IFR

INTERNATIONAL FINANCING REVIEW

MARCH 3 2018 ISSUE 2223 www.ifre.com

- **Lacklustre demand and price sensitivity hit European credit ahead of €30bn March rush**
- **Banks can “do what they want”: US regulator shocks with lev lending guidance**
- **Spotify heads for listing without visibility on supply or demand and no safety net**

Upfront

Changing of the seasons

The QE era is over. The ECB may still be buying €30bn of bonds a month, but the cycle of ever-tighter credit spreads and ultra-low yields is at an end.

Quite what the new era will look like in the bond markets has yet to become clear.

This has become readily apparent in the first two months of the year, a period characterised by volatile fund flows, negative returns in bonds and high-grade credit and tricky primary market conditions.

Not every deal has struggled – RBS, for example, printed the biggest financial trade in euros in more than a decade last week through a €4.75bn triple-tranche bond issue.

But there have been plenty of uninspiring issues in recent weeks, illustrating the tougher environment facing borrowers. Commerzbank, Macquarie Group, Lloyds and Legrand all struggled to gain momentum.

The conditions that prevailed from March 2015, when the ECB began its extraordinary monetary experiment, through to last year could not last forever.

Even during the headiest of times, bankers realised things were crazy. In July 2016, for example, Israeli pharma company Teva raised US$20bn-plus in the bond market to finance its acquisition of Allergan Generics.

> Teva is returning with its first deal since that jumbo offering. But now it is a high-yield issuer, saddled with huge debts

Massive order books meant the company priced its euro bonds 35bp inside its secondary curve, and those outstanding bonds, in turn, tightened by an incredible 40bp during the execution process. Bankers said they had never seen anything like it for an M&A-driven trade.

Teva is returning with its first deal since that jumbo offering. But now it is a high-yield issuer, saddled with huge debts, making big losses and trying to turn around its struggling business. It's highly unlikely to achieve a similar pricing outcome as before.

The turn in the credit cycle is at an early stage, and last month's volatility doesn't augur well. Some painful days lie ahead.

Xiaomi the money

Xiaomi's pending IPO is set to be a defining moment for China's capital markets. It's still not clear, however, which way it will go.

China's politicians would love Xiaomi, often referred to as the country's own version of Apple, to go public in Shanghai or Shenzhen. But as an overseas-domiciled business, Xiaomi would need either special approval or a change in regulations in order to sell shares in the domestic market.

That offers the country's regulators a chance to prove that they are serious about encouraging technology companies to list at home, but it also poses a difficult dilemma.

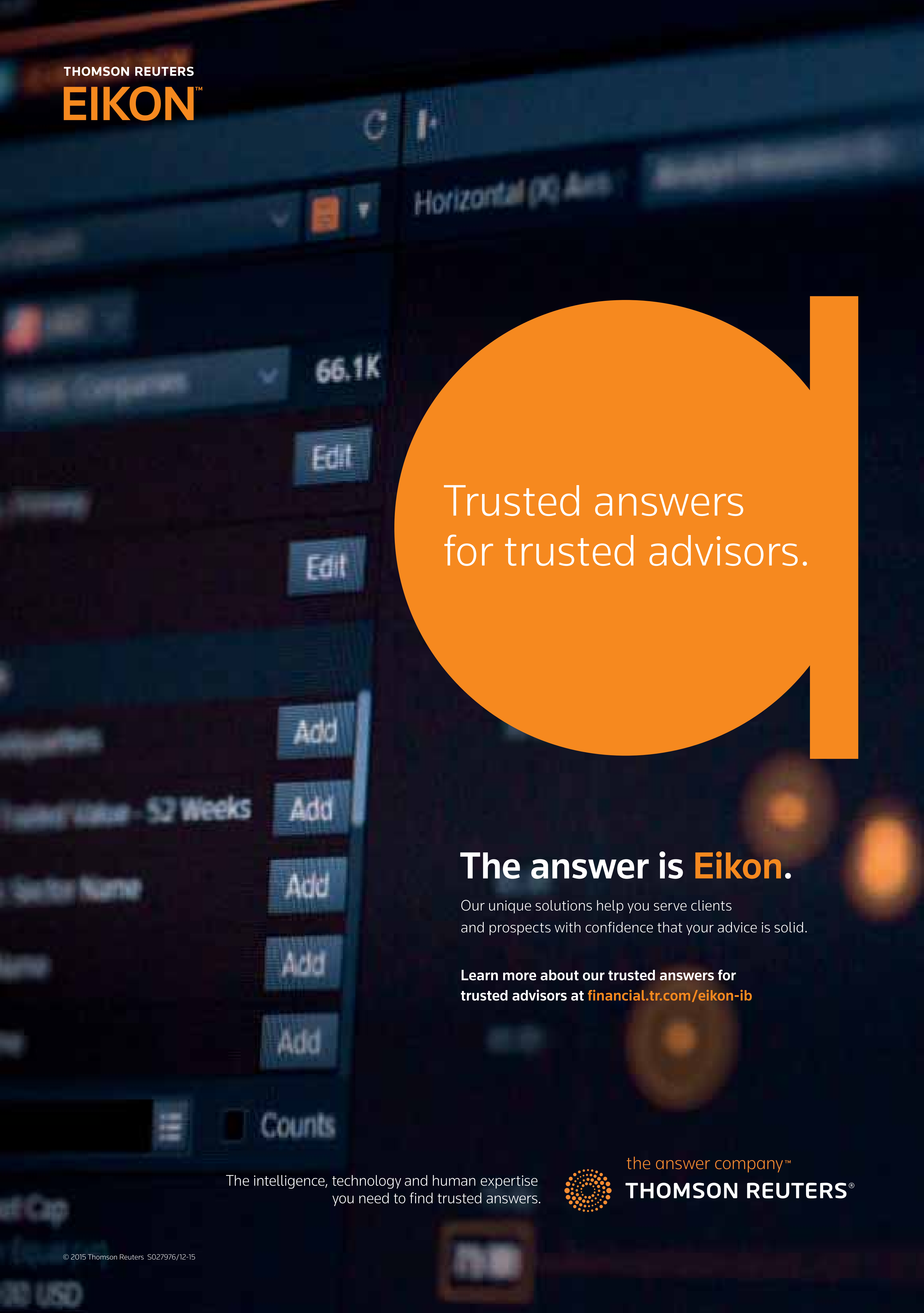
Allowing an overseas-incorporated company to float onshore – either through a direct listing or a depositary receipt structure – would set an awkward precedent for China, which has never been comfortable with foreign companies taking the proceeds of share sales or bond issues overseas.

Yet Xiaomi is a national treasure, with a profitable, growing business and a big domestic workforce. If China really wants to keep its most successful companies close to home, regulators will need to work out a solution.

A one-off approval is always possible in the Chinese system. Given the number of other candidates out there, however, a whole new approach would be far better.

The most palatable option would be to create a special channel allowing the securities regulator to fast-track IPO approvals for major companies from priority sectors and grant waivers on their corporate structure. To neutralise capital outflows, overseas-domiciled issuers could be required to invest the proceeds (or at least an equal amount) in their onshore business.

Xiaomi would be both a trophy listing and a pilot for others. Find the right formula, and a successful IPO would catch the attention of other fast-growing Chinese technology companies, potentially including the likes of Alibaba or Tencent.


THOMSON REUTERS
EIKON™
Trusted answers for trusted advisors.
The answer is Eikon.
Our unique solutions help you serve clients and prospects with confidence that your advice is solid.
Learn more about our trusted answers for trusted advisors at financial.tr.com/eikon-ib
The intelligence, technology and human expertise you need to find trusted answers.
the answer company™
THOMSON REUTERS®
© 2015 Thomson Reuters S027976/12-15

INTERNATIONAL FINANCING REVIEW
MARCH 3 2018 ISSUE 2223

Contents

Credit markets set for March test

■ **Bonds** **Small books for established issuers in European credit leads to caution about March madness**

BY HELENE DURAND

The euphoria that dominated Europe's credit markets last year has gone for now as tight valuations, fears of outflows and higher rates take their toll, even as issuers gear up for a busy March.

Borrowers have found the going tougher in recent weeks as issuers that previously attracted multi-billion order books are now barely crossing the line, with new issue concessions also creeping up.

A €400m no-grow eight-year for LEGRAND saw demand reach just over €500m, a far cry from the over €1.5bn the issuer garnered last year for a €400m October 2023.

This lack of enthusiasm for primary issuance – be it in the corporate or financials sectors – has emerged just as the market gears up for what is a traditionally busy month.

Some market participants reckon there could be up to €30bn-equivalent of issuance in the investment-grade corporate market in March, which would nearly double supply for the year.

In the first two months, corporates issued just €42bn-equivalent across the euro and sterling markets – 27% below last year's run rate.

"There's definitely less enthusiasm for deals in primary and levels of subscription are falling, sometimes sharply," said Eric Cherpion, global head of DCM syndicate at Societe Generale.

"Investors think credit is expensive and as we approach the end of QE, they are becoming more focused on value. We are seeing a lot more discipline during the bookbuilding process, there is price sensitivity in the order books."

Some of this sensitivity has emerged as rates have moved higher, with the US Federal Reserve hinting at four possible hikes this year.

"Rates hikes could be more aggressive than initially planned, which has unsettled markets," said Jean-Luc Lamarque, global head of syndicate at Credit Agricole.

"Investors' attitudes have changed and they are asking for bigger new issue premiums to protect their portfolios from market volatility, especially when they see the iTraxx have big intraday moves."

With almost €142bn of corporate bonds bought by the ECB since it started the CSPP in 2016, spreads have been kept artificially tight.

"The fundamentals are weaker now than they have been," said Puneet Sharma, head of credit strategy, investment management at Zurich Insurance Group.

"The one thing that is holding the market up is the strong demand, partly fuelled by central banks, which is hiding a malaise in the corporate market. Investors have been doing some rethinking as we approach the end of the cycle."

DECISIVE STEP

While supply might not be as big as last March, which saw more than €43bn of issuance, it is still likely to be a busy few weeks for the market.

"March will be a decisive step for the primary market," said Frederic Zorzi, global head of primary markets at BNP Paribas.

"Today, issuers are not panicking, they are still looking at their cost of carry. If we see a flattening curve, it might change but issuers are pragmatic. I remain constructive on the

RBS caps profit milestone with huge euro trade

■ **Bonds** **UK lender raises €4.75bn of debt despite challenging backdrop**

BY ALICE GLEDHILL

ROYAL BANK OF SCOTLAND priced the biggest financial trade in the euro market for more than a decade last Tuesday, raising €4.75bn across three tranches and marking yet another milestone in its turnaround since the crisis.

Other financial trades from Commerzbank, Macquarie Group and even Lloyds have struggled to generate momentum as market conditions slacken, but RBS - once the black sheep of the UK banking sector - had no such problem, generating books of over €6bn.

The bank remains 72% owned by the UK government after receiving a £45.5bn bailout, but has fought hard to put legacy issues behind it via a multi-year restructuring.

"There aren't many days where that volume is taken from the euro market," said Scott Forrest, head of debt capital markets and capital strategy at *RBS*. "We've had a good story to tell, about simplifying the bank, and then delivering on that plan."

A multibillion-dollar misconduct case with the US Department of Justice remains unresolved. It has steadily built capital, however - the group's Common Equity Tier 1 ratio has jumped to 15.9% from 8.6% in 2013 - and in February it posted its first annual profit in a decade.

Moody's upgraded RBS Group's long-term senior unsecured rating to Baa3 from Ba1 last year, making it investment-grade at all three major agencies.

That upwards trajectory set the stage for last Tuesday's transaction, allowing the bank to load up on funding and beef up its loss-absorbing buffers in one fell swoop.

It managed that despite choppy conditions in the euro market, the relentless noise around Brexit, and in a pivotal year for UK banks as they embed new ring-fenced entities designed to separate retail and investment banking activities.

The lender's turnaround is reflected in its credit spreads. A €1.5bn 1.75% eight-year non-call seven tranche from the holdco priced at 100bp over swaps, around 90bp inside where a €1.5bn 2% six-year non-call five came last March. That bond was bid at 55bp over at Tuesday's open on Tradeweb.

"We've been pegged back for a considerable period of time relative to our peers," said Forrest.

"[The] trades were priced broadly in line or slightly back of Barclays, but at holdco level they're rated up to two notches higher than we are, so I think there's been excellent progress there." The holdco deal was rated Baa3/BBB-/BBB+.

PICK AND MIX

RBS combined the holdco offering with two tranches - a two-year floater and a four-year fixed - from Royal Bank of market though it is fragile as it remains technical and you need to be careful."

One of the biggest concerns is the fear of outflows. There have been around US$3.5bn of outflows out of euro investment-grade funds since mid-January according to a note published by Commerzbank last Monday, the most pronounced spell of outflows from euro IG funds since early 2016.

"Investors' biggest fear, by a long way, is outflows," said Tom Moulds, portfolio manager at BlueBay Asset Management.

"With rates going up faster than expected, we've started to see negative absolute returns. That is red light flashing for credit investors. So fixed-income investors prepare for possible outflows by running higher cash balances."

DOWN BUT NOT OUT

But as things stand, outflows appear to be more the bogeyman under the bed rather than reality.

"We haven't noticed more outflows," said Annabel Rudebeck, head of non-US credit at Western Asset Management.

"The data reflects a small part of the investment grade market; retail has never been a big owner of investment-grade credit. There's been some selling from institutional funds, which is a far bigger ownership base, but again that's by no means the entirety of the market."

And market participants remain confident that the lukewarm tone that has dominated in recent weeks could go back to red-hot quickly.

"We haven't had much supply, there's definitely demand out there and credit investors can be scaredy-cats and will sit on their hands until volatility subsides a bit," said BlueBay's Moulds.

"As long as the market doesn't go into a complete tail spin and provided that rates and stock markets are not too volatile, you'll see firm European credit markets."

Additional reporting by Pauline Renaud ■

Scotland plc, the first time it had sold opco and holdco debt together.

That continued a theme of recent years, when banks have raised short-dated funding from the opco to minimise costs while issuing longer-dated holdco paper to build buffers of loss-absorbing debt that will retain regulatory value for years to come.

The €1.75bn floater priced at three-month Euribor plus 22bp and the €1.5bn fixed at mid-swaps plus 40bp, carving out much of RBS's £2bn-£4bn annual opco target. The opco bonds held in better than the holdco tranche, which was bid 9bp wider last Friday as the market sold off.

The amount raised through the opco tranches is a step up from the £1.1bn-equivalent of opco senior it sold in 2017, reflecting changes to the balance sheet due to ring-fencing. It also aims to issue £4bn-£6bn from RBS Group.

Despite concerns that this two-pronged approach risked cannibalising demand, Chris Agathangelou, head of financial institutions syndicate at *NatWest Markets*, said the issuer had chosen very different maturity buckets to mitigate those fears.

"By doing a triple-tranche we wanted to be as open, honest and fair as possible," he said.

The Bank of England's Term Funding Scheme - from which UK banks have taken around £115bn - ended last month, shifting the focus back to the wholesale funding market.

"We're at extremely tight levels on a historic basis, so as an institution it makes sense to get ahead of your funding plan given there are uncertainties ahead," said Agathangelou. ■

Bond investors to meet junk Teva

Emerging Markets Israeli pharma eyes return after downgrades

BY YORUK BAHCELI, PAUL KILBY

Investors will need to get to grips with TEVA as a junk issuer as it plans its first high-yield offering this week.

The Israeli pharmaceuticals group is seeking to raise US$3.5bn through its first deal since becoming downgraded to junk by all three major rating agencies.

Teva, which is undertaking meetings in the US and Europe, is hoping to attract a wide investor base comprising high-yield and investment-grade funds, with some EM accounts too, according to a banker close to the deal.

The transaction will comprise four tranches, targeting US dollars and euros. The bulk of the funds – US$2.25bn – will come from the dollar market, with the company eyeing up to €1bn in the single currency.

While the total amount would make it the biggest high-yield offering in nearly six months, it's still a far cry from when Teva was last in the market in July 2016 with a US$20bn-plus deal across US dollars, euros and Swiss francs that helped fund its acquisition of Allergan Generics.

FEEDING FRENZY

That deal became a feeding frenzy for investors with order books on the dollar leg – a US$15bn offering through six tranches – peaking at around US$70bn.

But the debt-laden company's fortunes have spiralled downhill since. It reported a net loss of US$16.3bn last year compared with a profit of US$329m in 2016 as fierce competition in the US generics market hit earnings.

Its credit status has also taken a tumble. Ratings agencies began to downgrade Teva into junk territory in late 2017 with Fitch the first to move in November with a two-notch cut to BB.

Moody's followed suit in January, also with a two-notch cut to Ba2. Last month S&P also cut Teva's ratings by two notches, to BB.

Its bonds have performed commensurately. Its US$3.5bn October 2026s, for example, are trading at a G-spread of 318bp, having priced in 2016 at 160bp over Treasuries.

How far all of this negative news will affect its new issue remains to be seen, though there will be meaningful natural support given the size of the deal and its significance to the indices.

Still, some investors will need plenty of convincing.

"It's hard to see [too many] positives about the credit in the short term," said Max Wolman, senior investment manager at Aberdeen Standard Investments, who said that much will depend on the pricing.

Other investors are more optimistic about the outlook.

"Clearly, they have been very proactive in terms of asset sales, focusing on liquidity, getting their leverage down. They're doing all the right things," said a portfolio manager.

The portfolio manager said the new bond deal was one of the right steps Teva was taking. "It's always good to term out debt." Proceeds from the new offering will repay outstanding term loans.

The firm, in which Warren Buffet's Berkshire Hathaway bought a stake in the fourth quarter, hopes to cut gross debt by about US$3.5bn through free cashflow and asset sales, and is targeting net leverage of less than four times by the end of 2020, CreditSights said.

Active books on the deal are *Barclays*, *Bank of America Merrill Lynch*, *BNP Paribas*, *Citigroup*, *Credit Suisse* and *HSBC*.

Additional reporting by Robert Hogg ■

US regulator shocks market with shift on leveraged lending rules

Bonds OCC switch leaves many stunned and surprised

BY ELEANOR DUNCAN

A top US regulator shocked the market last week by saying banks could "do what they want" in leveraged lending, in an apparent major reversal of guidelines implemented after the last crisis.

Comptroller of the Currency Joseph Otting said banks have the right to lend as they like, as long as they have the capital and it does not impair their "safety and soundness".

His comments appeared to overturn the outlines regulators put in place after the previous crash, which call on banks not to lend when it would mean leverage exceeds six times.

"When [the idea of the] guidance came out, it was like people were afraid to jump over the line without feeling the wrath of Khan from the regulators," Otting said.

> "But you have the right to do what you want as long as it does not impair safety and soundness"

"But you have the right to do what you want as long as it does not impair safety and soundness. It's not our position to challenge that."

The former banker, speaking to an audience at the ABS Vegas conference, was responding to an audience question about whether the OCC would be more lenient with banks over leveraged lending.

His bluntness stunned and surprised many in the industry. Some applauded, but others expressed concern.

The OCC directly regulates some of the nation's largest banks. Otting's stance, coming when the market is showing some signs of late-cycle behaviour, certainly raised eyebrows.

"It's highly unusual for the chief banking regulator to be making such unqualified statements about a matter of intense regulatory concern to the market without there being clarity," said Richard Farley, chair of the leveraged finance group at law firm Kramer Levin.

"There's an analogy to be made between speeding and reckless driving. How fast do you have to be driving before you're reckless? Where are the lines?"

NEVER CLEAR

Many in the industry say the guidelines have never been entirely clear, and the confusion deepened in October, when a US government body ruled they were subject to Congressional review.

That ruling by the Government Accounting Office

Banks struggle to respond after Florida shooting

People & Markets BAML among the top lenders to gun and ammunition makers

BY DAVIDE SCIGLIUZZO

Banks that helped the firearms industry to raise billions of dollars have been hesitant to step into the public debate on gun violence following the latest school shooting in Florida.

Their silence stands in contrast to the US names - including retailers, airlines and car rental companies - that have either sought to distance themselves from the industry or implement their own gun restrictions.

More than a dozen banks have arranged loans and bond sales totalling at least US$2bn for gun makers over the past five years, according to an IFR analysis.

That figure grows to over US$7bn if OLIN - a large chemical company that owns ammunition maker Winchester - is included in the calculation.

The deals range from a US$655m debt package for REMINGTON put together by BANK OF AMERICA MERRILL LYNCH in early 2012 to a bond sale that CITIGROUP led only this past January for Olin.

BAML was involved in seven out of nine debt deals examined by IFR and had leading roles in five of them - including Remington, Olin and VISTA OUTDOOR.

In a statement, the bank said it was joining other companies in the financial services industry "to examine what we can do to help end the tragedy of mass shootings".

"An immediate step we're taking is to engage the limited number of clients we have that manufacture assault weapons for non-military use to understand what they can contribute to this shared responsibility," it said.

Other major US banks with roles in some of the financings, including Citigroup, GOLDMAN SACHS, JP MORGAN and MORGAN STANLEY, declined to comment.

So did a number of foreign institutions that have also worked on deals for the industry: BARCLAYS, DEUTSCHE BANK, MITSUBISHI UFJ FINANCIAL GROUP and SUMITOMO MITSUI BANKING CORPORATION.

Pittsburgh-based PNC, which lent money to Olin and Vista Outdoor, said in a statement that it was "very concerned" about gun violence.

"PNC has had guidance in place since 2013 that discourages new loans to gun manufacturers and has very limited exposure to clients that manufacture AR-15-style rifles," it said. "We are continuing to consider these issues."

WELLS FARGO, also involved in deals for the same two companies, said that while it encouraged debate regarding firearms and public safety, it saw the political and legislative process as the best way to resolve the issue.

CHANGING SENTIMENT

Debt issued by gun and ammunition makers is only a drop in the ocean in the US$2.8trn market for leveraged loans and junk bonds in the United States. And few market participants believe the companies in question will be shut out of the debt market.

only intensified the uncertainty in the leveraged lending market.

But the opportunity to bring more leveraged deals, including dividend recapitalisations, now seems more open.

"If there are deals where the market and credit committee in the particular bank can sustain higher levels of leverage, you will see them," Farley said.

Still, it could take some time for banks to get back into the game. Banks have poured money into compliance departments over the past five years, and still carry the memories of the pain suffered from such instruments after 2008.

"Banks are going to take a very cautious approach to unassembling the compliance scaffolding that has been carefully put in place," Farley said.

A senior leveraged finance banker told IFR that there was a disconnect between how his compliance department sees the guidelines and how the top brass see it.

"If you ask the CEO, he says the guidelines are gone," the banker said. "If you ask our compliance people, they're still abiding by them."

And new limits on interest deductibility could act as a restraint on leverage for LBOs, especially as interest rates rise.

"It's like walking out of jail, having someone take off your handcuffs and then you walk into some other police force that slaps them back on you," said Ken Monaghan, co-director of high-yield at Amundi Pioneer. "Either way you are still restrained."

Otting, sworn in as Comptroller in November, spent more than 30 years as a banker and was CEO of OneWest, a California-based lender started by US Treasury Secretary Steve Mnuchin.

OneWest foreclosed on more than 36,000 homes amid the financial crisis. ■

But the public backlash, combined with some of the companies' poor sales performances recently, could result in higher cost of capital for at least some of them.

"They will get impacted operationally and that will translate into downgrades and borrowing costs going up," one high-yield portfolio manager said.

> **"If a board asks you why you should invest in guns, there is just no right answer"**

Last month, Remington reached a deal with creditors that will see it file for bankruptcy to cut its debt load after struggling with disappointing sales.

One investor told IFR his firm had contemplated buying the Remington loans that will be exchanged into equity, which at some point were being offered as low as 25 cents on the dollar. But he eventually decided to pass on the purchase.

Public outrage in the wake of the Parkland shooting that left 17 dead, which took place two days after Remington's restructuring deal was announced, was one of the main reasons, he said.

"We bowed out because we were uncomfortable, and the residual equity was going to be very small," he said.

Asset managers say they have long faced restrictions from some institutional clients when it comes to buying debt of gun makers and other industries such as casinos and tobacco. That sentiment has intensified in recent years.

"There is more emphasis in finding companies that are good stewards," said a second portfolio manager, who argued that stricter mandates have so far come from European investors as well as some high-net-worth individuals.

One European investor summed up his views even more bluntly: "If a board asks you why you should invest in guns, there is just no right answer." ■

Banks pile into Thomson Reuters deal

■ Loans/Bonds Some 21 banks are joining Blackstone's buyout financing

BY ANDREW BERLIN

The three banks leading the US$13.5bn-equivalent loan and bond financing backing US private equity firm Blackstone Group's acquisition of a majority stake in THOMSON REUTERS' Financial and Risk (F&R) unit are getting ready to sign more banks into the deal.

Around 21 senior banks are expected to join the deal, which is being led by *JP Morgan*, *Bank of America Merrill Lynch* and *Citigroup*, and is the biggest buyout financing since the financial crisis.

The lead banks invited 23 banks to join at the next level and underwrite 28% of the deal for fees ranging from around 3% to less than 1%, several sources said.

Blackstone is buying a 55% stake in Thomson Reuters' F&R unit, which includes IFR. Senior participation in the financing was linked to the amount of business that the banks do with Thomson Reuters.

Banks with the biggest commitments after the leads are *Wells Fargo, Morgan Stanley, Goldman Sachs* and *UBS*, the sources said. There could be six or seven tiers of commitments.

Other banks that are expected to join the deal include *Credit Suisse, HSBC, Deutsche Bank, Barclays, Royal Bank of Canada, SMBC, MUFG, Mizuho, Societe Generale, Standard Chartered, Natixis, BMO, Toronto Dominion, Unicredit, Intesa Sanpaolo, ING* and *Jefferies*.

The group is expected to be confirmed and banks signed into the deal in the next few days, sources said.

Blackstone could not immediately be reached for comment. JP Morgan, BAML and Citi declined to comment.

Lenders may have to sit on their commitments for some time, due to a lengthy commitment period, sources said.

The deal is not expected to be syndicated more widely to institutional investors until the end of June at the earliest, and could even be launched after the summer.

DEAL STRUCTURE

The deal includes a US$8bn-equivalent term loan B, which is split between US$5.5bn and US$2.5bn-equivalent in euros.

The financing also includes US$3bn-equivalent of secured bonds split between US$2bn and US$1bn-equivalent in euros, and US$2.5bn-equivalent of unsecured bonds split between US$1.8bn and US$700m-equivalent in euros.

The company will also place a US$750m revolving credit facility.

Additional funding comes from US$1bn in preferred equity – with a 14.5% payment-in-kind coupon – US$3bn of cash equity that Blackstone is contributing, and US$2.5bn of existing equity, based on the US$20bn valuation, that will be rolled over.

Leverage is expected to be around 4.5 times through the secured debt and 5.6 times total debt after Ebitda adjustments, which could be as much as 30% as the transaction is a carve-out and involves reallocating costs.

The size of the debt and leverage currently imply Ebitda of about US$2.4bn, including around US$650m of cost savings, based on the last 12 months' Ebitda of approximately US$1.7bn for the F&R unit.

The currency splits and Ebitda figures may change depending on the timing of the wider institutional syndication.

Additional reporting by Michelle Sierra ■

Spotify flies to public markets without a safety net

Equities **Music streamer blazes path towards direct stock listing without a full roadshow**

BY STEPHEN LACEY

SPOTIFY TECHNOLOGY continued its quixotic voyage to the public markets by filing its registration with the SEC on Wednesday, starting the clock ticking on its direct NYSE listing.

The music streaming service is now poised to list with a near full-float by late March, with little of the fanfare and almost none of the support of a traditional IPO.

Spotify will conduct investor education meetings and will host an investor day prior to listing, but not a traditional roadshow.

"This is a learning process for all of us," said one banker involved in the process. "We are thinking about it more like a direct spin-off."

Goldman Sachs, *Morgan Stanley* and *Allen & Co* are designated market makers and are acting on an agency basis. That means they are playing no role in marketing or building a book of demand as they would on a traditional IPO, nor are they bearing any of the legal risks absorbed by underwriters.

Morgan Stanley will play a role in helping set the opening price when Spotify does debut, which could occur the week of March 26, based on a standard 15-day public viewing of the initial registration statement and normal marketing schedule.

What happens on day one is completely unknown. There could be a torrent of selling.

Only TENCENT, including its music streaming affiliate TME, has agreed not to sell its 13.4m shares (7.5% stake), acquired by the Chinese internet giant in December as part of a cross-investment with Spotify.

Co-founders Daniel Ek and Martin Lorentzon are unlikely sellers of their 70.4m shares (38.9%), though there is nothing stopping them from cashing in some of their paper wealth. And Sony Music has strategic reasons to hang onto the 10.2m shares (5.7%) the music label received last year as part of a distribution agreement.

While technically 92.5% of the stock is available to be sold on day one those unlikely to sell takes the total down to 47.9% of the company. As those shares are spread across hundreds of investors (560 of record in the US alone) there is no way of knowing whether supply on day one will be a trickle or a flood.

And Spotify is flying without a net: absent a traditional bookbuild there is also no stabilisation.

MARKET SHARE

Spotify does bring plenty of clout.

With 159m registered users, including 71m paying, spread across 61 countries, it holds a unique position in the distribution of music. Agreements inked last year with five music labels, including Sony, and the more recent tie-in to Tencent's TME provide content and reach.

Spotify is also gaining financial traction.

After passing on 88 cents of every dollar brought in to record labels and other

Xiaomi tests domestic IPO model

Equities **Home listing for smartphone maker would require rethink of Chinese regulations**

BY FIONA LAU

Chinese smartphone maker XIAOMI TECHNOLOGY is exploring the possibility of selling shares in its home market, in a move that could set an important precedent for overseas Chinese technology companies.

Xiaomi is working on an international IPO that could value the company at up to US$100bn and has discussed the idea of adding an A-share listing to its global float, according to people familiar with the discussions.

Such a move, however, would require a change to current regulations or to Xiaomi's corporate structure, as the group is domiciled overseas, according to three of the people.

Current regulations do not allow overseas-incorporated companies to sell shares in China, and any special approval would underline the authorities' desire for giant Chinese technology companies to list at home.

Xiaomi has been in discussions with the China Securities Regulatory Commission to solve the issue, according to the people.

One option is for Xiaomi to unwind its current structure and turn itself into a domestically domiciled company, potentially delaying an IPO that is expected later this year.

Another possible solution is the sale of Chinese Depositary Receipts (CDRs), a new tool that is currently being studied by the Chinese regulators.

In 2016, a report from the People's Bank of China said that China would consider allowing qualified foreign companies to issue CDRs for a listing in the country's domestic market.

A depositary receipt allows a company to offer its shares on a foreign exchange. A company can transfer a certain amount of its shares to an intermediary, for example a bank, who then notifies the depositary bank abroad to issue depositary receipts for the stock on the local market.

Allowing Xiaomi to sell CDRs could open the floodgates for more deals from so-called "Red chips", overseas-incorporated Chinese companies listed in Hong Kong. China Mobile and others expressed interest in an A-share listing when Shanghai planned to launch an international board a decade ago.

China's top legislative body could also decide to grant a one-off approval allowing Xiaomi to sell A-shares under its current structure.

"To list at home, Xiaomi will need the blessings from all related regulators, and it's challenging," said one of the people.

Xiaomi declined to comment.

TECHNOLOGY CONTEST

Xiaomi has picked *CLSA*, a subsidiary of China's Citic Securities, *Goldman Sachs* and *Morgan Stanley* as joint sponsors for its proposed IPO, other people close to the deal told IFR earlier. It is widely expected to float in Hong Kong, but has yet to decide on the timing or venue.

A high-profile mainland listing, even alongside an international offering, would be a landmark for China's stock market at a time when global exchanges are vying to attract fast-growing technology issuers.

China has been stepping up its

expenses in 2015, those costs dropped to 79 cents last year, after the record labels were brought on board.

Yet Spotify saw operating losses grow to €378m in 2017, from €349m in 2016. The user base continues to grow with paid subscribers up 46% in 2017, as the total user number rose 29%.

The advertising supported service turned profitable for the first time in 2017, contributing to expansion in gross margins to 21%.

Spotify generated €109m of free cash flow last year, as compared to the €92m it blew through in 2015, on revenue of €4.09bn.

FOLLOWING NETFLIX

Spotify is treading the path of Netflix - as long it continues to grow users.

How exactly to value that growth has befuddled private investors.

Spotify shares have changed hands in private sales at prices of between US$90 and US$132.50 between January 1 and February 22, valuing it anywhere from as little as US$15.9bn to as much as US$23.4bn.

Tencent acquired a portion of its stake in December for US$62.71 a share, as part of an exchange with convertible bondholders. Other CB investors cashed out at prices of US$62.68 and US$66.58 per share.

Spotify points out that those trades "may have little or no relation" to where the shares would trade publicly. But that is the point. The lack of a proper institutional bookbuild provides little cross-check on valuation, potentially leading to disorder in the early days of public life and beyond.

Investment banks' concerns over disintermediation may be limited to Spotify, for the time being.

Spotify looks like it will be going public just a week or so after Dropbox's IPO prices, offering ECM participants the ready ability to compare and contrast the alternative methods of bringing unicorns to public markets. ■

pursuit of major technology listings in recent months.

FOXCONN INDUSTRIAL INTERNET, the mainland unit of Taiwan's Foxconn, received unusually swift attention from the CSRC after applying for a Shanghai IPO on February 1 to fund investments totalling Rmb27bn (US$4.3bn). Slightly over a week after the IPO application was filed, the regulator had responded with a long list of questions.

The CSRC has also given special treatment to another big tech company – Chinese security software maker Qihoo 360 Technology. The CSRC approved Qihoo's relisting last month, clearing the way for the first backdoor listing of a formerly overseas-listed Chinese company since May 2016.

The company, which delisted from the New York Stock Exchange in 2016, began trading on the Shanghai Stock Exchange as 360 Security Technology on Wednesday.

Last week, local media reported that the Chinese securities regulator was considering special approvals to allow tech Unicorns to list on the domestic stock exchanges without joining the long queue of listing applications. As of February 22, there were 438 IPO candidates awaiting CSRC approval.

The IPO applications of biotech, cloud computing and other high tech unicorns would jump the queue and be vetted immediately by the CSRC, according to the local media reports.

The regulators may also give those companies more flexibility on complying with the financial requirements to list in China, the reports said.

Xiaomi is forecast to post a net profit of at least US$1bn in 2017, according to bank projections, based on the company's revenue estimate of US$17bn–$18bn. Profits for 2018 are estimated to reach about US$2bn. ■

Rare GM sale raises US$1.6bn for union trust

■ Equities "Once in a blue moon" deal draws strong demand

BY ANTHONY HUGHES

The UAW Retiree Medical Benefits Trust sold nearly US$1.6bn of shares in GENERAL MOTORS on Tuesday in the biggest US block trade of the year so far.

The trust sold 40m shares to *Citigroup* and *Barclays*, which placed them at US$39.80 each, a tight 0.9% discount to Tuesday's US$40.17 close.

Citi and Barclays earlier won a competitive auction for the mandate against four other banks. They were logical winners of the auction, even after a tough session that saw the DJIA decline nearly 300 points. Citi analysts have a US$70 price target on GM while Barclays puts it at US$60, versus the US$47 average.

"This is one of those once-in-a-blue-moon episodic GM sales by either the UAW or the government"

The block was the first big GM trade since the Canadian government sold its remaining 4.6% stake in 2015, freeing the automaker from any government ownership.

"This is one of those once-in-a-blue-moon episodic GM sales by either the UAW or the government," one banker close to the deal told IFR.

"There were some big high-quality buyers, led by mutual funds."

The sale reduced the trust's stake in GM from 10% to roughly 7%. It still holds 100m of the automaker's shares, which are locked up for 90 days.

The trust was set up by GM and the United Automobile Workers union in 2007 to move billions of dollars in unfunded retiree health costs off the automaker's books.

In 2009, as GM moved to reduce those liabilities as part of a historic pre-packaged bankruptcy, the trust took a 17.5% stake in the company.

It is unclear whether the trust intends to hold on to its remaining stake, though one source close to the deal said it would be "patient".

Fending off pressure from activist David Einhorn, GM's stock price has come to life in the past year and has consistently traded above US$40 in the past four months, having largely struggled since its November 2010 IPO priced at US$33.

Nonetheless the sale caught some by surprise as GM shares had fallen more than 3% in the session ahead of the transaction, underperforming both the broader market and peer Ford, and potentially market-moving monthly auto sales data was due later in the week.

Shares held around the US$40 mark early on Wednesday but slid to a close of US$39.35, before slipping to US$37.79 on Thursday, down 5% from the placing price.

GM had hoped to ease the path for the sale by agreeing to repurchase US$100m of the block, or about 2.5m shares.

The sale is likely to have been driven by prudent diversification after the stock's recent rally.

"With the US auto market already having peaked, it makes sense the trust would want to diversify away from GM," said Morningstar's equity analyst David Whiston.

With its reduced stake, the trust may now lose the right to appoint one member to GM's board. ■

China property bond rush resumes

Bonds **Ten developers tap international markets in post-Lunar New Year frenzy**

BY CAROL CHAN

Chinese property companies were back in the international markets last week with a vengeance, with 10 new issues piling pressure on an already weak primary sector.

Eight developers sold dollar bonds and another two tapped the offshore renminbi market in the first full working week since the Lunar New Year holiday, raising a combined US$2.96bn.

The heavy supply and still relatively soft market sentiment meant they had to pay up to gain the attention of investors.

Among the 10, GUORUI PROPERTIES, rated B/B (S&P/Fitch), paid 10.2% for a US$250m 364-day US dollar bond issue, the highest yield year to-date in the Asian G3 sector.

According to a banker on the deal, Guorui wanted to print longer bonds as it had a US$1bn offshore debt issuance quota from the National Development and Reform Commission.

However, as its funding cost for three-year bonds might have reached 12%–13%, management decided to sell a shorter issue first and wait for other windows later on.

Another seven high-yield developers sold dollar bonds last week. They are CENTRAL CHINA REAL ESTATE, MODERN LAND (CHINA), YUZHOU PROPERTIES, TAHOE GROUP, AGILE GROUP HOLDINGS, LOGAN PROPERTY HOLDINGS and FANTASIA HOLDINGS GROUP. (*See Emerging markets section for full details.*)

Meanwhile, SHUI ON LAND and CHINA JINMAO HOLDINGS GROUP turned to the Dim Sum market, printing the first offshore renminbi issues from the sector since August 2016.

The glut of supply came after a pause due to a sell-off in the global markets and the Lunar New Year holidays.

Market sentiment improved towards the end of February, but investors remain cautious amid heavy supply and concerns over the pace of interest rate increases in the US.

"It is a must for issuers to pay up in the current market," a DCM banker from a Chinese bank said. "When the market was good, issuers could price deals flat to their secondary curve or just give a few basis points new issue premium. But it is impossible now."

Estimates of just how much issuers had left on the table were wide-ranging.

For example, Ba3/BB–/BB– rated Yuzhou priced US$375m of three-year non-call two US dollar bonds at par to yield 6.375% versus Nomura's fair value assessment of 6.2%.

Agile, rated Ba3/BB– (Moody's/S&P), printed a US$300m US dollar senior perpetual non-call five offering at par to yield 6.875%. Nomura put fair value at 6.8%.

Fantasia, rated B2/B+ (Moody's/S&P), sold US$350m of three-year US dollar bonds at par to yield 8.375%. Nomura saw fair value at 8.25%.

Despite generous initial price guidance, overall demand was not strong and books built slowly.

Final order statistics showed some deals were around two times covered, but many chose not to reveal the size of their books.

Moreover, last week's deals were fairly small, ranging from US$200m to US$400m, leaving many of these developers with partially unused offshore debt issuance quotas.

Central China Real Estate and Logan each have a US$800m quota, but raised only US$300m and US$250m this time, respectively. Yuzhou, Agile, Fantasia and Tahoe were understood to still have NDRC quota available for further borrowings.

"These developers definitely will come to the market again given the sector's high funding needs and still relatively tight onshore bond market," another banker said.

Even though the developers paid up, the performance of last week's deals was sluggish, and many of the new issues sank below their reoffer prices on their first day of trading.

"We're very selective on new property new issues, depending on names and their yields. You can't flip and make money on new issues in such a market," a high-yield investor at a fund house said. ■

Qatari banks find investor appetite in niches

Emerging markets **Banks borrow in offshore renminbi and Swiss franc markets**

BY ROBERT HOGG, JONATHAN PENNER

Qatari banks are continuing to edge back into the capital markets, with both QATAR NATIONAL BANK and COMMERCIAL BANK OF QATAR raising fresh funds last Tuesday.

Banks from the country have tapped niche markets in recent months, refilling coffers in an effort to diversify funding sources amid the trade embargo imposed on Qatar by other Arab states.

QNB (Aa3/A/A+), the Gulf's largest bank, has sold nearly US$2.4bn of bonds through private placements this year, and has also raised A$700m (US$563m) in a Kangaroo dual-tranche deal and US$720m through a 30-year note in Taiwan's Formosa market.

Its latest offering was in the Dim Sum market, raising Rmb750m (US$118.9m) through a three-year note at a yield of 5.1%. The transaction was sole led by *Standard Chartered*.

Peer CBQ (A2/BBB+/A), which is the Gulf state's third largest bank by assets, sold a SFr335m (US$357.9m) three-year bond in the Swiss franc market via lead manager *Credit Suisse*. The deal is bigger than the minimum SFr250m that CBQ was initially seeking and priced at a yield of 0.697%.

That coupon was a huge draw for Swiss investors grasping for yield at the short end. A lead banker described it as an "attractive short-dated investment opportunity for investors looking to reduce portfolio duration."

Those were mainly asset and fund managers, with significant interest from insurers and private banks. Investors were mostly Switzerland-based, with a 5% take-up by foreigners.

Those non-Swiss accounts were unlikely to be arbitraging the deal, as it came with only a very small premium to CBQ's dollar curve, after adjusting for the currency swap.

Saudi Arabia, the United Arab Emirates and Bahrain cut diplomatic ties with Qatar last year and imposed an economic boycott, protesting against its relationship with Iran. That sparked fears that Qatari banks might struggle for funding, but niche markets have offered a way for issuers to bridge any gaps, with investors receptive to new deals.

"Not many people are worried about Qatar," said one banker not involved in either deal. He downplayed the political significance of the trades.

The big test for Qatari issuers will come when one decides to test investor interest in more mainstream bond markets. No Qatari borrower has accessed the US dollar market since the spat with Doha's Gulf neighbours erupted last June.

The Qatar sovereign is mulling a possible bond market return, according to sources, although no mandate has been announced yet. ■

Market braced for jumbo CVS take-out

Bonds Buyside makes space for enormous US$40bn bond sale

BY PAUL KILBY

The US high-grade market is preparing to absorb an up to US$40bn bond from drugstore chain CVS this week, kicking off what is expected to be a busy March in the primary markets.

Investors have already made space for the jumbo take-out to fund CVS's US$69bn purchase of health insurer AETNA after leads announced global investor calls last week, which are scheduled to end late Monday.

"People are anticipating a US$40bn deal," said Jason Shoup, a senior portfolio manager at Legal & General Investment Management America.

"Some investors have been unwilling to put money to work until this deal comes."

Last year CVS took out a US$49bn bridge loan - the second-largest acquisition loan on record - reducing it to US$44bn through US$5bn of term loans in December.

Barclays, *Goldman Sachs* and *Bank of America Merrill Lynch* were mandated as joint lead arrangers for the committed loan financing and along with *JP Morgan* are managing the bond trade.

The US dollar leg is expected to drive the bond issue, potentially putting it within the top 10 largest ever high-grade deals - if its size reaches US$17bn or more.

"Most of its liabilities and business are domestic, so I think the bulk of it would be in dollars," said another investor.

Even so, the issuer will look across currencies if demand and funding cost warrant a foray into other markets such as sterling or euros, a source said.

And while that is additional to the US$120bn of US high-grade paper that some are expecting in March, the buyside should readily absorb the M&A transaction.

"Dealers have reduced balance-sheet risk and investors generally do not have large existing exposures to CVS," a second investor said.

CHANGING SECTORS

In addition, CVS (Baa1/BBB+) is broadly seen as a non-cyclical name, which is an added boost at a time when the current credit cycle is coming to an end.

"Valuations look relatively interesting, as it looks like you will be compensated for a large deal that has to come to market," Shoup said.

"The idea of investing in a non-cyclical at an attractive valuation is really enticing."

By acquiring Aetna, CVS is distancing itself somewhat from the widely unpopular retail sector - and indeed it is increasingly being seen as a healthcare credit.

"What is interesting is this is more of a healthcare company and that was proven by Barclays, which just [last] week moved CVS from the retail to the healthcare sector," said Matt Brill, a senior portfolio manager at Invesco.

Even so, investors will be taking an interest in the special mandatory redemption clauses on CVS's bonds, given the roadblocks some mergers have faced and the uncertainty over the direction of US rates.

SMRs have been especially controversial of late, and many investors feel they have been inadequately compensated with the standard 101 redemption price when M&A deals fall apart.

There has been talk that CVS will put SMRs on all tranches except for a 30-year.

"Because the market has been squishier, investors have some leverage on how CVS will structure the SMRs," said Shoup.

"After the rates move, I am not sure if they will be quite as happy to underwrite that risk." ■

Geely drives in for M&A loan

Loans Chinese carmaker borrows €3.1bn for stake in Volvo trucks

BY YAN JIANG

ZHEJIANG GEELY HOLDING GROUP, China's largest privately owned carmaker, is raising €3.05bn to fund its acquisition of an 8.2% stake in Swedish truckmaker AB Volvo, in one of the country's biggest outbound investments this year.

BNP Paribas and *China Citic Bank* have underwritten the financing and launched it into senior syndication in mid-February. The borrowing is split into a €2.1bn five-year term loan and a €950m 12-month bridge, borrowed via two separate special purpose vehicles. Both tranches come with guarantees from Geely Sweden Holdings, which also owns Volvo Cars.

Banks looking to join are required to commit at least €300m to the term loan and €200m to the bridge for top-level all-in prices of 185bp and 130bp over Euribor, respectively. The due date for early-bird commitments is March 7. A bank meeting was held last month in Hangzhou.

A few Chinese and global banks are considering joining the loan, as would be expected for a financing from one of China's top carmakers.

However, recent developments at Geely have raised concerns among some market participants that the company's acquisition binge could attract regulatory scrutiny.

Geely founder, controlling shareholder and chairman Li Shufu revealed on February 24 – only a couple of months after agreeing to buy the stake in AB Volvo in December – that he had built up a stake of around 9.7% in German rival Daimler, the owner of Mercedes-Benz.

The Daimler stake cost US$9bn, according to Reuters, while the AB Volvo deal was for around €3.25bn, according to Swedish daily Dagens Nyheter. These acquisitions are Geely's largest since it bought Volvo Cars eight years ago.

Geely's purchase of the stake in AB Volvo is still pending approval from the Chinese government.

Overseas acquisitions have come under closer scrutiny in China since regulators began clamping down on capital outflows in 2016. Privately owned conglomerates, including HNA Group, Anbang Insurance Group, Dalian Wanda Group and Fosun Group, have felt the heat after Chinese authorities instructed major banks in the country last July to check their exposure to the quartet.

A week ago, the China Insurance Regulatory Commission announced it was seizing control of Anbang Insurance, whose overseas acquisitions included New York's Waldorf Astoria hotel. It said Anbang's chairman had been prosecuted and the company had violated laws and regulations which "may seriously endanger its solvency".

The CIRC's action follows a string of disposals in recent months from both HNA and Wanda, which are under pressure to refinance their debt.

The AB Volvo stake was structured such that Nomura and Barclays would first buy the shares from activist investor Cevian Capital and then sell to Geely. Cevian completed the sale in January.

Geely's purchase of the stakes in AB Volvo and Daimler makes the Chinese carmaker the biggest individual shareholder in the two rival companies. ■

US tax reform will trigger wave of utility stock sales

Equities Cashflow, balance sheet pressure force need to raise equity

BY ANTHONY HUGHES

US owners of regulated power and gas utility assets are poised to sell stock this year as they deal with lower cashflows and credit ratings pressure as a by-product of US tax reforms.

In recent weeks, DUKE ENERGY, SOUTHERN COMPANY, CONSOLIDATED EDISON and SEMPRA ENERGY have all outlined or expanded upon plans to possibly sell equity this year.

"Once one goes, they will all go," one senior ECM banker said.

Though most sectors have seen a windfall from the US cut to corporate income tax rates from 35% to 21%, the changes are a double-edged sword for regulated utilities.

State regulators and consumer advocates have called on utilities to pass along lower income-tax expenses – and excess deferred income taxes – in the form of rate reductions.

Most utilities use accelerated depreciation to increase cashflow, but lower tax rates and the loss of bonus depreciation mute these effects and defer cashflow into future years.

These factors threaten to weaken the pre-tax financial metrics, such as Ebitda/debt or FFO/debt, that are used by credit ratings agencies.

In January, Moody's placed the ratings of 24 regulated utilities on negative outlook, citing an average 150–250 basis point fall in their cashflow to debt ratios.

Moreover, the S&P 500 utilities sector is down 7.8% year-to-date, far underperforming the full index, which was down 0.6% for the year as of Friday morning.

RIP THE BAND-AID OFF

These falling share prices across the sector may prompt utilities to "rip the Band-Aid off" and raise money via quick-fire follow-on offerings, bankers say.

"Management teams across the sector are allergic to issuing equity and accepting dilution and have been hesitant to do discrete equity sales," one utilities ECM banker said.

"But with tax reform, they have larger equity needs and have to fund their capex plans."

Duke plans to issue US$2bn of equity this year, while Southern expects it will need US$1.4bn of equity annually over the next five years for US$7bn in total, above previous Street estimates of US$4bn–$6bn.

ConEd said last month it planned to meet its 2018 capital needs in part through the issuance of up to US$450m of common equity, in addition to its divdend reinvestment plan.

Sempra, which has already raised US$4bn in common and mandatory convertible equity in January, said it may need additional equity to strengthen its balance sheet due to a lower tax shield on its corporate costs and the passing of tax savings to customers.

Prompted by investor and analyst questions during the latest quarterly earnings reporting season, other utilities have explicitly denied a need for equity.

They include WEC Energy, Exelon, Dominion Energy, NextEra Energy, Eversource Energy, CMS Energy, Black Hills and Pinnacle West Capital. ■

People & Markets

15 Stan Chart CEO Bill Winters hopes for recovery in financial markets trading

20 Norwegian oil rig owner Seadrill reaches Chapter 11 agreement with creditors

21 HSBC's new leaders still keen to push hard to expand further onshore in China

FRONT STORY RESULTS

Trading takes off on volatility

Early signs for 2018 good, but investment banking lags

The return of volatility in the first quarter comes with a trade off.

The wild ride in global equity markets and spiking treasury yields was enough to snap a three-quarter losing streak in fixed income trading, but it also put the brakes on investment banking fees as clients took a breather from debt and equity issuance and perhaps even borrowing.

"Clearly, the year has started well," said JP MORGAN co-president Daniel Pinto at the bank's investor day last week.

So well in fact, JP Morgan's markets revenue could be up in the "middle to high single-digits." And if it's true for JP Morgan it's likely true for its rivals as well.

BARCLAYS said two weeks ago its trading revenues so far this year were ahead of the same stage in 2017.

It indicates market gyrations at the start of this year marked "good volatility" for trading. In the past, wild market gyrations have sometimes hamstrung trading activity.

FICC revenue for global banks should be up 5% in the first quarter compared with last year on GDP growth, volatility and market values, Credit Suisse analysts predicted.

But investment banking fees are tracking down 28% so far in the quarter, Credit Suisse analyst Susan Roth Katzke said in a note. It may be too early to draw a conclusion, but the risk is to the downside, she said.

"STRONG FLOWS"

"The year has started well with strong flows at the beginning of the year," JP Morgan's Pinto said. Client activity was strong and it accelerated into the volatile period as clients moved to reposition portfolios, he said.

Those moves came amid an apparent dislocation as Treasury yields spiked and US stocks gyrated wildly, including one of the biggest one day falls this decade.

The first quarter is typically the strongest quarter for fixed income, commodity and currency trading and banks had a strong start to the year in 2017. JP Morgan's revenue from FICC rose 17% in the first quarter of 2017 compared with 2016. Last year revenue from equity trading rose about 2% in the first quarter compared with 2016. The bank outperformed last year on surprising strength in March, which could temper the year-on-year gain if activity slows this month.

Pinto attributed the gain in the quarter to strength in currency trading, emerging markets and equities trading.

INVESTMENT BANKING RECEDES

Investment banking is less likely to benefit from volatility, and equity underwriting fees, which saw a rebound last year from a very weak 2016, were down 17% after the first two months of the quarter, according to Credit Suisse. IPO fees are down 9%.

