAR DEBUT

CITY OF KAWASAKI raised US$50m from an inaugural US dollar bond issue with a 10-year tenor, becoming the fourth Japanese municipal government entity to sell foreign-currency bonds after Tokyo Metropolitan Government, Shizuoka Prefecture and City of Kobe.

The bond offering was marketed at a single price guidance level of 50bp over mid-swaps on Tuesday and priced at that level with a 2.262% coupon the following day.

Japan's sixth most populous city, located 20km from Tokyo, had been exploring issuing bonds in a foreign currency since at least 2013.

"We have been considering issuing bonds in a foreign currency to diversify funding channels and the investor base," said a city finance bureau official.

A spokesperson at sole lead manager *Nomura* told IFR that Kawasaki was able to diversify its investor base with this US dollar offering, though declined to comment on what investor type actually participated.

The bonds were offered only within Japan and not in the international capital markets.

Both the city official and Nomura said the pricing level was much the same as where it sells yen bonds, but a banker away from the deal said it would be a negative yield if the proceeds were swapped back into yen.

EUROS

IRELAND TO ENTER NEW DECADE WITH LOWER FUNDING NEEDS

IRELAND is planning to issue fewer bonds in 2020 than it did in this year as it enters the new decade on a much better footing than it did the previous one.

The National Treasury Management Agency (NTMA) said last Monday that it was planning to issue €10bn to €14bn, a marked reduction from the €14bn to €18bn funding range for 2019.

"The reduced funding requirement for 2020 is a consequence of the NTMA's strategy of pre-funding in advance of major bond redemptions," the agency said in a statement.

"The NTMA will redeem almost €20bn of debt during 2020, which includes single redemptions of maturing bonds of €10.6bn in April 2020 and €6.5bn in October 2020."

The agency said 2020 was the last year in which redemptions of significant scale would fall due.

"Post 2020, our annual debt redemptions will be lower," it said.

"This follows our programme of extending the average maturity of Irish government bonds, which has increased to close to 10 years and is now one of the longest average maturities in Europe."

The new decade will start on a much stronger footing for Ireland. The yield on Ireland's 10-year debt has plummeted to a mere 0.04%, having opened 2010 at around 4.77%. The yield went on to peak at almost 14.5% in 2011 as the eurozone sovereign crisis spread to other nations.

The reduction in funding needs is a another boon for the sovereign, which was upgraded one notch by S&P at the end of last month, its first long-term rating upgrade from the agency since June 2015.

Ireland is now rated AA-, putting it closer to France, Belgium and Austria.

The upgrade marked the sovereign's return to the Double A rating category for the first time since entering the Troika programme in late 2010. Ireland paid a steep price for guaranteeing domestic banks' debt in 2008 leaving it on the hook for the financial institutions' reckless lending during the boom years.

Mario Draghi's "whatever it takes" statement in a speech in 2012 marked a turnaround for the eurozone crisis that was cemented further when the European Central Bank started its expanded Asset Purchase Programme in 2015.

KFW PLOTS LOWER FUNDING PATH FOR 2020

KFW has outlined plans to raise €75bn in capital markets in 2020, its lowest annual funding target since 2016.

The German state-owned development bank raised some €80bn in 2019. Next year will see it return closer to the €72.8bn figure of three years ago.

KfW is looking at possible Sonia and SOFR-linked issues for 2020. It sold its first ESTR bond this year, a €1bn November 2022.

"Bonds with variable interest rates represent merely a supplement to our set of funding instruments, but we will keep our

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

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Agricole	64	11,202.59	7.8
2	BNP Paribas	55	9,910.27	6.9
3	HSBC	71	9,624.79	6.7
4	BofA	41	7,599.76	5.3
5	JP Morgan	51	7,432.36	5.2
6	Citigroup	50	6,554.32	4.6
7	SG	30	5,389.19	3.7
8	Barclays	32	4,892.37	3.4
9	Goldman Sachs	23	4,472.13	3.1
10	SEB	25	4,293.39	3.0
	Total	**283**	**143,881.95**	

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	1,360	307,333.69	7.9
2	Citigroup	1,155	267,912.77	6.9
3	Barclays	932	235,671.02	6.0
4	BofA	1,001	230,050.65	5.9
5	HSBC	1,102	212,139.38	5.4
6	Goldman Sachs	802	187,631.99	4.8
7	Deutsche Bank	857	174,490.27	4.5
8	BNP Paribas	793	171,931.34	4.4
9	Morgan Stanley	692	158,427.95	4.1
10	Credit Agricole	570	119,166.48	3.1
	Total	**5,781**	**3,903,231.73**	

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	435	93,049.77	7.3
2	JP Morgan	318	78,373.60	6.2
3	Credit Agricole	346	74,295.57	5.8
4	Deutsche Bank	344	72,501.46	5.7
5	HSBC	390	72,492.90	5.7
6	SG	297	72,424.03	5.7
7	Barclays	273	68,416.51	5.4
8	UniCredit	341	67,230.97	5.3
9	Goldman Sachs	225	54,310.98	4.3
10	Citigroup	260	53,711.32	4.2
	Total	**1,713**	**1,272,644.21**	

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

Source: Refinitiv SDC code: N1

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING DECEMBER 13 2019

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Dec 10 2019	Austria	€400m	0.50	Feb 20 2029	-0.104	2.52
Dec 10 2019	Germany	€3.1938bn	0.00	Dec 10 2021	-0.64	2.29
Dec 11 2019	UK (i)	£500m	0.125	Aug 10 2048	-1.825	2.64

Source: IFR

eye on this segment," said Frank Czichowski, treasurer of KfW group.

"Provided the market conditions are favourable, we will also issue bonds to support the establishment of the new reference interest rates Sonia and SOFR."

Green bonds will continue to form another pillar of the programme, with KfW looking to place up to €8bn-equivalent in euros and other currencies.

In 2019 it issued 11 green bonds in seven currencies, raising €8.1bn. The placements included a €3bn 0.01% May 2027 that was subsequently increased to €4bn - the largest such bond by a non-sovereign SSA issuer.

The growing focus on green bonds extended to KfW's green bond investment portfolio. KfW reached its investment target of €300m for 2019, taking the total portfolio up to €1.6bn.

KfW said it expects the euro market to continue to be supported by expansionary monetary policy, meaning rates will remain largely steady.

"We have strong credit and sustainability ratings, a proven and transparent funding strategy, and a broad range of products and currencies", said Czichowski.

"Although the euro remains KfW's most important funding currency with a share of more than 50%, we have been able to respond flexibly to specific investor demand in foreign currency bonds."

KfW had sold 148 bonds in 12 currencies as of November 30, raising €79.4bn. Its two currencies were euros and US dollars. The development bank printed €41.6bn in euros and €20.7bn-equivalent in US dollars.

There was also unusually high demand for sterling paper, which KfW responded to by issuing 18 bonds in the currency, raising €9.6bn-equivalent.

KfW also placed €2.5bn-equivalent in Norwegian kroner.

STERLING

KBN FIRES STARTING GUN ON POST-ELECTION STERLING

KOMMUNALBANKEN leapt into the sterling market last Friday after the Conservative Party convincingly won the UK's general election, reopening its November 2022s.

And it may not be the only sterling deal before Christmas, with some bankers saying before the poll that a big Conservative win could encourage one or two issuers, most likely from the FIG or even corporate sectors.

However, it was KBN that was first off the mark, demonstrating that international issuers continue to see sterling as an attractive market.

The Norwegian agency reopened its 1.125% November 2022s for an additional £100m, the new outstanding now £950m. Price talk began at Gilts plus the 37bp area via *Royal Bank of Canada* and did not move.

It followed a landslide victory in the UK general election for the Conservatives, taking 364 seats for a majority of nearly 80 seats - with one seat left to declare - helping to remove substantial political uncertainty.

FINANCIALS TO FOLLOW?

Syndicate bankers said the result, and the positive market reaction to it, keeps open a window for new sterling bond issuance from UK financials next week.

UK bank spreads tightened significantly on the back of the vote and issuers might be keen to capitalise on the strong sentiment to get ahead of 2020 funding plans.

"I think some might ask why should they wait if investors are there," said a senior syndicate banker.

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	296	80,020.06	11.1
2	Citigroup	248	72,421.17	10.0
3	BofA	252	60,725.20	8.4
4	Barclays	174	54,607.56	7.5
5	Goldman Sachs	171	46,419.70	6.4
6	Morgan Stanley	146	40,250.82	5.6
7	Wells Fargo	188	34,654.27	4.8
8	HSBC	87	31,344.73	4.3
9	RBC	122	30,002.48	4.1
10	Deutsche Bank	89	25,225.11	3.5
	Total	**538**	**724,123.77**	

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	910	204,747.87	9.6
2	Citigroup	827	192,352.59	9.1
3	BofA	725	155,168.65	7.3
4	Barclays	565	134,966.62	6.4
5	Goldman Sachs	562	119,759.59	5.6
6	Morgan Stanley	495	111,522.03	5.3
7	HSBC	513	100,144.14	4.7
8	Wells Fargo	446	86,915.98	4.1
9	Credit Suisse	461	83,192.04	3.9
10	Deutsche Bank	442	81,096.91	3.8
	Total	**2,723**	**2,123,440.76**	

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	27	17,401.37	10.9
2	BNP Paribas	26	15,074.55	9.4
3	SG	19	12,523.87	7.8
4	Citigroup	23	11,687.42	7.3
5	HSBC	15	10,863.90	6.8
6	Goldman Sachs	19	10,623.53	6.6
7	UniCredit	7	9,200.59	5.8
8	Credit Agricole	12	8,888.92	5.6
9	Barclays	14	8,631.96	5.4
10	Banca IMI	6	6,587.24	4.1
	Total	**63**	**159,963.96**	

Excluding ABS/MBS.

Source: Refinitiv SDC code: N4

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Credit Agricole	32	9,795.64	8.8
2	JP Morgan	26	8,897.70	8.0
3	Deutsche Bank	29	8,552.47	7.7
4	BNP Paribas	33	7,520.41	6.8
5	Goldman Sachs	21	7,138.92	6.4
6	BofA	17	7,061.66	6.4
7	Commerzbank	20	6,827.09	6.1
8	Barclays	25	6,550.24	5.9
9	SG	18	5,616.06	5.1
10	NatWest Markets	12	5,533.99	5.0
	Total	**154**	**111,174.42**	

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	37	8,699.81	15.4
2	DGZ-DekaBank	34	5,131.48	9.1
3	HSBC	32	4,162.53	7.4
4	LBBW	25	3,903.19	6.9
5	Barclays	15	2,668.29	4.7
6	Nord/LB	19	2,490.51	4.4
7	Deutsche Bank	21	2,461.70	4.3
8	BayernLB	19	2,262.92	4.0
9	JP Morgan	13	2,210.62	3.9
10	DZ Bank	18	2,113.52	3.7
	Total	**123**	**56,616.71**	

Excluding ABS/MBS.

Source: Refinitiv SDC code: N7

"We're still fielding reverse enquiries from investors, who say if there's something that is yieldy, some insurance or bank supply in sterling, then show it to me next week. They almost want to get ahead of next year's performance."

NON-CORE CURRENCIES

SAFA RENEWS AONIA COMMITMENT

SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY, rated Aa1/AA+ by Moody's/S&P, returned to the risk-free reference rate market it opened in June, with a second one-year Aonia-linked floating-rate note offering.

The state government funding arm raised A$250m (US$170m) from the new note, again via arranger and sole lead manager *UBS*, at 40bp over daily compounded Aonia, the wide end of 37bp–40bp guidance. Orders were in excess of A$340m.

The issue size was less than SAFA's inaugural A$500m print but the investor base was broader, with new and existing accounts participating, both overseas and domestic.

"Though ticket sizes were smaller than for the initial deal, we saw more investors placing orders, keen to test their systems and understand the product in what is a changing risk-free landscape," said Andrew Kennedy, director for treasury services at SAFA.

"It is pleasing to see the investor community become increasingly comfortable with Aonia-linked securities. Many investors see risk-free benchmark rate development as important, and this theme we feel is set to grow further," said Tim Galt, head of Asia-Pacific DCM syndicate at UBS.

Kennedy stressed the importance of executing a second deal within a few months of the inaugural sale.

"It showed June's debut trade was not a one-off and the market was taking another positive step forward for both issuers and investors alike," he said.

Kennedy sees continuing growth in the market, underpinned by the Reserve Bank of Australia's clear support for risk-free instruments.

He pointed to comments made by RBA Assistant Governor (Financial Markets) Chris Kent at the Australian Securitisation Forum 2019 in November, when he said repo-eligible products must contain fallback language, including an Aonia reference during times when BBSW does not function.

RISK-FREE ALTERNATIVE

Aonia is the RBA's overnight cash rate, which is published daily and offers a risk-free alternative to the domestic Bank Bill Swap Rate (BBSW), the conventional reference point for Australian dollar floating-rate notes.

Aonia is seen as especially suitable for state governments such as SAFA, which want to price off a risk-free rate rather than a credit benchmark like BBSW that includes a counterparty risk premium that can blow out during times of financial stress.

Aonia-linked notes also help to align the Australian market with new offshore overnight reference rates, notably Sonia, which was established in 2018 to replace the scandal-hit London interbank offered rate that will be discontinued after 2021.

There are no plans to discontinue BBSW, which suggests BBSW and Aonia could co-exist as alternative, complementary interest rate reference points for capital market issuers.

Besides SAFA, Commonwealth Bank of Australia last month sold the first Aonia-linked securitisation, the A$1.5bn Medallion Trust Series 2019-1 prime RMBS, and plans to use Aonia for all its RMBS in future.

Looking ahead, UBS's Galt would not be surprised to see other names entering the market.

"We do not expect that all semi-government issuers will be users of this product. However, for those that do need to fund floating-rate assets, the Aonia-linked format offers an opportunity to insulate the drivers of their funding costs," he said.

"The developments we have seen in the RMBS sector are also positive and indicate growing interest in alternative reference rates."

MODEST PREMIUM

Kennedy said, consistent with SAFA's approach to being a price-taker in markets, the new note paid a modest new-issue concession over the estimated fair value Aonia margin of 38bp.

He calculated fair value using the projected three-month BBSW margin for a SAFA one-year note at 16bp and the current quarterly one-year 'BOB' spread of 22bp.

The BOB spread represents the difference between the BBSW and Overnight Index Swap curves.

A syndication manager away from the deal saw a SAFA one-year at about 10bp–12bp over BBSW, indicating a slightly higher premium for the new December 2020s.

CORPORATES

US DOLLARS

STEEL DYNAMICS RECEIVES STRONG SUPPORT FOR IG DEBUT

STEEL DYNAMICS priced its debut high-grade bond last Monday as investors backed the US$1bn two-part offering from the rising star.

The Indiana-based steel company was upgraded from high yield to the lowest rung of investment grade by all three rating

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	79	15,180.25	11.3
2	BofA	78	12,796.05	9.5
3	Morgan Stanley	66	11,393.16	8.5
4	Wells Fargo	73	10,977.69	8.1
5	Citigroup	58	10,504.33	7.8
6	Barclays	34	7,777.51	5.8
7	Goldman Sachs	38	7,325.10	5.4
8	MUFG	41	5,811.07	4.3
9	Mizuho	34	5,736.69	4.3
10	Deutsche Bank	25	4,577.30	3.4
	Total	**182**	**134,775.25**	

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	446	118,454.21	10.5
2	JP Morgan	494	117,482.69	10.4
3	Citigroup	404	107,699.83	9.5
4	Morgan Stanley	317	84,816.58	7.5
5	Goldman Sachs	293	74,586.44	6.6
6	Wells Fargo	304	72,254.16	6.4
7	Barclays	237	67,092.03	5.9
8	MUFG	184	45,402.09	4.0
9	HSBC	132	43,093.27	3.8
10	Mizuho	177	37,977.20	3.4
	Total	**1,010**	**1,132,191.68**	

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	218	35,576.11	8.2
2	Barclays	107	29,922.61	6.9
3	Deutsche Bank	152	27,346.40	6.3
4	JP Morgan	137	26,015.58	6.0
5	BofA	107	23,110.31	5.3
6	Citigroup	134	22,838.83	5.2
7	SG	137	22,403.64	5.1
8	HSBC	144	21,691.83	5.0
9	Goldman Sachs	108	20,582.43	4.7
10	Credit Agricole	132	20,545.63	4.7
	Total	**557**	**435,335.83**	

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

agencies earlier this year and priced its inaugural high-grade offering inside of its low Triple B peers.

The US$400m five-year and US$600m 10-year priced at 115bp and 165bp over Treasuries, respectively.

Bookrunners *Bank of America*, *Goldman Sachs*, *JP Morgan* and *Morgan Stanley* tightened both notes by as much as 47bp from initial price thoughts.

A big book helped tighten spreads.

Demand peaked at US$11bn, and even by launch it had fallen to US$8.5bn, the bonds were still comfortably oversubscribed.

And, despite guiding to an extra 5bp of tightening midway through price progression, bookrunners managed to squeeze spreads 10bp tighter by launch.

"Clearly, investors find value even at 165bp over Treasuries on a 10-year," one lead syndicate banker said.

CreditSights in the lead up to the deal placed fair value on the 10 year in the low 200s.

Steel Dynamics priced as much as 52bp inside of low Triple B competitor ArcelorMittal and 63bp inside of the like-rated Brazilian steel company Gerdau, according to MarketAxess data.

Steel Dynamics even managed to price inside of higher rated competitors such as UK-based Anglo American Steel's 4.5% 2028s, rated Baa2/BBB, which were trading at a G-spread of 168bp late last week.

The high-grade ratings secured the company a much lower cost of financing at a longer duration. The coupon on the new 10 year is 3.45% compared with 4.125% on its previous high yield eight-year note.

The strong performance was largely driven by positive news out of the US, Mexico, Canada trade agreement.

The trade deal was held up by the US Congress for ratification, but the day before the deal's announcement all the parties had came to an agreement last Sunday and was signed later that week.

In the end, Mexico largely agreed to a last minute change in the definition of "North American made" steel such that the metals must be "melted and poured" on the continent.

Such definitions proved critical as the new trade pact calls for 70% of steel and aluminium in vehicles to come from the continent in order to receive duty-free treatment.

Although Steel Dynamics has only recently crawled its way out of high yield, the company's financial position is strong compared with its peers.

The sector is in a declining operating environment, but Steel Dynamics should be able to handle it better given its lower and more variable cost structure, CreditSights noted in a report.

The company has a strong history of surviving rough times, according to Moody's. In the 2015-2016 commodities downturn, Steel Dynamics managed to generate positive free cash flow and reduce net leverage despite the challenging operating conditions.

Still, the company tends to favour shareholder returns over debt reduction and plans to be back in the bond market in 2020 to replenish its liquidity position even as debt rises, according to CreditSights.

EUROS

JAB HITS OUT AT THE LONG END

JAB HOLDINGS extended its curve by 10 years last Monday, pricing a 20-year bond as part of a €1.5bn dual-tranche trade.

In what has become an increasingly popular exercise for companies, JAB also announced a tender offer for shorter-dated paper.

JAB, a privately held group owned by and managing the wealth of Germany's Reimann family, announced a December 2027 benchmark at IPTs of swaps plus 135bp-140bp and a December 2039 benchmark at 200bp-210bp.

Concurrently JAB launched a tender for its 1.5% November 2021s, 2.125% September 2022s and 1.75% May 2023.

"This strikes me as quite opportunistic, as most trades at this point in the year are," said a banker away from the deal.

A lead said that the market looked firm while key French investors were back at their desks following strikes in Paris.

"The 20 year is really about taking advantage of low financing costs, so an opportunistic move," said the lead.

Before the new deal, JAB's longest bond was a €750m 2.5% June 2029, which was indicated around 119bp bid last Monday.

Demand was skewed to the shorter tranche, with pre-rec books reaching €3.5bn, while the 20-year saw orders of €1.75bn.

The bonds priced at the tight end of the 115bp-120bp (+/-5bp) and 190bp area (+/-5bp) guidance ranges. The lead saw this as indicating issue premiums of 2bp and around 10bp respectively. Both bonds were sized at €750m and are rated Baa1/A- (negative/stable).

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	344	77,395.06	7.4
2	JP Morgan	238	66,377.77	6.3
3	Credit Agricole	262	62,275.42	6.0
4	HSBC	309	61,676.27	5.9
5	SG	228	61,010.89	5.8
6	Barclays	217	60,049.08	5.7
7	Deutsche Bank	257	57,690.61	5.5
8	UniCredit	260	56,618.43	5.4
9	BofA	157	42,835.18	4.1
10	Goldman Sachs	152	42,583.61	4.1
	Total	**1,319**	**1,046,243.82**	

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	13.8
2	HSBC	99	15,201.17	12.4
3	NatWest Markets	89	12,437.42	10.1
4	RBC	63	9,057.81	7.4
5	BofA	43	7,764.73	6.3
6	Lloyds Bank	47	6,904.42	5.6
7	Citigroup	35	6,834.83	5.6
8	JP Morgan	32	5,732.07	4.7
9	Deutsche Bank	29	5,627.35	4.6
10	TD Securities	31	5,005.11	4.1
	Total	**263**	**123,023.64**	

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	13.6
2	NatWest Markets	28	3,078.31	11.8
3	HSBC	30	2,841.97	10.9
4	Lloyds Bank	16	1,699.48	6.5
5	RBC	18	1,678.65	6.5
6	Goldman Sachs	13	1,615.44	6.2
7	BNP Paribas	16	1,491.36	5.7
8	JP Morgan	10	1,312.75	5.1
9	Santander	14	1,240.53	4.8
10	Morgan Stanley	10	1,173.58	4.5
	Total	**73**	**25,991.23**	

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	147	16,207.0	31.2
2	UBS	122	13,618.5	26.2
3	Verband	20	5,725.4	11.0
4	ZKB	63	5,239.8	10.1
5	Raiffeisen Schweiz	43	3,361.3	6.5
6	BNP Paribas	17	2,104.8	4.1
7	Commerzbank	12	1,052.4	2.0
8	Deutsche Bank	12	1,005.6	1.9
9	Basler KB	13	895.6	1.7
10	HSBC	3	650.0	1.3
	Total	**263**	**51,999.0**	

Including preferreds. Excluding equity-related debt.

Source: Refinitiv

Japan eyes second bite of Apple

CORPORATES/FINANCIALS Aflac keeps yen momentum going ahead of 2020 global maturities

Japanese bankers and investors are hoping that more global issuers will flock to the yen bond market in 2020 in the wake of the positive momentum created by this year's mammoth Berkshire Hathaway deal.

In particular, they are keen to see PROCTER & GAMBLE and APPLE roll over when their bonds mature next year.

Berkshire Hathaway's ¥430bn (US$3.9bn) global yen deal in September led to a surge of enquiries from other potential issuers, according to syndicate bankers at both Japanese and foreign banks in Tokyo, showing that the yen market has earned a place on the menu for those looking to raise funds in large amounts.

However, subsequent deals will need to go well to sustain that momentum.

US insurer AFLAC last week also used the global yen format successfully in its latest four-tranche transaction.

The size of the offering, led by *Goldman Sachs*, *Mizuho*, *Morgan Stanley* and *SMBC Nikko*, was capped at ¥38bn as the proceeds will be used to call a US$350m 4% February 2022 senior US dollar note on January 10.

A ¥12.6bn 10-year tranche priced at a 0.50% coupon (equal to about 35bp over swaps), a ¥9.3bn 12-year priced at 63bp over swaps with a 0.843% coupon, a ¥9.8bn 15-year at 65bp over with a 0.934% coupon, and a ¥6.3bn 20-year at 75bp over with a 1.122% coupon.

The 15 and 20-year tranches landed at the tighter ends of the initial price guidance ranges. At the start of marketing on December 6, the 12-year tranche was marketed at 55bp–65bp, the 15-year at 65bp–75bp, and a 20-year at 75bp–85bp.

A 30-year tranche was marketed at 85bp–95bp but was dropped on day three of marketing.

Aflac is a popular credit in Japan, especially among regional investors, as it enjoys strong name recognition. Nearly half of the deal went to regional investors, and Aflac was also able to diversify its investor base by bringing in new regional accounts, a banker on the deal said.

The bonds have a par call option, an unfamiliar clause for Japanese investors, but this had no major impact on deal size.

"We received some enquiries from investors, but there wasn't any strong push-back from them," said a second banker on the deal.

The bonds are rated A3/A–/A (Moody's/S&P/R&I).

MEDTRONIC TONIC?

Following Aflac will likely be US medical device manufacturer MEDTRONIC, which announced last week it had hired *Barclays*, *Bank of America* and *Mizuho* to arrange a non-deal roadshow beginning on January 15 in Tokyo.

"Market participants here are really looking forward to this deal," said a Japanese asset manager. "We hope this will be another huge deal after Berkshire."

Market participants are hoping that the positive tone will last until five-year Global yen bonds from P&G and Apple mature in May and June, respectively. Apple has ¥250bn outstanding and P&G ¥100bn.

"Every banker here knows those bonds are maturing soon, and I'm sure investors too want them to roll over," said a banker at a foreign bank.

If these deals go well, the yen market would be even more firmly established as a major funding channel.

"The recognition of the yen market would be heightened if Medtronic does a large deal and both Apple and P&G raise more than the redemption sizes," said the asset manager.

"Berkshire's deal proved that you can raise a large amount of funds in the yen market, and lots of issuers now see the yen as one of their funding options," said the foreign banker.

"But it's important to get upcoming deals done successfully, to let more corporates look at the yen market."

Takahiro Okamoto

In a note in early December CreditSights said it would pause before taking 20-year exposure to JAB given the lack of any recent strategic updates, the subordination of the bonds to operating company debt, and little clarity over its relationship with the JAB Consumer Fund in regards to whether it will provide equity for its investments.

The company invests in consumer brands such as Coty, Krispy Kreme Doughnuts and Pret a Manger.

BNP Paribas, *HSBC*, *ING*, *SEB* and *UniCredit* were leads.

NON-CORE CURRENCIES

VEOLIA ENVIRONNEMENT MARKETS PANDA

French water company VEOLIA ENVIRONNEMENT, rated AAA/Baa1/BBB (China Chengxin/Moody's/S&P), was marketing Rmb1.5bn (US$215.08m) one-year Panda bonds through a private placement at an initial guidance range of 3.70%-4.30% last Friday.

The deal will be split into two Rmb750m tranches, both with the same price guidance.

Settlement is on Tuesday.

Bank of China is lead underwriter, while *BNP Paribas (China)* and *Standard Chartered (China)* are co-lead underwriters, each for one tranche. *Mizuho (China)* and *MUFG (China)* are syndicate members and international advisers together with *Credit Agricole CIB (China)*.

The issue is part of a new quota registered with Chinese regulators this year.

The company was the first French issuer to tap the Chinese domestic bond market. It sold a debut issue of Rmb1bn (US$147m) three-year bonds at 3.50% via private placement in September 2016 and returned in August 2018 with Rmb1bn one-year notes priced at par to yield 4%.

FIG

US DOLLARS

CIBC DEBUTS LARGEST, LONGEST SOFR NOTE

CANADIAN IMPERIAL BANK OF COMMERCE last Tuesday priced the first floating-rate note from a Canadian bank linked to the Secured Overnight Financing Rate.

The US$1.25bn long three-year senior bail-in floater did it in style.

CIBC now holds the record for the longest SOFR floating rate note with a maturity date of March 17, 2023 — surpassing the mark set by MUFG Union Bank's three-year note that priced just the week prior.

Additionally, the new bond surpassed the SOFR-backed floating-rate notes by a financial institution, beating US$1bn deals from a number of US banks including Citibank and Goldman Sachs, which both priced floaters in the first half of this year.

Adding more size and extending out maturity of SOFR notes is key to developing a term spectrum for SOFR, said David Knutson, head of Americas credit research for Schroders.

"It is good to see that non-domestic issuers are testing the market," said Knutson.

"I firmly believe that Libor is going away and those institutions that have a plan are going to be in a much better place than trying to play catch up in the future."

The note was supported by a meaningful reverse inquiry that likely kept it from moving off the original price talk of SOFR plus 80bp, according to one syndicate banker away from the trade.

CIBC's notes priced at fair value when compared with the Libor equivalents at Canadian peers, the banker added.

However, the CIBC note, rated A2/BBB+/AA-, did price wide of the only other floater issued without a call structure: MUFG Union Bank's US$300m note, which was rated A2/A/A. That was quoted at 71bp over SOFR.

CIBC, *Citigroup* and *Deutsche Bank* were the leads for the deal, which garnered a US$2bn book.

The CIBC offering found a macro environment largely supportive for new issuance.

It came the same day that Canadian banking regulators said it will increase the domestic stability buffer for its major banks by 25bp to 2.25%, effective from April 2020.

Additionally, markets were rallying as House Democrats announced their support for the US, Mexico, Canada trade agreement, which was signed later that week.

New SOFR supply has picked up in the final weeks of the year and that momentum is expected to accelerate into 2020 as banks and corporations prepare to transition off of Libor by December 2021.

"Frankly, I think regulators are going to start to be critical of internal risk controls of financial institutions whether it be asset managers, banks or insurance companies that can not demonstrate operational proficiency when it comes to operating a SOFR rate," said Knutson.

"If these bank examiners are worth their salt, and I think they are, they will be asking tough questions that only get tougher over the next year or so on SOFR."

STERLING

LLOYD'S OF LONDON FUNDS OVERHAUL WITH DEBUT SENIOR PPS

LLOYD'S OF LONDON has turned to the US private placement for its first issuance of senior unsecured notes, raising £300m to fund its modernisation.

The insurance marketplace is looking to overhaul its business with a long-term strategy to increase automation and cut costs.

It aims to deliver on the first phase of its "Future at Lloyd's" plan in 2020, including the launch of two electronic exchanges, for example.

Lloyd's raised the senior funding to cover the near and medium-term costs of its plan. By turning to the bond market, it had avoided raising the market levies it charges its members, Lloyd's said.

The funding was done across four tranches in the US private placement market, with tenors of 10 years, 11 years, 15 years and 25 years.

The bonds were placed with US and UK insurance companies, with demand approaching £600m. *Barclays* was sole lead.

Lloyd's was looking to take advantage of low rates in the senior market but did not want to raise the money through one note.

It therefore turned to the USPP market, where it could reach out to a small club of investors with multiple placements spread across maturities.

The deal was preceded by meetings in the UK and across the US in an effort to educate investors about Lloyd's, which had only issued in subordinated format before and is a relatively idiosyncratic credit.

The average cost of funding for Lloyd's across the four tranches was 2.60%. The notes were priced on November 22 and will be funded in January.

Lloyd's confirmed the fundraising in a statement on Tuesday, and at the same time announced appointments for the governance and delivery of the Future at Lloyd's plan.

Andy Haste, deputy chairman, will chair a newly formed technology and transformation committee. Programme

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	92	20,024.21	8.4
2	SG	64	18,525.24	7.8
3	HSBC	97	16,069.36	6.8
4	Credit Agricole	74	14,768.82	6.2
5	JP Morgan	71	13,894.22	5.8
6	Deutsche Bank	63	13,641.07	5.7
7	Natixis	50	10,812.43	4.5
8	UniCredit	56	9,219.45	3.9
9	Goldman Sachs	52	8,466.61	3.6
10	Barclays	54	7,797.12	3.3
	Total	**386**	**238,003.99**	

Including banks, insurance companies and finance companies. Excluding equity-related and covered bonds. Excluding publicly owned institutions.

Source: Refinitiv SDC code: N11

ALL SUBORDINATED FINANCIAL INSTITUTION BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Barclays	27	9,610.90	10.1
2	HSBC	48	6,808.99	7.2
3	Citigroup	42	6,678.22	7.0
4	JP Morgan	45	6,071.44	6.4
5	UBS	44	5,561.67	5.8
6	BofA	39	5,389.93	5.7
7	Credit Agricole	19	5,194.23	5.5
8	Morgan Stanley	29	5,157.42	5.4
9	Goldman Sachs	30	4,894.87	5.1
10	BNP Paribas	35	4,239.73	4.5
	Total	**157**	**95,223.57**	

Source: Refinitiv SDC code: J3a

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

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	UniCredit	88	12,719.03	6.5
2	HSBC	68	12,656.13	6.4
3	LBBW	64	10,683.28	5.4
4	Barclays	43	9,834.75	5.0
5	Credit Agricole	51	9,527.49	4.8
6	Natixis	50	9,217.35	4.7
7	NatWest Markets	39	7,254.94	3.7
8	Commerzbank	46	7,114.71	3.6
9	BNP Paribas	38	7,064.62	3.6
10	Deutsche Bank	38	7,052.58	3.6
	Total	**280**	**196,607.82**	

Source: Refinitiv SDC code: J15a

ALL GLOBAL AND EUROMARKET YEN BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	18	353,896.71	22.5
2	Sumitomo Mitsui	14	217,738.40	13.8
3	Daiwa Securities	10	137,030.00	8.7
4	Morgan Stanley	9	131,566.73	8.4
5	BofA	2	129,075.00	8.2
6	Goldman Sachs	3	122,000.00	7.8
7	Nomura	8	121,608.33	7.7
8	JP Morgan	2	112,500.00	7.2
9	MUFG	6	66,955.02	4.3
10	BNP Paribas	5	53,630.00	3.4
	Total	**35**	**1,573,328.20**	

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	44	416,733.33	24.2
2	Daiwa Securities	35	350,560.00	20.3
3	Sumitomo Mitsui	42	348,500.00	20.2
4	Nomura	32	272,706.67	15.8
5	Morgan Stanley	20	134,590.00	7.8
6	HSBC	5	89,626.67	5.2
7	Natixis	9	55,540.00	3.2
8	Citigroup	3	32,500.00	1.9
9	BNP Paribas	4	18,460.00	1.1
10	Credit Agricole	2	5,983.33	0.3
	Total	**49**	**1,725,200.00**	

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	62	770,630.04	23.4
2	Sumitomo Mitsui	56	566,238.40	17.2
3	Daiwa Securities	45	487,590.00	14.8
4	Nomura	40	394,315.00	12.0
5	Morgan Stanley	29	266,156.73	8.1
6	BofA	2	129,075.00	3.9
7	Goldman Sachs	3	122,000.00	3.7
8	JP Morgan	2	112,500.00	3.4
9	HSBC	8	111,626.67	3.4
10	BNP Paribas	9	72,090.00	2.2
	Total	**84**	**3,298,528.20**	

Including all Euro, foreign and global issues. Excluding equity-related debt.

Source: Refinitiv SDC code: K12

delivery will be led by Jennifer Rigby, chief operations officer and executive committee member.

"With robust governance and oversight now in place, and the funds for delivery secured, we have every confidence in the successful delivery of the Future at Lloyd's," said chief executive John Neal.

HIGH-YIELD

UNITED STATES

HIGH-YIELD PRINT-A-THON CONTINUES INTO DECEMBER

The US high-yield market has roared towards the year-end as borrowers hit a stable market for new debt, hot on the heels of the busiest November on record.

At least 14 borrowers priced deals during the week, raising US$8.29bn in what was expected to be the last week for primary issuance across credit markets this year.

This followed the US$5.565bn sold in the prior week and the US$36.909bn sold in November, which was the busiest on record, according to IFR data.

"A lot of guys have accelerated their financing, looking at this incredible environment," said a managing director of leveraged finance at one bank.

Conditions for borrowers away from the riskiest end of the market are undeniably strong - five issuers were able to upsize deals on Monday and Tuesday, with the majority of issuers able to tighten pricing inside guidance.

Issuance has been skewed towards the Double B end of the market to meet investor demand for higher rated paper, and CFOs have mainly been looking to refinance existing debt.

"It's their job to refinance at attractive rates," said one high-yield investor. "Not taking advantage of this would be foolish.

"Banks are saying to issuers - look how low rates are. We don't know how that is going to look in January."

On top of low rates, average high-yield spreads have tightened from 414bp to 383bp since December 3, after hovering in the 400bp over Treasuries area for several weeks.

This rally and continued appetite for new bonds has helped two recent borrowers, including debut issuer **TWITTER**, print sub-4% coupons.

Telecoms technology firm **CENTURYLINK** (rated B2/B+/BB) was fast out of the gate on Monday, pricing an upsized US$1.25bn seven-year non-call three at 5.125%, inside talk of 5.25% area.

The firm had hired 18 banks as joint bookrunners, making for a speedy execution. It upsized the deal twice, from US$750m to US$1bn and then relaunching at a final US$1.25bn size.

Five other issuers priced deals on Monday, including a two-part deal from Canadian waste management firm **GFL ENVIRONMENTAL** to help fund its acquisition of the AGI group of companies, a similar Canada-based company.

GFL sold US$500m of new 7NC3 senior secured notes (rated B1/B+) at 5.125%, and a US$275m add-on to existing 7.00% senior unsecured notes due 2026 at 101.143 to yield 6.625%.

The privately owned firm, which is backed by BC Partners and Ontario Teacher's Pension Plan, is also raising US$300m of equity from existing shareholders to finance the deal.

Last month, it scrapped a US$2bn plus IPO in what was a difficult market, after investors balked at the company's leverage and complex capital structure.

Tuesday saw five issuers raise US$2.75bn in the market, with **WYNDHAM DESTINATIONS**, **WYNN MACAU** and **CALPINE CORP** all able to upsize their deals amid strong demand.

After a pause on Wednesday around the Federal Reserve announcement, the primary market reopened on Thursday. Three issuers raising US$1.665bn, clearing out the pipeline.

DYCOM HOPED FOR TIGHTER COUPON ON PULLED DEAL

Investors baulked at the coupon **DYCOM INDUSTRIES** was trying to achieve on its issue earlier in the month, so the company pulled the deal in what were otherwise strong market conditions.

Given the strength of investor demand for Double B bonds, it was a surprise to many in the market when Dycom pulled its planned Ba3/BB rated US$300m offering on December 6, blaming "market conditions".

The company, which provides speciality contracting services for telecommunications providers, had been looking to raise US$300m eight-year non-call three senior unsecured notes in what was seen as an opportunistic trade to refinance US$275m of 0.75% convertible bonds due 2021.

Goldman Sachs was lead-left on the deal, with *Bank of America* and *Wells Fargo* as bookrunners.

Price talk had been indicated at 5.25% area around noon on Friday December 6, before a press release that evening said the transaction had been withdrawn.

A source familiar with the deal suggested that the issuer had been opportunistic, stepping into a hot market to see what was possible, but ultimately had been looking for a more aggressive coupon than investors were willing to accept.

A deal was understood to have been possible at the indicated levels.

Other Double B rated issuers that week had been able to land eight-year paper in the low 4% area - or just 3.875% in the case of debut issuer **TWITTER** - as high-yield investors crowded higher rated deals and investment-grade buyers dipped into the top rungs of the junk market to pick up yield.

Against this backdrop, a high-yield investor suggested the Dycom situation was a combination of bookrunners not setting appropriate expectations and the issuer having an overly optimistic view of itself.

"We had looked at it and passed initially because it didn't look screaming cheap based on the cashflow profile," said the investor. "It is a good stable business, but it just didn't generate the kind of free cashflow we wanted."

A Moody's rating report said the firm's cashflow has been inconsistent, with heavy working capital requirements causing increased reliance on the firm's revolving facility.