The quarter could be even tougher for debt underwriting. DCM fees were down 20% in aggregate and loan syndication fees down 52%. M&A fees are down 27%. The bright spot is that while completed M&A volumes are down 18% in the quarter so far, announced deals have risen 24%.

Pinto said the overall environment for the investment banking division is positive, but across the asset classes, debt has a bit more of a challenge.

Last year investment banking made up for the struggles in trading, with fee revenue for the five largest US banks in 2017 up 33% from 2016.

JP Morgan lifted its target for return on tangible common equity to 17% from 15% at its investor day.

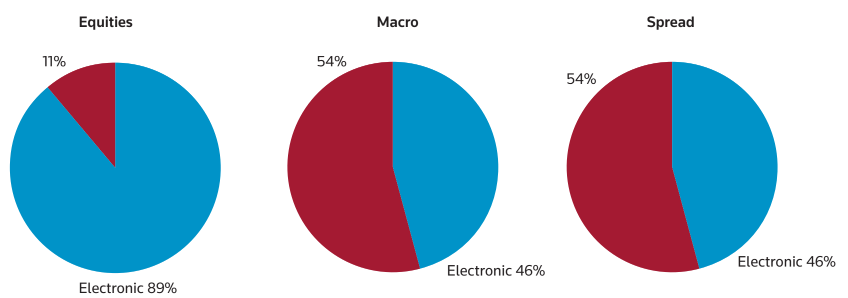
The bank said its annual pre-tax net income could rise by up to 18% to US$47bn over the next three years.

Several stock analysts had expected the target to be raised to at least 16% because the recent changes in federal taxes will likely add about two percentage points of return.

Philip Scipio

THE ELECTRONIFICATION OF TRADING

INSTITUTIONAL CLIENTS ARE GOING ELECTRONIC, BY NOTIONAL US$ AMOUNT BY PRODUCT



Note: Equities includes cash equities; Macro includes securities and derivatives for rates, emerging markets, FX and commodities; Spread includes securities and derivatives for credit, securitised products and municipal finance

Source: JP Morgan 2018 Investor Day

“What I’m struck by is the language, which is so opaque it would seem to suggest that the exchange is going to be cherry-picking listings”

MELISSA BROWN, PARTNER, DAOBRIDGE CAPITAL, 23

Regulators get closer on Volcker rewrite

US regulators are preparing a massive rewrite of the Volcker Rule to potentially make it easier for banks to carry out market-making functions, cut compliance costs and provide a boost to trading desks.

It’s been more than six months since the Office of the Comptroller of the Currency asked for comments on whether parts of the regulation implementing the Volcker Rule should be revised to “better accomplish the purposes of the statute,” while decreasing the compliance burden on banks and fostering economic growth.

According to legal, regulatory and banking sources familiar with the process, the OCC, Federal Reserve and Securities and Exchange Commission are closing in on language of a regulatory rewrite that could make compliance less onerous, at least around market-making.

One of the top concerns for the largest banks since Volcker rules were adopted has been trying to take advantage of the exemptions for trading intended to support market-making and underwriting.

To use the market-making exemption banks have had to create elaborate compliance regimes intended to prove that short-term trading, which is banned under Volcker, supported underwriting and they were holding securities not as speculative investments but to meet client needs. Under Volcker, in order for those inventories to be exempted, banks are required to predict the “reasonably expected near term demand” (RENTD) of customers.

Meeting the RENTD criteria has been a nightmare, according to banks.

It has prevented banks from entering into transactions with customers, clients and counterparties because of an inability to pigeonhole the instrument and/or the transaction in one of the exemptions, said the International Swaps and Derivatives Association in its comment to the OCC.

ISDA and others want the exemption to be broader and easier to exempt transactions that are intended to hedge risk from Volcker. They may get their wish when a new rules proposal materialises, which some expect this summer.

GUESSWORK

When the rules were completed regulators said the aim was to protect outward facing activity that is driven by the needs of the marketplace using demonstrable analysis, not clairvoyant predictions.

But banks say the process demands guesswork.

They want to be given the benefit of the doubt - for regulators to assume most inventory and trading is done for market-making.

The original rule writing came out of the Treasury. Now, under a different administration with vastly different views, it’s reasonable to expect revisions, said one attorney involved in the original process. And changes could come fast.

MiFID II to crimp fixed income trading margins

Margins in fixed income trading across Europe are likely to narrow by up to 15% following the introduction of MiFID II rules at the start of this year, according to investment banking consultant Tricumen.

That would lead to an equivalent drop in revenues for banks’ fixed income divisions in Europe, if trading was at the same level in the first quarter as a year ago. However, the added volatility seen in early February is likely to have disguised the effect of probable margin compression. Several banks have said the volatility lifted trading revenues.

The European Union’s Market in Financial Instruments Directive II was brought in on January 3. Tricumen based its prediction on what happened when TRACE (trade reporting and compliance engine) reporting was introduced in the US in 2002. The transparency that added, with all firms required to report fixed income trades to the Federal Reserve, saw bid-offer spreads come in by 30%.

In the last 15 years the rise of electronic trading and other regulatory reporting requirements has narrowed spreads significantly since then, even for European markets. Tricumen said that should limit the contraction in spreads now, but still thinks it will be significant.

“The impact of MiFID II on fixed income has been rather ignored,” said Sebastian Walker, managing partner at Tricumen. “The market environment is different from when TRACE reporting of monthly volumes was started but we will see volumes of bonds traded in the EU reported for the first time.”

“Q1 has been a good period because of the change in interest rate outlook and arbitrage around that. It will mask to a certain extent the impact of MiFID II and greater transparency, but by this time in a year it will be more apparent what is happening,” he told IFR.

Andrew Bailey, chief executive of UK regulator the Financial Conduct Authority,

Who’s moving where…

CREDIT SUISSE named *Paul Galietto* head of global prime services to replace Indrajit Bardhan, who is leaving the bank. Galietto will take over Bardhan’s duties in addition to his role as head of Americas equities. Credit Suisse hired Galietto, a former UBS Americas equities chief, last autumn as part of an effort to reshape the bank’s equities strategy in the Americas. Galietto also worked for more than 20 years at Merrill Lynch. Bardhan joined Credit Suisse in 2009.

Management consultancy **MCKINSEY & CO** has elected 51-year-old *Kevin Sneader* as its new global managing partner for a three-year term beginning in July. Sneader, currently the Asia chairman, was chosen in a three-stage election by the firm’s more than 560 senior partners to be the 12th partner to lead McKinsey since its founding in 1926. Sneader, a Briton who has worked at McKinsey for 26 years, will take the top post after Dominic Barton’s nine-year tenure as global managing partner.

Specific targeted changes could occur quickly if they do not raise complex issues or vague standards that engender a lot of debate, said Oliver Ireland of law firm Morrison Foerster.

"Burden relief can often be made effective immediately on adoption of a final rule without having to wait for an implementation period," he said. That way the banks have their own implementation time line.

Some banks would like to see the scope of Volcker narrowed to trading at standalone proprietary trading desks that are not tied to market-making, underwriting, hedging, treasury or risk management activities.

That's unlikely to happen, but the rules may be relaxed, putting the onus on regulators to flag problems as they materialize.

Any changes will require the cooperation of all five agencies: The OCC, SEC, Fed, the Federal Deposit Insurance Corporation and the Commodity Futures Trading Commission.

Philip Scipio

said in a speech at ICMA last week it would be hard to pick out particular MiFID II effects on bond spreads given the other developments.

Bailey said there was more to do on implementation regarding reporting.

"We recognise that there remain some important interpretative issues to address," he said. "A key challenge for firms in implementation was the expanded transaction reporting requirements.

"These involved a step change in both the volume and quality of data we receive regarding transactions taking place in the market. We estimate that under MiFID, we will capture some 30-35 million transaction reports a day, up from 20 million before its introduction."

Christopher Spink

StanChart Q4 revenue down 31%

STANDARD CHARTERED's financial markets revenue slumped 31% last quarter as it suffered from the same difficult trading conditions as its bigger rivals. The weak performance limited the bank's revenue growth last year to a modest 3%.

Asia-focused StanChart said last week financial markets revenue fell to US$536m in the fourth quarter from US$779m a year ago.

All parts of the business struggled: rates revenue halved to US$74m, foreign exchange income fell 24% to US$208m, capital structuring halved to US$51m, commodities dropped 34% to US$35m and credit and capital markets revenue sagged 12% to US$85m.

Chief executive Bill Winters expressed confidence that the financial markets business would bounce back, saying he was investing in the business, notably in its technology and platforms.

"Despite the poor results in 2017, it's still a relatively high returning business for us and one where we think the underlying growth opportunities are pretty good," Winters told reporters on a conference call.

"We think our capabilities are differentiated and we can go head-to-head with the big players in FX and rates, and certainly do better than go head-to-head in our local markets, where we have a strong presence."

Its corporate finance unit fared better, with revenue rising 16% on the year to US$466m.

StanChart said its turnaround plan remained on track in other areas, prompting it to restart paying dividends to shareholders. It will pay 11 US cents per share for 2017, saying it intends to increase that over time.

It also said 2018 had started well and income across the bank was up more than 10% from a year ago.

Winters, who has spent two years slashing exposure to bad loans, restructuring and cutting costs, has said his turnaround is ahead of plan, allowing him to increase investment.

He also bumped up bonuses for staff. The bank paid annual bonuses of US$1.15bn last year, up 10% year-on-year.

"BUMPY ROAD"

StanChart, which gets 85% of its revenue from Asia, Africa and the Middle East, reckons it will benefit from higher economic growth in its markets, including China and Africa.

It reported an underlying pre-tax profit for 2017 of US$3.01bn, up from US$1.09bn in 2016. Operating income rose to US$14.29bn from US$13.81bn.

"We're encouraged by the progress we're making. It's a bumpy road, but we never expected anything else," Winters said.

He said the bank was working to establish income growth momentum across all its businesses to improve its return on equity, which was 3.5% last year. Winters is aiming to get that to 8% in the medium term.

The bank wants to grow revenue in its corporate and institutional banking division by 5%–7% a year.

Rival banks also had a tough time in trading, which they blamed on a lack of volatility in markets. Fourth-quarter toplines in fixed income, currency and commodities trading fell 31% year-on-year across the big five US banks.

For the year, revenue from StanChart's financial markets fell 16% to US$2.54bn. Within that, FX income fell 18%, rates revenue was down 21% and commodities fell 17%, while credit and capital markets toplines were up 3%.

Steve Slater

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

CITIGROUP has appointed *Roberto Costa* as a managing director for consumer and retail investment banking in Europe, Middle East and Africa. Costa will be based in Milan and focus on the luxury and retail sectors. Costa has spent the past 15 years at Mediobanca, where he advised on deals including the Luxottica-Essilor merger and the IPO of Ferrari.

Alternative asset manager **OAK HILL ADVISORS** has hired Goldman Sachs partner *Eric Muller* as it seeks to expand its private lending business, sources said. Muller joined Goldman in 1999, but left in 2003 for private equity firm The Cypress Group. He returned to Goldman three years later, becoming partner in 2015. He is expected to join Oak Hill in the summer.

Bellwether

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

FORMER ROGUE TRADER Nick Leeson was a constant presence on social media in the run-up to February 23, asking for suggestions on where he could go for his morning run in order to avoid people reminding him of the anniversary of the collapse of Barings.

What Leeson failed to realise was that given it was only the run-up to the "23rd anniversary" of the bank's collapse and not say a memorable number like 25 or 50, the chances are it would have gone unnoticed, were it not for the fact he'd spent a week on Twitter reminding everyone about it.

On the anniversary itself he boasted on Twitter that he was going to head to the casino and put "everything" on 23, which shows his trader's instinct is still intact.

In fact, February 23 was not the actual anniversary of the bank's collapse in 1995 but the date on which Leeson fled Singapore. A few days later, he was arrested at Frankfurt airport wearing a Man City shirt. At the time, City were not the force they are now and it would not have been unusual to be arrested if caught wearing their colours.

How times have changed. With City now heading for domestic dominance, any future rogue trader looking for leniency may have to choose a different team for sympathy – City's defeated Carabao Cup opponents Arsenal, perhaps?

GOOD NEWS AT the Royal Bank of Scotland comes like buses on a snow day – never – so its first profit in a decade was definitely worth shouting from the rooftops.

But RBS avoids good publicity like England rugby fans do pubs in Glasgow, and its return to financial respectability was quickly replaced by scandals of yesteryear as UK politicians expressed outrage that 30 out of the 32 senior managers in its disgraced former global restructuring group are now working for its new restructuring unit.

GRG was the unit that gave its staff tip-sheets for dealing with customers, with advice such as avoiding round numbers to come up with fees that appeared realistic. On that basis, it's worth clarifying whether the number of senior managers that moved across was in fact 30 and not the full 32.

"Shareholder meetings …have become a complete waste of time"

WITH THE FULL-YEAR reporting season behind them and the grilling from analysts over, banking CEOs now have something else to look forward to – the round of annual shareholder meetings.

They look forward to it in the same way that a sitting Prime Minister might to a live leadership debate in the run-up to a General Election – they have nothing to win and everything to lose as they are forced to field awkward questions about their pay or the opening times of their Stevenage branch while maintaining a sunny disposition and pretending to care.

To a man – and they're all men – banking CEOs detest them.

No-one would ever admit to this, except of course Jamie Dimon – who should be saluted for his stand-up comedian's knack of saying what everyone else is thinking.

"Shareholder meetings …have become a complete waste of time," Dimon said at JP Morgan's investor day last week. That should ensure he gets an ever warmer reception at the bank's meeting next month. ■

Who's moving where…

■ *Ignacio Blasco* has been appointed managing director in **HOULIHAN LOKEY**'s Madrid office working in capital markets advisory, a business line that the debt restructuring specialist has been developing. It now has 36 people in the division globally. Blasco was previously a managing partner at Montalban Debt Funds, which focused on direct lending in the Spanish mid-cap market. Prior to that he was head of leveraged capital markets EMEA for Societe Generale in London.

■ **CLSA** has hired *Michael Luk* as global head of debt capital markets. Based in Hong Kong, he will report to Zhenyi Tang, chairman of CLSA. Luk was most recently head of fixed income at Singapore Exchange. He was previously head of DCM at Australia and New Zealand Banking Group and has also worked at BAML and Deutsche Bank. CLSA has been scaling up following Tang's appointment in November 2016.

■ Broker **TP ICAP** has made a series of hires for its institutional services division, including the appointment of *Mark Allen* as divisional chief operating officer. In the division's Mirexa Capital business *Paul McNee* will be head of FX in APAC, having previously worked at ANZ bank. *Giorgio Fossi*, formerly in hedge fund rates sales at Credit Agricole, will work in FX and listed derivatives sales, EMEA. *John Buckley* joins as a listed derivatives execution specialist, EMEA, and *John Allender* in rates sales, EMEA.

Still a place for Libor: ABS Vegas

The future of Libor was a big focus at the ABS Vegas conference last week, where panelists and audience polls overwhelmingly suggested the industry wants Libor to stay - but not in its current state.

The head of the UK's Financial Conduct Authority, Andrew Bailey, said last summer that a Libor substitute must be in place by the end of 2021.

But Timothy Bowler, president of the ICE Benchmark Administration that administers Libor, said at the Vegas conference on Monday that there is still a role for the benchmark and that the IBA is actively seeking feedback.

"We think that Libor can definitely be preserved, and for legacy assets must be preserved," Bowler said.

Other market participants have also said it may not be possible to switch all outstanding contracts to the new benchmark.

Still, the biggest worry for those that want Libor to stay is that banks will not support it after 2021. At that point they are no longer required to make Libor submissions.

Bowler said banks may be more willing to commit if the process was limited to tenors and currencies that mattered most to their clients.

"The feedback from banks has been loud and clear," said Bowler.

"Keep it simple."

At an ISDA breakfast briefing in London on Thursday, Bailey acknowledged the questions hanging over the large legacy of contracts that reference Libor, and said he hasn't ruled out the possibility of a new Libor proxy to assist with the legacy.

"Would it, for instance, be possible to create a synthetic Libor which amounts to a risk-free rate plus an add-on?"

However, he said he does not see this as an alternative to risk free rates proposed as alternatives to the London Interbank Offered Rate which has been dogged by scandals, but as a way to assist with the legacy.

LITIGATION RISK

The New York Federal Reserve said on Wednesday that it will begin publishing reference rates on April 3 based on the repurchase agreements backed by Treasury securities, which are seen as alternatives to Libor.

> **"If Libor becomes more data-based than judgment-based, there's a good chance that it will survive"**

The Fed, together with the Treasury Department's Office of Financial Research, have developed three Treasury repo reference rates: the Secured Overnight Financing Rate (SOFR), the Broad General Collateral Rate (BGCR) and the Tri-Party General Collateral Rate (TGCR).

Panelists at the ABS conference said some of those alternatives were a long way off being a good replacement for Libor.

"SOFR is a very robust index, but it can only produce an overnight rate," said Stephen Kudenholdt, co-chair of the US capital markets practice at law firm Dentons.

"If it was to be the replacement for Libor, it needs a term element to it."

Around 90% of the audience polled at the Vegas conference said they would be willing to trust Libor in the future if there was a more robust collection process.

"If Libor becomes more data-based than judgment-based, there's a good chance that it will survive," said Anand Sankaranarayanan, a trader from Jefferies.

Around 70% of the audience also said they foresee major litigation if Libor does disappear.

"There are two ways to avoid a wall of litigation," said Kudenholdt.

Libor would need to continue with panel banks still providing rates, or a regulatory solution would be required to provide an alternative.

DIFFERENT INTERESTS

The changes in Libor, and its use as a reference rate, have implications for more than US$500bn outstanding of Fitch-rated North American transactions across CLOs, student loans, RMBS and (to a lesser extent) CMBS.

But in spite of the far-reaching implications, the inclusion of Libor language in new bond deals currently varies greatly.

Ronni Neeman of PGIM Fixed Income warned of a potential conflict of economic interests among different market players - including CLO managers and bond buyers - and that the bond language needed to be more carefully considered.

"What we've been pushing for, and we have been working with the industry (for), is setting certain boundaries where the (CLO) manager is required to take action," said Neeman.

Eleanor Duncan, Natalie Harrison

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

■ **CREDIT AGRICOLE** has hired *George Kalbin* to work on its financial institutions syndicate desk, based in London, a source said. Kalbin reports to Vincent Hoarau, head of FIG syndicate. Kalbin joins from SEB, where he worked in the bond syndicate team for six years. He was covering financial institutions as well as sovereigns, supranationals and agencies and was based in Stockholm. Kalbin will help fill the gap left by Viet Le, who left the bank mid-last year to join Deutsche Bank.

■ *Scott Campbell*, a director in ANZ's leveraged and acquisition finance team in Hong Kong, has left to join **NATIXIS**. Campbell was in the Hong Kong team for more than three years. Before that he was a director in the project finance infrastructure team in Sydney. Separately, *Sam Morris*, executive director in the leveraged finance team in Sydney, has moved to a relationship role, heading the health coverage team.

■ **UBS** has transferred *Yankun Hou* to head its general industrials group in Asia-Pacific. Hou, who rejoined UBS in 2011, is currently its chief China strategist and head of China research, based in Hong Kong. Hou has worked in Japan, Hong Kong and China and covered autos, industrials, healthcare and China equity strategy. Before his career in equity research, Hou worked as a research scientist at the medical school of Yale University. Ting Gao will lead UBS's China equity strategy product on an interim basis.

"Clearly, the year has started well"

DANIEL PINTO, CO-PRESIDENT, JP MORGAN, 13

Capital markets week ahead: **Siemens Healthineers, CVS, Teva**

ULTRA-SOUND INVESTMENT Books open on Monday on Europe's biggest IPO in almost seven years. Siemens is hoping to raise as much as €8bn from the sale of up to 20% of its medical imaging and diagnostics business Siemens Healthineers. Pricing is slated for a week on Friday, with equity capital markets bankers hopeful that the IPO, the largest in Europe since Glencore, will help revive activity in the region after a lacklustre start to the year.

But the deal faces challenges: five out of the eight European IPOs that have priced this year have all done so at the bottom of or below the indicated range, implying a disconnect between investors and issuers on valuation. With bankers eyeing a €40bn valuation for Healthineers, will the buyside pay up – or will recent volatility in markets force them to lower expectations?

JUST THE MEDICINE US drugstore chain CVS is expected to launch a US$40bn bond sale shortly after it wraps up meetings with investors on Monday. It's raising cash to help fund its US$69bn acquisition of health insurer Aetna. The dollar market is expected to anchor the bond take-out, but the deal could also comprise other currencies. It's set to be the biggest bond sale since AB InBev's US$46bn deal two years ago.

LIGHTS, CAMERA, ACTION! Chinese video streaming service iQiyi begins pre-marketing its planned US$1.5bn IPO. The float could be the biggest Chinese listing in the US since the US$25bn listing of Chinese e-commerce giant Alibaba in 2014. iQiyi, which has about 400m average monthly active users, plans to use half of the proceeds to expand and enhance content offerings and to strengthen technologies.

IN THE JUNK YARD Teva hopes to complete its first bond sale as a junk issuer. The Israeli pharmaceutical firm is seeking to raise US$3.5bn, in its first foray into bond markets since being downgraded to junk by all three major rating agencies. It is hoping to attract a wide investor base comprising high-yield and investment-grade funds, with some EM accounts too, according to a banker close to the deal.

CHEMISTRY SET ChemChina is set to launch a US dollar and euro bond offering, its first foray into international markets since it embarrassingly had to cancel a US$7bn deal from subsidiary Syngenta last September over legal issues. The Chinese chemicals maker is also wrapping up a US$5.5bn loan that will refinance a US$12.7bn bridge loan it took out last year to buy Syngenta.

FILLING UP THE GAS Eastern Mediterranean-focused Energean Oil and Gas opens books on its US$500m-plus London Stock Exchange listing on Monday, with proceeds to fund development of the company's Karish and Tanin gas fields offshore Israel with an ambition of producing gas by 2020. The company has a further five exploration licences in the region.

PLACE YOUR BETS! Banks meet in London on Monday and New York on Tuesday to discuss a £1.95bn loan for sports betting and gaming group GVC Holdings to back its proposed acquisition of UK rival Ladbrokes Coral. The financing includes a £1.4bn-equivalent six-year term loan B comprising sterling, euro and US dollar tranches guided at £325m, €900m, and US$400m.

THE RIGHT STUFF Shareholders have until Thursday to exercise their rights in on a €700m capital raise from Credito Valtellinese. The rights issue is intended to shore up the balance sheet, and comes after a long series of clean-ups, rescues and bailouts across the Italian banking system over the past year or so. Will the result of yesterday's general election have an impact on the deal?

RESTRICTED AREA SCOR could sell the first US dollar denominated Restricted Tier 1 bond. The French reinsurer has mandated BNP Paribas and Citigroup as global coordinators, structuring advisers and joint lead managers for the perpetual non-call 11-year. The securities, designed to absorb losses if the company's solvency ratio breaches a pre-determined trigger, are expected to be rated A- by S&P.

THE NEXT TIER Santander will test the waters of the Additional Tier 1 market as it brings the first such deal for more than a month. The Spanish bank has mandated BNP Paribas, HSBC, Morgan Stanley and Santander as joint bookrunners for the euro benchmark perpetual, which will have an intermediate call date. The issuer will meet investors from on Tuesday.

OH-MAN! Bank Muscat is due to meet investors ahead of an expected benchmark five-year US dollar bond sale. The lender, the largest in Oman by both assets and capital, is about one-third owned by the state. The bond deal comes just weeks after Oman raised US$6.5bn in bond markets via a three-tranche offering, equivalent to 10% of the sultanate's GDP.

DRUG MONEY BioXcel Therapeutics hopes to raise US$65m from its Nasdaq IPO on Wednesday. The company is being spun from the privately-held Bioxcel Corp and will oversee the clinical development of two new drugs derived from its technology platform, one applying a sedative to dementia and a second for pancreatic cancer.

LAST WEEK IN NUMBERS

31% – Slump in markets revenues at Standard Chartered during the fourth quarter

15.5 – Bid price on Toys R Us 7.35% October 2018s after the company went into administration in the UK

21 – Banks expected to join the US$13.5bn financing backing Blackstone's Thomson Reuters deal

224bp – Spread between the yield on 10-year Treasuries and Bunds, the most since December 2016

HSH Nordbank bondholders fear privatisation measures

Bonds in **HSH NORDBANK** have sold off after the German Landesbank said its forthcoming privatisation would also include measures to "optimise" its liabilities.

Details are expected when the bank issues its year-end results on April 26.

The lender, currently 94.9% owned by the states of Hamburg and Schleswig-Holstein, said when announcing the sale plans last week it would not be able to make distributions on its hybrid instruments from the start of its 2020 financial year.

The two German states have agreed to sell their shares for an estimated €1bn to a group of private equity investors led by Cerberus and JC Flowers. Other funds involved are GoldenTree and Centaurus. Austrian bank Bawag is also contributing.

The transaction will see the bank's non-performing loan portfolio, principally shipping-related, sold to a special purpose vehicle set up by Cerberus, JC Flowers, GoldenTree and Centaurus at a price below its current book value.

That will incur a charge expected to lead to a pre-tax loss of around €500m for the 2017 financial year to December 31.

The implication is the changes will make the bank unable to meet all its obligations to creditors, leading to the planned liability management exercise.

At the beginning of the sales process a group of bondholders offered to swap their notes for equity in the Landesbank. They held more than €700m (in principal value) of Tier 1 instruments, or roughly a third of the €2.1bn of such instruments in issue.

One instrument, a €500m perpetual FRN callable in 2018, was down by 7% on a cash basis to 39.66 cents in the euro.

"If we assume a loss in the €1bn area, we think the T1 instruments would be written down to 40-cent area under GAAP and in the low 70s under IFRS," wrote credit analysts at BNP Paribas.

"With the exception of the HSHN 7.25%, the other bonds could be called at the new written down amount. We view an LME in the mid 40-cent area as an effective way to take out the bonds and reduce litigation risk."

The bondholder group is assessing the privatisation statement.

Under European Commission rules on state aid, the sale had to be announced by the end of February to prevent the bank from being wound down.

The states of Hamburg and Schleswig-Holstein ended up taking control of the bank during the financial crisis. JC Flowers, which used to own the bank, already has 5% of its equity.

Christopher Spink

JP Morgan, Goldman set their sights on mid-market M&A

As the volume of super-sized M&A transactions contracts, both **JP MORGAN** and rival **GOLDMAN SACHS** say they are looking increasingly at doing deals in the middle market.

Last week at its investor day conference, JP Morgan's commercial banking group chief executive Douglas Petno said the bank was increasing its footprint in middle market M&A.

"The big story for us last year was we hit over 50% growth in our middle market investment banking," Petno said. "That's the result of hard work, bottoms-up account planning, longevity, quality coverage over time. And there is tremendous potential there."

This includes more than M&A, but such advisory deal flow is a key driver of other activity.

Petno said fees were up in the group even with very few large M&A transactions and the bank is still expecting to expand market share in the middle market segment.

Goldman Sachs CEO Lloyd Blankfein also last month talked up his bank's middle market strategy.

Blankfein said Goldman plans to increase its coverage universe of 8,000 clients by more than 1,000, focusing both on private and public companies.

It is a strategy to make the bank a far bigger player in the middle market, although Blankfein's definition of "middle" is on the large side, involving transactions of less than US$5bn. That's 10 times the size tracked in the Thomson mid-market universe.

Blankfein said that while Goldman's market share on announced M&A greater than US$5bn was more than 50%, the bank had just over a 10% market share on transaction sizes less than US$5bn.

"There's revenues in these smaller transactions, surprisingly so, in some cases," Blankfein said. "These transactions tend to have fewer advisers that share fees and substantial financing opportunities."

Philip Scipio

BNP Paribas overhauls global markets leadership

BNP PARIBAS has appointed *Arne Groes* as global head of primary and credit markets as part of a major reshuffle in its global markets business. Groes was previously co-head of G10 Rates, prime services and financing. *Raphael Masgnaux* will now be sole head.

Martin Egan, who was previously co-head of global primary and credit markets, has been appointed vice-chairman, global markets client board. He will work with clients across the corporate, official institution, bank and insurance sectors, as well as represent global markets in senior industry forums. He will report to Olivier Osty, executive head of global markets.

Egan's co-head *Benjamin Jacquard* is leaving the firm. He is understood to be joining the hedge fund Chenavari Investment Managers.

In other changes *Fred Zorzi* has been appointed global head of primary markets. He keeps his responsibilities as global head of bond and loan syndicate.

Kieron Smith has been appointed deputy head of prime services and financing. He was previously global head of derivatives execution and clearing.

Adrian Boehler and *Francisco Oliveira* will jointly lead the FX, local markets and commodity derivatives business line. Boehler will focus primarily on G10 FX and commodity derivatives, and Oliveira will relocate to London from New York where he was head of global markets, Latin America.

Nicolas Marque will relocate to Paris and continue to lead equity derivatives globally. *Pascal Fischer* goes to Hong Kong to be head of global markets for Asia-Pacific, reporting to Eric Raynaud, CEO BNP Paribas Asia-Pacific, and Olivier Osty.

John Gallo has been appointed head of sales and *Hubert de Lambilly* head of trading, both for global markets Americas, reporting to Bob Hawley, head of global markets Americas.

Robert Hogg

“The impact of MiFID II on fixed income has been rather ignored”

SEBASTIAN WALKER, MANAGING PARTNER, TRICUMEN, P14

Seadrill agrees restructuring with creditors

Shipping tycoon John Fredriksen reached an agreement with a majority of creditors over a restructuring plan for oil rig firm **SEADRILL**, according to US court documents published last Monday.

The company, once the world’s largest offshore driller by market value, filed for Chapter 11 bankruptcy protection with debt and liabilities of over US$10bn last September after a sharp drop in oil prices in 2014 cut demand for rigs.

“It’s good for all parties that Seadrill comes out of an expensive and time-consuming process,” said Frederik Lunde, head of research at brokerage Carnegie.

Under an amended plan, supported by 99% of its bank lenders and about 70% of unsecured creditors, including South Korean shipyards, the company will raise US$1.08bn in new capital.

Seadrill will issue US$880m in new secured notes, up from US$860m planned previously, and US$200m in new equity, the same level as previously planned.

Thomas Mayer, an attorney for the official committee of unsecured creditors, told a US Bankruptcy Court hearing on Monday in Houston that unsecured creditors ended up with at least a 50% larger recovery under Monday’s deal.

He said banks from the start had demanded Seadrill raise fresh capital, which promised investors lucrative returns.

“The whole case came down to who got to make the investment demanded by the banks,” said Mayer, of Kramer Levin Naftalis & Frankel law firm.

The unsecured creditors’ stake in the new company will increase to 36.4% from an initial offer of around 19%, while the combined stake of Fredriksen’s family investment vehicle Hemen and Centerbridge will be reduced to 36.4% from an original 49%, the source said.

It was not immediately clear what stake Hemen will have in the new company separately from Centerbridge, but under the deal, Hemen would be allowed to cut its stake to just 5% within three years if it wanted to do so, according to the court documents.

“We wanted this point to be included in the plan in order not to prohibit other companies from coming in and buying Seadrill’s shares in the future, for example, another stronger industry player,” the bondholder source said.

Hemen owned around 24% of Seadrill before the company filed for creditor protection to address more than US$10bn liabilities, including US$5.7bn in bank loans and US$2.3bn in unsecured bonds.

Existing equity holders, including Hemen, will receive 1.9% stake in the new company, under the amended plan.

Tom Hals, Nerijus Adomaitis

FROM THE ARCHIVE: 10 years ago this week

THE FINANCIAL CRISIS

March 1 2008 issue

Fannie, Freddie at capital crossroads

Fannie Mae and Freddie Mac reported huge fourth-quarter losses last week and, although management at the GSEs said their capital levels are currently adequate, a range of market observers expect the agencies will need to raise more capital in the not too distant future.

The Office of Federal Housing Enterprise Oversight (OFEO) took the predictable step last week of removing the caps on the agencies’ retained portfolios. While that removal would allow the portfolios to grow and become more of a stopgap in the housing meltdown, a large percentage of the GSEs’ capital is tied up in an OFEO-mandated surplus.

“The question about Fannie and Freddie is not about portfolio caps, but about capital. Both of their capital bases are being depleted very rapidly,” said Rajiv Setia, fixed income strategy analyst with Barclays Capital. “Both GSEs will be very conservative with capital going forward, but if they want to grow, they will start raising capital now.”

The agencies are seemingly caught between their accountability to shareholders and to Congress. Both firms reported strong results in their guarantee businesses, which they would probably like to allocate capital towards in an effort to offset further mortgage-related losses.

There is also mounting pressure from politicians, economists, bankers and homeowners for the GSEs to grow their retained portfolios.

In his testimony before Congress last week, Federal Reserve chairman Ben Bernanke advocated for the banking sector and the GSEs to raise more capital, noting that more capital at the latter would allow them to securitise more jumbo and conforming mortgages.

However, portfolio growth would add to the detriment of Fannie and Freddie themselves after they posted fourth-quarter net losses of US$3.6bn and US$2.5bn, respectively.

Rights and wrongs

Societe Generale closed books on its €5.5bn rights issue on Friday and if the share price performance is anything to go by, then the final result is likely to be a successful one.

While shareholders appear to have been supportive of the bank’s recapitalisation plan, political pressure continues to weigh on senior management and even a successful outcome from the capital increase is unlikely to draw a line under the derivatives losses debacle.

Although Daniel Bouton remains in place as CEO, after twice offering his resignation, many believe that his departure could be on the cards following completion of the capital increase.

Negative newsflow on the bank’s internal processes continued unabated throughout the subscription period, but lead underwriters on the transaction, JPMorgan and Morgan Stanley, met with a positive shareholder reception at roadshow presentations.

“Most shareholders understand that catastrophes can happen and are willing to support the recapitalisation as the most transparent way of addressing the bank’s capital requirements,” said one banker involved in the fundraising.

Some have been more difficult to convince, but ultimately most are relieved that they have been given the opportunity to participate and avoid the hefty dilution that would have resulted from external investment, as has been the case at UBS.

China loan growth sets stage for HSBC's new chiefs

HSBC's new leadership is likely to keep pushing hard in China, including its new onshore capital markets business, to differentiate its investment bank from Western rivals and to step up the pace of revenue growth.

That is hardly a surprise for a bank that was founded in Hong Kong and Shanghai 153 years ago, but a surge in its lending in China last year has signalled a stronger appetite to put its balance sheet to work where it sees fit.

HSBC's risk-weighted assets grew by a modest 2% last year (after being slashed by 30% in the previous two years), but that was far outpaced by a 17% rise in net loans and advances in Asia-Pacific, according to the bank's annual results.

The investment bank recorded a 25% jump in loans in Asia to US$128bn, including US$17.5bn of new loans in Hong Kong. That was one of the biggest annual increases on record for the business, and showed the rising appetite in areas such as trade finance.

"I would expect the strategy to be evolutionary as opposed to revolutionary"

HSBC veteran John Flint took over as chief executive less than two weeks ago, five months after Mark Tucker – an Asia expert who has spent 25 years based in Hong Kong – became chairman.

Flint has said no radical change in strategy is needed. Analysts agree, but say Tucker is likely to intensify the push to improve returns and revenue growth.

"I would expect the strategy to be evolutionary as opposed to revolutionary. That said, I would expect a lot of pressure to accelerate delivery on targets from the chairman's office," said Joseph Dickerson, an analyst at Jefferies in London.

Some industry sources said that could include considering a targeted acquisition – Asian asset management is seen as one option. That is even though the new pair may share former CEO Stuart Gulliver's distaste for acquisitions after HSBC's problems in the last decade stemming from past purchases.

ASIA PROFITS

Gulliver may have chosen two years ago to keep HSBC based in London rather than move back to Hong Kong, but he also made much of a "pivot to Asia" to make more of the Asia trade and connections it has over US and other rivals.

Asia accounted for 77% of HSBC's adjusted profits last year, up from 61% in 2010. Hong Kong made US$9.6bn, or a whopping 48% of group profits. Mainland China contributed another US$2.5bn, about 13% of the group.

HSBC's hefty Hong Kong revenues reflect its strong offshore China business, and it is also pushing hard to take advantage of a lead it reckons it has in onshore business.

The bank officially launched HSBC Qianhai Securities in December after winning approval to own 51% of the venture. It is the first Chinese securities joint venture to be majority owned by a foreign bank, and the result of a more than 10-year process to find the right partner and win approval.

Having majority control is seen as crucial, partly because regulatory scrutiny has left Western banks more nervous about not having control of any operations.

Bankers said UBS comes closest to matching HSBC as it has management control of UBS Securities even though it only owns a minority. Others have severed ties or are reconsidering their options. JP Morgan, for example, has ended its partnership with First Capital Securities and is looking for an alternative structure. But bankers said it could take some banks many years to find a partner and get the right structure.

While the Sino-foreign JVs have only won a fraction of the onshore market, the right set-up should see them pick up debt and equity underwriting, lead with research and brokerage of locally listed securities, and win M&A mandates.

HSBC has 110 staff in the business in Qianhai and expects that to rise to near 300 in a few years.

It's part of a wider plan whereby the bank is targeting big expansion in the Pearl River Delta and work related to China's Belt and Road initiative for infrastructure.

"What differentiates HSBC is the bank's execution on being one of the key providers of financial products and expertise to those engaged in the Belt and Road initiative, enabling it to capture business across various trade routes," said Dickerson.

"NO RUSH"

Flint has said he plans to release a strategic update with or before half-year results in July. "The current strategy that Stuart leaves us with is working, so there's no rush," he told reporters the day before he took over.

"What differentiates HSBC is the bank's execution on being one of the key providers of financial products and expertise to those engaged in the Belt and Road initiative"

Gulliver had just delivered HSBC's first rise in annual revenue for six years. He also set out plans to buy back shares in the second half of this year, to add to US$5.5bn repurchased in two years.

Buybacks are likely to be another plank of Flint's strategy. Ramping up repurchases has served US banks well in recent years, and helped HSBC's shares rally 56% in the last two years, valuing the stock at about 1.1 times book value.

While Tucker arrives with a reputation as uncompromising and blunt, compared with Flint's quieter approach, the former has a non-executive role and is the first outsider to chair the bank.

Industry sources expect Tucker, a former professional footballer, to lead on the big Chinese strategic issues, aided by his previous role as CEO of insurer AIA for seven years. He was also non-executive director at Goldman Sachs for five years and is an associate professor at the Chinese University of Hong Kong.

Flint, 49, has been at HSBC since joining its prestigious international officer programme in 1989, and spent his first 14 years in GBM in Asia.

The keen triathlete has worked for the bank in Hong Kong, Singapore, Indonesia, Thailand, India, Bahrain, the US and the UK, including running treasury, global markets in Europe, group strategy and retail banking globally.

Steve Slater

“We think that Libor can definitely be preserved, and for legacy assets must be preserved”

TIMOTHY BOWLER, PRESIDENT, ICE BENCHMARK ADMINISTRATION, P17

Jan-Feb advisory, underwriting fees down 21% on year

GLOBAL INVESTMENT BANKING FEES

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	507	949.3	7.7
2	Goldman Sachs	326	851.7	6.9
3	BAML	479	702.1	5.7
4	Morgan Stanley	456	691.3	5.6
5	Citigroup	472	614.2	5.0
6	Credit Suisse	293	594.4	4.8
7	Barclays	381	479.8	3.9
8	Deutsche Bank	333	416.5	3.4
9	UBS	172	301.9	2.4
10	RBC CM	297	292.1	2.4
11	Wells Fargo	365	241.0	1.9
12	HSBC	366	229.3	1.9
13	BNP Paribas	248	229.1	1.8
14	Jefferies	114	204.7	1.7
15	Mizuho Financial	408	175.2	1.4
16	SG CIB	151	133.9	1.1
17	Nomura	291	128.1	1.0
18	Sumitomo Mitsui	287	125.7	1.0
19	Citic	254	116.3	0.9
20	TD Securities	221	113.0	0.9
	Total	**5,960**	**12,389.4**	

JP MORGAN has retaken top spot for investment banking this year from rival **GOLDMAN SACHS**, although fees across the industry in the first two months are lagging 21% behind the same period a year ago.

Global fees from M&A advisory, debt and equity underwriting and syndicated lending totalled US$12.4bn up to the end of February, down from US$15.6bn at the same stage of 2017, according to data from Thomson Reuters.

That reinforces comments from banks that investment banking fees are well behind the buoyant start in 2017, whereas bond trading has bounced back strongly (see P&M front page story).

JP Morgan has brought in US$949m in fees from 507 deals across advisory, underwriting and syndicated loans, down 8% on the year but still giving it a 7.7% share of the global market, the data showed.

Goldman, which had pipped JP Morgan for fee income in January, has brought in US$852m, down 17% from a year ago. **BANK OF AMERICA MERRILL LYNCH**’s fees are down 27% from a year ago at US$702m, putting it in third place.

The biggest fall in fees among the top 20 banks has been at **WELLS FARGO**, where a 33% drop has seen it drop to 11th from ninth a year ago, and **SUMITOMO MITSUI**, which slipped to 18th from 17th after a 38% drop in fees.

UBS is the only bank in the top 20 to show a rise in fees in the first two months from a year ago, with an 18% rise lifting it to ninth globally from 12th a year ago.

JP Morgan was the leading bank for fees in the Americas with a 9.7% share of the market and in Europe, Middle East and Africa, where it had a 6.7% share. Goldman ranked first in Asia-Pacific with a 5.1% market share.

Steve Slater

AMERICAS INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	337	642.4	9.7
2	BAML	354	547.5	8.2
3	Goldman Sachs	189	546.2	8.2
4	Morgan Stanley	227	473.1	7.1
5	Credit Suisse	161	401.5	6.0
6	Citigroup	266	360.5	5.4
7	Barclays	226	266.0	4.0
8	RBC CM	229	244.6	3.7
9	Wells Fargo	347	227.3	3.4
10	Deutsche Bank	159	188.8	2.8
	Total	**2,371**	**6,640.2**	

ASIA-PACIFIC & JAPAN INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	61	130.3	5.1
2	UBS	50	123.2	4.8
3	Mizuho Financial	241	107.0	4.2
4	Citic	251	105.5	4.1
5	Citigroup	75	98.8	3.9
6	JP Morgan	36	94.9	3.7
7	Morgan Stanley	157	94.3	3.7
8	Credit Suisse	52	83.5	3.3
9	Sumitomo Mitsui	194	75.1	2.9
10	Nomura	144	68.2	2.7
	Total	**2,337**	**2,561.7**	

EMEA INVESTMENT BANKING

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	134	212.1	6.7
2	Barclays	117	204.3	6.4
3	Goldman Sachs	77	175.2	5.5
4	Deutsche Bank	139	171.9	5.4
5	Citigroup	131	154.9	4.9
6	BNP Paribas	120	134.2	4.2
7	Morgan Stanley	74	123.9	3.9
8	HSBC	142	120.7	3.8
9	Credit Suisse	80	109.4	3.4
10	SG CIB	104	95.9	3.0
	Total	**1,302**	**3,187.5**	

GLOBAL BONDS

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	342	270.8	6.5
2	JP Morgan	299	263.0	6.3
3	Goldman Sachs	181	222.8	5.3
4	BAML	273	218.1	5.2
5	Deutsche Bank	227	190.9	4.6
6	Credit Suisse	172	169.7	4.0
7	Barclays	258	167.7	4.0
8	Morgan Stanley	314	161.4	3.9
9	BNP Paribas	169	135.0	3.2
10	HSBC	287	129.6	3.1
	Total	**3,596**	**4,191.3**	

GLOBAL EQUITIES

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	55	287.7	9.6
2	Morgan Stanley	68	266.1	8.9
3	JP Morgan	54	172.6	5.7
4	BAML	46	161.1	5.4
5	Citigroup	36	124.9	4.2
6	Credit Suisse	31	118.6	3.9
7	Barclays	26	114.7	3.8
8	UBS	30	106.3	3.5
9	Deutsche Bank	30	105.3	3.5
10	RBC CM	31	75.4	2.5
	Total	**777**	**3,003.4**	

GLOBAL LOANS

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Credit Suisse	69	174.2	9.3
2	JP Morgan	115	170.5	9.1
3	BAML	136	137.2	7.3
4	Goldman Sachs	55	82.8	4.4
5	Deutsche Bank	61	77.7	4.1
6	Barclays	79	76.7	4.1
7	Mizuho Financial	75	67.8	3.6
8	Citigroup	72	63.8	3.4
9	Morgan Stanley	46	57.9	3.1
10	Wells Fargo	89	57.7	3.1
	Total	**752**	**1,877.5**	

1/1/2018 to 28/2/2018
Source: Thomson Reuters

HKEx reforms to 'cherry-pick' IPOs

Formal proposals to allow certain companies to list dual-class shares in Hong Kong have drawn criticism for granting the exchange too much power over the process.

HONG KONG EXCHANGES AND CLEARING on February 24 unveiled its eagerly awaited draft of rule changes, which would allow "innovative" companies to sell shares with weighted voting rights, either through IPOs or secondary listings.

The exchange operator listed a number of factors that identified a company as such, and said it would review listings on a case-by-case basis.

Critics say the proposed rules will dilute investor protection, and give the exchange too much discretion over which companies will be allowed to list.

Melissa Brown, a partner at Daobridge Capital, a China-focused investment and advisory firm and former member of the Hong Kong Listing Committee, called it "a roll of the dice".

"What I'm struck by is the language, which is so opaque it would seem to suggest that the exchange is going to be cherry-picking listings," she said. "They're clearly doing this to attract certain types of companies they've already identified, but other issuers can't rely on this."

HKEx is seeking feedback on its proposals by March 23, and is widely expected to push ahead with the reforms after winning the support of government officials and other regulators. The proposals aim to make Hong Kong an attractive listing venue for fast-growing technology and biotech companies, where shareholding structures or financial results fall foul of the current requirements.

Rather than allowing any company to use a WVR structure, however, the exchange has included a number of safeguards to protect investors.

Its definition of innovative companies includes that their core business involves new technologies or business models and that research and development is a significant contributor of their expected value, but also makes it clear that the final decision will rest with the bourse.

"The Exchange would retain absolute discretion to reject an application for listing with a WVR structure even if the applicant meets these requirements, to ensure only 'bona fide' candidates who fit the target profile are listed," it said.

The proposals also restrict listings with WVR to companies with an expected market capitalisation of no less than HK$10bn (US$1.28bn). Companies with a market cap of less than HK$40bn will also need to show annual revenues of at least HK$1bn.

The exchange also said that holders of super-voting shares must collectively own an economic interest of 10% to 50%, although it pointed out that it might accept a lower percentage shareholding if this represented a "very large amount" in dollar terms. These shares can carry no more than 10 times the voting rights of ordinary stock.

Other proposals include limiting the rights of WVR beneficiaries to subscribe to follow-on offerings, ensuring voting on certain matters, such as the appointment of non-executive directors, would be decided on a one share, one vote basis.

IPO PIPELINE

HKEx's proposals would be likely to act as a fillip to bankers, who have long advocated the introduction of dual-class shares to encourage more new-economy companies to list in Hong Kong.

Several technology companies are already looking to list in Hong Kong if the rules change, including Chinese smartphone maker XIAOMI TECHNOLOGY, TENCENT MUSIC, the entertainment and music arm of tech giant Tencent Holdings, and a growing list of biotech companies.

Bankers see the proposals as an improvement on last year's concept paper, which proposed allowing dual-class shares only on a third board, and suggested a sunset clause, where the differential voting structure falls away after a certain period of time.

"Many companies wouldn't have found the prospect of listing on a third board very attractive," said one head of technology, media and telecommunications investment banking at a major bank.

"I think if you have these sunset clauses, or other similar proposals, in many ways, you would defeat the purpose of what you're trying to achieve. My take is that investors don't have to buy these stocks if they don't want to."

HKEx also proposes allowing biotech companies that do not meet the financial eligibility tests, including those at the pre-revenue and pre-profit stages, to list on the main board.

Applicants must have a minimum market capitalisation of HK$1.5bn and need to prove that they meet certain milestones on the development of their core products.

Thomas Blott

IN BRIEF

HSBC HIRES

HSBC has made two senior hires in an effort to bolster its global banking franchise in North America, according to an internal memo seen by IFR.

Mark Epley joins the bank as head of financial sponsors group, Americas, while *George Patterson* has been hired as head of technology, corporates, North America.

Epley comes from Jamieson Corporate Finance, where he was US chairman. Prior to that, he founded Nomura's financial sponsor coverage business and headed Deutsche Bank's global sponsor coverage.

Patterson previously worked at financial services firm CODE Advisors, as well as at Barclays and Lehman Brothers.

Both hires will be based in New York City. Patterson will report to Lex Malas and Russell Julius, co-heads of global banking, North America, as well as Alexis Maskell, global head of financial sponsors group.

Patterson will report to Omar Abboud, head of corporates for the Americas and to Dan Bailey, global head of technology, media and telecommunications.

ABLV CLOSED

The European Central Bank said Latvia's ABLV BANK was failing or likely to fail and would be wound up as saving it would not be in the public interest.

The European Union's Single Resolution Board agreed with the assessment, which means the bank's assets will be sold down and depositors paid back.

The lender had been accused by US authorities of money laundering and breaching North Korean sanctions. That sparked a run on its deposits.

"Due to the significant deterioration of its liquidity, the bank is likely unable to pay its debts or other liabilities as they fall due," the ECB said.

At the end of the third quarter of 2017 the bank had €2.67bn of deposits and €3.63bn of assets, suggesting all liabilities could eventually be repaid.

COMMERZBANK SALE

Goldman Sachs and Societe Generale have both lodged bids for Commerzbank's equities, markets and commodities unit, according to a report.

The division has been earmarked for sale since the German bank's latest restructuring was unveiled in September 2016. In 2017 it grew revenues to €380m, the only unit of the corporate clients area to increase its business in the year.

The report also said that Barclays had not submitted a bid, despite expressing interest at an earlier stage. Commerzbank declined to comment.

“The year has started well with strong flows at the beginning of the year”

DANIEL PINTO, CO-PRESIDENT, JP MORGAN, P13

Pension fund blow to Indian corporate bonds

India’s decision to reduce the minimum share of assets that the Employee’s Provident Fund Organisation (EPFO) must hold in corporate bonds is expected to put further upward pressure on domestic corporate bond yields.

The government has reduced EPFO’s minimum investment allocation for debt and related instruments, which includes corporate bonds and bank term deposits, to 20% from 35%, according to an EPFO circular. The ceiling for corporate bond investments remains at 45%.

EPFO, which manages more than Rs8.5trn (US$130bn) of pensions for employees in India’s industrial sector, will now have an option to invest more in state government bonds, which in recent weeks have paid higher yields than corporate bonds.

The pension fund has additional room to invest in state-government bonds and government securities after the maximum authorised allocation for those securities was raised to 65% from 50% earlier. The minimum EPFO can invest in state and government debt securities remains at 45%.

“Currently, there is a large supply of state government bonds and yields have gone higher than those on corporate bonds. While these rates remain higher, provident fund investors are expected to incrementally invest in state-government bonds and at the expense of corporate bonds,” said Shameek Ray, head of debt capital markets at ICICI Securities Primary Dealership.

EPFO prefers to invest in state government bonds over corporate bonds because of the sovereign guarantee and attractive yields. A week ago, the yield on 10-year corporate paper was 25bp–30bp lower than state government bonds.

The yields shot up for state government paper as Indian states are expected to borrow a record amount from the market – more than Rs4trn in FY18, up from Rs3.8trn in FY17 – to fund their rising deficits, according to Icra Ratings.

The 10-year cut-off yield for the February 20 bond auctions of the eastern states of West Bengal and Assam was 8.29%, payable semi-annually, according to Reuters. This translates to an 8.45% annual yield. The yield on 10-year AAA corporate paper was hovering at around 8.25%, according to Thomson Reuters data.

The greater investment flexibility given to EPFO is expected to dampen demand for corporate bonds, given the scale of its assets.

“This is a further negative for long-tenor corporate bonds, which were anyway seeing less demand due to the steepening of the yield curve and change in rate outlook,” said Ray of ICICI Securities Dealership

The yield curve has steepened for rupee bonds in the past six months over concerns of inflation and the possibility of a rate hike in the second half of this year.

“The fixed income markets are telling us that we have fallen behind the curve,” said Michael Patra, a member of the Monetary Policy Committee in the recent minutes released by the Reserve Bank of India.

Bond yields have shot up, although the RBI has not started raising rates so far this year. The yield on 10-year AAA corporate bonds was hovering at 8.38% on Thursday, up almost 100bp from 7.4% on September 1 last year.

Fund managers are expecting a higher supply of bonds from public sector companies as the government tries to reduce their dependency on budgetary support due to tight finances.

“We have seen issuers like National Bank for Agriculture and Rural Development [Nabard] come aggressively to the market and raise money across the curve,” said Pandya. In contrast, corporate issuers could find it too expensive to raise funds at the longer end of the yield curve.

Some private corporates are putting plans to raise longer tenor bonds on hold and are switching to loans instead due to the higher yields they need to pay in the bond market. India Grid Trust, which was looking to raise Rs15bn from 10-year rupee bonds, has taken a loan, said a DCM banker.

Krishna Merchant

China buys time for IPO reforms

China has given itself two more years to introduce a registration-based IPO system, signalling that a market-driven mechanism for mainland listings is still a long way off.

The National People’s Congress Standing Committee, the country’s top legislative body, on February 24 extended its authorisation for the long-promised IPO reforms until February 29 2020. The previous two-year authorisation expired last Wednesday.

Bankers welcomed the extension as proof that the switch to a market-driven process is still on the agenda, despite the lack of action in the past two years.

“The extension shows the regulators haven’t given up on the registration-based IPO reform, but they need more time to get everything ready for such a major change,” said a banker.

Liu Shiyu, chairman of the China Securities Regulatory Commission, explained the necessity for the extension of the authorisation at an NPCSC meeting on February 23.

He said a lot of issues still needed attention, including the sophistication of market participants and the price discovery process, according to remarks on the NPC’s website.

Liu also stated that the financial markets in developed countries had shown signs of correction due to rising bubbles and risks, which also added to the uncertainties for the timing of China’s reforms.

There is no guarantee, however, that the reforms will ever see the light of day. Previous plans to add an international board in Shanghai, for example, were extended for years before they were finally dropped.

A registration system will mark a major change from the current process, which gives the regulator strict control over which companies are allowed to go public, and when.

In December 2015, the NPCSC authorised the State Council to introduce a registration-based IPO system at the Shanghai and Shenzhen stock exchanges, with a deadline of February 28 2018.

The CSRC delayed the reform after the slump in China’s stock market in early 2016.

Bankers expect the regulators to introduce measures to overhaul IPOs this year, so as to pave the way for the implementation of the registration-based system.

For example, the regulators are expected to further enhance delisting rules and improve the listing standards for technology and emerging industries.

Ken Wang, Steve Garton

■ FRONT STORY CORPORATES

March looking busier for Europe

› Lack of M&A financing so far this year

› Issuers keeping a lid on their deal sizes

Winter may still be in full swing across most of Europe but bankers and investors see a new season blossoming in the investment-grade corporate market space, ending a rather subdued start of the year.

Although last week was one of the busiest in terms of number of deals – 12 tranches – volumes reached a meagre €5.93bn-equivalent across euros and sterling, a 59% drop year-on-year, according to IFR data.

In January and February this year, supply reached €42bn-equivalent, a 27% decline from last year's €57.33bn-equivalent.

One clear difference has been the limited amount of jumbo/M&A-led financing. Coca-Cola, Pfizer, RCI Banque and Orange all issued multi-tranche offerings between February 27 and March 2 2017.

Last week, the only such deal was a €1.3bn dual-trancher – a long three-year fixed and a seven-year floater – from RCI BANQUE. The trade commanded investor attention, with books peaking at a combined €3bn-plus before settling at €2.54bn, of which only €740m was for the FRN.

"Issuers were quite relaxed at the beginning of the year which is why we didn't see that much supply. However, they are getting a bit nervous," said Eric Cherpion, global head of DCM syndicate at Societe Generale.

"There is a good pipeline building as we come out of blackout and we're expecting March to have a normal run rate in terms of issuance. It will be interesting to see how supply is absorbed if investors are sulking."

While bankers found it difficult to gauge expected volumes for March alone, one investor suggested a €30bn figure. Another unknown is whether M&A – and therefore jumbo – financing will represent a substantial percentage of the total supply.

MORE M&A FINANCING?

A name often referenced in terms of M&A funding is Unibail-Rodamco, which is expected to soon refinance a bridge loan with hybrids and senior bonds for its purchase of shopping centre owner Westfield. Bayer may also tap the bond market, having won EU approval for its US$62.5bn Monsanto deal last week.

"It doesn't feel like there's a lot of M&A in the pipeline," a second banker reckoned. "But there should be a couple of larger bond offerings in March. There's definitely room for more deals, it's just a case of making sure that they're priced accordingly."

While the banker does not expect spreads to get substantially wider as soon as supply picks up, he nonetheless highlighted that a few potential heavy weeks could have an impact towards the end of March.

Despite the rather subdued level of supply at present, investors have already started showing some price sensitivity, stepping out of deals when pricing was too aggressive. As a result, new issue premiums have been juicier, growing from single-digit figures on average earlier this year to mid-teens in recent days.

"It is a wake-up call," said Jean-Luc Lamarque, global head of syndicate at Credit Agricole. "Last year, investors wanted to be involved in pretty much every single deal; the market is starting to realise that perhaps the end of QE is not priced in, that rates will rise quicker than expected in the US."

SMALL DEALS, SMALL BOOKS

Last week, caution prevailed in the fragile corporate market, with most issuers keeping a lid on their deal sizes. The result has been smaller book sizes.

"Last year, yields were incredibly low, supply was being hoovered up by the ECB and there wasn't much for investors to buy, so you saw this big stretch into long duration, unrated or crossovers," said a senior syndicate banker.

"However, we're not anywhere near that now. We're in a market where supply is constrained but investors are fearful whether we'll see outflows, given what's happened to rates."

Several issuers said their trades would be "no-grow", a trend that has become more prevalent recently, with bankers pointing to the limited financing needs of many borrowers given their cash-rich positions and the large amount of pre-funding done at the end of last year.

Crossover name METRO, which carries a Ba1 rating from Moody's and BBB– from S&P, was out with a €500m no-grow five-year, rated BBB– by S&P, on Tuesday last week, the first bond issued by "new" Metro since its demerger.

The retail group was split into a wholesale and food specialist (new Metro) and an enterprise focused on consumer electronics (Ceconomy) in July last year.

Initially marketed at mid-swaps plus 80bp–85bp, the deal was launched at 72bp over on final books near €700m, leaving a 12bp concession on the table, according to a lead.

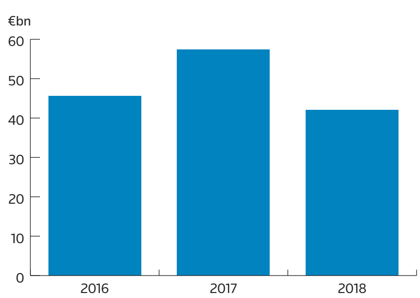
LEGRAND also saw a "petit" book for its €400m no-grow eight-year on Monday last week, with demand reaching just over €500m. Marketing for the French industrials company started at 25bp–30bp over mid-swaps, with leads later setting the spread at plus 20bp. That offered a 10bp concession, according to the banker.

An exception to the recent trend was Swedish security company SECURITAS, which saw books swell for its 1.25% €300m no-grow seven-year, closing in excess of €1.3bn. The deal was marketed at swaps plus 80bp area IPTs and launched flat to fair value at plus 60bp.

Pauline Renaud

BELOW AVERAGE

ISSUANCE VOLUMES FOR JANUARY-FEBRUARY 2016, 2017, 2018 FOR IG CORPORATES IN EUROS AND STERLING



Source: IFR

US dollar SSA deals priced tightly despite swap volatility

Solid outcomes even as book sizes shrink

Last week's US dollar SSA trades came at tight pricing levels but bankers were left mulling issuance strategies after a degree of volatility in swap spreads.

The deals were generally solid, although some achieved smaller books than in previous years and others traded wider in the secondary market.

Regardless, the dollar primary market remains resilient even if considering different pieces of the puzzle is becoming more important, bankers said.

Deals were being priced either through or flat to fair value, a banker said, with the BANK OF ENGLAND's US$2bn three-year testament to what issuers can achieve.

"We discussed whether [mid-swaps] plus 1bp was a good starting point, and based on where secondaries were we felt that flat was achievable from the outset," said a lead.

"For bank treasuries there's no margin at flat, but we still saw good participation from them."

Orders for the deal, led by *Barclays, BNP Paribas, Citigroup* and *JP Morgan*, built more slowly than last year, but the lead reckoned that for a Double A name to price 1bp back of Sweden was a strong result.

READING BETWEEN THE LINES

MUNICIPALITY FINANCE generated a book only slightly larger than the deal size – US$1.15bn of orders for a US$1bn five-year.

At plus 16bp, it was the issuer's tightest five-year versus swaps since 2015. Leads were *HSBC, JP Morgan, Mizuho* and *Nomura*.

"Broadly speaking, they did well," said a second banker. "The level was right. I would've argued to maybe start a bit wider at IPTs, which would've helped them get a bit more momentum. Otherwise, you're implying you're trying to get inside, which I think was ambitious."

The first banker said pricing progression was influencing demand in different ways depending on the maturity.

"We're seeing much more sensitivity in the three-year space, with [spreads at] swaps flat and in the negative region, than we see in five-years. There, there isn't such an obvious cut-off line at which people have clear sensitivity. We don't want to be moving deals 3bp or 4bp."

A third banker said that swap dynamics and the absolute level of spreads were the most important things to consider.

"How they move and what that means is extremely relevant. Spreads to Treasuries will have to move to accommodate the swap spread move," he said.

"If swap spreads continue to widen, you don't want to pick it up as an investor. Some will care about spread to Treasuries, some about the spread to Libor, and say 'I don't want to buy that bond because it's too rich on this basis'."

Another five-year came from FMS WERTMANAGEMENT, a US$1.5bn trade led by *Barclays, Bank of America Merrill Lynch, Goldman Sachs* and *HSBC* at 10bp over mid-swaps, 2bp inside IPTs.

KEEPING UP WITH SWAP MOVES

The EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT chose the same tenor, selling the tightest such trade this year via leads *BMO, Citigroup, Goldman Sachs* and *TD*.

"The previous tightest deal at five-years was EDC at plus 10bp. To do plus 7bp [for EBRD] is really amazing," said the first banker of the US$1.5bn Global.

It traded wider in the days following pricing, although a lead blamed that on the move in swaps.

"I think things haven't kept pace with that. They [swap spreads] were something like 11.5bp when we priced, and now they're 10bp. Volatility in swaps has been the story in the last few weeks."

Five-year swaps tightened further as the week progressed, reaching 9bp at one stage early on Friday afternoon.

Two US dollar floating-rate deals also hit the market last week.

LANDESKREDITBANK BADEN WUERTTEMBERG – FOERDERBANK (L-Bank) sold a three-tranche issue – a US$350m increase of its April 2020s, a US$650m top-up of its September 2021s and a new US$750m March 2023 line.

Leads were *Barclays, BMO, Goldman Sachs* and *JP Morgan* for the 2020 tap and new five-year. *Barclays, BMO, Deutsche Bank* and *JP Morgan* ran the September 2021 tap.

"It did all right. It was a bit random, so there obviously was something behind it in terms of demand. It's efficient [timing] – something everyone does in the FRN world," said the second banker.

NRW.BANK priced a US$350m tap of its January 2023 floater via *DekaBank, HSBC* and *UniCredit*.

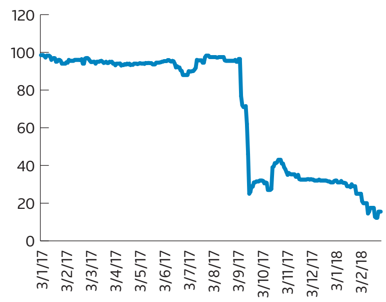
Bankers said the issuer would have had no trouble attracting demand as floaters appeal to niche investors.

Melissa Song Loong

WEEK IN NUMBERS

15.5

THE BID PRICE ON TOYS R US 7.35% OCTOBER 2018s AFTER THE COMPANY WENT INTO ADMINISTRATION IN THE UK LAST WEEK



75bp

THE SPREAD OVER MID-SWAPS AT WHICH MACQUARIE GROUP PRINTED A DEBUT €500m SEVEN-YEAR NON-CALL SIX NOTE, WHICH WAS THE WIDE END OF GUIDANCE AFTER DRAWING TEPID DEMAND

0bp

THE AMOUNT THE BANK OF ENGLAND WAS ABLE TO TIGHTEN PRICING BY ON A US$2bn THREE-YEAR NOTE LAST WEEK, WHICH PRICED FLAT TO MID SWAPS

224bp

THE SPREAD BETWEEN THE YIELD ON 10-YEAR TREASURIES AND 10-YEAR BUNDS, THE BIGGEST SINCE DECEMBER 2016

€1.112bn

THE AMOUNT THE ECB BOUGHT THROUGH ITS CSPP IN TRADES SETTLED IN THE WEEK UP TO FEBRUARY 23

In total, it has bought €141.909bn

SSAR

EUROS

BELGIUM GREEN BOND IMPRESSES WITH ORDER QUALITY

BELGIUM made waves after attracting a solid book of quality orders for its €4.5bn 15-year inaugural Green bond.

The success showed that investors are still hungry for sovereign paper and also highlighted the state of undersupply in the Green bond sector.

"It wasn't just appealing for green investors; it was also an interesting bond for other investors given there's been an improvement in our public finances and economy," said Anne Leclercq, director of treasury and capital markets at the Belgian Debt Agency.

Belgium's 2018 gross borrowing requirements are €33.25bn, down €3.83bn from last year. This week's issue will be its final syndication of the year.

The demand allowed Belgium to favour the strongest accounts, allocating 26% to central banks and official institutions – a higher proportion than is typical for an SSA trade at the tenor.

Fund managers were the largest investors by type, buying 33%, ahead of a 16% pension fund take. Bank treasuries were 12%, insurance companies 5%, hedge funds 5% and banks 3%.

Orders totalled more than €12.7bn through leads *Barclays, BNP Paribas Fortis, Credit Agricole, ING* and *JP Morgan*.

DIFFERENT HIERARCHY

"What strikes me is that the hierarchy of the order size is different from a regular OLO," said Benjamin Moulle, head of SSA syndicate at Credit Agricole.

"Accounts that would normally be the largest ones in the book were this time passed by some very good quality Green accounts. The largest investors in Europe were not always the largest in this book and that is due to the green aspect of this bond."

Moulle reckoned the concession was a slim 1bp, which a banker away from the deal said was indicative of the success of 15-year trades.

Fifteen-year issues were flavour of the week, the banker away said.

"A lot of investors are uncertain about the interest rate curve over the next six to 12 months with thoughts about potential rate hikes and less buying. There's a fear the very long end will react severely to a change, so some would rather go to 15-years, which carry less risk."

He sounded a note of caution over the investor breakdown, however.

"It's a question of how you create the statistics," he said. "There are definitely a few pension funds for central banks and their own employees that help build up green portfolios. And sometimes Norges, the Norwegian state fund, is counted as a central bank."

Leclercq said the liquidity and transparency of sovereign debt appealed to investors.

"[It] can easily be sold when future rate expectations change. Such liquidity is not the case for most other bonds, which indeed might yield higher - the so-called liquidity premium," she said.

MIXING BELGIUM AND FRANCE

Leclercq said investors preferred a 15-year tenor to avoid the bond being too close to

ALL INTERNATIONAL BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	181	48,994.64	6.9
2	Citigroup	184	48,246.75	6.8
3	Barclays	137	44,639.13	6.2
4	HSBC	168	36,599.01	5.1
5	Deutsche Bank	148	34,485.94	4.8
6	BNP Paribas	110	31,466.19	4.4
7	Goldman Sachs	99	30,847.73	4.3
8	BAML	123	30,652.20	4.3
9	Morgan Stanley	107	25,926.32	3.6
10	SG	82	23,581.62	3.3
	Total	**992**	**714,254.08**	

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

Source: Thomson Reuters SDC code: J1

ALL US DOLLAR FIXED-RATE GLOBALS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	33	10,047.93	10.7
2	Goldman Sachs	21	9,176.26	9.7
3	BAML	28	7,493.63	8.0
4	Citigroup	28	7,315.15	7.8
5	Barclays	16	7,309.76	7.8
6	Morgan Stanley	15	6,025.08	6.4
7	Deutsche Bank	14	5,270.22	5.6
8	TD Securities	12	5,128.35	5.4
9	Wells Fargo	15	4,526.29	4.8
10	HSBC	8	3,518.03	3.7
	Total	**63**	**94,205.42**	

Excluding equity-related debt, ABS/MBS.

Source: Thomson Reuters SDC code: O5

ALL BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	50	17,250.30	6.6
2	BNP Paribas	58	16,635.48	6.4
3	SG	57	16,051.44	6.1
4	Credit Agricole	50	15,063.35	5.8
5	Deutsche Bank	63	14,837.60	5.7
6	JP Morgan	43	14,014.59	5.4
7	UniCredit	55	13,049.66	5.0
8	NatWest Markets	22	12,096.06	4.6
9	Citigroup	42	11,938.32	4.6
10	HSBC	59	11,039.10	4.2
	Total	**300**	**261,389.80**	

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

Source: Thomson Reuters SDC code: N1

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING MARCH 1 2018

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
Feb 27 2018	Italy	€4bn	0.950	Mar 1 2023	0.890	1.38
Feb 27 2018	Italy (FRN)	€1.7105bn	0.342	Apr 15 2025	0.420	1.35
Feb 27 2018	Italy	€2bn	2.000	Feb 1 2028	2.060	1.37
Feb 28 2018	Germany	€2.41275bn	0.500	Feb 15 2028	0.670	1.19
Mar 1 2018	Spain	€1.079bn	0.050	Jan 31 2021	-0.034	3.14
Mar 1 2018	Spain	€1.605bn	0.450	Oct 31 2022	0.358	1.88
Mar 1 2018	Spain	€1.201bn	5.150	Oct 31 2028	1.502	1.99
Mar 1 2018	Spain (ei)	€482m	1.000	Nov 30 2030	0.306	2.61
Mar 1 2018	France	€1.954bn	0.500	May 25 2026	0.610	1.78
Mar 1 2018	France	€2.912bn	0.750	May 25 2028	0.900	1.86
Mar 1 2018	France	€890m	4.500	Apr 25 2041	1.470	2.26
Mar 1 2018	France	€1.256bn	2.000	May 25 2048	1.710	1.96
Mar 1 2018	UK	£2.75bn	0.750	Jul 22 2023	1.115	2.37

Source: IFR

France's €7bn June 2039 Green issue, which it sold at the beginning of last year.

That would help investors create a portfolio of Green bonds from different credits.

Demand was such that Belgium could have issued €5bn, but it decided not to in order to leave a safety margin – the sovereign has around €1bn left in green-eligible expenditures, said Leclercq. The bond could be tapped in 2019.

"There's a desperation for Green bonds," said a second banker away from the deal.

"A lot of sovereigns don't really like to issue green. They don't want to specify where the funding is going. Most debt they raise is for general purposes, where everything is mingled so there's an unwillingness as it involves a change in philosophy."

INVESTORS FAVOUR 15-YEAR EURO SEGMENT

CPPIB CAPITAL and the **EUROPEAN UNION** tapped the 15-year segment of the euro market, with strong order books proving that debt in that part of the curve is highly sought-after.

A banker said that while investors were not desperate, the attractive yields on offer drew them into the market.

The European Union's book was over €6.7bn for a €1bn deal, while CPPIB attracted more than €4.6bn for its €1bn and **RENTENBANK**'s €1.25bn seven-year was nearly twice covered.

The EU set the spread at 17bp through mid-swaps via *Credit Agricole, Citigroup, Deutsche Bank and LBBW*.

"What surprised me is that they were able to come that tight," said a banker away from the deal.

"The issuer is rare. The only other trade that comes close to it is their April 2031 bond, which is shorter and quoted at minus 16bp, so naturally you'd think the new 15-year should come wider."

Leads on CPPIB's deal, *Bank of America Merrill Lynch, BNP Paribas, Deutsche Bank* and *JP Morgan*, set the spread at 14bp over mid-swaps.

A banker at the CPPIB said that the long end was on fire, illustrated by the €25.8bn-plus book that Spain's €6bn 30-year garnered this month, and the low premiums associated with longer deals.

"New-issue premiums have generally not been wider than 3bp or 4bp [to start with] at this part of the curve," the banker said.

Not all the supply came at the long end, however. **RENTENBANK** went for a shorter-dated trade, and *BLB, Danske Bank, LBBW* and *Nomura* set the spread at 22bp through mid-swaps for the €1.25bn seven-year deal.

"It didn't carry a premium and struggled a bit in secondaries," said the second banker.

"You can generate better demand by being more generous on the premiums, but issuers don't want to be the first ones doing that. Unless something's failed completely, people will keep doing this. It just means that you only get tightening if you hit a maturity bucket that's highly sought-after."

THE STATE OF LOWER SAXONY went slightly shorter with a five-year €500m trade via *Barclays, Deutsche Bank, LBBW* and *NordLB*.

Leads set the spread at 22bp through mid-swaps, a level that bankers viewed as spot on.

NON-CORE CURRENCIES

EIB EXTENDS FIVE-YEAR KAURI RUSH

The **EUROPEAN INVESTMENT BANK** became the latest Triple A rated agency or supranational to tap the Kauri market's five-year sweet spot with last Thursday's NZ$200m (US$148m) sale via joint lead managers *BNZ* and *TD Securities*.

The 3.0% March 15 2023s were priced at 99.457588 for a yield of 3.118%, or 40bp wide of mid-swaps and 70.3bp over the April 2023 NZGB.

Before the EIB, Nordic Investment Bank, Asian Development Bank, the Inter-American Development Bank, the World Bank, Rentenbank and KfW all targeted five-year offerings in 2018, raising a combined NZ$3bn at mid-swap spreads between 33bp and 37bp.

Norwegian local government funding agency Kommunalbanken, rated Aaa/AAA (Moody's/S&P), also added NZ$100m to its 3.375% June 7 2023s at mid-swaps plus 44bp.

Year to-date Kauri supply has reached NZ$3.3bn, already beating the 2017 full-year total of NZ$2.9bn, with the 2014 and 2015 annual record of NZ$6.3bn potentially within reach.

At the end of the week, the EIB crossed the Tasman Sea to tap its 3.30% February 3 2028 climate awareness Kangaroo bonds for A$200m, lifting the issue size to A$1.1bn.

JP Morgan was sole lead manager on the reopening, which was priced at 100.820 for a yield of 3.2025%, or 46bp over asset swaps and 46.25bp wide of the May 2028 ACGB.

The EIB, the world's largest issuer of Green bonds, will allocate the proceeds to a sub-portfolio within its treasury liquidity portfolio and earmark them for lending projects within the fields of renewable energy and energy efficiency.

SSA PAIR TAPS KANGAROOS

German agriculture agency **RENTENBANK** (Aaa/AAA/AAA) reopened its 4.25% January 24 2023 Kangaroo bonds for the first time since July 2013 with last Tuesday's A$300m (US$232m) increase via joint lead managers *RBC Capital Markets* and *TD Securities*.

The addition, which raised the size of the line to A$1.925bn, priced at 107.519 for a yield of 2.7025%, 34bp wide of asset swaps and 33.75bp over the April 2023 ACGB.

The following day, Norwegian local government funding agency **KOMMUNALBANKEN**, rated Aaa/AAA (Moody's/

ALL INTERNATIONAL US$ BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	128	31,146.92	9.7
2	JP Morgan	115	27,117.63	8.5
3	Barclays	68	20,396.63	6.4
4	BAML	90	19,847.37	6.2
5	Morgan Stanley	72	19,570.96	6.1
6	Goldman Sachs	68	18,397.56	5.8
7	HSBC	71	17,042.21	5.3
8	Deutsche Bank	62	14,147.83	4.4
9	Wells Fargo	56	13,088.35	4.1
10	Credit Suisse	64	11,393.55	3.6
	Total	**396**	**319,555.33**	

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

Source: Thomson Reuters SDC code: O1

ALL EURODOLLAR STRAIGHTS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	80	18,359.65	10.2
2	JP Morgan	69	14,326.84	8.0
3	HSBC	48	10,647.76	5.9
4	BAML	54	9,470.79	5.3
5	Credit Suisse	55	8,965.76	5.0
6	Goldman Sachs	44	8,327.07	4.6
7	Barclays	39	7,996.27	4.5
8	Deutsche Bank	45	7,988.74	4.5
9	Morgan Stanley	45	6,343.93	3.5
10	Standard Chartered	32	6,199.88	3.5
	Total	**263**	**179,498.29**	

Including Euromarket preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: J12

ALL SOVEREIGN BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	9	7,748.03	12.1
2	Citigroup	11	7,529.43	11.7
3	JP Morgan	9	7,150.75	11.1
4	NatWest Markets	4	5,400.28	8.4
5	BNP Paribas	6	3,805.83	5.9
6	Santander Global	4	3,428.70	5.3
7	HSBC	5	3,426.15	5.3
8	ING	3	3,087.00	4.8
9	Goldman Sachs	5	2,858.95	4.4
10	SG	4	2,838.74	4.4
	Total	**18**	**64,289.04**	

Excluding ABS/MBS.

Source: Thomson Reuters SDC code: N4

S&P), tapped its 3.40% July 2028s for A$75m to lift the issue size to A$355m.

The addition, which sole lead *HSBC* arranged, priced at 100.546 for a yield of 3.337%, 53bp wide of asset swaps and 56.45bp over the May 2028 ACGB.

WATC FLOATER NETS A$1bn

WESTERN AUSTRALIAN TREASURY CORP, rated Aa2/AA+ (Moody's/S&P), raised the maximum A$1bn (US$785m) sought from last Tuesday's five-year floating-rate notes issue via joint leads *ANZ*, *NAB* and *Westpac*.

At 23bp over three-month BBSW, the syndicated issue priced within the 22.5bp–24.5bp guidance range.

In addition, WATC bought back A$507.64m of the May 21 2018 floaters at an all-in price of 100.097, reducing to A$1.26bn the total amount outstanding.

Tuesday's FRN issue was an Australian state government second for the year, after Queensland Treasury Corp's A$2bn four-year print on January 30.

Regional authorities have recently focused more on long-term fixed-rate offerings to lock in historically low interest rates.

There have been seven fixed-rate issues this year from Queensland, Tasmania, Victoria, the Northern Territories and South Australia at tenors ranging from 2024 to 2042 to raise a total of A$3bn.

In 2017, only A$1.5bn of A$16.2bn in semi-government syndicated supply was in the FRN format. Western Australia was responsible for all of it through its three-year and five-year deals.

CORPORATES

US DOLLARS

YANKEE ISSUANCE SEEN PICKING UP FOLLOWING RARE TELEFONICA DEAL

TELEFONICA issued a rare corporate Yankee bond in a busy week for the US high-grade primary market, capturing an ongoing bid for long-dated paper with a US$2bn two-part trade.

While the US market has seen a string of European bank issuance this year, few corporates from the Continent have ventured across the Atlantic in 2018.

That is expected to change, however, as borrowers try to diversify their funding bases in a more volatile market and seek to raise funding for acquisitions.

"You will see an increase in Yankee corporate issuance," said a banker.

"It is a way for issuers to diversify their funding base as we move away from a bull market. You don't want to silo yourself [in one currency]."

More and more borrowers are engaging in dual-track documentation for both euros and dollars in an effort to be nimble enough when windows of opportunity open in either currency.

"It will allow them to make real-time decisions in terms of which markets they want to access," said the banker.

Telefonica stuck to its strategy of tapping longer-term tenors, benefiting from revived bid for such paper among institutional accounts in the US.

"It tends to issue longer-dated [paper]. This is the normal course of financing for Telefonica," said the banker.

"[But] there is a distinctive pension bid [for 20-years], as it perfectly matches assets and liabilities."

For now, however, European issuers are likely to favour the short end of the curve, where the basis swap back to euros remains more cost-effective.

In the end, Telefonica issued a US$750m 20-year at par to yield 4.665%, or Treasuries plus 150bp, and a larger US$1.25bn 30-year at par to yield 4.895%, or plus 173bp.

The borrower sacrificed some pricing for size on the 30-year, stopping short of tightening fully on the back of guidance of Treasuries plus 175bp area (+/-5bp) following some US$2.5bn of orders. Demand on the 20-year, meanwhile, fell just shy of US$2bn.

"It was indicative of where concessions in the market were and a function of the borrower wanting a specific size on the 30-year," the banker said.

Joint bookrunners on the deal were *Bank of America Merrill Lynch*, *Barclays*, *Commerzbank*, *Credit Agricole*, *Credit Suisse*, *Deutsche Bank*, *JP Morgan* and *SMBCNikko*.

ALL US INVESTMENT GRADE CORPORATE DEBT (EXCLUDING SOLE SELF FUNDED DEALS)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	72	17,759.40	11.0
2	Citigroup	63	16,492.91	10.2
3	BAML	60	13,371.10	8.3
4	Morgan Stanley	45	12,610.02	7.8
5	Goldman Sachs	46	11,996.77	7.4
6	Barclays	33	8,192.96	5.1
7	Wells Fargo	43	7,307.11	4.5
8	Deutsche Bank	25	6,336.03	3.9
9	Credit Suisse	24	5,665.18	3.5
10	Mizuho	29	5,595.73	3.5
	Total	147	161,725.35	

Source: Thomson Reuters SDC code: F09a

INDIGESTION PROBLEMS

Indeed, the buyside was suffering some indigestion amid last week's sudden surge of corporate supply, which had topped US$17bn by Wednesday, not including another US$17bn or so from financials.

Borrowers were largely front-loading ahead of last week's economic data, the Fed chair's inaugural address before Congress and an up to US$40bn take-out for CVS's acquisition of Aetna (see Top News).

Some investors have been unwilling to put money to work ahead of the CVS deal, while the poor performance on some new deals have left a certain dissatisfaction among buyside accounts.

"It is fair to say we are going through a period of indigestion," said Neil Sutherland, a fixed income portfolio manager at Schroders.

"February issuance was light up until a week ago, but this week we are topping US$30bn [between corporates and financials]. So it is a lot to absorb."

This comes ahead of an already busy calendar for March, when some are calculating new issuance to hit as high as US$160bn for the month.

ALL INV-GRADE US CORPORATE BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	22	5,834.53	10.9
2	Citigroup	18	5,188.82	9.7
3	JP Morgan	19	4,219.18	7.9
4	Wells Fargo	21	3,560.27	6.7
5	Goldman Sachs	13	3,076.83	5.8
6	Morgan Stanley	11	2,873.33	5.4
7	Mizuho	15	2,777.74	5.2
8	HSBC	6	2,403.65	4.5
9	Barclays	11	2,391.60	4.5
10	Deutsche Bank	8	2,385.31	4.5
	Total	47	53,335.15	

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

Source: Thomson Reuters SDC code: F6a

ALL CORPORATE BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	26	5,100.48	10.7
2	SG	21	3,687.21	7.8
3	Deutsche Bank	20	3,476.63	7.3
4	BAML	15	3,224.23	6.8
5	UniCredit	16	3,194.09	6.7
6	Credit Agricole	16	2,306.44	4.9
7	Barclays	13	2,256.36	4.7
8	HSBC	18	2,221.54	4.7
9	ING	11	1,979.19	4.2
10	JP Morgan	11	1,636.88	3.4
	Total	78	47,548.74	

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

Source: Thomson Reuters SDC code: N8

Supply is also impacting on new concessions, which widened to around 7.2bp from 2.2bp the week prior, according to Bank of America Merrill Lynch.

TOYOTA HIRES FOR DOLLAR TRADE

TOYOTA INDUSTRIES has hired banks for a proposed benchmark offering of one or more tranches of US dollar 144A/Reg S senior bonds with maturities between three and 10 years.

Nomura, *Morgan Stanley*, *SMBC Nikko*, *Mizuho Securities*, *JP Morgan*, *Bank of America Merrill Lynch* and *Citigroup* will arrange meetings with fixed-income investors in the US, Europe and Asia, starting on Monday.

The notes are expected to come with ratings of AA– from S&P and A1 from Moody's.

EUROS

REAL ESTATE SHOWS SOME RESILIENCE

The real estate flow may be showing no sign of slowing, with half a dozen names tapping the bond market last week, but total returns for the REIT asset class paint a bleaker picture for the sector.

According to a Bank of America Merrill Lynch research note on March 1, year to-date annualised returns globally for REITs were down 38.1%, although they were up 11.5% in 2017.

A banker, however, dismissed the significance of that figure, saying that a lot of sectors have underperformed on an outright yield basis given that rates have sold off significantly in the last 18 months.

A second banker reckoned that real estate issuers would continue to find solid demand for their bonds despite the large amount of supply, as long as they put some work into it.

"It's a question of making sure that you try to educate investors on each individual deal and show how unique it is, rather than presenting it as another real estate offering," he said.

A 10-year maiden Green bond issue from REIT PROLOGIS INTERNATIONAL FUNDING II on Thursday last week demonstrated that appetite remains solid, luring €1.25bn of demand for its €300m, a feat that few trades have achieved recently – most books have been twice subscribed at best.

The roadshow for the Green bond offering, the first from an industrial logistics REIT, started on February 26, a day after Moody's upgraded PELF from Baa1 to A3 as well as the €5bn MTN programme. The outlook is now stable from positive.

The ratings agency also said the Green bond issue was credit positive because it increased Prologis's financial flexibility.

"We've had great feedback from investors on the roadshow, particularly in the Netherlands," the lead said. "Usually, the Dutch are not the best candidates to buy directly in real estate but the green format was a very helpful add-on."

Proceeds will be used to redeem €300m of bonds due in October 2018, pending allocation to eligible green projects including green buildings and new or existing investments in renewable energy and storage projects.

SHOPPING CENTRES TAP LONG-END

Two shopping centre owners, France's CARMILA and the UK's NEWRIVER, opted for 10-year maturities last week, extending duration ahead of expected rates increases.

Leads on Carmila started marketing a minimum €300m bond issue, rated BBB by S&P, at 125bp area over mid-swaps before shaving off 17bp for a launch at plus 108bp. Books peaked at €650m, though they dropped to €525m at the final spread, with the deal finalised at a €350m size.

Based on the issuer's existing curve, which includes a September 2023 at plus 61bp and a September 2024 at 72bp, the lead said fair value could be seen anywhere between 90bp and 105bp, but pegged it around 100bp.

On Friday last week, the deal was struggling in the secondary market, trading 11bp wider, according to Tradeweb prices.

"Ten-year for REITs is difficult at the moment, it is a good name but it's not as it easy as it was," a lead on Carmila said.

"One investor preferred to pass on the trade. He liked the name, the credit, but was not comfortable with where spreads are generally and current valuations. The issuer was focused on price."

SCENTRE GROUP has yet to choose a tenor for an upcoming bond offering. The Australia/New Zealand REIT with interests in 39 Westfield-branded shopping centres has mandated *Credit Suisse* and *Deutsche Bank* to hold European investor meetings from March 12.

The borrower is looking at a seven to 12-year euro or sterling senior unsecured benchmark.

BIGGER NIPS

US REIT WP CAREY marketed a €500m no-grow nine-year on Tuesday last week at 140bp–145bp over mid-swaps, an initial level that was generally seen as quite wide.

A banker away from the deal saw fair value at plus 110bp and pointed out that reverse Yankees tended to be a bit more generous than deals from European companies.

"They might also want to give some leeway out given that we've seen a lot of real estate supply and not all trades have been performing," the banker said.

The bonds printed at 120bp over, leaving an estimated 10bp premium on the table, in line with recent trades.

"There's no doubt concessions have gone up," the senior syndicate banker said.

ALL SWISS FRANC BONDS EXCLUDING SECURITISATIONS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total SFr(m)	Share (%)
1	Credit Suisse	29	3,194.74	31.8
2	UBS	22	2,590.97	25.8
3	Verband Schweizerischer	2	1,367.69	13.6
4	ZKB	12	799.05	7.9
5	Raiffeisen Schweiz	5	743.84	7.4
6	Deutsche Bank	6	583.36	5.8
7	BNP Paribas	5	395.01	3.9
8	Commerzbank	2	137.58	1.4
9	Kantonalbank Schwyz	1	98.06	1.0
10	HSBC	2	95.01	0.9
	Total	**47**	**10,055.33**	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K06b

ALL INVESTMENT-GRADE BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	38	15,231.81	7.3
2	BNP Paribas	41	13,571.79	6.5
3	Credit Agricole	40	13,189.60	6.3
4	JP Morgan	31	12,302.63	5.9
5	SG	42	11,760.87	5.6
6	Deutsche Bank	44	11,718.04	5.6
7	NatWest Markets	19	11,649.43	5.5
8	Citigroup	35	10,434.04	5.0
9	UniCredit	36	9,758.74	4.6
10	HSBC	49	9,751.79	4.6
	Total	**227**	**210,084.39**	

Excluding ABS/MBS, equity-related debt.

Source: Thomson Reuters SDC code: N9

ALL INTERNATIONAL STERLING BONDS EXCLUDING SECURITISATIONS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	HSBC	18	3,090.10	12.4
2	NatWest Markets	20	2,709.86	10.8
3	Lloyds Bank	9	2,253.25	9.0
4	JP Morgan	5	2,210.01	8.8
5	RBC	14	2,160.15	8.6
6	Barclays	14	2,035.32	8.1
7	BAML	6	2,003.45	8.0
8	Santander Global	5	1,726.29	6.9
9	UBS	1	999.67	4.0
10	TD Securities	7	948.57	3.8
	Total	**47**	**24,993.99**	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K05a

"At the beginning of the year, we were all saying that if you paid more than zilch, then you got it wrong. "But now, if you get inside 5bp–10bp, you've done well."

A €500m seven-year from Finland's **KOJAMO**, its second benchmark, offered a high-single digit concession on Thursday when printing at 100bp over mid-swaps. Proceeds will be used to refinance existing debt.

UNRATED ORPEA IN FIRST PUBLIC OFFERING

Although not a REIT, bankers described unrated **ORPEA**, a French nursing home operator, as real estate connected given its portfolio.

Its public debut seven-year attracted small demand, with books closing at €600m for a final €400m size.

Leads shaved 10bp from the tight end of IPTs for a print at 200bp over mid-swaps. A syndicate official highlighted the difficulty in assessing fair value given the unrated profile of the borrower and the offering being its debut public bond.

In the absence of any direct comparables, a banker pointed to unrated crossover names including Eurofins, Bollore and Lagardere, as well as some recent REIT trades.

"There's a little bit of a residential property aspect to it given their portfolio. They also have some secured debt, like many other REITs," the banker said.

BORROWERS ELECTRIFY MARKET

A sluggish European corporate market was sparked back to life with five names hitting screens on Tuesday last week - the busiest session since the start of the year.

The first two out of the blocks were utilities **RED ELECTRICA** from Spain and Norway's **STATNETT**, which demonstrated that appetite remains strong for low beta names despite Legrand's lacklustre execution the day before.

Red's book peaked at €1.6bn for a €600m no-grow nine-year, enabling leads to tighten pricing by 10bp from the tight end of IPTs to 35bp area over swaps. It printed at plus 32bp on final orders of over €1.3bn.

Referencing Red's curve, leads saw fair value around the 30bp mark, leaving a premium of about 2bp. April 2025s and April 2026s were quoted at 18bp and 24bp pre-announcement, according to Tradeweb prices.

While state-owned Statnett also benefited from ample investor support - around €1bn of orders for its €500m no-grow - the pricing level did not move as much, from IPTs of 25bp-30bp over to a final 18bp.

Gauging fair value proved tricky given Statnett only has one euro issue outstanding - a €500m April 2030 quoted at plus 25bp - but a lead estimated it in the low teens.

Bankers did not think Statnett would tighten much given the low starting spread on offer. The book size was in line with what has been achieved recently.

"Books have been around €1bn, while they were at €2bn and more in January," the Red banker said. "I think people are more cautious and also recognise that valuations are quite tight at the moment on a historic basis. The pending ECB decision before September could be a reason for spreads to go wider so people aren't going to chase the market while it's still very tight."

Barclays, *BBVA*, *BNP Paribas*, *Citigroup* (B&D), *ING* and *MUFG* were bookrunners on Red. Statnett mandated *Barclays*, *Danske*, *Mizuho* and *NatWest Markets* (B&D).

GRAND CITY BUYS BACK 2021s

GRAND CITY PROPERTIES has agreed to purchase €40.6m of the 2% 2021 notes through a tender offer in late February. It has also bought back €170.2m of the 0.25% convertible notes due 2022.

Grand City announced a tender offer for its €500m due 2021s and €450m convertible 2022s on February 19. At the same time, the company launched an issuance of €500m senior unsecured notes due 2027.

Deutsche Bank, *Goldman Sachs*, *Bank of America Merrill Lynch* and *Morgan Stanley* acted as joint dealer managers for the tender offer.

AXACTOR ON THE ROAD

AXACTOR has mandated *DNB Markets*, *Nordea* and *Arctic Securities* for fixed income investor meetings starting on March 6.

The issuer, a Nordic-based debt management company, is targeting euro-denominated three-year senior unsecured floating-rate notes.

STERLING

REIT NEWRIVER LEAKS DEBUT OFFERING

The pricing level on **NEWRIVER**'s debut, expected to be rated BBB+ by Fitch, showed some movement, printing 10bp inside IPTs at Gilts plus 200bp on Wednesday last week.

An investor saw fair value at plus 185bp, referencing a number of peers including Aroundtown and Hammerson. The latter's £200m April 2028 was quoted at 156bp over Gilts while the former's £500m October 2029 stood at 178bp over.

"I don't think it's going to be to everyone's taste given the nature of the asset base and the tenor profile," the investor said early in the session.

"But it's a well run, well managed company and they've tapped the equity market regularly. Compared to other similarly-rated REITs in sterling, I think you're getting adequate compensation."

Proceeds from the £300m offering, led by active books *Barclays* and *HSBC*, will be used to refinance existing facilities as the company moves from a secured to an unsecured financing structure.

"The company has now successfully completed the transition to a fully unsecured balance sheet and therefore all of its assets are unencumbered," NewRiver said in a statement.

"The issuance is in line with the company's strategy to diversify its sources of funding, increase operational flexibility and increase debt maturity."

NewRiver now has £680m of debt facilities, including the bond, a £165m term loan and a £215m revolving credit facility.

UK PRIVATE PRISON PAYMENTS BACK NEW PFI BOND

A project company running one of the UK's 14 private prisons raised £135.63m via a secured PFI bond priced on February 23. The prison is HMP Thameside, next to Belmarsh Prison and less than 10 miles from Canary Wharf.

The Ministry of Justice pays the project company based on the availability of prisoner places. Operation of the prison is subcontracted to Serco.

The issuing vehicle is **BWP ISSUER PLC**. It sold £135.63m fixed-rate amortising bonds, rated Double A by Standard & Poor's on the strength of a wrap by Assured Guaranty. S&P gives an underlying rating of BBB-.

The notes have final maturity in 2036 and were priced at 130bp over the 6% December 2028 Gilt. *Lloyds* was sole bookrunner.

The issuer has security over the project company, BWP Project Services. In 2010, it signed a 26-year agreement with the Ministry of Justice to construct and run the prison.

ALL CORPORATE BONDS IN STERLING
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	HSBC	3	314.11	24.1
2	Barclays	2	200.00	15.4
=2	Lloyds Bank	2	200.00	15.4
4	NatWest Markets	2	164.77	12.7
5	Morgan Stanley	1	160.00	12.3
6	Deutsche Bank	1	149.34	11.5
7	JP Morgan	1	74.03	5.7
8	Credit Suisse	1	40.00	3.1
	Total	5	1,302.25	

Source: Thomson Reuters SDC code: N8a

Skanska was subcontracted to build Thameside, which was initially named West Belmarsh Prison. Construction was completed over two phases, in 2012 and 2015, to provide 1,232 places.

According to S&P, the project company is also "responsible for essentially all operations within the prison walls" under the agreement with the Ministry of Justice.

Those operations are subcontracted to Serco until the end of the project term. Serco operates four other private UK prisons. The rest are operated by either G4S or Sodexo.

S&P notes that, as is typical for UK private prisons, the guards and staff are direct employees of Serco. For UK PFI projects in other sectors, the services are usually provided by public-sector staff.

Bond proceeds will be used to repay a term loan from four lenders, unwind interest rate hedges, pay a refinancing gain to the Ministry of Justice and pay shareholders.

The ultimate shareholder is Semperian PPP Investment Partners, which invests in UK infrastructure projects on behalf of UK pension funds.

CENTRICA BUYS BACK NOTES IN TENDER OFFERS

CENTRICA has agreed to purchase £600m of first and second priority notes across £500m 6.375% 2022s, £200m 6.40% 2026s and £750m 4.375% 2029s as part of a recent tender offer. The company said it expects that none of the third priority notes will be accepted for purchase.

It has also said it will buy back US$448.348m of its US$750m 4% senior notes due 2023. A tender for up to US$250m of the 5.375% 2043s expires later this month on March 22.

The UK utility company made the offer in late February in an effort to cut costs after weak earnings numbers.

Full-year results showed financial targets were met, but adjusted operating profit was down 17% to €1.25bn owing to significantly reduced profits in its energy supply business. In the release, the company said it would focus on cost efficiency and performance delivery for the period 2018-2020.

Barclays, *Citigroup*, *Societe Generale* and *NatWest Markets* were joint dealer managers.

ESOTERIC NAMES IN THE PIPELINE

DXC TECHNOLOGY COMPANY, rated Baa2/BBB/BBB+, has hired *Lloyds Bank* and *Bank of America Merrill Lynch* to organise investor meetings in the UK that began on Thursday.

A sterling-denominated senior unsecured expected £400m offering, due January 2025, may follow.

OPTIVO, a UK Housing Association resulting from the merger of Viridian and AmicusHorizon Housing Associations, has mandated *Barclays* and *HSBC* for a UK roadshow starting on March 5.

The bond issue, a long-dated sterling-denominated benchmark with a £100m retained element, is expected to be rated A2 (stable) by Moody's and will be offered under a standalone prospectus listed on the London Stock Exchange.

NON-CORE CURRENCIES

AIR LIQUIDE PREPARES FOR PANDAS

France's **AIR LIQUIDE** is set to raise Rmb2.2bn (US$350m) from a private placement of dual-tranche Panda bonds this week, according to market sources.

Books will open on March 5 in China's interbank bond market.

The industrial gases company intends to raise Rmb1.4bn from a three-year tranche and Rmb800m from a five-year tranche, say the sources.

The indicative price range for the three-year was heard to be 5.50%–6% and that for the five-year tenor was 6%–6.50%.

Air Liquide Finance will be the issuer of the notes and Air Liquide will be guarantor.

China Chengxin rates the notes AAA.

If the trade proceeds, it will make Air Liquide the second French issuer to tap the Panda market after water management company Veolia Environnement, which raised Rmb1bn from a private placement of three-year bonds in September 2016.

ICBC is lead underwriter on Air Liquide's offering. *BNP Paribas (China)*, *Bank of Tokyo-Mitsubishi UFJ (China)* and *Credit Agricole* are financial advisers, according to the sources.

Air Liquide has previously tapped the offshore renminbi bond market. After two Dim Sum issues for total principal of Rmb2.6bn in Hong Kong in September 2011, the company printed Rmb500m of Formosa bonds in Taiwan in January 2015. Proceeds were all used for businesses in China.

TRANSPOWER EXTENDS CURVE

TRANSPOWER NEW ZEALAND raised the maximum NZ$125m (US$90m) sought from a seven-year retail note issue through sole lead manager *Westpac*.

The 3.823% March 6 2025s were priced at par last Wednesday, at the tight end of mid-swaps plus 85bp–95bp guidance.

The Aa3/AA– (Moody's/S&P) rated state-owned electricity supplier issued NZ$100m of 4.069% 5.5-year retail notes in March 2017, priced 90bp wide of mid-swaps.

CALTEX TARGETS POTENTIAL RETURN

CALTEX AUSTRALIA, rated BBB+ (S&P), has mandated *ANZ* and *NAB* to arrange investor meetings, starting on March 12, for a potential Australian dollar issue.

In 2011, the oil-and-gas refining and marketing company sold A$150m (US$116m) of 7.25% seven-year MTNs, which mature on November 23.

FIG

US DOLLARS

FINANCIALS HIT US MARKET IN FORCE

Bank of America, Mizuho and MUFG led the charge as both Yankee issuers and US financials swung into action in a busy week for the asset class.

Between them, the three banks raised US$13.5bn, making up a good chunk of the US$17bn in new financial supply last week.

Yet while all tightened pricing on solid enough demand, secondary performance for the sector was less than stellar amid a good dose of buyside indigestion and late-week volatility.

"Not surprisingly, the elevated supply volumes are impacting spreads," analysts at Bank of America Merrill Lynch wrote following a deluge of supply on Monday.

"Given [much of] today's supply was from the banking sector, US senior high-grade bank spreads underperformed."

Supply fatigue was only exacerbated on Thursday when stocks and Treasury yields sank amid fears that President Trump's plan to hike steel tariffs could spark a trade war.

That same day, books were barely covered on **NATIONWIDE BUILDING SOCIETY**'s US$1.75bn two-parter, rated Baa1/BBB+.

Demand reached just US$1.35bn on a US$1bn six-year non-call five and a US$1.15bn on a US$750m 11-year non-call 10.

Even so, with those deals pricing at Treasuries plus 120bp and 150bp, respectively, the bank paid concessions of just 1bp on each tranche.

Joint bookrunners were *Bank of America*, *Barclays*, *BNP Paribas*, *Citigroup* and *JP Morgan*.

BAC GOES BIG

BANK OF AMERICA CORP, rated A3/A-/A, came with the biggest trade of the week - a sole-led US$7bn TLAC-eligible three-parter that included a US$3bn six non-call five and a US$2.5bn 11NC10.

Those fixed-to-floaters were respectively priced at Treasuries plus 90bp and 110bp, some 10bp inside initial price thoughts, after combined order books swelled to US$9.5bn.

At those levels, the bank provided new issue concessions of 12bp and 8bp versus its existing 2023s and 2028s, which were trading at G-spreads of 74bp and 100bp, respectively.

The bank also printed a US$1.5bn six-year non-call five floater at three-month Libor plus 79bp

Pricing progression on **MIZUHO FINANCIAL GROUP**'s US$3bn three-part deal was slightly more aggressive but not excessively so, leaving similar NICs of 8bp and 12bp on five and 10-year bonds.

The Japanese bank squeezed some 15bp from start to finish on the US$850m five-year that came at Treasuries plus 90bp and on a US$1.3bn 10-year that priced at 115bp over.

The deal, actively led by *Mizuho* and *JP Morgan*, also involved an US$850m floater that came at Libor plus 79bp.

The holdco bonds are structurally subordinated and hence TLAC-eligible. But the effectiveness of their loss-absorbing capacities remains unclear, as proceeds are lent to Mizuho Bank on a senior unsecured basis, noted CreditSights.

That may not matter, as Japanese authorities allow for supportive capital injections before the triggering of losses on TLAC instruments, arguably distorting risk perceptions in this market, the research firm said.

"Japanese megabanks' TLAC issues trade at relatively narrow spreads for potentially loss-absorbing instruments as the risk is perceived to be low," the research firm said.

MITSUBISHI UFJ FINANCIAL GROUP also joined the crowd, with a US$3bn four-part deal. It priced a US$1.5bn five-year at Treasuries plus 85bp, a US$750m floater at Libor plus 74bp, a US$750m seven-year at Treasuries plus 100bp and a US$500m 10-year at 110bp.

By adding an extra seven-year tranche the bank was thought to be expanding its appeal among a wide variety of investors as it sought to raise in size.

"Last year, they would have used two tranches to get to that size, but you throw in a seven-year to hedge yourself a little bit and increase the volume," said a banker away from the deal.

Morgan Stanley and *MUFG* were active bookrunners on the trade

Nationwide sews up MREL needs with UK's first SNP

NATIONWIDE BUILDING SOCIETY found itself rowing against the tide as it wrapped up the first senior non-preferred bond from the UK, the timing of the deal coinciding with soggy market conditions.

The €2.4bn-equivalent triple-tranche deal in euros and dollars was the latest stage in the institution's broader exercise to make itself MREL-compliant.

It struggled to get strong traction with investors, however, contrasting with debuts in the format from other European jurisdictions.

The eight-year non-call seven euro tranche drew €1.7bn in orders and the €1bn size was at the upper end of its targeted range. The spread fixed 10bp inside 95bp area initial pricing, at plus 85bp.

Demand in dollars was relatively muted however, reaching US$1.35bn for the US$1bn 3.766% six-year non-call five and US$1.15bn for the US$750m 4.302% 11-year non-call 10.

The leads still managed to tighten the spread by 5bp-10bp however, landing the deal at 120bp and 150bp over, respectively.

"I don't think it was a bad trade considering we've seen two to four weeks of hits and misses," said a banker away. "And it was not a good day for both euros and dollars."

Announcing last Wednesday afternoon arguably boxed Nationwide in to executing on Thursday, and it pushed ahead despite a Lloyds €750m 10.5-year non-call 5.5 Tier 2 struggling to make much headway in primary the previous day despite a healthy 20bp new issue premium.

"The ability to drive IPTs to the final landing point is more limited in this market relative to what it was in January, or much of last year," a lead said. "But regardless, the levels that the issuer is crystallising are historically attractive."