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	233	28,729.57	9.0
2	BofA	214	23,292.32	7.3
3	Citigroup	176	21,305.96	6.7
4	Goldman Sachs	177	20,512.47	6.5
5	Morgan Stanley	162	19,618.82	6.2
6	Credit Suisse	162	17,915.22	5.6
7	Deutsche Bank	169	16,240.10	5.1
8	Barclays	159	15,982.83	5.0
9	Wells Fargo	137	14,534.44	4.6
10	RBC	113	12,209.04	3.8
	Total	**563**	**317,843.78**	

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	49	6,525.52	8.5
2	JP Morgan	47	6,242.29	8.2
3	Deutsche Bank	47	6,175.62	8.1
4	Citigroup	41	5,001.97	6.5
5	BNP Paribas	44	4,903.59	6.4
6	HSBC	44	4,280.45	5.6
7	Credit Agricole	37	3,637.25	4.8
8	Barclays	30	3,519.86	4.6
9	BofA	29	2,881.62	3.8
10	Credit Suisse	29	2,602.13	3.4
	Total	**150**	**76,382.39**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B6

Credit metrics are also weak, it noted, with the Moody's adjusted debt-to-Ebitda leverage "very high for the rating" at 3.5 times.

"Revenue and earnings are also expected to be volatile as they are susceptible to weather, timing of large projects, and spending habits of major telecommunications and cable providers," Moody's said in the report.

Dycom is understood to be looking to return to the market to lock in a better coupon.

There is some time pressure on the need to refinance the convertible notes. A liquidity covenant in the company's senior secured credit agreement would impose liquidity restrictions in the event more than US$250m of the convertible bonds remain outstanding at June 2020, according to Moody's.

EUROPE/MIDDLE EAST/ AFRICA

RALLYE'S FINALISED RESCUE PLAN COMES WITH TWIST

CASINO bonds rallied last week despite a twist in parent company Rallye's draft rescue plan which could rely on large dividend payments from the French retailer in four years' time.

Rallye's new draft safeguard plans, announced last Monday, include a potentially early repayment of up to €1.1bn of debt in 2023. That could mean Casino - which **RALLYE** is already dependent on to maintain its debt pile - is on the hook for a large dividend payment.

Those plans will see Rallye - along with several other Casino parent companies - Fonciere Euris, Finatis and Euris - repay their liabilities over a 10-year period.

In May Casino chairman and chief executive Jean-Charles Naouri placed parent companies Rallye, Finatis and Fonciere Euris under safeguard protection from creditors in a bid to save the group from collapse.

The companies will pay a marginal sum of €100,000 over the first two years, then 5% of the debt principal between the third and ninth years, and then a final 65% in the final year.

However, the plans come with a new tweak from those originally finalised in September. Rallye creditors secured by Casino share pledges will be repaid in full earlier than the other debt, pointed out Spread Research analysts.

That means a potentially early repayment of up to €1.1bn in 2023.

And those creditors which vote in favour of the draft safeguard plans will also be repaid early.

"Rallye's proposed draft safeguard plan is more negative than we initially expected, due to the proposed early repayment of a large amount of debt," wrote Spread Research analysts.

"At first glance, this is obviously negative for Casino's bonds, because it implies very large dividends (to the tune of up to €2bn) from Casino to cover Rallye's debt repayments in 2023, given that there are only small other assets left to be sold to help repay debt."

However, by last Wednesday, the yield on Casino's 5.875% January 2024s, issued as part of a €3.8bn refinancing package in November, had fallen to 4.515% from 4.602% on November 6 - before the plan had been announced - according to Refinitiv data.

"In many ways, the penny has already dropped," said one investor of the Casino bond performance in secondary.

"Investors know there is too much debt in the structure. Also, 2023 is many years away from now."

The investor described the Rallye-Casino problem as "circular".

"Rallye needs value from Casino to repay its debt. But you also need to delever Casino in order to drive up the value to Rallye creditors," he said.

In addition, bondholders may know that Casino's shareholder distribution is now restricted by its covenants on the recently issued 2024 bonds and bank debt, wrote Spread Research analysts.

Dividends are limited as long as Casino's gross debt/Ebitda ratio is above 3.5x post-dividend payment. On June 30, this ratio was 6.4x, said Spread Research analysts.

"In our view, the deleveraging case for Casino is unchanged, because whether or not Casino ends up materially supporting Rallye, it first needs to deleverage from its current high level," wrote analysts.

Casino also does not have the financial means to pay so much, wrote analysts. The group is selling assets to deleverage and meet its own debt reduction target. It is also constrained by maintenance covenants on its revolving credit facility.

Rallye is hoping to get approval for the safeguard plans from the Paris Commercial Court by the end of the first quarter of 2020 at the latest.

BERRY APPEALS TO CROSSOVER BUYERS WITH DEBUT EURO BOND

BERRY GLOBAL received a warm welcome from the euro market for a debut bond, raised to repay a portion of term loan debt.

The plastics maker (Ba3/BB+) upsized the senior secured offering for a second time on Thursday to a final €1.075bn.

The deal was split between a €700m five-year non-call life tranche, which priced at 1.00%, and a €375m seven-year non-call life note at 1.50%.

Demand came mainly from crossover, investment-grade investors who liked the convexity of the deal, said a banker familiar with the trade.

The bonds carry a high-yield Ba2 rating from Moody's, but also an investment-grade BBB- rating from S&P.

In order to appeal more to such buyers, Berry scrapped the call optionality on both tranches midway through marketing.

The company started out marketing five-year non-call two and seven-year non-call three deals, but ended up plumping for non-call life structures on both after feedback from crossover buyers, the banker said.

"We pitched mainly to the investment-grade guys," he said.

Purely high-yield investors will look at where a dollar bond from the company is trading versus the new euro bonds, said the banker.

If a company has an outstanding dollar bond which is more attractive on a spread basis, the high-yield buyer will generally opt for that one.

But investment-grade buyers will generally look to what other bonds they can

ALL ASIAN HIGH-YIELD ISSUERS
1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	58	5,817.65	7.7
2	Haitong Secs	96	5,219.91	6.9
3	HSBC	59	4,252.83	5.6
4	Deutsche Bank	61	4,169.77	5.5
5	Citic	60	3,843.45	5.1
6	JP Morgan	25	3,572.57	4.7
7	Morgan Stanley	42	3,523.60	4.6
8	UBS	51	3,352.02	4.4
9	Guotai Junan Secs	75	2,798.75	3.7
10	Bank of China	45	2,674.12	3.5
	Total	**206**	**75,895.71**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06d

ALL EUROPEAN HIGH-YIELD ISSUERS
1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	56	10,173.75	9.5
2	JP Morgan	60	9,051.82	8.5
3	Goldman Sachs	50	7,989.50	7.5
4	Deutsche Bank	46	7,553.40	7.1
5	BNP Paribas	49	6,547.74	6.1
6	HSBC	46	5,831.16	5.5
7	Barclays	30	5,095.77	4.8
8	Credit Agricole	37	4,422.86	4.1
9	BofA	30	4,422.78	4.1
10	Credit Suisse	32	4,055.02	3.8
	Total	**165**	**106,928.13**	

Excluding equity-related debt.
Source: Refinitiv SDC code: B06c

buy in Europe - and make a decision on that relative value basis.

"With Berry, you get to a tighter number if you look at the euro bond versus the US dollar bond," he said, explaining why the bonds were more attractive to investment-grade investors.

Proceeds will pay down part of two incremental term loans.

The company acquired Britain's RPC Group, which makes Heinz ketchup bottles and packaging for Nivea sun cream, in July for US$6.5bn.

The acquisition was funded by around US$4.3bn of cash and US$2.2bn of net debt. Berry placed US$4.25bn and €1.075bn incremental term loans, as well as US$1.75bn of senior secured bonds.

"This is a leverage-neutral transaction," said a second banker familiar with the matter. "The ratings are helpful and it gives guys sitting on healthy cash balances into year-end a good trade to play into."

One pricing comparable could be packaging group Ardagh (B2/B+).

Ardagh has 2.125% August 2026 non-call 2022s secureds that were bid at swaps plus 176bp or 1.46% on Refinitiv shortly after the mandate announcement.

The bonds were originally targeted to raise €725m then €900m before the further increase.

Bookrunners were *Citi* (left lead and B&D), *Goldman Sachs, Wells Fargo, Barclays, Credit Suisse, Deutsche Bank, JP Morgan, BofA*, and *Morgan Stanley*.

ASIA-PACIFIC

SEEK EXPANDS UNRATED MARKET

SEEK raised A$150m (US$103m) from its second unrated bond issue, last Wednesday's 6.5-year non-call 3.5-year note offering, which priced inside the 375bp area guidance at three-month BBSW plus 370bp.

HSBC was arranger and joint lead manager with *ANZ* and *NAB* for the subordinated note, which includes a 200bp margin step-up if not called on June 20 2023.

The online job search provider made its debut in the local bond market in April 2017 with a A$175m five-year FRN, priced at three-month BBSW plus 230bp.

SEEK's latest trade represents a further broadening of the Australian unrated wholesale bond market, following closely

ALL INTL AUSTRALIAN DOLLAR BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total A$(m)	Share (%)
1	Nomura	60	5,951.18	14.2
2	TD Securities	61	5,935.69	14.2
3	Westpac	26	3,554.32	8.5
4	ANZ	25	3,112.76	7.4
5	RBC	31	3,011.74	7.2
6	Deutsche Bank	25	2,961.54	7.1
7	Mizuho	26	2,491.71	6.0
8	JP Morgan	21	2,338.43	5.6
9	CBA	19	2,317.99	5.5
10	NAB	17	2,300.34	5.5
	Total	**234**	**41,867.28**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv SDC code: K1

AUSTRALIAN DOMESTIC BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total A$(m)	Share (%)
1	ANZ	85	29,485.82	23.2
2	NAB	102	26,626.60	20.9
3	Westpac	83	24,665.98	19.4
4	CBA	60	14,949.74	11.7
5	UBS	21	6,108.93	4.8
6	Macquarie Group	19	3,740.47	2.9
7	Deutsche Bank	14	3,174.94	2.5
8	Citigroup	14	2,125.79	1.7
9	BofA	7	2,050.76	1.6
10	MUFG	7	1,507.77	1.2
	Total	**172**	**127,292.94**	

Source: Refinitiv SDC code: AJ02

GLOBAL DIM SUM BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total Rmb(m)	Share (%)
1	Bank of Comms	9	26,179.11	27.6
2	HSBC	77	20,241.55	21.4
3	Bank of China	9	11,981.06	12.7
4	Standard Chartered	22	7,330.23	7.7
5	Credit Agricole	12	4,518.05	4.8
6	KGI Financial	6	1,631.13	1.7
7	China Construction	6	1,564.39	1.7
8	Citic	4	1,211.12	1.3
9	Shanghai Pudong Dev	4	1,088.20	1.1
10	CTBC Finl Holding	5	1,073.05	1.1
	Total	**130**	**94,705.28**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv SDC code: AS24a

ALL INTL NEW ZEALAND DOLLAR BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total NZ$(m)	Share (%)
1	ANZ	7	1,745.61	45.4
2	NAB	5	961.19	25.0
3	CBA	4	485.74	12.6
4	Daiwa Securities	2	229.61	6.0
5	Sumitomo Mitsui	2	194.20	5.1
6	Mizuho	3	127.10	3.3
7	TD Securities	1	99.65	2.6
	Total	**16**	**3,843.10**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv SDC code: K4

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

	Managing bank or group	No of issues	Total R(m)	Share (%)
1	JP Morgan	14	5,292.17	33.3
2	TD Securities	7	3,424.61	21.6
3	HSBC	5	2,430.63	15.3
4	RBC	3	1,275.29	8.0
5	BofA	2	1,022.75	6.4
6	Daiwa Securities	1	587.00	3.7
7	NatWest Markets	2	500.00	3.1
8	Deutsche Bank	1	490.00	3.1
9	Credit Agricole	2	270.00	1.7
	Total	**38**	**15,882.44**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv SDC code: K7

ALL INTL NORWEGIAN KRONE BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total NKr(m)	Share (%)
1	DNB	34	25,828.50	25.1
2	Danske Bank	29	23,290.21	22.6
3	Nordea	21	19,594.34	19.1
4	SEB	14	11,212.10	10.9
5	Deutsche Bank	7	4,550.68	4.4
6	Swedbank	6	3,250.21	3.2
7	TD Securities	8	2,778.08	2.7
8	Citigroup	3	2,250.00	2.2
9	RBC	3	1,993.39	1.9
10	HSBC	6	1,879.53	1.8
	Total	**124**	**102,832.01**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv SDC code: K13

ALL INTL CANADIAN DOLLAR BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total C$(m)	Share (%)
1	BMO	16	3,004.77	23.5
2	RBC	24	2,954.41	23.1
3	TD Securities	13	2,592.03	20.3
4	CIBC	17	1,754.67	13.7
5	Scotiabank	13	801.64	6.3
6	HSBC	3	592.11	4.6
7	BofA	4	487.44	3.8
8	NBC	8	230.58	1.8
9	Desjardins Secs	1	125.00	1.0
10	Goldman Sachs	1	125.00	1.0
	Total	**27**	**12,792.65**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv SDC code: K2

ALL INTL SWEDISH KRONA BONDS
BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total SKr(m)	Share (%)
1	Danske Bank	54	43,207.35	26.8
2	SEB	36	37,895.99	23.5
3	Swedbank	38	25,768.26	16.0
4	Nordea	28	20,339.95	12.6
5	Handelsbanken CM	15	15,619.28	9.7
6	DNB	9	9,583.47	5.9
7	BNP Paribas	4	2,557.54	1.6
8	JP Morgan	4	2,077.98	1.3
9	OP Finance Group	1	875.42	0.5
10	TD Securities	2	765.16	0.5
	Total	**151**	**161,217.55**	

Including preferreds. Excluding equity-related debt.
Source: Refinitiv SDC code: K16

NEW ASSET–BACKED SUMMARY DETAILS: WEEK ENDING 13/12/2019

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
BANK 2019-BNK24	US$16.763	2.71	2.056	BofA/Wells Fargo/Morgan Stanley	NR/AAA/AAA	CMBS
BANK 2019-BNK24	US$26.123	7.21	2.929	BofA/Wells Fargo/Morgan Stanley	NR/AAA/AAA	CMBS
BANK 2019-BNK24	US$237.500	9.75	2.707	BofA/Wells Fargo/Morgan Stanley	NR/AAA/AAA	CMBS
BANK 2019-BNK24	US$534.851	9.95	2.96	BofA/Wells Fargo/Morgan Stanley	NR/AAA/AAA	CMBS
BANK 2019-BNK24	US$125.197	9.99	3.283	BofA/Wells Fargo/Morgan Stanley	NR/AA+/AAA	CMBS
BANK 2019-BNK24	US$49.496	9.99	3.495	BofA/Wells Fargo/Morgan Stanley	NR/NR/AA+	CMBS
BANK 2019-BNK24	US$46.585	9.99	3.634	BofA/Wells Fargo/Morgan Stanley	NR/NR/A-	CMBS
CRVNA 2019-4	US$63.65	0.3	1.947	Credit Suisse/Deutsche Bank/Wells Fargo/ Amherst Securities/Citigroup	NR/NR/NR	ABS
CRVNA 2019-4	US$99.75	0.9	2.200	Credit Suisse/Deutsche Bank/Wells Fargo/ Amherst Securities/Citigroup	Aaa/NR/NR	ABS
CRVNA 2019-4	US$95.456	1.7	2.300	Credit Suisse/Deutsche Bank/Wells Fargo/ Amherst Securities/Citigroup	Aaa/NR/NR	ABS
CRVNA 2019-4	US$80.769	2.5	2.530	Credit Suisse/Deutsche Bank/Wells Fargo/ Amherst Securities/Citigroup	Aa2/NR/NR	ABS
CRVNA 2019-4	US$45.201	3.2	2.720	Credit Suisse/Deutsche Bank/Wells Fargo/ Amherst Securities/Citigroup	A2/NR/NR	ABS
CRVNA 2019-4	US$55.081	3.8	3.070	Credit Suisse/Deutsche Bank/Wells Fargo/ Amherst Securities/Citigroup	Baa3/NR/NR	ABS
CRVNA 2019-4	US$41.99	4.5	4.700	Credit Suisse/Deutsche Bank/Wells Fargo/ Amherst Securities/Citigroup	B2/NR/NR	ABS
Cf 2019-Cf3 Mtg Tr	US$15.352	10.0	2.500	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/NR/BBB	CMBS
Cf 2019-Cf3 Mtg Tr	US$15.39	2.8	2.041	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/AAA/AAA	CMBS
Cf 2019-Cf3 Mtg Tr	US$58.585	4.9	2.942	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/AAA/AAA	CMBS
Cf 2019-Cf3 Mtg Tr	US$21.534	7.1	2.943	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/AAA/AAA	CMBS
Cf 2019-Cf3 Mtg Tr	US$175	9.8	2.752	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/AAA/AAA	CMBS
Cf 2019-Cf3 Mtg Tr	US$266.794	9.9	3.006	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/AAA/AAA	CMBS
Cf 2019-Cf3 Mtg Tr	US$84.434	10.0	3.298	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/AAA/AAA	CMBS
Cf 2019-Cf3 Mtg Tr	US$31.663	10.0	3.500	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/AA/AA-	CMBS
Cf 2019-Cf3 Mtg Tr	US$30.703	10.0	3.728	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/A-/A-	CMBS
Cf 2019-Cf3 Mtg Tr	US$19.189	10.0	2.500	Cantor Fitzgerald/KeyBanc/Deutsche Bank	NR/BBB-/BBB	CMBS
Citigroup Commercial Mortgage Trust (CGCMT) 2019-C7	US$23.936	2.96	S+40A	Citigroup	NR/AAA/AAA	CMBS
Citigroup Commercial Mortgage Trust (CGCMT) 2019-C7	US$43	4.99	S+65A	Citigroup	NR/AAA/AAA	CMBS
Citigroup Commercial Mortgage Trust (CGCMT) 2019-C7	US$306	9.91	S+92	Citigroup	NR/AAA/AAA	CMBS
Citigroup Commercial Mortgage Trust (CGCMT) 2019-C7	US$348.619	9.98	S+94A	Citigroup	NR/AAA/AAA	CMBS
Citigroup Commercial Mortgage Trust (CGCMT) 2019-C7	US$45.958	7.53	S+85A	Citigroup	NR/AAA/AAA	CMBS
Citigroup Commercial Mortgage Trust (CGCMT) 2019-C7	US$69.898	9.99	S+123A	Citigroup	NR/AA+/AAA	CMBS
Citigroup Commercial Mortgage Trust (CGCMT) 2019-C7	US$50.711	9.99	S+150A	Citigroup	NR/AA-/AAA	CMBS
Citigroup Commercial Mortgage Trust (CGCMT) 2019-C7	US$53.452	9.99	S+195A	Citigroup	NR/A-/A-	CMBS
CSMC 2019-UVIL Mortgage Trust	US$150.36	9.99	3.159	Credit Suisse	Aaa/NR/NR	CMBS
CSMC 2019-UVIL Mortgage Trust	US$27.04	9.99	3.393	Credit Suisse	Aa3/NR/NR	CMBS
CSMC 2019-UVIL Mortgage Trust	US$33.4	9.99	3.393	Credit Suisse	A3/NR/NR	CMBS
CSMC 2019-UVIL Mortgage Trust	US$39	9.99	3.393	Credit Suisse	Baa3/NR/NR	CMBS
CSMC 2019-UVIL Mortgage Trust	US$35.55	9.99	3.393	Credit Suisse	Ba2/NR/NR	CMBS
Great Wolf Trust 2019-WOLF	US$442.100	1.96/4.96	1mL+103.4bp	JP Morgan/BofA/Deutsche Bank	Aaa/NR/NR	CMBS
Great Wolf Trust 2019-WOLF	US$108.800	1.96/4.96	1mL+133.4bp	JP Morgan/BofA/Deutsche Bank	Aa3/NR/NR	CMBS
Great Wolf Trust 2019-WOLF	US$210.800	1.96/4.96	1mL+163.3bp	JP Morgan/BofA/Deutsche Bank	A3/NR/NR	CMBS
Great Wolf Trust 2019-WOLF	US$155.900	1.96/4.96	1mL+193.3bp	JP Morgan/BofA/Deutsche Bank	Baa3/NR/NR	CMBS
Great Wolf Trust 2019-WOLF	US$266.400	1.96/4.96	1mL+273.2bp	JP Morgan/BofA/Deutsche Bank	Ba3/NR/NR	CMBS
Great Wolf Trust 2019-WOLF	US$309.800	1.96/4.96	1mL+313.1bp	JP Morgan/BofA/Deutsche Bank	B3/NR/NR	CMBS
Great Wolf Trust 2019-WOLF	US$121.200	1.96/4.96	1mL+384.6bp	JP Morgan/BofA/Deutsche Bank	NR/NR/NR	CMBS
Great Wolf Trust 2019-WOLF	US$85	1.96/4.96	1mL+492.2bp	JP Morgan/BofA/Deutsche Bank	NR/NR/NR	CMBS

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 13/12/2019 (CONTINUED)

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
Freddie Mac SPC Series K-F73	US$565.645	9.54	L+60	Morgan Stanley/Goldman Sachs	NR/NR/NR	CMBS
Freddie Mac SPC Series K-F73	US$200	9.54	SOFR+67a	Morgan Stanley/Goldman Sachs	NR/NR/NR	CMBS
FREMF 2019-K103	US$109.473	7.0	2.312	BofA/Barclays	NR/NR/AAA	CMBS
FREMF 2019-K103	US$929.128	9.9	2.651	BofA/Barclays	NR/NR/AAA	CMBS
FREMF 2019-K103	US$59.029	9.9	2.359	BofA/Barclays	NR/NR/AAA	CMBS
FREMF 2019-K103	US$51.053	9.9	3.572	BofA/Barclays	NR/NR/BBB+	CMBS
FREMF 2019-K103	US$31.908	9.9	3.572	BofA/Barclays	NR/NR/BBB-	CMBS
Helios (ELOC 37) DAC	£15.5	4.9	3mL+175bp	Morgan Stanley	NR/AAA/NR	CMBS
Helios (ELOC 37) DAC	£140	4.9	3mL+150bp	Morgan Stanley	NR/AAA/NR	CMBS
Helios (ELOC 37) DAC	£42	4.9	3mL+225bp	Morgan Stanley	NR/AA/NR	CMBS
Helios (ELOC 37) DAC	£43	4.9	3mL+275bp	Morgan Stanley	NR/A/NR	CMBS
Helios (ELOC 37) DAC	£53	4.9	3mL+375bp	Morgan Stanley	NR/BBB-/NR	CMBS
Helios (ELOC 37) DAC	£55	4.9	3mL+725bp	Morgan Stanley	NR/BB-/NR	CMBS
Magoi	€326.4	2.91	1mE+60bp	Credit Agricole/Rabobank	NR/NR/AAA	ABS
Magoi	€27.4	2.91	1mE+90bp	Credit Agricole	NR/NR/AA	ABS
Magoi	€17.1	2.91	1mE+130bp	Credit Agricole	NR/NR/A+	ABS
Magoi	€10	2.91	1mE+170bp	Credit Agricole	NR/NR/A-	ABS
Magoi	€9.6	2.91	1mE+250bp	Credit Agricole	NR/NR/BBB	ABS
Magoi	€9.8	2.91	1mE+370bp	Credit Agricole	NR/NR/B	ABS
Magoi	€17.6	2.91	6.00	Credit Agricole	NR/NR/NR	ABS
MIKE 2019-1	US$500	6.9	4.43	Guggenheim	NR/BBB/NR	ABS
MSC 2019-NUGS	US$122.550	1.99/4.99	L+95bp	Morgan Stanley	Aaa/NR/NR	CMBS
MSC 2019-NUGS	US$28.025	1.99/4.99	L+130bp	Morgan Stanley	Aa3/NR/NR	CMBS
MSC 2019-NUGS	US$23.845	1.99/4.99	L+150bp	Morgan Stanley	A3/NR/NR	CMBS
MSC 2019-NUGS	US$28.025	1.99/4.99	L+180bp	Morgan Stanley	Baa3/NR/NR	CMBS
MSC 2019-NUGS	US$49.400	1.99/4.99	L+240bp	Morgan Stanley	Ba3/NR/NR	CMBS
MSC 2019-NUGS	US$11.400	1.99/4.99	-	Morgan Stanley	NR/NR/NR	CMBS
MSC 2019-NUGS	US$13.855	1.99/4.99	-	Morgan Stanley	NR/NR/NR	CMBS
Nelnet Student Loan Trust (NSLT) 2019-7	US$210.30	1.87	1mL+50bp	RBC CM/BMO/Citi	Aaa/AAA/NR	ABS
Nelnet Student Loan Trust (NSLT) 2019-7	US$200.00	6.50	1mL+100bp	RBC CM/BMO/Citi	Aaa/AA+/NR	ABS
Nelnet Student Loan Trust (NSLT) 2019-7	US$10.50	9.10	1mL+175bp	RBC CM/BMO/Citi	Aaa/A/NR	ABS
SHF 2019-SBC1	US$267.773	3.41	3.102	JP Morgan	NR/NR/NR	CMBS
SHF 2019-SBC1	US$13.651	8.05	3.366	JP Morgan	NR/NR/NR	CMBS
SHF 2019-SBC1	US$9.871	8.58	3.646	JP Morgan	NR/NR/NR	CMBS
SHF 2019-SBC1	US$12.18	9.13	3.955	JP Morgan	NR/NR/NR	CMBS
SHF 2019-SBC1	US$21.001	10.07	4.178	JP Morgan	NR/NR/NR	CMBS
SHF 2019-SBC1	US$48.724	12.82	4.335	JP Morgan	NR/NR/NR	CMBS
SHF 2019-SBC1	US$8.82	16.02	5.268	JP Morgan	NR/NR/NR	CMBS
STACR 2019-FTR3	US$151.59	10.02	1mUSL+480bp	BofA/Wells Fargo	NR/NR/NR	RMBS
STACR 2019-FTR4	US$111.22	10.02	1mUSL+500bp	BofA/Wells Fargo	NR/NR/NR	RMBS
Strategic Funding Source (SFSAS) 2019-1	US$134.736	2.98	4.238	Guggenheim	NR/NR/NR	ABS
Strategic Funding Source (SFSAS) 2019-1	US$21.895	2.98	5.076	Guggenheim	NR/NR/NR	ABS
Strategic Funding Source Inc (SFSAS) 2019-1	US$3.369	2.98	6.390	Guggenheim	NR/NR/NR	ABS
Ubs Coml Mtg Tr (Ubscm)	US$27.865	2.81	2.097	UBS/Wells Fargo/SG/Cantor Fitzgerald	Aaa/NR/AAA	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$66.25	4.88	2.994	UBS/Wells Fargo/SG/Cantor Fitzgerald	Aaa/NR/AAA	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$34.13	7.21	2.987	UBS/Wells Fargo/SG/Cantor Fitzgerald	Aaa/NR/AAA	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$150	9.73	2.782	UBS/Wells Fargo/SG/Cantor Fitzgerald	Aaa/NR/AAA	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$220.351	9.96	3.035	UBS/Wells Fargo/SG/Cantor Fitzgerald	Aaa/NR/AAA	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$69.447	9.99	3.378	UBS/Wells Fargo/SG/Cantor Fitzgerald	Aa2/NR/AAA	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$32.052	9.99	3.681	UBS/Wells Fargo/SG/Cantor Fitzgerald	NR/NR/AA-	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$29.381	9.99	4.08	UBS/Wells Fargo/SG/Cantor Fitzgerald	NR/NR/A	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$19.587	9.99	-	UBS/Wells Fargo/SG/Cantor Fitzgerald	NR/NR/BBB	CMBS
Ubs Coml Mtg Tr (Ubscm)	US$15.136	9.99	-	UBS/Wells Fargo/SG/Cantor Fitzgerald	NR/NR/BBB	CMBS

behind a debut A$300m six-year FRN on November 19 from David Jones, a subsidiary of South African retailer Woolworths.

In June, regular issuer NEXTDC, a data-centre provider, raised A$200m from two taps of its dual-tranche June 9 2022 Notes IV.

Recent growth reflects investors' growing appetite for well-regarded sub investment-grade and unrated Aussie issuers such as SEEK, David Jones and NEXTDC that offer a decent pick-up in a low-yield world.

STRUCTURED FINANCE

EMEA MBS

MORGAN STANLEY SELLS UK HOTEL CMBS

MORGAN STANLEY released pricing details on Thursday of a £348m UK CMBS, HELIOS (ELOC 37), backed by a £561.1m portfolio of 49 hotels.

The deal was not seen publicly marketed. Its £139.7m Triple A (S&P/DBRS) tranche came at three-month Libor plus 150bp. The £42.1m AA/AAL Class B, £42.7m A/AL Class C, £53.1m BBB-/BBBL Class D and £54.9m BB-/BBH Class E came at 225bp, 275bp, 375bp and 725bp respectively.

There is also a Triple A rated reserve fund note piece for £15.5m, which was priced at 175bp.

PRECISE MORTGAGE FUNDING 2020-1B SPV REGISTERED

A new SPV from UK challenger bank CHARTER COURT's Precise platform, PRECISE MORTGAGE FUNDING 2020-1B, has been registered with Companies House.

The 'B' in Charter Court's RMBS SPVs stands for buy-to-let. In May the firm sold buy-to-let RMBS Precise Mortgage Funding 2019-1B via leads *Bank of America, HSBC, Lloyds* and *Natixis*.

ALL EUROPEAN ISSUERS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Lloyds Bank	29	6,828.94	10.0
2	BofA	28	6,658.68	9.7
3	BNP Paribas	26	5,993.52	8.8
4	Citigroup	26	5,156.78	7.5
5	Credit Agricole	14	4,350.42	6.4
6	SG	15	4,301.36	6.3
7	HSBC	19	3,902.06	5.7
8	Morgan Stanley	10	3,376.37	4.9
9	Deutsche Bank	11	2,775.76	4.1
10	UniCredit	8	2,172.55	3.2
	Total	**141**	**68,454.24**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Refinitiv SDC code: B16n

EMEA ABS

DUTCH CONSUMER ABS MAGOI HOOKS YEAR-END ACCOUNTS

CREDIT AGRICOLE CONSUMER FINANCE had the European consumer ABS pipeline all to itself last week and found strong demand Dutch consumer loan ABS MAGOI, which offered investors a full capital stack.

After five days on the road the previous week, initial price thoughts were released on Tuesday and followed by guidance and then pricing on Wednesday.

The €312.9m Triple As came at a discount margin of 27bp over one-month Euribor, well in from IPTs of low 30s and then guidance of 27bp-29bp (WPIR).

The rest of the rated notes also came inside IPTs. The €26.2m AA/AA, €16.4m A+/AH, €9.6m A-/AL, and €9.2m BBB/BBB tranches came at 90bp from 100bp area IPTs, 130bp from 150bp area, 170bp from 200bp area and 250bp from 275bp-300bp.

The €9.4m B/B Class F came at 370bp from 375bp-400bp IPTs. This tranche's Fitch rating had been B+ but the rating agency cut it by a notch after the deal's amortisation triggers were modified slightly, reducing cumulative default trigger for the trade to switch to sequential amortisation.

Below the Class F came the €16.9m unrated fixed rate junior piece, which was priced with a 6% coupon, in line with IPTs.

The previous full-stack synthetic risk transfer ABS was Spanish auto trade AutoNoria Spain from BNP Paribas Personal Finance, which also drew enthusiastic demand from investors for mezzanine bonds in euros two weeks earlier.

Comparisons are not entirely straightforward: the jurisdictions are different, and the underlying assets in Magoi are unsecured consumer loans, compared with secured auto loans in AutoNoria.

And Magoi was smaller, sized at €400m versus a €1bn capital structure for AutoNoria.

Magoi - like previous Dutch consumer ABS from the originator, the SPV is named after a species of Japanese carp - securitises loans originated by CACF Netherland subsidiaries Interbank and Findio.

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

GLOBAL SECURITISATIONS IN STERLING

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	Lloyds Bank	27	4,544.51	20.3
2	BofA	18	3,360.19	15.0
3	Citigroup	17	2,663.63	11.9
4	HSBC	12	1,494.19	6.7
5	BNP Paribas	14	1,372.61	6.1
6	NatWest Markets	9	1,026.61	4.6
7	Credit Suisse	1	1,001.14	4.5
8	Deutsche Bank	6	921.20	4.1
9	Santander	7	804.39	3.6
10	NAB	7	697.25	3.1
	Total	**64**	**22,372.90**	

Including Euro, foreign, global and domestics, excluding CDOs.

Source: Refinitiv SDC code: B16i

GLOBAL STRUCTURED FINANCE IN EUROS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	SG	15	3,808.31	11.3
2	Credit Agricole	12	3,610.75	10.7
3	BNP Paribas	11	3,389.12	10.1
4	Morgan Stanley	7	2,548.90	7.6
5	HSBC	8	1,999.07	5.9
6	UniCredit	8	1,960.41	5.8
7	BofA	9	1,794.11	5.3
8	Deutsche Bank	4	1,372.18	4.1
9	Banca IMI	6	1,371.69	4.1
10	Santander	6	1,186.91	3.5
	Total	**72**	**33,661.16**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Refinitiv SDC code: B16g

SECURITISATIONS – ALL EUROPEAN RMBS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BofA	16	3,609.86	14.0
2	Lloyds Bank	17	3,536.74	13.8
3	Citigroup	19	3,393.15	13.2
4	Morgan Stanley	7	2,468.23	9.6
5	BNP Paribas	15	2,379.75	9.3
6	HSBC	7	1,248.03	4.9
7	Credit Suisse	1	1,116.50	4.3
8	Barclays	6	978.72	3.8
9	NatWest Markets	6	803.49	3.1
10	NAB	7	786.07	3.1
	Total	**56**	**25,711.59**	

Including Euro, foreign, global and domestics, excluding CDOs

Source: Refinitiv SDC code: B10a

ALL INTL ISSUERS (EXCLUDING SELF-FUNDED)

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	143	29,159.47	10.4
2	Citigroup	132	27,844.96	9.9
3	BofA	95	21,006.26	7.5
4	JP Morgan	100	20,942.22	7.5
5	Barclays	100	18,654.83	6.6
6	Wells Fargo	86	18,363.92	6.5
7	Deutsche Bank	97	16,447.93	5.9
8	Goldman Sachs	80	15,259.99	5.4
9	Morgan Stanley	55	13,548.73	4.8
10	Nomura	51	10,494.77	3.7
	Total	**600**	**280,994.02**	

Includes securitisations, PFI bonds and credit-linked notes. Excludes US global ABS/MBS, CDOs and self funded issues.

Source: Refinitiv SDC code: J10d

Zopa gets AAA rating for third Moca ABS

ASSET-BACKED SECURITISATION Deal benefits from longer history of P2P lending data

MARKETPLACE ORIGINATED CONSUMER ASSETS 2019-1, the third public securitisation of UK consumer loans originated through peer-to-peer lender ZOPA, was priced on December 6 after achieving what the firm says is the first ever Triple A rating for a pure P2P securitisation.

Rating agencies Morningstar DBRS and Fitch both said the longer historical data available meant they could now award higher ratings.

"Zopa is a unique case in that we launched in 2005 so we distinguish ourselves from most other P2P lenders by being a through-the-cycle lender," Jonathan Kramer, Zopa president, told IFR.

Last week's new issue was the third UK securitisation of Zopa loans, following deals in 2016 and 2017. Kramer explained Zopa's two-year absence from the market was partly because of a higher proportion of banks rather than investing in the loans originated through its platform - which do not need capital markets refinancing - .

Pollen Street Capital sponsored Zopa's first two deals, while M&G was sponsor for the new issue.

"We have more data points now … there is increasing market comfort around the model and more deals to point to," Kramer said.

That increased performance history is one reason Fitch lifted the cap that it has applied to all previous marketplace lender securitisations it has rated.

Fitch rated the 2016 Zopa deal, giving a senior rating of AA-. Now Fitch said additional historical performance data and further discussions with Zopa about underwriting policies gave it more confidence to set assumptions through an economic cycle.

DBRS did not have an explicit ratings cap but rated the seniors from the 2017 ABS at AA(low) and the seniors from the new issue AAA, again because of the longer history now available.

Fitch also sees more "skin in the game" since Zopa received a banking licence in 2018, and it intends to launch Zopa Bank in the future.

"Securitisation will be a part of our funding mix in the future, whether on the P2P side with investors funding themselves, or through our own balance sheet, with the bank accessing capital markets in addition to deposits," Kramer said.

The new bank will fund and hold a portion of Zopa loans, and like current investors it will receive a randomly selected slice of loans rather than any cherry-picked portions.

Fitch says that aligns Zopa's interest with other loan investors and indeed with securitisation investors. Fitch also says the additional regulatory oversight now falling on Zopa as a bank is beneficial.

That oversight includes meeting regulatory capital requirements, necessitating additional funding. A £140m investment from private investment group IAG Capital was announced on December 3.

The securitisation - which is STS eligible - was announced two days later, with two 1.4-year Triple A (Fitch/DBRS) Class A notes already shown as "call desk" and four 1.71-year mezzanine tranches pre-placed.

More than two years had passed since the previous ABS, so leads *Deutsche Bank* and *Standard Chartered* had focused pre-marketing on finding an appropriate pricing range for the senior notes. When announced, those seniors were almost covered and the mezzanine tranches were already subject.

The £113.9m Class A1 was then priced 1.3 times covered at 85bp over Sonia. The £50m Class A2 is linked to one-month Libor and was priced once covered at a 81bp margin, priced flat to the Sonia piece.

The mezzanine tranches were all Sonia linked. The £24.4m AA–/AA Class B came at 155bp, the £18.3m A–/AH Class C came at 200bp, the £13.4m BBB/AL Class D came at 250bp and the £11m BB+/BBB Class E came at 310bp. There was also a retained £8.5m BB–/BBH Class F at 360bp.

The notes are backed by a £224.68m portfolio with an average outstanding balance of £6,986, average seasoning of 4.6 months and weighted average interest rate of 8.95%.

Chris Moore

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 a €400.6m portfolio holding 22,639 loans with an average outstanding balance of 17,696. Weighted average seasoning is 16 months and the WA interest rate is 5.05%.

Credit Agricole and *Rabobank* were joint leads on the Class A, and Credit Agricole was sole lead for the rest of the structure.

SANTANDER SELLS SYNTHETIC UK AUTO ABS

December traditionally marks a bumper season for significant risk transfer securitisations in synthetic format, and a UK auto trade that closed on Thursday showed Santander - one of the European market's more enthusiastic SRT securitisers - keeping the tradition alive.

SANTANDER CONSUMER (UK) sold three tranches of credit linked notes off a new issue from its Motor programme of UK auto ABS, which has previously issued only cash deals.

The CLNs offload the 1% to 9% portion of risk from a £750m portfolio of conditional sale agreements. Unlike in previous Motor securitisations there are no personal contract purchase agreements, meaning the new ABS is not exposed to residual value risk.

The deal sold its £18.75m Class C and £30m and £11.25m Classes D1 and D2. The Class C has attachment and detachment points of 6.5% and 9%, and was priced at Sonia plus 3.25%. It is rated A2/A by Moody's and KBRA.

The D1 is rated Ba3/BB- and attaches and detaches at 2.5% and 6.5%. It was priced at Sonia plus 8.25%.

The unrated D2 attaches and detaches at 1% to 2.5% and was priced at Sonia plus 11%. All tranches were sold at par.

Structuring for the deal began in 2018. The SPV is MOTOR SECURITIES 2018-1.

AUTONORIA SPAIN GETS CLASS E UPGRADE FROM DBRS

Tighter-than-expected pricing last month for Spanish auto ABS AUTONORIA SPAIN 2019 has allowed DBRS to upgrade its provisional rating on the €20m Class E to BB from BB (low).