The levels achieved were inside where the lender had sold preferred debt in the past. The non-preferred format also offers Nationwide a significant saving versus Tier 2 - its €1bn 2% 2029 non-call 2024s are trading around 119bp, for example. But the euro was too tight for one investor, despite offering a 10bp NIP.

"For us, both holdco senior and SNP are of interest when they are close to Tier 2 levels, but an eight-year non-call seven at 85bp is not super-competitive," he said.

Bankers saw the euro and dollar notes 4bp to 7bp wider on Friday as the broader market sold off.

ONE SHOT

The UK lender borrowed the format already adopted by various European peers as the most cost-efficient way to meet loss-absorbing rules known as MREL (minimum requirement for own funds and eligible liabilities) in Europe.

While UK banks have met their targets by issuing structurally subordinated MREL from holding companies, this option is not feasible for building societies, which are mutually owned, not public companies.

Larger competitors have built their MREL-eligible debt through multiple trips to the market, but Nationwide (rated Aa3/A/A+) tackled its deficit in a single transaction.

Its shortfall was around £1.6bn at the end of 2017, but it intends to retain a buffer over its minimum requirements.

The mandate announcement coincided with tender offers aiming to take out £3.25bn of £8bn-equivalent of Nationwide's preferred senior, which does not count towards MREL, to reduce its excess liquidity and interest expenses.

PUTTING IN THE GROUNDWORK

The deal marked the culmination of many months of preparation given the language in some of Nationwide's legacy Tier 2 bonds blocked SNP issuance.

That forced Nationwide to launch a consent solicitation to tweak the terms of its €750m 6.75% Tier 2 due July 2020 to remove any ambiguity over the capital structure hierarchy. It also modified the terms of two further legacy Tier 2 securities, which now rank as senior preferred notes.

Nationwide's SNP bondholders will rank below senior preferred creditors and above existing Tier 2 holders on a contractual basis. Once the UK introduces SNP on a statutory basis, which is expected by December 29, their ranking will reflect the amended statutory insolvency ranking.

The trade lays the foundations for other UK building societies to follow, though high levels of capital across the sector mean issuers are largely well positioned.

"Undoubtedly there will be more supply, but I'd expect that to be relatively modest, and to kick off in earnest in 2019," the lead said.

BNP Paribas, *Deutsche Bank*, *Lloyds Bank*, *NatWest Markets* and *UBS* ran the euro transaction.

Barclays, *BNP Paribas*, *Bank of America Merrill Lynch*, *Citigroup*, *JP Morgan* and *UBS* were leads on the US dollar 6NC5.

Barclays, *BNP Paribas*, *Citigroup*, *JP Morgan*, *Morgan Stanley* and *UBS* were leads on the US dollar 11NC10.

Alice Gledhill

EUROS

LLOYDS TIER 2 FAILS TO IGNITE

LLOYDS BANKING GROUP priced its first euro Tier 2 since 2010 last Wednesday, but the €750m deal had edged 4bp wider in secondary trading by Friday after drawing less than €1bn in orders, as Tier 2 debt more broadly also struggled to perform.

Leads on the 10.5NC5.5 (Baa1/BBB-/A-) managed to trim 135bp area IPTs by 5bp to guidance at mid-swaps plus 130bp (the number). Many bankers put the sluggish book, which closed at over €950m, simply down to a difficult day.

"You have to be respectful of windows," said a banker away. "I think they will look back and be pretty happy - it's not a bad outcome for the day they executed on, but it's completely different to January, where it was just one way."

The lack of market stability means momentum accounts that can drive up order books have largely fallen away. One large real money investor was said to be sitting out after seeing the first update coming in at just €850m.

The level did not seem to be the problem, with the rough 20bp concession more than the 10bp-15bp offered by other recent Tier 2s.

It also came at a decent spread over recent French and Swedish deals - Svenska Handelsbanken's €750m 10NC5 (A3/A-/AA-) priced at 80bp the previous Friday, for example, though it had a larger order book at over €1.3bn.

Filippo Alloatti, senior credit analyst at Hermes Investment Management, put Lloyds' concession lower, around 15bp.

"They weren't really leaving a lot on the table to begin with. Maybe that's what most of the market thought," he said.

He doubted whether the most recent slew of Brexit headlines had much of an impact, however, despite some bankers arguing otherwise.

"Investors in the UK financial bond market need to be aware, but you should reason in the medium term, and look though the vagaries on a daily basis," said Alloatti. "Unfortunately, we're going to have a lot of running commentaries on how the negotiations are going."

CASTING A SHADOW

Lloyds was not helped by the poor performance of other recent Tier 2 trades.

Societe Generale's €1bn 1.375% 10NC5 (Baa3/BBB/A-) was more than 8bp wider than its 90bp reoffer level last Friday, while Santander's €1.25bn 2.125% 10-year bullet (Baa2/BBB/BBB+) was bid at 135bp, having priced last month at 110bp.

The €1.5bn 8NC7 senior unsecured (Baa3/BBB-/BBB+) sold by Royal Bank of Scotland Group as part of a €4.75bn triple-tranche deal the previous day had also widened, from swaps plus 100bp to 109bp by Friday.

The prospect of a downgrade for Barclays plc by Moody's - pushing its Tier 2 debt into high-yield territory - has not helped sentiment in the UK sub sector, a second investor said.

The agency put the bank, currently Baa2, on review for downgrade on February 22 due to "ongoing credit challenges and ring-fencing implementation". Its €1.5bn 2% 2028 NC2023s (Baa3/BB+/A-) have widened almost 30bp in that time, to 191bp over swaps.

Alloatti from Hermes downplayed the potential downgrade, however.

"If the bond is kicked out of the IG index, it could be a good entry [point]," he said. "The creditworthiness of the bank is not really changing if they're downgraded. At the moment, we like Barclays because it is very much unloved, and we see scope for performance."

As with its US$1.5bn 30-year bullet in January, Lloyds sold Wednesday's euro from its holdco, Lloyds Banking Group.

Like its UK peers, it will meet most of its loss-absorbing requirement, known as MREL, through holdco senior issuance, but the trade will beef up its Tier 2 stack as its outstanding bullets lose regulatory value.

MACQUARIE FINDS EUROS TOUGH GOING

MACQUARIE GROUP's inaugural euro senior unsecured bond issue was priced at the wide end of guidance after drawing tepid demand, reflecting clashing views on pricing and a capricious market backdrop.

Following a recent roadshow, last Monday's seven-year non call six-year deal (A3/BBB/A–) emerged at swaps plus 80bp–85bp area IPTs via leads *Citigroup*, *HSBC*, *ING*, *Macquarie Bank* and *Westpac*.

The first update did not appear before 12 noon (UK time), when books were over €725m and guidance was 70bp–75bp for a €500m deal. The spread was later fixed at 75bp.

"It was a real struggle," said a banker off the trade. "The question is, how much of this was markets and how much was credit? My read from it is that it was mostly a credit issue."

Macquarie is the fifth largest Australian bank by market capitalisation and had not issued senior debt in the single European currency since 2015. This is its first trade in euros at the group level.

Furthermore, trades can prove challenging even for the Aussie majors given their tight trading levels and smaller pool of interested buyers.

"The second-tier names have even less of a following, and there was some debate around fair value," the banker said. "There was a lot of hair on that trade."

A Sydney-based syndication manager said it was a continuous source of frustration for Macquarie that it does not receive a better reception in Europe, given the significant pick-up it offers over the majors.

"ANZ recently did a €750m five-year SDG bond at 15bp over swaps, so it makes no sense to us why this didn't go better, even given the challenging backdrop," the syndication manager said.

The market remains volatile, with European issuers finding contrasting fortunes in the primary sector. A Commerzbank €500m 1.875% February 2028 (Baa1/BBB/BBB+) issue last week failed to find much interest, for example, also being priced at the wide end of guidance.

"It's the sort of trade, first week of January, you throw it on the screens at any price, it gets a €1.5bn book and it's easy," said a lead on Macquarie. "Now, things need a bit more elbow grease in terms of getting over the line."

MISPRICED?

There was also a lack of consensus on fair value. Bankers put that anywhere between 55bp and 80bp, an unusually wide range, reflecting diverging views on the best comparables as well as the premium required for the call option and the structural subordination.

Banks have ramped up issuance through their holding companies to meet new regulations that demand higher buffers of loss-absorbing debt. That is not the case for Macquarie, however, which has business it needs to fund in the holdco.

As such, the spreads that European banks pay for holdco over opco senior, and other forms of subordinated senior debt such as senior non-preferred, were not the best reference point.

The lead put the holdco premium at around 15bp–20bp. "It's a decent result given the SNP stuff trades more like 30bp back," he said.

He noted that the issuer only wanted €500m – though it only specified a benchmark size at IPTs – and set guidance at the 70bp–75bp range to see where the book shook out.

With some accounts digging in their heels at 75bp, and given the small book, the spread was fixed at 75bp. It was bid a touch wider on Tuesday on Tradeweb, at 76bp.

There is also a lack of uniformity in the way callable bonds trade versus bullets. Bankers put the cost for the option in euros between 5bp and 15bp.

Callable structures have taken off among US, UK and Swiss banks in particular, helping issuers manage the efficiency of their debt as it loses regulatory value towards maturity.

Macquarie similarly has conservative internal liquidity rules under which bonds are no longer treated as term debt when maturities fall below 12 months. Its US$2.5bn triple-tranche trade in November was the first Australian deal in senior callable format.

BANKS TURN TO FLOATERS IN CHOPPY MARKETS

Banks piled into the floating-rate note market last week, printing €5.55bn over four days - almost as much as had been done in the format year-to-date.

Credit Agricole, BBVA, Societe Generale, Commonwealth Bank of Australia, Central Savings Banks Finland and Royal Bank of Scotland all used the format, tapping into investor demand and improved funding costs. The €5.55bn raised took year-to-date volumes to almost €11.5bn.

"Credit investors want less duration, whether it's corporates or financials," said Jean-Luc Lamarque, global head of syndicate at Credit Agricole.

"Some investors think that pricing, notably on some senior non-preferred, is a bit tight. So, on financials, we're seeing defensive strategies like FRNs which work well."

CREDIT AGRICOLE fired the opening salvo, pricing a €1.25bn five-year senior non-preferred FRN (Baa2/BBB+/A+) on €2bn of demand at 42bp over Euribor.

Country peer **SOCIETE GENERALE** was not far behind with a €1bn five-year senior non-preferred (Baa3/BBB+/A) that came at 45bp over on €1.2bn of demand.

"We're seeing investors willing to extend on rates products, whereas on credit, the shorter the product the more successful the deal is," said Eric Cherpion, global head of DCM syndicate at Societe Generale. "We saw this on SG's 10NC5 and we've seen really good demand on FRNs."

The deals also offered investors some diversification after Societe Generale and BNP Paribas both brought Tier 2s the previous week.

Credit Agricole sold a US$1.25bn Tier 2 bond in January, having outlined a €4bn-€5bn issuance target of Tier 2 or SNP for 2018.

BBVA saw the most successful outcome in terms of demand, pulling in more than €3.25bn of orders for a €1.5bn five-year senior non-preferred floater.

"Doing the big floaters is a smart move in the context of the dynamics of the market," a senior syndicate banker said.

"Credit Agricole went well; BBVA got a big book. It's a more defensive format. Investors want to take the current market spreads but not lock into the rates; it's smart."

IPTs of high 60s were slashed to the final 52bp. A lead on BBVA saw fair value around 50bp.

"If you look at the delta between fixed and floating, it's collapsed quite a long way," the banker said. "Last year, it was quite wide, then it collapsed and we saw a load of guys doing floaters, and then it widened out again and now we're back to almost flat. So, if you time it right, it's a great trade, and it looks like they timed it well."

RUNNING OUT OF STEAM

COMMONWEALTH BANK OF AUSTRALIA opted for a more modest €500m five-year print after the big benchmarks. However, there were signs that the market was running out of steam, with books heard at €600m at the last update.

"I thought it was an opportunistic trade and thought they would have liked to take up more size," said a banker away. "It would have been nice to go tighter but the amount of slide we saw in the market meant that that's where they had to settle."

It priced at a 25bp over Euribor discount margin, from 30bp area IPTs.

CENTRAL BANK OF SAVINGS BANKS FINLAND also issued in floating format last week. Only €300m in size and at a shorter three-year maturity, it priced at a spread of three-month Euribor plus 33bp after IPTs of 40bp area.

CHUBB SLASHES SPREAD ON EURO FIRST

CHUBB was able to slash levels on a debut dual-tranche euro trade, taking advantage of the lack of senior supply from European insurance companies.

The global property and casualty insurer and reinsurer had only done US dollar benchmarks previously. It started marketing the 10-year and 20-year tranches at 65bp area and 110bp area over mid-swaps.

However, these levels were slashed to 50bp and 95bp over, respectively, enabling the leads to print €1.8bn, through split tranches of €900m.

The deal, rated A3/A/A, is only the second euro senior insurance offering of 2018.

European insurance companies have mainly focused on subordinated debt so far this year, though volumes in this sector are traditionally low. This year is proving to be no exception, at €1.5bn in the single currency.

The deal not only gave investors the opportunity to diversify, but also pick up some spread.

A €750m December 2027 for Allianz, rated Aa3/AA, priced at the end of November 2017 was quoted at 7.4bp last Thursday according to Tradeweb, just over 10bp tighter than where it priced.

European insurance companies' senior paper is part of the European Central Bank's asset purchase programme, which has helped compress spreads.

Chubb Limited is the Swiss-incorporated holding company of the Chubb Group of Companies. Chubb was acquired by Swiss insurer ACE in 2015, with the combined company adopting Chubb's name. The deal was issued through Chubb INA Holdings Inc, which is guaranteed by Chubb Limited.

Bank of America Merrill Lynch, Barclays and *Deutsche Bank* were the leads.

SCOR SIZES UP EUROS VERSUS DOLLARS FOR DEBUT RT1

SCOR could sell the first US dollar-denominated Restricted Tier 1 bond if it chooses that market over euros for its debut transaction in this format.

ALL FINANCIAL INSTITUTION BONDS IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	UBS	9	4,546.95	10.7
2	Deutsche Bank	10	3,676.67	8.7
3	SG	10	3,459.25	8.2
4	BNP Paribas	12	3,406.34	8.1
5	NatWest Markets	5	3,120.67	7.4
6	Natixis	6	3,099.31	7.3
7	Credit Agricole	4	2,385.60	5.6
8	Lloyds Bank	2	2,240.35	5.3
9	Morgan Stanley	9	1,673.37	4.0
10	HSBC	10	1,340.22	3.2
	Total	**55**	**42,311.60**	

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

Source: Thomson Reuters SDC code: N11

ALL SUBORDINATED FINANCIAL INSTITUTION BONDS (ALL CURRENCIES)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	UBS	6	2,946.23	20.0
2	SG	3	1,730.35	11.8
3	Credit Agricole	1	1,225.79	8.3
4	Lloyds Bank	2	1,210.52	8.2
5	BAML	4	780.96	5.3
6	Goldman Sachs	3	741.40	5.0
7	JP Morgan	4	686.44	4.7
8	Barclays	3	580.54	3.9
9	BNP Paribas	2	548.76	3.7
10	Citigroup	3	441.67	3.0
	Total	**18**	**14,722.50**	

Source: Thomson Reuters SDC code: J3a

The French reinsurer (Aa3/AA-/AA-) has mandated *BNP Paribas* and *Citigroup* as global coordinators, structuring advisers and joint lead managers for the perpetual non-call 11-year.

Barclays, Credit Agricole, Deutsche Bank and *Natixis* are joint lead managers.

It was due to meet investors in Asia and Europe from last Thursday. The securities, designed to absorb losses if the company's solvency ratio breaches a pre-determined trigger, are expected to be rated A- by S&P.

ASR Nederland became the first company to sell a major currency RT1 back in October last year, a €300m 4.625% PNC10 (BB by S&P), with Direct Line's £350m 4.75% PNC10 (BB by S&P) following in December.

SCOR is keeping its options open ahead of the roadshow. The Reg S dollar market proved fruitful hunting ground for European insurers in 2017, though a lead said the pricing advantage is less than it was given the moves in rates.

"People like it; it's a very high-quality name, and people like the segment which is well suited to issuing CoCos," said a banker off the deal.

"The question here is: what's the depth of demand for AT1 and RT1, given UBS and Belfius are trading at a 95-96 cash price? But assuming it's priced properly, it will be fine. But you have to solve for where investors are buying stuff in the context of this market."

The proceeds of the bond will refinance two grandfathered Tier 1 instruments that are callable in 2018. As such, SCOR is effectively replacing like-for-like capital while keeping its headroom in Tier 2 and Tier 3.

The issuance will also increase SCOR's financial flexibility in a cost effective way, strengthen its ratings position and optimise its capital structure, according to the investor presentation. RT1 securities are eligible for up to 20% of total Tier 1 capital under Solvency II.

Natural catastrophes in Q3 last year, including Hurricanes Harvey, Irma and Maria and earthquakes in Mexico, wiped 11% off SCOR's solvency ratio, but it remains healthy at 213% and at the upper end of the issuer's optimal 185%-220% range.

SCOR is an relatively unfamiliar name in the Asian market and has not issued debt in US dollars since the 1990s. All of its outstanding bonds are denominated in euros and Swiss francs.

It was last in the market with a €500m 3.625% 32NC12 Tier 2 in May 2016, which jumped from a 2% yield in late January to 2.50% in recent weeks. It was bid around 2.40% last Tuesday.

The issuer will also need to educate the Asian investor base on the RT1 structure, though its similarities to bank Additional Tier 1 should help.

RARE ASSET

RT1 supply across all currencies is likely to remain limited, conferring scarcity benefits onto any trades that do come. ASR's bond has performed well, rallying to 3.755% as of last week, though Direct Line was trading at a higher yield at 4.83%, according to Thomson Reuters. Both were multiple times subscribed in primary.

"Generally, it's an asset class that gets a lot of attention, but there will be limited issuance," the lead said.

"Tier 2 will remain the biggest asset class [for insurers]. RT1 is the new kid on the block, but it won't be the main thing."

ALL GLOBAL AND EUROMARKET YEN BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Daiwa Securities	4	11,650.00	25.0
=1	Barclays	4	11,650.00	25.0
=1	Mizuho	4	11,650.00	25.0
=1	Nomura	4	11,650.00	25.0
	Total	4	46,600.00	

Excluding equity-related debt. Including preferreds.

Source: Thomson Reuters SDC code: K10

ALL SAMURAI BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	9	39,345.00	21.8
=1	Mitsubishi UFJ MS	9	39,345.00	21.8
3	Daiwa Securities	6	23,220.00	12.9
=3	Natixis	6	23,220.00	12.9
=3	Nomura	6	23,220.00	12.9
6	BNP Paribas	3	16,125.00	8.9
=6	Sumitomo Mitsui Finl	3	16,125.00	8.9
	Total	9	180,600.00	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: K11

ALL INTERNATIONAL YEN BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total ¥(m)	Share (%)
1	Mizuho	13	50,995.00	22.4
2	Mitsubishi UFJ MS	9	39,345.00	17.3
3	Daiwa Securities	10	34,870.00	15.3
=3	Nomura	10	34,870.00	15.3
5	Natixis	6	23,220.00	10.2
6	BNP Paribas	3	16,125.00	7.1
=6	Sumitomo Mitsui Finl	3	16,125.00	7.1
8	Barclays	4	11,650.00	5.1
	Total	13	227,200.00	

Including all Euro, foreign and global issues. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K12

SANTANDER TO TEST AT1 AFTER FIVE-WEEK HIATUS

BANCO SANTANDER will test the waters of the Additional Tier 1 market as it brings the first such deal for more than a month.

The Spanish bank has mandated *BNP Paribas, HSBC, Morgan Stanley* and *Santander* as joint bookrunners for the euro benchmark perpetual, which will have an intermediate call date. It is expected to be rated Ba1 by Moody's.

The issuer was preparing to meet investors from Tuesday March 6.

AT1 issuance evaporated after Belfius's €500m 3.625% PNC2025 (Ba2/BB Moody's/S&P) on January 25.

The Belgian bank managed to claim the second smallest coupon of any euro AT1, but recent trades struggled to perform as markets grappled with a bout of volatility. Belfius was bid around 3.25 points lower last week, having been priced at par.

Bonds have been treading water in recent sessions, however, and Santander's well-established curve in this asset class made it the right name to reopen the sector, a lead said.

"So many people follow the name, and everyone has got a view on where it should price; we're going to get a lot of focus."

"They really are the bellwether issuer, in AT1 at least. I think the market is going to take its direction from primary - secondary flows have been so quiet this week."

Santander's €1bn 5.125% PNC2023 issue sold last September was trading up at a cash price of 107 and a 3.76% yield last Thursday, according to Thomson Reuters data.

But the issuer may have to entice investors with a healthy premium given the recent choppiness, particularly in rates, and a renewed focus on back-end spreads.

"It's not that new issue concessions have jumped up enormously, it's more the fact that people are starting to price in the back-end stuff, and you have to adjust the numbers for that," said a banker away from the deal.

"The market took on a life of its own over the past three or four months, but people are just starting to price things a bit more sensibly than they have done."

NON-CORE CURRENCIES

LLOYDS MAKES KANGAROO RETURN

LLOYDS BANKING GROUP (A3/BBB+/A+) made its third visit to the Kangaroo market within 18 months last Wednesday for a A$750m (US$580m) dual-tranche seven-year sale via *ANZ*, *JP Morgan*, *NAB* and *TD Securities*.

It priced a A$325m floating-rate note offering at the tight end of three-month BBSW plus 140bp–145bp guidance and a A$425m 4.0% March 7 2025 tranche at 99.864 for a yield of 4.0225%, 140bp wide of asset swaps.

On September 13 2016, the group issued a debut A$650m dual-tranche 5.5-year Kangaroo offering at 130bp over three-month BBSW and asset swaps.

An issue of A$450m of 4.25% 10-year Kangaroos followed on November 15 last year at asset swaps plus 167bp.

These bonds count towards the group's total loss-absorbing capacity or, in the EU jurisdiction, minimum own funds and eligible liabilities (MREL).

Under UK rules, holding companies can issue TLAC/MREL-eligible Kangaroos, though they are subject to Australian law.

CREDIT SUISSE PRINTS EMTN

CREDIT SUISSE GROUP (Baa2/BBB+/A-) raised A$300m (US$232m) from last Friday's dual-tranche six-year non-call five senior unsecured EMTN offering.

A A$175m floating-rate note priced in line with guidance at three-month BBSW plus 125bp, while a fixed-rate 3.5% March 8 2024s priced at 99.365 for a yield of 3.64%, 125bp wide of asset swaps.

ANZ, *CBA*, *Credit Suisse*, *NAB*, *TD Securities* and *Westpac* were joint lead managers on the trade.

UBS AUSTRALIA RAISES A$1.5bn

UBS, AUSTRALIA BRANCH (A1/A+/AA-), raised A$1.5bn (US$1.16bn) from last Tuesday's three-part senior unsecured bond via joint lead managers *ANZ*, *CBA*, *NAB*, *TD Securities* and *UBS*.

The A$750m three-year floating-rate note priced inside 75bp area guidance at three-month BBSW plus 70bp. The A$525m five-year floater also came 5bp tighter than guidance at three-month BBSW plus 90bp, while the A$275m 3.25% March 8 2023 piece priced at 99.703 for a yield of 3.315%, 90bp wide of asset swaps.

UBS Australia's five-year spread is 7bp more than the 83bp margin that higher-rated major bank Westpac (Aa3/AA-/AA-) paid for its A$2.6bn dual-trancher the previous day.

WESTPAC SETS FIVE-YEAR BENCHMARK

WESTPAC (Aa3/AA-/AA-) raised A$2.6bn (US$2.03bn) from last Monday's self-led dual-tranche offering of senior unsecured five-year bonds.

It priced a A$2.35bn floating-rate note 83bp wide of three-month BBSW, the tight end of 85bp area guidance, and a A$250m 3.2% March 6 2023 at 99.805 for a yield of 3.2425%, equivalent to asset swaps plus 83bp.

The new major bank clearing rate is 8bp wide of the 77bp spread that ANZ paid for its A$1.75bn five-year issue on January 9. It is also 3bp more than the Commonwealth Bank of Australia A$1.5bn 5.25-year print on January 23, which priced at 80bp over three-month BBSW and asset swaps.

NAB PRINTS 30-YEAR FORMOSA

NATIONAL AUSTRALIA BANK priced a US$470m zero-coupon Formosa bond at an internal rate of return of 4.50% through leads *JP Morgan* and *NAB*.

The bond has a tenor of 30 years and is callable every six years.

A market source estimated that the pricing was around 25bp inside NAB's offshore US dollar curve.

COVERED BONDS

EUROS

KBC AND DE VOLKSBANK PASS MUSTER IN SUBDUED MARKET

DE VOLKSBANK and **KBC BANK** struggled to garner significant order books for their respective 10-year and eight-year trades last week despite limited competing supply, as tight spreads weigh on the size of investor orders.

Euro covered bond issuance tumbled in February, totalling just €7.75bn versus the near €28bn sold the previous month. While January tends to be one of the busiest periods of the year, the drop in issuance also reflects the less attractive execution available to borrowers.

Persistent volatility put deal mandates across the financial sector on ice, though the covered bond market can often come into its own during market sell-offs.

"It's still a super low-beta market," said a syndicate banker, away from the deals. "If anything, it's been more resilient than others. The question is just how much supply can you push through."

Historically tight spreads are weighing on the size of the orders placed, bankers said, and the lower momentum has forced up new issue concessions in recent weeks. De Volksbank and KBC Bank proved no exception.

Initial pricing at 4bp area for de Volksbank's €500m no-grow March 2028, for example, was at least 6bp north of fair value. The spread moved to a final 1bp on books of €1bn, but the final 3bp concession was a touch higher than the minimal premiums that issuers could get away with earlier this year.

That was despite undertaking a two-day roadshow prior to the deal following its rebranding from SNS Bank. *Barclays*, *Credit Suisse*, *LBBW* and *Rabobank* were joint bookrunners.

A lead on de Volksbank said the Dutch issuer could have gone tighter, but wanted to leave some basis points on the table for its second covered deal from the rebranded entity.

KBC meanwhile, the first Belgian covered of 2018, priced its €750m March 2026 at less 8bp from guidance of minus 8bp area, plus or minus 1bp. It drew around €1.1bn of orders in contrast to the €3.5bn for its €1.25bn September 2022 foray in February 2016.

It did not help that there was a discrepancy surrounding fair value, with one lead putting it at minus 13bp or 14bp, but a banker away from the deal said it was closer to minus 11bp.

"I was especially surprised by the Belgian one, where we hadn't seen that much supply from the country neither in 2018 nor 2017," said Michael Weigerding, a covered bond analyst at Commerzbank.

"Maybe the final pricing level is a negative sign, but it's difficult to judge from only one deal."

GOT YOU COVERED

The lead on de Volksbank was surprised at the quality of the order book compared to previous deals, including those from when it was SNS. It drew over 60 lines of orders.

The deal, which was trading on Friday 1bp tighter than reoffer, according to a lead, also shed some light on demand for 10-year paper after concerns among some bankers.

"Ten-years are always a bit tricky but this time round, with the positive headline spread … you can definitely have a nice transaction," said the lead.

The tenor appeals to a mix of asset managers, insurers and bank treasuries.

"It's a part of the curve where a lot of issuers can go long and lock in these low rates without having to pay up the steeper curve beyond that," said another banker.

Looking ahead, bankers do not anticipate a strong wave of supply but this should be positive for spreads, said Weigerding.

"We are expecting euro benchmark supply of around €100bn by the end of the year. We're more or less on track with that."

HIGH-YIELD

UNITED STATES

INVESTORS KEEP WARY EYE ON MACRO

Trade disputes - one of the main risks for the US high-yield market this year, according to investors - are all of a sudden looking a lot more real.

A day after outlining plans for new tariffs on steel and aluminium imports, President Donald Trump took to Twitter to say trade wars were "good and easy to win".

That is likely to strike the wrong chord with many high-yield investors.

Participants at JP Morgan's annual high-yield and leveraged finance conference last week said that in spite of some recent volatility the asset class is on solid footing.

Even with the Federal Reserve about to kick off a series of rate hikes, investors say recession is unlikely, wage pressures are manageable and credit conditions are still good for issuers.

However, many saw missteps by the Fed or a trade spat between the US and its partners as the two main risks facing the asset class over the coming months.

"The macro has been a driver this year," said one high-yield portfolio manager. "It is some external event that is going to alter high-yield and credit, because there is nothing in our market that is interesting any more."

Another area of concern is the ability of companies to avoid a squeeze on their profit margins stemming from higher labour and commodity costs.

But investors attending the conference said executives they have met said they have so far managed to pass on any cost increases to consumers, which should keep margins healthy.

Even as junk bonds generally weakened on Friday following Trump's comments on trade, some investors say it may not be all doom and gloom.

"Anything that's bad for the dollar and equities - as a tariff is - could have a trickle down negative impact on the high-yield market," said Andrew Feltus, co-director of high-yield at Amundi Pioneer.

"A bit of a downgrade, perhaps, but still, no reason to head for the exits."

GTT CONSIDERS BOND OPTION

GTT COMMUNICATIONS is considering a US dollar-denominated high-yield bond and secured term loans in US dollars and euros for its acquisition of Interoute, according to a GTT spokesperson.

The acquisition, which was announced last Monday, is worth approximately €1.9bn.

A banker with knowledge of the matter said the deal was expected to be launched imminently.

Global cloud networking provider GTT announced on Tuesday that it had received committed debt financing for its acquisition of European fibre networks and cloud networking operator Interoute.

GTT also said it had received committed equity financing of US$250m from GTT's largest institutional investor, The Spruce House Partnership, as well as Acacia Partners.

GTT has US$2.71bn of debt outstanding, according to Thomson Reuters data. All of its US dollar high-yield bond deals were led by Credit Suisse, according to IFR data.

GETTY IMAGES REASSURES INVESTORS

Photo agency GETTY IMAGES told investors it is taking steps to return earnings to growth before a US$1.8bn loan comes due next year, two sources who met with company executives told IFR.

Getty has been struggling under the debt it accumulated in 2012, when private equity giant Carlyle Group acquired a controlling stake in it from Hellman & Friedman for US$3.3bn.

Getty's business model has been challenged by stiff competition from younger entrants such as Shutterstock as demand for images and multimedia content moves from print to digital.

But executives attending JP Morgan's annual leveraged finance conference in Miami last week sounded a positive note about the company - and said it is turning the corner.

"It was the first time they intimated they approached a trough or at least a flattening [in their earnings]," said one of the investors who attended Getty's presentation.

Executives said they plan to bring yearly Ebitda to around US$300m over the coming quarters, compared with around US$270m currently, the investors said.

That should be enough to bring leverage down from the current nine times to around six times through its first-lien debt, easing concerns about its ability to refinance obligations.

Cost-savings, a new partnership to license content to Google and growth in Getty's editorial division stemming from large events such as the Olympics could all help earnings ahead.

"They are taking steps to stem the bleeding and articulated better reasons why they have a good moat," the second investor said.

Because it is privately held, Getty Images does not report its financial results publicly. The company did not respond to a request for comment.

Getty's US$1.8 term loan, which matures in late 2019, is currently trading in the low 90 cents on the dollar, the investors said.

The company also has two bonds outstanding: a US$253m first-lien note and a US$316m unsecured note, both of which come due in 2020.

It currently spends around 65% of its Ebitda on interest payments, according to Moody's.

AVOLON PRINTS AFTER COVENANT TWEAKS

Aircraft leasing company AVOLON raised US$500m through a new junk bond sale, only a week after taking steps to prevent its ultimate parent HNA Group from stripping it of cash.

The five-year bond sale comes hot on the heels of amendments to its existing bond documents that limit payments to its parent BOHAI CAPITAL HOLDING, which in turn is 53% controlled by cash-strapped Chinese conglomerate HNA GROUP.

Avolon has come under scrutiny for its link to HNA, which has had to embark on a slew of fundraising efforts in recent months to address a liquidity crunch.

The new covenants limit the cash that Avolon can distribute to Bohai to US$800m or 50% of consolidated net income, unless it also redeems all its outstanding bonds.

Those restrictions are suspended if Avolon's debt-to-equity ratio drops below 2.5 times.

Avolon, which has become the world's third largest aircraft lessor, reported a profit of US$550m in 2017 on US$2.4bn of revenues. It has agreed to pay a US$250m dividend to Bohai out of its 2017 earnings.

On a conference call with investors on Thursday morning, Avolon executives said Bohai and HNA have been fully supportive of the new covenants and that the company continues to be "extremely important" for their portfolios.

"HNA's core DNA is in aviation," one of the executives said on the call, adding that the group intended to remain a long-term investor in the company.

Avolon priced the new issue at a yield of 5.50%, the tight end of the 5.50%-5.625% range at which it had begun sounding out investors on Thursday morning.

Proceeds will go to general corporate purposes, including the future repayment of outstanding debt.

Morgan Stanley was the lead bookrunner on the offering.

EUROPE/MIDDLE EAST/ AFRICA

EQUINIX PLAYS SOLO NOTE IN EURO HIGH-YIELD

EQUINIX made an entrance into a sluggish European high-yield primary market that has seen only one deal price over the past two weeks.

The US data centre company went out with a €750m 6NC2.5 offering via joint global coordinators *Barclays*, *HSBC* (B&D) and *ING*. The deal was Equinix's third visit to the European high-yield market since its debut in September 2017. It raised €2bn in two offerings last year.

A banker on the deal said the company's issuance levels in euros were not too heavy given its US$30.8bn market capitalisation.

"If they continued pumping out a deal every quarter, it might be too much. I think they should probably rest up a bit after this one," he said.

A second lead said it was the first time the company had used joint active leads rather than a sole lead-left.

"There was no doubt some accounts had reached their limit in terms of exposure from the company's previous transactions, so you needed more than one bank out there rooting out demand," he said. "That showed in terms of the order book."

Equinix set pricing at 2.875% on its €750m offering, at the tight end of the 3% area initial thoughts released earlier on Wednesday morning.

Moody's changed its outlook on the company's Ba3 rating to stable from positive on the back of the transaction.

"Equinix's growth profile, its pursuit of acquired assets at high multiples, and its REIT status are incompatible, collectively, with a near-term improvement in credit strength," analysts wrote in a note.

"Simply, the company cannot meet the demands of growth and capital returns without its current liberal use of debt capital," they said.

Since its last euro deal in December, Equinix has entered an agreement to acquire Infomart Dallas in a US$800m transaction, while announcing in December that it would acquire Australian peer Metronode in an all-cash deal worth around US$791.2m-equivalent set to close in the first half of the year.

The notes are rated B1/BB+/BB, the same as Equinix's outstandings. S&P's outlook is positive, while Fitch's is stable.

The company raised US$3.7bn of debt in 2017, compared with US$1.1bn in 2015, according to Thomson Reuters data, which show no debt as having been raised in 2016.

Credit research firm Covenant Review also said that the bonds will not have guarantees from any subsidiaries on the issue date, but, unlike most of Equinix's outstanding bonds, the terms do not require subsidiaries to guarantee the notes in the future.

Equinix will use proceeds for general corporate purposes and for potential acquisitions.

Issuers go thin with high-yield-lite

EUROPE HIGH-YIELD Companies looking to loosen covenant shackles

More issuers could loosen covenants and come to the European high-yield market with "high-yield-lite" documentation, following in the footsteps of recent deals from ELIS and FAURECIA.

Elis and Faurecia's trades came with high-yield-lite documentation, after both previously issued deals with fully fledged high-yield covenants. Sources said it was rare for a high-yield issuer to drop its covenants.

High-yield-lite documentation excludes typical protections in the asset class, such as a restricted payments covenant, which limits an issuer from paying dividends and making other distributions out of the reach of creditors; and/or debt incurrence covenants, which limit the amount of debt an issuer can raise subject to leverage ratio tests.

"As issuers climb the rating curve into Double B ratings, we expect more to look to loosen their covenant protections and issue high-yield-lite bonds," said Lisa Gundy, senior covenant officer at Moody's.

"As their ratings improve, rising stars are looking to move towards investment-grade-style documentation. Cash leakage and debt covenants are suspended if bonds are upgraded to investment-grade. So in the meantime, issuers are seeing if there are any flexibilities they need before that happens," Gundy said.

One banker confirmed several high-yield-lite trades are currently in the making.

"There are a lot of candidates and a few that have mandated deals, so I expect to see a stream of such issuers," he said.

NOT FOR EVERYONE

High-yield-lite documentation has become more common for Double B issuers in the European market in recent years as issuer-friendly conditions have allowed the sellside to push for aggressive terms.

Just over 33% of high-yield bonds came with high-yield-lite documentation in the first three quarters of 2017, compared with just over 10% in 2014, according to Moody's data.

While an uptick is anticipated, the banker, who was on both Elis and Faurecia, stressed that the format was not for everyone, being above all a function of company performance and standing, before a trajectory towards an upgrade to investment-grade.

"Investors will only accept lite documentation for specific, recognised credits with size, scale, cashflow and transparency," he said.

A strong domestic bid, which is often the case for French issuers such as Elis and Faurecia, is also seen as a factor permitting weaker documentation.

POSITIVE DEVELOPMENT

The changes come at an interesting time, when storied credits and challenged trades have seen considerable push-back on documentation this year. There is a growing understanding among investors that covenant risk should be assessed contextually, depending on the circumstances of the credit in question.

Sabrina Fox, head of European research at Covenant Review, sees these recent moves to high-yield-lite documentation and growing push-back as different sides of the same coin.

"I'm hopeful that this reflects a shift in approach to taking each credit in context," she told IFR.

"I do expect that covenant packages for trickier trades will be tighter. But, if companies are better performing and close to achieving an investment-grade rating, investors have tolerance for a lighter covenant package because it's reflective of the context of the credit."

Yoruk Bahceli

NEW LOOK ASKS FOR BREATHING ROOM

NEW LOOK announced a consent solicitation on Wednesday, targeting around £1.2bn-equivalent of debt.

The British retailer is seeking to amend terms on all of its outstanding £700m 6.5% senior secured 2022 notes and its €415m 2022 FRN, as well as its outstanding £176.7m 8% senior 2023 notes.

"The company is requesting permission from bondholders to make changes to the terms of its secured bonds to facilitate a CVA (company

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 2/3/2018

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
Auto ABS Italian Loans 2018-1	€675.2	2.9	1mE+25bp	SCH	NR/NR/AA	ABS
GoldenTree Loan Mgt EUR CLO 1	€2	–	3mE+30bp	Citi	Aaa/NR/AAA	CLO
GoldenTree Loan Mgt EUR CLO 1	€162	–	3mE+73bp	Citi	Aaa/NR/AAA	CLO
GoldenTree Loan Mgt EUR CLO 1	€49	–	3mE+0.95bp/73bp	Citi	Aaa/NR/AAA	CLO
GoldenTree Loan Mgt EUR CLO 1	€30	–	1.37	Citi	Aaa/NR/AAA	CLO
GoldenTree Loan Mgt EUR CLO 1	€26	–	3mE+105bp	Citi	Aa2/NR/AA	CLO
GoldenTree Loan Mgt EUR CLO 1	€14	–	3mE+127bp/105bp	Citi	Aa2/NR/AA	CLO
GoldenTree Loan Mgt EUR CLO 1	€14	–	3mE+155bp	Citi	A2/NR/A	CLO
GoldenTree Loan Mgt EUR CLO 1	€11.5	–	3mE+177bp/155bp	Citi	A2/NR/A	CLO
GoldenTree Loan Mgt EUR CLO 1	€25	–	3mE+235bp	Citi	Baa2/NR/BBB-	CLO
GoldenTree Loan Mgt EUR CLO 1	€27.5	–	3mE+473bp	Citi	Ba2/NR/BB-	CLO
GoldenTree Loan Mgt EUR CLO 1	€12	–	3mE+644bp	Citi	B2/NR/B-	CLO

voluntary arrangement) proposal as it evaluates this option," said a New Look spokesperson.

The issuer is seeking consent from holders of all three notes for a default waiver and execution date and effective time amendments.

Moody's has declared that the CVA is positive for financial creditors.

"It would reduce the annual rental costs and would allow the company to close underperforming stores," said Moody's analysts.

"This, coupled with the already identified £25m of annual cost reductions from marketing efficiencies, inventory shrinkage and cost savings related to changes in the organisational structure, would give New Look more time to implement the turnaround strategic plan designed by the new senior management team."

Moody's believes that New Look's current capital structure will become unsustainable if Ebitda remains less than £200m in the medium term, although it says that New Look's short-term liquidity appears adequate, albeit weak.

"We understand that New Look has already obtained consent from holders of approximately 40% of the senior secured notes and 53% of the senior notes respectively, by value, to the requested event of default waiver and to amend certain provisions of both notes indentures," said Moody's analysts.

New Look has a €18.7m coupon payment due on March 15, and another £59.6m due on May 15, according to Thomson Reuters data.

The consent solicitations expire at 4pm on March 6. *Goldman Sachs* is solicitation agent.

ASIA-PACIFIC

SOFTBANK'S NEGATIVE OUTLOOK ADDS TO CONCERNS

A revision of SOFTBANK GROUP's S&P rating outlook to negative has added to bond investors' concerns about the Japanese conglomerate's plan to spin off its domestic telecoms business.

S&P last Monday pointed to the company's increasingly aggressive financials to justify the outlook change, adding that it saw a greater likelihood that key ratios would deteriorate more substantially than it had previously assumed.

The news did not have a noticeable impact on SoftBank's bonds. Its five-year yen bonds were steady at a yield of 1.314% the next day, while its US dollar senior bonds due 2022 even rose a third of a point to a cash price of 101.60 in volatile market conditions.

The lack of impact suggests that the holding company's spreads will not widen unless its ratings are actually cut.

"Those who added SoftBank to their portfolios are well aware that this is a high-risk investment," said a domestic fund manager, hinting that an outlook revision was not enough to prompt major selling. Still, he said: "SoftBank is not a stable name, so I don't feel like buying its longer-dated bonds."

Investors are carefully watching SoftBank's divestment plans. Last month, SoftBank Group said it had started preparations to list its mobile phone unit SoftBank Corp in Tokyo and overseas for up to ¥2trn (US$18.7bn).

The spin-off could affect guarantees on SoftBank Group's senior dollar bonds, which are guaranteed by SoftBank Corp.

On the other hand, fund managers believe that, if the listing does not get the green light from regulators, SoftBank may have to consider a massive bond issue as a substitute.

SoftBank wants to unlock value by separating the mobile phone unit, which will help fund its investment activities in its SoftBank Vision Fund and other vehicles, but it needs to prove its independence from the parent group to win listing approval.

SoftBank Group CEO Masayoshi Son "is the kind of guy who will raise ¥2trn by any means if the IPO is not approved, so he may try to raise ¥2trn by issuing bonds," said another domestic fund manager. "That's something we should watch out for."

SoftBank has around ¥8.5trn outstanding in onshore and offshore bonds, according to Thomson Reuters data, meaning that a further ¥2trn would be a substantial increase.

The first fund manager said it was too early to price in such a scenario, but that it was something the market needed to keep an eye out for.

"The market won't move based on such speculation, but I think investors do keep such a scenario in mind," he said. "If SoftBank fails to get approval for the IPO, I think that's when SoftBank's spreads start to widen."

FORTESCUE CUTS COSTS WITH BOND

FORTESCUE METALS GROUP raised US$500m from an offering of senior unsecured five-year non-call life 144A notes via sole lead manager *JP Morgan*.

The 5.125% March 15 2023s, which have expected ratings of Ba2/BB+ (Moody's/S&P), priced last Thursday at par, in the middle of 5.00%-5.25% price talk and 256bp wide of Treasuries.

The new bond will refinance US$500m of FMG's outstanding US$2.16bn 9.75% senior secured March 1 2022 notes.

The remainder of the 2022s will be redeemed via the proceeds from a recently announced US$1.4bn term loan and company cash.

The combination of refinancing and debt repayment will lower annual borrowing costs by approximately US$130m, according to an ASX press release.

STRUCTURED FINANCE

EMEA ABS

AUTO ABS ITALIAN LOANS 2018-1 PRIVATELY PLACED

BANCA PSA ITALIA closed a privately placed Italian auto ABS on Monday, selling

€675.22m 2.9-year Class A notes at 1mE+25bp.

Banca PSA Italia is an Italian joint venture between Banque PSA Finance and Santander Consumer Bank. *Banco Santander* was the arranger.

The senior notes are rated AA/AAH by Fitch and DBRS. The SPV, AUTO ABS ITALIAN LOANS 2018-1, also issued a €66.78m unrated Class B which pays a fixed 1.5% coupon.

The bonds are backed by a €742m portfolio with an 18-month revolving period. The new/used split is 90.1%/9.9% and the private/commercial split is 91%/9%. There is a 30% limit on borrowers in Southern Italy.

The previous week FCA Bank sold a re-offered senior tranche from A-Best 15, also backed by Italian auto loans. It came at a discount margin of plus 24bp.

BPER BANCA READIES ITALIAN NPL SECURITISATION

BPER BANCA (formerly Banca Popolare dell'Emilia Romagna) has appointed *JP Morgan* and *Mediobanca* as advisors/arrangers for an Italian NPL securitisation.

The portfolio is expected to total nearly €2bn. BPER said it may use the GACS state guarantee for the senior portion of the deal. Prelios Credit Servicing has been appointed servicer.

Earlier this year UniCredit privately placed €617.5m of Class A notes from its NPL securitisation Fino 1. The Class A carried the GACS guarantee and was rated A2 by Moody's and BBBH by DBRS.

The deal was the first in which GACS notes were sold to investors. Previous deals last year from Populare di Bari, Carige and Credito Valtellinese were all retained by the banks.

EMEA CLO

GOLDENTREE PRICES CLO, OAKTREE AND PERMIRA READY DEALS

Collateral manager GOLDENTREE LOAN MANAGEMENT priced a €404.75m European leveraged loan CLO last week, with arrangers *Barclays*, *Citigroup* and *Morgan Stanley*, and Citi as underwriter, according to Moody's.

The deal is GOLDENTREE LOAN MANAGEMENT EUR CLO 1. Discount margins include plus 73bp for the €162m Triple As, plus 500bp for the €27.5m Ba2/BB- Class E, and plus 690bp for the €12m B2/B- Class F.

The notes are rated by Moody's and Fitch.

OAKTREE CAPITAL MANAGEMENT is readying a reset of its 2016 European leveraged loan CLO ARBOUR CLO III, according to Moody's which has given provisional ratings to eight classes of reset notes. *Citigroup* is arranger.

There are also provisional Moody's ratings out for PROVIDUS CLO I from PERMIRA DEBT MANAGERS, arranged by *Bank of America Merrill Lynch*.

Viva Las Vegas: Risk-on in structured finance

ABS VEGAS Consensus is that the US economy and consumers are relatively healthy

Confidence in the US structured finance market is running sky-high, with banks hoping for looser regulation and most cash-rich investors upbeat about bonds even after a huge rally.

The mood at the annual ABS Vegas bash last week - a major industry conference attended by a record number of more than 7,000 people - was overwhelmingly bullish.

The general consensus among the buyside is that the US economy and consumers are relatively healthy, which makes asset-backed bonds that pool loans to consumers and homeowners, as well as other assets, an attractive investment.

"My big takeaway is that this market is healthier than other parts of credit," Tracy Chen, head of structured credit at asset manager Brandywine Global, told IFR.

"We like mortgage bonds in particular. It was the epicentre of the financial crisis, but banks are now much more careful about lending. Underwriting standards have been solid."

Indeed, the talk throughout the four-day event was that new-issue volumes across the structured finance market would remain strong and even pick up in some areas in 2018.

Analysts, for example, are positive on the outlook for prime jumbo mortgage bonds, which some see doubling to US$20bn this year, while ABS - off to a solid start with over US$42bn in issuance already - is tipped to roar on.

One ABS banker said some on the buyside had even showed an interest in participating in variable funding notes, a type of warehouse facility usually provided by banks that investors have typically shied away from.

"There are many investors who would love to see spreads at higher levels, but the reality is they are flooded with cash and are even setting up new funds for structured products," the ABS banker said. "They have to put this money to work."

"It's a bit like Prozac," the banker said of the market. "There are no real highs, and no real lows."

Not everyone is bullish, though. Some are worried that the market is too complacent about rising rates, and about the recent volatility in stocks that appeared to bypass ABS.

Brandywine's Chen, for example, has turned more defensive of late, moving up the capital structure in terms of credit quality and into floating-rate and shorter duration.

And at least two investors said there was an air of 2006/2007 about the market, likening it to the pre-crisis era when almost anything sold before the big crash.

"People are saying spreads are so tight that nothing can be wrong," said one. "The last time I heard that was in 2007."

But views like that were definitely outliers.

"In prior years I've gone home a bit depressed," one banker told IFR. "There's always been something - usually some new regulation - but this year is different. There's no new regulation, and people really want to get deals done."

If anything, regulators appear to be loosening the shackles. Comments from Comptroller of the Currency Joseph Otting that banks should be lending more to credit-challenged consumers were a welcome surprise for some bankers.

"We are comfortable with banks going down in FICO," said Otting, speaking to a packed room at the conference on Tuesday. Payday lenders and liquor stores have helped fill a void, he said. But he wants that to change, and banks to step in.

"I'm not saying payday lenders are bad business. They are responding to the market ... But if you are at payday lender, you're never improving that credit score."

One syndicate banker said that was a significant comment, and could potentially be a worry for marketplace lenders, which may start competing with banks to originate loans.

"It's news that regulators are making outward comments like that," the banker told IFR. "A lot of banks felt that [kind of lending] was untouchable before. Banks have generally stayed north of 680 FICO scores, but this could really open up their ability to lend."

Natalie Harrison, Eleanor Duncan

US MBS

COMMERCIAL REAL ESTATE GETS MORE PLAY IN VEGAS

More attention was given to the commercial real estate market at this year's Structured Finance Industry Group (SFIG) ABS conference in Las Vegas after efforts by the co-host of the event to play a more active role in the sector.

"SFIG as an institution has tried to be more proactive in participating in commercial real estate in the past year," KBRA analyst Nitin Bhasin told IFR.

The main CRE conference is held in January in Miami, hosted by industry group CREFC. But SFIG has been holding monthly calls with key market participants -

investors, analysts, rating agencies and issuers - and those efforts are paying off.

Bhasin said the number of CRE meetings he had lined up had more than tripled since last year, and he expects a busy period for CMBS issuance in 2018, including for CRE CLOs.

The market, which helps finance the revamp of properties, is already off to a busy start with four debut borrowers selling more than US$1.5bn already in 2018, according to IFR data.

Bhasin said there are up to seven deals in the pipeline at various development stages, and most of them from repeat borrowers.

Two or three could come to market within the next month.

"There is a decent amount of flow," said Bhasin. "And the pipeline is bigger than what we see for conduit CMBS by number of deals, which is unusual."

The pricing could be something to watch though.

Recent large debut offerings from BLACKSTONE and TPG - two of the largest CRE CLOs ever sold - were well received and priced tightly. TPG's Class A priced at Libor plus 75bp versus guidance at plus 80bp area.

Blackstone is buying a 55% stake in Thomson Reuters' Financial and Risk unit, which includes IFR.

But smaller follow-up trades from SILVERPEAK ARGENTIC, called AREIT 2018-CRE1, and BRIDGE DEBT SECURITIES, called BDS 2018-FL1, priced wider than whispers.

The top rated Aaa/AAA tranches on both of those trades priced at 85bp over Libor, which was wider than respective whispers of 80bp and 78bp.

US CMBS PRICED

FREMF 2018 K-730

FREDDIE MAC priced a US$1,360.247m multi-family CMBS transaction (Class A, B, C) called FREMF 2018 K-730. *Morgan Stanley* and *JP Morgan* are the joint bookrunners.

Collateral: 52 multifamily loans secured by 52 properties.

Largest tranche: Class A-2 US$1,030.09m, with 6.73-year WAL, rated Triple A; priced at interpolated swaps plus 31bp, in line with guidance.

NCMS 2018-PREZ

NATIXIS COMMERCIAL MORTGAGE SECURITIES TRUST 2018-PREZ priced a US$210m floating-rate CMBS transaction. *Natixis* is the lead manager.

Collateral: A floating-rate CMBS loan secured by a first lien on the borrower's fee simple interest in Presidential City, a newly renovated 1,017-unit apartment complex and ground leasehold interest in an adjacent office building in Philadelphia, according to S&P presale.

Largest tranche: Class A US$82.750m, rated Triple A.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/3/2018

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
US DOLLAR							
Feb 26 2018	Bank of England	US$2bn	Mar 5 2021	2.5	99.725	MS flat, T+23.85	2.596
Feb 27 2018	NRW Bank	US$850m	Mar 5 2021	3mL+6	100	3mL+6	3mL+6
Feb 27 2018	FMS	US$1.5bn	Mar 6 2023	2.75	99.579	MS+10, T+22.1	2.841
Feb 28 2018	MuniFin	US$1bn	Mar 7 2023	2.875	99.709	MS+16, T+27.05	2.938
Feb 28 2018	EBRD	US$1.5bn	Mar 7 2023	2.75	99.579	MS+7, T+18.05	2.841
Mar 1 2018	L-Bank	US$350m incr (US$1.1bn)	Apr 6 2020	3mL+10	100.127	DM+4	-
Mar 1 2018	L-Bank	US$650m incr (US$1.15bn)	Sep 27 2021	3mL+12	100.143	DM+8	-
Mar 1 2018	L-Bank	US$750m	Mar 10 2023	3mL+16	100	DM+16	-
EUROS							
Feb 26 2018	Belgium (Green)	€4.5bn	Apr 22 2033	1.25	99.466	MS-14, B+32.8	1.289
Feb 26 2018	EIB	€250m incr (€2.9bn)	Mar 15 2023	1.625	107.178	MS-28, B+28.5	0.189
Feb 27 2018	CPPIB	€1bn	Mar 7 2033	1.5	99.098	MS+14, B+59.2	1.568
Feb 27 2018	Rentenbank	€1.25bn	Mar 6 2025	0.5	99.658	MS-22, B+23.7	0.55
Feb 27 2018	European Union	€1bn	Apr 4 2033	1.25	99.863	MS-17, B+28.5	1.26
Feb 28 2018	Lower Saxony	€500m	Mar 7 2023	0.125	99.394	MS-22, B+25.8	0.247
Feb 28 2018	KfW	€250m	Mar 7 2023	3mE flat	103.35	-	-
Mar 1 2018	NRW.BANK	€350m incr (€1.1bn)	Jan 26 2023	3mE+75	104.673	DM-18	-
Mar 2 2018	EIB ECOOP	€250m incr (€2.35bn)	Mar 15 2024	0	98.084	MS-27, B+20.6	0.322

US ABS DEAL PRICINGS

ECMC GROUP

ECMC GROUP priced a US$504m student loan ABS called **EDUCATION CREDIT MANAGEMENT GROUP (ECMC) 2018-1.** *JP Morgan* lead manager.

Collateral: Student loans.

Largest tranche: Class A US$489m, rated Triple A; according to Fitch. No pricing available.

US ABS

BORING IS GOOD FOR WBS

Whole business securitisations are now a mainstream product, and the financing of choice for franchise restaurant companies, bankers and issuers say.

Last year more than US$7bn of WBS bonds priced, many from food chains such as **WENDY'S**, **DOMINO'S** and **DUNKIN' BRANDS**.

"It's become much more on-the-run among ABS asset classes," said Cory Wishengrad, a banker at Guggenheim, at the SFIG Vegas ABS conference last week.

"The number of investors has doubled since 2014. That explains the liquidity and spread-tightening in the space."

Spreads on top-tier WBS have now pierced the 100bp range and are trading in double digits, he said.

Domino's CFO Jeff Lawrence told IFR the asset class has become "boring" - and he wants it to stay that way.

"Our aim was to make the asset class vanilla and un-sexy, and I think we're there," he said.

Domino's sees itself as a pioneer of WBS. The pizza firm priced a US$2.075bn deal last year backed by revenues from its 14,000 stores around the globe.

And it could bring more deals. A five-year bond it sold in 2015 becomes callable later this year at par, and Domino's could potentially refinance that debt.

The company hasn't yet said whether or not it will come to the market. After last year's deal, its leverage is at the top end of the target of around 5-6 times earnings.

But it has tended to deleverage very quickly.

"We have no plans to access (the ABS market) currently, but we will if we believe it's a good time to be in the marketplace," Lawrence said.

Domino's met with investors at the SFIG conference.

The buyside is interested in the Domino's business, Lawrence said. The company was one of the first food businesses to really take advantage on the tech front, with its mobile-ordering technology.

Guggenheim and *Barclays* have dominated the sector so far. But Lawrence said more bankers are trying to get into the space.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS flat area	-	>US$2.7bn	A2/AA/AA	Barc/BNPP/Citi/JPM	Eur 26%, N Am 24%, UK 20%, Asia 26%, LatAm 5%. OI 67%, Bks 23%, AM and HF 10%
3mL+6 area	-1	>US$890m	Aa1/AA-/AAA/ Dagong AA+	Barc/JPM/TD/RBC	-
MS+12 area, MS+11 area	0	>US$2bn	Aaa/AAA	Barc/BAML/GS/HSBC	-
MS+16 area (I), MS+16 area (G)	2	>US$1.4bn	Aa1/AA+	HSBC/JPM/Miz/Nomura	EMEA 52%, 26%, Amers 23%. CB/OI 61%, Bks 33%, FM 6%.
MS+9 area, MS+8 area	0.5	>US$1.75bn	Aaa/AAA/AAA	BMO/Citi/GS/TD	Amers 41.1%, Asia 22.2%, RoEMEA 20%, UK 16.7%. Bks 56.8%, CB/OI 23.3%, AM 16.5%, Ins/PF 3.4%.
3mL+5 area, DM+4	-	>US$550m	Aaa/AAA	Barc/BMO/GS/JPM	-
3mL+9 area(I), 3mL+9 area(G)	-	>US$900m	Aaa/AAA	Barc/BMO/DB/JPM	-
3mL+17 area, DM+16	-	>US$1bn	Aaa/AAA	Barc/BMO/GS/JPM	-
MS-11 area, MS-13 area	1.5	>€12.7bn, >150 acs	Aa3/AA/AA-	Barc/BNPP/CA/ING/JPM	EZ 53%, EU (non-EUR) 23%, Asia 12%, RoEur 9%, US 3%, ME <1%. FM 33%, CB/OI 26%, PF 16%, Tsy 12%, Ins 5%, HF 5%, Bks 3%.
-	-	-	Aaa/AAA/AAA	SG	-
MS+15 area	1.5	€4.6bn	Aaa/AAA/AAA	BAML/BNPP/DB/JPM	Ger 32%, Fr 31%, UK 14%, RoEur 15%, Amers/Asia/ME 8%. FM 60%, Ins/PF 29%, CB/OI 4%, Bks 2%, Other 5%.
MS-19 area, MS-20 area, MS-21 area	0	>€2.45bn	Aaa/AAA/AAA	BLB/Danske/LBBW/Nomura	Ger 36%, UK 12%, Asia/MEA 9%, RoEur 43%. Bks 61%, CB 19%, AM 17%, Ins/Corp/PF 3%.
MS-15 area	0	>€6.7bn, 180 acs	Aaa/AA/AAA	CA/Citi/DB/LBBW	Ger/Aus 37%, UK/Ire 17%, Fr 16%, Nordics 9%, RoEur 9%, Benelux 6%, Switz 3%, Asia/ME 3%. FM 41%, Bks/PB 32%, Ins/PF 16%, CB/OI 11%.
MS-22 area	0	-	-/-/AAA	Barc/DB/LBBW/NordLB	Ger 39.9%, Switz 10%, Nordics 24%, RoEur 22.1%, Asia 4%. Bks 67.3%, CB 22%, FM 9.2%, Other 1.5%.
-	-	-	Aaa/AAA/Scope AAA	BLB	-
DM-18 area(I), DM-18 area(G)	-	>€350m	Aa1/AA-/AAA/ Dagong AA+	Deka /HSBC /Uni	-
-	-	-	Aaa/AA/AAA	HSBC	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/3/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
STERLING							
Feb 23 2018	BWP Issuer	£135.63m	Jun 30 2036	2.868	100	G+130	2.868
Feb 26 2018	BNG	£100m incr (£500m)	Jun 17 2022	1	98.687	G+38	1.313
NON CORE							
Feb 27 2018	EIB	SKr750m	May 12 2025	1.25	-	-	-
Feb 27 2018	Rentenbank	A$300m incr (A$1.925bn)	Jan 24 2023	4.225	107.519	ASW+34, ACGB+33.75	2.703
Feb 27 2018	NIB	NKr500m incr (NKr2.5bn)	Jun 19 2023	1.375	-	-	-
Feb 28 2018	Western Australia	A$1bn	Mar 8 2023	3mBBSW+23	100	3mBBSW+23	-
Feb 28 2018	Swedavia	SKr300m	Mar 6 2020	0.075	-	-	-
Mar 1 2018	KBN	A$75m incr (A$355m)	Jul 24 2028	3.4	100.546	ASW+53, ACGB+56.45	3.337
Mar 1 2018	EIB	NZ$200m	Mar 15 2023	3		MS+40, NZGB+70.4	3.118
Mar 2 2018	EIB CAB	A$200m incr (A$1.1bn)	Feb 3 2028	3.3	100.82	ASW+46, ACGB+46.75	3.203
CORPORATES							
US DOLLAR							
Feb 26 2018	Burlington Northern Santa Fe	US$750m	Jun 15 2048	4.05	99.75	T+90	4.065
Feb 26 2018	Cargill	US$500m	Mar 1 2023	3.25	99.88	T+67	3.277
Feb 26 2018	CenterPoint Energy Houston Electric	US$400m	Mar 1 2048	3.95	99.56	T+82	3.975
Feb 26 2018	Duke Energy Carolinas	US$500m	Mar 15 2023	3.05	99.88	T+47	3.075
Feb 26 2018	Duke Energy Carolinas	US$500m	Mar 15 2048	3.95	99.53	T+82	3.977
Feb 26 2018	Enbridge Inc (Sub)	US$850m	60NC10	6.25	100	0.06	6.25
Feb 26 2018	Florida Power & Light	US$1bn	Mar 1 2048	3.95	99.46	T+82	3.981
Feb 26 2018	Kansas City Power & Light	US$300m	Mar 15 2048	4.2	99.91	T+105	4.205
Feb 26 2018	Phillips 66	US$500m	3YNC1	3mL+60	100	3mL+60	3mL+60
Feb 26 2018	Phillips 66	US$800m	Mar 15 2028	3.9	99.9	T+105	3.912
Feb 26 2018	Phillips 66	US$200m	Nov 15 2044	4.875	104.69	T+140	4.566
Feb 26 2018	Starbucks	US$1bn	Mar 1 2023	3.1	99.97	T+50	3.107
Feb 26 2018	Starbucks	US$600m	Mar 1 2028	3.5	99.76	T+67	3.529
Feb 26 2018	Stryker	US$600m	Mar 7 2028	3.65	99.96	T+80	3.655
Feb 26 2018	Williams Partners	US$800m	Mar 1 2048	4.85	99.52	T+172	4.881
Feb 27 2018	Anthem	US$1.25bn	Mar 1 2028	4.101	0	T+120	0
Feb 27 2018	Anthem	US$850m	Mar 1 2048	4.55	0	T+140	0
Feb 27 2018	Becton Dickinson	US$1bn	Dec 29 2020	3mL+87.5	0	3mL+87.5	0
Feb 27 2018	Chevron Phillips Chemical	US$500m	May 1 2023	3.3	0	T+65	0
Feb 27 2018	Chevron Phillips Chemical	US$550m	Jun 1 2028	3.7	0	T+85	0
Feb 27 2018	Telefonica Emisiones	US$750m	Mar 6 2038	4.665	100	T+150	4.665
Feb 27 2018	Telefonica Emisiones	US$1.25bn	Mar 6 2048	4.895	100	T+173	4.895
Feb 28 2018	Ford Motor Credit Co	US$500m	Apr 5 2021	3.47	99.99	T+105	3.473

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
-	-	-	-/AA	Lloyds	-
G+38 area	-	-	Aaa/AAA/AA+	NatWest/RBC	-
-	-	-	Aaa/AAA/AAA	Nordea	-
ASW+34	-	-	Aaa/AAA/AAA	RBC/TD	-
-	-	-	Aaa/AAA	Danske	-
3mBBSW+22.5/24.5	-	-	Aa2/AA+	ANZ/NAB/WBC	-
-	-	-	-	Danske	-
-	-	-	Aaa/AAA	RBC/Citi/HSBC	-
MS+40	-	-	Aaa/AAA/AA-	BNZ/TD	-
ASW+46	-	-	Aaa/AAA/AAA	JPM	-
T+105 area, T+90/95	6	US$2.2bn	A3/A	BAML/Citi/GS(a)/JPM/MS/WFS(p)	-
T+90 area, T+70 (+/-3)	2	US$2.7bn	A2/A/A	BNPP/DB/JPM	-
T+100 area, T+85 (+/-3)	4	US$1.4bn	A1/A/A+	Miz/RBC/WFS	-
T+60/65, T+50 (+/-3)	4	US$1bn	Aa2/A	CS/GS/Miz/MUFG/USB	-
T+95/100, T+85 (+/-3)	1	US$1bn	Aa2/A	CS/GS/Miz/MUFG/USB	-
6.25% area, 6.125-6.250%	N/A	US$1.5bn	Ba2/BBB-/BBB-	Citi/CS/DB	-
T+95/100, T+85 (+/-3)	6	US$2.1bn	Aa2/A/AA-	Barc/GS/MUFG/Scotia/WFS(a)BNY/CA-CIB/Miz/SMBC/STRH/TD/USB/UBS(p)	-
T+130 area, T+105/110	0	US$1.2bn	Baa1/BBB+	BAML/JPM/MUFG/WFS	-
3mL+85 area, 3mL+65 (+/-5)	FRN	US$2.25bn	A3/BBB+	Citi/DB/GS/Miz/Scotia	-
T+130 area, T+110 (+/-5)	0	US$2.6bn	A3/BBB+	Citi/DB/GS/Miz/Scotia	-
T+155 area, T+145 (+/-5)	0	US$1.3bn	A3/BBB+	Citi/DB/GS/Miz/Scotia	-
T+60 area, T+53 (+/-3)	2	US$1.8bn	A3/A-/A-	BAML/JPM/MS/WFS	-
T+75/80, T+70 (+/-3)	2	US$1.2bn	A3/A-/A-	BAML/JPM/MS/WFS	-
T+95 area, T+80/83	4	US$1.85bn	Baa1/A	GS/MS/WFS	-
T+190 area, T+175 (+/-3)	2	US$3bn	Baa3/BBB/BBB-	Citi/MS/MUFG	-
T+140 area, T+125 (+/-5)	N/A	Remarketing	Baa2/A/BBB	Barc/CS/MS	-
T+155 area, T+145 (+/-5)	4	US$2bn	Baa2/A/BBB	Barc/CS/MS	-
3mL+100/105, 3mL+90 (+/-2.5)	FRN	US$2bn	Ba1/BBB/BBB-	Barc/WFS	-
T+80/85, T+70 (+/-5)	2	US$1.7bn	A2/A-	JPM/Miz/MUFG	-
T+105/110, T+90a (+/-5)	2	US$1.6bn	A2/A-	JPM/Miz/MUFG	-
T+165/170, T+155 (+/-5)	5	US$1.75bn	Baa3/BBB/BBB	BAML/Barc/CMZ/CA-CIB/CS/DB/GS/JPM/SMBC	-
T+185/190, T+175 (+/-5)	5	US$2.25bn	Baa3/BBB/BBB	BAML/Barc/CMZ/CA-CIB/CS/DB/GS/JPM/SMBC	-
T+120/125	7	US$1.7bn	Baa2/BBB/BBB	Barc/Citi/JPM/SMBC(a)/CS/GS/MS(p)	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/3/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Feb 28 2018	Ford Motor Credit Co	US$250m	Apr 5 2021	3mL+81	100	3mL+81	3mL+81
Feb 28 2018	Occidental Petroleum	US$1bn	Mar 15 2048	4.2	99.27	T+110	4.243
Feb 28 2018	Southern California Edison	US$450m	Mar 1 2021	2.9	99.96	T+50	2.915
Feb 28 2018	Southern California Edison	US$400m	Mar 1 2028	3.65	99.82	T+80	3.672
Feb 28 2018	Southern California Edison	US$400m	Mar 1 2048	4.125	99.81	T+100	4.136
Feb 28 2018	Regency Centers	US$300m	Mar 15 2028	4.125	99.84	T+127	4.145
Feb 28 2018	Travelers Companies	US$500m	Mar 7 2048	4.05	99.36	T+95	4.087
Mar 1 2018	WestRock Co	US$600m	Mar 15 2025	3.75	99.72	T+105	3.795
Mar 1 2018	WestRock Co	US$600m	Mar 15 2028	4	99.83	T+120	4.021
EUROS							
Feb 22 2018	UBM Development	€100m	Perpetual (Mar 2023)	5.5	100	MS+502	5.5
Feb 26 2018	Legrand	€400m	Mar 6 2026	1	99.375	MS+20, B+66.8	1.082
Feb 27 2018	Red Electrica	€600m	Mar 13 2027	1.25	99.443	MS+32	1.316
Feb 27 2018	Statnett	€500m	Mar 8 2025	0.875	99.528	MS+18, B+63.8	0.945
Feb 27 2018	Securitas	€300m	Mar 6 2025	1.25	99.257	MS+60	
Feb 27 2018	WP Carey	€550m	Apr 15 2027	2.125	99.324	MS+120, B+166.1	2.208
Feb 27 2018	Metro	€500m	Mar 6 2023	1.125	99.706	MS+72, B+119.9	1.186
Feb 28 2018	Carmila	€350m	Mar 7 2028	2.125	99.662	MS+108, B+150.4	2.163
Mar 1 2018	Orpea	€400m	Mar 10 2025	2.625	99.238	MS+200, B+246.7	2.746
Mar 1 2018	Kojamo	€500m	Mar 7 2025	1.625	99.203	MS+100, B+146.5	1.747
Mar 1 2018	Prologis	€300m	Mar 15 2028	1.75	99.059	MS+78	1.854
Mar 1 2018	RCI Banque	€550m	Mar 12 2025	3mE+58	100	3mE+58	-
Mar 1 2018	RCI Banque	€750m	Jul 12 2021	0.25	99.597	MS+23, B+75.7	0.372
STERLING							
Feb 28 2018	NewRiver REIT	£250m	Mar 7 2028	3.5	99.166	G+200	3.569
Feb 23 2018	BWP Issuer	£135.63m	Jun 30 2036	2.868	100	G+130	2.868
SWISS FRANCS							
Feb 28 2018	PSP Swiss Property	SFr100m	Feb 11 2022	0.06	100	MS+23, Eidg+69	0.06
YEN							
Feb 20 2018	Parkway Life REIT	JPY3.5bn	Feb 26 2024	0.65	100	-	0.65
NON CORE							
Feb 26 2018	Vasakronan (Green)	SKr350m	Mar 5 2021	0.41	-	-	-
Feb 26 2018	Nissan Cda	C$500m	Mar 5 2021	2.606	-	OTC+70	2.606
Feb 26 2018	GWL	C$500m	Feb 28 2028	3.337	-	GOC1%/27 +108.7 bp	3.337
Feb 27 2018	Vasakronan (Green)	SKr150m incr (SKr500m)	Mar 5 2021	0.41	-	-	-
Feb 27 2018	Hydro-Quebec	C$500m incr (C$2bn)	Feb 15 2055	4	119.222	GOC+70.5	3.12
Feb 27 2018	Bruce Power	C$400m	Jun 21 2033	4.132	99.994	GOC+174.1	0.041
Feb 27 2018	Bruce Power	C$200m	Jun 23 2026	3.969	-	GOC1.5%/26 +130 bp	3.55
Feb 26 2018	Telus	C$150m	Mar 6 2048	4.7	-	GOC+220	4.612
Feb 26 2018	Telus	C$500m	Mar 1 2028	3.625	-	OTC+150	3.752
Feb 28 2018	Transpower NZ	NZ$125m	Mar 6 2025	3.823	-	MS+85	3.823

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3mL equiv	FRN	US$700m	Baa2/BBB/BBB	Barc/Citi/JPM/SMBC(a)/CS/GS/MS(p)	-
T+120 area	5	US$1.6bn	A3/A/A	Barc/JPM/WFS	-
T+50/55, T+50 (the #)	7	US$650m	Aa3/A/A+	BNY/Citi/MUFG/USB(a)/PNC/Miz(p)	-
T+80/85, T+80 (the #)	12	US$650m	Aa3/A/A+	BNY/Citi/MUFG/USB(a)/PNC/Miz(p)	-
T+100/105, T+100 (the #)	12	US$600m	Aa3/A/A+	BNY/Citi/MUFG/USB(a)/PNC/Miz(p)	-
T+150 area, T+130 (+/-3)	4	US$1.3bn	Baa1/BBB+	BAML/JPM/WFS(a)Miz/USB(p)	-
T+110/115, T+95/100	6	US$1.6bn	A2/A/A	Barc/Citi/CS/WFS	-
T+115/120, T+110 (+/-5)	6	US$1.1bn	Baa2/BBB	BAML/Miz/MUFG/Scotia/SMBC/STRH/WFS	-
T+130/135, T+125 (+/-5)	6	US$1.3bn	Baa2/BBB	BAML/Miz/MUFG/Scotia/SMBC/STRH/WFS	-
5.5% area, 5.5%	-	-	-	HSBC/RBI	-
MS+25/30	10	>€500m, 48 acs	-/A-	CA/Natx/SG	Fr 55%, Ger/Aus 23%, Switz 7%, Iberia 5%, UK/Ire 4%, Neth 3%, It 3%. AM 61%, OI 24%, Bks 7%, Ins/PF 7%, Others 1%
MS+45/50, MS+35 (+/-3)	-	>€1.3bn	-/A-/A	Barc/BBVA/BNPP/Citi/ING/MUFG	-
MS+25/30, MS+20 (+/-2)	-	c.€1bn	A2/A+	Barc/Danske/Miz/NatWest	-
MS+80 area	-	>€1.3bn	-/BBB	HSBC/Nordea/Uni	-
MS+140/145	-	-	Baa2/BBB	BAML/Barc/WFS	-
MS+80/85, MS+75 (+/-3)	-	>€700m	-/BBB-	CMZ/GS/SG/Uni	Ger/Aus 64%, UK/Ire 11%, Fr 7%, S.Eur 6%, Switz 5%, Benelux 5%, Other 2%. FM 41%, OI/Agcy 28%, Bks 18%, Ins 8%, Corp 3%, Other 1%.
MS+110 (+/-2)	-	€525m	-/BBB	CA-CIB/ING/MS	-
MS+210/220	-	>€600m	-	BNPP/CA-CIB/HSBC	Fr 56%, S.Eur 18%, Ger/Aus/Switz 13%, Benelux 9%, UK 4%. AM 65%, Ins/PF 24%, Bks/PB 11%.
MS+115 area, MS+100/105	5	-	Baa2	Danske/DB/HCM/Nordea	-
MS+95 area, MS+80 (+/-2)	-	€1.25bn	A3/A-	BAML/CA-CIB/ING/NatWest	-
3mE+65/+70, 3mE+60 (+/-2)	-	€740m	Baa1/BBB	IMI/Citi/CM-CIC/CMZ/Natx/NatWest/SG	-
MS+40/+45, MS+25 (+/-2)	3	€1.8bn	Baa1/BBB	IMI/Citi/CM-CIC/CMZ/Natx/NatWest/SG	-
G+210 area	-	£575m	-/-/BBB+	Barc/HSBC/NatWest/Santander	-
-	-	-	-/AA	Lloyds	-
0.02%/0.06%	-	SFr100m	-/-/A-	ZKB/KBBL	-
-	-	-	-	DBS	-
-	-	-	-	Danske	-
OTC+73 (+/- 3)	-	-	A2/-/-/AL	BMO /Scotia	-
OTC+110 area	-	-	-/A+/-/AH	BMO/RBC	-
-	-	-	-	Danske	-
-	-	-	Aa2/A+/-/AH	NBF/BMO/TD	-
GOC+175 (+/-2)	-	-	Ba2/BBB/-/BBB	Scotia/TD	-
GOC+132 (+/- 2)	-	-	Baa2/BBB/-/BBB	Scotia/TD	-
GOC+223 (+/-3)	-	-	Baa1/BBB+/BBB+/BBBH	Scotia/TD/BMO	-
OTC+153 (+/- 3)	-	-	Baa1/BBB+/BBB+/BBBH	Scotia/TD/BMO	-
MS+85-95	-	-	Aa3/AA-	WBC	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/3/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Feb 28 2018	SNC-Lavalin	C$125m	Mar 4 2019	FRI+35	100	FRI+35	-
Feb 28 2018	SNC-lavalin	C$175m	Mar 2 2021	FRI+54	100	FRI+54	-
Feb 28 2018	SNC-Lavalin	C$200m	Mar 2 2023	3.233	-	GOC+118	3.235
Feb 28 2018	Heathrow Funding	C$400m	Mar 8 2028	3.4	-	OTC+115	3.416
FINANCIALS							
US DOLLARS							
Feb 26 2018	Mitsubishi UFJ Financial Group	US$1.5bn	Mar 2 2023	3.455	100	T+85	3.455
Feb 26 2018	Mitsubishi UFJ Financial Group	US$750m	Mar 2 2023	3mL+74	100	3mL+74	3mL+74
Feb 26 2018	Mitsubishi UFJ Financial Group	US$750m	Mar 2 2025	3.777	100	T+100	3.777
Feb 26 2018	Mitsubishi UFJ Financial Group	US$500m	Mar 2 2028	3.961	100	T+110	3.961
Feb 27 2018	Essex Portfolio	US$300m	Apr 1 2048	4.5	0	T+133	-
Feb 27 2018	Huntington Bancshares	US$500m	PERPNC5	5.7	0	0.06	-
Feb 27 2018	Marsh & McLennan Companies	US$600m	Mar 1 2048	4.2	0	T+103	-
Feb 28 2018	Bank of America Corp	US$3bn	Mar 5 2024	3.55	100	T+90	3.55
Feb 28 2018	Bank of America Corp	US$1.5bn	Mar 5 2024	3mL+79	100	3mL+79	3mL+79
Feb 28 2018	Bank of America Corp	US$2.5bn	Mar 5 2029	3.97	100	T+110	3.97
Feb 28 2018	KeyBank NA/Cleveland OH	US$500m	Mar 7 2023	3.375	99.98	T+73	3.375
Feb 28 2018	Mizuho Financial Group	US$850m	Mar 5 2023	3.549	100	T+90	0.035
Feb 28 2018	Mizuho Financial Group	US$850m	Mar 5 2023	3mL+79	100	3mL+79	3mL+79
Feb 28 2018	Mizuho Financial Group	US$1.3bn	Mar 5 2028	4.018	100	T+115	4.018
Mar 1 2018	Nationwide Building Society	US$1bn	Mar 8 2024	3.766	100	T+120	3.766
Mar 1 2018	Nationwide Building Society	US$750m	Mar 8 2029	4.302	100	T+150	4.302
EUROS							
Feb 26 2018	Macquarie Group	€500m	Mar 5 2025 (Mar 5 2024)	1.25	99.342	MS+75, B+120.9	1.365
Feb 26 2018	Credit Agricole (SNP)	€1.25bn	Mar 6 2023	3mE+60	100.911	DM+42	-
Feb 27 2018	RBS Group (holdco)	€1.5bn	Mar 2 2026 (Mar 2 2025)	1.75	99.85	MS+100, B+145.1	1.773
Feb 27 2018	RBS plc (opco)	€1.75bn	Mar 2 2020	3mE+40	100.366	3mE+22	-
Feb 27 2018	RBS plc (opco)	€1.5bn	Mar 2 2022	0.625	99.76	MS+40, B+84.3	0.686
Feb 27 2018	BBVA (SNP)	€1.5bn	Mar 9 2023	3mE+60	100.404	3mE+52	-
Feb 28 2018	SocGen (SNP)	€1bn	Mar 6 2023	3mE+45	100	3mE+45	-
Feb 28 2018	Lloyds Banking Group	€750m	Sep 7 2028	1.75	99.568	MS+130, B+176.2	1.834
Feb 28 2018	Central Bank of Savings Banks Finland	€300m	Mar 8 2021	3mE+50	100.518	3mE+33	-
Mar 1 2018	CBA	€500m	Mar 8 2023	3mE+50	101.271	DM+25	-
Mar 1 2018	Chubb	€900m	Mar 15 2038	2.5	99.999	MS+95, B+146.1	1.578

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
FRI+35	-	-	-/BBB/-/BBB	BMO/CIBC/NBF/Scotia	-
FRI +55 (+/- 1)	-	-	-/BBB/-/BBB	BMO/CIBC/NBF/Scotia	-
OTC+120	-	-	-/BBB/-/BBB	BMO/CIBC/NBF/Scotia	-
OTC+118 (+/- 3)	-	-	-/A-/A-	BAML/Scotia/TD	-
T+100 area, T+87.5 (+/-2.5)	5	US$2bn	A1/A-/A	MS/MUFG(a)/Citi(p)	-
3mL equiv, 3mL equiv	FRN	US$1.4bn	A1/A-/A	MS/MUFG(a)/Citi(p)	-
T+110/115, T+100/105	8	US$1.3bn	A1/A-/A	MS/MUFG(a)/Citi(p)	-
T+120 area, T+112.5 (+/-2.5)	12	US$1.4bn	A1/A-/A	MS/MUFG(a)/Citi(p)	-
T+155 area, T+135 (+/-2)	3	US$1bn	Baa1/BBB+/BBB+	Citi/JPM/USB/WFS(a)/Jeff/MUFG(p)	-
5.875% area, 5.75% (+/-5)	PERP	US$1.8bn	Baa3/BB/BB	Citi/GS/HBank/MS	-
T+120 area, T+105 (+/-2)	6	US$1.5bn	Baa1/A-	Citi/GS(a)/Barc/HSBC(p)	-
T+100 area, T+90 (the #)	12	US$9.5bn combined	A3/A-/A	BAML	-
3mL equiv, 3mL+79 (the #)	FRN	US$9.5bn combined	A3/A-/A	BAML	-
T+120 area, T+110 (the #)	8	US$9.5bn combined	A3/A-/A	BAML	-
T+85 area, T+75 (+/-2)	8	US$1bn	A3/A-/A-	Key/GS/JPM/MS	-
T+105 area, T+95 (+/-5)	8	US$1.6bn	A1/A-	JPM/Miz	-
3mL equiv, 3mL equiv	FRN	US$1.4bn	A1/A-	JPM/Miz	-
T+130 area, T+120 (+/-5)	12	US$2.3bn	A1/A-	JPM/Miz	-
T+125/130, T+120 (the #)	1	US$1.35bn	Baa1/BBB+	BAML/Barc/BNP/Citi/JPM/UBS	-
T+155/160, T+150 (the #)	1	US$1.15bn	Baa1/BBB+	Barc/BNP/Citi/JPM/MS/UBS	-
MS+80/85, MS+70/75	-	-	A3/BBB/-	Citi/HSBC/ING/MQB/Westpac	-
DM+45 area, DM+mid-50s	-	>€2bn	Baa2/BBB+/A+	CA	-
MS+110 area	15	€2.1bn, 118 acs	Baa3/BBB-/BBB-	NatWest/BAML/SG/Uni	UK/Ire 34%, Asia 18%, Nordics 15%, Ger/Aus 14%, S.Eur 10%, Benelux 5%, Fr 4%. FM 64%, OI 24%, Bks 9%, Other 3%.
3mE+30 area		€2bn, 114 acs	A3/BBB+/BBB+	NatWest/ABN/Natx/Swed	Fr 34%, Ger/Aus 23%, S.Eur 15%, UK/Ire 15%, Nordics 5%, Benelux 5%, Other 3%. FM 78%, Bks 16%, OI 2%, Other 4%.
MS+45/50		€2.1bn, 101 acs	A3/BBB+/BBB+	NatWest/ABN/Natx/Swed	Ger/Aus 27%, UK/Ire 26%, Fr 20%, S.Eur 13%, Nordics 10%, Other 4%. FM 75%, Bks 14%, OI 7%, Other 4%.
3mE+high 60s, 3mE+55 area	2	>€3.25bn	Baa3/BBB/A-	Barc/BBVA/ING/MS/Natx/UBS	Ger/Aus 35%, Sp 24%, Fr 14%, It 8%, UK/Ire 6%, Port 4%, Benelux 4%, Other 5%. FM 77%, Bks/PB 13%, Ins/PF 9%, Other 1%.
3mE+mid 50s	3	c.€1.2bn, >65 acs	Baa3/BBB+/A	SG	Ger/Aus/Switz 55%, Fr 18%, Iberia 12%, It 5%, Benelux 5%, Nordics 3%, UK/Ire 1%. AM 74%, Bks/PB 12%, Ins/PF 10%, CB/OI 3%, HF 1%.
MS+135 area	20	€950m	Baa1/BBB-/A-	Lloyds	UK/Ire 34%, Fr 23%, Benelux 17%, Ger/Aus 10%, It 7%, Nordics 4%, Other 5%. AM 77%, Bks/PB 9%, CB/Sov 8%, Ins/PF 6%.
3mE+35 (+/-2)		€600m	-/A-	DB/LBBW/Nordea	-
DM+30 area	-	-	Aa3/AA-/AA-	CBA/CS/DB	-
MS+110 area, MS+100 area	-	-	A3/A/A	BAML /Barc /DB	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 2/3/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Mar 1 2018	Chubb	€900m	Mar 15 2028	1.55	99.742	MS+50, B+93.8	2.5
Mar 1 2018	Nationwide Building Society	€1bn	Mar 8 2026 (Mar 2025)	1.5	99.382	MS+85, B+131.2	1.594
SWISS FRANCS							
Mar 1 2018	Swiss Life	SFr425m	Perpetual (Sep 2024)	2	100	MS+184.2	2
Mar 1 2018	Swiss Life	SFr175m	Sep 25 2048 (Sep 2028)	2.625	100	MS+211.3	2.625
NON CORE							
Feb 26 2018	Westpac	A$2.35bn	Mar 6 2023	3mBBSW+83	100	3mBBSW+83	-
Feb 26 2018	Westpac	A$250m	Mar 6 2023	3.2	99.805	ASW+83	3.243
Feb 27 2018	UBS Australia	A$275m	Mar 8 2023	3.25	99.703	ASW+90	3.315
Feb 27 2018	UBS Australia	A$525m	Mar 8 2023	3mBBSW+90	100	3mBBSW+90	-
Feb 27 2018	UBS Australia	A$750m	Apr 8 2021	3mBBSW+70	100	3mBBSW+70	-
Feb 27 2018	LF Bank	SKr300m	Mar 8 2021	-	-	-	-
Feb 27 2018	BMO	C$1.25bn	Mar 1 2028	3.19	-	GOC+91.7	3.198
Feb 28 2018	Lloyds Banking Group	A$325m	Mar 7 2025	3mBBSW+140	100	3mBBSW+140	-
Feb 28 2018	Lloyds Banking Group	A$425m	Mar 7 2025	4	99.864	ASW+140	4.023
Feb 28 2018	Goldman	C$750m	Jul 27 2022	3mCDOR +54	100	3mCDOR +54	-
Mar 2 2018	Credit Suisse Group	A$175m	Mar 8 2024 (Mar 2023)	3mBBSW+125	100	3mBBSW+125	-
Mar 2 2018	Credit Suisse Group	A$125m	Mar 8 2024 (Mar 2023)	3.5	99.365	ASW+125	3.64
COVERED BONDS							
EUROS							
Feb 28 2018	de Volksbank	€500m	Mar 8 2028	1	99.03	MS+1, B+44.2	1.103
Mar 1 2018	KBC Bank	€750m	Mar 8 2026	0.75	99.676	MS-8, B+38.8	0.792
SWISS FRANCS							
Mar 1 2018	PSHypo	SFr200m incr (SFr525m)	May 12 2032	1	104.144	MS-3, Eidg+33.1	0.692
Mar 1 2018	PSHypo	SFr575m	Apr 26 2024	0.125	100.597	MS-9, Eidg+31.1	0.027
HIGH YIELD							
US DOLLARS							
Feb 23 2018	Bristow Group	US$350m	Mar 1 2023	8.75	99.016	T+637	9
Feb 26 2018	Warrior Met Coal	US$125m	Nov 1 2024	8	103	T+465	7.42
Feb 28 2018	WMG Acquisition Corp	US$325m	Apr 15 2026	5.5	100	T+264	5.5
Feb 28 2018	Kennedy-Wilson	US$250m	Apr 1 2024	5.588	98.625	0	6.15
Mar 1 2018	Garda World Security Corp	US$125m	May 15 2025	8.75	105.25	T+470	7.78
Mar 1 2018	Avolon Holdings Funding	US$500m	Jan 15 2023	5.5	100	T+292	5.5
Mar 1 2018	AES Corp	US$500m	Mar 15 2023 (Mar 2020)	4.5	100	T+193	4.5
Mar 1 2018	AES Corp	US$500m	Mar 15 2021 (Mar 2020)	4	100	T+164	4
Mar 1 2018	Fortescue Metals Group	US$500m	Mar 15 2023	5.125	100	T+256	5.125
Mar 1 2018	New Enterprise Stone & Lime Co	US$450m	Mar 15 2026 (Mar 2021)	6.25	100	T+342	6.25
Mar 2 2018	Meritage Homes	US$200 incr (US$400m)	Jun 1 2025	6	100	T+271	6
EUROS							
Feb 28 2018	Equinix	€750m	Mar 1 2024	2.875	100	B+271.2	2.875
NON CORE							
Feb 27 2018	NuVista Energy	C$220m	Mar 2 2023	6.5	100	GOC+440.7	6.5

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+65 area, MS+55 area	-	-	A3/A/A	BAML /Barc /DB	-
MS+95 area, MS+85	-	1.7bn	Baa1/BBB+	BNPP/DB/Lloyds/NatWest/UBS	-
2.125%/2.375%, 2%/2.25%, 2%	20	SFr425m, >60 acs	-/BBB+	CS/DB/UBS	Switz 100%. Retail/PB 63.62%, AM 17.15%, Ins 8.39%, Other Inst 7.69%, PF 3.15%.
2.5%/2.75% (I), 2.5%/2.75%(G), 2.625%	20	SFr175m, >20 acs	-/BBB+	CS/DB/UBS	Switz 100%. AM 53.47%, Ins 23.22%, Retail/PB 22.38%, PF 0.93%.
3mBBSW+85 area	-	-	Aa3/AA-/AA-	WBC	-
ASW+85 area	-	-	Aa3/AA-/AA-	WBC	-
ASW+95 area	-	-	A1/A+/AA-	ANZ/CBA/NAB/TD/UBS	-
3mBBSW+95 area	-	-	A1/A+/AA-	ANZ/CBA/NAB/TD/UBS	-
3mBBSW+75 area	-	-	A1/A+/AA-	ANZ/CBA/NAB/TD/UBS	-
-	-	-	A1/A	Swed	-
OTC+92 (+/- 2)	-	-	A1/-/-/AA	BMO	-
3mBBSW+140/145	-	-	A3/BBB+/A+	ANZ/JPM/NAB/TD	-
ASW+140/145	-	-	A3/BBB+/A+	ANZ/JPM/NAB/TD	-
3mCDOR +55 (+/-2)	-	-	A3/BBB+/A/AH	GS/RBC/TD/BMO/Scotia	-
3mBBSW+125 area	-	-	Baa2/BBB+/A-	ANZ/CBA/CS/NAB/TD	-
ASW+125a	-	-	Baa2/BBB+/A-	ANZ/CBA/CS/NAB/TD	-
MS+4 area	3	€1bn	Aaa/-/AAA	Barc/CS/LBBW/Rabo	Ger/Aus 45%, Benelux 26%, Switz 12%, Nordics 5%, UK 4%, Asia 3%, It/S.Eur 3%, Other 2%. CB/OI 31%, Bks 26%, FM 25%, Ins/PF 18%.
MS-7 area, MS-8 area	3	€1.1bn	Aaa/-/AAA	BLB/DZ/KBC/LBBW/Natx/UBS	Benelux 39%, Ger/Aus 32%, Nordics 10%, UK 8%, Asia 6%, Fr 3%, S.Eur 1%, Other 1%. CB/OI 39%, Bks 39%, Ins/PF 11%, AM 11%.
MS-3 area	-	-	Aaa/NR/NR/NR	CS/UBS/Raif	-
MS-9 area	-	-	Aaa/NR/NR/NR	CS/UBS/Raif	-
9%/9.25%, 9%	-	-	B2/B+	CS/Barc	-
103.00 price	-	-	B3/B+	GS/CS/MS/BMO/Citi/RBC	-
5.5%/5.75%, 5.5%	-	-	B3/B	CS (sole)	-
98.75 area	-	-	B2/BB	BAML/DB/JPM/USB/FITB	-
105.25–105.75 price	-	-	Caa2/CCC+/B-	Barc/Citi/MQB/SG/TD	-
5.5% area, 5.5%	-	-	Ba3/BB/BB	MS/JPM/Barc/BNPP/CA-CIB/STRH/UBS	-
4.25% area, 4.5%	-	-	Ba2/BB	MS/Barc/BAML/Citi/CS/DB/GS/JPM/MUFG	-
4% area, 4%	-	-	Ba2/BB	MS/Barc/BAML/Citi/CS/DB/GS/JPM/MUFG	-
5%/5.25%	-	-	Ba2/BB+/NR	JPM	-
6.25%/6.5%, 6.25%	-	-	B2/B+	GS/KKR	-
-	-	-	Ba2/BB	JPM/RBC/Citi/BAML/Miz/PNC/STRH/USB	-
2.875% area	-	-	B1/BB+/BB	Barc/HSBC/ING	-
-	-	-	-/B+	CIBC/RBC	-

NEW: IFR CAPITAL MARKETS WEEK AHEAD

Start the week with IFR's Capital Markets Week Ahead email: a brief, global, cross-asset class look at the key capital markets deals and events expected in the coming week, with links to relevant IFR stories for context.

- Key deals coming up in the week ahead, with statistics and background context.
- A graphic, chart or table that captures a trend or milestone in the markets.
- 'Last week in numbers': newsworthy statistics from the previous week's deals.

Visit IFRe.com to sign up today.

IFR

A THOMSON REUTERS SERVICE

THOMSON REUTERS™

■ FRONT STORY CIS

Ukrexim brings local flavour to bond markets

› Financial institution issues exotic deal in market return

UKREXIM brought something a little different to the capital markets last Tuesday when it sold a rare hryvnia-denominated Eurobond.

A Ukrainian local currency Eurobond may not seem the obvious trade at a time when sentiment towards risk assets is still a bit fragile, not to mention the huge economic and political challenges facing the CIS country - some of them self-inflicted.

Key reforms promised last year have yet to pass, derailing a US$17.5bn IMF programme, while the central bank still does not have a permanent governor nearly a year since Valeria Gontareva resigned.

"In my 30-odd years as a professional economist, I cannot remember any central bank, anywhere in the world, which left the post of central bank governor [unfilled] and for so long," said Tim Ash, senior EM sovereign strategist at BlueBay.

"This reflects so badly on Ukraine and its political elites - as it shows their own mislaid priorities and a lack of understanding of what is actually important."

Luckily for Ukraine, as Ash points out, the country has not faced a macroeconomic crisis over this period, while acting governor Yakiv Smoliy has done a good job.

The central bank has adopted a tight monetary policy to try to keep inflation in check, which was 14.1% in January year-on-year.

The central bank's monetary policy has also kept the currency relatively stable, which has enticed foreign investors into the local market.

A stable currency was an important consideration for investors in Ukrexim given the Eurobond's coupon payments and principal will be paid and settled in US dollars at a prevailing rate of 27.006610.

The Ukrexim deal is undoubtedly exotic fare and not to everyone's taste, as pricing showed. Leads began marketing the three-year notes at a yield of low-mid 16s, which was subsequently defined as guidance of 16.25%-16.50%.

That range was relatively tight compared with the sovereign. Data from the central bank shows that the average yield at three years for Ukraine is in the high 15s, with the curve highly inverted.

But buying the sovereign is not easy for international investors, who either need an account with a local custodian or have to pay a fee of up to 100bp for banks to structure the risk.

The leads subsequently priced a US$150m-equivalent deal at 16.50%, becoming one of the highest yielding Eurobonds in the process. "These local currency deals are no walk in the park," said a banker close to the deal.

As well as the macroeconomic and political issues, investors also had to get comfortable with liquidity concerns.

The deal marks Ukrexim's return to the international capital markets after it secured seven-year maturity extensions on its outstanding bonds in 2015, as part of the country's huge restructuring efforts.

Ukrexim (Caa2/-/B-) also issued the first local currency international bonds from a Ukrainian borrower when it printed a US$300m-equivalent hryvnia Eurobond in January 2011.

Sudip Roy

Slovenia weaves pattern from debt fabric

› Sovereign completes multi-layered plan

SLOVENIA undertook a complex exercise of tenders, bond exchange and reopening of existing issues, as it continues to remodel its debt profile.

The whole operation, which included a cross-currency swap portfolio restructuring, totalled 22 separate transactions, according to Marjan Divjak, director general of the Treasury Directorate in Slovenia.

"The transactions were designed to be executed simultaneously with cash flowing directly from the settlement bank to banks' swap counterparties and then to international clearing and settlement depositaries," said Divjak.

"Proceeds for the purpose of budget funding reached our account. Special documentation was developed to enable such a flow of cash."

A lead was impressed by the level of ambition and technical aptitude the Slovenian team had demonstrated.

"As a debt office, they maybe don't get the attention that others do because of their size, but they are dynamic, thoughtful and highly technical," he said. "Lesser teams might think it is too complex and intimidating, but they have a clear strategy and aim: to improve pricing for the republic."

The sovereign (Baa1/A+/A+) raised €1.25bn through reopenings of its March 2028s, March 2035s and August 2045s. It started marketing the 2028s at swaps plus 30bp area, the 2035s at plus 50bp area and the 2045s at plus 55bp area.

The majority of the money was placed at the 10-year point, where Slovenia added €850m at 25bp over. That took the total outstanding to €2.35bn.

Slovenia bolted on an additional €250m to its €2bn 2035s at plus 45bp. Pricing did not move at the long-end, where a further €150m was added to the €1bn 2045s at plus 55bp.

A banker away from the deal thought the concessions on the 2028s and 2045s were around 7bp, but more like 2bp on the mid-point.

"The main exercise was adding liquidity to the 2028s, but they also saw the advantage of adding some liquidity to the longer-dated lines," said the lead.

The combined books closed at over €3.7bn, including €725m of lead manager interest. Over 150 accounts participated.

Slovenia also engaged in an intricate exercise with its dollar bonds, opening a tender offer, exchange and tap as regards its October 2022s, May 2023s and February 2024s.

Holders of the 2022s and 2023s could tender their notes for cash or exchange them into new 2024s. Holders of the 2024s could tender their notes for cash.

"The pricing for the tender and the exchange was set to incentivise investors in a direction of a preferred outcome," said Divjak. "We were aware that it might be seen as controversial to be exchanging the 2022 and 2023 dollar bond into the 2024 dollar bond, and at the same time to be buying back the 2024s, but the end result showed that it was the right decision."

Slovenia accepted over US$572m-equivalent across both tender and exchanges, reducing the size of all three dollar bonds.

Robert Hogg

ASIA-PACIFIC

CHINA

GUORUI SELLS 364-DAY DOLLAR NOTES

GUORUI PROPERTIES, rated B/B (S&P/Fitch), last Tuesday priced a US$250m 364-day US dollar senior unsecured note issue at par to yield 10.20%.

This is the highest yield this year in the Asian G3 sector. The year's previous highest came from Indonesian thermal coal producer Golden Energy and Resources, rated B1/B+ (Moody's/Fitch). On February 8, Golden priced US$150m of five-year non-call three US dollar senior bonds at 98.53 with a coupon of 9% to yield 9.375%.

Hong Kong-listed Guorui plans to use the proceeds to refinance debt and meet general working capital needs.

Credit Suisse, *Morgan Stanley*, *Haitong International*, *Standard Chartered* and *Guotai Junan International* were joint global coordinators. They were also joint bookrunners and joint lead managers with *Bank of America Merrill Lynch*, *BOC International*, *China Merchants Securities (HK)*, *China Securities International*, *VTB Capital*, *ABC International* and *Mizuho Securities*.

A banker on the issue said Guorui wanted to print longer bonds as it has a US$1bn offshore debt issuance quota from the National Development and Reform Commission. However, as its funding cost for three-year bonds might be too high at 12%–13%, management decided to sell shorter paper first and wait for other windows later.

DONGLING AND SHANDONG HIRE FOR DOLLAR SENIOR

Chinese commodities trader and non-ferrous metals producer **DONGLING GROUP**, rated B2/B (Moody's/S&P), has hired banks for a proposed offering of US dollar senior unsecured notes.

DBS Bank, *ICBC (Asia)*, *BOC International*, *ABC International*, *CNCB HK Capital* and *Natixis* are joint global coordinators, as well as joint lead managers and joint bookrunners with *SPDB International*.

The Shaanxi province-based private enterprise started to meet investors in Singapore and Hong Kong from last Wednesday.

The Reg S notes will be issued in the name of Dong Bao International, while Dongling Group will be guarantor. The notes have expected ratings of B3/B– (Moody's/S&P).

SHANDONG HI-TECH INNOVATION CONSTRUCTION INVESTMENT GROUP, rated BB (Fitch), has hired banks for a proposed offering of US dollar senior unsecured notes.

CEB International and *Founder Securities (Hong Kong)* are joint global coordinators on the offering, as well as joint lead managers and joint bookrunners with *Guotai Junan International*, *Mizuho Securities* and *Natixis*.

The issuer, which develops and builds urban infrastructure in Weifang Hi-Tech Zone in Shandong province, started to meet investors in Hong Kong and Singapore from February 28.

The proposed Reg S notes have an expected rating of BB.

XINGCHENG IG HIRES FOR EUROS

CHENGDU XINGCHENG INVESTMENT GROUP has named *China International Capital Corp* and *Societe Generale* as joint global coordinators, joint lead managers and joint bookrunners for a euro bond offering.

The wholly owned unit of the State-owned Assets Supervision and Administration Committee of Chengdu City began meeting fixed-income investors in Hong Kong, London and Frankfurt last Friday.

A Reg S offering of euro-denominated senior unsecured bonds, with short to intermediate tenors, may follow. The notes are expected to score a BBB+ Fitch rating, on par with the issuer.

CHEMCHINA LOOKS AT OPTIONS

CHINA NATIONAL CHEMICAL CORPORATION (ChemChina) has hired banks for a potential offering of US dollar and/or euro multi-tranche Reg S senior unsecured bonds of up to 10 years.

Bank of America Merrill Lynch, *Barclays*, *BNP Paribas*, *BOC International*, *China Citic Bank International*, *Commerzbank*, *Credit Agricole*, *Credit Suisse*, *First Abu Dhabi Bank*, *HSBC*, *Industrial Bank*, Hong Kong branch, *Morgan Stanley*, *MUFG*, *Natixis*, *Rabobank*, *Santander*, *Societe Generale* and *UniCredit* are joint global coordinators, joint bookrunners and joint lead managers.

The state-owned chemical company started to meet investors in Hong Kong, Singapore, Frankfurt, Paris, Abu Dhabi, Dubai, London and Zurich from last Tuesday.

ChemChina has ratings of Baa2 (negative) from Moody's, BBB (stable) from S&P and A– (stable) from Fitch.

The proposed bonds will be issued in the name of indirectly wholly owned subsidiary CNAC (HK) Finbridge with ChemChina as guarantor. The bonds have expected ratings of BBB/A– (S&P/Fitch).

ChemChina may consider longer-tenor US dollar bonds subject to reverse enquiry.

TIANJIN RTG READIES EURO GREENS

TIANJIN RAIL TRANSIT GROUP, rated A3/A–/A, has hired banks to arrange investor meetings in London, Zurich, Frankfurt and Munich from last Friday for a proposed offering of euro Green bonds.

HSBC, *ICBC International* and *Standard Chartered* are joint global coordinators, as well as joint bookrunners and joint lead managers with *ABC International*, *CCB International*, *CEB International*, *Bank of China* and *Wing Lung Bank*.

An offering of Reg S Green bonds at a tenor of around four years may follow, with Rail Transit International Development as the proposed issuer.

Tianjin Rail Transit Group (Hong Kong) will provide an unconditional and irrevocable guarantee. The notes will have the benefit of a keepwell and liquidity support deed and a deed of equity interest purchase undertaking from Tianjin Rail Transit Group.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

Asia-Pacific

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	HSBC	42	4,510.37	7.6
2	Standard Chartered	32	3,696.80	6.3
3	Citigroup	27	3,569.89	6.1
4	Bank of China	28	3,447.90	5.8
5	BNP Paribas	19	2,415.47	4.1
6	Credit Suisse	16	2,354.98	4.0
7	UBS	16	1,988.57	3.4
8	Citic	17	1,849.40	3.1
9	Morgan Stanley	14	1,788.83	3.0
10	Deutsche Bank	15	1,719.42	2.9
	Total	**119**	**58,979.68**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L4

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	60	16,243.61	12.7
2	HSBC	59	9,806.02	7.6
3	Standard Chartered	45	8,618.62	6.7
4	JP Morgan	30	7,572.95	5.9
5	BNP Paribas	30	5,377.28	4.2
6	Deutsche Bank	25	5,072.72	4.0
7	BAML	25	4,455.23	3.5
8	Credit Suisse	25	4,413.69	3.4
9	Morgan Stanley	26	3,690.15	2.9
10	Bank of China	29	3,527.31	2.7
	Total	**199**	**128,321.31**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L1

The proceeds are meant to finance and refinance eligible Green projects in low-carbon transportation, pollution prevention, energy efficiency and renewable energy.