DBRS said the final pricing of the coupons and the three interest rate swaps meant transaction costs came in around 0.4% lower than its initial assumptions.

AutoNoria Spain 2019, a full-stack significant risk transfer trade, was sold by BNP Paribas Personal Finance subsidiary BANCO CETELEM on November 29.

All tranches came inside initial price thoughts, including the Class E that printed at one-month Euribor plus 285bp, from low 300s IPTs. The largest tranche, the €790m senior layer, came at a 41bp discount margin from mid-to-high 40s IPTs.

EMEA CLO

PGIM PRICES DRYDEN 35 RESET

PGIM reset its 2014 European leveraged loan CLO DRYDEN 35 last week.

The €444.5m trade was arranged by *Goldman Sachs*. Its structure was modified during marketing to remove a fixed rate Triple A, and add a fixed rate Single A tranche.

The seniors came at 98bp over three-month Euribor. The Double A and Single A FRNs came wide of price talk, at 190bp and 260bp, from talk of 175bp-180bp and 245bp-250bp.

The Baa3/BBB tranche came at 420bp, while the Ba3/BB- and B3/B- tranches came at discount margins of 700bp and 1010bp.

The deal's non-call period is for two years, and reinvestment is 4.5 years.

US MBS

STERLING'S RMBS SEEN UNAFFECTED AFTER LENDING SUSPENSION

Thrift holding company STERLING BANCORP last week suspended its banking subsidiary's "Advantage" mortgage lending programme last week, while analysts said securitisations that contain loans from this shelf should not be affected.

The Southfield, Michigan-based bank stopped making these loans due to a continued internal review of its documentation procedures and audit of records in the wake the bank's earlier disclosure that two loan officers at the subsidiary, Sterling Bank & Trust, who oversaw 15% of the programme's origination, were terminated in November.

"The voluntary suspension by Sterling Bank and Trust FSB [Sterling] of a mortgage loan programme due to problems with documentation procedures is unlikely to affect any US RMBS credit ratings," Fitch Ratings said last Thursday.

According to press releases, the Advantage Loan programme is aimed at individuals with strong credit and liquidity, seeking quick approval and closing, who need to compete with all cash buyers.

"It is the company's intention to resume the Advantage Loan programme as soon as management is confident its stated policies and procedures are being followed. However, it is presently difficult to estimate how long this suspension might last," Sterling Bancorp said last Monday in a filing with the Securities and Exchange Commission.

About US$172m in unpaid balances on non-QM home loans originated by Sterling Bank and Trust's "Advantage" shelf are in four deals, according to Citi analysts.

Bunker Hill Loan Depository (BHLD) 2019-1 has the biggest exposure in Advantage non-QM loans with more than US$100m or 45% of its outstanding collateral, Citi analysts said.

"While management noted they do not expect any credit related issues on their retained loans due to low LTVs, the potential impact to securitised loans is unclear," they wrote in a research note last Wednesday.

"Currently, there is not overwhelming evidence that these loans are underperforming from a credit perspective."

To be sure, there are risks to mortgages made from programmes like Sterling's "Advantage" because they allow for non-standard forms of income documentation, such as a letter from an employer, a Verification of Employment form or a single month's bank statement.

These types of documentation are more vulnerable to manipulation and misrepresentation than traditional documentation programmes, Fitch said.

"Fitch viewed the established track record and excellent historical performance of Sterling's programme as strong mitigating factors to credit risk and Ability-to-Repay liability risk, and are important distinctions from other lenders that have only recently introduced similar programmes," the rating agency said.

CMBS MARKET SEES US$250m CHUNK OF NYC TROPHY OFFICE LOAN

Banks are expected to raise US$250m in a CMBS secured on a top-notch New York office tower, according to a Kroll pre-sale report released last week.

The BWAY TRUST 2019-1633 deal is one of the latest amid a recent spike in the single-asset, single-property sector where borrowers are seeking to lock in cheap, long-term financing.

The offering features three classes of notes secured by a 48-story Class A office building in midtown Manhattan, 1633 Broadway, where Allianz's asset management unit, entertainment firm WMG Acquisitions, cable TV network Showtime and investment bank Morgan Stanley are among its largest tenants.

Kroll is expected to assign the deal's US$80.455m Class A notes an A- rating, and the US$154.545m Class B paper a BBB- rating.

The US$250m CMBS is part of a US$1.25bn refinancing of the existing debt on the property.

Goldman, *Deutsche Bank*, *JP Morgan* and *Wells Fargo* originated the US$1.25bn loan to the Paramount Group, a real estate investment trust that has 18 high-end properties in New York, San Francisco and Washington.

The remaining US$1bn is expected to form part of future CMBS deals, according to Kroll.

The mortgage is a 10-year, interest-only loan at a fixed interest rate of 2.99%, Paramount said.

Paramount's previous 1633 Broadway refinancing closed in December 2015. It was a US$1bn seven-year interest-only loan set at Libor plus 175bp and had a weighted interest rate of 3.55%.

"With the office portion of 1633 Broadway now 100% leased, we took advantage of attractive credit markets to capitalise on our recent leasing success, improve the company's debt maturity profile and increase our financial flexibility," Wilbur Paes, Paramount's chief financial officer said in a statement on November 26.

"Through this transaction we have effectively refinanced out equity proceeds, right sized leverage on the asset, and added seven years of term, all while keeping annual cash interest unchanged."

US ABS

US WHOLE BUSINESS ABS BENEFITS 'OVERSTATED': FITCH

The benefits of securitising business revenues for bondholders may be "overstated" as more companies beyond fast-food restaurants tap the whole business ABS market, Fitch Ratings said last Monday.

The ability of a growing range of companies that Fitch would consider Single B credits to obtain investment-grade debt through securitisation is a concern, the ratings agency said.

"In Fitch's view, many of the new sponsors are emanating from industries which are questionable candidates with relatively low barriers to entry and the mere layering on securitisation technology shouldn't allow this type of differentiation," Fitch said in a research note last Monday.

Whole business securitisations wrap the bulk of a company's revenues into an ABS structure that often garners Triple B ratings and a much cheaper cost of financing than the corporate bond market would offer.

A securitisation format can also offer investors amortising principal repayments and other provisions that give bondholders more of a say in the future of distressed companies than vanilla corporate bonds, Fitch said in the report.

These benefits are helping to draw a wider range of issuers, away from a core of fast-food franchises that underpinned the market for several years.

But the overall benefits of the structure are often overstated, Fitch said.

One of the often highlighted benefits of WBS is the ability to replace the sponsor, or manager, with a new manager that could run the business better. While that is possible in theory, Fitch said, it is also a largely untested assumption.

The ratings agency is also concerned with the high leverage seen in whole business ABS compared with similarly rated corporate bond transactions.

The average leverage on Triple B whole business ABS is six times the issuers' earnings before Ebitda, twice as high as that on Triple B restaurant corporate bonds, Fitch said.

RECORD YEAR

Despite their risks, whole business ABS is enjoying a record US$8.6bn in issuance in 2019. Several new issuers outside of the fast-food industry have raised money by securitising their revenues.

Performance royalty collector SESAC, disaster service provider SERVPRO and spa operator MASSAGE ENVY for example locked in cheaper borrowing costs than they would if they were to raise money via unsecured corporate bonds.

Jersey Mike's, a national sandwich chain, is expected to make its ABS debut with a US$500m whole business offering.

The deals typically offer higher yields than Triple B corporate bonds, which helps to draw investors.

PLANET FITNESS' BBB rated A-2 class notes, which priced in November, which had an average weighted life of 9.50 years, came with 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.

JERSEY MIKE'S MAKES TASTY WHOLE BUSINESS ABS DEBUT

JERSEY MIKE'S, a restaurant chain that serves hot, cheesy "subs" and "Northeast-style" cold sandwiches, served up a tasty debut last Thursday with a US$500m securitisation of its franchise and licence revenues.

The company is the latest fast and casual food franchiser to tap the asset-backed securities market for funding cheaper than bank loans.

Guggenheim Securities was the sole structurer and book manager for its inaugural ABS deal, JMIKE SERIES 2019-1.

Investors are attracted to whole business deals because the issues offer higher yields than those by comparable Triple B rated corporate debt.

Jersey Mike's ABS deal featured a class of BBB rated notes with a weighted average life of 6.9 years. The offering was priced at 270bp over swaps, which was at the wide end of their guidance of 250bp-270bp, for a yield of 4.456%.

In June JACK IN THE BOX sold US$275m of Triple BBB A-2-II paper with a 6.9-year WAL at a yield of 4.50%.

The Jersey Mike's deal went well.

"It's fairly priced. It has plans to expand prudently," said Andrew Szabo, head of securitised products at Newfleet Asset Management.

Jersey Mike's first shop opened in 1956 in the beach town of Point Pleasant, New Jersey,

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	23	10,031.86	11.4
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	6	2,805.77	7.2
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

US ASSET-BACKED SECURITIES

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	132	31,953.47	10.3
2	JP Morgan	112	29,422.47	9.5
3	Barclays	104	27,732.73	8.9
4	Wells Fargo	100	26,226.09	8.4
5	BofA	86	21,839.10	7.0
6	Credit Suisse	85	17,482.65	5.6
7	Deutsche Bank	84	17,198.55	5.5
8	RBC	69	16,927.97	5.4
9	Goldman Sachs	61	11,762.60	3.8
10	MUFG	50	11,244.06	3.6
	Total	**573**	**311,188.86**	

Excludes MBS.

Source: Refinitiv SDC code: F14

GLOBAL STRUCTURED FINANCE IN US$

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	250	86,945.44	12.4
2	Citigroup	259	79,353.67	11.3
3	Wells Fargo	231	77,570.56	11.1
4	Credit Suisse	248	72,808.08	10.4
5	BofA	196	63,332.84	9.0
6	Morgan Stanley	128	47,969.44	6.8
7	Barclays	178	45,823.42	6.5
8	Goldman Sachs	160	39,675.98	5.7
9	Deutsche Bank	138	28,954.62	4.1
10	Nomura	85	19,384.83	2.8
	Total	**1,283**	**700,525.40**	

Including securitisations (Euro, foreign, global and domestics, excluding CDOs) and PFI bonds.

Source: Refinitiv SDC code: B16b

STRUCTURED FINANCE – ALL INTL ISSUERS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	145	30,739.48	10.2
2	Citigroup	137	28,486.95	9.4
3	JP Morgan	115	26,262.76	8.7
4	BofA	99	23,047.86	7.6
5	Barclays	106	19,806.11	6.5
6	Wells Fargo	89	18,837.83	6.2
7	Goldman Sachs	87	17,283.59	5.7
8	Deutsche Bank	98	16,469.38	5.4
9	Morgan Stanley	55	13,548.73	4.5
10	Nomura	51	10,494.77	3.5
	Total	**643**	**302,560.38**	

Includes securitisations, PFI bonds, self-funded issues and credit-linked notes. Excludes US global ABS/MBS and CDOs.

Source: Refinitiv SDC code: J10c

six years after Dunkin's first doughnut shop opened in Quincy, Massachusetts.

Jersey Mike's franchise began in 1987 and has grown to more than 1,600 stores in 46 states, along with locations in Canada and Australia.

Still the sandwich chain is in a highly competitive industry, giving some investors some pause about the deal.

"There's a lot of competition and it's a first-time issuer," Szabo said.

With Jersey Mike's deal the annual volume of whole business securitisation swelled to US$9.1bn, a record in this segment of the ABS market.

Roughly two-thirds of the whole business ABS issuance in 2019 has stemmed from established restaurant operators such as WENDY'S and DOMINO'S PIZZA.

Investors also have an appetite for first-time whole business ABS issuers such as performing rights organisation SESAC and disaster restoration firm SERVPRO.

DRIVEN BRANDS TAPS ABS MARKET FOR A THIRD TIME IN 2019

Auto service franchise DRIVEN BRANDS recently raised US$115m, marking the first time a company has borrowed from the whole business securitisation market three times in a year.

Proceeds from the latest round of funding will be used to repay and retire the US$50m class A notes in Driven Brands' first whole business transaction in July 2015, Driven Brands Fund 2015-1, according to Kroll.

Driven holds several chains of vehicle repair and service shops, including Maaco, Meineke, Take 5 Oil Change and 1-800-Radiator & A/C.

It owns more than 2,700 vehicle repair and service shops in the US and Canada, of which about 86% are franchised.

The timing and details were scarce on the latest transaction, DRIVEN BRANDS FUNDING 2019-3 that featured a BBB rating class of notes, because they were privately placed among a small group of investors.

Prior to this refinancing, Driven Brands sold US$275m in publicly offered notes in September and US$300m in March.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 13/12/2019

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
EUROS							
Dec 11 2019	EBRD transition bond	€75m incr (€625m)	Oct 17 2024	0	101.491	-	-
STERLING							
Dec 10 2019	KfW	£250m incr (£3.3bn)	Feb 1 2021	1.375	100.605	G+15	0.831
Dec 13 2019	KBN	£100m incr (£950m)	Nov 30 2022	1.125	100.522	G+37	0.942
NON CORE							
Dec 4 2019	Stockholms lans lansting	SKr400m	Dec 11 2023	0.333	100	-	0.333
CORPORATES							
US DOLLARS							
Dec 9 2019	Quest Diagnostics	US$800m	Jun 30 2030	2.95	99.738	T+115	2.979
Dec 9 2019	Steel Dynamics	US$400m	Dec 15 2024	2.8	99.925	T+115	2.816
Dec 9 2019	Steel Dynamics	US$600m	Apr 15 2030	3.45	99.736	T+165	3.481
Dec 9 2019	Welltower	US$500m	Feb 15 2027	2.7	99.893	T+95	2.716
Dec 10 2019	Apollo Management Holdings	US$300m	Jan 14 2050	4.95	100	4.95	4.95
EUROS							
Dec 9 2019	JAB Holding	€750m	Dec 20 2027	1	99.018	MS+115 / B+157.4	1.129

Kroll affirmed the ratings on five tranches of notes in Driven's outstanding ABS.

"The affirmation reflects both the collateral performance, which is in line with KBRA's rating scenarios, and that the outstanding notes continue to pass their respective rating level stresses with the addition of the Series 2019-3 Class A-1 notes," the ratings firm said on Wednesday.

ASIA-PACIFIC MBS

VMG PLACES A$285m FIVE STAR RMBS

VICTORIAN MORTGAGE GROUP privately placed a A$285m (US$196m) non-conforming RMBS issue last Friday, **FIVE STAR 2019-1 TRUST**, via arranger *NAB*.

The A$199.5m of Class A1 notes with 30% credit support and a 2.1-year WAL were priced at one-month BBSW plus 130bp.

The A$57m of Class A2, A$7.4m of Class B and A$6.8m of Class C notes, all with 3.9-year WALs and respective credit support of 10%, 7.4% and 5%, were priced 185bp, 220bp and 300bp wide of one-month BBSW.

Pricing was not disclosed for the A$4.3m of Class D, A$2.85m of Class E, A$2.85m of Class F, A$2.15m of Class G and A$2.15m of Class H notes.

The non-bank lender previously issued A$180m of RMBS in September 2017, called Five-Star 2017-1 Trust.

FIRSTMAC RMBS INCREASED TO A$1.1bn

Non-bank lender **FIRSTMAC** priced an enlarged A$1.1bn (US$751m) prime RMBS offering on December 6, **FIRSTMAC MORTGAGE FUNDING TRUST NO.4 SERIES 4-2019**, more than double the indicative minimum issue size of A$500m.

NAB was arranger and joint lead manager with *ANZ*, *Standard Chartered Bank* and *United Overseas Bank* for the transaction.

The A$935m of Class A1 notes with a 3.2-year weighted average life were priced at the wide end of one-month BBSW plus 118bp–120bp area guidance.

The A$77m of Class A2 notes with a 4.4-year WAL were priced at the tight end of 145bp–155bp area guidance.

The A$38.5m of Class AB, A$19.8m of Class B, A$13.2m of Class C, A$7.48m of Class D, A$4.4m of Class E and A$4.62m of Class F notes, all with 5.6-year WALs, were priced 160bp, 185bp, 245bp, 365bp, 570bp and 740bp over one-month BBSW versus 160bp–170bp area, 185bp–195bp area, 250bp area, 370bp area, 570bp area and 740bp area guidance.

Respective credit support for the A1 to E notes is 15%, 8%, 4.5%, 2.7%, 1.5%, 0.82% and 0.42%.

In May, the regular issuer sold an enlarged A$1.4bn Firstmac Mortgage Funding Trust No.4 Series 2-2019 prime RMBS with two fewer tranches (six).

The 2-2019 Class A1 and A2 notes, with identical 15% and 8% credit support, were priced 123bp and 180bp over one-month BBSW or 3bp and 35bp wide of the latest equivalent tranches.

The AB, B and C notes, with smaller levels of support of 2.9%, 0.72% and 0.13%, were priced 200bp, 230bp and 295bp over one-month BBSW or 40bp, 45bp and 50bp wide of the new AB, B and C notes.

The 2019-2 Class D notes were priced at one-month BBSW plus 725bp.

FOX SYMES DEBUTS FOR A$200m

FOX SYMES HOME LOANS priced an inaugural non-conforming RMBS last Wednesday, an A$200m no-grow offering called **2019-1 PP TRUST**, through arranger *Westpac*.

The A$130m Class A1 and A$47m Class A2 notes, with 2.0 and 3.9-year WALs and respective 35% and 11.5% credit support, priced at one-month BBSW plus 145bp and 190bp.

Pricing was not disclosed for the A$7m Class B, A$6m Class C, A$4m Class D, A$2m Class E and A$4m Class F notes.

Fox Symes, a non-bank lender that specialises in debt consolidation services, paid a premium versus non-conforming RMBS originated by regular non-bank issuers like Pepper Home Loans.

Pepper priced its latest securitisation, PRS 25, on October 31. The A$161.4m Class A1a and A$100m Class A2 notes, with longer 2.3 and 4.0-year WALs, priced 128bp and 160bp wide of one-month BBSW.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
-	-	-	Aaa/AAA/AAA	SEB	-
-	-	-	Aaa/AAA/Scope AAA	Barc/Citi	-
G+37 area	-	-	Aaa/AAA	RBC	-
-	-	-		SEB	-
T+130/135, T+120 (+/-5)	-2	US$2.9bn	Baa2/BBB+/BBB+	JPM/MS/WFS	-
T+150/162.5, T+125 (+/-5)	-	US$4bn	Baa3/BBB-/BBB-	MS/BofA/GS/JPM	-
T+200/212.5, T+175 (+/-5)	-	US$4.5bn	Baa3/BBB-/BBB-	MS/BofA/GS/JPM	-
T+120 area	-5	US$2.44bn	Baa1/BBB+/BBB+	CA-CIB/WFS/DB	-
5.25% area 5% (+/-5)	-	US$1.4bn	BBB+/BBB+	Citi/BofA/GS	-
MS+135/140, MS+115/120	2	€3.5bn	Baa1/A-	BNPP/HSBC/ING/SEB/Uni	UK/Ire 33%, Ger/Switz 22%, Fr 16%, Benelux 16%, Nordics 6%, Other 7%. AM 63%, OI 13%, Ins/PF 13%, Bks 10%, Corp 1%.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 13/12/2019 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Dec 9 2019	JAB Holding	€750m	Dec 19 2039	2.25	98.701	MS+185 / B+233.3	2.332
NON CORE							
Dec 11 2019	SEEK	A$150m	Jun 20 2026 (Jun 20 2023)	3mBBSW+370	100	3mBBSW+370	-
Dec 5 2019	Swedavia green	SKr1bn	Mar 12 2025	0.89	100	MS+55	0.89
FINANCIALS							
US DOLLARS							
Dec 10 2019	Canadian Imperial Bank of Commerce	US$1.25bn	Mar 17 2023	SOFR+80	100	SOFR+80	-
Dec 11 2019	SCOR RT1	US$125m incr (US$750m)	Perpetual (Mar 2029)	5.25	99.125	-	5.37
JAPANESE YEN							
Dec 11 2019	Aflac	¥12.6bn	Dec 17 2029	0.5	100	-	0.5
Dec 11 2019	Aflac	¥9.3bn	Dec 17 2031	0.843	100	OS+63	0.843
Dec 11 2019	Aflac	¥9.8bn	Dec 15 2034	0.934	100	OS+65	0.934
Dec 11 2019	Aflac	¥6.3bn	Dec 16 2039	1.122	100	OS+75	1.122
COVERED BONDS							
SWISS FRANCS							
Dec 10 2019	PSHypo	SFr200m incr (SFr610m)	Oct 20 2026	0.25	103.928	MS+10 / Eidg+34.4	-0.318
Dec 10 2019	PSHypo	SFr110m incr (SFr420m)	Jan 25 2044	0.5	109.551	MS flat / Eidg+41	0.099
NON CORE							
Dec 9 2019	Landshypotek Bank AB	SKr500m	3/17/2025	3mS+100	103.798	-	-
HIGH YIELD							
US DOLLARS							
Dec 6 2019	Moog	US$400m	Dec 15 2027 (Dec 2022)	4.25	100	T+246	4.25
Dec 9 2019	AMSTED Industries	US$400m	May 15 2030	4.625	100	T+280	4.625
Dec 9 2019	CenturyLink	US$1.25bn	Dec 15 2026 (Dec 2022)	5.125	100	T+338	5.125
Dec 9 2019	Icahn Enterprises	US$750m	15/05/2027 (May 2026)	5.25	100	-	5.25
Dec 9 2019	Credit Acceptance Corp	US$400m	Dec 31 2024 (Dec 2021)	5.125	100	T+344	5.125
Dec 9 2019	EnerSys	US$300m	Dec 15 2027	4.375	100	T+260	4.375
Dec 9 2019	GFL Environmental	US$500m	Dec 15 2026 (Dec 2022)	5.125	100	T+337	5.125
Dec 9 2019	GFL Environmental	US$275m	Dec 15 2026 (Dec 2022)	7	101.143	T+488	6.625
Dec 10 2019	Calpine Corp	US$1.25bn	Feb 15 2028	4.5	100	T+269	4.5
Dec 10 2019	Enviva Partners	US$50m	Jan 15 2026 (Jan 2021)	6.5	103.5	T+374	5.496
Dec 10 2019	Wyndham Destinations	US$350m	Mar 1 2030	4.625	100	T+278	4.625
Dec 12 2019	AmWINS Group	US$250m	Jul 1 2026	7.75	104.5	T+506	6.883
Dec 12 2019	Korn Ferry	US$400m	Dec 15 2027 (Dec 2022)	4.625	100	T+277	4.625
Dec 12 2019	Terrier Media (Cox Media)	US$1.015bn	Dec 15 2027 (Dec 2022)	8.875	100	T+702	8.875
Dec 12 2019	Bayport Management	US$80m	Dec 19 2022	10.5	100	-	10.5
EUROS							
Dec 12 2019	Berry Global	€700m	Jan 15 2025	1	100	B+158	1
Dec 12 2019	Berry Global	€375m	Jan 15 2027	1.5	100	B+199	1.5
NON CORE							
Dec 10 2019	Nordisk Bergteknik	SKr100m incr (SKr400m)	Jun 26 2023 (Jun 2021)	3mS+600	100.125	-	-
Dec 12 2019	M2 Asset Management	SKr1bn	Dec 19 2022	3mS+325	100	3mS+325	-

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+200/210, MS+190 (+/-5)	10	€1.75bn	Baa1/A-	BNPP/HSBC/ING/SEB/Uni	UK/Ire 37%, Ger/Switz 23%, Benelux 20%, Fr 9%, Nordics 5%, Other 6%. AM 63%, OI 22%, Bks 10%, Ins/PF 4%, Corp 1%.
3mBBSW+375 area	-	-	-	HSBC/ANZ/NAB	-
-	-	-	-	SEB/Swed	-
SOFR+80 (#)	-	US$2bn	Aa2/A+/AA-	DB/Citi/CIBC	-
97.875 area, 98.75 area	-	>US$600m	-/A-	BNPP/CA-CIB/JPM	-
0.5% (#)	-	-	A3/A-/-/R&I A	GS/Miz/MS/SMBC Nikko	-
OS+55/+65	-	-	A3/A-/-/R&I A	GS/Miz/MS/SMBC Nikko	-
OS+65/+75	-	-	A3/A-/-/R&I A	GS/Miz/MS/SMBC Nikko	-
OS+75/+85	-	-	A3/A-/-/R&I A	GS/Miz/MS/SMBC Nikko	-
MS+10 area	-	-	Aaa	CS/Raiff/UBS	-
MS flat area	-	-	Aaa	CS/Raiff/UBS	-
-	-	-	-/AAA	Danske	-
4.25%/4.5%	-	-	Ba3/BB	JPM/BofA/HSBC/CTZ/WFS	-
4.75% area	-	-	Ba3/BB	WFS/BofA/Citi/BB&T/FITB/JPM/PNC/BMO/HSBC/USB	-
5.25% area, 5.125%	-	-	B2/B+/BB	Citi/BofA/Barc/GS/JPM/MS/RBC/WFS/BNPP/CTZ/CS/DB/FITB/Miz/MUFG/REG/STRH/USB	-
5.25% area	-	-	Ba3/BB+	Jeff	-
5.25%/5.5%	-	-	Ba3/B	WFS/BMO/CS	-
4.5% area	-	-	Ba3/BB+	JPM/BofA/WFS	-
5.25% (+/-12.5)	-	-	B1/B+	Barc/BMO/GS/RBC/Scotia/TD	-
6.75% (+/-12.5)	-	-	Caa2/CCC+	Barc/BMO/GS/RBC/Scotia/TD	-
4.5% area	-	-	-	CS/BofA/Barc/BNPP/Citi/CA-CIB/DB/GS/JPM/MS/MUFG/Natx/RBC/SMBC	-
103.25%/103.50%	-	-	B1/B+/BB-	Barc/BMO/Citi/GS/HSBC/JPM/RBC	-
4.5%/4.75% area, 4.625%	-	-	Ba2/BB-/BB+	JPM/Barc/BofA/CS/DB/GS/WFS	-
104%/104.5%	-	-	B3/B-	GS/Barc/JPM/MS/WFS	-
4.75% area	-	-	Ba3/BB	BofA/WFS	-
8.75%/9%	-	-	Caa1/CCC+	JPM/RBC/Citi/Barc/CS/DB/Miz	-
10.5% area, 10.5%	-	>US$80m	-	DNB	-
1%/1.25%, 1%	-	-	Ba2/BBB-	Citi(left)/GS/WFS/Barc/CS/DB/JPM/BofA/MS	-
1.5%/1.75%, 1.5%	-	-	Ba2/BBB-	Citi(left)/GS/WFS/Barc/CS/DB/JPM/BofA/MS	-
-	-	-	-	Swed	-
-	-	-	-	Nordea/ Swed	-

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (10/12/2019)

Sovereign	Moody's 1	Moody's 2	S&P 3	S&P 4	Fitch 5	Fitch 6
Abu Dhabi	Aa2	–	AA	AA+	AA	AA+
Albania	B1	Ba2	B+	BB	–	–
Andorra	–	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+ p	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	AA–	AAA	B–	B–
Ireland	A2	Aaa	AA–	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	**Ba2 ▼**	**Baa3 ▼**	–	–	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 n**	B1	B	B	B+	B+
Norway	Aaa	Aaa	AAA	AAA	AAA	AAA
Oman	Ba1 n	Baa3	BB n	BB+	BB+	BBB–
Pakistan	B3	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+ ***	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 MIDDLE EAST

Fitch sounds the alarm over Lebanon

› Pressure mounts on sovereign over debt burden

Fitch has downgraded LEBANON one notch to CC as it warns that bondholders will probably face a sovereign debt restructuring or default.

The ratings agency flagged acute political uncertainty in the country, de facto capital controls and damaged confidence in the banking sector as stumbling blocks for Lebanon to meet its financing needs.

Fitch also said that mounting financial pressure was reflected in the emergence of a parallel exchange rate and "the failure of the central bank [Banque du Liban] to fully service its foreign currency obligations".

The BDL's gross foreign reserves provide a buffer for near-term external debt service obligations, according to the ratings agency. But while capital controls will limit outflows, the absence of inflows implies a continued decline in FX reserves.

"US dollar rationing will likely deepen recession, increase inflation and stoke social unrest. These dynamics increasingly threaten the government's capacity and willingness to service its debt," wrote Fitch analysts.

Although the government has an unblemished record in debt repayment, Fitch said that the fiscal position looked increasingly unsustainable.

The agency drew attention to the BDL's announcement on December 4 that it would pay 50% of the interest on its US dollar certificate of deposits in dollars and 50% in local currency.

"As such, it is failing to pay its obligations in full, underlining the intensification of financial pressure and providing a further adverse signal of the willingness and ability of the broader public sector to meets its obligations," wrote Fitch.

Lebanon's dollar bonds are quoted with cash prices below 50 from 2022 onwards, according to Tradeweb.

The next upcoming maturity, a US$1.2bn March 2020 note, is yielding 65%. That level was reached after the bond rose 3 points on Thursday, following news that the country's caretaker prime minister Saad al-Hariri discussed the possibility of technical assistance with the International Monetary Fund and World Bank in drawing up a plan to rescue the economy from a deep crisis, his office said.

In a statement, Hariri's office said he told World Bank President David Malpass and IMF Director Kristalina Georgieva that he was committed to preparing an urgent plan that could be implemented once a new government was formed.

Fitch said that an agreement with the IMF could support Lebanon's financial position and mobilise other external financing, but that there would be an impact on the sovereign's outstanding obligations.

"An IMF deal would almost certainly require debt restructuring as the Fund would not be able to sign off on public debt being sustainable," wrote Fitch.

Robert Hogg

Macau high-yield on a roll

› Wynn Macau joins wave of offshore issues from gaming sector

WYNN MACAU took the year's tally of high-yield bonds from Asia's biggest gaming market to a record US$5.1bn last week, becoming the latest casino resort operator to turn to the capital markets to lock in attractive funding costs.

The casino operator sold US$1bn of 144A/Reg S 10-year non-call five senior unsecured notes at par to yield 5.125%, inside initial guidance of 5.375% area. The issue, with expected ratings of B1/BB– (Moody's/S&P), was upsized from the initial indicated size of US$650m.

"Investors with emerging market portfolios as well as global high-yield investors supported the deal, noting the income and revenue of the US parent," said a syndicate banker involved in the transaction.

The Hong Kong-listed company is owned by Nasdaq-listed Wynn Resorts.

The deal marks the latest international bond issue from the Macau gaming sector this year, following Studio City, MGM China Holdings and Melco Resorts.

Melco Resorts has printed bonds three times this year to raise US$2bn in total, while Studio City has sold US$600m and MGM China Holdings has issued US$1.5bn of bonds in two-part offering.

High-yield issuance has more than doubled 2017's annual record of US$2.35bn, when Wynn Macau and Melco were last in the market. Sands China – which runs Macau's biggest casino, the Venetian – sold US$5.5bn of bonds in three tranches in August 2018, after receiving an investment-grade BBB– rating.

"Volumes have been consistent in the past three to four years as the gaming companies go through the transition of rotating bank loans to a permanent capital market structure," said the banker, expecting volumes to drop below US$5bn next year.

Another banker on the Wynn Macau deal said the issuance of Macau gaming companies this year comes in line with the overall increase of volume on the back of a low rate environment.

All six major gaming operators in Macau – Sociedade de Jogos de Macau, Wynn Macau, Galaxy Casino, MGM China Holdings, Melco Resorts Finance and Sands China – need to renew their concessions expiring in 2022.

Wynn Macau factored that into its latest deal, with a put option at par should its gaming licence be withdrawn.

CreditSights said it will be expensive to renew the concession at possibly more than US$2bn, but the cost is "not onerous relative to cashflow potential over the life of the renewed concession". It recommended investors to buy at 5.25%.

Moody's also sees the probability of non-renewal as remote, citing Macau's dependence on the gaming industry and the difficulty of replacing existing operators with newcomers due to building and land rights governed by separate land concessions.

The rating agency expects the government to require the gaming operators to increase investment in non-gaming amenities to diversify the economy and boost Macau's appeal as a tourist destination.

Nomura cautioned in a note to investors that Wynn Macau and Sands China could face a higher political risk given the US-China trade tensions, since they are backed by US investors rather than local tycoons.

Jihye Hwang

ASIA-PACIFIC

CHINA

TEWOO OFFSHORE BONDHOLDERS TAKE STEEP HAIRCUT

More holders of TEWOO GROUP's US$1.25bn offshore bonds took a steep haircut in exchange for cash last week, as they were given few options with the Chinese government less willing to step in to bail out state-owned companies.

Analysts said 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 points the way to how such cases may be dealt with in future.

Holders of the commodities trader's US dollar bonds had been invited to tender them for cash or exchange them for bonds issued by Tianjin State-owned Capital Investment and Management (TSCI), a state asset manager tasked with revamping the northern Chinese port city's debt-laden state sector. The bonds they were offered in exchange have sharply reduced coupons and maturity extensions.

TSCI said in a filing that an aggregate principal amount of US$711.879m for the four series of bonds had been validly submitted and accepted for tender, while US$282.868m had been accepted in exchange for the new bonds. Holders of the remaining amount did not submit their choices before the deadline.

S&P said it viewed the exchange and tender offer as a "distressed exchange".

"We expect to see more situations where the market absorbs losses on distressed SOEs rather than local Chinese governments," the rating agency's China country specialist, Li Chang, wrote in a report.

S&P said the Chinese government's deleveraging process to mitigate the potentially large financial risks arising from a high debt burden had weakened the bailout potential for SOEs.

"In our view, governments simply do not have the means to support all SOEs amid a weakening economy and falling tax revenues," said the report.

"We believe government bailouts will be increasingly selective, which will lead to more defaults by SOEs. This includes local government financing vehicles, which tend to play larger roles in policy development."

The tender offer involves a haircut of between 33% and 63%.

TSCI said it had been given an up to US$1.55bn offshore debt issuance quota by the National Development and Reform Commission for the exchange offer.

Tewoo, a wholly owned subsidiary of the Tianjin State-owned Asset Supervision and Administration Commission, has had difficulties servicing its debt.

Last month, it appointed TSCI, a finance arm of the Tianjin government founded by the 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.

The bonds of holders who did not accept the offers will be grouped into a comprehensive debt plan involving Tewoo's onshore debt, TSCI said earlier.

S&P said the Tewoo case reflected the Tianjin government's willingness to adopt market-driven debt restructurings of distressed SOEs rather than giving unconditional bailouts.

The rating agency said it believed this was largely due to the weakening economy and fiscal position of the municipality, as well as its sizeable and debt-ridden SOE sector. But Tianjin is not an exception and other local governments with deteriorating fiscal profiles might also see eroding support for their uncompetitive SOEs, it said.

"In our view, Tewoo's default is a landmark case, and demonstrates a growing tolerance for defaults by distressed SOEs," said S&P credit analyst Cindy Huang.

Tewoo also has US$500m of 3.15% credit-enhanced bonds due on December 1 2020, but these are not included in the offers. The bonds, issued in 2017 through Tewoo Group No 4, came with a standby letter of credit from ICBC's Tianjin branch and ICBC paid the coupon on December 1.

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	306	30,641.95	8.4
2	Standard Chartered	213	19,007.39	5.2
3	Citigroup	157	18,086.65	5.0
4	Bank of China	224	16,253.71	4.5
5	Credit Agricole	94	12,896.67	3.5
6	JP Morgan	107	12,006.43	3.3
7	UBS	135	11,988.60	3.3
8	Credit Suisse	118	11,100.90	3.1
9	BNP Paribas	108	10,895.30	3.0
10	Goldman Sachs	66	10,328.31	2.8
	Total	**873**	**363,848.68**	

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	273	54,246.47	8.1
2	HSBC	387	50,902.00	7.6
3	JP Morgan	233	49,114.27	7.4
4	Standard Chartered	274	34,889.89	5.2
5	BNP Paribas	159	28,182.24	4.2
6	Goldman Sachs	113	27,062.79	4.1
7	Deutsche Bank	138	21,846.96	3.3
8	BofA	138	21,440.31	3.2
9	Credit Agricole	118	20,398.42	3.1
10	Morgan Stanley	126	19,261.57	2.9
	Total	**1,237**	**666,491.52**	

Excluding equity-related debt.
Source: Refinitiv SDC code: L1

HYDOO SELLS US$193.5m TWO-PART OFFERING

HYDOO INTERNATIONAL HOLDING has printed a US$193.5m two-part exercise comprising a new money issue of two-year senior unsecured notes alongside an exchange offer for its dollar bonds due 2020, in a transaction that extended its maturity profile but required it to pay a higher yield than on its old notes.

It sold US$81.827m of bonds in a new money offering alongside US$111.673m of new 2021s to be issued under an exchange offer for its 2020 bonds.

The exchange offer was open to holders of Hydoo's US$157m 12% senior notes due May 9 2020, and 71% of the holders participated in it.

Both parts were priced at par with a 14% coupon to yield 15%, since the bonds will be redeemed at maturity at a cash price of 102.236.

The Chinese property developer's new issue has an expected rating of B– from Fitch, on par with the issuer.

Proceeds from the bonds will be used for debt repayment, financing an acquisition or the development of assets or property and for general corporate purposes.

The deal will settle on December 19.

AMTD and *BNP Paribas* were global coordinators for the new money issue as well as bookrunners and lead managers with *Kaisa Financial Group* and *Fulbright Securities*.

AMTD was sole financial adviser and sole structuring adviser. It was also dealer-manager with *Admiralty Harbour* for the exchange offer.

Hydoo had available cash of Rmb1.06bn (US$152m) at the end of June, according to Fitch, and short-term debt of Rmb2.36bn. It repaid US$60m of bonds due on August 30.

KUNMING INDUSTRIAL READIES BOND ISSUE

KUNMING INDUSTRIAL DEVELOPMENT & INVESTMENT has hired *Guotai Junan International* as global coordinator, lead manager and bookrunner for a proposed offering of US dollar Reg S bonds.

The company held investor meetings in Hong Kong last week.

The proposed unrated notes will be issued by wholly owned subsidiary Hong Kong JY Flower and guaranteed by Kunming Industrial Development.

The guarantor is an investment entity of the Kunming municipal government in Yunnan province. It operates in a wide range of businesses, from land development, industrial investment, trading and logistics to sales of explosives for civil use and industrial equipment.

Proceeds from the bond issue will be used for debt refinancing and general corporate purposes.

MOODY'S DOWNGRADES SHANDONG RUYI AGAIN

Moody's on December 11 cut **SHANDONG RUYI TECHNOLOGY GROUP**'s issuer rating to Caa1 from B3 and its US dollar senior unsecured notes to Caa2 from Caa1, just days ahead of the maturity date of one of its US dollar bonds.

The ratings outlook is negative.

The downgrade reflects Moody's increased concerns over the Chinese textile and clothing manufacturer's refinancing risk, "given its large upcoming debt maturities, continued weak liquidity, and limited progress on its refinancing plans".

On October 10, Moody's had already downgraded Ruyi to B3 from B2 and the bonds to Caa1 from B3 and put the ratings on review for further downgrade.

Ruyi's debt repayment risk is high, as it needs to address large debt maturities, including US$345m of 7.5% offshore bonds due December 19, and Rmb4.4bn (US$625m) of domestic bonds maturing or puttable in 2020, according to Moody's.