HSBC is the Green structuring adviser.

The bonds are expected to score ratings of Baa1 from Moody's and A from Fitch.

JIANGSU NEWHEADLINE AND HENGYI HIRE

JIANGSU NEWHEADLINE DEVELOPMENT GROUP has hired banks to arrange investor meetings in Hong Kong and Singapore from Monday, ahead of a potential US dollar bond offering.

Bank of China, *BoCom International*, *Guotai Junan International* and *Shanghai Pudong Development Bank* are joint global coordinators and bookrunners.

A Reg S offering of US dollar senior unsecured bonds may follow.

Jiangsu NewHeadline has ratings of BB from S&P and BB+ from Fitch, which has it on rating watch negative. Xinhailian Group will issue the bonds, expected to be seen as BB/BB+, with Jiangsu NewHeadline as guarantor.

The company is Lianyungang municipal government's sole investment and financing platform for city construction and development in the Lianyungang Economic and Technology Development Zone and parts of the city's eastern urban areas.

Petrochemical producer **ZHEJIANG HENGYI GROUP**, rated B2 (Moody's), has hired four banks for a proposed offering of US dollar senior notes.

Bank of China, *China Citic Bank International* and *Haitong International* are joint global coordinators, as well as joint lead managers and joint bookrunners with *Zhongtai International*.

Hengyi will meet investors in Singapore and Hong Kong, starting Monday.

The proposed notes will be issued in the name of wholly owned subsidiary Wealthy Link Global.

The Reg S notes have expected B3 rating from Moody's.

TEWOO EYES DOLLAR SENIOR PERP

TEWOO GROUP, rated BBB (Fitch), has hired banks for a proposed offering of US dollar senior guaranteed perpetual capital securities.

Barclays, *Bank of China* and *China Citic Bank International* are joint global coordinators, as well as joint bookrunners and joint lead managers with *AMTD*, *Guotai Junan International* and *Bank of Communications*.

The state-owned commodities trading and logistics company will meet investors in Singapore and Hong Kong, starting Monday.

The Reg S perps will be issued in the name of wholly owned subsidiary Tewoo Group No 5 with the state-owned parent as guarantor.

The notes have an expected Fitch rating of BBB–.

Appetite builds for Dim Sum

OFFSHORE RENMINBI Pricing advantage draws back Chinese property developers

Chinese property developers returned to the Dim Sum market last week after a 17-month pause, underlining the offshore renminbi's growing appeal amid tight onshore conditions and rising US dollar rates.

SHUI ON LAND last Monday printed Rmb1.6bn (US$253m) of unrated three-year non-call two notes, the first Dim Sum offering from a Chinese developer since August 2016 and the largest corporate Dim Sum issue since two Canadian banks reopened the market last September.

The notes were priced at par to yield 6.875%, inside initial guidance of 7.125% area.

On Thursday, **CHINA JINMAO HOLDINGS GROUP** (Baa3/BBB–/BBB–) followed suit with a Rmb1.25bn debut Dim Sum trade, pricing the three-year notes at par to yield 5.20%.

Both deals were about 3.5 times covered, with Shui On drawing 89 accounts and Jinmao 69.

"Many private banks were attracted to the yield Shui On offered, as supply of high-yield paper in the Dim Sum sector was scarce," said a syndicate banker on both deals.

"Big fund managers saw some renminbi inflows recently. That, combined with old money from maturing bonds and a stabilising renminbi, enabled Shui On to get a big issue size," he said.

A Hong Kong credit trader said attractive pricing opportunities had brought developers back into the offshore renminbi market.

Comparing Shui On's Dim Sum notes with its US dollar 5.70% 2021s, which traded around 5.7%/5.6% last Tuesday, the trader said the dollar paper would cost 7.5% once swapped to renminbi.

He said Shui On could have secured even more attractive pricing had its deal not competed with a Rmb4bn dual-tranche Dim Sum offering by **BANK OF CHINA, MACAU BRANCH** (A1/A/A) launched on the same day.

The banker on the deal dismissed the impact of the BOC deal as negligible, however, saying that the two trades appealed to a different investor base.

Hong Kong-listed Shui On has borrowed mainly in US dollars in the past three years and printed its last Dim Sum in February 2014.

The last Dim Sum sale from a Chinese developer was on August 21 2016, when Fantasia Holdings Group reopened its 2019 Dim Sum bonds to raise Rmb1bn.

FIRST COME, FIRST SERVED

Market participants said the two deals would rekindle interest from developers in the Dim Sum market after their recent US dollar bond binge and as access to China's domestic bond market remained difficult for some names.

Shui On submitted a Rmb15bn Panda bond plan to the Shanghai Stock Exchange in June 2016 but is still awaiting regulatory approval.

"The deal will definitely prompt more developers to reconsider Dim Sum bonds as a funding option," said a source familiar with Shui On's deal.

China Jinmao paid less for its Dim Sum bonds than its outstanding onshore paper. The Rmb2bn of 3.70% 2019s issued by Jinmao Investment Management Shanghai, an onshore subsidiary, were quoted at 6.67%/6.57% last Thursday, according to Thomson Reuters data.

However, capacity issues limit the potential of the offshore renminbi market.

"The issue with Dim Sum bonds is that the offshore renminbi pool is small. It means 'first come, first served'," said the banker, noting that those coming to market early are more likely to get better pricing and a bigger size.

Another Hong Kong-based DCM banker said he had advised issuers to use part of the offshore bond quota approved by the National Development and Reform Commission for Dim Sum bonds.

"We see opportunities for some issuers in the Dim Sum market. The issue sizes are not going to be large enough to replace US dollar funding, but Dim Sum notes can be a good complement to US dollar bonds," the banker said.

Shui On will use proceeds from the offshore renminbi bonds to repay debt with near-term maturities and to fund capital expenditure. Jinmao's proceeds are intended for debt refinancing.

The joint global coordinators, joint bookrunners and joint lead managers on the issue were *Standard Chartered Bank* and *China Citic Bank International*.

Standard Chartered Bank was sole lead on the China Jinmao deal.

Ina Zhou

HONG KONG

STATE TO ISSUE GREEN BONDS

HONG KONG is planning several measures to bolster the city's bond market, including a Green issuance programme with a borrowing

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 2/3/2018

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Feb 26 2018	ZSE	€315m	Mar 2 2028	1.75	99.474	MS+72	1.808
Feb 26 2018	First Abu Dhabi Bank (sukuk)	US$650m	Mar 5 2023	3.625	99.905	MS+95	3.646
Feb 26 2018	ICBC Dubai	US$700m	Mar 5 2021	3mL+75	100	3mL+75	3mL+75
Feb 26 2018	ICBC Dubai	US$700m	Mar 5 2023	3mL+85	100	3mL+85	3mL+85
Feb 26 2018	Central China Real Estate	US$300m	Mar 5 2021	6.5	100	-	6.5
Feb 26 2018	Industrial Bank	US$600m	Mar 5 2021	3.5	99.946	T+115	3.519
Feb 26 2018	Industrial Bank	US$250m	Mar 5 2023	3.75	99.599	T+123	3.839
Feb 26 2018	Industrial Bank	US$500m	Mar 5 2023	3mL+105	100	3mL+105	3mL+105
Feb 26 2018	Industrial Bank	€250m	Mar 5 2021	3mE+75	100	3mE+75	3mE+75
Feb 26 2018	Hyundai Capital Services	US$500m	Mar 5 2023	3.75	99.77	T+120	3.801
Feb 26 2018	Hubei Science & Technology	US$300m	Mar 5 2021	4.375	99.864	T+205	4.424
Feb 26 2018	Shui On Land	Rmb1.6bn	Mar 2 2021 (Mar 2 2020)	6.875	100	-	6.875
Feb 26 2018	CCT MTN	S$100m	Mar 5 2024	3.17	100	SOR+85	3.17
Feb 26 2018	Bank of China Macau Branch	Rmb1.5bn	Mar 5 2019	4.45	100	-	4.45
Feb 26 2018	Bank of China Macau Branch	Rmb2.5bn	Mar 5 2021	4.65	100	-	4.65
Feb 27 2018	Guorui Properties	US$250m	Mar 1 2019	10.2	100	-	10.2
Feb 27 2018	Korean Air	US$300m	Mar 6 2021	5.875	99.661	T+362.1	6
Feb 27 2018	Modern Land (Green)	US$350m	Mar 5 2021	7.95	100	-	7.95
Feb 27 2018	Yuzhou Properties	US$375m	Mar 6 2021 (Mar 6 2020)	6.375	100	-	6.375
Feb 27 2018	Tahoe Group (tap)	US$230m (US$430m)	Jan 17 2021	7.875	98.116	-	8.625
Feb 27 2018	Coastal Emerald (Shandong Hi-Speed)	US$400m	Mar 3 2019	3.9	99.904	-	4
Feb 27 2018	Qatar National Bank (Dim Sum)	Rmb750m	Mar 8 2021	5.1	100	-	5.1
Feb 27 2018	Commercial Bank of Qatar	SFr335m	Mar 22 2021	0.697	100	MS+100, Eidg+142.4	0.697
Feb 27 2018	Ukrexim (UAH Eurobond)	H4.051bn	Mar 2 2021	16.5	100	-	16.5
Feb 28 2018	Guojing Capital (China Reform Holdings) (tap)	US$200m (US$500m)	Dec 11 2022	3.95	96.53	T+210	4.772
Feb 28 2018	Agile Group Holdings	US$300m	Mar 7 2023	6.875	100	T+421.6	6.875
Feb 28 2018	Logan Property	US$250m	Mar 7 2021	6.375	100	100	6.375
Feb 28 2018	Clifford Capital	US$300m	Mar 7 2028	3.38	100	T+49	3.38

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+90 area, MS+75 (+/- 3)	-	>€1.6bn	-/A-	Citi/Uni	Ger 37%, Slovak 24%, RoEur 20%, UK/Ire 12%, US 7%. AM 46%, Bks/PB 28%, Ins/PF 26%.
MS+110 area	-	>US$1.3bn	Aa3/AA-/AA-	Citi/FAB/KFH/NCB/StCh	Islamic 43%, Conventional 57%.
3mL+100 area	-	US$1.1bn	A1	Citi/HSBC/StCh/ENBD/FAB/ICBC Asia/ICBCI/ICBCSing	Asia 85%, ME 14%, Eur 1%. Bank 74%, Cbank/Public 21%, AM/FM/HF 4%, PB 1%.
3mL+110 area	-	US$1bn	A1	Citi/HSBC/StCh/ENBD/FAB/ICBC Asia/ICBCI/ICBCSing	Asia 92%, ME 6%, Eur 2%. Bank 81%, Cbank/Pens 13%, AM/FM/HF 5%, PB 1%.
6.875% area, 6.5%/6.625%, 6.5%	-	US$1.25bn	B1/-/BB-	CS/DB/Guotai Junan/Haitong/MS/VTB	Asia 92%, Eur 8%. FM 53%, Bank 40%, PB 7%.
T+135 area	-	US$709m	Baa3	Industrial/Citi/StCh/BAML/BoCom/ICBCA/SPDB/CBA/CNCBI/CCBSing/CICC/CCBI/CMBI/CISI/CMBCHK/Wing Lung/Chiyu	Asia 90%, CEMEA/Other 10%. Bank 78%, AM 20%, PB/Other 2%.
T+145 area	-	US$765m	Baa3	Industrial/Citi/StCh/BAML/BoCom/ICBCA/SPDB/CBA/CNCBI/CCBSing/CICC/CCBI/CMBI/CISI/CMBCHK/Wing Lung/Chiyu	Asia 90%, CEMEA/Other 10%. Bank 85%, AM 9%, PB/Other 6%.
3mL+132.5 area	-	US$1.665bn	Baa3	Industrial/Citi/StCh/BAML/BoCom/ICBCA/SPDB/CBA/CNCBI/CCBSing/CICC/CCBI/CMBI/CISI/CMBCHK/Wing Lung/Chiyu	Asia 95%, CEMEA/Other 5%. Bank 74%, AM 23%, PB/Other 3%.
3mE+95 area	-	€545m	Baa3	Industrial/Citi/StCh/BAML/BoCom/ICBCA/SPDB/CBA/CNCBI/CCBSing/CICC/CCBI/CMBI/CISI/CMBCHK/Wing Lung/Chiyu	Asia 94%, CEMEA/Other 6%. Bank 74%, AM 23%, PB/Other 3%.
T+135 area	-	US$1.1bn	Baa1/A-	BNPP/Citi/HSBC/JPM/SG	Asia 42%, US 43%, Europe 15%. AM/FM 55%, insurers 23%, banks 11%, and SWF and CB 10%.
T+230 area	-	US$1.3bn	Baa2/-/BBB+	BOC/CICC/SG/Wing Lung	Asia 91%, EMEA 9%. FM 59%, Bank 23%, Ins 10%, Corp 5%, PB/Other 3%.
7.125% area, 6.875%	-	-	-	StCh/CNCBI	-
3.17% (the #)	-	-	-/BBB+	DBS/HSBC	SG 96%, Other 4%. FM/Ins 41%, Agency/Bank 42%, PB/Other 17%.
4.7% area, 4.45%	-	-	A1/A/A	BOC/DBS/HSBC/KGI	-
4.90% area, 4.65%	-	-	A1/A/A	BOC/DBS/HSBC/KGI	-
10.2% (the #)	-	-	-/B/B	CS/MS/Haitong/StCh/BAML/BOCI/CMSHK/CSI/GuotaiJunan/VTB/ABCI/Miz	-
6.25% area, 6%	-	US$852m	-	BOCI/Citi	Asia 92%, Eur 8%. AM/FM 77%, PB 18%, Bank 5%.
Low 8% area, 7.95%	-	US$700m	B3/-/B+	GuotaiJunan/DB/HSBC/BOCOMI/BOSC/SPDB/UBS/VTB/Zhongtai	Asia 98%, Eur 2%. FM 55%, Bank 42%, PB 3%.
6.625% area, 6.375%	-	US$770m	-/B+/BB-	BOCI/Haitong/CS/Huatai/Yuzhou	Asia 75%, Eur 25%. AM/FM/HF 68%, Bank/Sec 23%, PB 9%.
8.625% (the #)	-	-	B2/B-/B-	Haitong/CISI/GuotaiJunan/Industrial/MS	-
4.125% area, 4%	-	-	-	DB/ICBCA/BOCI/Ping An HK/CISI/GF Sec	-
5.1% area, 5.1%	-	-	Aa3	StCh	-
0.7%, MS+100 area	2.5 (vs US$)	SFr335m, >60 acs	A2/BBB+/A	CS	Switz 95%, RoW 5%. AM 57%, Ins 19%, PB 13%, Bks 6%, PF 4%.
Low-mid 16%, 16.25%/16.5%, 16.5%	-	-	-/-/B-	Citi/JPM	-
T+235 area	-	US$750m	-	ICBCA/GuotaiJunan/CNCBI/CCBI/CLSA/Wing Lung/SPDBI/BoC/BOCOMIEverbright HK/CMBCHK/CEBHK	-
7% area	-	-	B1	StCh/HSBC/BoC/BNPP/MS/UBS	-
6.625% area, 6.375%	-	-	-/-/BB-	Guotai Junan/CCBI/CISI/CMBI/GF Sec/Haitong/StCh/CMBC Capital	-
T+55/60	-	US$650m	AAA	Citi/HSBC/StCh/DBS	Asia 98%, Europe 2%. FM/AM 50%, banks 42%, SWF/Supra 7%, PB 1%.

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 2/3/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
Feb 28 2018	Gazprom	SFr750m	Mar 6 2023	1.45	100	MS+146	1.45
Feb 28 2018	Slovenia	€150m incr (€1.15bn)	Aug 7 2045	3.125	119.894	MS+55, B+88.6	2.156
Feb 28 2018	Slovenia	€250m incr (€2.25bn)	Mar 25 2035	1.5	93.553	MS+45, B+97.3	1.948
Feb 28 2018	Slovenia	€850m incr (€2.35bn)	Mar 6 2028	1	96.861	MS+25, B+67.7	1.337
Feb 28 2018	Slovenia (exchange)	US$114.177m incr (US$1.24999bn)	Feb 18 2024	5.25	110.405	T+65	3.308
Mar 1 2018	Fantasia Holding	US$350m	Mar 8 2021	8.375	100		8.375
Mar 1 2018	UPL Corp	US$300m	Mar 8 2028	4.5	99.34	T+173	4.583
Mar 1 2018	BOC HK Branch	US$250m	Mar 8 2028	4	99.122	T+125	4.108
Mar 1 2018	BOC HK Branch	US$1bn	Mar 8 2023		100	3mL+85	-
Mar 1 2018	BOC HK Branch	US$1bn	Mar 8 2021		100	3mL+75	-
Mar 1 2018	Agile Group Holdings	US$100m incr (US$400m)	Mar 7 2023	6.875	100	-	6.875
Mar 1 2018	Franshion Brilliant	Rmb1.25bn	Mar 8 2021	5.2	100	-	5.2
Mar 2 2018	Apicorp	Rmb630m	Mar 13 2021	4.7	100	-	4.7

ceiling of HK$100bn (US$12.77bn). The new initiatives were unveiled in the annual budget last Wednesday.

Proceeds from the planned Green bonds will be credited to the government's Capital Works Reserve Fund to provide funding for green public works projects.

Financial Secretary Paul Chan expects the measures will spark more issuers to arrange financing for their environmental projects through Hong Kong's capital markets.

The government aims to issue inaugural Green bonds in the 2018/19 financial year starting in April.

Chan also announced a plan to launch a three-year pilot bond grant scheme to encourage local, mainland China and overseas enterprises to issue bonds in Hong Kong for the first time.

The grant amount will be equal to half of each issue's expenses, capped at HK$2.5m. Enterprises can apply for a grant for two bond issues at most.

INDIA

UPL FINDS 10-YEAR DEMAND

Indian fertiliser maker UPL faced a tough market backdrop for its second offshore bond issue, a US$300m 10-year print.

The notes were priced at Treasuries plus 173bp, or 27bp inside initial guidance, but orders shrank from a peak of US$1.6bn to US$750m eventually.

Initial guidance was felt to have some padding to account for intraday volatility and orders rose steadily after the start of marketing in Asia. Books reached US$1.2bn around 3pm Hong Kong time, but momentum stalled after European bourses fell on global monetary tightening concerns and weak earnings reports.

"We had the conviction to go under a weaker market since we had strong IOIs post the roadshow and before announcing initial price guidance," said a banker on the deal. "We knew that this was the last window this week. We wanted to get ahead of the curve due to a pending pipeline and volatility."

Asia and Europe took 70% and 30% of the Reg S notes. Fund managers were allocated 78%, banks 14%, insurers 4%, and the rest went to private banks and other investors.

UPL is rated BBB– (positive) by S&P, Baa3 (positive) by Moody's and BBB– (stable) by Fitch. The notes have expected ratings of BBB–/BBB– (S&P/Fitch).

This was UPL's second bond offering following its 2016 debut, a 144A/Reg S five-year deal. These US$500m 3.25% 2021s were trading at a G-spread of 114bp.

However, investors were said to have mostly looked for reference at Reliance Industries' US$800m 3.667% 2027 notes, which are rated higher at Baa2/BBB+ (Moody's/S&P) and traded around G plus 147bp. Adding a curve extension, fair value for a new UPL 10-year was calculated at around 170bp.

The bonds were trading near reoffer on Friday morning.

ANZ, *Credit Suisse* and *MUFG* were joint global coordinators and joint active bookrunners. *Citigroup*, *DBS Bank*, *JP Morgan* and *Rabobank* were joint passive bookrunners.

NTPC HIRES FOR 10-YEAR DOLLARS

Power generator NTPC has mandated *Axis Bank, Barclays, MUFG Securities* and *Standard Chartered* for an offering of US dollar bonds, according to market sources close to the plans. A potential US$400m 10-year Reg S bond may follow.

In January, the state-owned Indian company sent to banks a request for proposals to issue long-term dollar bonds.

Last November, Moody's upgraded NTPC to Baa2 from Baa3 after it revised India's sovereign rating.

In January last year, NTPC raised €500m from a maiden offering of 10-year euro bonds at a 2.814% yield. In February 2016, it raised US$500m from 10-year dollar bonds at 4.25%.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
1.75% area, 1.5% area, 1.45%	-12.5	>SFr750m	Baa3/BBB-	Gazp/RenCap/UBS/VTB	-
MS+55 area	6	>€3.7bn combined, >150 acs	Baa1/A+/A-	Barc/DB/GS/HSBC/JPM	Ger/Aus 53%, UK 17%, Nordics 9%, Slovenia 4%, Switz 1%, RoEur 13%, Other 3%. FM 59%, Banks 33%, HF 6%, Other 2%.
MS+50 area, MS+47 area	2	>€3.7bn combined, >150 acs	Baa1/A+/A-	Barc/DB/GS/HSBC/JPM	Ger/Aus 24%, UK 33%, Nordics 12%, Switz 4%, Slovenia 1%, RoEur 1%, Other 26%. FM 64%, Ins/PF 18%, Bks 11%, HF 2%, Other 5%.
MS+30 area, MS+27 area	3	>€3.7bn combined, >150 acs	Baa1/A+/A-	Barc/DB/GS/HSBC/JPM	Ger/Aus 43%, UK 23%, Fr 9%, Nordics 6%, Slovenia 5%, Switz 2%, RoEur 9%, Other 3%. FM 61%, Bks 25%, CB/OI 2%, Ins/PF 4%, HF 1%, Other 7%.
T+65	-	-	Baa3/A/A-	Barc/GS/JPM/HSBC/DB	-
8.5% area	-	-	B3/B+	UBS/GuotaiJunan/Haitong	-
T+200 area, T+175 (+/-2bp)	3	US$750m	NR/BBB-/BBB-	ANZ/CS/MUFG/Citi/DBS/JPM	Asia 70%, Europe 30%. FMs 78%, banks 14%, insurers 4%, PBs/others 4%
T+145a, T+125/130	-	US$426m	A1/A/A	BoC/Citi/CBA/Nomura/BoCom/ ICBC/WFS/Scotia	Asia 95%, Europe 5%. Banks 82%, AM 11%, PBs/others 7%
3mL+110 area, 3mL+85	-	US$1.8bn	A1/A/A	BOC/Citi/CBA/Nomura/BoCom/ ICBC/WFS/Scotia	Asia 87%, Europe 8%, CEEMEA/others 5%. Banks 89%, AM 5%, CB/SSA 4%, PBs/others 2%.
3mL+100 area, 3mL+75	-	US$2.2bn	A1/A/A	BOC/Citi/CBA/Nomura/BoCom/ ICBC/WFS/Scotia	Asia 80%, Europe 16%, CEEMEA/others 4%. Banks 70%, AM 15%, CB/SSA 13%, PB/others 2%
6.875%	-	-	B1	StCh/HSBC/BoC/BNPP/MS/UBS	-
5.2% (the #)	-	-	-/BBB-	StCh	-
4.7% (the #)	-	-	Aa3	StCh	-

NTPC has yet to make an official announcement on the planned dollar bond offering.

PNB HF READIES MASALA ISSUE

PNB HOUSING FINANCE plans to raise US$400m-equivalent from a maiden issue of five-year Masala bonds.

International Finance Corporation proposes to buy up to US$150m of the housing finance firm's offshore rupee bonds as an anchor investor. The remaining US$250m would be raised from the market via a bookbuilding process, said Deepika Padhi, PNB Housing Finance's head of investor relations, in an email.

PNB Housing Finance will decide on the coupon at the time of the issuance.

Proceeds will be used for affordable housing funding. PNB Housing Finance is trying to create a pool of US$800m for affordable/green housing.

INDONESIA

TLFF PRINTS SUSTAINABLE BOND

The TROPICAL LANDSCAPES FINANCE FACILITY, which aims to provide long-term finance for projects and companies promoting the environment and rural livelihoods in Indonesia, has completed its first print – a US$95m sustainability bond issue.

The offering comprises US$30m of Class A notes due 2033, US$20m of Class B1a notes due 2033, US$15m of Class B1b notes due 2023, US$15m of Class B1c notes due 2025 and US$15m of Class B2 notes due 2033. The Class A notes have an Aaa Moody's rating. Pricing was not disclosed.

Repayment of the project bonds, with TLFF I as the issuer, is tied to repayments of a US$95m secured loan facility. USAID has provided a partial guarantee on US$70m of the underlying loan.

As it takes at least four years to grow a rubber tree and begin production, the first maturity is in five years' time, when the project will be generating cashflow.

TLFF was established in October 2016 as a joint venture of the United Nations Environment Programme, Hong Kong-headquartered ADM Capital, the World Agroforestry Centre and BNP Paribas. It consists of a lending platform managed by *ADM Capital*, with *BNP Paribas* as structuring adviser and arranger.

The transaction will fund Royal Lestari Utama, a joint venture between French tyre maker Michelin and Indonesia's Barito Pacific Group, and help finance a sustainable natural rubber plantation on degraded land in two provinces in Indonesia. The project will work with the WWF and set aside 45,000 hectares for community livelihoods and conservation, out of a total concession area of 88,000 hectares.

In December last year, UN Environment and BNP Paribas signed a memorandum of understanding to build on the TLFF to establish sustainable finance facilities in more developing countries, with a target of US$10bn in funding by 2025.

STAR ENERGY PLANS DOLLAR ISSUE

STAR ENERGY GEOTHERMAL (WAYANG WINDU) has hired four banks for a proposed offering of US dollar 144A/Reg S benchmark bonds.

Barclays and *Deutsche Bank* are joint global coordinators, joint bookrunners and Green structuring advisers, as well as joint bookrunners with *DBS Bank* and *Maybank Kim Eng*.

The company, which owns and operates a geothermal power plant in the Wayang Windu contract area near the Indonesian town of Pangalengan in West Java, started to meet investors in Hong Kong, Singapore, London, New York and Boston from February 28.

The proposed bonds are expected to be rated Ba3/BB– (Moody's/Fitch).

South Koreans join dollar debt queue

ASIA-PACIFIC Glut of new issues looms against tricky market backdrop

South Korean companies are lining up to issue US dollar bonds in the next two months to raise capital and refinance maturing debt, adding to an already crowded pipeline of Asian new issues.

KOREA DEVELOPMENT BANK (Aa2/AA/AA–) has mandated *Bank of America Merrill Lynch*, *HSBC*, *KDB Asia*, *MUFG*, *Nomura* and *UBS* for an offering of US dollar bonds planned this week.

The policy bank is said to be eyeing short tenors for the SEC-registered notes amid heightened sensitivity to longer maturities as interest rates creep up in the US.

This is the first benchmark US dollar offering from the country's state-owned banks. EXPORT-IMPORT BANK OF KOREA, which also typically issues benchmark US dollar notes at the start of the year, has not done so yet. Instead, it was in the market on Friday with a three-year offshore renminbi bond offering after having issued in Swiss francs last month.

KDB reopened the international debt markets for South Korean issuers last September – a time of great tension between the US and North Korea – with a US$1bn bond offering, split into three-year and 5.5-year fixed-rate tranches and a tap of its February 2022s.

Geopolitical risks have since subsided, with North Korea saying it is open to dialogue with Washington and attending the just-concluded Winter Olympics in PyeongChang. However, volatility has increased in the international debt arena as investors become concerned about the impact of higher US interest rates.

The choppy market backdrop, with inflation fears pushing US dollar yields higher, has led to concerns of oversupply and bankers say some investors have had to sell existing holdings to buy new credits in the primary market.

Asian new issues are coming thick and fast. CHINA NATIONAL CHEMICAL CORPORATION (ChemChina) is said to be preparing to raise about US$6bn this week across multiple tranches in US dollars and euros, while property developers from Indonesia and China and Indian banks are also planning US dollar issues this week.

The US credit markets will also be busy digesting up to US$40bn of bonds from drugstore chain CVS, which is looking to fund its US$69bn acquisition of health insurer Aetna.

"There is not the cash that we saw available in January," said a senior debt syndicate banker. "It wouldn't take much for this market to blow up again," he pointed out, citing the sell-off in Asian debt markets following a jump in Treasury yields at the end of January.

Still, the scheduled South Korean offerings will give debt investors a chance to diversify their portfolios as Chinese issuers rush to use their approved quotas before the end of March.

State-owned enterprises, such as KOREA WATER RESOURCES and KOREA RESOURCES, are also readying US dollar trades in April to refinance debt ahead of maturities coming up as soon as next month.

Corporations including SK TELECOM and DOOSAN HEAVY INDUSTRIES & CONSTRUCTION are also slated to hit the market in April. Among financial issuers, HANWHA LIFE INSURANCE plans to sell hybrid securities.

FULL PIPELINE

Korea Resources, rated A1/A (Moody's/S&P), has mandated *Bank of America Merrill Lynch*, *BNP Paribas*, *Citigroup*, *Credit Agricole* and *HSBC* for a US dollar bond offering.

The company has said it is still discussing details with the finance ministry. Kores has a US$500m 2.125% bond issue due this May.

In November, S&P cut Kores's corporate credit and senior unsecured bond ratings by one notch to Single A, citing the state-run group's high debt from negative operating cashflow and ongoing investment outlays.

Korea Water Resources, meanwhile, has appointed *Citigroup*, *Credit Agricole*, *BNP Paribas* and *Societe Generale* for a proposed US dollar bond offering.

The company, owned 92% by the government and 8% by KDB, has US$300m of 2.0% bonds due on April 16.

Korea Water was previously in the international bond markets last May to issue US$350m of 2.75% 2022 Reg S notes priced at Treasuries plus 102.5bp. The bonds, rated Aa2/AA (Moody's/S&P), have tightened almost 20bp since pricing, according to Tradeweb.

On the corporate front, wireless telecoms operator SK Telecom (A3/A–/A–) is said to be working with *BAML*, *BNP Paribas*, *Goldman Sachs*, *JP Morgan*, *Mizuho* and *Standard Chartered* on a US dollar offering. SKT has US$700m of 5.5-year bonds due on May 1.

Doosan Heavy Industry is preparing to issue an unrated hybrid deal planned for May, and is working with *BAML*, *BNP Paribas* and *StanChart*.

Hanwha Total Petrochemical, a South Korea-based joint venture with French energy group Total, is still waiting for approval from authorities for a US dollar offering, with *BNP Paribas*, *Credit Agricole* and *Standard Chartered* working on it.

Among financials, HANWHA LIFE INSURANCE has named *BAML*, *JP Morgan*, *Nomura* and *UBS* to manage an offering of US dollar hybrid securities, potentially in mid-April.

The proposed issuance comes after a string of similar securities from the country. Rival insurer Heungkuk Life sold US$500m of 30-year non-call five subordinated notes in early November at an aggressive yield of 4.475%.

Hanwha Life is expected to issue the hybrids in a similar format.

The issuers could not be reached for comment.

Frances Yoon

The issuer has established a Green Bond Framework in connection with the offering, for which it intends to seek verification from Carbon Trust Assurance.

MONGOLIA

MAK EXTENDS LOAN WAIVERS

MONGOLYN ALT (MAK) has delayed a planned offering of US dollar bonds through sole global coordinator and bookrunner *JP Morgan*, according to a note from Fitch.

Fitch writes that MAK has received an extension to March 31 from February 28 on the expiry of consent and waivers for its loans from the European Bank for Reconstruction and Development and DEG, as a result of a delay to the bond issue.

The delay will not affect the expected CCC+ rating on the Mongolia-based coal-miner's notes, Fitch writes.

MAK intends to repay the loans with the proceeds from the bond issue.

JP Morgan is sole global coordinator and bookrunner on the proposed 144A/Reg S transaction, which is expected to have a five-year non-call three structure.

SINGAPORE

LION CITY SETS OFFSHORE BENCHMARK

CLIFFORD CAPITAL priced a government-guaranteed bond last week, giving offshore investors rare exposure to Singapore sovereign risk and setting a new benchmark ahead of an anticipated wave of infrastructure-related issuance.

The US$300m 10-year senior deal, expected to be rated AAA by S&P, priced at a spread of 49bp over Treasuries via leads *Citigroup*, *HSBC*, *Standard Chartered* and *DBS*, having tightened from initial guidance of 50bp–55bp.

Orders were over US$650m from 42 accounts, with Asian investors taking 98% of the Reg S trade. By investor type, fund managers and asset managers bought 50%, banks 42%, sovereigns and supranationals 7%, and private banks 1%.

Clifford Capital, an infrastructure fund established by state investment holding company Temasek Holdings in 2012, is the only issuer to enjoy an explicit guarantee from the Singapore government. Temasek holds a 40.5% shareholding, and Prudential, DBS, Manulife, SMBC and Standard Chartered also have stakes.

Pricing arguably came inside Triple A rated Temasek's curve, which, since the Singapore sovereign has never sold offshore bonds, is the closest thing to an offshore Singapore sovereign reference, even though it lacks an explicit state guarantee. Temasek's 2023 bonds were trading at a G-spread of 45bp, and adding on an extension for the Triple A curve from five to 10 years pointed to a fair value in the region of Treasuries plus 55bp for a new Temasek 10-year.

Swapping Singapore dollar-denominated government bonds to US dollars translated to a G spread of 22bp, estimated one market source. Market participants pointed out that Clifford Capital needed to pay a premium to that, given that the guarantee puts investors one step away from the sovereign, and given the relatively low liquidity expected for the bonds in secondary trading.

The bonds tightened 1bp when trading began on Thursday, indicating that pricing was on the nose, but bankers expected the bonds to be quickly locked away.

"The rarity is good for demand, but the illiquidity that comes with it is detrimental," said a DCM banker.

Temasek has not issued US dollar bonds since July 2012, causing some market participants to view its yield curve as less relevant than it used to be. That emphasised the need for a new benchmark for Singapore state-backed credit, ahead of the introduction of government guarantees for bond issues by statutory boards.

Minister for Finance Heng Swee Keat said last month that the government may grant guarantees to state-owned companies and statutory boards to facilitate future large infrastructure projects.

Singapore is embarking on a series of mega infrastructure projects that include a S$3bn (US$2.3bn) integrated waste management facility, the S$17bn-S$20bn Kuala Lumpur-Singapore high-speed rail link, the Johor-Singapore rapid transit link, and the development of terminal 5 at Changi airport which is expected to run into tens of billions of dollars.

To raise money, bankers have suggested expanding Clifford Capital's scope to domestic infrastructure projects, in addition to the overseas projects it was set up to support.

"Given that a platform in Clifford Capital to issue bonds with a Ministry of Finance guarantee and to finance projects is already established, a quick approach would be to expand its scope of activities to include participation in local infrastructure projects for example," said Tan Kee Phong, OCBC Bank's head of Capital Markets, Global Investment Banking.

On the other hand, pushing statutory boards and state-owned companies to raise long-term debt with a guarantee would contribute to the development of the corporate bond market. Issuance from these entities has been sporadic, so that bankers and investors would welcome more and regular supply. This would lift liquidity and create better longer-dated benchmarks in this segment.

Direct guarantees, however, will only narrow the already thin spreads that investors get from buying the bonds of statutory boards and SOEs.

"Instead of direct guarantees, the government could explore credit enhancements to support the infrastructure funding to offset various risks such as construction risks in terms of costs and completion, offtake and operational risks," said Clifford Lee, DBS Bank's global head of fixed income.

Credit enhancements help to address various risk factors in project financings, which typically give investors recourse to the project's assets but not to its sponsors or shareholders.

"Such structured deals will give better yields and will be more equitable to investors," said Lee. "At the same time, this will develop an infrastructure bond market and lift Singapore as an infrastructure financing hub in a region where project finance bonds are still developing."

While the finance minister did not indicate if the borrowings would be in Singapore dollars or foreign currencies, there is a case for raising funds in the global market.

OCBC's Tan argued that issuing in Singapore dollars would not help develop a wider and deeper market since local investors can already buy paper from statutory boards and SOEs.

"A benchmark sovereign bond denominated in US dollars will put Singapore on the international stage, providing a risk-free reference for the Singapore SOEs and statutory boards," he said.

"As the international investing community becomes familiar with our sovereign risk in an international currency, a natural extension of this familiarity will be to the country's private sector, and this could eventually lead to investments in the local currency paper."

TRAFIGURA GOES ON THE ROAD

Commodities trader and logistics company **TRAFIGURA GROUP** has mandated *Bank of America Merrill Lynch*, *Citigroup*, *DBS* and *Standard Chartered* to arrange investor meetings across Asia and Europe from Monday.

An issue of Reg S US dollar senior unsecured bonds of five to seven years, to be listed on the Irish Stock Exchange, may follow.

SOUTH KOREA

KAL PRINTS STANDALONE SENIOR

KOREAN AIR LINES on Tuesday raised US$300m from the sale of three-year senior unsecured bonds at a yield of 6%, or Treasuries plus 362.1bp.

Pricing on the unrated offering tightened from initial guidance of 6.25% area. Orders totalled US$852m from 96 investors.

This was KAL's first standalone offshore senior bond and its second standalone trade overall, following a US$300m perpetual non-call five issue last June. Prior to that, it had issued dollar bonds with a guarantee from the Export-Import Bank of Korea.

The new print is also the first unrated offshore senior unsecured US dollar bond from South Korea since 2007.

Asian investors bought 92% of the Reg S offering and European accounts took 8%. In terms of investor types, a combined 77% were asset managers and fund managers, 18% were private banks and 5% were banks.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

Europe/Africa

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	15	5,318.32	22.2
2	HSBC	5	2,131.69	8.9
3	JP Morgan	7	1,974.48	8.2
4	Standard Chartered	4	1,932.87	8.1
5	Deutsche Bank	4	1,261.10	5.3
6	SG	7	1,088.92	4.5
7	UniCredit	6	967.37	4.0
8	First Abu Dhabi Bank	2	907.87	3.8
9	Goldman Sachs	4	875.93	3.7
10	Morgan Stanley	1	800.00	3.3
	Total	**22**	**23,935.66**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L2

Institutional demand was greater than for the previous standalone issue. Private bank clients bought 39% of the perpetual notes last year. Those perps, callable in December 2020, were bid at around 6.4% in secondary trading, according to Thomson Reuters data.

The senior bonds were reoffered at 99.661 and rose to 99.85 in early trading on Wednesday.

BOC International and *Citigroup* were joint bookrunners. Proceeds will be used to refinance US dollar debt.

EUROPE/AFRICA

HUNGARY

COUNTRY LOOKS TO ISSUE SAMURAI

HUNGARY is looking to issue Samurai bonds as early as this month, market sources have said, without revealing if lead banks are being or had already been hired.

The Central European country filed a shelf registration with the Kanto Local Finance Bureau on July 14 2017 to issue Samurai bonds of up to ¥100bn (US$933m) and Uridashi notes of up to ¥100bn.

On December 19, Reuters reported Hungary's economy minister Mihaly Varga as saying the country could issue Samurai bonds in the first half of 2018 in order to maintain its presence in the Japanese market.

This would be Hungary's first yen issuance since it sold ¥25bn of 10-year bonds via Mizuho and Nikko Citigroup in October 2007.

NIGERIA

SEPLAT LOOKS TO ADD BOND ANGLE

A new name could be on the screens soon, as Nigeria-focused oil and gas exploration and production company **SEPLAT PETROLEUM** puts its story in front of investors.

The issuer is looking to issue an inaugural five or seven-year note, and started meeting accounts in London on Thursday. The roadshow will visit the US and finish on March 7.

The notes carry expected issue ratings of B2/B-/B-. S&P analysts say that the company aims to raise US$500m to refinance its existing debt.

"After major operational disruptions in 2016-2017, following the 16-month long shutdown of its key export terminal, we now see a path to production growth in 2018-2019," said S&P analysts, who have a positive outlook on Seplat.

"The preliminary rating on Seplat reflects our assessment of the company's vulnerable business risk profile and aggressive financial risk profile based on the proposed capital structure. The rating also captures a potential midsize acquisition, in line with the company's strategy, which may translate into weaker credit metrics."

Citigroup, *Standard Bank* and *Standard Chartered* are joint global coordinators.

RUSSIA

GAZPROM GOES LARGE IN SWITZERLAND

GAZPROM swiftly capitalised on its return to fully investment-grade status last week with a huge Swiss franc deal.

It was upgraded by S&P on February 27 from BB+ to BBB–, and launched its deal first thing on Wednesday morning.

After sounding a minimum SFr100m five-year deal at 1.75% area, books opened for a maximum SFr750m at 1.5% area.

It priced the issue in the maximum size with final books well oversubscribed, at a 5bp tighter 1.45% coupon and yield at the par reoffer, equivalent to mid-swaps plus 146bp. That was around Swiss government plus 188bp.

It had originally mandated for a Swiss roadshow on February 21, eight days before the upgrade, when it was rated Baa3 by Moody's, BBB– by Fitch and BB+ by S&P (all positive). A Reg S only benchmark five to seven-year Swiss franc offering was initially posited.

The bond issue was the biggest in the Swiss market since ZKB's AT1 in June 2017, and larger than the expected SFr500m amount usually raised by Gazprom in its annual visits to the Swiss market.

"Significant investor demand allowed us to price the new issue 10bp–15bp inside the company's secondary curve," said Andrey Solovyev, global head of DCM at *VTB Capital*, one of the leads alongside *Gazprombank*, *Rennaisance Capital* and *UBS*.

The bonds were wrapped around reoffer coming into the close of the week.

RUSAL PREPARES BATTLEGROUND FOR NORNICKEL

RUSAL is seeking to obtain the approval from investors to change the terms of its bonds as part of a fight for control over Norilsk Nickel.

The company, one of the world's largest aluminium producers, is controlled by Oleg Deripaska. It is involved in a long-running battle with billionaire Vladimir Potanin's Cyprus-based firm Whiteleave and Roman Abramovich's Crispian for control of Norislk Nickel, a US$33bn mining company.

Rusal holds a 27.8% stake in Nornickel, Potanin owns a 30.4% stake, and Abramovich and his partners hold a 6.3% stake, of which 4.2% is owned via Crispian.

An agreement had allowed Deripaska and Potanin to share Abramovich's stake on a pro rata basis. But a five-year lock-up period, during which they could not sell most of their Nornickel stakes, ended in late 2017.

Potanin has now offered to buy a 4% stake in Nornickel from Abramovich for US$1.5bn, Reuters reports, but Rusal is seeking a court injunction to block the deal.

The parties in the dispute have agreed to delay the sale until after another court hearing on March 8-9.

In the interim, Rusal has announced a consent solicitation to amend the terms of its February 2022s, February 2023s and May 2023s, in anticipation of a potential acquisition of an additional stake in Nornickel.

As part of the process, Rusal (Ba3/-/BB-) is looking to change the leverage covenant calculation of the bonds to bring them into line with its other financial obligations.

Rusal said that the company could be obliged to purchase further shares in Nornickel. The consent and amendments are designed to give it the flexibility, if required, to raise substantial new financing for the potential purchase of more shares.

Moody's has stated that Rusal's ratings are unaffected by the consent solicitation, although it notes that the new calculation would increase the cushion under the covenant and thereby increase Rusal's ability to raise new debt.

If Rusal were to acquire additional Norilsk Nickel shares, or divest some of its stake, then the ratings could be affected.

Fitch has placed the company on rating watch evolving.

"Fitch is currently unable to assess the likelihood of the shoot-out mechanism being triggered, nor the impact it may have on Rusal's credit profile as several outcomes are possible," said Fitch analysts.

The early consent deadline is March 13 and there are early consent fees of US$3.5 per US$1,000 in principal amount of the notes.

The final deadline is March 16.

VTB Capital is the solicitation agent.

STATE PROPOSES SWAP

RUSSIA's finance ministry will propose swapping Russia's sovereign Eurobonds maturing in 2019, 2020 and 2030, according to a government decree published on Friday.

The nominal value of the new Eurobonds which would be issued under the swap should not exceed US$4bn, the decree said. Russia's central bank may also offer sovereign Eurobonds it holds for the swap, the document said.

Russia recently indicated that it had appointed *VTB Capital* as an organiser for a sovereign Eurobond issue and liability management exercise later this year.

SENEGAL

REPUBLIC EYES DOUBLE FEAST

SENEGAL has mandated banks for a dual-currency bond transaction comprising US dollars and euros as the African sovereign spree shows no signs of slowing.

The dollar bond will have a maturity of 30 years, either in bullet format or with a 29-year weighted average life. The euro bond will have a maturity of up to 10 years, and a weighted average life of up to nine years.

Investor meetings in the US and Europe commenced on February 28. The sovereign has also announced an offer to buy back up to US$150m of its US$500m 8.75% 2021 notes.

Senegal will become the fourth African sovereign to issue this year following Egypt, Nigeria and Kenya. Ivory Coast, Angola and Ghana are also expected to follow.

In May, Senegal got more than US$8bn of demand for its first bond in three years. It sold a US$1.1bn 6.25% May 2033 amortiser, one of the biggest ever for a sub-Saharan borrower and was equivalent to more than 50% of the country's GDP.

The 2033s are bid at 98.575 to yield 6.397%.

BNP Paribas, *Citigroup*, *Deutsche Bank*, *Natixis*, *Societe Generale* and *Standard Chartered* are leads.

SOUTH AFRICA

ESKOM NOTES SLUGGISH AS RATING TUMBLES

Spreads on ESKOM's dollar bonds looked bloated last week as the company came under pressure on the ratings front.

A trader spotted the company's paper 45bp-55bp wider on the week, after S&P downgraded the state-run power utility to CCC+ from B- with a negative outlook. S&P cited liquidity concerns and insufficient government support as drivers for the move.

"Eskom remains at risk of facing a distressed exchange situation or default in the next six months despite securing R30bn (US$2.6bn) in short-term funding from local and international funders so far this year," said the agency.

Phakamani Hadebe, Eskom interim group chief executive, said that the company is comfortable that the government has provided Eskom with tangible support to ensure that Eskom's governance related and liquidity challenges would be soon resolved.

Eskom also said on Wednesday it has signed a R20bn short-term credit facility with a consortium of seven local and international banks, Reuters reported.

The company is rated B1 by Moody's and BB- by Fitch.

TURKEY

TURKCELL SUBMITS DEBT APPLICATION

TURKCELL has applied to the Capital Markets Board to issue up to US$750m or its equivalent in another currency through private placement, or sales to qualified investors abroad.

The debt instrument will be issued in one or more tranches and in various types and terms with fixed and/or floating interest rates to be determined as per the market conditions at the date of the issuance.

Turkcell was last in the public bond markets in 2015 when it sold US$500m 5.75% October 2025s. Those bonds are bid at 105.527 to yield 4.872%, according to Tradeweb.

UKRAINE

DTEK MEETS INVESTORS

DTEK has asked *Deutsche Bank* and *Raiffeisen Bank International* to arrange non-deal related meetings with investors.

The company started on the road last Wednesday in New York, and also planned to hold dates in Boston and London.

Fitch affirmed the company's dollar Eurobond senior unsecured rating of C in early February. The rating agency expects to upgrade the rating to B- once DTEK finalises a debt restructuring.

"The post-restructuring bank debt profile has a comfortable maturity schedule, with small annual amortisation payments of US$20m in 2020, US$60m in 2021, US$80m in 2022 and a large payment in June 2023.

The outstanding Eurobond issued in December 2016 (US$1.344bn including PIK at end-2017) is split into two equally sized tranches due December 2023 and December 2024," wrote Fitch analysts. "We expect DTEK to require minimal external funding in 2018-2020 to cover debt maturities."

Moody's has a Ca corporate family rating on DTEK, with a positive outlook.

REGIONAL

ZSE POWERS TO 10

Slovak issuer ZSE hit its €315m target with a 10-year transaction on Monday.

The power distribution and supply company moved its deal swiftly through the execution process, as syndicate officials took a swipe out of early initial price thoughts of plus the 90bp area to set guidance at 75bp (+/-3bp).

Pricing came at the tight end.

Final books were in excess of €1.6bn. By investor type, 46% went to insurers and pension funds, 28% to banks and private banks and 26% to asset managers. By geography type, 37% went to Germany, 24% to Slovakia, 12% to the UK, 20% to the rest of Europe and 7% to the US.

The proceeds will be used to refinance ZSE's €315m 2.875% October 2018s.

The notes, which were reoffered at 99.474, rose on the break to 100.224, according to Tradeweb.

The company, which describes itself as the largest distributor of electric energy and provider of electric energy and gas in Slovakia, is rated A- (stable) by S&P. It is 51% owned by the Slovak Republic and 49% owned by E.ON.

Citigroup and *UniCredit* were joint bookrunners.

Peer EP INFRASTRUCTURE has sent a request for proposal to banks for a bond issue, according to two sources.

One source said he thought the issuer, which is a Czech holding company with shareholdings in core Slovak gas and electricity infrastructure, had received around 15 bids.

The decision on the appointment of banks is expected to be taken early this week, the source said.

Moody's has also assigned a long-term issuer rating of Baa3 to EPIF, which has shareholdings including Eustream, SPP-distribucia and the Stredoslovenska energetika.

Eustream, which accounts for about 44% of EPIF's consolidated Ebitda, is the owner and operator of the natural gas transmission and transit pipeline that runs through Slovakia.

"Overall group debt will be limited by a proposed financial covenant to be embedded in new senior unsecured notes, which will restrict equity distributions should proportionally consolidated leverage exceed 4.5x net debt/Ebitda," said Moody's analysts.

Debt is expected to be raised at the EPIF level and be used to refinance the existing notes at EP Energy.

EPE has €600m 4.375% May 2018s and €500m 5.875% 2019s. The 2018s are bid at 100.598 to yield 0.452%, according to Tradeweb, and the 2019s at 108.991 to yield 0.411%.

EPIF did not respond to a request for comment.

FAB hits mark on long-awaited debut

MIDDLE EAST Lender finally emerges with sukuk

It took a month from roadshow to screens but it was worth the wait for FIRST ABU DHABI BANK as the bank upsized its debut sukuk.

FAB, the largest bank in the United Arab Emirates and the highest-rated in the Middle East, was making its first entry into the markets as an issuer since First Gulf Bank and National Bank of Abu Dhabi merged a year ago.

The bank held a brief series of meetings at the beginning of February but there followed an impasse during which the deal failed to materialise. A lead attributed the pause to the bank taking stock as volatility embroiled the markets.

FAB then came out on Monday offering a benchmark size five-year sukuk at 110bp area.

Initial price thoughts were around 20bp back of where leads had spotted NBAD's March 2022s, which is a Green bond. Pricing was honed down for a print at 95bp. Given the extension over the 22s, the lead reckoned the notes came with a negative new issue premium.

Demand of over US$1.3bn, including lead interest, also led to an upsize in the trade. After a size of US$500m plus was signalled to the market, the bank printed US$650m.

"There is not a lot of Double A rated sukuk issuance, especially in the FIG sector," he said. "It was a rare opportunity for Islamic investors who haven't seen these kinds of names to get involved."

Islamic investors took 43% of the sukuk, while conventional investors took 57%.

"The sukuk will help us to diversify our sources of funding and further enhance our Islamic operations," said Andre Sayegh, deputy group CEO at First Abu Dhabi.

The bank is rated Aa3/AA-/AA-, all with stable outlooks.

Citigroup, First Abu Dhabi Bank, KFH Capital, NCB Capital Company and *Standard Chartered* were joint lead managers.

Robert Hogg

MIDDLE EAST

OMAN

BANK MUSCAT NAMES LIST FOR FIVE-YEAR

BANK MUSCAT has hired banks for a US dollar five-year bond.

The Omani lender, the country's biggest by assets and capital, has hired *Bank ABC, Bank Muscat, Citigroup, Credit Agricole, Emirates NBD Capital, First Abu Dhabi Bank, HSBC* and *ICBC Standard Bank*.

The government owns over 35% of the bank directly and indirectly.

The bond offering is expected to be rated Baa2 by Moody's and BBB- by Fitch.

Meetings in the Middle East, Asia, and Europe run from Sunday.

Muscat printed a US$500m five-year in 2016 with a 3.75% coupon. The notes are bid at 98.679 to yield 4.199%, according to Tradeweb.

QATAR

QIIB HOPES FOR SUKUK EXTENSION

QATAR INTERNATIONAL ISLAMIC BANK is convening an AGM on March 14 at which it will ask to extend approval from last year to establish an up to US$2bn sukuk programme.

The issuer, the Gulf state's third-largest listed Islamic bank, readied the programme in October, but a deal failed to materialise, against a backdrop of a political feud between Saudi Arabia, the UAE, Bahrain and Egypt on one hand, and Qatar on the other.

SAUDI ARABIA

SAUDI PUTS ITSELF IN FRONT OF INVESTORS

The SAUDI ARABIA debt management office met investors last week in London to provide updates on the sovereign's debt plans, according to investor sources.

"We're hoping to meet them tomorrow," said one investor on Thursday.

A second investor, however, decided against meeting the team from the DMO.

"It's more a marketing exercise than real new information," he said.

Saudi Arabia sent a request for proposals to banks for an international bond issue in January. A deal is expected to materialise in the coming weeks, although no mandate has been announced.

The sovereign is also expanding the refinancing of a US$10bn international loan to raise US$16bn. Saudi Arabia, which is working with HSBC, JP Morgan and MUFG on the transaction that will include an Islamic tranche, expects to close the financing by mid-March.

The Saudi government started issuing debt in the international markets through loans and bonds two years ago in order to refill state coffers hit by a slump in oil prices.

It made its debut in the bond markets with a US$17.5bn issue in 2016, and raised a further US$21.5bn in 2017 through conventional and Islamic bonds.

At the same time as the DMO was meeting investors, a host of Saudi Arabian government officials and business leaders were in London as part of a Goldman Sachs conference. They included Fahad Al Saif, president of the DMO, Mohammed El-Kuwaiz, chairman of the Saudi Capital Market Authority, and Khalid Al-Hussan, CEO of Saudi Stock Exchange.

DAR AL ARKAN UPDATES INVESTORS

Saudi Arabian real estate developer DAR AL ARKAN met fixed income investors in late February for a non-deal roadshow, discussions that were not linked to any specific plan for a bond issue, sources familiar with the matter told Reuters.

Dar Al Arkan, which issued US$500m of Islamic bonds last April, held the meetings to update investors on the company's business, but no concrete bond issue plan was discussed, said one source, declining to be named because of commercial sensitivities.

The company did not immediately respond to a request for comment. The roadshow was held last week in Dubai and arranged by *Emirates NBD*.

Dar Al Arkan has US$450m of sukuk due in June this year, US$400m of sukuk due in 2019 and a further US$500m of sukuk – those issued last year – maturing in 2022.

The company, rated B1 by Moody's, issued its last sukuk with Alkhair Capital, Deutsche Bank, DIB, Emirates NBD, Goldman Sachs, Noor Bank and QInvest as joint bookrunners. The sukuk offered a profit rate of 6.875%.

UAE

MIDDLE EAST SUPPLY ON THE CARDS

SHARJAH has announced plans for a single or dual-tranche sukuk across five, seven and/or 10 years.

Not all investors are licking their lips at the prospect of an issue from the third-largest constituent of the United Arab Emirates, given the tight spreads on offer compared to other regions.

Sharjah is rated A3 by Moody's and BBB+ by S&P.

"I am usually barely involved in the GCC … too IG for me," said one London-based investor.

A second investor said he prefers sub-Saharan Africa and north Africa, while a third said she would give it a miss.

"Of all the emirates, this is not my favourite, especially if I add the Dana Gas saga," she said.

The roadshow runs from March 4.

The issuer has hired *HSBC* as global coordinator, and as a joint lead manager and bookrunner alongside *Dubai Islamic Bank*, *Sharjah Islamic Bank* and *Standard Chartered*.

On the financials side, UNION NATIONAL BANK has named leads for a US dollar five-year senior unsecured.

The bank, rated A1 by Moody's and A+ by Fitch, is 50% owned by the government of Abu Dhabi and 10% by the government of Dubai.

Fitch affirmed its ratings on five UAE banks earlier in February, citing the sovereign's strong capacity to support the banking system, sustained by sovereign wealth funds and recurring revenue mostly from hydrocarbon production despite lower oil prices, and the moderate size of the UAE banking sector in relation to the country's GDP.

The roadshow started on Thursday in Singapore and finishes on Monday.

ANZ, *Commerzbank*, *First Abu Dhabi Bank*, *HSBC*, *Mizuho* and *Standard Chartered* are joint lead managers and bookrunners.

REGIONAL

ISDB CONSIDERS DUAL OFFERING

Triple A rated ISLAMIC DEVELOPMENT BANK has named banks for five-year sukuk, and will also explore the option of a 10-year.

Two days of meetings in London will take place in the middle of this week.

"At this point they are going for a benchmark size, nothing too different from what they've done before," said a lead.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

Middle East

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	6	3,280.70	16.0
2	Standard Chartered	10	3,222.28	15.7
3	HSBC	9	2,577.79	12.5
4	Sumitomo Mitsui Finl	2	1,760.75	8.6
5	Deutsche Bank	5	1,092.21	5.3
6	Goldman Sachs	2	807.96	3.9
7	JP Morgan	3	769.93	3.7
8	Credit Suisse	3	653.51	3.2
9	Barclays	1	540.00	2.6
10	First Abu Dhabi Bank	3	487.69	2.4
	Total	**27**	**20,547.86**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L5

ISDB raised US$1.25bn in September at mid-swaps plus 37bp.

The institution has mandated *CIMB*, *Citigroup*, *Emirates NBD Capital*, *Gulf International Bank*, *HSBC*, *Natixis*, *SMBC Nikko* and *Standard Chartered* as joint lead managers and bookrunners.

AMERICAS

BRAZIL

ODEBRECHT BONDS TAKE ANOTHER LEG DOWN

Bonds issued by ODEBRECHT took another leg down last week following reports that a restructuring could be on the cards for the construction unit of the Brazilian conglomerate.

The 4.375% 2025s issued by Odebrecht Finance were being quoted at 24.00/27.00 on Friday, down more than 4pts over the course of the week, according to Thomson Reuters data.

Reuters said that banks were making provisions for a default.

The construction firm (OEC) has a principal payment on a R$500m (US$153m) bond due on April 25, and failure to pay could have an impact on billions of dollars of other bonds.

A restructuring may make little sense given the company's relatively long maturity profile once it gets past the April 2025 date.

But liquidity is tight for OEC, which is caught up in a sweeping corruption probe that has hampered its ability to generate new business.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

Latin America

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	12	4,184.71	17.2
2	JP Morgan	11	3,582.45	14.7
3	BAML	10	2,376.18	9.8
4	BNP Paribas	5	2,086.05	8.6
5	Credit Suisse	4	1,258.78	5.2
6	Barclays	5	1,181.46	4.9
7	Santander Global	5	1,120.02	4.6
8	Deutsche Bank	1	1,000.00	4.1
=8	Sumitomo Mitsui Finl	1	1,000.00	4.1
10	Itau Unibanco	5	888.64	3.7
	Total	**28**	**24,291.74**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L3

"The company continues to work on a solution to its short-term financial issues," the company said in a statement sent to IFR.

"Its controlling shareholder is in constant dialogue with relationship banks to ensure the health of the group."

OEC's cash cushion has fallen quickly to US$700m from US$1.3bn in December 2016, according to S&P.

"Their annual interest is roughly the same size as their cash balance," said Sarah Leshner Carvalho, a managing director of Latin American corporate credit research at Barclays.

And while the company's debt is relatively small, a credit event could have a broader impact, as OEC guarantees some US$3bn of bonds issued by sister company Odebrecht Financial.

On its third-quarter earnings call, OEC reiterated it was in the final stages of signing US$1.6bn of contracts in Angola, but at the time that had yet to be made official, said Leshner.

"They do have the possibility of benefiting from the parent company asset sales and they also mentioned they could raise roughly US$350m over the next 18 months mostly through cost controls," she said.

PARAGUAY

SOVEREIGN PLOTS MARKET RETURN

PARAGUAY, rated Ba1/BB, will start roadshows this week to market a US dollar 144A/RegS bond with a long maturity.

The sovereign will be in Boston on March 6 and in New York on March 7. *Citigroup* and *JP Morgan* have been mandated as joint bookrunners.

■ **FRONT STORY** EUROPEAN MIDDLE MARKET

Mid-market lenders feel cov-lite heat

❱ Sponsors are seeking terms seen at higher end of market

Covenant-lite structures common in the syndicated leveraged market are filtering through to the middle market, as lenders race to win deals with sponsors.

Estimates from a recent report from private equity firm Bain stated that more than three quarters of syndicated deals are cov-lite, significantly up from the levels at the height of the global financial crisis.

Such protections are expected to hold up in the middle market, where the companies are riskier, but direct lenders are increasingly willing to drop restrictions.

Pushing the cov-lite trend is a market awash with liquidity and an expanding network of debt advisers seeking to secure terms similar to the syndicated market.

"There has definitely been an erosion in terms of covenants. Documentation and pricing are under pressure," said Robin Doumar, managing partner at Park Square Capital at the SuperReturn International conference in Berlin on Monday.

As the funds get bigger they are increasingly underwriting deals in the €200m-€400m range and rubbing up against the high-yield and syndicated market.

Sponsors are therefore approaching both banks and direct lenders on deals and using the increased competition to push back against covenant protections to secure similar terms seen at the higher end of the market.

Cov-lite structures include a single maintenance covenant, which requires regular reporting from the borrower on debt to cash flow ratio. It's often the first to be triggered when a company starts to struggle.

Mark Jenkins, head of global credit at Carlyle, said that the prevalence of cov-lite structures is a concern for the wider direct lending market.

"Something came through that was nine times maintenance covenant. I asked is that a typo? That's not a covenant because if you ever hit that then you probably don't have any enterprise value beneath you," Jenkins said.

"You've got to dig down and make sure that covenant is going to do what it is suppose to do which is bring the borrower back to the table when there is some instability in the business."

However, some argue that the market can rely too heavily on covenant protections as a measure of credit quality and an examination of how Ebitda is defined would be more effective.

"It is easier to get covenants into companies that have less financing options. Sometimes it is because they are in a hurry and that's a great opportunity, and sometimes it is because they are an unattractive borrower," Susan Kasser, co-head of private credit at Neuberger Berman.

Instead, the distortion of Ebitda definitions are one of the key concerns in the direct lending market. Ebitda is an unaudited figure left to the discretion of the underwriter's due diligence on the borrower.

"You can have all these wonderful covenants but you need to focus on what's been pro-forma and added back into the Ebitda," Kasser said.

Keith Read, senior managing director at Cerberus, said: "If you have a document and your definition of Ebtida is three or four pages long then you've got a problem. It's not Ebitda."

David Brooke

Direct lenders encroach on bank territory

Banks' share of the middle market buyout space is under threat from direct lenders expanding their role to underwriting working capital facilities in unitranche loans.

As funds sit on a record amount of dry powder, many are using the deeper pools of capital to underwrite the revolving credit facility, a role usually reserved for banks.

"It's something a direct lender may want to do to secure their position and then perhaps work with a relationship bank to provide the first-lien and/or undrawn lines such as an RCF," said Ian Tetsill, managing director, structured finance at Barclays.

A typical unitranche includes a direct lender providing the term debt and undrawn facilities such as capex and acquisition lines, while the bank finances the RCF.

Sponsors benefit from securing the financing early when direct lenders underwrite the RCF and then finding a bank to take the paper after the agreement, but it is not without the risk.

"Unitranche providers are not always fully sensitive to the needs of banks and this has led to certain parts of the deal requiring tweaking post-closing, which is something that is both frustrating and costly to the sponsors," said Henning Tietjen, head of debt funds at structured finance at Berenberg.

"Therefore it can be in the interests of all parties to come together early."

The trend is driven by funds not wanting to lose a deal to a competitor that is willing to show flexibility, handing an advantage to larger funds with the ability to underwrite RCFs.

Faisal Ramzan, partner at law firm Proskauer, said: "At the moment they don't want to run the risk of holding up a deal and borrowers typically want the whole spectrum of ancillary products that come with a bank revolver."

Lenders, however, are split on whether to hold and manage the RCF following the deal close or to syndicate it to a bank.

ICG, which recently backed private equity firm Silverfleet's acquisition of tour operator Riviera Travel, underwrote the bonding line required by regulators to protect tourists and said it is content with holding such facilities on a permanent basis.

"Fundamentally, we're trying to increase the sophistication of our product offerings so that we can provide a comprehensive one-stop solution," said Max Mitchell, head of direct lending at ICG.

However, David Hirschmann, head of private credit at Permira Debt Managers, said he doesn't expect underwriting RCFs to be a long-term strategy for direct lenders.

"Underwriting the working capital facility is still only a small minority of cases, and I don't see that changing," he said

PDM recently provided the working capital facility as part of the refinancing of Dutch food manufacturer Prinsen and its acquisition of Berning.

"Private debt funds provide long-term capital which is not meant to be drawn and repaid within a few months," Hirschmann said.

David Brooke

ASIA-PACIFIC

AUSTRALIA

BANKS MULL WICET PROPOSAL

Lenders to debt-saddled WIGGINS ISLAND COAL EXPORT TERMINAL have been in talks with the sponsors to refinance a US$3bn loan ahead of a September maturity deadline.

The negotiations include changes in the capital structure and a tenor extension.

The Glencore-led sponsors submitted a plan to extend the debt for another five years, the latest in a number of ideas mooted as the deadline to repay the loan looms. Reuters reported last October that the sponsors were considering repaying part of the outstanding debt.

The sponsors have also been in separate talks since late last year with a consortium led by Australian coal rail operator Aurizon Holdings to buy the port.

Despite the project's much-publicised woes, little of the senior debt has changed hands in the secondary market as lenders believe Glencore is bound to support the debt. Export Development Canada sold a US$47m piece last August for about 82% of par value after Lloyds Bank exited in late 2016.

The loan is currently being quoted at an average bid/offer of 76.17–79.50, according to Thomson Reuters LPC data. The bank syndicate comprises the Australian domestic banks, as well as Asian and European lenders.

In addition to the senior debt, WICET's capital structure has a A$500m (US$389m) mezzanine debt tranche and A$500m of preferred equity.

ASIA-PACIFIC LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME (INCLUDING JAPAN)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Mizuho	34	8,016.91	32.7
2	MUFG	64	3,592.55	14.7
3	Bank of China	7	1,729.05	7.1
4	Sumitomo Mitsui Finl	33	1,390.30	5.7
5	Mega Financial	7	1,094.61	4.5
6	HSBC	5	703.56	2.9
7	Bank of Taiwan	7	665.67	2.7
8	Standard Chartered	4	639.83	2.6
9	State Bank of India	2	583.15	2.4
10	Axis Bank	3	510.34	2.1
	Total	192	24,500.48	

Proportional credit

Source: Thomson Reuters SDC code: S3a

WICET was built at the height of the coal boom and its shareholders – Bowen Basin coal miners – are obligated to pay a fixed rate representing annual exports of 27m tonnes of coal out of the terminal, even if shipping loads fall short of that target. Three of the original eight shareholders have gone into administration amid a prolonged slump in coal prices and the crippling costs of the take-or-pay port fees.

The remaining shareholders – Glencore, New Hope, Wesfamers, China's Yancoal and Baosteel's Aquila Resources – now have to support all the port fees. Wesfarmers saw some respite in December, when US firm Coronado Coal Group agreed to buy its Curragh coal mine, which also uses the terminal, for A$700m.

MMT TO SUBSTITUTE LENDERS

Participants in the A$3.5bn 7.75-year MELBOURNE METRO TUNNEL project financing were to be substituted into the deal before the end of last week after heavy oversubscription.

Banks committing more than A$150m were scaled back to just under A$100m.

Some 16 lenders were invited in the general syndication phase, with top-level tickets of over A$150m earning 100bp. The financing offers an interest margin of 195bp over BBSY for the 5.5-year construction tranche and 175bp over BBSY for the 2.25-year operational-phase portion.

With a LendLease Group-led consortium as sponsors, the public-private partnership is Victoria state's largest public transport project, involving the construction of a nine-kilometre tunnel and five underground stations.

ANZ, *Bank of China*, *Canadian Imperial Bank of Commerce*, *Credit Industriel et Commercial*, *Credit Agricole*, *DZ Bank*, *Industrial & Commercial Bank of China*, *KfW*, *Mizuho Bank*, *United Overseas Bank* and *Westpac* are leads on the financing, which reached financial close in late December. Only ANZ, CA, Mizuho and Westpac sold about A$1bn.

The Cross Yarra Partnership consortium, made up of LendLease, John Holland, Bouygues Construction and Capella Capital, has a 25-year concession to operate the project.

Construction is expected to begin this year and be completed in 2026.

CHINA

TRIO UNDERWRITE JOYSON LOAN

China Merchants Bank, *Deutsche Bank* and *Mizuho Bank* have underwritten a US$1bn five-year loan to back NINGBO JOYSON ELECTRONICS' US$1.6bn purchase of Japan's Takata.

The loan comes in yen, euro and US dollar tranches. Half of the US$1bn is for the Takata acquisition and the remainder is for refinancing.

There is a pricing grid based on a debt-to-Ebitda ratio, with an opening margin at around 300bp over Libor.

Separately, *Industrial and Commercial Bank of China* is arranging a US$500m loan to back the same acquisition.

Both facilities are expected to be signed in the next few weeks as the purchase is expected to be completed before the end of the first quarter.

Shanghai-listed auto parts supplier Joyson signed a definitive asset-purchase agreement with Takata last November. Takata will use the proceeds from the sale to compensate automakers, people injured, and relatives of people who died due to the Japanese company's defective airbags.

Takata filed for bankruptcy in June last year after more than 100 million of its airbags were recalled because they could inflate with too much force and spray metal fragments. The transaction still needs approval from Takata's creditors' committee, courts in the US and Japan, as well as regulators there and China.

Joyson is acquiring Takata's viable operations through Luxembourg-registered Joyson KSS Auto Safety, which owns 100% of Michigan-based parts supplier Key Safety Systems. The remaining operations will be reorganised to continue producing replacement inflators.

The Chinese company acquired KSS for US$920m in 2016 and raised US$554m-equivalent through a five-year term loan in May that year to finance the acquisition.

Joyson set up fully owned subsidiary Joyson KSS Auto Safety Holdings in November 2017 and plans to sell a 15.15% stake for US$150m to Chinese state-backed private equity SDIC Fund Management. Joyson, meanwhile, will further inject US$250m to hold an eventual 84.85% stake in Joyson KSS Auto Safety Holdings, which controls 100% of Joyson KSS Auto Safety.

CITICPAC SIGNS US$200m FACILITY

CITIC PACIFIC has signed a six-year US$200m loan through mandated lead arranger, bookrunner and underwriter *Taipei Fubon Commercial Bank*.

The loan carries an interest margin of 140bp over Libor and has an average life of 5.7 years.

Banks were offered top-level all-in pricing of 147.02bp via a 40bp participation fee.

Funds are for refinancing and general corporate purposes.

Arrangers are *First Commercial Bank*, *Hua Nan Commercial Bank* and *Taiwan Cooperative Bank*; and senior managers are *Taishin International Bank* and *E.Sun Commercial Bank*.

The borrower is a fully owned subsidiary of Hong Kong-listed Citic, in which China's Citic Group owns a majority stake.

HONG KONG

INVESTOR PULLS OUT OF TOWER BUY

The prospective Chinese buyer of a Hong Kong skyscraper from billionaire Li Ka-shing for a record US$5.2bn has withdrawn its offer, say two people with direct knowledge of the matter.

The reason was not immediately clear, but the move points to the difficulty little-known Chinese companies face in raising capital offshore, as PRC regulators restrict capital outflows, including "irrational" outbound investments in sectors such as property.

Reuters reported in December that the buyer consortium was seeking to borrow as much as 90% for the acquisition in the form of mezzanine financing and a senior loan.

Under the original plan announced in November, Beijing-based **CHINA ENERGY RESERVE AND CHEMICALS GROUP PROPERTIES** was to own 55% of CHMT Peaceful Development, an investment vehicle that, in turn, would own "The Center".

Various Hong Kong-based investors were expected to own the remaining 45% in CHMT Peaceful Development.

With China Energy Reserve pulling out from the purchase, Hui Wing Mau, chairman of Chinese developer Shimao Property, will now take up a 20% stake in CHMT Peaceful Development, says one of the people.

The rest of China Energy Reserve's 55% stake will go to other Hong Kong-based investors, including Chu Yuet Wah, CEO of Hong Kong's Kingston Financial Group.

A banking source who has seen the deal details said lenders must consider policy risk. Chinese companies that invest in offshore property are breaching regulatory guidelines, and real estate is not a main business of China Energy Reserve.

Lo Man Tuen, a shareholder of CHMT Peaceful Development, said, without elaborating, that China Energy Reserve had cut the stake. He pointed out that the rest of the buyers had sufficient financial ability to finance the purchase.

Hong Kong tycoon Li's CK Asset Holdings said in November it was selling the 73-storey office tower to CHMT Peaceful Development Asia Property. It was the world's biggest single property sale, which would bring in a HK$14.5bn gain.

Sydney water plant targets Japanese liquidity

AUSTRALIA Second Aussie desalination facility turns to Ninja market

The sponsors of the storm-damaged **SYDNEY DESALINATION PLANT** are tapping Japanese appetite for infrastructure assets with a loan of A$500m-equivalent (US$393m), following the successful foray of peer AquaSure last year.

SDP, which has been out of commission since 2015, has mandated *MUFG* to underwrite an 11-year Ninja loan as it looks to take advantage of the long-term liquidity in the Japanese market to extend its debt profile. Ninja loans, denominated in any currency, are syndicated financings for overseas borrowers in Japan.

Japanese trust banks, regional banks and insurers were invited to attend a bank meeting in Tokyo last month for the Ninja borrowing, split into Australian and US dollar portions.

Royal Bank of Canada is advising on the capital structure and refinancing process, which started last October, when the sponsors invited existing and new lenders to submit proposals for various tenors ranging from three to more than 10 years to gauge appetite and pricing levels.

In the same month, AquaSure, another Australian desalination company, closed a A$766m 15-year dual-currency refinancing loan, tapping yield-starved Japanese banks and financial institutions. Japanese trading house Itochu Corp was among the project sponsors. Seven of the 10 participating lenders were Japanese.

"The success of the AquaSure deal made a huge impact in the market. The deal proved they can raise long-term funds in Japan for Australian projects," said one of the sources. "Japanese lenders have also become comfortable extending loans to Australian projects."

Other Aussie infrastructure borrowers to have sold Ninja loans previously include Victorian gas distributor Multinet Gas and Western Australia's Dampier to Bunbury National Gas Pipeline, both of which raised A$300m through seven-year refinancings in 2016.

Boosting demand is that many of these Japanese institutions are able to absorb unhedged or partially hedged Australian dollar exposure without bearing the high costs of swapping it back to yen, the sources have said.

STRONG INTEREST

SDP's Ninja facility is drawing strong interest from potential lenders, despite the lack of a Japanese sponsor. However, they will have to contend with other challenges. SDP's plant has been offline after suffering considerable storm damage in December 2015, with repairs expected to be completed later this year.

As the storm triggered a force majeure clause, the plant's contractual obligations under its water-supply agreement with state utility Sydney Water were put on hold until the rebuilding was completed.

The plant has not delivered any water since its testing phase as water levels in Sydney have been high, triggering criticism from opposition politicians. Sponsors Hastings Funds Management and Ontario Teachers' Pension Plan bought it in 2012 from the New South Wales government for A$2.3bn on a 50-year lease. The lease ties the government to availability payments while the plant is on standby, as well as usage payments for any water produced.

Proceeds from the Ninja loan will refinance a A$600m seven-year portion of SDP's A$1.655bn facility signed in March 2015. Existing lenders will refinance two remaining tranches – a A$415.7m three-year piece, maturing this month, and a A$600m five-year portion due in March 2020 – for another three and five years. There is also a revolving credit of A$40m that is renewed annually.

Existing lenders include ANZ, Commonwealth Bank of Australia, Export Development Bank of Canada, HSBC, MUFG, National Australia Bank, RBC, Sumitomo Mitsui Banking Corp and Westpac Banking Corp.

All-in pricing on the Ninja loan is 175bp and 130bp, based on interest margins of 170bp over BBSY and 125bp over Libor, respectively, and an average life of less than 10 years.

Responses for the Ninja loan are due in mid-March and financial close is expected at the end of March. The timeline for the refinancing of the onshore tranches with existing lenders is expected to be similar.

Wakako Sato, Sharon Klyne

INDIA

HPCL HIRES FOUR FOR REFI

HINDUSTAN PETROLEUM CORP has hired *DBS Bank*, *Mizuho Bank*, *MUFG* and *State Bank of India* as mandated lead arrangers and bookrunners for a refinancing loan of US$300m.

The three-year bullet facility is expected to be launched into syndication shortly.

HPCL had sent out a request for proposals for the refinancing in January.

In November, HPCL took the bilateral route for a one-year financing of US$200m. MUFG provided that loan.

INDONESIA

EXIMBANK SEEKS US$950m LOAN

INDONESIA EXIMBANK is looking to raise US$950m through a triple-tranche loan, having sent out a request for proposals with last week as a deadline for banks to respond.

The loan is split into a US$350m one-year portion, a US$350m three-year piece and a US$250m five-year tranche.

Funds will refinance a US$600m portion of a US$1bn loan signed in May 2015. That tranche comes due in May. Forty-five lenders, including seven mandated lead arrangers and bookrunners, participated in the deal, which also included a US$400m five-year piece.

The loan paid top-level all-in pricing of 146.3bp and 174bp based on interest margins of 118bp and 150bp over Libor for the three and five-year tranches, respectively.

Indo Exim's most recent visit was in June last year for a US$350m one-year club loan with BNP Paribas, Standard Chartered, Sumitomo Mitsui Banking Corp and UOB. The loan was said to have paid all-in pricing of around 70bp.

The borrower's previous syndicated loan was a US$725m dual-tranche facility in August 2016. ANZ, Commerzbank, CTBC Bank, DBS Bank, MUFG, Mizuho, OCBC and UOB were the MLABs of the bullet facility, which comprises a US$500m three-year Tranche A and a US$225m five-year Tranche B.

The three-year portion offered top-level all-in pricing of 132.27bp based on an interest margin of 105bp over Libor and remaining life of 2.75 years. The five-year piece paid top-level all-in pricing of 161bp based on a margin of 145bp and remaining life of 4.75 years.

JAPAN

GLP SIGNS TWO BULLETS

Tokyo-listed **GLP J-REIT** has signed two bullet term loans totalling ¥32.27bn (US$302m) for real estate acquisitions and refinancing.

MUFG and *SMBC* arranged a ¥5.5bn one-year loan, paying an interest margin of 15bp over one-month Tibor. *Bank of Fukuoka*, *Citigroup*, *Development Bank of Japan*, *Mitsubishi UFJ Trust & Banking*, *Mizuho Bank*, *Norinchukin Bank*, *Resona Bank*, *77 Bank*, *Shinsei Bank* and *Sumitomo Mitsui Trust Bank* joined in syndication. Funds are for refinancing.

MUFG and SMBC also arranged a ¥26.77bn multi-tranche loan of one to 10 years, with margins ranging from 15bp over one-month Tibor to 37.5bp over three-month Tibor. Citigroup, DBJ, MUTB, Mizuho, Norinchukin, Resona, Shinsei and SMTB joined in syndication. Proceeds are for real estate acquisitions.

The REIT invests in logistics facilities mainly in Japan's Kanto and Kansai regions.

DAIWA RAISES ACQUISITION FUNDS

Tokyo-listed **DAIWA HOUSE REIT INVESTMENT CORP** signed a ¥26.5bn bullet term loan on Wednesday to acquire real estate.

The fixed-rate loan is split into four tranches with tenors of four to 10.1 years. Interest rates have yet to be determined.

Sumitomo Mitsui Trust Bank was the arranger, while *Aozora Bank*, *Bank of Fukuoka*, *Bank of Kyoto*, *Chiba Bank*, *Chugoku Bank*, *Iyo Bank*, *Mizuho Bank*, *Mizuho Trust & Banking*, *Nishi-Nippon City Bank*, *Norinchukin Bank*, *Resona Bank*, *77 Bank*, *Shinkin Central Bank*, *Shinsei Bank*, *Shizuoka Bank* and *SMBC* joined in syndication.

Separately, the borrower has also signed four bilateral loans, totalling ¥5.5bn, for the acquisitions. *Development Bank of Japan*, *Mitsui Sumitomo Insurance*, *MUFG* and *Nippon Life Insurance* are the respective lenders.

The borrower invests in logistics, residential and retail properties and hotels, mainly in the Tokyo, Nagoya and Osaka metropolitan areas.

LOGIPORT REIT RAISES ¥15.28bn

Tokyo-listed **LASALLE LOGIPORT REIT** has signed a ¥15.28bn bullet term loan for real estate acquisitions.

The loan comes in three tranches at tenors ranging from five to 10 years and at interest margins of 20bp–35bp over three-month Tibor.

MUFG, *Mizuho Bank* and *SMBC* are the arrangers, while *Bank of Fukuoka*, *Chugoku Bank*, *Development Bank of Japan*, *Nomura Trust and Banking*, *Resona Bank*, *77 Bank*, *Shinsei Bank* and *Sumitomo Mitsui Trust Bank* joined as lenders.

The borrower invests in logistics facilities in Tokyo and Osaka.

TAIWAN

WISTRON REVOLVER HITS GENERAL

Electronics manufacturer **WISTRON** has launched a US$600m three-year revolving credit facility into general syndication, with *Mega International Commercial Bank* and *SMBC* as mandated lead arrangers and bookrunners.

The loan saw 16 lenders join as MLAs in senior syndication. They are *Bank of China*, *Bank of Communications*, *Bank of Taiwan*, *Cathay United Bank*, *Chang Hwa Commercial Bank*, *E Sun Commercial Bank*, *First Commercial Bank*, *Hua Nan Commercial Bank*, *KGI Bank*, *Land Bank of Taiwan*, *Metropolitan Bank & Trust Co*, *OCBC Bank*, *Shanghai Commercial & Savings Bank*, *Taipei Fubon Commercial Bank*, *Taishin International Bank* and *Taiwan Cooperative Bank*.

Comprising a US$400m revolving credit Tranche A and a US$200m revolving credit Tranche B, the revolver offers interest margins of 90bp and 99bp over Libor, respectively. The borrower will pay any excess interest rate beyond a 40bp difference between TAIFX and Libor.

Banks can join as lead managers with US$30m or more for an upfront fee of 15bp, as managers with US$15m–$29m for a 12bp fee, or as participants with US$5m–$14m for a 9bp fee. The deadline for responses is March 23.

Funds are to refinance a US$600m revolver signed in September 2013 and for working capital purposes.

Mega also led the 2013 loan, split into a five-year US$510m Tranche A and a three-year US$90m Tranche B, and offering margins of 119bp and 108bp over Libor, respectively. The borrower will pay any excess interest rate beyond a 38bp difference between TAIFX and Libor.

GENERAL INTERFACE CLOSES REFI

Touch-panel component maker **GENERAL INTERFACE SOLUTION (SAMOA)**, partly owned by Foxconn Technology Group, has signed a US$300m three-year refinancing.

Mega International Commercial Bank was mandated lead arranger and bookrunner on the bullet facility, split into a US$90m term loan Tranche A and a US$210m revolving credit Tranche B, which is further divided into a US$210m Tranche B1 and a US$210m Tranche B2. Tranches B1 and B2 cannot exceed a combined US$210m.

Mandated lead arrangers are *DBS Bank*, *KGI Bank*, *Chang Hwa Commercial Bank*, *Bank of Taiwan*, *CTBC Bank*, *First Commercial Bank* and *Taiwan Cooperative Bank*. Co-arranger is *Taishin International Bank*.

The facility offered an interest margin of 111bp–116bp over Libor, based on the borrower's pre-tax net profit margin. The borrower will pay any excess interest rate beyond a 40bp difference between TAIFX and Libor.

General Interface Solution (Samoa) is the borrower on Tranches A and B1, while affiliate General Interface Solution (GIS) Holding (Cayman) is the borrower on Tranche B2.

Banks were offered a top-level upfront fee of 22bp.

Funds refinance a US$300m three-year loan signed in November 2015 and meet working capital needs.

CHAILEASE UPS LOAN TO US$120m

CHAILEASE INTERNATIONAL FINANCIAL SERVICE increased the size of a three-year loan to US$120m from an initial target of US$100m.

Bank of Taiwan and *Mega International Commercial Bank* were mandated lead arrangers and bookrunners on the loan, which carries an interest margin of 130bp over Libor. The borrower will pay any excess interest rate beyond a 35bp difference between TAIFX and Libor. Banks were offered a top-level upfront fee of 20bp.

Co-arrangers are *Land Bank of Taiwan*, *Taiwan Cooperative Bank*, *Chang Hwa Commercial Bank*, *Hua Nan Commercial Bank* and *Cathay United Bank*. Managers are *E.Sun Commercial Bank*, *Hwatai Bank*, *Taichung Commercial Bank* and *Yuanta Commercial Bank*. Participant is *Bank of Kaohsiung*.

Funds are for refinancing and working capital purposes.

EUROPE/MIDDLE EAST/AFRICA

GERMANY

SSD AUTOMATION A "STEP CLOSER"

More details have emerged on **TELEFONICA DEUTSCHLAND**'s recently closed €250m Schuldscheindarlehen, including a €75m tranche sold using blockchain technology.

The financing also comprised classic SSD and longer-term Namensschuldverschreibung.

The financing was launched in January for a targeted €200m, with €50m earmarked for the blockchain tranche.

The blockchain tranche, which was exclusively marketed by LBBW, has a maturity of just over a year and closed three times oversubscribed.

The group of participating investors comprised *CaixaBank*, *Hamburger Sparkasse Kreissparkassen Esslingen- Nuertingen* and *Ludwigsburg*, *LBBW*, *Stadtsparkasse Duesseldorf* as well as *Sparkassen Hegau-Bodensee*, *Hochfranken*, *Karlsruhe*, *Pforzheim-Calw*, *Vorderpfalz* and *Deutsche Postbank*.

The transaction completed on Wednesday after a regulatory required parallel process for SSD was fulfilled.

"We have come another step closer to our goal of automating the promissory note process," said Karl Manfred Lochner, a member of LBBW's board of managing directors for corporate customers.

Meanwhile, arrangers on €175m longer-term part of the financing, LBBW and DZ Bank had to shift the reoffer price to the high end of the marketing range and add a new five-year tranche to place the financing.

The five-year and seven-year tranches were offered on fixed and floating rates of interest.

The new five-year tranches were priced at 55bp over mid-swaps or Euribor, while the seven-year tranches priced at 65bp.

There were also 10, 12 and 15-year fixed-rate tranches.

The 10-year tranche priced at 80bp over mid-swaps, while the 12-year tranche priced at 90bp and the 15-year tranche priced at 100bp.

The financing, launched in January, helps diversify Telefonica Deutschland's financing structure. It is the first time blockchain technology has been used in combination with a traditional SSD after Daimler placed a €100m issue solely using blockchain in June 2017.

DEUTSCHE TEL BYPASSES BANKS

DEUTSCHE TELEKOM has placed a €50m 10-year Schuldscheindarlehen using credX, a new digital platform.

The SSD was placed with insurance companies of the AXA Group.

Cologne-based credX is a neutral intermediary for private placement of bonds, promissory note loans (Schuldscheine) and credit, providing an alternative to the predominant placement and syndication via banks.

The web-based platform means treasurers and financial officers can contact investors directly, while members can use it to prepare, negotiate, conclude and manage the processing and settlement of debt issues and loans, credX said.

"credX has finally simplified the issuance of promissory note loans. So far, this segment has been inferior to bond markets in terms of price and efficiency," said Markus Schaefer, head of capital markets at Deutsche Telekom.

"The credX platform complements our existing access to capital markets and significantly reduces the effort required to bring supply and demand for promissory note loans together."

GEA NETS €250m SCHULDSCHEIN

Food processing technology firm **GEA GROUP** has placed a €250m Schuldscheindarlehen.

The financing, which was arranged by *BayernLB*, *DZ Bank* and *HSBC*, comprises five and seven-year tranches on floating and fixed rates of interest.

The order book closed several times oversubscribed and the financing was increased from a launch amount of €150m, while interest was fixed at the lower end of marketing.

Investors are offered spreads starting at 50bp over Euribor/midswaps on the five-year tranches and 65bp on the seven-year tranches.

"Issuing this loan note, we are capitalising on the currently positive capital market environment. Following several years of non-commitment, we reassume long-term financial liabilities to replace short-term bilateral lines of credit granted by banks," said Helmut Schmale, chief financial officer of GEA Group.

"GEA opted for two maturities to reap the benefits of the record low interest rates in the long run while putting its lender base on a sound footing."

GEA placed a €300m five-year SSD in 2012 via DZ Bank and LBBW, paying a fixed rate of 2.725%. €210m of that financing was repaid early in December 2014.

The company tapped the loan market in August 2015, renewing a €650m revolving credit facility.

GEA is rated Baa2 by Moody's and BBB by Fitch.

SAUDI ARABIA

SOVEREIGN INCREASES LOAN

The **KINGDOM OF SAUDI ARABIA** has raised an increased US$16bn syndicated loan to refinance its US$10bn facility signed in 2016.

Saudi Arabia's Debt Management Office (DMO) said that all the banks participating in the loan have accepted the terms of the deal, which is now in documentation, and that final close is expected by mid-March.

EMEA LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Deutsche Bank	10	8,393.94	13.0
2	SG	14	7,930.97	12.3
3	Goldman Sachs	5	4,704.90	7.3
4	BNP Paribas	21	4,680.75	7.3
5	BAML	9	4,039.17	6.3
6	Credit Agricole	15	3,256.48	5.1
7	HSBC	11	2,890.84	4.5
8	ING	11	2,690.72	4.2
9	Santander	11	2,549.96	4.0
10	UniCredit	16	2,389.15	3.7
	Total	**57**	**64,484.55**	

Proportional credit

Source: Thomson Reuters SDC code: R17

Pricing on the deal is 30% lower than the original loan, which paid 120bp over Libor, bringing pricing on the new deal to 84bp over Libor.

The original five-year loan was coordinated by *JP Morgan*, *HSBC* and *MUFG*, which were joined by *ICBC*, *BNP Paribas*, *Credit Agricole*, *Mizuho*, *Bank of China*, *China Construction Bank*, *Citigroup*, *Deutsche Bank*, *Goldman Sachs*, *Morgan Stanley* and *SMBC*.

In addition to these banks, the refinancing has also been provided by a new group of lenders aiming to join the Kingdom's core bank group.

The new deal included the repricing of the facility and the extension of its maturity to 2023 from 2021, as well as the introduction of an Islamic finance tranche using a murabaha structure.

Demand for this new Islamic tranche has been particularly strong, the DMO said.

"We are pleased that the transaction, with its increased size and enhanced terms, not only reflects the global banking community's recognition of the strengthening of the Saudi economy, but is also a further step in the realisation of the DMO and Ministry of Finance's ambitions to achieve a prominent position for the Kingdom in the international financial markets," said H E Mohammed Al Jadaan, Minister of Finance.

"This also illustrates the Ministry of Finance's role as part of Vision 2030's ambition to create a global investment powerhouse."

The Saudi government started issuing debt in the international markets through loans and bonds two years ago in order to refill state coffers hit by a slump in oil prices.

Its Vision 2030 is a plan to reduce the Kingdom's dependence on oil, diversify its economy, and develop public service sectors such as health, education, infrastructure, recreation and tourism.

SOUTH AFRICA

ESKOM GETS SHORT TERM FUNDING

Troubled state-run power utility **ESKOM** has signed a R20bn (US$1.7bn) short-term credit facility with a consortium of local and international banks.

The facility is government guaranteed and will form part of the financing of Eskom's capital expenditure programme.

"The funding provides Eskom with sufficient liquidity to allow the company time to continue resolving its governance related issues and enables Eskom to recommence with its normal funding program required to execute the FY2018/19 funding plan," said acting Chief Financial Officer Calib Cassim.

On Wednesday, S&P cut Eskom's rating to CCC+ from B- with a negative outlook. It cited liquidity concerns and insufficient government support that could trigger a default.

"In our view, the government support made available in recent months provided insufficient evidence of the government's ability and willingness to address severe and imminent liquidity stresses in a timely or sustainable manner," the ratings agency said.

Eskom - which is emerging from a leadership crisis - admitted last November that it is experiencing liquidity problems.

SPAIN

MAPFRE TURNS GREEN

Insurance group **MAPFRE** has converted its existing €1bn syndicated loan into a sustainable loan, becoming the first insurance company to agree this type of financing for general corporate purposes.

The conversion sees the margin on the loan linked to the company's sustainability performance in addition to credit ratings.

Independent consultant Vigeo Eiris will provide an annual report on Mapfre's performance in environmental, social and governance issues.

The maturity of the loan has also been extended by two years to 2023 plus two one-year extension options.

The amendment will reduce financing expenses and strengthens the company's commitment to social responsibility, the environment and society in general, Mapfre said.

The financing was agreed with a group of banks led by *Santander*, *BBVA*, *Bankinter*, *Sabadell* and *Bankia* as bookrunners. Santander is facility agent while BBVA is sustainability agent.

Mapfre is rated BBB+ by S&P.

TURKEY

PRICING FALLS FOR BANKS

Pricing on the latest round of Turkish bank loans has fallen, despite increased political volatility stemming from Turkey's military operation in Syria in January.

VAKIFBANK is the latest bank to line up a loan refinancing, following similar deals for **AKBANK**, **ZIRAAT BANK** and **TURK EXIMBANK**, which have already launched loans into the market.

Akbank will be the first to sign its loan and will set a pricing benchmark for the other banks to follow, which is expected to be between 5bp-10bp lower than the most recent round of refinancings raised in 2017, the bankers said.

"The story is the same as ever, Turkish banks are just very good at offering auxiliary business – from traditional finance to securitisations and bonds," one banker said.

Bank of America Merrill Lynch, *First Abu Dhabi Bank* and *ICBC* are arranging Akbank's loan, which comprises a one-year US dollar tranche A, a one-year euro-denominated tranche B and a two-year US dollar tranche C.

The all-in pricing on the A and C tranches is expected to be 130bp and 210bp over Libor, respectively, with the euro B tranche paying an all in of 120bp over Euribor, one of the bankers said.

The loan refinances a US$1.2bn-equivalent loan that closed in March 2017. The one-year US$219.5m A tranche and the two year US$185m C tranche on that loan paid 145bp and 220bp over Libor, respectively. The one-year €738.3m Tranche B paid 135bp over Euribor.

In August Akbank raised a US$1.15bn equivalent loan co-ordinated by Emirates NBD Capital, ICBC Turkey and Standard Chartered. The all in pricing on this loan for the A and C tranches was 135bp and 220bp respectively with the B tranche paying an all 125bp over Euribor.

Vakifbank's new loan will refinance a US$967m deal signed in April 2017 that was coordinated by Emirates NBD and Bank of America Merrill Lynch. That facility comprised a US$188.5m tranche and a €716.5m tranche paying 145bp over Libor and 135bp over Euribor, respectively.

Ziraat Bank has launched a US$1bn loan to refinance a US$1.05bn equivalent loan which closed in April 2-17, according to bankers. That deal comprised a US$278m tranche and a €706.5m tranche which also paid 145bp over Libor and 135bp over Euribor, respectively.

Turk Eximbank has launched a US$300m deal, coordinated by MUFG, to refinance a US$400m-equivalent deal that comprises a €370.5m tranche and a US$31m tranche, paying 110bp over Euribor/Libor, respectively.

The new loan could be increased depending on appetite.

"I would be surprised if it wasn't upsized as bank appetite is always good, but it depends on the requirement of the borrower," another banker said.

Pricing on Turk Eximbank's loan is also expected to fall from the 110bp level it paid last year.

UKRAINE

METINVEST MAKES RETURN

Metals and mining group **METINVEST** is in the market with a syndicated loan, the first time the company has come to the international loans market since it finalised a US$2.3bn debt restructuring in March 2017.

"Banks are going through credit approvals now," a banker said.

Under the terms of the restructuring, four pre-export finance facilities were amended and restated into one facility of around US$1.1bn that matures in June 2021 and pays 416bp over Libor.

In addition, three series of guaranteed notes - due in 2016, 2017 and 2018 - were cancelled and delisted. They were replaced with new listed senior secured notes totalling approximately US$1.2bn, maturing in December 2021.

As part of the restructuring agreement, Metinvest will also have to raise a new bond if it successfully taps the loan market.

Bank lenders to Metinvest's existing PXF facility include Deutsche Bank, ING, Natixis, Portigon, UniCredit, Erste, BNP Paribas, MUFG, Raiffeisen Bank International, Rabobank and Credit Suisse.

UK

HAMMERSON AGREES £1.5bn LOAN

Shopping centre owner **HAMMERSON** has agreed terms on a £1.5bn three-year revolving credit facility that will be used to refinance near term debt of Intu, which Hammerson agreed to acquire in December 2017.

The financing has been agreed with a group of Hammerson's relationship banks and is subject to final documentation.

Fully drawn, the loan is expected to pay 100bp over Libor.

Intu has around £1.487bn of near term maturities, including a £160m convertible bond maturing in 2018, a £352m secured group structure bank loan maturing in 2021, a £600m revolving credit facility maturing in 2021, and a £375m convertible bond maturing in 2022.

The annual interest cost for those loans is around £38.5m.

Under the new financing annual interest costs are estimated to be £23.4m.

Hammerson tapped the loan market in April 2017 for a £360m unsecured revolving credit facility via coordinator MUFG and facility agent Deutsche Bank. That 5+1+1-year facility paid an initial margin of 90bp over Libor.

The £3.4bn acquisition is expected to be completed in the fourth quarter.

TRINITY MIRROR TAPS FOR EXPRESS BUY

Newspaper group **TRINITY MIRROR**'s £126.7m acquisition of the publishing portfolio of Northern & Shell is backed with a £75m amortising term loan.

The financing was led by coordinating banks *Barclays*, *Santander UK* and *Royal Bank of Scotland* as bookrunners and mandated lead arrangers. *Bank of Ireland* is also a bookrunner and mandated lead arranger.

The loan pays a margin of 290bp-350bp over Libor, depending on leverage.

The financing will be fully drawn with the balance of the acquisition being funded through a draw down under Trinity's existing debt facility and cash balances.

Following the acquisition the enlarged group will have a robust balance sheet and leverage will not increase beyond 1.0 times Ebitda, the company said previously.

The acquired portfolio includes the Daily Express and Sunday Express; the Daily Star and Daily Star Sunday; Express.co.uk and Dailystar.co.uk websites; celebrity magazines OK!, New! and Star; ok.co.uk, new-magazine.co.uk and star-magazine.co.uk websites; and the Irish Daily Star through a 50% equity interest in Independent Star Limited.

Shareholders of Trinity Mirror approved the deal at a general meeting held on Tuesday.

TAYLOR WIMPEY AMENDS £550m LOAN

Homebuilder **TAYLOR WIMPEY** has amended and extended its existing £550m revolving credit facility on improved terms.

The maturity of the loan has been extended to 2023 with the option to extend for a further two years.

The average maturity of Taylor Wimpey's committed borrowing facilities is now 5.2 years.

The facility was originally arranged for five years in August 2013 via coordinator Royal Bank of Scotland with BNP Paribas, Banco Santander, Barclays, HSBC Bank, JP Morgan and Lloyds.

The facility was extended to February 2020 in February 2015.

Taylor Wimpey is rated BBB- by S&P and Baa3 by Moody's.

BBA AVIATION GEARS UP FOR REFI

Aircraft services company **BBA AVIATION** will seek to refinance US$903m of its existing bank loans this year.

The company is looking to replace a US$650m revolving credit facility and a US$253.4m term loan, which are due to mature in April 2019 and February 2019, respectively.

BBA plans to refinance the RCF in the first half, while the term loan will also be refinanced during the year.

Meanwhile an existing US450m term loan that is due to mature in September 2020 will be refinanced in 2019.

The RCF was arranged in April 2014 via Banco Santander, Bank of America Merrill Lynch, Barclays, BNP Paribas, Handelsbanken, HSBC, JP Morgan, RBC, Royal Bank of Scotland, SMBC and SunTrust.

The term loans were part of a US$1bn syndicated loan arranged in 2015 to finance the acquisition of Landmark Aviation. That financing was arranged by JP Morgan, BNP Paribas, Barclays and HSBC.

The financing included a US$400m term loan maturing in February 2019 and the US$450m term loan, paying initial margins of 215bp, 245bp and 100bp over Libor, respectively.

The company also has a US$120m US private placement maturing in 2018. That financing will be repaid, leaving the company with US$380m of US private placements in place, maturing from 2021 to 2026.

NORTH AMERICA

UNITED STATES

DISNEY TO INCREASE LOANS

Media conglomerate **WALT DISNEY** is refinancing and increasing the size of a 364-day loan and five-year revolving credit facility to a total of US$10bn from US$4.75bn.

The loans are now a US$6bn 364-day facility, up from US$2.5bn, and a US$4bn five-year revolver, up from US$2.25bn. The maturities are March 2019 and March 2023, respectively.

And an existing US$2.25bn five-year remains unchanged in size and continues to mature in 2021.

JP Morgan, *Citigroup*, *BNP Paribas* and *Deutsche Bank* lead the refinancing.

The 364-day facility pays 3bp undrawn, unchanged, while the five-year facility pays 5bp undrawn, from 6bp previously. Drawn pricing is tied to one-year and five-year CDS, respectively, with a floor at 15bp and a cap of 75bp. The floor and cap were previously 20bp and 87.5bp.

Additionally, the company has an existing US$2.25bn five-year facility that remains unchanged in size and continues to mature in 2021.

Last December, Goldman provided an up to US$9bn bridge loan to support Walt Disney's purchase of film, television and international businesses from Twenty-First Century Fox for US$52.4bn in stock.

The funds will be used to pay an estimated US$8.5bn cash dividend to 21st Century Fox to compensate for tax liabilities created by the spin-off.

The refinancing facility is pro forma for the combined company.

Last week, Comcast Corp, the biggest cable operator in the US, offered to pay US$31bn to buy Sky, challenging Fox and Walt Disney for the European pay-TV company.

COMCAST TAPS FOR SKY OFFER

COMCAST CORP, the biggest cable operator in the US, has offered to pay US$31bn to buy Sky Plc and in a filing said the cash amount would be funded through Comcast's existing financial resources and new third party debt.

Bank of America Merrill Lynch is exclusive financial adviser to Comcast.

The Comcast bid challenges Rupert Murdoch's Fox and Bob Iger's Walt Disney for Europe's largest pay-TV entity. The all-cash offer is for £12.50 per share, significantly higher than the £10.75 per share that Fox agreed to pay for it, Reuters reported.

Online streaming companies including Netflix and Amazon have forced a shake-up in the media sector as other outlets compete for subscribers.

MONDELEZ NETS US$1.5bn RCF

Snack maker **MONDELEZ INTERNATIONAL** has signed a US$1.5bn 364-day senior unsecured revolving credit facility.

The loan, set to expire in February 2019, can be extended by a year to February 2020.

AMERICAS LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	120	29,699.35	14.3
2	JP Morgan	92	22,174.54	10.7
3	Wells Fargo	79	18,019.09	8.7
4	Citigroup	44	13,751.08	6.6
5	Credit Suisse	35	8,622.92	4.1
6	Barclays	40	8,518.09	4.1
7	RBC	35	8,484.28	4.1
8	Deutsche Bank	34	8,058.23	3.9
9	SunTrust Banks	37	6,312.24	3.0
10	Mizuho	21	6,193.01	3.0
	Total	319	207,961.82	

Proportional credit

Source: Thomson Reuters SDC code: R7

Mondelez said it expects to use the credit for general corporate purposes, and to support its commercial paper programme.

JP Morgan is administrative agent. The bank along with *Citigroup*, *Credit Suisse*, *HSBC* and *Bank of America Merrill Lynch* are joint lead arrangers and joint bookrunners.

The company is rated Baa1 by Moody's and BBB by S&P.

Pricing is linked to ratings. For A2/A or higher the margin is 83.5bp over Libor and the facility fee is 4bp; for A3/A- it is 94bp and 6bp; for Baa1/BBB+ it is 104.5bp and 8bp; for Baa2/BBB it is 115bp and 10bp; and for lower than that it is 125bp and 12.5bp.

Mondelez brands include Oreo, Cadbury, Wheat Thins and Dentyne.

GENERAL MILLS TAKES UP TO US$8.5bn

GENERAL MILLS has agreed a senior unsecured 364-day bridge term loan of up to US$8.5bn from Goldman Sachs to support its nearly US$8bn purchase of Blue Buffalo Pet Products.

General Mills said the deal would be financed with a combination of debt, cash on hand and equity. Permanent financing will include about US$1bn in equity.

General Mills will pay US$40 per Blue Buffalo share.

Yoplait yoghurt and Cheerios cereal are among General Mills' products.

LEVERAGED LOANS

UNITED STATES

EOC DETAILS US$1.875bn LOAN

EOC GROUP, which operates as Mavis Discount Tire and Express Oil Change and Tire Engineers, is marketing a US$1.875bn acquisition loan.

Jefferies is lead left on the financing, joined by *Antares Capital*, *KKR Capital Markets*, *Angel Island Capital* and *Cowen*.

Proceeds from the loan will be used to fund Golden Gate Capital's acquisition of Mavis and subsequent merger with existing portfolio company Express Oil Change.