At the end of September, the company's cash reserves, including pledged deposits, totalled just Rmb8.8bn. This, along with Moody's forecast of Rmb1.8bn of cashflow from operations over the next 12 months, will be insufficient to cover debt maturities of Rmb11.5bn, bills payable of Rmb5bn, and estimated maintenance capital spending of Rmb100m over the same period.

Ruyi's 7.50% 2019 US dollar bonds were bid at a cash price of 48 on December 11, while its US$300m of 6.95% 2022 dollar bonds were seen at 39, having slumped by about 35 and 27 points, respectively, since the start of October, according to Refinitiv data.

Both bond issues were made through subsidiary Prime Bloom Holdings and are guaranteed by Ruyi.

S&P on November 14 downgraded Ruyi to CCC+ from B– and lowered the rating on its US dollar bonds to CCC– from CCC+, citing increased refinancing risk. Then it withdrew its rating on December 5.

Ruyi has said it plans to pay down its offshore bonds using proceeds from asset disposals, including power assets in Pakistan and commercial buildings in Jining, Shandong, as well as to list a REIT on the Singapore Exchange and sell pre-IPO shares in fibre manufacturer Eagle Super Global Holding. However, there has been limited progress.

Indian issuers embrace US dollar debt

INDIA Offshore markets to remain busy as onshore squeeze continues

India's US dollar bond rush that has seen a record US$21.3bn raised this year is set to continue into 2020 as the domestic credit market remains frozen and foreign banks are filling the gap.

Among next year's deals, **LALITPUR POWER GENERATION**, a subsidiary of Bajaj Group, is heard to have hired *Barclays* for a proposed US dollar bond offering, **ADANI TRANSMISSION** is eyeing US$1bn from long-term project bonds and state-owned **INDIAN RAILWAY FINANCE CORP** is targeting a benchmark-size dollar offering after it mandated five banks in October.

All three issues will be in 144A format and are expected to hit the market in January.

Non-bank financiers **MANAPPURAM FINANCE** and **MUTHOOT FINANCE** are looking to raise benchmark-size dollar bonds in Reg S format in the first half of 2020 following Muthoot's successful debut in the market in October. Manappurram has mandated *UBS* as sole global coordinator and bookrunner with *Barclays*.

Tight onshore credit markets have dragged India's economic growth to its slowest in six years, with GDP expanding at an annualised 4.5% pace in the three months to September. Non-bank lenders are grappling with defaults and domestic banks remain cautious about lending, shutting down funding lines for corporates rated locally below AAA.

Bankers and analysts expect these dynamics to continue in 2020, driving more borrowers offshore.

"We expect the offshore issuance volume next year to surpass this year's level if the offshore markets remain conducive and rates stay low, because India needs capital to meet its secular growth trend, just as China has needed capital from outside to grow fast," said Avinash Thakur, head of debt origination for Asia-Pacific at Barclays.

"With the new government firmly seated at the centre, infrastructure spending will pick up and banks will have all the more reason to raise offshore debt next year," said Thakur.

As well as helping Indian issuers raise offshore dollar debt, foreign banks are taking a role in areas where domestic lenders are reluctant to lend.

"The domestic banks are not able to sell anything which is lower rated because corporate investors have turned cautious," said Sandeep Bagla, associate director at Trust Capital. "The top arrangers in India are only focusing on AAA rated paper, public sector bonds and government securities."

Foreign banks have stepped in to lend to cash-strapped promoters, or company founders, after mutual funds reined in lending against pledged shares.

"Due to a combination of a tightening in NBFC funding and regulations restricting participation by mutual funds, promoters owning corporates which are in the AA range and above are increasingly raising capital through bonds that are pledged against shares," said Gaurav Pradhan, co-head of India investment banking and capital markets at Credit Suisse.

"With bonds, promoters are borrowing at a wider spread of at least 300bp–400bp because of tighter norms."

With less competition from local lenders, the returns are also more attractive than they were a few years ago.

"Foreign banks were reluctant to lend to lower-rated issuers because the difference between AAA and AA in terms of returns was very small. The Indian credits below AAA are paying up and the returns are better now," said Barclays' Thakur.

Krishna Merchant

MEIHUA HOLDINGS EYES OFFSHORE

MEIHUA HOLDINGS GROUP said it is planning to issue up to US$300m of offshore bonds to fund working capital and debt repayments, according to a stock exchange filing.

The Shanghai-listed biological fermented products manufacturer said the tenor of the proposed bonds would be no longer than seven years.

Vietnam issuance stays on pause

ASIA-PACIFIC Offshore bond sales from frontier country held back by pricing gap

Hopes for a surge in offshore bond sales from Vietnam next year remain dim after the frontier market has failed to live up to expectations in the second half of 2019.

Only two Vietnamese companies have sold international bonds this year, despite strong investor appetite for emerging markets and a queue of willing local issuers.

Vietnam Prosperity Joint Stock Commercial Bank (VPBank) managed to raise US$300m from three-year senior bonds on its offshore debut and the sponsors of the Mong Duong 2 power plant successfully refinanced project debt with a US$679m bond issue, both in July.

More recently, however, Tien Phong Commercial Joint Stock Bank (TPBank) and NutiFood Nutrition Food have postponed US dollar bond offerings after failing to find investors at their target price.

Moody's dealt another blow in October when it put Vietnam's Ba3 sovereign rating on negative watch, citing "institutional weaknesses". Fitch, however, kept its positive outlook on its BB rating, and S&P, which raised Vietnam to BB in April, has a stable outlook.

Bankers are now hoping the Vietnamese government can help restore momentum.

"Investors want coordination – they want bigger, state-linked names to get benchmark transactions done and then see the smaller ones," said a syndicate banker who has worked on deals from Vietnam.

The sovereign has around US$745m of bonds maturing on January 29 and has made some efforts to engage with investors, holding a non-deal roadshow in the US in October. Vietnam's substantial foreign exchange reserves, however, mean it is under no immediate pressure to sell more debt.

Part of the reason for the disconnect between issuers and investors is a lack of reference points. Other than VPBank, the last offshore issue from a Vietnamese bank – Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) – was in 2012, and the bonds have since matured.

Some argue that the gap between investor expectations and the price that issuers are willing to pay worsened after VPBank's deal set an artificially low benchmark, thanks to a combination of good timing and a strong growth story. The 6.25% bonds were priced to yield 6.5%, and were last quoted at around 5.8%, according to Tradeweb.

The Vietnamese government has not issued offshore since 2014, and those notes are also seen as expensive as a result of pent-up demand for the growing economy. Vietnam's 2024s are trading only 25bp wider than similar bonds from Indonesia at 2.75%, even though the country is rated four notches lower on the Moody's scale.

"More marginal names will have to pay a higher clearing price," said the syndicate banker. "I was surprised to see how tight the pricing was for NutiFood."

Before postponing its debut US dollar notes, Vietnamese dairy company NutiFood, rated B/B+ (S&P/Fitch), marketed three-year senior notes at initial price guidance of 9.25% area via HSBC.

Questions also linger on whether it is in borrowers' best interests to look overseas, according to another banker involved with Vietnam's non-deal roadshow.

"Onshore funding is cheaper for Vietnamese companies, so they don't really even need to come to the offshore market," the banker said.

The outstanding amount of local currency corporate bonds in Vietnam grew by 4.2% in the 12 months to September 30, according to the Asian Development Bank, following a 67.2% increase in the previous 12-month period.

Vietnamese banks, however, remain keen to explore offshore financings as a result of a change in bank capital requirements.

"There has been interest among banks due to Basel II regulations that will kick in from January 1 next year," said Rebaca Tan, associate vice-president and analyst at Moody's. "The successful banks in adopting the rules will be granted higher credit growth limits."

SAIGON-HANOI COMMERCIAL JOINT STOCK BANK, rated B2 by Moody's, mandated *Citigroup* and *HSBC* for investor meetings in Hong Kong and Singapore last week after seeking shareholder approval for a 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 of senior bonds with a tenor of three to five years.

SOUTHEAST ASIA COMMERCIAL JOINT STOCK BANK, rated B1 by Moody's, met investors in Hong Kong, Singapore and London via *JP Morgan* in October for a proposed offering of US dollar Reg S senior unsecured notes.

Still, there are no punitive measures for local banks that fail to meet the new guidelines, leaving them under little pressure to push ahead with an offshore bond – unless the price is right.

Jihye Hwang

INDIA

YES BANK'S OFFSHORE BONDS SINK

YES BANK's US dollar bonds slumped to the lowest level since October 2 and its shares plunged by 14% last Wednesday after it failed to seal a US$2bn fund injection from investors at a board meeting on December 10.

The Indian private sector lender's US$477m of 3.75% February 2023 bonds were hovering at a cash price of 80.50/81.5 on Friday, according to Refinitiv data, and the shares recovered marginally to Rs46.60 from Rs41.30 on Wednesday.

Yes Bank said in a filing last Tuesday that a US$1.2bn investment by Canadian investor Erwin Singh Braich was still under consideration. The bank also said it was willing to "favourably consider" a US$500m investment offer from Citax Holdings and Citax Investment Group, with a final decision to be taken at the – as yet unscheduled – next board meeting.

Yes Bank is under pressure to raise its capital to address high levels of bad loans linked to India's crisis-hit shadow banking and real estate sectors.

The bank announced on November 29 that its board had approved a US$2bn capital-raising plan. The sum included US$1.2bn from Braich, US$500m from Citax Holdings and the rest from Discovery Capital and several family offices.

However, Braich, who is involved in several lawsuits and has said he wants to invest in Yes Bank because he likes the logo of the bank and its name, has raised questions about the planned fundraising. There is also a lack of public information on Citax Investment Group, said analysts.

"We view this as a negative development, as the US$1.2bn bid is unlikely to go through given the legal cases (including alleged bankruptcy against Erwin Singh Braich), which would put into question the availability of the US$500m bid as well as the rest of US$300m bids, as could have been conditional on raising a large part of the required capital," said Nomura in a note on December 11.

Close to nine months after new chief executive officer Ravneet Gill took over, Yes Bank has yet to raise money.

"When we had done a roadshow in Hong Kong and Singapore in September this year, we had clearly said that none of the 40 investors whom we met wanted to give Yes Bank capital," said Macquarie Research in a note on December 10.

Risks to the going concern status of the bank pose a threat to the broader Indian financial sector.

"When a bank collapses, the clearing system comes to a halt and hence the contagion impact of a bank collapse is far higher than that of the collapse of NBFCs," Macquarie said in report, citing nationalisation of the private sector bank as the way forward.

While Yes Bank's 2023 dollar bonds have cheapened significantly, Nomura credit research has retained a neutral stance, saying valuations fairly reflect the sizeable uncertainty surrounding the bank's crucial capital-raising exercise.

MUTHOOT FINANCE EYES US DOLLAR BONDS

MUTHOOT FINANCE is planning to return to the US dollar bond market with a benchmark-size offering in the coming months as the domestic market continues to grapple with tight liquidity.

"While the first offshore dollar bond issue was slightly more expensive than onshore, we were able to get a large size. Since the bonds are trading at a premium, we are looking to tap the offshore dollar bonds again," said George Alexander, managing director at Muthoot Finance, in an interview with IFR.

The Indian non-bank lender, whose main business is lending against gold, got a strong investor response to its offshore debut in October, when it raised US$450m from three-year bonds at par to yield 6.125%. The notes are trading at 102.90/103.40 to yield 4.997%, according to Refinitiv data.

Muthoot Finance has approval from the Reserve Bank of India to raise up to US$2bn from dollar bonds.

Muthoot Finance expects its assets under management to grow by 15% in FY20 and FY21 as small businesses in urgent need of money pledge gold for cash.

"The small non-bank lenders are grappling with the funding crunch, therefore traders, shopkeepers, small and medium enterprises are looking at gold loans for bridge finance," said Alexander.

Muthoot Finance has Rs270bn of borrowings outstanding, of which 50%–55% is from banks, 30%–35% from bonds and 10%–15% from commercial paper. The company aims to reduce its commercial paper and bank borrowings as it taps the dollar bond market.

It is raising up to Rs7.9bn (US$111m) from a public issue of bonds that closes on December 24. It is eyeing Rs1bn with an oversubscription option of Rs6.9bn.

THAILAND

PTTEP MAKES ANOTHER TENDER OFFER

PTT Exploration and Production has announced a cash tender offer as well as plans for a new US dollar bond issue.

The Thai oil and gas company is seeking to buy back up to US$220m of its US$700m of 5.692% 2021s, while it will offer benchmark notes in January. Those bonds, to be sold in 144A/Reg S format, will have a tenor of up to 10 years.

Holders of the 2021s that validly tender their bonds on or before December 23 will be given priority to subscribe to the new bonds.

They will also receive US$1,045.93 per US$1,000 in principal amount if they tender the bonds on or before December 23. They will receive US$1,015.93 per US$1,000 in principal amount if they tender after December 23 but on or before January 9, the expiration deadline of the tender offer.

PTTEP (Baa1/BBB+/BBB+) said the tender offer and the new bond offering will optimise financing costs and help it actively manage its maturity profile.

Citigroup, *HSBC*, *Bank of America* and *Societe Generale* are dealer-managers of the tender offer and DF King is the information and tender agent.

Last month, PTTEP priced a US$650m 40-year issue at par to yield 3.903%, using the proceeds to fund the repurchase of US$500m of 4.6% subordinated perpetual securities callable in 2022, after a successful tender offer.

EUROPE/AFRICA

EGYPT

SOVEREIGN EYES MULTIPLE TARGETS

EGYPT is considering issuing three bond offerings during the current 2019-2020 fiscal year, finance minister Mohamed Maait said on Monday.

The possible offerings could include green, Islamic and variable-yield bonds, he said during a local financial newspaper conference.

Egypt plans to raise US$3bn-$7bn in the 2019-20 financial year, Maait said in September.

The sovereign visited the market in November, pushing into uncharted territory with a rare 40-year tenor as part of a US$2bn triple-tranche offering.

The US$500m long bond priced at a yield of 8.15%. It also sold a US$500m November 2023 and US$1bn January 2032, which were priced at 4.55% and 7.05%, respectively.

ROMANIA

S&P TURNS GLOOMY OVER ROMANIA

S&P has changed its outlook on ROMANIA to negative due to rising fiscal and external deficits.

The ratings firm, which kept its BBB- rating, said "planned wage and pension increases will contribute to a widening of Romania's already substantial current account deficit through 2020".

ING economists said the decision had come sooner than expected, having anticipated that the outlook change could be triggered next year by the implementation of a 40% hike in public pensions in 2020.

"Apart from widely known fiscal gimmicks now acknowledged by the new government and apparently known to the ratings agency, S&P now includes the 40% hike in public pensions in its baseline scenario," wrote Ciprian Dascalu, chief economist, Romania at ING.

"S&P is likely to wait for the fiscal plans of the new government coming after 2020 general elections before taking any action ... we expect 2021 budget plans to present a credible fiscal adjustment path and a ratings downgrade to be avoided."

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	47	13,776.59	14.7
2	JP Morgan	49	13,582.96	14.5
3	BNP Paribas	20	7,184.88	7.7
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	**107**	**93,631.11**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L2

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 13/12/2019

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Dec 6 2019	Xinyi City Investment & Development	US$100m	Dec 11 2022	7	100	-	7
Dec 10 2019	Bancolombia sub	US$550m	Dec 18 2029 (Dec 2024)	4.625	100	-	4.625
Dec 10 2019	EDB Eurasian Development Bank	US$201.031m incr (US$500m)	Sep 20 2022	4.767	104.65	-	3
Dec 10 2019	Wynn Macau	US$1bn	Dec 15 2029 (Dec 2024)	5.125	100	-	5.125
Dec 11 2019	HBIS Group	US$300m	Dec 18 2022	3.75	99.3	-	4
Dec 12 2019	Cydsa	US$120m	Oct 4 2027	6.25	100.294	-	6.2
Dec 12 2019	Hydoo	US$193.5m	Dec 19 2021	14	100 (redeem 102.236)	-	15
Dec 12 2019	Zensun	US$120m incr (US$340m)	Jan 11 1900	13	99.641	-	13
Dec 13 2019	Excellence Commercial	US$100m	12/19/2022	6.8	100	-	6.8

Year of plenty but pain mounts up

CEEMEA Tullow joins gang in delivering suffering to bondholders

Many CEEMEA bonds have posted strong returns over the year, but that hasn't meant it has been plain sailing for those navigating the markets, with Tullow Oil the latest name to make painful moves in the secondary.

Tullow's bonds dive-bombed after the oil producer scrapped its dividend on Monday following a failure to meet production targets due to weak performance by flagship assets in Ghana.

Chief Executive Officer Paul McDade stepped down, and more than half of the value of the company was wiped out.

Tullow has a US$650m 6.25% April 2022 bid at 89 on Tradeweb and a US$800m March 2025 quoted at 86.

"At one point I saw a TRACE price around 79 [on the 2025s], so that makes it a 20pt drop since the [December 6 close]," said a trader on Friday. "It's now 7pts-8pts off those lows, so you can see you're dealing with some pretty volatile stuff."

As a sign of the broad performance in emerging markets in 2019, the JP Morgan EMBI Global Diversified has posted a total return of 13.4% this year, according to Refinitiv Eikon, and the CEMBI 13.1%. But lurking in the grass have been a string of names, which have hit some bondholders hard.

"There are still danger bonds out there," said a second trader.

"Argentina, Ecuador, Chile, Tajikistan, Lebanon and Tullow Oil are moving 10pts lower at a time and it hurts. You get bad news on a name and then the move overdoes it because there isn't much liquidity."

Tajikistan's 2027s, for example, have dropped around 15pts since June. The notes are bid at 79. The second trader attributed the drop more to the nature of the secondary market than any particular item of news.

"It's one of those names which, when it first came, people couldn't find it on the map but just looked at the yield," he said. "But it's just continued to move lower with either a sloppy seller out there, or people simply wanting to get out and there are no bids."

Lebanon is another name to have shed value, as the country faces a slew of problems. Fitch downgraded the sovereign to CC on Thursday.

"We're still seeing a lot of stress and pain on Lebanon, although maybe it has found a bit of a floor around 46-47 on the longer notes," said the first trader.

Robert Hogg

The sovereign has mandated for a new euro issue, according to people familiar with the matter. The issuance could be for up to €2bn with maturities ranging from five to 30 years, said one person.

SOUTH AFRICA

BAYPORT ADDS SMALL EXTENSION

South African microfinance company BAYPORT returned to the US dollar market for the second time this year with a US$80m three-year subordinated social bond.

The December 2022 offering, which showed books covered at final pricing, met the issuer's initial target. The size can be increased in the future to up to US$100m.

The yield was set in line with guidance at 10.50%.

Bayport, which provides unsecured loans to individuals, sold a US$260m June 2022 bond earlier this year. It had targeted a size of US$300m but fell short and printed at the wide end of 10.50%-11.50% price talk.

The June 2022s were the subject of a buyback, run alongside the new issue, at a purchase price of 106.

Bayport held a global investor call in the build-up to the deal, via bookrunner *DNB Markets*.

Like the June 2022s, the December 2022s are unrated and issued under Swedish law. The structuring of the trade reflected that Bayport has typically sold its bonds to Scandinavian investors.

Swedish investment company Kinnevik has a 24% shareholding in Bayport, while Helios Investment Partners holds 23% and

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
7%(#)	-	-	-/-/BB-	China Investment Sec Intl/BOCOMI/ CMBC Cap/AMC Wanhai	-
high 4% to 5% area, 4.625% to 4.75% area, 4.625%	-	-	Baa2/BB+/BBB	Citi/JPM	-
104.50+	-	>US$250m	Baa1/BBB	Sber	-
5.375% area, 5.125% area	-	-	B1/BB-	DB/BNUMO/BCMACA/BOCOM/ BNPP/BOCINT/BofA/DBS/INDCOM/ JPM/Scotia/SMBC/UOB	-
4.20%a	-	-	-/-/BBB+	BNPP/SG/Natx/UOB/CA-CIB/ Zhongtai/BOSC/Huatai/StCh	-
6.25% (+/- 5), 6.2% area, 6.2%	-	-	BB/BB	Cit/GS	-
Min 14% cpn	-	-	-/-/B-	AMTD/BNPP(B&D)	-
13.25% area	-	-	B2	Guotai Junan/Haitong /CNCBI/CCBI / SPDBI/ZhongrongPT/Fulbright	-
7% area	-	-	-	Guotai Junan/Haitong/CMBI/BEA/ ABCI	-

the South African Government Employees Pension Fund owns 21%.

REGIONAL

EDB FATTENS OUT 2022s

EURASIAN DEVELOPMENT BANK has added just over US$201m to its September 2022s through a block sale, taking the outstanding to US$500m.

The clearing price was a 3% yield.

SberbankCIB led the offering for the multilateral development bank, rated Baa1/ BBB/BBB+.

MIDDLE EAST

KUWAIT

KUWAITI PLANS IMPEDED BY POLITICAL MACHINATIONS

The Kuwaiti government's resignation and subsequent cabinet reshuffle point to political frictions that could delay new debt issuance and weigh on broader fiscal and economic reforms, according to Fitch.

KUWAIT has been the slowest reformer in the Gulf Cooperation Council in recent years, partly due to these frictions and partly due to its exceptionally large sovereign assets, which could finance decades' worth of fiscal deficits, said Fitch.

Parliamentary authorisation to issue or refinance debt expired in 2017 and governments have been unable to secure approval for renewed borrowing.

"We had assumed this would happen in the fiscal year to end-March 2020 (FY19/20), but given continued political acrimony, we now think it will be delayed until fiscal year 2020/2021," said Fitch.

AMERICAS

ARGENTINA

PBA COMMITTEE FORMALISES WITH NEW APPOINTMENTS

Debtholders of PROVINCE OF BUENOS AIRES formalised a committee group on Thursday by appointing two financial advisors in preparation for dialogue with the new Argentine government.

The group appointed *Mens Sana Advisors* and *BroadSpan Capital* as financial advisors, according to an official release seen by IFR.

"The group is committed to timely and proactive discourse with the new administration," read the release.

Negotiations between committee groups of debtholders and President Alberto Fernandez's newly sworn-in government are largely anticipated, though an exact timeline is unknown.

The group said it would look to ensure that the interests of all holders of the Province's bonds as well as other key stakeholders are "considered" and "protected."

The Province of Buenos Aires makes up a large portion of overall Argentine debt and has a payment coming due in January.

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	Standard Chartered	43	9,861.07	10.8
2	HSBC	42	9,339.88	10.2
3	JP Morgan	19	8,597.80	9.4
4	Citigroup	22	8,344.21	9.2
5	BNP Paribas	14	5,978.70	6.6
6	Goldman Sachs	11	5,263.97	5.8
7	First Abu Dhabi	25	4,539.86	5.0
8	Deutsche Bank	14	4,468.28	4.9
9	Credit Agricole	12	4,116.94	4.5
10	Nat'l Com SA	3	3,586.97	3.9
	Total	**99**	**91,157.14**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L5

INTERNATIONAL ISLAMIC FINANCE DEBT

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Standard Chartered	29	4,788.31	16.5
2	HSBC	20	2,458.15	8.5
3	JP Morgan	7	2,218.37	7.7
4	Citigroup	11	1,841.06	6.4
5	First Abu Dhabi	17	1,740.34	6.0
6	Dubai Islamic Bank	16	1,663.54	5.7
7	Kuwait Finance	7	1,356.65	4.7
8	Emirates NBD	15	1,345.12	4.6
9	Deutsche Bank	6	733.59	2.5
10	Gulf Int	4	685.71	2.4
	Total	**36**	**28,967.19**	

Excluding equity-related debt.

Source: Refinitiv SDC code: J27

Investors are pushing for dialogue, despite initial statements by new Governor Axel Kicillof that the province is cash-strapped.

Overall, around US$100bn in debt is expected to be negotiated over for restructuring or re-profiling by the government. Among the creditors is the International Monetary Fund, which has a US$57bn agreement with Argentina.

The IMF said on Thursday that it needs to hear more of the country's plans before discussing a debt restructuring.

Martin Guzman, the country's new minister of economy, outlined an initial economic plan during his first press conference on Wednesday.

"To be able to pay we need to have the capacity to do so, and for that to happen the economy must recover," said Guzman, largely echoing President Fernandez's earlier statements on economic growth.

Guzman also favoured a production-focused agenda over additional public spending cuts.

"2020 is not a year where we can conduct a fiscal adjustment because it would deepen the recession," he said calling the economy "extremely fragile."

An ad hoc committee for external debt sustainability to be directed by Guzman will also be created, he announced.

Guzman's appointment was largely hailed as a moderate choice and boosted market confidence of a debt negotiation.

Sovereign bond levels rallied by as much as three points last Monday, following the announcement that the US-based academic would be the country's economy minister.

The sovereign's 7.625% April 2046 notes were trading at a price of 43.45 last Monday, up from 41.15 the previous week, according to MarketAxess data.

Sovereign bonds remained steady following Guzman's initial economic plan last Wednesday.

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	12.4
2	Citigroup	39	12,550.98	12.0
3	BofA	32	9,941.43	9.5
4	Goldman Sachs	23	7,620.66	7.3
5	HSBC	26	6,513.45	6.2
6	Santander	33	6,128.41	5.9
7	Scotiabank	19	4,906.94	4.7
8	Morgan Stanley	17	4,844.56	4.6
9	BNP Paribas	15	3,929.57	3.8
10	Itau Unibanco	19	3,284.28	3.1
	Total	**128**	**104,380.52**	

Excluding equity-related debt.

Source: Refinitiv SDC code: L3

COLOMBIA

BANCOLOMBIA UPSIZES NOTE IN DOLLAR MARKET RETURN

BANCOLOMBIA returned to the dollar market last Tuesday, launching a 10-year non-call five Tier 2 bond, breaking a two-year absence in the process.

The Colombian bank, rated Baa2 by Moody's and BBB by Fitch, last sold dollars in October 2017 when it priced a 10-year non-call five Tier 2 at 4.875%.

Those notes were trading at a price of 101.630 to yield 4.26% early on Tuesday, according to Refinitiv data.

The new deal was marketed with initial price thoughts of high 4% to 5% area, which were "attractive", according to a report from Rafael Elias, an executive director at emerging markets research and investment firm Tellimer.

On the back of demand, the issuer upsized the deal to US$550m from the US$500m size initially indicated. The deal priced at par to yield 4.625%, at the lower end of initial thoughts.

A banker away from the trade saw a decent pick-up in the new deal compared with a lower rated peer.

"I wouldn't say that it is aggressively priced, but it is decently wide to where the Itau notes are trading," said the banker.

Itau Unibanco, rated Ba3/BB-/BB, has a similar 2029 Tier 2 note, which was sold in November at par at 4.5%.

The notes were trading at a price of 101.550 to yield 4.15%, according to MarketAxess data.

Positive sentiment surrounding Colombia could have helped the issuance along, as the government is due to pass tax reforms expected to support growth and a strong consumer story.

However, some of Bancolombia's main risks continue to be a high Central America exposure, which comprise about a third of its loans, and aggressive M&A, said Mariel Abreu, emerging markets credit analyst at T. Rowe Price.

Bancolombia intends to use the proceeds towards a tender offer for up to US$750m of its 6.125% 2020 and 5.125% 2022 bonds.

Citigroup and JP Morgan led the transaction. Expected ratings on the notes are Ba3 and BB+.

MEXICO

CYDSA RETURNS TO DOLLAR MARKET IN LATE-YEAR RAISE

Mexican materials and chemical manufacturer CYDSA stepped back into the US dollar market on Thursday in a US$120m reopening of its 6.25% 2027 note.

The senior unsecured note, rated BB+/BB, priced at a yield of 6.20%, inside initial guidance of 6.375-6.50%.

The notes were trading at a price of 101.894 on Thursday to yield 5.858%, according to MarketAxess data.

"We trust these guys and think this is a good investment," said an investor participating in the deal, noting a positive outlook on the company's financials and growth forecasts.

That sentiment was not shared by S&P, which revised its outlook on the firm to negative from stable on December 4 because of higher debt along with revenue and Ebitda pressures due to lower chemical pricing.

S&P's change in outlook was one reason for the high pricing on the new deal said Rafael Elias, an executive director at emerging markets research and investment firm Tellimer.

Fitch affirmed the company's long-term foreign and local currency issuer rating in late November.

"The ratings reflect Cydsa's diversified business profile, low cost position resulting from recent investments, vertical integration and strong domestic brand recognition in table salt," said Fitch.

The reopening takes the total to US$450m.

Cydsa sold the original 2027 note in September 2017 at a price of 98.183 to yield 6.50%.

The reopening was led by *Goldman Sachs* as global coordinator and *Citigroup* as a passive bookrunner.

Proceeds will go towards general corporate purposes, including aiding the company's plan to phase out mercury-based production.

PARAGUAY

FRIGORIFICO CONCEPCION APPOINTS BANK

Paraguayan meatpacker FRIGORIFICO CONCEPCION has appointed a bank to lead its US dollar transaction.

Oppenheimer is arranging investor meetings and calls ahead of a 144A/Reg S transaction, to be arranged as a private placement.

Investor meetings were conducted last week and the transaction could come later this week.

The deal is rated B- by S&P.

■ **FRONT STORY EUROPEAN MIDDLE MARKET**

Private debt faces ESG shift

› New regulations will force fund managers to address ESG

European private debt fund managers are facing pressure to address environmental, social and governance issues as they get swept up in new and far-reaching disclosure regulations laid out by the European Parliament on sustainable investments.

Earlier this year, the European Parliament set out rules that will require most asset managers, including private fund managers, to disclose how sustainability issues affect the value of their investments.

The rules are expected to be introduced in the first quarter of 2021, although implementation may be delayed if the requirements aren't finalised in time.

Private debt fund managers may struggle to adopt this regulation as direct lending has been slow to embrace ESG considerations due to its opaque nature and a lack of pressure from investors to "go green".

"I don't think they have yet given it a huge amount of thought," said a partner at a law firm who works extensively with private debt funds. "And they have to face it now."

Most private debt funds do not have an ESG policy, and some invest in industries that are not seen as environmentally-friendly. Under the new rules, fund managers will be unable to hide those investments.

"Fund managers are expected to give information on their ESG policies, and how they integrate material sustainability risks into investment decision-making," said Vanessa Havard-Williams, global head of environment at Linklaters. "Since that kind of risk should normally be considered whether or not your fund has an ESG focus, this is not something managers can readily discount as irrelevant to their funds."

Additional disclosure requirements will apply to funds that are marketed as sustainable investments or as having environmental or social objectives. Fund managers will be obligated to disclose the sustainability objectives and information on the methodologies used to assess their impact or characteristics, Havard-Williams said.

WEAK TRANSPARENCY

While fund managers still have at least a year to prepare for the new rules, a major stumbling block is likely to be the lack of ESG transparency for small privately-owned businesses.

"The reality of the situation is a company with 100 employees, and they are unlikely to report their carbon footprint," said Archie Beeching, director of responsible investment at Muzinich which recently announced its first close of a European private debt fund with an ESG focus.

European lower mid-market private debt lender Kartesia echoed that view.

"ESG information and reporting from small mid-market companies is limited,“ said Coralie De Maesschalck, head of portfolio and ESG at Kartesia. "While with primary deals we can still manage to get access to management and increased reporting on ESG, it will be more challenging with our secondary debt investments."

To increase their influence, direct lenders need to unite in order to persuade middle-market borrowers to increase their adoption of ESG standards.

"If you are the only investor to ask difficult questions, companies may look for another offer," said Beeching, who is on the ESG committee of the European Leveraged Finance Association.

Streamlining questions that investors frequently ask relating to ESG is one of the options that the ELFA is considering to assist direct lenders.

"It's a challenge for SMEs to respond to 100 different ESG questions from 100 different investors." said Beeching. "We need a balance between having a template and avoiding a box-ticking exercise."

Prudence Ho

Banks struggle to sell loan for Young's Seafood buy

› Lenders consider including junior debt

Banks are struggling to sell a £305m leveraged loan financing backing CapVest Partners' acquisition of **YOUNG'S SEAFOOD**.

Barclays is leading the financing, alongside *Goldman Sachs* and *RBC*, which equates to around 4.5 times Young's approximate £70m Ebitda.

Banks struggled to get support from institutional investors during syndication and have since approached direct lenders to see if they want the loan, but have been unable to find a price point they can agree on.

Although the loan was underwritten on an all-senior basis, banks are now considering including junior debt to make the deal move attractive to investors. The company has also performed well recently, which could help a sell down process.

"If you keep flogging a deal it is hard to get people to engage but Young's Seafood has seen pretty good trading so that could help to re-engage people and find a level," a banker said.

In an unusual move, banks offered the financing terms in November 2018 but there was a long delay in CapVest signing the M&A agreement, which took place in July.

There was a long availability period that extended banks' operational risk. Typically, a borrower will sign an M&A agreement within a financing availability period, which is anywhere between 10-31 days, but on this occasion, it was more than six months.

Within that time, the loan market widened but banks felt compelled to honour the financing terms they had set out previously.

"Normally M&A is signed within a countersigning period but in Young's instance there was a long delay. It is an anomaly of history that won't be repeated," a banker said.

CapVest agreed to buy Young's from Bain Capital, HPS Investment Partners and Lion Capital, following a sale process.

CapVest owns pork processor Karro, which will be combined with Young's Seafood to form a larger food group.

Claire Ruckin

ASIA-PACIFIC

AUSTRALIA

TREASURY WINE WRAPS A&E

TREASURY WINE ESTATES has amended and extended one of the tranches of a US$350m loan it signed a year ago with existing lenders.

HSBC arranged the exercise, which involved extending a US$230m seven-year piece (Tranche B) by a year, as well as cutting the interest margin to 150bp from an opening margin of 165bp over Libor.

Lenders are China Merchants Bank, Hua Nan Commercial Bank, Agricultural Bank of China, Bank of China, ABN AMRO, ANZ, HSBC, ICBC, Bank of Communications, Bank of East Asia, E Sun Commercial Bank, Taiwan Cooperative Bank, First Commercial Bank, Chang Hwa Commercial Bank, Land Bank of Taiwan, Mega International Commercial Bank, Tai Fung Bank, Taipei Fubon Commercial Bank, Taiwan Business Bank, Bank of Taiwan, Bank Sinopac, Taiwan Shin Kong Commercial Bank and CTBC Bank.

The original loan, signed in November last year, also comprises a US$120m five-year portion (Tranche A) that pays an opening margin of 130bp over Libor.

In May 2017, the company obtained a dual-currency, multi-tranche loan that attracted nine other banks in syndication. Commonwealth Bank of Australia was mandated lead arranger and bookrunner of that facility.

COLONIAL FIRST STATE RAISES REFI

Colonial First State Investments has closed a A$600m (US$410m) three-year revolver after seven banks joined in syndication.

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	461	93,833.58	17.6
2	MUFG	675	65,864.69	12.4
3	Sumitomo Mitsui	539	64,901.91	12.2
4	Bank of China	186	34,014.24	6.4
5	HSBC	85	17,222.35	3.2
6	Bank of Comms	75	16,084.75	3.0
7	Standard Chartered	91	14,946.18	2.8
8	ANZ	73	13,158.67	2.5
9	China Construction	31	11,001.59	2.1
10	United Overseas	32	9,556.69	1.8
	Total	**2,611**	**532,033.41**	

Proportional credit

Source: Refinitiv SDC code: S3a

ANZ and *Commonwealth Bank of Australia* were the mandated lead arrangers and bookrunners for the loan, which refinances a A$500m three-year revolving credit facility signed in April 2017.

Other lenders are Bank of China Sydney, Bank of China Macau, China Construction Bank, SMBC, Mega International Commercial Bank, MUFG, Citigroup and Taishin International Bank.

The facility offers an interest margin of 105bp over BBSY and a top-level upfront fee of 30bp.

Colonial First State Investments, in its capacity as responsible entity to COLONIAL FIRST STATE WHOLESALE GEARED SHARE FUND, is the borrower.

A A$500m three-year revolver loan signed in October 2014 paid an interest margin of 120bp over BBSY with a 50% commitment fee for the undrawn portion.

CHINA

JIANGXI COPPER TO GET US$700m LOAN

JIANGXI COPPER is raising a syndicated loan of up to US$700m to back its acquisition of a stake in Toronto-listed copper producer First Quantum Minerals.

China Development Bank Jiangxi branch, *China Construction Bank Jiangxi branch*, and *Citic Bank Nanchang branch* are the lenders on the facility.

Jiangxi Copper on December 9 announced that its wholly owned subsidiary Jiangxi Copper (Hong Kong) Investment Company had agreed to purchase an approximately 18% interest in FQM from Canadian investment company Pangaea Investment Management for a total consideration of about US$1.1bn.

The transaction is subject to, among others, the results of the due diligence conducted on the target company and its assets and liabilities, Jiangxi Copper's internal approvals of the acquisition, and the acquisition financing being obtained.

FQM owns nine copper mine development projects in eight countries. It controls a total of about 49.25m tons of copper resources, and has two large-scale nickel ore resources in Australia and Zambia, with a total resource of 2.38m tons. The company's actual copper production in 2018 was around 606,000 tons.

HONG KONG

LANGHAM GETS SLL

LANGHAM HOSPITALITY INVESTMENTS, the hotel assets spin-off of Hong Kong developer Great Eagle Holdings, has raised a debut HK$7.5bn (US$958m) sustainability-linked loan from 11 lenders.

HSBC was the coordinator of the four-year facility, which offered an all-in pricing below 100bp based on an initial interest margin of 83bp over Hibor.

The other banks that have joined HSBC as mandated lead arranger are *Agricultural Bank of China Hong Kong branch*, *Bank of China (Hong Kong)*, *Bank of Communications Hong Kong*, *China Construction Bank*, *Chong Hing Bank*, *Hang Seng Bank*, *Industrial and Commercial Bank of China*, *Mizuho Bank*, *OCBC Bank* and *SMBC*.

LHIL Finance is the borrower of the deal, which comprises a HK$6.8bn term loan (Tranche A) and HK$700m revolving credit facility (Tranche B).

The margin will reduce by 1bp for each of three sustainability key performance indicators the borrower fulfils, including energy consumption, wastes sent to landfills, and EarthCheck achievement level. The interest margin will step up by 8bp if the borrower's Ebitda to financial charge ratio falls below 2x.

LHIL's three portfolio hotels in Hong Kong – The Langham, Cordis and Eaton – will serve as security for the loan.

Proceeds raised will refinance of a HK$7.2bn four-year loan from March 2016, and be used for general corporate purposes.

The financing, which paid a top level all-in of less than 120bp based on a margin of 98bp over Hibor, attracted 14 others in general syndication.

INDIA

IOC REFI ENTERS GENERAL

State-owned Indian Oil Corp has launched a C$580m (US$437m) five-year loan for wholly owned subsidiary INDOIL MONTNEY into general syndication.

Bank of Baroda, *State Bank of India*, *Scotiabank* and *SMBC* are the mandated lead arrangers and bookrunners of the transaction, which offers an interest margin of 89bp over CDOR.

MLAs joining with tickets of C$30m or more earn an all-in pricing of 115bp based on a 130bp fee, while lead arrangers taking C$20m–C$29m receive an all-in of 112.5bp based on a 117.5bp fee. Arrangers coming in with C$10m–C$19m will earn an all-in of 110bp based on a 105bp fee.

Proceeds will be used for refinancing and capital expenditure purposes.

In 2015, IndOil Montney closed a C$600m five-year bullet loan maturing in March 2020, which paid top-level all-in of 140bp via a 175bp fee and 105bp interest margin.

In February, IOC raised a US$1.7bn five-year loan that paid a top-level all-in pricing of 114bp based on an interest margin of 100bp over Libor and an average life of 4.75 years.

PFC DRAWS SIX INTO US$300m LOAN

State-owned **POWER FINANCE CORP** has closed its US$300m-equivalent three-year loan with six banks joining in general syndication.

MUFG and *State Bank of India* were the mandated lead arrangers and bookrunners of the deal, which paid a top-level all-in pricing of 116bp based on an interest margin of 110bp over Libor and a remaining life of 2.5 years.

Mandated lead arranger is *Norinchukin Bank*. Lead arrangers are *Korea Development Bank and Shinsei Bank*. Arrangers are *Hua Nan Commercial Bank* and *Shanghai Commercial and Savings Bank*. Lead manager is *Bank of Kaohsiung*.

MUFG's final hold is US$5m and a yen-equivalent of US$50m, while SBI took US$150m.

The latest financing is PFC's second foreign-currency loan this year following a US$150m-equivalent five-year Samurai loan closed in January.

ADITYA BIRLA INCREASES LOAN

ADITYA BIRLA FINANCE has increased its three-year term loan to US$105m from US$75m via a greenshoe after two banks joined in general syndication.

Sole mandated lead arranger and bookrunner *Sumitomo Mitsui Banking Corp* took US$75m, while lead arrangers *Korea Development Bank* and *Taipei Fubon Commercial Bank* came in with US$20m and US$10m, respectively.

The loan was available in both US dollars and yen, and paid top-level all-in pricings of 145bp and 95bp based on interest margins of 120bp over Libor and 80bp over yen Libor, respectively.

INDONESIA

TRANS RETAIL SEEKS US$750m LOAN

TRANS RETAIL INDONESIA is in talks with lenders for a US$750m five-year facility with indicative terms similar to a US$575m loan signed in 2017.

About 10 to 11 lenders have been shortlisted.

The proceeds will be used to refinance the 2017 facility as well as for general corporate purposes.

The terms and mandate for the retail arm of Indonesian conglomerate CT are expected to be finalised early next year.

The previous five-year amortising loan, with a four-year average life, offered a top level all-in pricing of 380bp based on an interest margin of 350bp over Libor.

Bank of China, BNP Paribas, CTBC Bank, Deutsche Bank, Industrial and Commercial

Sustainable loans come to Japan

JAPAN Pricing incentives hard to justify in ultra-low rate environment

Sustainable lending is gathering momentum in Japan as the country's three megabanks increasingly factor environmental, social and governance considerations into lending decisions, but pricing incentives for borrowers are limited in an environment of already ultra-low rates.

Mizuho Bank, *Mitsubishi UFJ Financial Group* and *Sumitomo Mitsui Banking Corp* have reported growing interest in sustainability-linked loans since the first syndicated deal was completed last month in Japan.

Tokyo-listed shipping firm **NIPPON YUSEN** signed the ¥50bn (US$457m) five-year facility with *MUFG* as the arranger and agent and *Mizuho Bank*, *Norinchukin Bank* and *SMBC* joining in syndication.

SLLs link the interest margin on the loan to the borrower's progress against pre-defined performance indicators, typically aligned with the UN's Sustainable Development Goals. This is in contrast with green loans that have strict criteria around the use of proceeds.

The pricing on NYK's loan is linked to an annual score provided by CDP, formerly the Carbon Disclosure Project, and the deal is certified by Japan Credit Rating. The initial interest rate is slightly discounted in the expectation that NYK will improve its ESG record and maintain a high CDP rating. But if it falls short of the targets the interest rate will rise.

According to the International Maritime Organisation, shipping accounted for 2.2% of global CO2 emissions in 2012 and could grow by between 50% and 250% by 2050 if nothing is done.

The deal follows the launch of the sustainability-linked loan principles in March by the Asia Pacific Loan Market Association, with the London-based Loan Market Association and the Loan Syndications and Trading Association in New York. Japanese officials are also looking to stimulate the market.

"The Ministry of the Environment is trying to create guidelines for green loans and sustainability-linked loans in Japan," said Yuichi Ogata, who heads MUFG's business origination team within the sustainable business office. "In response to this trend, we consulted with various customers and created a pilot study in Japan, hoping that this would help the guidelines to be in line with the market."

MUFG has received many enquiries from companies in different sectors since NYK completed its SLL.

"We have a few deals that are close to closing. As a result, we see about the same volume of deals building in the pipeline," said Yoko Yanagida, head of the sustainable business office at MUFG.

SMBC said that it was providing SLL loans earlier this month and was aiming to arrange about ¥50bn of deals by the end of the fiscal year in March. Mizuho Bank is also working on SLL deals, and is also expecting around ¥50bn of volume in the first year of business, the bank said.

NO COST SAVINGS

Japanese borrowers are mainly motivated to raise SLLs for investor relations and marketing purposes, as the razor-thin loan margins provided by Japan's highly liquid banks in an ultra-low rate environment make it difficult to achieve discounts comparable to those available to European or US companies.

"It would be difficult for borrowers to see any merits in pricing (for SLLs) unless interest rates and margins increase in Japan," said Tomoaki Oikawa, general manager of the syndicated finance structuring department at Mizuho Bank, adding that regional banks are showing increasing interest in the deals.

The SLL format allows borrowers to showcase their efforts in supporting sustainable development, but bankers stress that companies need to set targets that are aligned with their corporate social responsibility strategies.

"The healthy development of the product will be hindered if the deal is designed to pursue only favourable interest rates by setting goals that do not match the CSR strategy," said Munehiro Goda, senior vice-president of the debt finance department at Sumitomo Mitsui Banking Corp, which arranged about ¥10bn of green loans and social loans from April to September.

Bankers see more opportunities in SLLs than in green finance, which has had a limited uptake so far in Japan, as general corporate purpose loans offer more flexibility than green loans.

"In terms of usability, neither loans with ESG evaluations nor SLLs restrict the uses of funds, so it is clearly more convenient than green loans or social loans," said SMBC's Goda.

"I think Japanese companies would accept SLLs more easily because there is more room for creativity in company-wide sustainable actions without being restricted by use of funds," said Mizuho's Oikawa.

Wakako Sato

Bank of China, Maybank Kim Eng Securities and SMBC were MLABUs on the 2017 transaction, which attracted 24 banks in general syndication.

Trans Retail operates hypermarkets, supermarkets, and cash and carry stores under the Carrefour and TRANSmart brands.

JAPAN

SOSILA LOGISTICS REIT NETS GREEN LOAN

SOSILA LOGISTICS REIT has completed a ¥29.5bn (US$272m) debut green loan upon its listing on the Tokyo Stock Exchange.

SMBC was the mandated lead arranger, while *Bank of Fukuoka*, *Development Bank of Japan*, *Mizuho Bank*, *Mizuho Trust & Banking*, *MUFG* and *Sumitomo Mitsui Trust Bank* joined in syndication.

The bullet term loan is split into a ¥2.1bn one-year floating-rate tranche with an interest margin of 15bp over one-month Tibor, and ¥8bn four-year, ¥9.1bn six-year, ¥6.8bn eight-year and ¥3.5bn 10-year fixed-rate tranches with interest rates of 0.3937%, 0.53388%, 0.69162% and 0.86056%, respectively.

The loan has obtained the highest Green 1 ranking from the Japan Credit Rating Agency.

Funds are for real estate acquisitions.

The borrower, which is sponsored by Sumitomo, was listed on the TSE on December 10.

VIETNAM

THACO LURES 10 INTO DEBUT LOAN

Auto manufacturer **TRUONG HAI AUTO CORP** has increased its debut five-year borrowing to US$210m from an original US$180m target, after attracting 10 lenders in general syndication.

Standard Chartered Bank was the sole mandated lead arranger and bookrunner of the amortising term loan, which pays an interest margin of 250bp over Libor.

Mandated lead arrangers are OCBC, KEB Hana Bank, Bank of China, CIMB Bank and ICBC. Lead arrangers are Woori Bank, CTBC Bank, Hua Nan Commercial Bank OBB and Hua Nan Commercial Bank Singapore branch.

Proceeds raised will be used for the reimbursement and financing of capital expenditure in relation to business and production activities of the group.

Comprehensive share pledges and mortgages over movable and non-movable fixed assets serve as a security for the deal, while subsidiaries Thaco Mazda and Thaco Bus are the guarantors.

EUROPE/MIDDLE EAST/AFRICA

BURUNDI

TDB SEEKS US$250m-EQUIVALENT

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK is the market for a US$250m-equivalent syndicated loan that includes conventional and Islamic tranches.

First Abu Dhabi Bank, *Emirates NBD*, *Mashreqbank*, *Citigroup* and *MUFG* are bookrunners and mandated lead arrangers.

The facility comprises two and three-year tranches in US dollars and euros, as well as an Islamic tranche. The final sizes of the tranches have not yet been finalised.

TDB was last in the market in November 2018 when it signed a US$460m dual-tranche syndicated term loan.

The facility comprised a US$200m two-year bullet term loan and a US$260m three-year bullet term loan, priced 120bp over Libor and 140bp over Libor, respectively.

Citi, Commerzbank, Emirates NBD Capital, First Abu Dhabi Bank, ICBC, Mashreqbank, Mizuho Bank, Standard Chartered Bank, SMBC and MUFG were bookrunners and initial mandated lead arrangers.

GERMANY

NHW PLACES GREEN SSD

Housing, construction and development group **NASSAUISCHE HEIMSTAETTE I WOHNSTADT** has placed a total of €180m of green Schuldscheindarlehen and longer-dated Namensschuldverschreibungen.

The financing includes a green SSD of €80m, which closed with multiple oversubscription, and comprises maturities of 10, 15 and 20 years.

NHW will use the financing to modernise its housing stock. Under the green financing, NHW has to prove that the funds will be used to promote sustainable projects.

The company has an agreement with majority owner, the state of Hesse, to make its housing stock climate neutral by 2050.

Helaba arranged the financing, which was fully placed and executed on the VC Trade digital SSD platform.

The green SSD is supplemented with classic Namensschuldverschreibungen with maturities of up to 30 years.

JOST LINES UP TL FOR ALO

Truck parts maker **JOST WERKE** has lined up a new term loan as part of its €250m acquisition of Swedish agricultural front loader maker Alo Holding.

The acquisition will also be funded through cash on balance sheet and existing credit lines.

The acquisition will see leverage rise temporarily to around 2.5 times in 2020. Jost expects to reduce leverage back into the range of 1.0 times to 2.0 times by the end of 2020.

In June 2018, Jost placed a debut €150m Schuldscheindarlehen and increased its existing revolving credit facility to €150m from €80m.

The SSD, which was arranged by BNP Paribas, DZ Bank and UniCredit, comprises tranches of five and seven years on a mix of fixed and floating rates of interest and without financial covenants.

The increased revolver was provided by mandated lead arrangers BNP Paribas, Commerzbank, DZ Bank and UniCredit.

IRELAND

KENMARE SECURES US$150m LOAN

Ireland-based mining company **KENMARE RESOURCES**, which operates the Moma Titanium Minerals Mine in northern Mozambique, has signed a US$150m loan financing.

The loan will be used to repay in full its senior and subordinated project loans, of which US$64m is outstanding, and for working capital purposes.

The financing includes a US$110m 5.25-year term loan for 24 months after signing with a margin of 540bp over Libor.

The term loan will be repaid in seven equal semi-annual repayments starting 27 months after signing.

There is also a US$40m three-year revolving credit facility with a two-year extension option and a margin of 500bp over Libor.

The facilities include the flexibility to include a mine closure facility of up to US$40m, increasing from US$3m to a maximum of US$40m over five years, which will share the security package of the wider loan financing on a pro rata and pari passu basis.

Financial covenants include minimum interest cover of 4.0 times; maximum net debt to Ebitda of 2.0 times; minimum debt service cover of 1.2 times; and minimum liquidity of US$15m.

Net debt to Ebitda must be less than 1.5 times with minimum liquidity of US$25m for dividends to be paid.

Kenmare's project loans were set to pay 475bp over Libor until February 1 2020 rising to 550bp until final maturity at February 1 2022.

Existing lenders *ABSA* and the *Emerging Africa Infrastructure Fund* were joined by new lenders *Nedbank*, *Rand Merchant Bank* and *Standard Bank*.

ITALY

FERRARI AGREES €350m REFI

Sportscar maker **FERRARI** has signed a €350m revolving credit facility, replacing a €500m RCF that was due to mature in November 2020.

The financing, which is provided by 12 international relationship banks, will be used for general corporate and working capital purposes.

The unsecured facility has a five-year maturity with two one-year extension options.

It features a lower cost of capital compared to the previous facility, which has now been cancelled.

Ferrari said it reduced the size of the RCF to reflect an overall evaluation of the company's optimal capital structure.

NETHERLANDS

PROSUS UPS BRIDGE LOAN

E-commerce company **PROSUS** has raised its cash offer for UK food delivery firm Just Eat to around £5.1bn, backing the bid with an increased £5.15bn bridge financing.

An up to 12-month cash bridge has been increased by £200m to £750m, alongside a £4.4bn up to 18-month debt take-out bridge.

Coordinating bookrunner and mandated lead arranger *JP Morgan* is providing the cash bridge.

JP Morgan, committing £744m of the debt take-out bridge, is joined by mandated lead arrangers *BNP Paribas*, *Citigroup*, *Deutsche Bank* and *Morgan Stanley*, also each committing £744m, and Intesa Sanpaolo, which is committing £680m.

The financing is available in sterling, euros, US dollars and other currencies and pays an initial margin of 60bp over Euribor on euro-denominated loans or 80bp over Libor on non-euro denominated loans.

Prosus has access to a US$2.5bn multi-currency revolving credit facility that was agreed in April 2018 for an initial five years with two one-year extension options.

Just Eat is subject to a rival £4.7bn all-share bid from Amsterdam-based online food delivery firm Takeaway.com, which was agreed in July.

On Tuesday, Just Eat rejected the raised takeover offer from Prosus saying it significantly undervalued the company and that it continued to back the offer from Takeaway.com.

Both suitors are seeking to woo shareholders in the UK company and secure a deal. If the contest is unresolved as of December 27, the UK's Takeover Panel will step in and organise a rare auction between the bidders.

Prosus is the international e-commerce division of South African media group Naspers that was listed in September and includes a stake Germany's Delivery Hero and a 31.1% stake in Chinese e-commerce company Tencent.

LOUIS DREYFUS SIGNS SSL REFI

Netherlands-headquartered commodities trader **LOUIS DREYFUS** has renewed two US$400m revolving credit facilities for its EMEA activities, linking pricing to environmental sustainability targets.

Oman's loan market suffers slump

MIDDLE EAST Volume down 63% in 2019 from previous year

Oman's borrowers have agreed US$4.4bn of syndicated loans in 2019, just a third of the US$12bn raised last year, with lending to cash strapped government-related entities dominating deal flow, according to data from Refintiv LPC.

Depressed borrowing activity in Oman reflects low activity across the Middle East, where year-to-date volume is down 42% to US$66.3bn, according to the data.

Loans for Omani GREs are mainly funded through local banking markets, as international and larger regional banks remain cautious about committing liquidity into the country, especially since March when Moody's joined other ratings agencies in downgrading the sovereign's credit rating to junk.

"There has been quite a bit of activity there with GREs raising money and amending and restating facilities," said a banker. "The government cannot support GREs as it doesn't have the money. Oman is not aligned with Saudi or the UAE – it is one of the economies where the cost of oil production is much higher so it is harder hit by depressed oil prices."

The latest of these deals saw **OMAN TELECOMMUNICATIONS** renegotiate the pricing and maturity of its US$680m term loan from 2017. In October, the loan was extended by two years to 2024 with pricing reduced by 35bp.

The original facility formed part of a wider package of around US$2.25bn of loans raised in 2017 to fund Omantel's acquisition of stakes in Kuwaiti telecoms company Zain.

In August, **OMAN OIL EXPLORATION AND PRODUCTION**, the exploration arm of state-owned Oman Oil, extended the maturity of its US$1bn five-year pre-export financing that was signed in 2017 by two years to August 2024.

SHYING AWAY

State-owned **OMAN GAS** is now in the market for a US$800m seven-year loan, but some international and regional banks are unsure if they will participate.

"Regional and international banks struggle with countries like Oman and Bahrain because of rating downgrades," said a banker at a large regional Middle Eastern bank.

"We are still looking at Oman Gas but we need to get comfortable. We need to look at our country limits carefully and take into account the outlook of Oman, you have to do your due diligence."

This caution is reflected in the pricing of loans for large Omani GREs, which stands at about 175bp-200bp all-in compared to a GRE borrower from the UAE, which would normally pay around 50bp, bankers said.

Nevertheless, local bank liquidity for these deals has remained healthy as Omani banks are still focussed on domestic loans, especially as their ability to deploy capital on foreign loans has become constrained in recent years.

"Since the financial crash Omani banks need approval if they are going to do cross border deals but they can obviously do local GRE deals. They have done big tickets on these this year," said the regional banker.

BANK BORROWING

Many Omani banks have themselves sought to raise funds this year to shore up depleted cash reserves.

"Nearly all the Omani banks came to the market for syndicated or bilateral loans this year," the regional banker said.

In September, **NATIONAL BANK OF OMAN** closed a US$300m three-year term loan via lead banks Bank ABC and Emirates NBD, while in March **BANK DHOFAR** closed a US$200m three-year loan.

However, the Omani loan market is not expected to pick up in 2020.

"Activity will be less next year, especially if there is a further downgrade," a third banker said.

Sandrine Bradley

The RCFs, which are for Louis Dreyfus Co Suisse, have two and three-year maturities and replace LDC's existing EMEA RCFs one-year before their maturities.

The move completes LDC's renewal of its RCFs in its three regions, all of which incorporate the same sustainability-linked mechanism.

The mechanism links the RCF interest rate to LDC's performance in meeting reduction targets in four areas: CO2 emissions, electricity and energy consumption, water usage, and solid waste sent to landfill.

Under the mechanism, LDC will reduce its margin every year it improves its sustainability performance as validated by an independent auditor.

Credit Agricole CIB, *ING*, *Rabobank*, *Societe Generale* and *SMBC* led the EMEA RCFs as lead arrangers and bookrunners. Credit Agricole CIB and Rabobank were sustainability coordinators.

LDC completed the renewal of its US$750m North America RCF in May and its US$650m Asia RCF in August, both of which feature sustainability-linked pricing mechanisms.

Louis Dreyfus has also raised a US$180m five-year loan covered by Nippon Export and Investment Insurance for its Brazilian subsidiary LOUIS DREYFUS CO BRASIL.

Citigroup was the arranger, and *Bank of Kyoto*, *BNP Paribas*, *Commerzbank*, *ING*, *Joyo Bank* and *Shinkin Central Bank* joined in syndication.

Nexi is providing 100% political risk and 90% commercial risk insurance coverage for the loan.

Proceeds are for working capital purposes.

NIGERIA

SEPLAT REFIS US$350m BRIDGE

Oil and gas firm SEPLAT PETROLEUM DEVELOPMENT has amended a US$350m revolving credit facility that will refinance the US$350m bridge loan put in place to back its £382m acquisition of oil and gas production company Eland Oil & Gas.

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	224	47,061.44	8.1
2	Credit Agricole	201	42,183.31	7.3
3	UniCredit	153	31,835.53	5.5
4	BofA	82	29,905.03	5.1
5	SG	137	28,363.00	4.9
6	Barclays	79	24,874.15	4.3
7	Deutsche Bank	95	24,120.90	4.2
8	ING	140	23,737.37	4.1
9	JP Morgan	92	23,089.83	4.0
10	Citigroup	96	20,279.66	3.5
	Total	**861**	**580,950.22**	

Proportional credit

Source: Refinitiv SDC code: R17

The amended RCF, which was increased from US$300m, is being provided on a certain funds basis.

The maturity of the facility has been extended to the end of 2023 from June 2022.

Margins are tied to the successful implementation of an alternative export route from Amukpe to Escravos with at least an average of 15,000 barrels per day of production flowing through the route for 45 consecutive days.

The financing pays 600bp over Libor until the export route date and 500bp thereafter with a commitment fee of 40% of the applicable margin on undrawn funds.

The financing previously paid 600bp over Libor.

Mandated lead arrangers are *Citigroup*, *Nedbank*, *Standard Bank of South Africa*, *Rand Merchant Bank*, *Mauritius Commercial Bank*, *JP Morgan*, *Standard Chartered Bank*, *Natixis*, *Societe Generale*, *Zenith Bank*, *United Bank for Africa* and *First City Monument Bank*.

Standard Chartered Bank is corporate facility agent, Standard Advisory London is offshore security agent and Stanbic IBTC Trustees is onshore security agent. Natixis is technical bank.

Nomura International exited the facility.

The fully underwritten bridge loan, which was provided by underwriter, bookrunner, mandated lead arranger and facility agent Citigroup in October, has been cancelled.

Citi is financial adviser to Seplat on the acquisition.

The bridge loan had an initial six-month maturity with two additional three-month extension options.

The initial margin was 450bp over Libor for the first three months.

NORWAY

HYDRO AGREES US$1.6bn SLL

Aluminium company NORSK HYDRO has signed a US$1.6bn revolving credit facility with a margin linked to the company's progress towards a targeted reduction of greenhouse gas emissions.

The financing, which is for five years plus two one-year extension options, replaces Hydro's undrawn US$1.7bn RCF that was signed in 2013.

The margin will be adjusted based on Hydro's progress to meet its target to reduce emissions by 10% by the end of 2025, part of the company's new climate roadmap that is targeting a 30% reduction by 2030.

DNB Markets, *ING Belgium* and *SEB* were coordinating bookrunners and mandated lead arrangers.

BNP Paribas, *Credit Agricole CIB*, *Danske Bank*, *Handelsbanken Markets*, *Svenska Handelsbanken* and *JP Morgan* joined as bookrunners and mandated lead arrangers, while *Citigroup*, *Goldman Sachs* and *Nordea* participated as lead arrangers. DNB is facility agent, and SEB is sustainability coordinator and documentation agent.

BAKKAFROST NETS €352m

Faroese salmon farming company BAKKAFROST has agreed a €352m five-year loan to refinance bank facilities and to part-fund its acquisition of shares in Scottish Salmon Co.

The multicurrency financing comprises a €95m term loan and a €257m revolving credit facility.

There is an option to increase the facilities by up to €150m, subject to lender agreement.

The bank syndicate includes *Rabobank*, *DNB Bank* and *Nordea*.

Bakkafrost agreed to acquire a 68.6% stake in SSC in September. The acquisition was backed with a committed equity and debt financing, including a new debt facility, which could be used to acquire the remaining stake in SSC.

Bakkafrost signed a €200m five-year credit facility in January 2018 via Nordea. That financing, which included an up to €200m accordion facility, was used to refinance a NKr500m (US$55m) bond loan.

SWEDEN

INTRUM UPS RCF TO €1.8bn

Credit management company INTRUM has increased its revolving credit facility to €1.8bn from €1.375bn and refreshed the maturity for five years plus two one-year extension options.

The new facility, which will start in January 2020, is being provided by an expanded bank group including eight new international lenders.

The financing was agreed on improved terms.

Danske Bank, DNB Bank, Nordea, Nykredit Bank, SEB and Swedbank provided the previous facility.

Intrum has also completed a SKr2bn (US$212m) backstop facility from its Nordic banking partners to cover its commercial paper programme.

The facility has a one-year maturity with two additional one-year extension options.

TURKEY

DENIZBANK GETS US$1.1bn LOAN

DENIZBANK has signed a US$1.1bn two-year syndicated loan, marking its return to the international syndicated loan market under new owners Emirates NBD.

The loan was led by *Bank of America*, *Abu Dhabi Commercial Bank* and *Emirates NBD* and the bank group included 45 financial institutions from 22 countries.

The European Bank for Reconstruction and Development contributed the US dollar-equivalent of €50m to the facility.

DenizBank is aiming to expand its micro, small and medium-sized enterprises (MSME) portfolio, and the EBRD funds will be used to lend to Turkish businesses looking to expand, with a particular focus on agricultural enterprises in remote areas.

DenizBank was last in market six years ago when it signed a US$1bn-equivalent one-year loan in November 2013, coordinated by Sberbank CIB, Standard Chartered and Wells Fargo. That loan comprised a US$328m tranche and a €503m tranche.

UAE

MERAAS-BROOKFIELD JV LOAN TO CLOSE

Canadian asset management fund Brookfield and the real estate division of UAE holding company Meraas are due to complete a Dh2.4bn (US$654m) seven-year loan this week for a joint venture vehicle.

HSBC and *First Abu Dhabi Bank* are underwriters and bookrunners on the loan.

Real estate assets from Meraas will be transferred to the JV, and proceeds from the loan will be used to pay off loans attached to the real estate assets being transferred.

Toronto-based Brookfield Asset Management is an alternative asset management company with more than US$500bn in assets under management focusing on real estate, renewable power, infrastructure, and private equity. In March Brookfield agreed to buy a majority stake in Oaktree Capital Management for around US$4.7bn.

Meraas is a Dubai-based conglomerate with interests in real estate, hospitality, food and beverage, leisure and entertainment, and healthcare.

Shell seals US$10bn SOFR-based SLL

UK Major step towards market's transition from Libor-based pricing

ROYAL DUTCH SHELL has signed an innovative US$10bn revolving credit facility with Secured Overnight Financing Rate based pricing and with margins and fees linked to the company's progress towards its short-term net carbon footprint intensity target, as published in its sustainability report.

The financing is a major step towards the loan market's transition from Libor-based pricing to risk free rates ahead of the cessation of Libor at the end of 2021.

The unsecured RCF, which comprises a US$8bn five-year facility and a US$2bn one-year facility, both with two one-year extension options, will be used to replace Shell's existing US$8.84bn RCF that was due to mature in 2020.

SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from various market sources and published by the New York Federal Reserve Bank, Shell said. (see Top News)

Under the terms of the RCF, Libor interest will be replaced by SOFR as early as the first anniversary of the signing date of the financing, once the bank market is fully prepared for SOFR as an underlying rate.

Shell aims to reduce the net carbon footprint of the energy products it sells by around 50% by 2050 and by 20% by 2035 in step with society as it moves towards meeting the aims of the Paris Agreement.

The company has also set a three-year target to reduce its net carbon footprint by 2% to 3% by 2021 as compared with 2016.

Shell's net carbon footprint is a measure of the emissions intensity of the portfolio of energy products sold by the company.

The calculations includes a greenhouse gas emissions to equity calculation based on emissions directly from Shell operations, third parties' emissions caused by supplying energy for the production of the products Shell sells, and customers' emissions from consumption of the products that Shell sells.

Shell's net carbon footprint is presented annually to its environmental auditor Lloyds Register Quality Assurance.

Bank of America and *Barclays* were joint coordinators on the financing which is provided by a syndicate of 25 banks also including *ANZ*, *Bank of China*, *Banco Santander*, *BNP Paribas*, *Citigroup*, *Credit Agricole CIB*, *Credit Suisse*, *Deutsche Bank*, *Goldman Sachs*, *HSBC*, *ICBC*, *JP Morgan*, *Lloyds Bank*, *Mizuho Bank*, *Morgan Stanley*, *Natixis*, *Royal Bank of Canada*, *SMBC*, *Societe Generale*, *Standard Chartered Bank*, *TD Securities*, *UBS* and *Wells Fargo*.

Alasdair Reilly

UK

JLR SECURES £625m TL

JAGUAR LAND ROVER AUTOMOTIVE has agreed a £625m five-year term loan backed with a £500m guarantee from UK Export Finance under its new general export facility programme.

The amortising loan, which was completed in October and fully drawn, supports JLR's business including investment in the research and development of next-generation electric vehicles and future mobility systems.

It is the first UKEF guarantee issued under GEF. UK Export Finance is the operating name of the UK's Export Credit Guarantee Department.

GEF was set up this year to allow a wider range of exporters to access UKEF support.

Citigroup coordinated the loan as mandated lead arranger and facility agent.

Barclays, *HSBC*, *JP Morgan*, *NatWest* and *Standard Chartered Bank* were also mandated lead arrangers.

JLR also signed a £100m working capital facility to finance fleet buybacks in October.

INVESTEC BANK GETS US$450m TL

INVESTEC BANK has closed a US$450m term loan, which was increased after an oversubscription.

The facility has a two-year tenor with a one-year extension option and will be used for general corporate purposes and refinancing.

It was launched at US$350m and was more than two times subscribed before commitments were scaled back.

Bank of America, *Lloyds* and *Standard Chartered* were coordinators, with *Banco Santander*, *Bank of China*, *BNP Paribas*, *China Construction Bank*, *Citigroup*, *Commerzbank*, *HSBC*, *ICBC*, *ING*, *Intesa Sanpaolo*, *JP Morgan*, *Mizuho Bank*, *MUFG*, *State Bank of India*, *Johannesburg branch*, *State Bank of India WBB Bahrain*, *SMBC* and *Wells Fargo* as bookrunners and mandated lead arrangers.

Lead arrangers were *AfrAsia Bank*, *Credit Suisse*, *DZ Bank*, *Erste*, *NatWest*, *Oberbank*, *Korea Development Bank* and *Bank of New York Mellon*.

BofA was documentation agent and Commerzbank was facility agent.

In March, Investec Bank closed a A$150m (US$116m) three-year bullet term loan with ANZ and BNP Paribas as original mandated lead arrangers and bookrunners.

STAGECOACH EYES REFINANCING

Train and bus operator STAGECOACH GROUP is working on the refinancing of around

Johnson Controls goes sustainable on US$3bn RCFs

GREEN FINANCING Pricing linked to employee safety and greenhouse gas emissions

Multinational systems group **JOHNSON CONTROLS INTERNATIONAL** has tied the pricing of US$3bn of senior revolving credit facilities to employee safety and greenhouse gas emissions, becoming one of the first industrial companies to link RCFs to specific sustainability metrics in the US syndicated loan market.

The sustainability-linked facilities comprise a US$2.5bn five-year RCF and a US$500m 364-day RCF.

The five-year facility replaces a US$2bn RCF that was due to mature in August. The 364-day facility includes a one-year term out option.

The financing pays a margin and facility fee linked to ratings. For A/A2 the margin is 80.5bp over Libor with a 7bp facility fee; for A-/A3 it is 91bp and 9bp; for BBB+/Baa1 it is 102.5bp and 10bp; for BBB/Baa2 it is 112.5bp and 12.5bp; and for lower than BBB/Baa2 or not rated it is 120bp and 17.5bp.

Margins and facility fees can be further adjusted, up or down by up to 4.5bp and 0.75bp, respectively, on an annual basis, depending on Johnson Controls' performance on metrics aligned to employee safety, the reduction of emissions from energy efficiency and renewable energy customer projects and reductions in emissions from internal operations.

Employee safety is based on the total recordable incident rate measured as the number of incidents per 200,000 workhours according to the reporting rules of the US Department of Labor - Occupational Safety and Health Administration Severe Injury Reports.

Adjustments are based on a TRIR threshold of 10% over an increasing target level up to 2025.

For TRIR above the 10% threshold the margin will increase by 1.5bp and the facility fee increases by 0.25bp; for TRIR less than or equal to the TRIR threshold, but higher than the TRIR target there is no adjustment; and for TRIR of less than or equal the TRIR target the margin fee decreases by 1.5bp and the facility fee decreases by 0.25bp.

Similarly, adjustments on emissions intensity and emissions savings are also based on thresholds of 10% over pre-set target levels up to 2025.

For intensity above the 10% threshold the margin increases by 1.5bp and the facility fee increases by 0.25bp; for intensity of less than or equal to the threshold, but higher than the target level there is no adjustment; and for intensity of less than or equal to the target the margin decreases by 1.5bp and the facility fee decreases by 0.25bp.

For emissions savings below the 10% threshold, the margins increase by 1.5bp and the facility fee increases by 0.25bp; for savings greater or equal to the threshold, but less than the target level there is no adjustment; and for savings of more than the target the margin decreases by 1.5bp and the facility fee decreases by 0.25bp.

A total of 18 banks committed to the facilities, led by lead arrangers and bookrunners *JP Morgan*, *Bank of America*, *Barclays* and *Citigroup*.

ING was sustainability structuring agent.

MUFG, *Credit Agricole CIB*, *Deutsche Bank*, *Standard Chartered Bank*, *TD Bank*, *UniCredit*, *US Bank*, *Wells Fargo*, *BBVA*, *Bank of New York Mellon*, *Danske Bank*, *ICBC* and *Westpac* also participated.

Ireland-domiciled Johnson Controls is listed in New York and rated BBB+ by S&P, Baa2 by Moody's and BBB by Fitch.

Alasdair Reilly

£500m of its principal bilateral credit facilities, which are due to mature in October 2021.

Stagecoach expects to agree new facilities in 2020.

The company arranged £535m of bilateral facilities in October 2014 via a group of relationship banks.

That financing was for five years plus two one-year extension options. The first extension option was exercised in 2015 for the full amount of the loans, with £480m of the financing subsequently extended in 2016.

Stagecoach is rated BBB-/Baa3.

BALFOUR BEATTY AGREES £375m RCF

Infrastructure group **BALFOUR BEATTY** has agreed a £375m three-year revolving credit facility, replacing the company's £400m core RCF that was due to mature in December.

Terms on the financing are substantially unchanged from the previous RCF.

The new RCF will mature in October 2022.

Lloyds Bank, *HSBC* and *China Construction Bank* were mandated lead arrangers.

They were joined by *Bank of America*, *Royal Bank of Canada*, *MUFG*, *First Abu Dhabi Bank*, *CIBC*, *Fifth Third Bank* and *Credit Agricole CIB*. Lloyds Bank is facility agent.

NORTH AMERICA

UNITED STATES

AGREE REALTY LOCKS IN US$600m

AGREE REALTY has increased its credit facilities to US$600m from US$350m.

The facility comprises a US$500m unsecured revolving credit facility and US$100m in term loans, both maturing in January 2024.

The revolving credit facility and term loans have two six-month extension options for a maximum maturity date of January 15, 2025.

There is also an accordion option to request additional lender commitments of US$500m under either facility, for a total US$1.1bn.

Pricing on the revolving credit facility ranges is 77.5bp-145bp over Libor, determined by the company's credit ratings and its leverage ratio. Agree Realty's Baa2 rating places interest at 82.5bp over Libor.

The term loans are priced at 85bp-165bp over Libor. Agree Realty will use existing interest rate swaps to fix Libor at approximately 2.13%. Based on the company's Baa2 rating, the interest rate on the term loans is 3.13%.

As of December 5, Agree Realty had borrowed US$193m under the revolving credit facility.

PNC, *Citigroup* and *Wells Fargo* were lead arrangers for the revolving credit facility.

PNC, *Capital One*, *Regions*, *SunTrust* and *US Bank* were lead arrangers for the term loans.

PENTAIR CLOSES TERM LOAN

Industrial manufacturing company **PENTAIR** has closed a US$200m 3.3-year term loan.

Proceeds will refinance notes that mature in December 2019.

The funding is in addition to a US$900m five-year revolving credit scheduled to mature on April 25 2023, which is when the new term loan will also mature.

US Bank arranged the financing as lead-left, bookrunner and lead arranger.

Bank of America, *JP Morgan* and *Wells Fargo* were bookrunners and lead arrangers. Six lenders committed to the facility, which was oversubscribed.

Pricing was 100bp over Libor, based on the better of a ratings-based or leverage-based grid.

Pentair is rated BBB- by S&P.

BRUKER SIGNS US$900m LOANS

Life science company BRUKER has signed a US$600m revolving credit facility and a US$300m term loan.

The five-year RCF matures on December 11 2024 and replaces the company's US$500m revolving loan that terminated on Wednesday. The term loan matures in seven years.

Bank of America is the administrative agent, and bookrunner and lead arranger for the revolving credit. *Deutsche Bank* and *Wells Fargo* are also bookrunners and lead arrangers.

Bank of America was also administrative agent for the term loan.

Other lenders are *Citizens Bank*, *TD Bank*, *Credit Suisse*, *US Bank* and *Peoples United Bank*.

Pricing for the revolving credit facility and term loan is based on leverage. The opening price is 125bp with a 15bp facility fee on the RCF from to March 31 2020.

For a leverage ratio of less than 1.0 times the margin is 100bp over Libor and the facility fee on the RCF is 10bp; for 1.0-1.75 times it is 112.5bp and 12.5bp; for 1.75-2.5 times it is 125bp and 15bp; and for 2.5 times or more it is 150bp and 20bp.

AMGEN AMENDS US$2.5bn RCF

Biotechnology company AMGEN has amended and restated a US$2.5bn five-year revolving credit.

The RCF, which matures in December 2024, modifies a deal from July 2014.

Citigroup is the administrative agent and *JP Morgan* is syndication agent. Citigroup, JP Morgan, *Barclays*, *Bank of America*, *Goldman Sachs* and *Morgan Stanley* were lead arrangers and bookrunners.

Other lenders are *BNP Paribas*, *Credit Suisse*, *Deutsche Bank*, *HSBC*, *Mizuho*, *MUFG*, *Royal Bank of Canada*, *Sumitomo* and *Wells Fargo*.

Pricing is based on a ratings grid. Amgen is rated Baa1 by Moody's, A- by S&P and BBB+ by Fitch.

For A1/A+ the margin is 70bp over Libor with a 5bp facility fee; for A2/A it is 80.5bp and 7bp; for A3/A- it is 91bp and 9bp; and for Baa1/BBB+ it is 102.5bp and 10bp.

LENDINGTREE AMENDS US$500m RCF

LENDINGTREE has signed an amended and restated US$500m five-year revolving credit facility.

Truist Bank is the administrative agent and *SunTrust Robinson Humphrey* is the sole arranger and bookrunner.

Bank of America, *Wells Fargo*, *Regions Bank* and *Royal Bank of Canada* are co-syndication agents. Other lenders are *Goldman Sachs*, *PNC* and *Mizuho*.

The maturity of the revolving credit facility has been extended to December 10 2024.

Proceeds will be used to finance working capital needs, capital expenditures and general corporate purposes.

Pricing is on a leverage ratio-based grid. For a net leverage ratio of 4.0 times or more the margin is 200bp over Libor and the commitment fee is 45bp; for 3.0-4.0 times it is 175bp and 35bp; for 2.0-3.0 times it is 150bp and 30bp; and for 2.0 times or lower it is 125bp and 25bp.

BB&T and SunTrust announced in June the two firms would combine to become the sixth-largest US bank holding company. The combined entity, with US$442bn of assets under management, was named Truist Bank.

CANADA

MAPLE LEAF SIGNS FIRST SLL

MAPLE LEAF FOODS has signed the first sustainability-linked loan in Canada.

BMO Financial Group is bookrunner and sustainability structuring agent on the US$2bn loan.

BMO Capital Markets, *Scotiabank*, *RBC*, *CIBC* and *Rabobank Canada* were co-lead arrangers.

Bank of America, *JP Morgan*, *National Bank Financial* and *Toronto Dominion Bank* participated as additional lenders.

The facilities comprise a revolving credit and two term facilities for a period ranging from 2019 to 2024.

If Maple Leaf Foods meets targets on electricity use, water use, solid waste and reduction of carbon emissions, the interest rate on the lending facility will decrease.

In June, BMO committed to mobilising US$400bn of sustainable finance by 2025. The commitment includes management of client investments with sustainable objectives, and mobilising US$150bn in capital to support companies' sustainability goals. The bank also created a US$250m impact investment fund.

LEVERAGED LOANS

UNITED STATES

CORECIVIC SEEKS CONTROVERSIAL TERM LOAN

Private prison operator CORECIVIC has turned to a new bank to lead a US$250m term loan after a number of US investment banks said they were stepping away from lending to the private prison industry.

The company has tapped *Nomura* for the new Term Loan B that will refinance US$325m in senior notes due 2020.

Previous lenders, including JP Morgan, Bank of America, PNC and SunTrust, said this year that they would no longer lend to private prisons after public outcry about the centres.

Wells Fargo and BNP Paribas, which previously arranged financing for peer company GEO Group, also said this year that they would back away from private prison lending amid public pressure.

Immigration has been the subject of heated national debate and came to the forefront last year after President Donald Trump signed a memorandum to end the policy known as 'catch and release,' in which immigrants were not held while awaiting a court hearing. Massive protests followed after children were separated from their parents at the US border.

US Senator and presidential hopeful Elizabeth Warren has continually criticised the use and conditions of private prisons. In November 2018, Warren and her colleagues wrote letters to CoreCivic, GEO Group and Nakamoto Group criticizing inhumane conditions at detention facilities.

In the letter to CoreCivic Chief Executive Officer Damon Hininger, Warren called on CoreCivic to release information on compliance with standards designed to protect the well-being of detainees housed in facilities and criticised the company's aggressive lobbying efforts to "promote policies that boost its profits."

CoreCivic responded to SunTrust, JP Morgan and Bank of America in separate statements calling their decision to stop lending to private prisons "politicised."

AMERICAS LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BofA	1042	298,923.87	12.1
2	JP Morgan	981	298,628.26	12.1
3	Wells Fargo	814	200,806.19	8.1
4	Citigroup	554	200,667.68	8.1
5	MUFG	310	108,527.87	4.4
6	RBC	342	93,382.16	3.8
7	Barclays	339	90,137.75	3.6
8	Morgan Stanley	175	68,312.40	2.8
9	BMO	391	64,202.43	2.6
10	TD Securities	259	62,471.75	2.5
	Total	**4,176**	**2,474,031.41**	

Proportional credit

Source: Refinitiv SDC code: R7

SEC monitoring leveraged loans and CLOs

■ US Commission also focused on transition away from Libor

The Securities and Exchange Commission is monitoring corporate debt markets and leveraged lending, the chairman of the regulator said ahead of a Congressional hearing last Tuesday.

The SEC is focused on the size and quality of corporate debt, as well as the type and location of investors holding the credits, SEC chair Jay Clayton said in written testimony before the US Senate Committee on Banking, Housing and Urban Affairs hearing.

As the market for corporate debt changes – with more being held by investors than banks – the SEC is considering whether new or updated monitoring measures and tools are necessary, he said, noting the significant growth in corporate debt does not, in itself, present a systemic risk.

"Global government policy has shifted direct credit exposure from the banking sector to the capital markets sector and indirect credit exposure to new channels," Clayton said in his testimony. "We have observed a rise in both passive and structured investing in our credit markets, with a significant shift from debt held directly by investors to debt held through funds, including collateralised loan obligations."

Years of low interest rates coupled with increasing demand from investors for floating-rate loans allowed companies to borrow cheaply on looser documents, leading to outcries from senator Elizabeth Warren, former Federal Reserve chair Janet Yellen and Mark Carney, governor of the Bank of England.

Non-financial corporate debt in the US stands at almost US$10trn, about 50% of the US gross domestic product, Clayton said in his testimony. The US leveraged loan market has more than doubled since the credit crisis to US$1.2trn this month from US$594.2bn at the start of 2009, according to Refinitiv LPC data.

Lawmakers and regulators have been ringing the warning bell about the loan asset class, concerned that the increase in company leverage could end up deepening the next downturn and leading to lower investor recoveries.

The Office of the Comptroller of the Currency in its semi-annual risk perspective released on Monday said risk in leveraged lending remains elevated but relatively stable. The regulator noted that many leveraged loans had marginal or weak transaction structures, aggressive repayment assumptions and are held by investors in instruments such as CLOs, away from its oversight.

"Significant leveraged loan exposure exists outside the federal banking system, resulting in less transparency and more uncertainty on the systemic credit impact from a material economic downturn," the OCC wrote in the report.

LIBOR COUNTDOWN

The SEC is also increasingly focused on the transition away from Libor, Clayton said in the prepared testimony.

Libor, to which trillions of dollars of investments are pegged, will be retired by the end of 2021 after Andrew Bailey, the chief executive of the UK's Financial Conduct Authority, two years ago said there were insufficient transactions underpinning the benchmark.

"The discontinuation of Libor at the end of 2021 could have a significant impact on financial markets and may present a material risk for market participants, including public companies, exchanges, clearing agencies, investment advisers, investment companies and broker-dealers," Clayton said.

Market participants should asses their exposure to Libor and decide how to manage that risk, ensuring contracts that extend beyond 2021 either do not reference Libor or if they do, have effective fallback language transition to a new benchmark, he said.

Kristen Haunss

With that backdrop, CoreCivic is seeking the new loan to refinance the notes that mature in due April 2020, the source said. The company is offering to pay lenders 450bp over Libor with a 95 OID and a 1% floor.

The term loan will be secured by a first priority lien on a select pool of real estate assets that have active management contracts with US state government partners, according to Moody's.

"By pledging previously unencumbered assets as collateral...the transaction is a material shift from the [Real Estate Investment Trust's] historical unsecured capital strategy and evidence of reduced market access within the private prison sector," analysts at the ratings firm wrote.

CoreCivic is rated Ba1/BB.

Spokespeople for CoreCivic and Nomura did not respond to calls or email requests for comment.

CALPINE REPRICING AGAIN

Power generator CALPINE is looking to lower pricing on a US$1.532bn first-lien term loan B, its second repricing exercise in a week.

Maturing in January 2024, the TLB5 is being offered at 225bp over Libor with a 0% floor and 101 soft call protection for six months. The loan is being offered without an OID.

Pricing on the facility is currently 250bp over Libor.

Corporate ratings are Ba3/B+ and the loan is rated Ba2/BB.

Credit Suisse is leading the transaction.

Earlier last week, the company repriced its US$947.63m term loan B.

The first-lien TLB9 priced at 225bp over Libor, the tight end of guidance of 225bp-250bp.

There was no Libor floor, soft call protection was reset for a further six months and the TLB was issued at par.

Credit Suisse also led that transaction.

In April, Calpine raised a US$950m seven-year TLB at 275bp over Libor.

Semiconductor chemicals specialist CABOT MICROELECTRONICS is looking to cut 25bp off its US$957m term loan B.

The TLB, which matures in November 2025, is being offered at 200bp over Libor with a 0% floor, 99.88 to par OID and 101 soft call protection for six months.

JP Morgan and *HSBC* are arranging the transaction.

In October 2018, Cabot raised US$1.065bn in seven-year TLB debt to back its acquisition of KMG Chemicals.

The loan was placed at 225bp over Libor with a 0% floor.

Cabot is rated Ba2/BB.

The company has targeted net leverage of roughly 2.0 times and reduced its debt by US$100m in the first half of 2019, Moody's said.

Broadcaster CBS RADIO is repricing a US$770m term loan B.

The first-lien TLB is being offered at 250bp over Libor with a 0% floor, 99.75 to par OID and 101 soft call protection for six months.

JP Morgan is leading the transaction.

Proceeds will reprice a TLB due in November 2024.

The company is rated B1/B+.

Debt to Ebitda is expected to be between 4.6-4.8 times this year and decline to 4.2-4.4 times in 2020, according to S&P.

In November 2017, CBS Radio raised an US$830m incremental term loan at 275bp over Libor with a 0% floor.

The incremental loan was used to back the spin-off of CBS Radio from CBS Corp. The company then merged with broadcasting peer Entercom.

CHESAPEAKE WRAPS US$1.5bn TL

Oil and gas company **CHESAPEAKE ENERGY** has completed a US$1.5bn first-lien, last-out term loan facility.

The 4.5-year term loan priced at 800bp over Libor, with an OID of 98.

The loan will be non-callable until 1.5 years, then callable at 105, and finally 102.5 for the final 1.5 years.

JP Morgan, *Bank of America*, *Morgan Stanley* and *MUFG* arranged the transaction.

Proceeds of the loan will go towards funding a tender offer and consent solicitation of outstanding notes from Chesapeake's subsidiary, Brazos Valley.

It will also be used to repay borrowings under Brazos Valley's revolving credit facility.

The company is also issuing US$1.5bn of second-lien notes due 2025 to finance the tender offer.

Baked goods company **HOSTESS BRANDS** closed a US$140m fungible add-on to a Term Loan B to fund its acquisition of Voortman Cookies.

The add-on priced at 225bp over Libor with a 0.75% floor and 101 soft call protection will be reset until April 1 2020. The deal was issued with a 99.75 OID, tightened from 99.25.

Credit Suisse, *Citigroup*, *Nomura* and *Morgan Stanley* coordinated the add-on.

Hostess agreed to acquire Voortman from Swander Pace Capital for about US$320m.

Voortman manufactures cream wafers and sugar free cookies.

Hostess will tack on the debt to its TLB maturing in August 2025.

Corporate ratings are B1/B+ and the first-lien TLB is rated B1/BB-.

Pro forma debt to Ebitda will increase to around 5.3 times after this transaction, but will decline to less than 5.0 times within the next 12 months, according to Moody's.

In September, Hostess raised US$979m in term loan debt at 225bp over Libor with a 0.75% floor.

This transaction refinanced an existing term loan and extended its debt by three years to August 2025.

Meat processor **JBS USA** has repriced the US$1.9bn term loan it signed in May.

Pricing has been reduced by 50bp to 200bp over Libor at par.

The sole lead arranger and sole bookrunner for the repricing is *RBC*. Barclays is administrative agent.

The seven-year term loan, which replaced JBS's existing Term Loan B, was agreed in May paying 250bp over Libor with a 0% floor and an OID of 99.75.

Barclays was left lead on the transaction and was joined by BMO, RBC, Rabobank, SunTrust and US Bank.

JBS USA is a wholly-owned subsidiary of Brazilian processor of fresh beef and pork JBS SA.

ARAMARK SEALS US$900m LOAN

Food services provider **ARAMARK SERVICES** completed a US$900m loan at the tight end of guidance.

The seven-year Term Loan B was priced at 175bp over Libor versus a range of 175bp–200bp. The OID was also amended to 99.875 from 99.5.

The Libor floor remains at 0% and soft call protection is unchanged at 101 for six months.

Credit Suisse, *JP Morgan*, *Barclays*, *Bank of America*, *Goldman Sachs* and *Wells Fargo* arranged the deal.

Corporate ratings are Ba2/BB+ and the first-lien debt is rated Ba1/BBB–.

Proceeds from the loan will repay Aramark's US$900m senior unsecured bond that comes with a 5.125% coupon and matures in 2024.

The transaction is leverage neutral. The company's total debt outstanding at September 30 2019 was roughly US$6.7bn, S&P said.

Adjusted debt to Ebitda is around 4.0 times, the ratings agency said.

Education software provider **LIAISON INTERNATIONAL** completed a US$225m first-lien Term Loan B that will finance the buyout of the company by Meritage Group.

The seven-year TLB was priced at 450bp over Libor with a 1% floor and 101 soft call protection for six months. The OID was amended to 99.75 from 99.5.

The deal was shopped at 450bp–475bp.

Credit Suisse and *UBS* arranged the transaction.

Corporate and first-lien ratings are B2/B.

Adjusted debt to Ebitda is in the high-7.0 times range, which is expected to fall to less than 7.0 times by the end of the 2021 fiscal year, Moody's said.

Clinical research firm **WIRB-COPERNICUS GROUP** tightened the price and finalised the terms on a US$1.4bn debt package.

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.

The first-lien TLB was priced at 400bp over Libor versus guidance of 425bp–450bp with a 1% floor and 99 OID.

Soft call protection was amended to 101 for 12 months from the previously proposed six months.

WCG must also conduct quarterly lender calls.

The most-favoured nation clause is set at 50bp with a 12-month sunset versus the six-month sunset that was floated at guidance.

Other investor-friendly amendments were made to the documentation, including tighter restricted payment baskets, stricter requirements on future investments and a reduced excess cashflow sweep, among others, the source added.

Barclays, *Morgan Stanley*, *Goldman Sachs*, *BMO Capital Markets*, *Golub Capital* and *HSBC* are arranging the transaction. Barclays is also the administrative agent.

Proceeds will support the company's acquisition by Leonard Green & Partners.

WCG is rated B3/B.

Pro forma debt to Ebitda is estimated to be initially between 8.0 and 9.0 times under the new capital structure, S&P said.

Private equity firm Leonard Green & Partners, in partnership with Arsenal Capital Partners and Novo Holdings, agreed to recapitalise WCG for an undisclosed amount.

BERRY TIGHTENS PRICING

Plastics maker **BERRY GLOBAL** has tightened the spread on a US$3.85bn term loan B repricing.

The term loan Y priced at 200bp over Libor with a 0% floor versus guidance of 225bp. The margin step-down has been removed.

The OID was also amended to 99.875 from par and soft-call protection remains at 101 for a further six months. The term loan matures in July 2026.

Goldman Sachs led the deal. Berry Global is rated Ba3/BB+.

Insurance broker **AMWINS** has wrapped up a US$250m fungible add-on to an existing term loan B.

The add-on priced at 275bp over Libor with a 1% floor, 99.5 OID and 101 soft-call protection for a further six months. The OID was tightened from 99.05.

The debt will be fungible with a TLB maturing in January 2024.

US LEVERAGED LOANS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BofA	537	101,206.74	11.6
2	JP Morgan	493	86,458.70	9.9
3	Wells Fargo	410	85,476.68	9.8
4	Citigroup	226	41,254.64	4.7
5	Barclays	213	39,869.12	4.6
6	Goldman Sachs	211	37,441.44	4.3
7	Credit Suisse	182	33,785.42	3.9
8	Deutsche Bank	188	30,558.95	3.5
9	RBC	140	26,377.80	3.0
10	SunTrust Banks	183	22,900.42	2.6
	Total	**2,055**	**869,856.41**	

Excluding Project Finance.

Source: Refinitiv SDC code: P2

Refinitiv looks to slash costs on US$6.45bn loan

■ LEVERAGED MARKET Repricing comes a year after record buyout

Financial data and content services provider REFINITIV has returned to the loan market looking to reprice roughly US$6.45bn in debt, just four months after the company agreed to a US$27bn acquisition by the London Stock Exchange Group.

The term loan is one part of Refinitiv's US$12.825bn bond and loan financing that backed the US$20bn purchase of a majority stake in the company by a consortium led by US private equity firm Blackstone in September 2018. The transaction is one of the largest leveraged buyouts since the financial crisis.

Refinitiv's repricing comes on the back of robust trading in its bonds and loans in the secondary market as investors welcomed the potential acquisition of the company by the publicly traded LSE.

"Investors view Refinitiv as a much better credit given the announcement from the LSE. A lot of the concerns around the financing from Blackstone have settled too," said one investor with knowledge of the transaction. "The concerns are not the business, but the loan documents, sponsor risk and high leverage."

When Refinitiv launched its financing in September last year, the documentation was criticised for including some of the weakest investor protections seen since the financial crisis such as Ebitda add-backs based on projected cost savings. Adjusted total leverage on a pro forma basis was estimated at 5.3 times when the financing was in market, but Moody's estimated pro forma total leverage of about 7.6 times at the end of June 2018.

Fourteen months on, Refinitiv is shopping the term loan B at a rate of 325bp-350bp over Libor, a move that could lower the interest rate on the loan by up to 50bp from 375bp over Libor.

Bank of America is arranging the transaction.

REPRICING WAVE

Refinitiv is one of more than a dozen US borrowers looking to cut costs on their existing loans this month. Companies higher up the credit ratings spectrum are taking advantage of investor demand for the safer haven of Double B rated debt, as uncertainty lingers over the US-China trade war and a slowdown in global growth.

While several companies are using their stronger, Double-B credit ratings to leverage investors' flight to quality, the Single B rated Refinitiv comes to market on the back of positive momentum after the LSE announcement.

"Given the existing pricing on the loans, I expected a repricing of the dollars," a second investor said.

On Wednesday, Refinitiv's term loan, which matures in 2025, dropped to an average bid of 100.25 from 101 after speculation of a repricing emerged.

The company's senior unsecured bonds, due in 2026, have also rallied to a cash price of 113 cents this month, after hitting a low of 91.1 cents on the dollar in December 2018, according to MarketAxess data. The secured bonds, also maturing in 2026, are now at 109.375 cents this month, compared to a low of 96.265 a year ago.

The LSE, meanwhile, is supporting the purchase of Refinitiv from Blackstone with US$9.325bn and €3.58bn in bridge loans.

In September 2018, Refinitiv raised US$9.25bn in term loans to back the Blackstone-led consortium's US$20bn purchase of a 55% stake in the company from Thomson Reuters. This comprised a US$6.5bn seven-year term loan and a US$2.75bn-equivalent seven-year loan in euros.

Refinitiv also raised US$2.825bn in bonds.

IFR is owned by Refinitiv.

Aaron Weinman

Goldman Sachs, *Barclays*, *JP Morgan*, *Morgan Stanley* and *Wells Fargo* led the transaction.

AmWINS will use proceeds from the add-on, along with a US$250m unsecured bond and cash on hand, to fund a dividend to shareholders.

Corporate ratings are B1/B+ and the first-lien loan is Ba3/B+.

The add-on will increase the size of the term loan B to US$1.81bn, S&P said.

AmWINS' pro forma debt to Ebitda, when accounting for the add-on and earnings from recent acquisitions, will increase to 5.9 times from 5.1 times, S&P said.

Gaming equipment provider EVERI HOLDINGS has repriced a US$751m term loan B.

The five-year TLB priced at 275bp over Libor with a 1% floor. The loan was previously priced at 300 over Libor with a 1% floor.

The *Jefferies*-led loan carries 101 soft-call protection for six months. The maturity remains May 9 2024. The company is rated B2/B+.

COX MEDIA UPS LBO LOAN

COX MEDIA GROUP has increased its term loan B to US$2.025bn from US$1.875bn and finalised pricing on the wide end of guidance.

The seven-year TLB priced at 425bp over Libor with a 0% floor, versus guidance of 400bp-425bp.

The loan was issued at a discount of 99.5 and soft-call protection was set at 101 for six months.

RBC Capital Markets arranged the deal, which backs the company's leveraged buyout by Apollo Global Management.

In February, CMG parent Cox Enterprises agreed to sell a majority interest in CMG to funds managed by affiliates of Apollo.

The purchase includes CMG's broadcast television stations, the company's radio, newspaper and television properties in Ohio. Cox Enterprises will retain a minority stake in CMG.

To fund the roughly US$3.9bn acquisition, CMG raised US$1.015bn in unsecured bonds and a US$325m revolving credit facility.

The unsecured bond was reduced by US$150m and this was added to the first-lien TLB.

CMG is rated B2/B, the first-lien TLB is rated Ba3/BB- and the company's bonds will be rated Caa1/CCC+.

Pro forma debt to Ebitda will be roughly 6.2 times at the conclusion of the transaction, according to S&P. Leverage is expected to improve to less than 6.0 times in 2020 on the back of revenue growth and strong political advertising revenue throughout a presidential election year in the US.

Gaming facility owner and operator PCI GAMING AUTHORITY was scheduled on Friday to close a repricing of a US$1.177bn term loan B that it raised in May this year.

The TLB, which matures in May 2026, was offered at 225bp-250bp over Libor with a 0% floor and 101 soft-call protection for six months. The loan was offered to investors at par.

PCI's loan is currently paying 300bp over Libor with a 0% floor.

Credit Suisse was leading the transaction.

Corporate and first-lien ratings Ba3/BB+/BBB-.

In May, PCI raise a US$1.4bn TLB that was used to fund its acquisition of the Sands Casino Resort in Bethlehem, Pennsylvania.

Commercial real estate financial services firm WALKER & DUNLOP has repriced its US$298m term loan B.

The TLB, which matures in November 2025, priced at 200bp over Libor with a 0%

floor and 101 soft-call protection for six months. There is no OID.

JP Morgan and *Wells Fargo* coordinated the transaction.

In November 2018, Walker & Dunlop raised US$300m in seven-year debt at 225bp over Libor with a 0% floor.

Corporate ratings are Ba2/BB and the first-lien loan is rated Ba2/BB+.

Insurance broker **NFP** was scheduled to close on Friday a US$175m incremental term loan B.

Proceeds from the five-year loan, which is fungible with existing debt, will be used to fund acquisitions. It is being sold at a discount of 99.04.

Bank of America was lead arranger.

The loan is rated B2/B, and the company is rated B3/B.

Prior to this transaction, Moody's said NFP had pro forma leverage of more than 7.5 times.

NFP finalised terms on a US$200m incremental loan in October 2018.

EUROPE/MIDDLE EAST/ AFRICA

LOAN PREPPED FOR BASF UNIT

Banks are lining up around €1.5bn-equivalent of debt financing to back a sale of **BASF**'s construction chemicals business, after the German company entered exclusive talks with Lone Star over the disposal of the unit.

Deutsche Bank is expected to lead the leveraged loan financing, alongside a number of other banks including *Goldman Sachs*. A full bank group is expected to be appointed soon.

The financing comprises around €1.1bn of euro-denominated term loans, while the addition of US dollar terms loans could push the all-senior financing to around €1.5bn-equivalent. That would equate to around 4.25-4.5 times the unit's Ebitda.

The financing is set to launch for syndication to leveraged loan investors in the first quarter.

Blackstone's GSO Capital has taken half of the loan, leaving only half of the financing available for syndication to other institutional investors. This move is expected to cut banks' underwriting fees in half.

The loan for BASF has been compared to a €1.8bn buyout financing for German chemicals group Evonik's methacrylates plastics unit, called Madrid, where banks were left holding a significant amount of paper, unable to sell it down in primary syndication.

Lone Star vied with a consortium comprising buyout groups Cinven - which owns peer Chryso - and Bain, for the world's largest maker of chemical additives for concrete.

BASF decided to sell the unit to focus on more profitable operations.

LOAN AND BOND FOR ENDEMOL BUY

French entertainment company **BANIJAY GROUP** is financing its acquisition of **ENDEMOL SHINE** with a €2.5bn debt financing.

Deutsche Bank, *Natixis* and *Societe Generale* have underwritten the financing.

The financing is expected to include a €1bn term loan B, €1bn of senior secured notes and €400m-€500m of unsecured notes.

It is expected to launch for syndication to investors in early 2020.

The debt will back the acquisition and refinance Banijay's and Endemol's debt.

Banijay is acquiring Endemol from Walt Disney and Apollo Global Management.

Post-closing, the combined group will be held by LDH with a 67.1% stake and Vivendi with 32.9%.

The combined group will own almost 200 production companies in 23 territories and the rights for nearly 100,000 hours of content.

Pro forma revenue of the combined group is expected to be around €3bn for the year to December 31.

BANKS AWAIT NOD ON ARMACELL

Banks are set to be appointed on a debt financing backing an acquisition of insulation foam maker **ARMACELL** that will total around €800m.

Private equity firm PAI Partners and Lego owner Kirkbi said on December 4 they will buy Armacell from Blackstone Group for an undisclosed sum.

Banks are expected to be appointed shortly and the financing will launch for syndication in the first quarter.

The financing is expected to include leveraged loans.

PAI Partners will become the majority shareholder of Armacell.

Danish family investor Kirkbi, which has been an investor in Armacell since 2016, will increase its stake in the company to a "significant minority position".

PLATINUM TAKES THE BISCUIT

Banks are lining up to provide €690m of leveraged loans to back investment firm Platinum Equity's acquisition of **BISCUIT INTERNATIONAL**.

BNP Paribas will lead the financing alongside a handful of other banks, which are due to be appointed imminently.

The financing will be launched for syndication to investors in January.

The financing will comprise a €490m term loan B, a €110m second-lien loan and a €90m revolving credit facility.

The financing will total around 6.0 times Biscuit's approximate €100m Ebitda.

Headquartered in Paris, Biscuit International employs approximately 1,900 people and generated sales of more than €500m during the last 12 months, of which approximately two-thirds came from outside France.

MFG WRAPS DIVI RECAP

Clayton, Dubilier & Rice-owned UK forecourt operator **MOTOR FUEL GROUP** has closed a €221m dividend recapitalisation in line with guidance.

The loan will pay 350bp over Euribor, with a 0% floor at 99.75 OID. A lender waiver was also approved by a majority of lenders, which received a 25bp consent fee.

EUROPEAN LEVERAGED LOANS

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	73	12,567.28	9.1
2	JP Morgan	51	12,042.11	8.8
3	Credit Agricole	51	8,899.29	6.5
4	Goldman Sachs	44	8,876.23	6.5
5	Deutsche Bank	44	6,867.74	5.0
6	Barclays	38	5,865.79	4.3
7	Natixis	36	5,784.41	4.2
8	SG	29	5,659.40	4.1
9	Credit Suisse	30	5,578.52	4.1
10	BofA	24	4,936.88	3.6
	Total	**220**	**137,349.79**	

Excluding project finance. Western Europe only included.

Source: Refinitiv SDC code: P10

EMEA SPONSORED LOAN BOOKRUNNERS

BY VOLUME: 1/1/2019 TO DATE

Europe, Middle East, Africa

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	29	7,285.97	9.8
2	Deutsche Bank	38	5,925.51	8.0
3	Credit Agricole	33	5,527.65	7.4
4	Credit Suisse	23	5,098.12	6.9
5	BNP Paribas	40	4,887.21	6.6
6	Goldman Sachs	27	4,854.22	6.5
7	Natixis	30	4,348.30	5.9
8	BofA	18	3,266.24	4.4
9	SG	18	2,943.36	4.0
10	Barclays	22	2,520.37	3.4
	Total	**132**	**74,225.62**	

Excluding project finance.

Source: Refinitiv SDC code: P13

The new loan is fungible with MFG's term loan B that now totals €786.6m.

BNP Paribas led the leveraged loan financing, alongside *Barclays*, *Citigroup*, *Deutsche Bank*, *Goldman Sachs*, *HSBC*, *ING*, *NatWest*, *RBC* and *Societe Generale*.

Clayton, Dubilier & Rice acquired MFG in 2015, and merged it with peer MRH in 2018 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.

HUT ALLOCATES €600m REFI

UK online health and beauty retailer **THE HUT GROUP** has allocated a €600m leveraged loan refinancing.

The seven-year covenant-lite TLB priced at 450bp over Euribor, with a 0% floor at 99 OID, in line with guidance.

Barclays, *Citigroup* and *HSBC* were global coordinators. Barclays was admin agent.

In April, THG amended approximately US$1bn-equivalent of banking facilities to support upcoming investments in beauty, technology and infrastructure.

A £600m revolving credit facility was increased and extended with a new four-year maturity, while a £195m M&A loan was extended to become a three-year facility.

Manchester-based THG had sales of more than US$1.2bn in 2018.

AWAZE UPS ADD-ON

Holiday rental company **AWAZE** has increased its term loan B add-on to €130m from €100m.

The *Bank of America*-led loan is fungible to an existing loan, which pays 450bp over Euribor with a 0% floor. It matures in May 2025 and was issued at 99.5 OID.

European Vacation Rentals was renamed Awaze earlier this year, and includes brands such as Hoseasons, James Villas, Landal GreenParks and Novasol.

The London-based company was originally formed in 2018 when Wyndham Worldwide sold its European vacation rental business to Platinum Equity for US$1.3bn.

The buyout was backed with €857m of loans, comprising a €585m seven-year term loan B that priced at 450bp over Euribor with a 99 OID, and a €167m second-lien facility.

MEHILAINEN CUTS PRICING

CVC-owned Finnish private healthcare company **MEHILAINEN** has repriced its €200m second-lien term loan and its €760m first-lien term loan B, and has allocated a €380m add-on loan.

The second-lien loan has been repriced to 725bp over Euribor with a 0% floor and at par, the same as the initial guidance. Existing pricing was 750bp.

Both the incremental first-lien term loan B and existing TLB priced at 375bp over Euribor, the tight end of 375bp-400bp initial guidance, and at par. The OID launched at 99.75-par.

The deal includes a margin ratchet with a six-month ratchet holiday. The margin will be at 375bp for leverage above 4.25 times, reducing to 350bp for a leverage ratio in the 3.75-4.25 times range and to 325bp for leverage of below 3.75 times.

Global coordinators *Barclays* and *Nordea* led the financing, alongside bookrunners *Danske Bank*, *Credit Agricole*, *HSBC*, *MUFG* and *SMBC*.

Mehilainen raised the €760m TLB in July 2018, to back CVC's acquisition of the company. It priced at 425bp over Euribor with a 0% floor and a 99.5 OID.

At the same time it raised the €200m eight-year second-lien term loan. The financing also included a €125m revolving credit facility.

Corporate ratings are B3/B/B and first-lien ratings are B2/B/B+. Second-lien ratings are Caa2/CCC+/CCC+.

BIOGROUP ALLOCATES ADD-ON

French laboratory services group **BIOGROUP LCD** has allocated a €240m term loan B add-on.

The first-lien term loan B was issued with a 99.75 OID. The margin is the same as existing term loan, which pays 375bp over Euribor with a 0% floor.

The add-on, which includes 101 soft call for six months, will mature in April 2026.

Proceeds will finance acquisitions and repay revolving credit facility drawings.

Lenders will get a ticking fee on the delayed draw portion of the loan. The fee finalised at 50% of the margin after 46 days, as opposed to initial guidance of after 61 days, and the full margin after 91 days.

Corporate ratings are B-/B2/B, while facility ratings are B-/B2/B+.

JP Morgan and *Natixis* were physical bookrunners. Natixis is admin agent.

ASIA-PACIFIC

LOAN SOUGHT FOR CHINA BIOLOGIC BUYOUT BID

A consortium of buyers is seeking a US$1.6bn multi-tranche loan to back the proposed buyout of Nasdaq-listed **CHINA BIOLOGIC PRODUCTS HOLDINGS**.

Both Chinese and international banks are involved in discussions for the financing, which is expected to comprise tranches with one, two and seven-year tenors.

China Biologic Products said on September 18 that it had received a preliminary non-binding proposal to acquire all outstanding shares of the company for US$120 per share in cash, in a US$4.59bn take-private transaction. A special committee has been formed to review and evaluate the proposal.

The consortium of buyers comprises Beachhead Holdings, Citic Capital China Partners IV, PW Medtech Group, Parfield International, HH Sum-XXII Holdings and V-Sciences Investments.

In August 2018, China Biologic Products rejected a US$3.9bn offer from a consortium led by its former chief executive officer David Gao. The consortium at that time included GL Capital Group, Bank of China Group Investment as well as CDH Investments.

RESTRUCTURING

UNITED STATES

J CREW AMENDS TSA

Clothing retailer **J CREW** has amended a transaction support agreement signed on December 2 with a group of ad hoc creditors.

The changes include swapping out a set of planned senior secured A1 and A2 notes for a pair of secured loans.

The senior notes, which were to be issued from a newly created company called Chinos SPV, were intended for an exchange for up to US$420m of term loans issued in 2014.

The planned 5.5-year term loans will bear interest at an annual pay-in-kind rate between 9% and 14%, compounded semi-annually based on a loan-to-value grid.

Sponsors TPG and Leonard Green & Partners will also provide up to US$150m, which can be allocated to the A1 or A2 loans at the sponsors' discretion.

The TSA is expected to help J Crew move forward with plans to separate its business from its Madewell subsidiary, which intends to IPO next year.

In order to facilitate the IPO, J Crew needs to legally separate the two businesses through a series of debt and equity exchanges and conversions.

The separation will be achieved by spinning off J Crew into the Chinos SPV, which will also own the stock in Madewell that is not sold in the IPO.

CLOVER TECH SIGNS RSA

Global cartridge remanufacturer **CLOVER TECHNOLOGIES** has agreed to a debt-for-equity swap as part of a restructuring support agreement signed with the majority of its equity holders and lenders.

The company reached an agreement with stakeholders representing 67% of its US$644m debt.

According to the RSA, Clover's parent company 4L Holdings is soliciting the consent of the remaining lenders and equity holders, and plans to file for Chapter 11 bankruptcy protection in the short term.

Clover Imaging, which was sold to Norwest Equity Partners in November, will not be part of the financial restructuring process, including any Chapter 11 filing.

4L's non-US subsidiaries and affiliates, including Teleplan, will also not be included in the filing or restructuring.

The company is being advised by Kirkland & Ellis, Jefferies and Alvarez & Marsal, while the ad hoc group of lenders is being advised by Gibson Dunn and Greenhill.

In July, the company announced the loss of two large customers, which caused its US$693m term loan B due 2020 to plummet by 35 points to 61.375. The loan was quoted on December 10 at 53.88-57.12, according to LPC data.

EUROPE/MIDDLE EAST/ AFRICA

LENDERS TO TAKE BRITAX

Lenders are expected to take control of UK child safety product manufacturer **BRITAX** in a debt-for-equity swap by the end of the year.

The company, which is owned by private equity firm Nordic Capital, has a covenant-lite US$392.76m-equivalent term loan B that matures in 2020 that was led by Goldman Sachs and HSBC.

The loan comprised a US$280m tranche, a €65m tranche and an A$25m (US$17m) tranche.

The 2013 loan was put in place to refinance Britax's £260m buyout financing that backed Nordic Capital's £430m acquisition of the company in 2011.

Houlihan Lokey is advising the company and PJT is advising the lenders on the debt restructuring.

In September, Moody's downgraded Britax's debt to Caa3 from Caa1 as its operating performance continued to deteriorate, with Ebitda falling 17% to €19m in the year to June 2019.

The deterioration was driven by cost inflation, IT problems in Europe and soft market conditions in China, Moody's said.

The company was acquired by Nordic Capital Fund VII and the plan was to drive geographical expansion and to capitalise on emerging market growth, predominantly in China and Latin America.

In April 2018, Nordic Capital's 2008 vintage fund, Fund VII, completed the transfer of its remaining nine unlisted portfolio companies including Britax to a continuation vehicle, Nordic Capital CV1, providing them fresh capital over an additional five-year holding period.

■ FRONT STORY MALAYSIA

Petronas shuns foreign buyers

❱ State oil company raises M$6bn but 1MDB shadow lingers

❱ Despite rare block, pipeline of Malaysian deals is thin

Malaysia's state oil company sold M$6bn (US$1.4bn) of shares in three subsidiaries last week through a three-pronged block trade that was kept firmly off-limits to foreign investors.

PETROLIAM NASIONAL (Petronas) reduced its stakes in shipping company MISC, oil retailing and marketing arm Petronas Dagangan and gas subsidiary Petronas Gas in a single overnight process. The M$2.9bn Petronas Gas sale alone is already the largest block trade in Malaysia.

The sales came with the stated aim of portfolio management and increasing domestic shareholdings, but its decision to play it safe by picking only state-owned financial institutions as buyers highlighted the challenges of executing ECM deals in Malaysia.

"The sale of the shares would also allow for more local participation and ownership of these publicly listed companies," Petronas said in a release.

"We remain committed to these companies, which are essential entities in the Petronas integrated business value chain."

It was also Petronas's first sale of shares in the subsidiaries since their IPOs, the most recent of which was in 2010. The three transactions were priced at a discount of about 3% to the respective five-day volume weighted average prices as of December 6.

The parent sold 191.2m Petronas Gas shares, representing 9.7% of the share capital at M$15.03 to raise M$2.87bn, 228.3m MISC shares or 5.1% of the share capital at M$7.94 for M$1.81bn, and 59m Petronas Dagangan shares or 5.9% of share capital at M$22.43 for M$1.32bn.

As of Thursday, all three stocks were trading well above the placement prices, with MISC closing at M$8.41, Petronas Gas at M$16.40 and Petronas Dagangan at M$23.78.

CIMB was the sole placement agent.

SHADOW OF 1MDB

Bankers away from the deals said that Petronas, which is fully state-owned, had decided to sell the shares to state-linked investment companies to avoid any controversy.

"After the controversial 1MDB case, no Malaysian government wants to be seen favouring foreigners," an ECM banker said.

The current government has accused former prime minister Najib Razak of having siphoned off money from sovereign wealth fund 1MDB. Malaysia has also charged Goldman Sachs and some of its officials for misleading investors over bond sales totalling US$6.5bn that it helped arrange for 1MDB.

> "Foreign investors prefer Singapore, Thailand or even the Philippines at this stage. There is no rush to go to Malaysia"

The scandal helped current prime minister Mahathir Mohamad defeat Najib in a general election last year.

Bankers said that Petronas would have needed to give a higher discount if it had sold the shares to a wider set of investors. Although the outlook for the oil and gas sector has improved somewhat after a 20% rise in global oil prices so far this year, Malaysia ranks low for international investors given concerns over its slow economic growth and political uncertainty.

"Foreign investors prefer Singapore, Thailand or even the Philippines at this stage. There is no rush to go to Malaysia," another ECM banker said.

The benchmark FTSE Bursa Malaysia KLCI Index is down 7.1% in the year-to-date and is the worst performer in Asia.

Nomura forecasts growth slowing to 4.2% in 2020, down from an estimated 4.3% in 2019, with risks including political uncertainty around Mahathir's promise to hand over power to heir apparent Anwar Ibrahim two years after the May 2018 general election.

THIN PIPELINE

Given these headwinds, the pipeline of Malaysian deals is looking uncertain. INNATURE, a retailer and distributor of Body Shop products, plans to start pre-marketing for an IPO of up to US$50m sometime this month with a launch target after the Lunar New Year at the end of January.

Home improvement retailer MR DIY plans to file the draft prospectus for an IPO of up to US$500m early next year. Property company IGB is planning to list commercial assets valued at MS$2bn–$3bn on Bursa Malaysia through IGB COMMERCIAL REIT in the second half of next year.

Mobile service provider U MOBILE is hiring banks for a US$500m IPO planned for some time later next year. Land developer ISKANDAR WATERFRONT HOLDINGS, which had proposed a US$300m IPO in 2013, has restarted work on the float and aims to raise up to US$1bn with an expanded portfolio.

Bankers are not convinced that any of the listings will go through.

"Each deal looks more difficult to get to the finishing line than the previous one," the second ECM banker said.

The IPO report card for this year does not make for encouraging reading. Food operator QSR Brands deferred a US$500m IPO on weak demand while poultry producer Leong Hup International, the largest new listing of the year, is trading at M$0.88, well below the IPO price of M$1.10.

Still, some bankers are optimistic that the rare block from Petronas may encourage financial institutions to sell their holdings in various companies. State-owned investor Khazanah is the most active ECM seller while large pension funds such as Kumpulan Wang Persaraan, Employee Provident Fund and Permodalan Nasional have been less active.

Before the share sales, Petronas owned 62.67% of MISC, 60.66% of Petronas Gas and 69.88% of Petronas Dagangan.

Anuradha Subramanyan

WEEK IN NUMBERS

US$2trn

■ THE SAUDI ARABIAN GOVERNMENT FELT VINDICATED WHEN SHARES IN ARAMCO BEGAN TRADING LAST WEEK AND (BRIEFLY) GAVE THE OIL GIANT A MARKET CAPITALISATION OF OVER US$2trn

US$29.4bn

■ THE POSITIVE FIRST TWO TRADING DAYS IN SAUDI ARAMCO SHARES INDICATE THAT THE GREENSHOE IS LIKELY TO BE EXERCISED IN FULL TAKING TOTAL PROCEEDS FOR THE SAUDI GOVERNMENT UP TO SR110bn (US$29.4bn), COMFORTABLY THE LARGEST IPO ON RECORD, WITHOUT ADJUSTING FOR INFLATION

2,930 times

■ GIANTEC SEMICONDUCTOR HAS COMPLETED A LARGER-THAN-PLANNED Rmb1bn (US$144m) IPO ON SHANGHAI'S STAR MARKET AFTER ATTRACTING DEMAND FOR 2,930 TIMES THE OFFERED SHARES IN THE RETAIL TRANCHE. THE INTEGRATED CIRCUIT DESIGNER AND MANUFACTURER PRICED 30.2m A-SHARES, OR 25% OF THE ENLARGED CAPITAL, AT Rmb33.25 EACH, EQUIVALENT TO A 2018 P/E RATIO OF 52.79. THIS IS HIGHER THAN THE INDUSTRY AVERAGE OF 39.27 IN THE PAST MONTH BUT LOWER THAN THE 168 OF ITS FOUR LISTED PEERS

US$100m

■ THE NEW YORK STOCK EXCHANGE HAS REVISED ITS PROPOSED RULE CHANGE TO ENABLE COMPANIES TO RAISE FUNDS AS PART OF A DIRECT LISTING. THE EXCHANGE HAS SUGGESTED TO THE SEC THAT COMPANIES BE ALLOWED TO RAISE AT LEAST US$100m THROUGH THE OPENING AUCTION; THE ORIGINAL PLAN FOR FUNDRAISINGS OF US$250m-PLUS WAS REJECTED

M$6bn

■ PETRONAS SOLD M$6bn (US$1.4bn) OF SHARES IN THREE SUBSIDIARIES LAST WEEK THROUGH A THREE-PRONGED BLOCK TRADE THAT WAS KEPT FIRMLY OFF-LIMITS TO FOREIGN INVESTORS. MALAYSIA'S STATE OIL COMPANY'S DECISION TO PLAY IT SAFE BY PICKING ONLY STATE-OWNED FINANCIAL INSTITUTIONS AS BUYERS HIGHLIGHTED THE CHALLENGES OF EXECUTING ECM DEALS IN MALAYSIA

ASIA-PACIFIC

AUSTRALIA

CENTURIA REITs RAISE FUNDS FOR ACQUISITIONS

CENTURIA INDUSTRIAL REIT has completed an institutional placement of A$154.4m (US$105m) to part fund an acquisition.

The deal received strong demand from new and existing institutional investors. New offshore institutional investors also participated in the transaction.

About 45.3m shares were sold at A$3.41 each, representing a 3.9% discount to the pre-deal close of A$3.55 on December 10.

Proceeds will go towards two industrial assets Centuria is buying for A$236m. The remainder will be funded by a debt facility.

Centuria Industrial REIT shares closed down 2.8% last Thursday at A$3.45. The stock is up 25.9% so far this year.

JP Morgan, *Moelis* and *UBS* are the joint lead managers.

CENTURIA METROPOLITAN REIT, another fund managed by *Centura Capital*, has completed an A$185m (US$126m) placement to part fund the acquisition of a commercial office property in Canberra.

A total of 61.7m new units or 13.7% of the existing issued capital were sold at A$3.00 per unit, representing a 4.8% discount to the pre-deal close of A$3.15 on December 9.

The REIT is looking to raise an additional A$10m via a unit purchase plan. Eligible unitholders can subscribe to up to A$30,000 of units at A$2.95 each from December 16 to January 14.

Proceeds will be used to part-fund the A$256m purchase of the NewActon Nishi Building.

UBS and *Moelis* are joint lead managers.

CHARTER HALL LONG WALE FUNDS BP DEAL

CHARTER HALL LONG WALE REIT has raised A$313m (US$217m) as part of a A$350m fundraising comprising a placement and an entitlement offer.

The A$200m placement received strong demand from new and existing institutional investors. About 37.4m shares were sold at A$5.35 each, a 5.8% discount to the pre-deal close of A$5.68. There was 96% take-up for the institutional entitlement offer. The shortfall attracted strong demand from both existing and new shareholders.

About 21.1m shares were sold in the 1-for-15 institutional entitlement offer at A$5.35 each for a total A$113m.

The retail component of the offer will open from December 17 to January 8 and is expected to raise an additional A$37m.

Charter Hall Group, the REIT's largest shareholder with a stake of about 13%, had committed to take up its full entitlement under the offer for about A$20m.

Shares of Charter Hall Long WALE REIT resumed trading last Friday at A$5.50.

Proceeds will be used to part-fund the purchase of a 24.5% interest in a portfolio of 225 BP convenience retail properties for A$420m (through the purchase of a 50% interest in a new Charter Hall-managed partnership that will take a 49% interest in the BP properties) and a 50% interest in an Arnott manufacturing site in Sydney for A$199m.

JP Morgan and *UBS* are the joint underwriters.

NITRO SOFTWARE DROPS IN ASX DEBUT

Shares of NITRO SOFTWARE dropped as much as 13.9% on their ASX trading debut from the IPO price of A$1.72.

The San Francisco-based developer of document management software, a competitor of Adobe, sold 64m shares in an A$110m (US$75m) IPO split between A$65.8m of primary shares and A$44.5m of secondary shares.

The shares opened at A$1.65 last Wednesday and dipped to an intraday low of A$1.48 before ending the day at A$1.52.

Pre-IPO shareholders retain a 66.1% stake in the company.

Morgan Stanley was the lead manager.

CHINA

POLY PRICES IPO AT TOP

POLY PROPERTY DEVELOPMENT has raised HK$4.67bn (US$598m) from a Hong Kong IPO of 133m primary shares, or 25% of the enlarged share capital, priced at the top of the HK$30.70–$35.10 range.

The issue price represents a 2020 forecast P/E of 24.5.

Four cornerstone investors have committed to invest US$180m – GIC (US$85m), Hillhouse (US$35m), China Structural Reform Fund (US$30m) and CCCC International (US$30m).

There is a 15% greenshoe.

Shares will begin trading on December 19.

Poly Property Development, the property management arm of Shanghai-listed Poly Developments and Holdings Group, posted a net profit of Rmb225m (US$32m) for the first four months of 2019, up 68% from 2018. Full-year profit in 2018 was Rmb336m.

ABC International, *GF Capital (Hong Kong)* and *Huatai Financial* are sponsors.

BANK OF GUIZHOU LAUNCHES IPO

BANK OF GUIZHOU started bookbuilding last Friday for a Hong Kong IPO of up to HK$5.7bn (US$736m), the city's last sizeable float of the year.

The Chinese lender is selling 2.2bn shares, or 15.1% of the enlarged share capital, at HK$2.46–$2.61 per share representing an end-June 2019 P/B of 1–1.05.

The deal is scheduled to price on December 19 and the shares will start trading on December 30.

ABC International, *CCB International* and *CLSA* are sponsors.

Bank of Guizhou posted a net profit of Rmb1.79bn (US$254m) for the six months to June 30, up 22% from 2018.

Guizhou Provincial Finance Bureau is the largest shareholder of Bank of Guizhou with a 14.3% stake, followed by spirits maker China Kweichow Moutai Winery with 14.1%.

BEIJING CAPITAL PLANS RIGHTS ISSUE

BEIJING CAPITAL LAND aims to raise Rmb2.54bn-equivalent (US$362m) through a 5-for-10 rights issue comprising H-shares, A-shares and non-H foreign shares.

A total of 510m H-shares will be issued at HK$1.87 per H rights share, representing a 29.2% discount to the pre-deal price of HK$2.64.

About 824.6m A-shares will be issued at Rmb1.68 each and 179m non-H foreign rights shares at HK$1.87 each.

Shares of Beijing Capital Land dropped 11.9% last Tuesday to close at HK$2.44. The stock is down 13% this year.

Proceeds will be used to strengthen the financial position of the group and increase the liquidity of its H-shares.

CICC, CMB International and *HSBC* are the joint global coordinators.

GIANTEC STAR IPO RAISES Rmb1bn

GIANTEC SEMICONDUCTOR has completed a larger-than-planned Rmb1bn (US$144m) IPO on Shanghai's Star market after attracting demand for 2,930 times the offered shares in the retail tranche.

The integrated circuit designer and manufacturer priced 30.2m A-shares, or 25% of the enlarged capital, at Rmb33.25 each. equivalent to a 2018 P/E ratio of 52.79. This is higher than the industry average of 39.27 in the past month but lower than the 168 of its four listed peers.

The company initially intended to raise Rmb727m.

As the retail tranche was subscribed more than 100 times, 2.9m shares were clawed back from the institutional tranche.

The final split is 57.9% for the institutional tranche, 38.1% for retail and 4% for the strategic tranche including sponsor *CICC*.

CICC will earn a fee equal to 8% of the deal size.

BLUE MOON MULLS HK IPO

Hillhouse-backed detergent maker BLUE MOON is considering a Hong Kong listing that could raise about US$400m next year, said people close to the deal.

The Chinese company is in discussions with potential advisers.

Hillhouse Capital invested in 2010.

Blue Moon did not respond to emails seeking comment.

TIMES NEIGHBORHOOD COMPLETES IPO

Property services company TIMES NEIGHBORHOOD HOLDINGS has raised HK$834m (US$107m) from a Hong Kong IPO of 162m primary shares, or 17.8% of the enlarged share capital, priced at HK$5.15 each.

The deal was marketed at HK$4.23-$5.80.

The issue price represents a 2020 forecast P/E of 19.5.

Books were multiple times covered with good support from long-only investors. There was also strong participation from hedge funds and existing Times China shareholders.

Shareholders of Hong Kong-listed parent company Times China can subscribe to the IPO through a preferential offering on a 1-for-24 basis.

There were more than 50 investors in the book and about two-thirds of the deal was allocated to long-only investors. The top five investors took about half of the deal.

The shares will begin trading on December 19.

Haitong International is the sponsor.

ASIA-PACIFIC EQUITIES

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	87	15,627.91	7.9
2	Goldman Sachs	58	11,159.98	5.7
3	JP Morgan	53	11,130.31	5.6
4	CICC	60	10,681.96	5.4
5	UBS	76	10,665.20	5.4
6	Citic	60	9,290.43	4.7
7	Citigroup	65	9,119.08	4.6
8	Credit Suisse	55	6,886.90	3.5
9	BofA	33	6,415.77	3.3
10	HSBC	25	5,655.90	2.9
	Total	**2,048**	**197,094.00**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4a1

XD PRICES IPO AT LOW END

Mobile game developer XD has raised HK$706m (US$90m) from a Hong Kong IPO of 63.6m primary shares, or a 15% free-float, priced at the bottom of the HK$11.10–$15.80 indicative range.

There is a 15% greenshoe.

Four cornerstone investors committed to a total investment of US$23m – Bytedance (US$10m), miHoYo (US$5m), Lilith Mobile (US$5m) and Nikkigames (US$3m).

The company has published 40 online games and operates game community TapTap in China. *CLSA* was the sole sponsor.

RENRUI PRICES IPO AT BOTTOM

RENRUI HUMAN RESOURCES TECHNOLOGY has raised HK$1bn (US$129m) from a Hong Kong IPO of 38m primary shares, or a 25.2% free-float, which priced at the bottom of the HK$26.60–$28.90 indicative range.

The final price represents a forecast 2020 P/E of 12.9.

Two cornerstone investors committed to US$28.5m of shares – Anatole (US$8.5m) and Golden Sun (China) (US$20m).

There is a 15% greenshoe.

BNP Paribas was the sponsor.

MIDEA UPSIZES PLACEMENT

Hong Kong-listed MIDEA REAL ESTATE has raised HK$764m (US$98m) from an upsized top-up placement.

The deal was launched with a base size of 31m primary shares at an indicative price range of HK$19.10–$19.30 per share. After strong demand, Midea increased the size of the placement to 40m shares or 3.25% of the enlarged share capital and priced at the bottom of the range.

The final price represents a discount of 6.8% to the pre-deal close of HK$20.50.

The books were multiple times covered with a good mix of investors.

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	64	12,809.46	7.2
2	CICC	60	10,681.96	6.0
3	UBS	74	10,518.18	5.9
4	JP Morgan	52	10,333.20	5.8
5	Goldman Sachs	53	10,107.60	5.7
6	Citic	60	9,290.43	5.2
7	Citigroup	61	8,929.73	5.0
8	Credit Suisse	53	6,608.97	3.7
9	HSBC	25	5,655.90	3.2
10	BofA	28	5,480.75	3.1
	Total	**1,892**	**176,969.06**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4a2

There is a 90-day lock-up on the company.

Proceeds will supplement working capital.

CICC was the placing agent.

MOLECULAR DATA FILES FOR IPO

MOLECULAR DATA, which counts Sequoia and Fosun among its investors, has filed for a US$70m Nasdaq IPO.

The operator of Shanghai-based chemicals e-commerce marketplace Molbase is working on the deal with *AMTD*, *Fosun Hani* and *Boustead Securities*.

The company posted a net loss of Rmb133m (US$18.6m) for the nine months ended September 30 against a loss of Rmb88m over the same period in 2018.

Sequoia Capital has a 15.9% stake and Fosun RZ Venture owns 14.1%.

INDIA

FOSUN UNIT GLAND PHARMA UPSIZES IPO

GLAND PHARMA, a subsidiary of China's Fosun Pharma, plans to launch a larger-than-expected IPO of up to US$750m in May, people with knowledge of the transaction said.

A likely larger secondary tranche has pushed the deal size up from the US$500m previously estimated.

The draft prospectus will be filed in March.

Fosun Pharma and Gland vice chairman and managing director Ravi Penmetsa are expected to sell shares in the IPO.

Citigroup, *Haitong Securities*, *Kotak* and *Nomura* are the banks on the transaction.

In 2017, Fosun Pharma bought a 74% stake in the company for US$1.1bn from KKR Floorline Investment.

Gland Pharma, which was founded in 1978, manufactures injectable drugs and makes most of its revenues in Europe and the US.

The deal would be the first Indian IPO of a Chinese-owned company.

UTI AMC INVESTORS MUST SELL SHARES

India's securities regulator has directed State Bank of India, Life Insurance Corporation of India and Bank of Baroda to reduce their stakes in UTI ASSET MANAGEMENT COMPANY by December 31 2020, putting them under pressure to complete a planned IPO.

The Securities and Exchange Board of India ticked off the three investors for not reducing their stakes in UTI AMC to under 10% after the requirement was put in place in March 2018. The three each own 18.24% stakes, while T Rowe Price International is the biggest shareholder with 26%.

Sebi said current regulations do not allow the sponsor of a mutual fund to own more than a 10% stake in any other mutual fund. SBI, LIC and BoB each sponsor their own respective mutual funds.

Shareholdings and voting rights in excess of 9.99% will be frozen if the investors fail to comply with the requirement by the end of 2020.

UTI AMC is planning an IPO of about Rs40bn (US$559m) in the first quarter of next year and these three shareholders along with Punjab National Bank are expected to sell shares.

The boards of SBI and BoB have already approved the sale of up to 10.5m UTI AMC shares or an 8.25% stake in the IPO, which would satisfy Sebi's requirement.

UTI AMC's domestic assets under management stood at Rs1.60trn as of March 31 2019, up from Rs1.55trn in 2018. Profits after tax rose to Rs3.5bn from Rs3.4bn during the same period.

Axis, *Bank of America*, *Citigroup*, *ICICI Securities*, *JM Financial*, *Kotak* and *SBI Capital Markets* are the banks on the transaction.

HDFC AMC and Reliance Nippon Life AMC are India's only listed mutual funds.

PARK HOTELS CHECKS IN FOR 2020 IPO

THE PARK HOTELS, a chain of luxury boutique hotels in India, is planning an IPO of up to Rs10bn (US$141m) by March, people with knowledge of the transaction have said.

The deal will comprise primary and secondary shares.

The Park Hotels is part of the Apeejay Surrendra Group, which has interests in tea, hospitality, shipping, real estate, retail and financial services.

The company runs some 20 hotels under The Park and Zone by The Park brands.

Axis, *JM Financial* and *ICICI Securities* are the banks on the transaction.

Park Hotels is the second Indian hotels company with a listing plan for 2020, joining Samhi Hotels, which aims to launch a US$200m–$250m IPO in January.

ROSSARI BIOTECH TO FILE FOR IPO

Chemicals maker ROSSARI BIOTECH plans to file for an up to Rs7bn (US$98m) IPO later this month and is targeting a launch in the first half of next year.

The deal will comprise primary shares.

The company was founded in 1997 by Edward Menezes and Sunil Chari, and its products include textile chemicals, enzymes, polymers and animal health care products.

Axis and *ICICI Securities* are the banks on the transaction.

PRINCE PIPES SETS IPO PRICE RANGE

PRINCE PIPES AND FITTINGS has set the price range for an up to Rs5bn (US$71m) IPO at Rs177–Rs178 per share.

Anchor books open on December 17 and the rest of the offer from December 18–20.

Primary and secondary share tranches of Rs2.5bn each will be sold in the IPO.

Controlling shareholders Jayant Chheda, Tarla Chheda and Parag Chheda are among the vendors of the secondary shares.

The issue size is lower than the Rs6bn indicated in the draft prospectus as the company raised Rs1bn from a pre-IPO placement.

Edelweiss and *JM Financial* are the bookrunners.

NHAI ALLOWED TO SET UP AN INVIT

The government of India has allowed NATIONAL HIGHWAYS AUTHORITY OF INDIA to set up an infrastructure investment trust (InvIT) to help monetise its assets. Any road with a toll collection record of at least one year can be part of the InvIT.

NHAI is an autonomous agency owned by the Ministry of Road Transport and Highways. An InvIT will help NHAI raise long-term private capital and put less pressure on the government to raise funds for road projects.

The federal government in 2017 launched the BharatmalaPariyojana – a programme that aims to develop 24,800 kilometres of roads for a total investment of Rs5.35trn (US$76bn), making funding essential.

Other state-owned companies have also started working on InvITs. Last month, Power Grid Corporation of India hired *Axis*, *Edelweiss*, *HSBC* and *ICICI Securities* to manage an InvIT IPO of up to Rs100bn.

InvITs can be listed in India through a placement or an IPO.

JAPAN

SRE HOLDINGS COMPLETES TSE IPO

SRE HOLDINGS, formerly known as Sony Real Estate Corp, has completed a Tokyo Stock Exchange IPO that raised ¥11.9bn (US$109m).

The base deal of 4.5m shares (31% primary/69% secondary) was priced at ¥2,650 each, in the lower half of the ¥2,500–¥3,450 indicative range.

There is a 672,600 secondary shares greenshoe.

About 65% of the deal was earmarked to retail investors and the rest to institutions.

Sony set up the real estate company in 2014 together with Yahoo Japan, with the stated aim of eventually taking it public.

The shares are due to start trading on December 19.

SMBC Nikko is the sole bookrunner and joint lead manager with *Daiwa*.

JTOWER PRICES TSE IPO AT TOP

Telecoms infrastructure provider JTOWER has raised ¥9.42bn (US$86.7m) from a TSE IPO of 5.89m shares (51% primary/49% secondary) priced at the top of the marketed range of ¥1,550–¥1,600.

There is a greenshoe of 883,900 shares.

About ¥1.05bn of the deal was slated for a designated purchaser.

Approximately 60% of the shares went to retail investors and the rest to institutional investors.

The shares are due to be listed on December 18.

Daiwa and *SMBC Nikko* are the joint lead managers and bookrunners.

MALAYSIA

BIMB HOLDINGS PLANS M$800m PLACEMENT

BIMB HOLDINGS is planning a M$800m (US$193m) placement of new shares as part of a group restructuring to unlock value for shareholders and transfer its listed status to its Bank Islam Malaysia subsidiary.

Investment holding company BIMB said in a stock exchange announcement that the placement would be completed by the second quarter of 2020.

Maybank is the adviser.

BIMB will use the proceeds together with internal cash to fully settle an outstanding sukuk held by another subsidiary.

In the proposed restructuring, the stakes in BIMB's stockbroking and leasing subsidiaries will be transferred to Bank Islam.

Once the restructuring is completed, the entire shareholding in Bank Islam will be transferred by way of a distribution in kind to BIMB shareholders.

Bank Islam will then be the only fully fledged Islamic financial institution to be listed in the region.

The exercise is subject to approval from Bank Negara Malaysia, the finance ministry, the Securities Commission, Bursa Securities as well as the shareholders of BIMB and Bank Islam.

EMEA EQUITIES

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or grou p	No of issues	Total US$(m)	Share (%)
1	JP Morgan	74	11,409.11	8.7
2	Morgan Stanley	50	11,231.01	8.6
3	Goldman Sachs	59	10,681.30	8.2
4	Citigroup	63	7,473.00	5.7
5	Credit Suisse	34	6,149.72	4.7
6	BofA	28	5,717.47	4.4
7	UBS	31	5,367.21	4.1
8	Barclays	31	3,980.93	3.0
9	BNP Paribas	22	3,498.12	2.7
10	Jefferies	45	3,434.29	2.6
	Total	**849**	**130,716.22**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C4cr

EUROPE/MIDDLE EAST/AFRICA

IRELAND

GREENCOAT RENEWABLES UPSIZES PLACING TO €125m

GREENCOAT RENEWABLES upsized its fundraising to €125m last Monday from its initial €100m target ahead of books closing at midday.

Pricing was fixed upon launch at €1.13 per share. The shares represented approximately 21% of pre-money share capital. The deal requires approval at an EGM on December 16.

Shares closed last Monday following the result at €1.16 in Ireland and around the same level in London.

The proceeds will refinance a revolving credit facility, allowing Greencoat to make acquisitions while keeping control of total gearing.

Davy and *RBC Capital Markets* were bookrunners, with *Commerzbank* as co-lead manager.

ITALY

SANLORENZO SHARES END FLAT AFTER CHOPPY MILAN DEBUT

Luxury boatmaker SANLORENZO made its share trading debut on the Milan stock exchange last Tuesday, with the stock closing the day flat to IPO pricing of €16.

Shares touched €16.50 just after the open and momentarily dipped below IPO pricing at €15.95. It was a steady debut with limited action as shares bumped around the €16 issue price all afternoon. Around 1.46m shares changed hands on the first day of trading, representing approximately 13% of the base deal.

However, Sanlorenzo's shares dipped towards the end of last week, and by last Friday afternoon were underwater at €15.20 each.

The company wrapped up a €176m IPO on December 5, with the top five orders taking 50% of the deal.

Sanlorenzo raised €72m in fresh capital alongside €104m in secondary proceeds, cashed in by main shareholder and Sanlorenzo CEO Massimo Perotti who retains 60% post-IPO. Final pricing came at the bottom of a €16-€19 range.

There is a 1.1m share secondary greenshoe, which if exercised will take the free-float to 35.1% from 33% on the base deal.

Banca IMI, Bank of America and *UniCredit/Kepler Cheuvreux* were bookrunners, with Banca IMI also sponsor. *Alantra* advised the company and *Lazard* advised Perotti.

NETHERLANDS

3I SELLS 6.2% OF BASIC-FIT FOR €106.25m

Private equity firm 3i sold just under a third of its stake in gym operator BASIC-FIT on Tuesday evening for €106.25m, retaining a 15% position that is locked up for 90 days.

A wall-crossing effort on Tuesday provided indications covering the entire 3.4m shares on offer, representing 6.2% of existing share capital and approximately 45 days' trading.

The sale was launched with reference to the €32.40 close and was formally covered before guiding investors to a range of €31-€31.50 per share. Pricing came at €31.25, a 3.5% discount.

The sale followed a rise of 21% since late October, in part lifted by a Q3 earnings update.

A multiple times covered book had strong demand from existing investors, with some new money involved. The top 10 accounts took more than 70% of a book dominated by UK and US accounts, but with decent representation from Continental Europe.

Basic-Fit shares opened on Wednesday at €31.55, and rose throughout the day to close at €32.

ABN AMRO and *Barclays* were bookrunners.

SWEDEN

SBB POSTS 88.5% RIGHTS ISSUE TAKE-UP

Property business SAMHALLSBYGGNADSBOLAGET I NORDEN (SBB) posted take-up of 88.5% on its SKr1.5bn (US$159.6m) rights issue.

Around 57.9m out of the 65.44m shares were subscribed for by exercising subscription rights. Applications without subscription rights were received for 5.8m shares, representing 8.9% of the offering.

Shares were offered on a 1-for-13 basis at SKr23 each, a 3.2% discount to TERP of SKr23.76, based on the November 14 close of SKr23.85.

Its shares closed down 1.95% on Thursday at SKr22.65.

The proceeds will strengthen SBB's business and it expects to improve its credit rating to BBB+ within the next 12 months.

SBB announced an offer on November 15 to buy rival Hemfosa Fastigheter for around SKr23.5bn in cash and shares alongside the launch of the rights issue.

Goldman Sachs and *JP Morgan* were global coordinators, and bookrunner with *ABG Sundal Collier, Citigroup, Deutsche Bank* and *Kempen & Co. Danske Bank* and *Nordea* were co-managers.

SWITZERLAND

SWISS REGULATOR WAIVES RULE FOR SCHMOLZ+BICKENBACH RIGHTS ISSUE

Swiss financial regulator FINMA waived a takeover rule to allow struggling steel producer SCHMOLZ+BICKENBACH's SFr325m (US$328.1m) capital increase to go ahead.

The move from FINMA exempts Schmolz+Bickenbach's second largest shareholder Martin Haefner from having to make a tender offer if his stake rises above one-third.

The company published terms for the at-market rights issue last Tuesday. New shares will be issued to raise the funds at an offer price expected to be SFr0.20, SFr0.25, or SFr0.30. Shares closed at SFr0.26 last Tuesday.

Rights can be exercised between December 12 and 18, and the concurrent bookbuild to institutions will run from December 12 to 20 after which a result will be published.

Haefner is prepared to contribute up to SFr325m, which will see his holding, through BigPoint Capital, rise to 37.5%.

Haefner, who is also vice-chairman and a non-executive member of the company's board, applied to FINMA on October 24 for an exemption from the rule. His application was rejected on November 22.

Following an appeal, FINMA reversed its decision and approved Haefner's request on December 6, specifically putting the decision under a restructuring exemption. He will still be obliged to make a tender offer if he owns more than a third of the company on December 31 2024.

Schmolz+Bickenbach's shareholders approved the capital increase at an EGM on December 2 as part of a rescue bid for the company, which is struggling with weak demand in its most important end markets such as the automotive industry.

Its most recent Q3 financials published on November 13 showed an adjusted Ebitda loss of €32.9m from a gain of €41.8m in 2018. There was also a 14% decline in sales and the company said it expects no recovery in full-year results.

NOVAVEST RAISES SFr51.76m IN FRESH CAPITAL

Swiss real estate company NOVAVEST has raised SFr51.76m (US$52.7m) through a rights issue.

Subscription ran from November 25 until December 11 and the result was posted on Friday.

Investors subscribed for around 1.29m shares at SFr40.20 each on a 1-for-4 basis.

Shares in Novavest rose 2.4% late on Friday to SFr43.

Novavest will use the fresh capital to acquire property in Switzerland, to finance developments and to strengthen its balance sheet.

Any shares not subscribed were allocated to *J Safra Sarasin*, which then placed them with investors.

The new shares have full dividend rights for full-year 2019.

The company said the rights had been "substantially oversubscribed" after strong demand from institutional and private investors.

Novavest, which is listed on the Berne Stock Exchange, also applied to switch its listing on December 16 to the larger SIX Swiss Exchange.

The stock will enter indices such as the Swiss Performance Index and real estate indices such as the SXI Real Estate.

UK

EVERARC SPAC COMPLETES IPO

Special purpose acquisition company EVERARC completed its London IPO last week, upsizing the deal to raise US$340m.

Bookbuilding finished on Wednesday and shares are due to start trading on December 17.

The public bookbuild grew from US$285m at launch to US$325m. The SPAC's five founders put in a further US$15m to take the fundraising up to US$340m.

Units were offered at US$10 each, comprising one share and one warrant. Warrants can be exercised on a 1-for-4 basis at US$12.

The deal launched on December 5 and went straight into bookbuilding without pre-marketing, with most of the roadshow taking place in the US. Messaging also went out at launch that indications of interest had been received for almost the entire deal size.

The SPAC has not defined the type of company it plans to acquire, only saying that it will likely focus on a company with most of its activities in North America.

A person involved in the deal said the group had opted for a UK listing due to the country's more lax redemption rules. SPAC shareholders in the US are able to redeem their shares if they do not support the company's proposed acquisition, a mechanism that does not exist in the UK.

Another person suggested that EverArc also has the ability to extend the timeline before returning money; another significant concession.

London was the final choice given its history of industrial-focused SPACs and EverArc's main shareholders' experience in the aerospace and industrial sectors specifically, a banker said.

EverArc's two co-chairmen, Nicholas Howley and William Thorndike, have acquired more than 135 businesses between them throughout their careers. Thorndike founded US private equity firm Housatonic Partners, while Howley is a co-founder of US aerospace components manufacturer TransDigm Group.

The other three founders of EverArc are Tracy Britt Cool, Vivek Raj and Haitham Khouri.

The final book was under 50 lines and with a generally even spread in terms of order sizes. Demand mostly came from the US, with some European names.

Several bankers agreed that the SPAC is unlikely to spur similar deals in the UK, and is more of a unique case based on the investor approval of EverArc's founders.

Morgan Stanley and *UBS* were bookrunners.

PENTLAND TRIMS JD SPORTS STAKE

UK brand management business Pentland Group sold a 2.4% stake in retailer JD SPORTS FASHION on Tuesday night off trading levels close to the all-time high.

Pentland launched the sale of just under 24m shares on Tuesday when the stock closed at 803.4p, close to the 807p all-time closing high just over two weeks earlier. The shares ended 2018 at 348.8p.

A wall-cross on Tuesday afternoon provided indications of interest for all the shares on offer and the trade was formally covered within half an hour of launch. The offering represented approximately 10 days' trading and launched with reference to the close, with guidance of 740p-745p coming at around 6pm in London.

Pricing was 740p per share, a 7.89% discount, for a deal size of £177.6m. The trade leaves Pentland with a 55% stake, subject to a 90-day lock-up, although Pentland said it will remain a long-term majority owner of the stock. Pentland said it will use proceeds to support its investment activities.

The top 10 accounts took 70% of a comfortably covered book that was dominated by UK and US money.

The sale weighed heavily on the stock, with shares tanking nearly 11% to 719p by midday before recovering some ground to a close of 727p, down 9.5%.

Goldman Sachs was bookrunner.

AMERICAS

UNITED STATES

ECM TO SLOW BUT DEALS STILL POSSIBLE

US ECM bankers could look to bring a small number of follow-ons carried over from the past week, but activity is sure to slow significantly as holiday festivities intercede.

The coming week is theoretically open for business but no IPOs are scheduled to price and none are likely to until the new year.

Most activity in the coming weeks will focus on what companies publicly file in readiness to launch IPOs when markets reopen on January 6 and how financial markets fare in the meantime.

With stocks at record highs amid renewed optimism about a resolution to the US-China trade war, market conditions are otherwise ripe for more activity in the week ahead. However, liquidity is drying up and only smaller companies that feel this may be an opportunity to get some attention in an otherwise slow week are likely to bring deals.

Syndicate desks are poised to rule off a mixed year that will be remembered mostly for unicorn IPO disasters such as Uber, Lyft and SmileDirectClub.

However, the past week's five IPOs helped restore confidence in larger IPOs as both Brazilian fintech XP and billing software company Bill.com posted big debut gains.

The 2019 IPO vintage has also staged a late recovery at least in terms of aftermarket returns, thanks in part to surging biotech stocks.

At least 11 IPOs this year have more than doubled (most are life sciences companies), while the average IPO aftermarket return now sits at around 19%, not as high as the S&P 500's 26%-plus return but much better than it was looking a few months ago.

Year to date, US common stock proceeds fell 8% to US$157.2bn, according to Refinitiv data, with Goldman Sachs holding 18.1% market share ahead of Morgan Stanley (11.8%) and JP Morgan (11.4%).

US IPO proceeds rose 22% to US$41.5bn, with Goldman Sachs, JP Morgan and Bank of America accounting for the most proceeds raised.

NYSE revises direct listing 2.0 plan

US Requirement for price range in prospectus hinders auction idea

The **NEW YORK STOCK EXCHANGE** is persisting with efforts to allow companies to raise capital alongside direct listings, even though the Securities and Exchange Commission flatly rejected its first draft of the proposal.

On Wednesday, less than a week after the SEC removed NYSE's initial filing from its website, the exchange submitted a revised proposal.

The NYSE wants to accommodate more direct listings similar to those pursued by Slack this year and Spotify in 2018 by giving companies the added ability to raise capital at the opening auction.

Though bankers believe this hybrid model is unlikely to be widely adopted, it could render the traditional role of IPO underwriters obsolete because there would be no need for a bookbuild or allocations.

Proponents believe it would improve transparency and fairness and remove pricing inefficiencies inherent in the traditional IPO process, while insiders would benefit from the lack of restrictions on immediate selling.

The main change to the NYSE's initial proposal is to reduce the minimum amount of primary capital a company would need to raise to US$100m, from US$250m previously. Yet it is unclear how this makes it more palatable to the SEC.

The NYSE is committed to the "evolution" of direct listings, chief commercial officer John Tuttle said in an emailed statement.

The revised filing would broaden the universe of companies that could consider this approach, Tuttle said.

The SEC has declined to comment on its stance, though the NYSE's rule-change filing is back up on its website.

Sources close to the exchange have dismissed the SEC's initial rejection as a standard response and part of a potentially lengthy review process, though ECM participants remain unsure that the corporate watchdog will ultimately embrace the idea.

"I think that the NYSE put it out there as a marketing event so they could be the first ones to do it. It was not a well written proposal," one senior banker said.

Even so, securities lawyers expressed surprise the SEC quashed the proposal so quickly.

FEW DETAILS

The NYSE proposal offers little detail about how prospectus disclosures ahead of a hybrid listing would work and this could present another complication.

It is understood companies would still have to set a price range on a prospectus filing, though it could prove impossible to predict the auction clearing price.

"It's possible [the SEC] is concerned about disclosure around how many shares are being sold and the price range when the company doesn't have control over where the stock opens," said Davis Polk & Wardwell's capital markets partner Marcel Fausten.

"The price and number of shares sold will affect the company's capitalisation, and the SEC may be concerned around how much information can be provided to investors with respect to the pro forma capitalisation as a result," Fausten said.

Investment banks Morgan Stanley and Goldman Sachs are leading Wall Street's reluctant embrace of direct listings, which have been championed by Silicon Valley venture capital firms.

However, it is understood the two banks have had limited involvement in the hybrid proposal hatched by the NYSE.

Anthony Hughes

RYMAN ROUNDS UP US$283m FOR MIXED-USE BUY

RYMAN HOSPITALITY PROPERTIES raised US$283m of equity to help fund the purchase of a mixed-use entertainment property in Texas, a deal that came just weeks after its stock price hit record highs.

In an overnight offering launched post-close on Monday, the hotel-focused REIT, best known as owner and operator of Nashville's weekly country music stage concert called the Grand Ole Opry, sold 3m shares or 6% of expanded capital at US$85.60, the bottom of a US$85.60–$88.10 range and a 3.9% discount to last sale. A 450,000-share greenshoe was fully exercised to lift the total deal size to US$283m.

Bank of America, *JP Morgan*, *Wells Fargo*, *Deutsche Bank* and *Raymond James* were joint bookrunners.

The stock traded broadly in line with the offering price in Tuesday's aftermarket. Yet it remained under pressure later in the week, not helped by REIT sector weakness as the Federal Reserve signalled on Wednesday a long pause before its next interest rate move.

The offering will fund the US$134m cash portion of the US$275m cost of Block 21, a mixed-use entertainment, lodging, office and retail complex in downtown Austin. The balance of the cost involves the assumption of a US$141m mortgage over the property.

The balance of the equity raised could be used to fund other acquisitions and/or repay debt, including outstanding revolver balances.

Ryman shares had risen 33.6% year-to-date ahead of the deal and were not far from a record high of US$91.57 struck on November 26.

The offering was modestly deleveraging, but Ryman continued to operate at leverage levels just above the five-times downgrade threshold, S&P Global Ratings said in a note.

SIZE MATTERS FOR GLOBAL MEDICAL

GLOBAL MEDICAL REIT took another step in becoming more relevant to investors by upsizing a wall-crossed overnight stock sale by 26% to US$78m.

Driven by good demand from the wall-cross and new investors, joint bookrunners *Stifel*, *BMO Capital Markets*, *Baird*, *KeyBanc Capital Markets* and *SunTrust Robinson Humphrey* late Tuesday priced 6m shares in the healthcare-focused REIT at a fixed offering price of US$13, an 8% discount to last sale.

The deal equated to 14% of outstanding after being upsized from 4.8m shares at launch.

In Wednesday's aftermarket, the stock traded right in line with the offering price as 3.3m shares changed hands.

The REIT has made US$67m of acquisitions so far this quarter and has nearly another US$100m under contract.

One indicator of it reaching critical mass would be the internalisation of management, something the REIT has pledged to consider once its shareholders' equity surpasses US$500m. It stood at US$448m just prior to the offering.

"They are trying to become a more relevant REIT," one banker said.

"When you are really small it is hard to get investors to put you in their portfolio."

The stock had risen 59% so far this year going into the deal, having touched a record high of US$14.26 during the session just before the deal launched.

The REIT also raised US$70.7m from a follow-on priced at US$9.75 in March.

ARBOR REALTY RAISES US$92m OVERNIGHT

ARBOR REALTY TRUST, a mortgage REIT focused on low-touch purchases of agency-backed mortgages, took advantage of strong investor interest to raise US$91.9m overnight on Monday.

The stock sale was not just an opportunity for Arbor to fund new investments in mortgage-backed securities.

The REIT agreed to spend 10% of the proceeds raised to purchase 650,000 shares from CEO Ivan Kaufman, delivering a US$9.2m cheque.

JP Morgan, *JMP Securities* and *Raymond James* reoffered 6.5m shares at the US$14.14 fixed price marketed, a 1.7% discount and slight upsize from the 6m shares at launch.

The banks found a solid institutional bid for offering, highlighting the perceived safety of the REIT's current 30-cent quarterly dividend that has consistently grown.

Arbor Realty closed Tuesday's trading at US$14.29.

"Our consistent growth makes us very confident in our ability to comfortably maintain our current dividend and grow it in the future," said Kaufman on the REIT's quarterly conference call last month.

The stock sale is the latest in a series of capital markets transactions by Arbor Realty that saw it recapitalise with a US$230m five-year bond in November after completing a US$110m securitisation in October.

PENNYMAC CASHES IN ON REVERSE INQUIRY

PENNYMAC MORTGAGE INVESTMENT TRUST, a mortgage REIT with a voracious appetite for capital, was presented with a year-end gift too hard to pass up – new equity at terms guaranteed and executed overnight.

Inbound investor interest limited the risks of funding at this time of year.

Morgan Stanley, *Credit Suisse*, *Bank of America*, *JP Morgan* and *Barclays* relayed that interest ahead of placing 8m shares overnight on Tuesday at US$22.10, the low-end of a US$22.10-$22.20 range but a discount of just 2.9% to the US$22.75 last sale.

PennyMac closed the following day at US$22.21.

"We had significant reverse inquiry from institutions," said one banker involved in the underwriting. "There was retail interest as well, but we did not tap into that.

"For institutions, mortgage REITs are viewed as low-risk financial exposure heading into an election year."

PennyMac has now raised US$950m of equity-related funding this year, comprising four follow-ons, one convertible bond and at-the-market stock sales.

The discount on this week's raise was the tightest of the four follow-on offerings completed.

PennyMac's book value this year has grown from US$20.61 per share to US$21.14 at September 30, even while paying out US$112.3m in dividends along the way.

At the current 47-cent quarterly payout and current price, PennyMac's shares yield 8.5% annually. Combine the near 20% year to date gain, outperforming the 7.5% for mortgage REITs overall, and it's not hard to understand the attraction.

PennyMac has increased earnings by purchasing traditional residential mortgages and credit transfer securities that benefit from falling interest rates, offset by purchases of mortgage servicing rights (MSR) that perform poorly during times of declining rates.

It uses derivatives to hedge interest rate risks across the portfolio.

BRIGHAM MINERALS TAPS ADDITIONAL M&A FUNDING

Oil and gas royalty trust **BRIGHAM MINERALS** raised US$199.1m in a first-time follow-on on Wednesday to repay bank borrowings incurred on land acquisitions and provide a partial exit for private equity backers.

Credit Suisse, *Goldman Sachs* and *RBC Capital Markets* marketed the deal for three days before placing 11m shares, including 5m shares by secondary sellers, at US$18.10 each, just above the US$18 price on its 14.5m-share IPO in April.

"There were a lot of existing investors topping up," said one banker involved in the underwriting. "Certainly the goal was to build out the registry and we did accomplish that to a certain extent."

Brigham shares recovered to close the week at US$18.50.

Warburg Pincus, Yorktown Partners, and Pine Brook Partners, which founded Brigham Minerals with US$650m of initial funding in 2012, reduced their combined stake to 45.7%, from 57.1%.

Brigham Minerals used primary proceeds to fully repay the US$80m drawn on its revolver.

The trust has been increasing the pace of mineral rights acquisitions.

US EQUITIES

BOOKRUNNERS: 1/1/2019 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	162	28,461.97	18.2
2	Morgan Stanley	133	18,443.30	11.8
3	JP Morgan	176	17,887.15	11.4
4	BofA	133	14,593.95	9.3
5	Citigroup	103	13,695.55	8.7
6	Barclays	88	9,856.63	6.3
7	Credit Suisse	74	6,152.41	3.9
8	Wells Fargo	63	5,410.21	3.5
9	RBC	48	5,005.41	3.2
10	Jefferies	71	4,528.31	2.9
	Total	**677**	**156,798.97**	

Including all domestic and international deals and rights issues

Source: Refinitiv SDC code: C3r

Bill.com charges higher after US$216.1m IPO

US Upsized deal prices above range and still trades up 61.5%

Investors put September's tech IPO misses behind them last week by rushing into the US$216.1m IPO of **BILL.COM**.

Debuting on the NYSE on Thursday, shares in the back office software provider surged 61.5% to US$35.50.

A syndicate led by *Goldman Sachs*, *Bank of America*, *Jefferies* and *KeyBanc Capital Markets* responded to overflowing demand by pricing the upsized all-primary sale of 9.82m shares at US$22 each.

This was above Bill.com's US$19-$21 marketing range, which had already been increased from US$16-$18 a day ahead of pricing.

It was a price progression path familiar to investors in software IPOs in recent years.

The number of shares sold was increased 11% from 8.8m at launch.

Bankers close to the deal said the offering was more than 30 times subscribed. Though inflated by 5% and 10% orders that were never likely to be filled, Bill.com's aftermarket performance still suggested the company was conservative in pricing and sizing its IPO.

"It's a little crazy," one ECM banker said ahead of pricing. "It's just a small deal but it's definitely a hot one."

The supply of stock was further tightened by specialist tech investment firm Dragoneer Investment taking 1.5m shares or 15% of the offering upfront.

Bill.com marked the first software IPO since Datadog in September.

Despite a short-lived sell-off of software stocks, investors showed they have maintained a voracious appetite for fast-growing cloud software companies.

VALUATION

At the top end of the revised range, Bill.com was pitched at 8.5 times 2020 EV/sales and 6.7 times 2021 numbers, the latter versus low double-digits for its comp set.

Bill.com's debut gains also pushed its multiple into double-digit territory, though this may have been a function of the small size of the deal (the IPO represented 14% of outstanding).

As with other software IPOs, the prospect that Bill.com could be a future takeover target put a floor on its valuation, though some investors expressed concern the stock may have already risen beyond the clutches of any potential buyer.

Founded in 2006 by CEO Rene Lecerte, Bill.com sells subscription-based software that helps small and medium-sized businesses simplify their back offices, including generating and processing invoices, sending and receiving payments and managing cash.

Bill.com revenues increased 57% to US$35.2m and it reported 74% gross margins in the three months to September 30, but still reported a US$5.7m net loss.

The company previously raised US$82.5m in 2017 via a Series G private financing round led by Ossa Investments (Temasek) and August Capital.

Anthony Hughes

RANPAK RAISES US$100.1m TO CUT DEBT

The SPAC boom has brought a lot of new names into the secondary ECM universe this year, a case in point being **RANPAK**'s US$100.1m follow-on stock sale late on Tuesday.

The maker of sustainable packaging made its first visit to ECM Tuesday by selling 15.4m shares at US$6.50 each, a premium to the prior session close of US$5.87. *Craig-Hallum Capital* was sole bookrunner.

Ranpak is a little known name in ECM circles, only becoming a public company earlier this year when SPAC One Madison agreed to pay US$950m in cash for the business.

New York-based fund JS Capital Management and fellow One Madison anchor investor Soros Capital as well as Blackstone Alternative Solutions put more money in to make that deal happen.

Proceeds from the latest offering are earmarked to repay some of Ranpak's US$541m of total debt.

No book color was available, though per the filing Ranpak's major shareholder, JS Capital agreed to purchase a "substantial number of shares" in the offering.

The premium likely reflected the company's tightly knit base of supporters, though the offering price was endorsed by an aftermarket rally to US$6.60 in Wednesday's session. By afternoon trade on Friday, it had risen further to US$7.02.

Even so, the stock remains well in the hole versus the $10.00 IPO price of One Madison, which raised US$300m when it went public early last year.

BIOTECH OFFERINGS DRAW CROWDS

Confidential marketing of follow-on equity raisings by biotechs **FORTY SEVEN** and **ASSEMBLY BIOSCIENCES** last week either went better than expected or worse, depending on your perspective.

Both biotechs got their full fill, and more in the case of Forty Seven, but investors that participated did not, sending their shares soaring in aftermarket trading.

In the case of Forty Seven, *Morgan Stanley* and *Credit Suisse* confidentially marketed its financing to investors on Wednesday before flipping to broader marketing overnight at a US$140m fixed funding target.

They were well oversubscribed on the wall-cross, allowing them to upsize the offering to 4.86m shares placed at US$35.00, raising US$170m, but scaled back investor orders in the process.

Forty Seven was widely expected to fund after its shares rocketed in the wake of reporting positive Phase I results on its leukaemia drug on Monday morning.

Forty Seven closed at US$38.74 on Thursday, up 10.8% from the price set on its stock sale, after trading at all-time high US$42.60 earlier in the session.

Assembly Biosciences also drew a crowd for its US$125m stock sale. *Jefferies*, *SVB Leerink* and *William Blair* confidentially marketed the trade. They ended up placing 5.15m common shares and another 2.42m pre-funded warrants both at US$16.50, a 3.9% discount after marketing at a fixed price.

The use of pre-funded warrants, which cost a penny and are exercisable at the offer price, are commonly used to cap individual stock ownership, avoiding the possibility of being deemed an affiliate.

Typically, that threshold is 9.99%. In this case, however, Assembly is limiting individual ownership at 4.99%.

The biotech indicated that one institution purchased the warrants. Baker Brothers, a life sciences specialist known to use warrants on its investments, and Janus Henderson owned 3.1% and 3.5% ahead of the stock sale.

Combined, the equity and warrants sold represent 22.4% of Assembly's enlarged shareholder base.

Assembly is using the offering proceeds to fund clinical trials of its Hepatitis B vaccine.

The biotech has been on investor radars since last month when it released interim data from a Phase II trial on its HBV drug at an investor conference.

Assembly closed at US$23.81, 44.3% above offer.

CONSTELLATION RISES FROM ASH MEETING

After presenting at the American Society of Hematology (ASH) annual meeting in Orlando, **CONSTELLATION PHARMACEUTICALS** shifted its focus to Wall Street with an opportunistic US$224m stock sale.

Constellation shares rocketed to as high as US$56.49 on Monday following the release of data from a Phase II trial of its lead cancer drug before closing at US$36.14.

JP Morgan, *Jefferies*, *Cowen*, *RBC Capital Markets* and *SunTrust Robinson Humphries* marketed 4.75m shares for one day. They priced an upsized offering of 6.5m shares at US$34.50, a 2.8% discount to Tuesday's US$35.51 closing price and a 4.5% all-in discount.

The offer is more than double Constellation's US$15 IPO price in July 2018.

In many ways, Constellation is still barely public, as just 10 institutions owned more than 90% of its shares, led by Colum Group (24%), Venrock (20.7%), Third Rock (11.8%) and Bain Capital (10.9%) before last week's deal.

There has been heavy churn of the public float with last week's upsized offering equating to a little under 20 days' trading volume.

Constellation has three small-molecule cancer drugs in its portfolio, each designed to block proteins that are known to trigger cancer growth.

The proceeds from last week's offering will provide more than US$160m of cash for clinical trials, up from US$89m as of September 30.

BAY CITY ROLLS OUT OF MADRIGAL

A rare block sell-down from the biotech sector proved a challenging exercise for *Goldman Sachs*.

Goldman reoffered 1.2m secondary shares in NASH drug developer **MADRIGAL PHARMACEUTICALS** overnight on Tuesday at US$107.85, the bottom of the US$107.85–$112.50 range and a 9% discount to last sale.

The US$129.4m offering facilitated a share sale by Madrigal's major backer, the San Francisco-based life sciences-focused investment firm Bay City Capital.

In Wednesday's aftermarket, Madrigal shares slumped 16.4% to US$99.08 on volume of 1.6m shares, implying a US$10m-plus loss for buyers notwithstanding how the risk might have hedged away.

Later filings showed Goldman collected a US$2.9m or US$2.38 a share underwriting spread, a relatively large amount, to offset any risk it carried.

Biotech secondaries are rare given the poor optics of selling stock before a drug has been approved.

In this case Bay City is hardly abandoning Madrigal, since it still owns 4.2m shares or 27.1% of the company and is restricted from selling more for at least 90 days.

Madrigal is in advanced trials (Phase III) for resmetirom, its lead NASH drug. Its shares had risen 25% this quarter going into the offering.

However, the shares are well down from the US$305 level in mid-2018 when Goldman priced a US$410m offering of Madrigal stock that saw about one-quarter of the proceeds go to selling shareholders, including Bay City.

Madrigal is just one of numerous players proceeding with late-stage NASH trials and chasing a market opportunity estimated to be worth more than US$20bn.

MOMENTA FUNDS SETTLEMENT WITH EQUITY

Generic drug company **MOMENTA PHARMACEUTICALS** raised US$225m in an upsized stock sale on Wednesday night that will help it settle a class action lawsuit.

JP Morgan, *Goldman Sachs* and *Stifel* priced 14.5m shares on Wednesday night at US$15.50, a 13% all-in discount after a day of marketing a fixed-size US$200m offering.

The stock price traded up on Thursday to US$16.83.

Momenta has agreed to pay Nashville General Hospital US$35m to settle claims that Momenta and partner Sandoz violated Federal antitrust laws in the sale and marketing of their generic version of Lovenox, a treatment for multiple sclerosis.

Momenta plans to use proceeds from the stock offering to fund the settlement as well ongoing clinical trials of other drugs in its pipeline including three Phase II/III trials on biosimilars.

ROCKET RIDES INTO EQUITY

Biotech **ROCKET PHARMACEUTICALS** capitalised on a 5.5% surge in its stock price on Tuesday through an increased US$85m overnight sale.

JP Morgan, *Cowen* and *Evercore* were fully covered for a US$75m raise at launch on the back of a targeted wall-cross that took place earlier in the day.

They ended up pricing an upsized offering of 3.82m shares at US$22.25, the low end of the US$22.25-$22.50 overnight marketing range and an 8.1% discount to the US$24.23 closing price.

Rocket released preliminary Phase I data on Tuesday morning of its gene therapy for a rare immune system disorder that causes recurrent and fatal infections during childhood.

The first patient treated with the gene therapy after three months is so far producing more than enough blood cells that express the missing gene that is necessary for survival into adulthood.

Rocket expects to provide the full Phase I data in the first half of next year and move into Phase II by the end of 2020.

ORTHOPEDIATRICS RAISES US$57m OVERNIGHT

ORTHOPEDIATRICS, a maker of medical devices for children, left nothing to risk with a US$57m raising by confidentially marketing the deal to shore up demand.

Piper Jaffray and *Stifel* placed 1.57m shares overnight on Tuesday at US$36.50 each, a 5.7% discount to last sale, after confidentially marketing to select investors earlier in the day.

They were five-times covered, allowing them to upsize from a US$50m fixed-sized target.

OrthoPediatrics closed at US$39.84 on Wednesday.

The company now has US$75m in the bank to fund sales and marketing of its existing line of surgical implants, including a device for children with foot deformities that was recently approved by the FDA.

CUNEO CASHES US$225m SPAC CHEQUE

CIIG MERGER, a special purpose acquisition company headed by turnaround specialist Peter Cuneo, raised US$225m from its IPO on Thursday.

"Direct anchor investors" BlackRock and CIIG sponsor CIIG Management purchased US$6.5m worth of warrants. "Indirect anchor investors", including BlackRock and CIIG, along with Magnetar Capital and Atalaya Capital Management, invested US$50.265m on the IPO itself.

That latter commitment left a roughly US$175m stub for CIIG Merger bookrunners *UBS* and *Barclays*, light work in a strong environment for new SPAC funding.

The banks held the offering size to 22.5m units at US$10.00 apiece, with each unit comprising one share and one-half warrant exercisable at US$11.50. The vehicle has a 24-month investment horizon and will hold all proceeds raised in trust, pending an acquisition.

"It was a bit of a strategic decision on the part of the sponsor," said one syndicate banker of the decision not to upsize. "This size fits for the industry they are targeting."

Public investors have redemption rights on voting against an acquisition, as is standard on US-style SPACs.

EVERARC, a SPAC headed by Nicholas Howley and William Thorndike, by contrast raised US$285m Wednesday on an LSE-listed, UK-style SPAC, via joint bookrunners Morgan Stanley and UBS.

UK SPACs commit public investors to the acquisition upfront.

"Way easier," said a second banker of the US relative to UK SPACs. "With UK SPACs, there is a much smaller sub-sector of investors that are willing to play. Once you are in, you are committed."

Cuneo, CIIG CEO and chairman, is the current chairman of consumer goods maker Iconix Brand Group. The 75-year-old exec is best known, however, for leading the turnaround of Marvel Entertainment from 1999 to 2009 that culminated in the sale to Disney for US$4bn.

HEALTHCARE MERGER, a healthcare-focused SPAC, did elect to upsize its offering to US$220m, from the US$200m target at launch, on the pricing of its IPO on Thursday.

Cantor, sole bookrunner, placed 22m units at the fixed $10.00 offer, also structured as one share, one-half warrant.

In addition to the public offering, Healthcare Merger sponsor led by CEO Steven Shulman committed to invest US$6m in a concurrent private placement.

Healthcare Merger and CIIG Merger both debuted Friday on Nasdaq, where they were trading midday at US$10.19 and US$10.08 respectively.

Nasdaq and the NYSE have increased scrutiny of SPAC IPO compliance to meet the requisite round lot number of shareholders, at 300 and 400, respectively.

"They used to just ask us to sign off," said one SPAC banker. "Now they are peeling back the onion a little more."

The stock exchanges are concerned about trading liquidity of small-cap stocks, not only for SPACs but listings by foreign companies as well, said the banker.

Health IT IPOs break lock-ups for secondaries

US VCs cash in before year-end

A pair of health technology companies that went public in July, **LIVONGO HEALTH** and **PHREESIA**, returned with secondary offerings to enable their venture backers to monetise their holdings.

In a rarely seen move, Livongo launched and priced a US$75m first follow-on inside the standard six-month lock-up despite its stock price trading below where the diabetes management platform went public in July.

Morgan Stanley, *Goldman Sachs* and *JP Morgan* priced the follow-on sale of 2.8m secondary shares or 3% of the company at US$27.00, a 1.6% all-in-discount after two days of marketing but below the company's US$28 IPO price.

The banks shared a handsome underwriting fee of US$3.9m.

Livongo has taken investors on a wild ride since the IPO, its shares soaring to US$45.68 shortly afterwards but then tumbling to as low as US$15.12 in October after a sell-off of growth stocks and disappointing early results.

Typically, underwriters only waive lock-ups early when a stock is trading well above the IPO price, but in this case at least the offering was small relative to Livongo's IPO, which raised US$355.2m.

The matter was sensitive enough to prompt an explanation from Livongo CEO Zane Burke.

In a statement, Burke said he was "excited" to offer major shareholders "an opportunity for an orderly and managed distribution of their holdings".

"We believe this [offering] may help to reduce volatility of our common stock when the 180-day lock-up period from our *IPO* expires, while also increasing the number of shares available to interested new investors," he said.

The follow-on made more sense given major holders General Catalyst (24.1%), Kinnevik (13.4%) and Kleiner Perkins (7.5%) did not sell in the offering.

Instead, smaller Livongo shareholders such as Humana Innovation Enterprises (1.8%) and Biomedical Sciences Investment Fund (1.2%), as well as some non-executive Livongo employees, collected the net proceeds.

Phreesia, a provider of patient intake software, took a 9.8% file-to-offer discount on its two-day marketed first follow-on.

Launched a day after it upped revenue guidance alongside its third quarter results and inside an IPO lock-up due to roll off next month, *JP Morgan*, *Wells Fargo* and *William Blair* priced an upsized all–secondary offering of 6.75m shares or 17% of outstanding at US$26 versus July's US$18 IPO price.

The deal was upsized from 6m shares at launch and saw all of Phreesia's major venture backers cut their holdings, led by largest shareholder LLR Equity Partners.

The IPOs of Phreesia and Livongo, both playing on the theme of making the lumbering US healthcare system more efficient, both generated overflowing demand at their IPOs and priced above range.

Anthony Hughes

SPROUT RUN INTO PRICE SENSITIVITY

Price sensitivity is almost alien to the world of subscription software IPOs, but **SPROUT SOCIAL**'s mixture of relatively slow revenue growth, operating losses and its positioning in the competitive social media landscape kept investors cautious about paying up for its shares.

Late Thursday, Sprout priced its Nasdaq IPO of 8.8m shares or 18% of the company at US$17, the midpoint of the US$16-$18 marketing range for proceeds of US$150m.

The outcome was in stark contrast to the above-range outcomes on most recent US subscription software IPOs and represents a "down round" versus Sprout's US$40.5m Series D funding round at US$18.61 a share late last year.

On debut Friday, the shares opened up just 6.2% to US$18.05 and later broke offer, a poor performance by the standards of the sector and paling in comparison with fellow cloud software company Bill.com's 60%-plus opening gains the day before.

This was despite Sprout's IPO attracting 15-times subscription with the top 20 accounts taking 80% of the deal.

Just ahead of pricing, the *Goldman Sachs* and *Morgan Stanley*-led syndicate guided investors to expect top end or maybe a price slightly above range, but this proved ambitious.

"We were hearing a few different things but the order book came together late, and that may have had something to do with people waiting to see how Bill.com turned out," an ECM banker said.

Though midpoint pricing was still a creditable outcome, another banker described the roadshow as "a little bit of hand-to-hand combat" as some investors pushed back on concerns that Sprout's service could be offered by a large tech company.

Those concerns were somewhat factored into the IPO price, which valued Sprout at 5.6 times 2020 EV/sales and 4.3 times 2021 numbers, much lower than the double-digit multiples commanded by the cream of the cloud software sector.

Late in the IPO process, Sprout clarified that it expected to report a US$3.9m-$4.4m compensation expense in the current quarter to reflect an "IPO award" to CEO and co-founder Justyn Howard.

Founded in 2010 by Howard and chief technology officer Aaron Rankin, Sprout sells a subscription-based cloud platform that helps enterprises manage their social media efforts. It now has 23,000 customers.

Sprout grew revenues 32% to US$74.5m but reported a net loss of US$21m in the nine months ended September 30.

CANADA

BRP SELLERS PROVIDE LIQUIDITY BUMP

BRP's financial backers crystallised roughly C$305m (US$226.5m) of gains at near record

XP shares the wealth on US$2.25bn IPO

■ BRAZIL securities broker takes care of own

If Brazil's ambitious economic reform agenda can stick in the coming years, financial services disruptor **XP** should have plenty of room to run.

XP, which is growing from its foundation of online securities brokering to myriad financial products, exploded on to the public markets on Wednesday, rising 27.6% on its Nasdaq debut following pricing of its US$2bn IPO.

Investment banks that underwrote the deal, including XP itself and significant shareholder Itau Unibanco, had little motivation to boost sizing, despite ample investor demand to do so.

They did exercise their 15% greenshoe option within days of pricing to boost the offering to US$2.25bn, including US$1.1bn for selling shareholders led by XP management and General Atlantic.

"Everyone [in the US] got cut back," one buy-sider told IFR. "I can hardly blame the company. The IPO is significant to their business."

In other words, if there was money to be made, it would be by Brazilians, across XP/Itau's retail, institutional and wealth management platforms.

Goldman Sachs, *JP Morgan*, *Morgan Stanley*, *XP Investments* and *Itau,* the global coordinators on the Nasdaq-only listing, placed 72.5m shares on Tuesday at US$27 each, two-dollars above the US$22-$25 range marketed. Another 10.9m shares, all secondary, came days later.

The offering valued XP at US$14.9bn, a low-30s multiple of 2021 earnings.

XP grew on that valuation in closing first-day trading at US$34.46.

There was hard evidence that international investors were scaled back. Durable Capital, the fund manager founded earlier this year by former star T Rowe Price portfolio manager Henry Ellenbogen, saw its order cut back to 5.5m shares, from the 7.25m indicated on the cover at launch.

XP is the latest in a progression of high-growth LatAm fintech IPOs, following the New York debuts of small-business payments provider PagSeguro in January 2018, a US$2.3bn offering that is now up 34%, and ecommerce/payments network developer StoneCo in October 2018 (US$1.2bn, 62%).

As of September 30, XP saw assets under management at core brokerage services swell to R$350bn, nearly double the R$181bn a year earlier, and the number of active retail clients grows at a similar pace to 1.5m.

Institutional brokering (more than 400 clients), a network of 5,900 independent financial advisers, wealth management highlight ambitions to disrupt financial services dominated by five incumbent banks.

In the nine months ended September 30, XP reported net earnings of R$692m on gross revenue of R$3.69bn, a 19% margin and double the R$352m profit on R$2.3bn revenue a year earlier.

All consistent with the 18%-22% net margins and 35% top-line annual growth targeted by management.

Highlighting the extent of its ambitions, XP was mandated last week as a bookrunner on a Bovespa IPO for Silver Lake-backed Brazilian web hosting provider **LOCAWEB SERVICOS DE INTERNET** alongside *Itau*, *Goldman Sachs* and *Morgan Stanley*.

For now, XP management will focus on opportunities within Brazil, though there is potential for international expansion in the future.

Itau Unibanco, which purchased a 49.9% stake in 2017 for R$6.3bn, about US$2bn at the time, can now mark its remaining XP holdings at US$8.9bn.

Stephen Lacey

prices through a Canadian-style block overnight Tuesday.

BMO Capital Markets, *Citigroup* and *RBC Capital Markets* seemed to have struggled a bit in their efforts to reoffer 5m shares at C$61.17, a 3.1% discount to the C$63.72 last sale.

BRP, a maker of recreational vehicles, broke for trading on Wednesday on the TSX at C$58.95 and recovered slightly to C$59.65. On Nasdaq, the less liquid of two listing venues, they traded at US$45.22.

The underwriting banks were paid a 4% gross spread (C$58.72 purchase price) so have some cushion for profit even if there was still some work to be done.

Beaudier, the investment arm of the founding Bombardier family, and Bain Capital reduced their stakes to 26.2% and 22.5%, from 29.4% and 26.4% respectively.

They acquired BRP, the former recreational products unit of Bombardier, in 2003 before taking it public a decade later in 2013.

BRP is illiquid, on average trading just 275,000 shares daily on the TSX and another 50,000 on Nasdaq. BRP hit an all-time high last month at C$67.00.

› ANDLAUER DELIVERS PROGNOSIS ON IPO

ANDLAUER HEALTHCARE, the medical logistics company backed by former Canadian trucking magnate Michael Andlauer, soared 31% on its TSX debut Tuesday, albeit on light volume.

RBC Capital Markets and *CIBC Capital Markets* placed 10m subordinated units a week earlier at C$15 apiece, the high-end of a C$12-$15 marketing range.

Andlauer opened at C$18.00 and closed the session at C$19.65 on volume of 1.5m shares (C$18.60 VWAP).

The 31% day-one gain makes Andlauer Canada's best debut for an IPO this year, topping the 18% gain of payments provider Lightspeed POS in March - although there have only been four Canadian IPOs above US$50m.

› TRIPLE FLAG WAIVES PLANNED C$360m IPO

New York hedge fund Elliott Management concluded that it would rather retain its majority interest in **TRIPLE FLAG PRECIOUS METALS** than see it diluted by taking the metals royalty company public at a low valuation.

Triple Flag pulled the plug on the offering Wednesday morning, citing "the market environment for share offerings, particularly near year-end" even though it was "encouraged by investor interest".

Bank of America, *ScotiaBank* and *CIBC* had planned to price the deal that evening, after an extensive three-week marketing period for 20m new shares at C$15–$18. They last communicated price sensitivity below that range with interest anchored by a global blue-chip institution.

Triple Flag's small size relative to other alternatives was a primary reason for investor pushback.

The public offering, which represented a 17% stake, had targeted a valuation of as much as C$2.1bn (US$1.6bn).

Triple Flag had planned to use proceeds to fund a recent US$145m gold-streaming deal with South African miner Royal Bafokeng Platinum.

› NORTHWEST RAISES C$250m TO EXPAND

NORTHWEST HEALTHCARE PROPERTIES REIT raised C$250.1m (US$189m) of equity from a bought deal financing and concurrent placement to help it to repay debt and expand its European portfolio.

BMO Capital Markets, *RBC Capital Markets* and *Scotiabank* led the upsized sale of 18.45m trust units in the healthcare REIT at C$12.20 each, a 3.6% discount to last sale, for proceeds of C$$225.1m.

ECM DEALS: WEEK ENDING 13/12/2019

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Centuria Industrial REIT	Australia	12/12/2019	A$154.4m	A$3.41	Follow-on (primary)	JPM, Moelis, UBS
Centuria Metropolitan REIT	Australia	11/12/2019	A$185m	A$3	Follow-on (primary)	UBS, Moelis
Charter Hall Long WALE REIT	Australia	13/12/2019	A$350m	A$5.35	Follow-on (primary)	JPM, UBS
XP Investimentos	Brazil	12/10/2019	US$1.95bn	US$27	IPO (primary, secondary)	GS, JPM, MS, XP, Itau, BofA, Citigroup, CS, UBS
Aurinia Pharmaceuticals	Canada	09/12/2019	US$166.5m	US$15	Follow-on (primary)	Jefferies, SVB Leerink
BRP	Canada	12/10/2019	C$305.9m	C$61.70	Accelerated bookbuild (secondary)	BMO CM, Citigroup, RBC CM
Northwest Healthcare Prop REIT	Canada	12/11/2019	C$225.1m	C$12.20	Accelerated bookbuild (primary)	BMO CM, RBC CM, Scotiabank
EHang	China	12/11/2019	US$40m	US$12.50	IPO (primary)	MS
Midea Real Estate	China	11/12/2019	HK$764m	HK$19.10	Follow-on (primary)	CICC
OneConnect Financial Tech	China	12/12/2019	US$312m	US$10	IPO (primary)	MS, GS, JPM
OneConnect Financial Tech	China	13/12/2019	US$312m	US$10	IPO (primary)	MS, GS, JPM, Ping An of China Secs, BofA, HSBC
Poly Property Development	China	13/12/2019	HK$4.67bn	HK$35.10	IPO (primary)	ABC Int, GF Capital, Huatai Financial
Renrui Human Resources Tech	China	09/12/2019	HK$1bn	HK$26.60	IPO (primary)	BNP Paribas
Times Neighborhood	China	12/12/2019	HK$843m	HK$5.15	IPO (primary)	Haitong International
XD	China	09/12/2019	HK$706m	HK$11.10	IPO (primary)	CLSA
Greencoat Renewables	Ireland	09/12/2019	€125m	€1.13	Follow-on (primary)	Davy, RBC CM
Jtower	Japan	10/12/2019	¥9.42bn	¥1,600	IPO (primary, secondary)	Daiwa, SMBC Nikko
SRE Holdings	Japan	11/12/2019	¥11.9bn	¥2,650	IPO (primary, secondary)	SMBC Nikko
MISC	Malaysia	09/12/2019	M$1.81bn	M$7.94	Follow-on (secondary)	CIMB
Pavilion REIT	Malaysia	09/12/2019	M$126m	M$1.70	Follow-on (secondary)	Maybank
Petronas Dagangan	Malaysia	09/12/2019	M$1.32bn	M$22.43	Follow-on (secondary)	CIMB
Petronas Gas	Malaysia	09/12/2019	M$2.9bn	M$15.03	Follow-on (secondary)	CIMB
LIV Capital Acquisition	Mexico	10/12/2019	US$70m	US$10	IPO (primary)	EarlyBird Capital
Basic-Fit	Netherlands	10/12/2019	€106.25m	€31.25	Accelerated bookbuild (secondary)	ABN AMRO, Barclays
Samhallsbyggnadsbolaget Norden	Sweden	09/12/2019	SKr1.5bn	SKr23	Rights issue (primary)	GS, JPM, ABG Sundal Collier, Citigroup, Deutsche Bank, Kempen & Co
EverArc	UK	11/12/2019	US$340m	US$10	IPO (primary)	MS, UBS
JD Sports Fashion	UK	10/12/2019	£177.6m	740p	Accelerated bookbuild (secondary)	GS
Arbor Realty Trust	US	09/12/2019	US$91.9m	US$14.14	Accelerated bookbuild (primary)	JPM, JMP Secs, Raymond James
Assembly Biosciences	US	11/12/2019	US$85.0m	US$16.50	Accelerated bookbuild (primary)	Jefferies, SVB Leerink, Wm Blair
Bill.com	US	11/12/2019	US$215.6m	US$22	IPO (primary)	GS, BofA, Jefferies, KeyBank CM
Brigham Minerals	US	11/12/2019	US$199.1m	US$18.10	Follow-on (primary, secondary)	CS, GS, JPM
CIIG Merger	US	12/12/2019	US$250m	US$10	IPO (primary)	UBS, Barclays
Constellation Pharmaceuticals	US	10/12/2019	US$224.3m	US$34.50	Follow-on (primary)	JPM, Jefferies, Cowen, RBC CM, Suntrust RH
Forty Seven	US	11/12/2019	US$170.1m	US$35	Accelerated bookbuild (primary)	MS, CS
Global Medical REIT	US	10/12/2019	US$61.8m	US$13	Accelerated bookbuild (primary)	Stifel, BMO CM, RW Baird, Suntrust RH
Healthcare Merger	US	12/12/2019	US$220m	US$10	IPO (primary)	Cantor
Livongo Health	US	11/12/2019	US$75.6m	US$27	Follow-on (secondary)	MS, GS, JPM
Madrigal Pharmaceuticals	US	10/12/2019	US$129.4m	US$107.85	Accelerated bookbuild (secondary)	GS
Momenta Pharmaceuticals	US	11/12/2019	US$224.8m	US$15.50	Follow-on (primary)	GS, JPM, Stifel
OrthoPediatrics	US	10/12/2019	US$57.3m	US$36.50	Accelerated bookbuild (primary)	Piper Jaffray, Stifel
PennyMac Mortage Invest Trust	US	10/12/2019	US$176.8m	US$22.10	Accelerated bookbuild (primary)	MS, CS, BofA, JPM, Barclays
Phreesia	US	12/12/2019	US$175m	US$26	Follow-on (secondary)	JPM, Wells Fargo, Wm Blair, Allen, Piper Jaffray
Ranpak Holdings	US	10/12/2019	US$100.1m	US$6.50	Accelerated bookbuild (primary)	Craig Hallum
Rocket Pharmaceuticals	US	10/12/2019	US$85m	US$22.25	Accelerated bookbuild (primary)	JPM, Cowen, Evercore
Ryman Hospitality Properties	US	09/12/2019	US$283m	US$85.60	Accelerated bookbuild (primary)	BofA, JPM, Wells Fargo
Sprout Social	US	12/12/2019	US$149.6m	US$17	IPO (primary)	GS, MS, KeyBanc CM, William Blair

The deal size was increased from 16.4m shares at launch post-close Tuesday.

Separately the REIT sold C$25m of stock to NorthWest Value Partners, the REIT's largest shareholder (16% after this offering) and a vehicle controlled by the REIT's CEO, Paul Dalla Lana.

By Thursday's session the shares were trading below the offering price, closing at C$11.95.

The REIT plans to use the net proceeds to repay C$215 million of corporate debt with an average interest rate of 6.4% and term to maturity of three years.

The debt being repaid includes the REIT's 5.25% convertible debentures maturing September 30 2020 with an outstanding balance of C$40.3m and the REIT's 5.50% Series D convertible debentures maturing October 31 2020 with an outstanding balance of C$52.8m.

It also plans to expand its European platform through the acquisition of two clinics in Germany and one medical office building in the Netherlands for a combined C$68.5 million, a cap rate of 5.8%.

AURINIA RAISES US$166.7m IN NASDAQ OFFERING

Canadian biotech **AURINIA PHAMACEUTICALS** extended recent momentum from Phase III trial results with a US$166.7m, one-day marketed stock sale.

Aurinia shares gained 2.2% on marketing of the deal on Monday to US$15.78, more than double the US$7.58 level ahead of the Phase III data report the previous week.

Jefferies and *SVB Leerink* did provide investors some concession in placing 11.1m

EQUITY-LINKED DEALS WEEK ENDING: 13/12/2019

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon/YTM %	Premium (%)	Bookrunner(s)
Everbridge	US	10/12/2019	US$375.0m	US$75.0m	5y	0.00	35.00	JPM, GS, Nomura, BofA, CS, Wells Fargo
Impinj	US	11/12/2019	US$75.0m	US$11.3m	7y	2.00	28.00	GS
Lumentum	US	09/12/2019	US$900.0m	US$150.0m	7y	0.50	42.50	GS

shares at US$15, a 4.9% discount to last sale and a slight increase from the US$150m marketed.

This was Aurinia's second public stock sale since cross-listing to Nasdaq in September 2015, following a US$173m raising at US$6.75 a share in 2017.

More recently it has relied on at-the-market stock sales to fund development that included US$14.3m raised since mid-September at an average price of US$6.40 per share.

In conjunction with this equity raising it terminated the ATM programme.

The move to eliminate ATM sales sends a bullish message that the US$190m of cash will see it through commercialisation of its lead drug.

After Phase III results reported 40.8% response rate, versus 22.5% in the control group, Aurinia plans to hold a pre-new drug application meeting with the FDA early next year in the hope of submitting an application in the first half of 2020.

BRAZIL

MITRE, MOURA DUBEUX BUILD TOWARD IPOS

Real estate developer **MITRE REALTY** added its name to the queue of companies seeking to build upon the recovering local real estate market by filing documents this week for an IPO.

Itau, *BTG Pactual* and *Bradesco* are joint bookrunners on the Bovespa-listed offering, though they also plan to market internationally.

And while the size was not disclosed, the offering will be comprised of both primary and secondary shares.

The company, which specialises in property for mid to high-income buyers, plans to use proceeds from the primary component to buy land and repay bank borrowings.

MOURA DUBEUX ENGENHARIA, a high-end real estate developer focused on the northeast of the country, also filed documents last week for its IPO, also a domestic-only listing.

Itau was mandated as lead coordinator and *Credit Suisse* stabilisation agent, with *Bradesco* and *BB Investimentos* enlisted as other bookrunners.

STRUCTURED EQUITY

UNITED STATES

LUMENTUM SHINES LIGHT ON GROWTH WITH SEVEN-YEAR CB

LUMENTUM ended the year on a bullish note, raising US$1.05bn from the sale Monday of a seven-year convertible bond.

The optical networking gear maker used proceeds to concurrently buy back stock, aiding deal execution, and to fully repay bank borrowings.

Sole bookrunner *Goldman Sachs* marketed the long-dated security for one day Monday. On the strong investor demand, the bank was able to boost sizing from US$850m to US$900m and price at 0.5%, up 42.5%, the mid-point of talk.

Exercise of the greenshoe increased sizing to US$1.05bn.

Lumentum assisted in the execution by buying back US$200m of stock, providing built-in borrow for hedge funds that participated. The company elected not to purchase a call spread, as has become commonplace, that would have provided additional stock borrowing on hedging by counter-party banks.

The lack of call spread provides Lumentum more firepower for potential acquisitions, after last year agreeing to acquire optical networking gear maker Oclaro for US$1.8bn.

Lumentum used a portion of the CB proceeds to repay (and terminate) the remaining US$196m outstanding on Term Loan B used to fund the Oclaro purchase.

EVERBRIDGE ALERTS TO HIGH-CLASS CB DILEMMA

Management software provider **EVERBRIDGE** took advantage of investor enthusiasm from recent contract wins to pre-fund the takeout of a deep-in-the-money convertible bond with a new CB.

Everbridge is paying a coupon of just 0.125% on the new US$375m five-year CB with investors eligible to convert at prices above US$112.36, a 35% premium to reference.

JP Morgan and *Goldman Sachs*, along with four other banks, had marketed the CB Tuesday at a coupon of 0%-0.25% and conversion premium of 32.5%-37.5%, locking down talk at 0.125%, up 35%-37.5% that afternoon.

Everbridge shares fell 1% on the marketing to US$83.52.

As part of the financing, Everbridge spent US$57.8m to buy back US$23m principal of an extant 1.5% CB that is convertible at US$33.71 and matures in 2022. It pledged to buy back the remaining roughly US$90m of 1.5%s when they become callable next November.

Everbridge purchased a call spread in conjunction with the new deal to offset dilution to share prices above US$166.46, double the reference price used in pricing.

The only question, and somewhat academic, is why Everbridge did not purchase all of the 1.5%s?

One consideration was the risk of triggering a creeping tender, which would obligate Everbridge to keep the purchase offer to all holders for 20 business days, by going out to too many holders.

"This was the company's decision," said one banker involved. "Concentration of holdings is a factor in tender considerations. If one holder owns 100% of a deal, the repurchase is not viewed as discriminatory."

Typically, the 25% threshold is cited as a "substantial percentage", but there have certainly been larger CB repurchases and concentration (three large holders) could have allowed for a bigger repurchase.

Regardless, creeping tender is an ancillary consideration made possible only because of the strong performance of the underlying.

Everbridge, which went public back in 2016 in a US$90m IPO (at US$12.00 a share), is coming off a strong quarter that included a number of significant new contracts, including a five-year contract with the state of California on a next-generation 911 alerting system and countrywide wins in Australia and Singapore.

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Save the Children would like to thank each of the banks for their fantastic pledges to the tombstone auction at the 2018 IFR Awards Dinner, as well as the many guests who made such kind personal donations.

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.

Visit **ifrawards.com** to buy your tickets.

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