The funding comprises a US$100m revolver, a US$1.09bn first-lien term loan, a US$178.5m delayed draw first-lien term loan, a US$435m second-lien term loan and a US$71.5m delayed draw second-lien term loan.

The first-lien portion will be sold as a pro-rata strip, while the second-lien debt is being placed privately.

First-lien pricing is guided at 325bp-350bp over Libor with a 0% floor at a 99.5 OID.

Pricing also includes one 25bp leveraged based stepdown and one 25bp stepdown tied to an initial public offering. The delayed draw tranche has a 24 months commitment with a 1% per annum ticking fee.

The first-lien loans will have a seven-year tenor and 101 soft call for six months, while the second-lien tranches will mature in eight years. The second-lien loans are callable at 102 in year one, then at 101 in year two.

Medical examination services provider **EXAMWORKS GROUP** launched a US$185m incremental term loan B that will be used to finance an acquisition.

Bank of America Merrill Lynch leads with *Barclays*, *Deutsche Bank* and *SunTrust*.

The add-on will be fungible with the existing covenant-lite term loan B due July 27 2023 at 325bp over Libor with a 1% floor. It is offered at a 99.5-99.75 OID.

The entire term loan B will receive a six-month 101 soft call reset.

Proceeds will be used to fund the acquisition of Work Health Group, an Australian provider of occupational rehabilitation case management services.

Ratings are B2/B corporate and B1/B secured.

WASTEQUIP, a provider of containment equipment to waste, recycling and industrial sectors, is marketing a US$395m first- and second-lien credit facility backing the company's sale to HIG Capital.

The loan comprises a US$50m revolver due 2023, a US$245m first-lien term loan due 2025 and a US$100m second-lien term loan due 2026.

The first-lien term loan is guided at 375bp over Libor with a 1% floor and 99.5 OID. The loan benefits from 101 soft call protection for six months.

The second-lien term loan is guided at 775bp over Libor with a 1% floor and a discount of 99. The loan is callable at 102 in year one, then at 101 in year two.

Barclays is lead left, joined by *Credit Suisse* and *Goldman Sachs*.

Corporate family ratings are B2/B. First-lien facility ratings are B1/B and second-lien facility ratings are Caa1/CCC+.

SEVEN BACK GTT FOR INTEROUTE

Cloud networking company **GTT COMMUNICATIONS** has received committed financing from *Credit Suisse*, *KeyBank*, *SunTrust*, *Goldman Sachs*, *Morgan Stanley*, *Citizens Bank* and *ING* to back its all-cash US$2.3bn-equivalent acquisition of privately held European peer Interoute.

The financing comprises a €640m term loan B, a US$1,330.5m term loan B, a US$200m revolving credit facility, and a US$750m bridge loan that will be replaced by senior unsecured notes.

Under the terms of the debt commitment, GTT may increase or decrease the principal amount of the €640m term loan by €100m, which would be offset by a corresponding change in the size of the US$1,330.5m term loan so that the total principal amount of euro and dollar term loans does not exceed US$2.12bn-equivalent.

Proceeds will be used to refinance GTT's existing senior secured credit facilities, refinance certain existing debt at Interoute, provide financing for a portion of the acquisition, pay transaction fees, costs and expenses, and provide funds for working capital and other general corporate purposes.

The company is buying Interoute in an all-cash deal valued at about €1.9bn.

GTT has received committed equity financing of US$250m from its largest institutional investor, The Spruce House Partnership, and Acacia Partners.

Closing leverage will be approximately 5.0-5.5 times, based on pro forma combined adjusted Ebitda, including expected cost synergies.

Education services provider **LEARNING CARE GROUP** has set price guidance on a US$595m senior loan.

Proceeds from the senior credit, together with a privately placed US$160m second-lien term loan and US$300m of preferred equity, will be used to fund a distribution to shareholders and to refinance existing debt.

The senior loan comprises a US$75m five-year revolver guided at 350bp over Libor with a 0% floor and a US$520m term loan B guided at 350bp over Libor with a 1% floor.

The term loan is offered at a 99.5 OID and has 101 soft call protection for six months.

Amortisation is set at an annual rate of 1%. The revolver has a springing leverage covenant, while the term loan is covenant-lite.

Morgan Stanley, *Bank of America Merrill Lynch*, *BMO Capital Markets*, *Credit Suisse* and *Goldman Sachs* are arranging the facility.

Corporate family ratings are B3/B-. Facility ratings are B2/B-.

Door and window manufacturer **PGT** is repricing its US$224m term loan B due in February 2022.

SunTrust leads the deal, guided at 375bp over Libor with a 0% floor, versus current pricing of 475bp over Libor with a 1% floor. The loan is offered at par.

ZEST DENTAL SEEKS LBO LOANS

Dental implant device maker **ZEST DENTAL SOLUTIONS** set price talk on its first- and second-lien loan package backing its leveraged buyout by BC Partners.

Citigroup is leading the first-lien tranche, while *RBC* is leading the second-lien tranche. *Credit Suisse* and *Jefferies* are joint lead arrangers.

The financing comprises a US$50m revolving credit facility, a US$265m first-lien term loan and a US$115m second-lien term loan.

Price talk on the seven-year first-lien loan is 350bp over Libor with a 0% floor and 99.5 OID.

The tranche will amortise at 1% per year and include six months of 101 soft call protection.

It will include an excess cash flow sweep provision that opens at 50% and steps down to 25% and 0% when total net leverage is 0.5 times and 1 times inside closing total net leverage, respectively. However, ECF sweeps under US$5m will not be required.

The eight-year second-lien loan is guided at 750bp over Libor with a 0% floor and 99 OID.

The tranche will include a 103/101 hard call schedule.

The debt will include free and clear incremental capacity shared between the revolving credit facility and first- and second-lien tranches equal to the greater of US$57m and 100% of last 12 months' adjusted Ebitda, and unlimited first-lien incremental capacity up to closing first-lien net leverage, unlimited junior lien incremental capacity up to closing secured net leverage, and unlimited unsecured incremental capacity up to closing total net leverage plus 0.5 times or a 2 times interest coverage ratio, on a pro forma basis.

While the term loan are covenant-lite, the revolving credit facility will include a 7.25 times springing net first lien leverage covenant triggered when more than 35% of the facility is drawn, including non-cash collateralised letters of credit in excess of US$5m.

The first-lien will be subject to 50bp of MFN protection for 12 months, excluding for loans issued as part of the free and clear basket, that mature more than a year after the original term loan or are less than US$28m.

Ratings are B3/B corporate, B2/B first-lien and Caa2/CCC+ second-lien.

Bank of America Merrill Lynch is providing US$2.2bn of committed financing to back engineering, procurement and construction company **KBR**'s acquisition of government contractor Stinger Ghaffarian Technologies.

KBR is purchasing the privately held technology services provider for US$355m.

The debt commitment includes a US$400m five-year term loan A, a US$800m seven-year term loan B, a US$500m revolving credit facility and a US$500m performance letter of credit.

The TLA will be made available on a delayed-draw basis. The revolving credit facility and PLOC will be available until the fifth anniversary of the closing date.

Proceeds will be used to refinance KBR's existing US$1bn revolving credit facility, fund the acquisition as well as the company's projected share of the Ichthys Onshore Liquified Natural Gas project in Australia, for general corporate purposes and to cover fees and expenses.

POWERTEAM SEALS US$790m DEAL

POWERTEAM SERVICES has wrapped up a US$790m loan that refinances existing debt and funds a distribution to shareholders.

Credit Suisse led the deal with *Jefferies*, *Antares Capital* and *Deutsche Bank*.

The transaction comprises a US$60m revolver, a US$595m seven-year first-lien term loan and US$135m eight-year second-lien term loan.

Final pricing on the first-lien tranche cleared at the tight end of 325bp-350bp over Libor guidance. The loan has a 1% floor.

Final pricing on the second-lien tranche also cleared at the tight end guidance, which was set at 725bp-750bp over Libor. The loan has a 1% floor.

Both loans saw the OIDs narrow. The discount on the first-lien tightened to 99.75 from 99.5, while the second-lien tightened to 99.25 from 99.

The first-lien has 101 soft call protection for six months and the second-lien is callable at 102, 101.

Corporate family ratings are B3/B. Facility ratings are B2/B for the first-lien and Caa2/CCC+ for the second-lien.

PowerTeam provides maintenance and installation services to natural gas and electric companies.

Midstream energy company **CRESTWOOD HOLDINGS** has wrapped up a US$350m term loan B that will refinance existing term loan B debt.

The five-year refinancing loan priced at 750bp over Libor with a 0% floor and 98 OID.

The spread firmed at the wide end of guidance in the 725bp-750bp over Libor range for the spread and 98-98.5 range for the discount. The 0% floor remained.

US LEVERAGED LOANS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	62	11,765.19	11.5
2	JP Morgan	49	9,948.73	9.7
3	Deutsche Bank	30	7,174.90	7.0
4	Credit Suisse	31	7,037.47	6.9
5	Wells Fargo	40	6,965.58	6.8
6	Citigroup	23	6,759.37	6.6
7	Barclays	29	5,350.95	5.2
8	Goldman Sachs	27	5,327.55	5.2
9	SunTrust Banks	24	3,835.01	3.8
10	Morgan Stanley	22	3,375.52	3.3
	Total	**189**	**102,106.24**	

Excluding Project Finance.

Source: Thomson Reuters SDC code: P2

The *Morgan Stanley*-led loan will be callable at 102,101 and will amortize at an annual rate of 1%.

The deal is governed by a total maximum leverage covenant with step-downs and there is a 100% quarterly excess cash flow sweep.

Corporate family and facility ratings are B3/B-.

Global promotional products supplier **POLYCONCEPT** completed the repricing of its US$459m term loan B due in August 2023 and US$20m fungible add-on.

Goldman Sachs led with *RBC* and *Natixis*.

The entire tranche cleared at 375bp over Libor with a 1% floor, at the tight end of guidance in the 375bp-400bp over Libor range with a 1% floor.

The loan previously paid 475bp over Libor with a 1% floor.

The repriced tranche was issued at par, while the incremental was issued at a 99.75 discount.

Lenders will receive a 101 six-month soft call reset.

Proceeds from the add-on will be used to add cash to the balance sheet and to fund potential future tuck-in acquisitions.

As part of the transaction, the loan's permitted foreign acquisition basket will be amended from US$45m to US$60m.

Polyconcept manufactures promotional items such as pens, watches and mugs.

It has been owned by private equity firm Charlesbank Capital Partners since 2016.

Existing ratings are B2/B corporate and B1/B facility.

WARNER MUSIC MARKETS ADD-ON

Global music company **WARNER MUSIC GROUP** is marketing a US$320m incremental first-lien term loan that will refinance existing debt.

Credit Suisse leads the arranger group.

Guidance on the covenant-lite loan is 225bp over Libor with a 0% floor, the same as for the company's existing term loan. The new money is expected to be issued at par, effectively eliminating the discount. Initially the loan was offered in the 99.75-par area.

The loan will have 101 soft call protection through to June 6 2018 and matures in November 2023, in line with the existing loan.

Canadian gaming company **GATEWAY CASINOS & ENTERTAINMENT** has launched a C$150m five-year revolver and a US$305m seven-year term loan.

Morgan Stanley, *SunTrust*, *BMO Capital Markets*, *Credit Suisse*, *Goldman Sachs*, *Macquarie Capital* and *National Bank of Canada* are arranging the deal.

The term loan is guided at 325bp over Libor with a 0% floor and 99.75 OID. The loan has 101 soft call protection for six months and amortises at 1% annually.

The deal is governed by a total net leverage ratio.

Proceeds from the transaction, along with proceeds from an announced sale-and-leaseback, will be used to repay and refinance existing term loans, repay the outstanding revolver balance and repay the Langley mortgage, as well as funding a distribution to shareholders and for general corporate purposes.

In conjunction with the transaction, Gateway is also seeking consents from holders of its outstanding 8.25% second priority senior secured notes due 2024 to approve certain amendments to the indenture.

Corporate ratings are B2/B and facility ratings are Ba3/BB-.

Truck manufacturer **HYSTER-YALE GROUP** is repricing its US$195m term loan B due in May 2023.

Bank of America Merrill Lynch is sole arranger on the covenant-lite loan, which is guided at 325bp over Libor with a 0% floor, versus 400bp with a 0% floor with a leverage-based step-down to 375bp currently.

It will be offered at par and lenders will receive a six-month, 101 soft call reset.

The loan was issued in May 2017 to pay down the company's revolving credit facility and add cash to the balance sheet.

The company is rated B2/B+. The loan is rated B1/BB.

ETON/PRICEWATERHOUSECOOPERS PUBLIC SECTOR will launch a US$470m loan on Tuesday. *RBC Capital Markets*, *UBS Securities*, *Carlyle Global Credit Investment Management* and *Macquarie Capital* are joint lead arrangers.

The senior secured loan comprises a US$50m five-year revolver, a US$315m seven-year first-lien term loan and a US$105m eight-year second-lien term loan.

Veritas Capital is the financial sponsor.

CORONADO COAL SEEKS M&A LOAN

CORONADO COAL has set price talk on its dual-tranche US$700m term loan backing an acquisition.

Deutsche Bank is leading with *Goldman Sachs*.

The covenant-lite seven-year loan is split between a US$550m TLB and a US$150m TLC. The tranches will allocate and trade as a strip.

Guidance on both tranches is 625bp over Libor with a 1% floor and 99 discount.

The TLB will amortise at 1% per year, while the TLC will not amortise.

Both tranches will include six months of 101 soft call protection.

Proceeds, along with a US$180m of new equity from sponsor The Energy & Minerals Group, will be used to finance the US$473m acquisition of the Curragh coal mine in Queensland, repay Coronado's existing debt and put over US$200m of cash on the balance sheet. Specifically, funds from the TLC will cash collateralise letters of credit related to Curragh's reclamation obligations.

Texas-based Coronado is buying Curragh from Wesfarmers for US$539m. The deal includes a provision for Wesfarmers to receive 25% of Curragh's export coal revenue generated above a realised metallurgical coal price of US$145 per tonne.

Ratings are B1/B corporate and B1/B+ facility.

Healthcare services provider **HCA** is shopping a new term loan B10 alongside a repricing of its term loan B9.

Bank of America Merrill Lynch leads the deal.

The US$1.5bn seven-year TLB10 is guided at 200bp over Libor with a 0% floor and a 99.875-par offering price.

Lenders will receive six months of soft call protection at 101.

Guidance on the US$1.478bn TLB9, which matures in March 2023, is 175bp over Libor with a 0% floor, compared with current pricing of 200bp over Libor with a 0% floor. It is offered at par.

The loan's 101 soft call protection will be reset for six months.

Proceeds from the new loan will be used to fully refinance the company's US$1.188bn TLB8 due in 2024 and repay roughly US$312m of the TLB9, bringing the outstanding balance to US$1.166bn.

The loans will remain subject to a 6.75 times total net leverage covenant.

HCA is rated Ba2/BB. The debt is rated Ba1/BBB-.

Defence contractor **LEIDOS** is repricing its US$1.12bn term loan B due August 2023.

Citigroup leads with *MUFG*, *Bank of America Merrill Lynch*, *JP Morgan*, *Goldman Sachs*, *Scotia Bank* and *Wells Fargo*.

Guidance is 175bp over Libor with a 0% floor, compared with 200bp over Libor with a 0% floor currently. The loan is offered at par.

Lenders will receive a six-month 101 soft call reset.

Existing ratings are Ba1/BBB- corporate and Ba1/BBB facility.

MICROCHIP LINES UP US$5.6bn

JP Morgan is providing US$5.6bn of debt financing for semiconductor company **MICROCHIP TECHNOLOGY**'s all-cash acquisition of peer Microsemi for US$10.15bn including debt.

Microchip is paying US$68.78 per share for Microsemi, representing an equity value of roughly US$8.35bn.

The financing includes US$5bn of new debt and a US$600m cash bridge loan. The company also plans to fund the deal with US$1.6bn of cash from the combined company's balance sheets and about US$3bn from Microchip's existing line of credit.

DELEK US HOLDINGS is in the market with a US$650m term loan B backing a refinancing of existing debt.

Wells Fargo leads the covenant-lite seven-year loan, which is guided at 275bp-300bp over Libor with a 0% floor and 99.5 discount.

The loan will amortise at 1% annually and lenders will receive six months of soft call protection at 101.

Documentation will allow for a US$200m freebie basket plus an unlimited amount of incremental debt up to two times total net leverage.

Pro forma leverage is 2.2 times secured and 2.5 times total.

Additional provisions include mandatory prepayment on 100% of proceeds from asset sales and 100% of debt issuance excluding permitted debt, as well as an excess cashflow sweep of 50% when secured net leverage is over 3.0 times, 25% when secured net leverage is less than 3.0 times but over 2.5 times and 0% when secured net leverage is less than 2.5 times.

The financing includes a new five-year $1bn asset-based revolving credit facility that will be drawn by US$154m at close.

The transaction will consolidate existing Delek, Alon USA Energy and Alon USA Partners debt.

Delek is an integrated energy company providing petroleum refining and transportation.

Mexican restaurant chain **QDOBA** has circulated price talk on its US$203m term loan B backing its leveraged buyout by Apollo Global Management.

Deutsche Bank leads with *HSBC*. The covenant-lite seven-year loan is guided at 650bp over Libor with a 1% floor and 98.5 discount.

The loan will not be callable in year one, followed by a 102/101 hard call schedule.

The financing includes a US$35m revolving credit facility.

Apollo is buying Qdoba from restaurant chain Jack in the Box for approximately US$305m.

Ratings are B3/B- corporate and facility.

GENWORTH CUTS PRICING ON REFI

Financial services company **GENWORTH** lowered pricing on its US$450m term loan B, which will be used to refinance existing debt.

Goldman Sachs led with *JP Morgan*. *Barclays*, *Credit Suisse* and *Bank of America Merrill Lynch* are co-managers.

The five-year term loan priced at 450bp over Libor with a 1% floor and 99.5 OID, versus 475bp-500bp with a 1% floor and 98.5 discount at launch.

The facility is now non-callable in the first year and callable at 101 in year two, compared with initially being non-callable in the first year followed by a 102/101 hard call schedule.

The 1% annual amortisation rate and the monthly maintenance test requiring LTV remaining below 50%, maximum capitalisation ratio and minimum capital test for mortgage insurance subsidiary Genworth MI Canada are unchanged.

Proceeds, along with existing cash, are expected to be used to repay Genworth's unsecured notes maturing in May 2018.

Ratings are B2/B corporate and Ba3/B+ facility.

Packaging company **PRO MACH** increased its term loan by US$50m to US$810m and cut pricing.

Proceeds from the term loan, along with a US$100m revolver, are slated to back the company's sale to Leonard Green & Partners. The additional proceeds will be used to reduce a privately placed second-lien loan.

Pricing on the seven-year term loan decreased 25bp to 300bp over Libor with a 0% floor. The 25bp step-down at 0.5 times inside closing net first-lien leverage remains. The loan sold at a 99.75 OID, the narrow end of guidance in the 99.5-99.75 range, and has 101 soft call protection for six months.

Pricing on the five-year revolver is 325bp over Libor, based on a grid. The revolver also has a 0% floor.

The term loan is covenant-lite and is expected to amortise at 1%, annually, while a springing leverage covenant applies to the revolver.

Morgan Stanley and *Goldman Sachs* arranged the financing.

Corporate family ratings are B3/B- and facility ratings are B2/B-.

VAC, a global manufacturer of magnetic alloys and components, increased its refinancing loan by US$25m and finalised pricing at launch terms.

The *Credit Suisse*-led deal now comprises a US$225m term loan, along with a US$30m revolver.

The seven-year covenant-lite term loan priced at 400bp over Libor with a 1% floor and sold at a 99.5 OID. The loan has 101 soft call protection for six months.

Corporate family and facility ratings are B2/B.

K-MAC SEEKS DIVI RECAP LOANS

Taco Bell franchisee **K-MAC** is in the market with first and second-lien loans backing a dividend recapitalisation.

KKR Capital Markets is leading the financing, which comprises a US$50m five-year revolving credit facility, a US$355m seven-year first-lien term loan and a US$115m eight-year second-lien term loan.

The first-lien tranche is guided at 325bp over Libor with a stepdown to 300bp at 4.0 times first-lien leverage, a 0% floor and 99.5 OID.

It includes six months of soft call protection at 101.

The second-lien tranche is guided at 700bp over Libor with a 0% floor and 99.5 OID. It features a 102/101 hard call schedule.

Proceeds will be used to fund a US$96m dividend to shareholders including private equity firm Lee Equity Partners, which acquired the company in December 2016, to refinance US$364m in existing debt and cover US$10m in fees and expenses.

Pro forma net first-lien and total leverage are 4.5 times and 6.0 times, respectively, based on 2017 adjusted Ebitda of roughly US$77m.

Surfwear retailer **BOARDRIDERS** has scheduled a bank meeting on Tuesday to launch a US$450m term loan B backing its acquisition of Australian peer Billabong International.

Deutsche Bank is leading with *Bank of America Merrill Lynch* and *Macquarie*.

The term loan will be subject to a total net leverage covenant.

The financing includes a US$150m asset-based revolving credit facility.

Proceeds will be used to fund the Billabong purchase and refinance debt at both companies.

Boardriders is buying Billabong for an enterprise value of A$380m (US$294m), representing a multiple of 7.4 times Billabong's pro forma 2017 Ebitda.

Engineering firm **MCDERMOTT INTERNATIONAL** will launch a US$2.15bn first-lien term loan on Monday to refinance existing debt.

Barclays is lead-left, joined by *Credit Agricole*, *Goldman Sachs*, *MUFG*, *ABN AMRO*, *RBC* and *Standard Chartered*.

Proceeds from the seven-year loan will be used to refinance existing debt and cash collateralise letters of credit.

Pro forma the transaction, first-lien net leverage will be 0.6 times and 1.7 times total net leverage.

KIK ALLOCATES US$804.4m TLB

Pool and spa products company **KIK CUSTOM PRODUCTS** has allocated its repriced US$804.4m term loan B.

The company lowered the spread on the loan by 50bp to 400bp over Libor with a 1% floor, as proposed. The loan sold at a 99.75 discount.

Soft call protection at 101 for six months will be reset.

In addition to repricing the TLB, KIK extended the maturity by roughly nine months to May 15, 2023.

Barclays is administrative agent joined by *BMO*, *Nomura*, *Macquarie*, *SunTrust* and *HSBC*.

Corporate ratings are B3/B-. Facility ratings are B1/B-.

MEDICAL SOLUTIONS, which provides travel nurse staffing services for hospitals, has finalised a US$140m incremental term loan.

UBS, *Morgan Stanley* and *SunTrust* led the add-on, which matures in June 2024 and is fungible with the company's existing term. Proceeds from the new money will be used for acquisition purposes.

The loan priced at 375bp over Libor with a 1% floor. The new money sold at a 99.75 discount and the transaction resets 101 soft call protection for six months.

Medical Solutions tapped the market in June 2017 with a US$310m first- and second-lien credit facility backing the company's buyout by TPG Growth Capital.

Corporate family ratings are B2/B.

Orthotic and prosthetic patient care services provider **HANGER** has completed syndication of its US$505m term loan B backing a refinancing of existing debt.

Bank of America Merrill Lynch led with *SunTrust* and *Wells Fargo*. *Regions Bank* was co-manager.

The seven-year TLB cleared at 350bp over Libor with a 0% floor and 99.5 OID.

Lenders will receive 12 months of soft call protection at 101.

Proceeds will be used to repay the company's existing TLA, unsecured TLB, borrowings under the revolving credit facility, and for general corporate purposes.

Ratings are B1/B+ corporate and facility.

OPENLINK TAKES CROSS-BORDER LOANS

US enterprise software solutions firm **OPENLINK** cut pricing and increased the overall size of a cross-border loan package backing the company's acquisition by **ION INVESTMENT GROUP**, the Dublin-headquartered trading software group.

The term loan portion was increased to approximately US$530m-equivalent from US$520m-equivalent after the dollar-denominated term loan was increased and the euro-denominated term loan was downsized. In addition, Openlink is raising a US$21m five-year revolving credit facility.

The margins on both loans were cut by 75bp, while the 1% floors and the 99.5 OID were unchanged.

Pricing on the now US$348m seven-year first-lien term loan, increased from US$275m at launch, is 500bp over Libor.

Pricing on the now €150m seven-year first-lien term loan, decreased from €200m at launch, is 450bp over Euribor. The *UBS*-led loans also have 101 soft call protection for six months.

Telecommunications company **NEUSTAR** has set final terms for its dual-tranche repricing, led by *Bank of America Merrill Lynch*.

The US$258m TLB1 due in January 20 priced at 250bp over Libor with a 0% floor, at the tight end of 250bp-275bp guidance with a 0% floor. The loan previously paid 325bp over Libor with a 0% floor.

The US$973m TLB2 due in August 2024 priced at 350bp over Libor with a 0% floor, at the wide end of 325bp-350bp guidance with a 0% floor. Previous pricing was 375bp over Libor with a 0% floor.

Both loans were sold at par and the six-month 101 soft call will be reset.

The company had originally sought to raise a US$129m add-on to the TLB2 to refinance US$129m of the TLB1 in addition to the repricing, but ultimately eliminated the incremental from the transaction.

Ratings are B1/B+ corporate and Ba3/BB first-lien.

SHUTTERFLY WRAPS ACQN LOAN

SHUTTERFLY, the digital image company, revised pricing on an US$825m senior secured term loan B2 backing the company's purchase of privately-held Lifetouch.

Pricing on the loan cleared at 275bp over Libor, the narrow end of guidance of 275bp-300bp, and a stepdown to 250bp over Libor at 0.5 times inside closing secured net leverage was added.

The TLB2 still has a 0% floor, while the OID tightened to 99.75 from 99.5.

Morgan Stanley is administrative agent, joined by *SunTrust* on the right.

The covenant-lite loan has 101 soft call protection for six months and amortises at an annual rate of 1%.

For the first 45 days, there is no ticking fee; from days 46 to 90 the fee is set at 50% of the margin, and thereafter it is equal to the full margin.

The loan will mature on August 17 2024.

The acquisition of Lifetouch, a school photography company, was announced on January 30 and is expected to close in the second quarter.

Corporate family and facility ratings are Ba3/BB-.

Software maker **SS&C TECHNOLOGIES** has increased its loan that funds a portion of the company's acquisition of DST Systems.

Credit Suisse arranged the seven-year covenant-lite loan, which was hiked to US$6.13bn from US$5.63bn.

Pricing firmed at the tight end of guidance of 250bp-275bp over Libor. The loan does not have a Libor floor.

The loan sold at a 99.75 OID, compared with 99.5 at launch, and still has 101 soft call protection for six months.

Corporate family and facility ratings are Ba3/BB.

SS&C is acquiring DST, a technology-based information processing and servicing firm, for US$84 per share.

Medical helicopter operator **AIR MEDICAL GROUP HOLDINGS** has wrapped a US$1.918bn senior secured term loan B.

The company repriced its US$933.37m term loan B1 and combined it with an existing US$985m TLB to create one fungible tranche due April 28 2022.

Pricing on the combined tranche is now 325bp over Libor and a 1% floor. The loan sold at par and the pricing grid was removed. Soft call protection at 101 for six months will be refreshed on the now combined tranche.

Morgan Stanley and *KKR Capital Markets* led the covenant-lite transaction.

Air Medical put in place its existing US$1.01bn TLB due April 2022 to support its 2015 buyout by KKR. The loan priced at 350bp over Libor with a 1% floor and stepdown to 325bp over Libor.

In September 2017 the company raised a US$1.455bn term loan backing its purchase of ambulance provider American Medical Response. The spread on the seven-year covenant-lite loan firmed at 425bp over Libor with a 1% floor. The loan matures in September 2024.

EAGLEPICHER SEALS LBO LOAN

Battery company **EAGLEPICHER TECHNOLOGIES** has increased the first-lien portion of a US$615m loan backing the company's leveraged buyout by private equity firm GTCR and cut the second-lien tranche by the same amount.

The buyout financing now comprises a US$50m five-year revolver, a US$425m seven-year first-lien term loan (increased by US$20m) and a US$140m eight-year second-lien term loan.

Following the fund shift, first-lien net leverage now stands at 5.2 times, with total leverage unchanged at 6.9 times.

First-lien pricing finalised at the tight end of guidance in the 325bp-350bp over Libor range. The 0% floor and a 25bp leverage-based stepdown remain. The loan sold at 99.75 versus the 99.5 offered at launch. Call protection is set at 101 soft call for six months.

Second-lien pricing cleared in line with guidance at 725bp over Libor with a 0% floor and no stepdown. The discount tightened to 99.25 from 99. The loan is callable at 102, 101.

Jefferies arranged the deal, joined by *Barclays* and *RBC Capital Markets*.

Travel technology provider **SABRE CORP** finalised terms on its US$1.881bn term loan B due in February 2024.

Bank of America Merrill Lynch led with *Goldman Sachs*, *JP Morgan*, *Mizuho*, *Morgan Stanley*, *PNC* and *Wells Fargo*.

Pricing is 200bp over Libor with a 0% floor with a par offering price, compared with a 99.875-100 issue price originally.

The loan previously paid 225bp over Libor with a 0% floor.

The covenant-lite loan continues to include six months of soft call protection at 101 and 1% annual amortisation.

It was previously repriced in August 2017.

Existing ratings are Ba2/BB- corporate and secured.

ROUGH COUNTRY SUSPENSION SYSTEMS has completed the repricing of its covenant-lite US$194m term loan B due in 2023. *Golub Capital* led the transaction.

The loan cleared at 375bp over Libor with a 25bp leverage-based stepdown and a 1% floor, at par, compared with guidance of 375bp-400bp with a 1% floor and par offering price.

The transaction cut pricing from 450bp over Libor with a 1% floor.

Lenders will receive a 101 six-month soft call refresher.

The loan was placed last year to back the company's LBO by Gridiron Capital.

Contact centre software company **GENESYS** has repriced its cross-border credit facility due in December 2023.

BAML and *Citigroup* led the deal. The US$1.58bn TLB, which priced at 350bp over Libor with a stepdown to 325bp when net first-lien leverage is 4.0 times or less and a 0% floor, at par.

Pricing on the €528m TLB finalised at 350bp over Euribor with a 0% floor, at par.

Both tranches were originally guided at 325bp over Libor/Euribor with a 0% floor, compared with existing pricing of 400bp over Libor/Euribor with a 1% floor.

The loans will amortise at 1% per year and lenders will receive six months of soft call protection at 101.

Ratings are B3/B- corporate and B2/B secured.

AERCAP NEARS REPRICING

Independent aircraft leasing company **AERCAP** was scheduled to close on Friday a repricing of its US$1.5bn term loan B due in October 2023.

Deutsche Bank led the transaction, which aimed to lower pricing to 175bp over Libor with a 0% floor from 200bp with a 0% floor. The loan was offered at par and will continue to contain a maximum loan-to-value covenant tested quarterly, based on semi-annual re-appraisals.

The 101 soft call will be refreshed for six months.

Ratings are Baa3/BBB- corporate and facility.

Construction equipment maker **DOOSAN BOBCAT** was scheduled to close on Friday a repricing of its US$1.235bn term loan B due in May 2024.

Bank of America Merrill Lynch was leading.

Guidance on the covenant-lite loan was 200bp-225bp over Libor range with a 0% floor and par offering price.

The existing pricing was 250bp over Libor with a 0% floor.

Lenders will receive a 101 soft call reset for either six or 12 months.

Existing ratings are Ba3/BB- corporate and secured.

Ice maker **ARCTIC GLACIER** was scheduled to close on Friday a US$437m loan that reprices existing debt and adds an incremental tranche to fund tuck-in acquisitions.

The *Credit Suisse*-led transaction is repricing the company's existing US$412m first-lien term loan to 350bp-375bp over Libor from the existing 425bp over Libor margin.

The US$25m incremental tranche was guided at the same range. Both will have 1% Libor floors. The existing loan is offered at par, while the new money is offered at a 99.75 OID.

The deal also resets 101 soft call protection for six months. The maturity is unchanged, due in March 2024.

Arctic signed a US$415m term loan last March to fund the company's buyout by Carlyle Group.

The seven-year term loan priced at 425bp over Libor with a 1% floor and a 25bp stepdown.

CYPRESS SEMICONDUCTOR is amending and repricing its US$1.045bn revolver and term loan B.

That transaction comprises a US$540m revolving credit facility and a US$505m TLB.

The revolver, due March 12 2020, is guided at 200bp over Libor with a 0% floor. The pricing is grid-based.

The term loan, due July 5 2021, is guided at 225bp-250bp over Libor with a 0% floor and was offered at par. The loan also has 101 soft call protection for six months and will amortise at 1%, annually.

The revolver will be governed by the same financial covenants with the exception of the removal of the fixed charge maintenance covenant. The TLB will now be covenant-lite.

Morgan Stanley, *Barclays* and *SunTrust* are arranging the deal.

TLB consents and commitments were due Friday, while revolver consents and commitments are due by this Thursday.

Corporate family ratings are Ba3/BB-. Facility ratings are Ba2/BB.

Water treatment company **CULLIGAN HOLDING** was scheduled to close on Friday a US$713.14m credit facility that reprices its existing term loan and adds on US$72m in incremental funding.

The transaction includes a repricing of the company's US$344.14 term loan B, a repricing of its US$297m term loan B1 and a US$72m incremental term loan B1. Proceeds from the add-on loan will be used to finance the acquisition of Paragon.

Price guidance across all three tranches is 300bp-325bp over Libor with a 1% floor and an existing 25bp leverage-based stepdown. The two existing term loan tranches are offered at par, while the new money portion is offered at a discount in the 99.75-par area.

The maturity date is December 13 2023, amortisation is set at an annual rate of 1% and there are no financial covenants governing the credit.

Morgan Stanley, *Royal Bank of Canada*, *BMO Capital Markets* and *Citigroup* were leading the transaction.

EUROPE/MIDDLE EAST/ AFRICA

GVC LOAN HITS GENERAL

Multinational sports betting and gaming group **GVC HOLDINGS** has launched syndication of a £1.95bn loan backing its proposed acquisition of Ladbrokes Coral.

The financing includes a £1.4bn-equivalent six-year term loan B comprising sterling, euro and US dollar tranches.

The tranches are guided at sizes of €900m, £325m and US$400m.

The term loan has 101 soft call protection for six months.

Deutsche Bank is coordinating the sterling and euro tranches on a collegiate basis and will allocate the European tranches at close, along with bookrunners *Credit Suisse*, *Barclays*, *Mediobanca*, *NatWest*, *Nomura* and *Santander*.

Credit Suisse is lead-left on the US dollar tranche with bookrunners Deutsche Bank, Barclays, Mediobanca, NatWest, Nomura and Santander.

There is also a £550m five-year multicurrency revolving credit facility that will be used for general corporate purposes.

Bank meetings will be held in London on Monday and in New York on Tuesday.

Houlihan Lokey is advising GVC.

GVC offered to acquire Ladbrokes Coral for between £3.2bn and £4bn in December 2017, the final price dependant on the outcome of a government review into fixed-odds betting terminals.

Under the acquisition, GVC and Ladbrokes Coral shareholders will own 53.5% and

46.5%, respectively, of the combined company.

Net debt to Ebitda is not expected to exceed 3.0 times by the end of the first financial year after completion.

TDC BUYOUT BACKED WITH LOANS

The proposed US$6.7bn acquisition of Danish telecoms company TDC by a consortium of investors led by Australia's Macquarie Group is being backed with around €6.66bn of loans.

The loans includes a €3bn acquisition financing and a €3.659bn term loan B that can be used to refinance existing TDC debt if a change of control is triggered by the acquisition.

The acquisition financing comprises €2.8bn of bridge loans and a €200m revolving credit facility.

The bridge loans are expected to be replaced by high-yield bonds and a new super senior revolving credit facility.

The refinancing facilities comprise the term loan B, as well as a revolving credit facility and a capital expenditure facility.

Macquarie's consortium, which also includes Danish pension funds PFA, ATP and PKA, has tabled a DKr50.25 (US$8.24) per share takeover offer and set an April 4 deadline for TDC shareholders to accept.

Barclays and Nordea are the consortium's financial advisers.

TAGHLEEF MARKETS REPRICING

Packaging films company TAGHLEEF has launched a repricing of its €235m first-lien term loan and its US$55m first-lien term loan.

The loans are guided at 300bp over Euribor/Libor with a 0% floor and a 99.875-par discount. Both include 101 soft call for six months.

The maturity on both loans will remain unchanged at May 2023.

EUROPEAN LEVERAGED LOANS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	8	1,897.61	10.5
2	Deutsche Bank	5	1,207.64	6.7
3	ING	4	1,201.81	6.7
4	HSBC	5	1,119.25	6.2
5	Sumitomo Mitsui Finl	4	1,108.63	6.1
6	Natixis	4	1,091.79	6.0
7	SG	4	1,055.37	5.8
8	Credit Agricole	5	969.90	5.4
9	Citigroup	3	679.93	3.8
=9	Santander	3	679.93	3.8
	Total	15	18,060.63	

Excluding project finance. Western Europe only included.

Source: Thomson Reuters SDC code: P10

Credit Suisse is leading the transaction.

Corporate and issuer ratings are Ba3/BB-.

In April 2017, the company reduced the margin on both loans to 350bp over Euribor/Libor, with a 0% floor at par.

LEADEC SEEKS ADD-ON, REFI

German outsourcing service provider LEADEC INDUSTRIAL SERVICES has launched a €263.8m loan add-on and refinancing deal.

The deal comprises a €190m term loan B, guided at 400bp over Euribor, as well as a €33.8m term loan A and a €40m revolving credit facility, both guided at 350bp over Euribor.

The term loan B includes a €102.5m incremental piece.

All three tranches have a 0% floor.

UniCredit is sole global coordinator and bookrunner.

Leadec provides technical services to the manufacturing industry, primarily the automotive industry.

Triton carved out Voith Industrial Services from its eponymous parent company in 2016, rebranding it the Leadec Group. It had combined sales of €973m in 2016.

SKYBET REVISES REPRICING

Online gambling company SKYBET has made revisions to the repricing of its term loan B due in July 2024.

Goldman Sachs led with *Barclays* and *Natwest Markets*.

The loan has been increased by US$52m to US$500m. Pricing cleared at 275bp over Libor with a 0% floor, versus 275bp-300bp with a 0% floor at launch. It will be subject to a 25bp margin step-down as originally proposed, but now the step-down is contingent upon an IPO and a corporate credit rating of B1/B+ or higher. Originally, the step-down was solely conditional on an IPO.

EMEA SPONSORED LOAN BOOKRUNNERS
BY VOLUME: 1/1/2018 TO DATE

Europe, Middle East, Africa				
	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	3	570.12	14.4
2	Sumitomo Mitsui Finl	2	531.87	13.4
3	Natixis	2	444.23	11.2
4	HSBC	2	391.67	9.9
5	SG	1	327.80	8.3
6	Goldman Sachs	2	308.90	7.8
=6	Barclays	2	308.90	7.8
8	Nomura	1	265.79	6.7
9	Credit Agricole	2	242.32	6.1
10	BAML	1	166.67	4.2
	Total	8	3,959.18	

Excluding project finance.

Source: Thomson Reuters SDC code: P13

The loan sold at a 99.75 discount with a 101 soft call reset for six months.

The previous margin stepped down to 325bp over Libor on February 25. The existing floor is 0%.

In addition to the repricing amendment, the company is also seeking a limited number of pre-IPO amendments to help facilitate a potential IPO process, as well as a series of amendments that are conditional on an IPO related to resetting basket sizes, incurrence-based covenants and operational flexibility.

Skybet also needs consent from holders of its £475m TLB, which matures in July 2024 and is expected to be refinanced at the time of the IPO. The additional proceeds from the repricing transaction will be used to repay a portion of the facility.

Skybet's majority owner CVC is working with investment bank Rothschild to explore a stock market listing, Reuters reported in January.

Existing ratings are B3/B corporate and facility.

WATERLOGIC WRAPS REFI

Drinking water company WATERLOGIC has sealed a US$485m-equivalent loan refinancing.

Goldman Sachs, *HSBC* and *SMBC* are leading the debt financing that comprises a US$441.4m-equivalent seven-year term loan denominated in euros, sterling and Australian dollars, as well as a US$45m six-year revolving credit facility. The Australian dollar tranche has been pre-placed.

The loan will refinance Waterlogic's existing debt, including a drawn RCF.

Pricing is 375bp over Euribor, having launched at 350bp-375bp over Euribor. There is a 0% floor and the OID is now 99.75, from 99.5 previously.

After the refinancing the company will have net total leverage of around 4.9 times, based on 2017 pro forma adjusted Ebitda of US$82.5m.

Castik Capital bought Waterlogic in November 2014 for £122.5m and has since pursued a 'buy and build' strategy in a bid to create a global water cooler company. It raised a US$195m-equivalent sterling-denominated term loan in Europe's syndicated loan market, as part of a wider £250m loan financing, to back its acquisition of its longstanding UK distributor in 2016.

CIRCET SEEKS LBO LOAN

French telecoms company CIRCET has lined up a €680m loan financing to back its buyout by Advent.

The deal comprises a €570m seven-year term loan B and a €110m 6.5-year revolver.

Proceeds will also cover buyout-related transaction fees and expenses.

A bank meeting will be held on Tuesday, and commitments are due March 20.

Physical bookrunners are *Deutsche Bank*, *UBS*, *NatWest* and *Societe Generale*. Bookrunners are *Natixis*, *Credit Agricole CIB*, *ING*, *Bank of Ireland*, *UniCredit* and *Credit Lyonnais*.

ADVENT TAPS FOR LAIRD BUYOUT

Private equity firm ADVENT is backing its £1bn buyout of listed UK electronics and technology business LAIRD with a £625m interim loan financing arranged by *Goldman Sachs* and *Citigroup*.

The recommended public-to-private acquisition will be funded through a combination of the debt - under an interim facilities agreement - and equity financing from Advent.

Under the offer, Laird shareholders will receive 200p for each share held.

FINANCING FOR MFG

A buyout financing is expected to emerge shortly backing MOTOR FUEL GROUP's £1.2bn acquisition of MRH, the UK's largest petrol station and convenience store operator.

MFG is owned by funds managed by Clayton, Dubilier & Rice and is the UK's second-largest independent forecourt operator. The deal will create the UK's largest operator by number of sites and number two operator by fuel volume.

Goldman Sachs International, RBC Capital Markets and Investec Bank were M&A advisers to MFG and Lazard was M&A adviser to MRH. The transaction is expected to close in the second quarter, subject to regulatory approvals.

The combined company will operate more than 900 company-owned and franchisee-operated sites and manage third-party fuel, convenience store, and food service brands.

These include fuel brands BP, Esso, Jet, Murco, Shell and Texaco and retail brands Budgens, Costa Coffee, Greggs, Spar and Subway, as well as the MRH-owned brand, Hursts. On a combined basis, MFG and MRH sold approximately 3.6bn litres of fuel in 2017.

ALBEA SEEKS REFINANCING

French cosmetics packaging company ALBEA is refinancing its existing first-lien term loans via bookrunners *Credit Suisse* and *BNP Paribas*.

The tranche sizes of €385m and US$406m will be unchanged, as will the April 2024 maturities.

The loans will include 101 soft call protection for six months.

BNP Paribas is the admin agent.

A bank meeting will take place in London on Tuesday and there will be a call for US investors on Wednesday.

Ratings are B2/B.

TELENET WRAPS US$301m ADD-ON TL

Liberty Global's Belgian cable and mobile company TELENET has wrapped a US$301m add-on to its US$1.3bn term loan AL due in March 2026.

Goldman Sachs led with *BNP Paribas*, *Scotia* and *Societe Generale*.

The AL2 is fungible with the existing tranche, which pays 250bp over Libor with a 0% floor. It sold at par having launched with a 99.75 discount.

Proceeds, along with US$86m-equivalent of balance sheet cash, will be used to refinance the company's US$301m-equivalent 6.75% senior secured notes due 2024, repay 10% of its US$640m-equivalent 4.875% senior secured notes due 2027, and cover US$22m of breakage and transaction fees and expenses. The bonds are denominated in euros.

Net leverage is 3.13 times, based on €4.126bn-equivalent of net debt and €1.316bn-equivalent of last 12 months' adjusted Ebitda.

Existing ratings are Ba3/BB- corporate and facility.

■ FRONT STORY US IPOs

Dropbox IPO set to revive tech ECM

› File-sharing service hopes scale, cash flow command premium valuation

Tech ECM bankers are hoping cloud file-sharing service DROPBOX will deliver some early-year sizzle to the US IPO market and put last year's disappointing tech "unicorn" experiences behind them.

With 11m paying users out of 500m registered users, US$1.1bn of annual revenue and a business model that generates significant positive free cash flow, Dropbox marks a departure from the high cash-burn financial profiles of 2017's painful Snap and Blue Apron IPOs.

Dropbox revealed plans on February 23 for a US$500m Nasdaq IPO that could launch as early as March 12 and price as soon as the week beginning March 19.

Bankers close to the deal said Dropbox would likely raise more than the amount stated on its filing, perhaps as much as US$750m-$800m, and was hoping to garner a valuation of US$9bn-$12bn.

Goldman Sachs, *JP Morgan*, *Deutsche Bank*, *Allen & Co* and *Bank of America Merrill Lynch* will lead a 12-firm underwriting syndicate.

Founded in 2007 by Andrew Houston and Arash Ferdowsi, Dropbox has been touted as an IPO candidate for several years leading up to last month's filing.

Yet with concerns about the competitive landscape and the commoditisation of its product (average revenue per user is just US$112 a year), Dropbox still faces a challenge to convince investors it is worth at least the US$10bn valuation that private investors put on the company when it last raised money in 2014.

That private funding round, struck at a time of soaring private valuations for software companies, saw Dropbox raise US$350m at a price of US$19.10 a share.

Matching that figure would require investors to pay a 2017 EV/sales multiple of nine times, higher than Box at six times.

This would value Dropbox more in line with higher-multiple software comps such as Atlassian, MuleSoft and Okta, some of which trade with double-digit EV/sales multiples.

"From a scale perspective and a profitability perspective, Box is not the right comp to be thinking about," a senior ECM banker close to the deal said.

Dropbox is generating twice as much revenue as Box and has much higher free cash flow margins (28% versus Box's 3%), but is growing its top line at a similar rate (about 30%).

Complicating valuation models, Box shares slumped early on Thursday after it forecast slower than expected revenue growth - a potential wrinkle in Dropbox's ambitions.

Another banker said early feedback suggested there was a wide range of buyside views on where Dropbox should be valued - some even below Box's multiple.

Much is riding on the success of the Dropbox deal for tech bankers. Music streaming service Spotify is poised to complete its underwriting-fee-free direct NYSE listing around the same time, calling into question the traditional IPO model that Dropbox is pursuing.

SharesPost managing director and head of research Rohit Kulkarni said if Dropbox's IPO proved a success, it would show other unicorns it was important not to become overly fixated on top-line growth at the expense of profitability.

"Dropbox's financial metrics highlight an impressive combination of growth, profitability, and cash flow," he said. "All three are rare to find among today's crop of unicorns."

Anthony Hughes

US lures more China listings

› Electric car maker, video website target US market despite Hong Kong reforms

The US stock market remains a magnet for Chinese technology companies, with already around US$4.5bn of IPOs in the pipeline for this year, even as Hong Kong redoubles its efforts to attract more listings from the sector.

Just two of the US-bound issuers, electric vehicle maker NIO and IQIYI, the video-streaming service of search engine Baidu, could raise a combined US$3.5bn.

NIO is expected to seek a US listing of up to US$2bn in the second half of the year. It has hired *Bank of America Merrill Lynch*, *Credit Suisse*, *Citigroup*, *Deutsche Bank*, *Goldman Sachs*, *JP Morgan*, *Morgan Stanley* and *UBS*, according to people familiar with the situation.

At the top end of the fundraising target, this will be the biggest Chinese listing in the US since the US$25bn IPO of e-commerce giant Alibaba Group Holding in 2014. It will also exceed the US$1.41bn raised in the October 2016 NYSE IPO of courier service ZTO Express.

iQiyi has filed publicly for a US$1.5bn Nasdaq IPO with the US Securities and Exchange Commission.

"Chinese issuers will remain interested in US listings, especially if they want to benchmark themselves against global technology names," said David Chin, head of corporate client solutions for Asia Pacific at UBS. "The US buyer base is still very sophisticated when it comes to valuing fast-growing companies or pre-profit issuers."

Last November, Shanghai-based NIO raised more than US$1bn in its latest fundraising round, led by Chinese internet giant Tencent Holdings, for a valuation of about US$5bn.

iQiyi posted a 2017 net profit of Rmb973m (US$154m) against a loss of Rmb7.9bn in 2016.

In addition to iQiyi, hotel chain GREENTREE HOSPITALITY, video-streaming site BILIBILI and learning companies ONESMART EDUCATION and SUNLANDS ONLINE EDUCATION are also planning to list in the US in the first half.

"The spate of IPOs hitting the market in the first half will be a good test of investor appetite for Chinese listings," said a banker working on one of these transactions.

iQiyi plans to use half of the IPO proceeds to expand and enhance content offerings and to strengthen technologies, and the other half for working capital and general corporate purposes.

Bank of America Merrill Lynch, *Credit Suisse* and *Goldman Sachs* are leading the transaction. *China Renaissance*, *Citigroup* and *UBS* are also joint bookrunners.

Fiona Lau

WEEK IN NUMBERS

0%-92.5%

■ ANYWHERE FROM NONE TO 92.5% OF THE SHARES OF SPOTIFY MAY BE OFFERED FOR TRADING ON ITS FIRST DAY. THERE WILL BE NO BOOKBUILDING, NO ROADSHOW AND NO STABILISATION THOUGH BANKS WILL BE INVOLVED IN SETTING THE OPENING PRICE

US$1bn

■ VINHOMES HAS MANDATED CITIGROUP, CREDIT SUISSE, DEUTSCHE BANK AND MORGAN STANLEY FOR ITS UP-TO US$1bn IPO. IF THE RESIDENTIAL PROPERTY COMPANY IS SUCCESSFUL IT WOULD BE THE LARGEST VIETNAMESE IPO ON RECORD. RECENT IPOs IN THE COMPANY HAVE STRUGGLED - GENCO 3's IPO ENDED 2.8% SUBSCRIBED IN FEBRUARY - BUT VINHOMES IS PART OF VINGROUP, WHICH FLOATED VINCOM RETAIL FOR D16.1trn (US$703m) IN 2017, THE CURRENT RECORD HOLDER IN VIETNAM

0.3%

■ US OVERNIGHT ACCELERATED BOOKBUILDS PICKED UP MARKEDLY LAST WEEK, WITH THE SOLE BOOKRUN US$1.1bn BLOCK IN NORWEGIAN CRUISE LINE A STANDOUT IN RISK TERMS. MORGAN STANLEY OFFLOADED THE SHARES AT A DISCOUNT OF JUST 0.3% TO TUESDAY'S CLOSE

First

■ SUMMIT POWER INTERNATIONAL HAS BEGUN PRE-MARKETING ITS SINGAPORE EXCHANGE IPO OF US$350m, WHICH WOULD MAKE IT THE FIRST BANGLADESHI COMPANY TO COMPLETE AN OVERSEAS LISTING. THE LARGEST IPO BY A BANGLADESHI COMPANY TO DATE IS US$70m

29%

■ EUROPEAN INVESTORS DESPERATE FOR A DECENT RETURN ON AN IPO WERE DELIVERED OVER 29% ON THE FIRST DAY OF TRADING IN INTEGRAFIN. THE UK FINANCIAL ADVISER PLATFORM'S FLOAT TOTALLED £177.6m AND WAS IN STRONG DEMAND WITH MANY ACCOUNTS NOT RECEIVING AN ALLOCATION

ASIA-PACIFIC

AUSTRALIA

MCP OUT RAISING CAPITAL

Loan fund manager **METRICS CREDIT PARTNERS** has announced the launch of a A$303m (US$235m) capital raising in its listed retail trust, MCP Master Income, five months after the trust's IPO.

Existing unitholders are being offered one new unit for every 1.7 units owned at an offer price of A$2 each, or a 3% discount to the last close on February 23 and a 3.9% discount to the 30-day average level.

The offer, also available to new investors, will open on March 5 and close on March 29, with normal trading of the new shares to start on April 10.

MCP said it had identified a significant pipeline of lending opportunities. "New capital raised will allow the trust to capture these and other opportunities, consistent with our investment mandate and target return," said MCP managing partner Andrew Lockhart in a statement.

The trust invests in Australian corporate loans and targets annual returns of 3.25% over the Reserve Bank of Australia's cash rate, after fees.

APA COMPLETES IE OFFER

APA GROUP raised A$288m (US$226m) from the institutional portion of its A$500m entitlement offer, according to an announcement from the gas pipeline owner.

The institutional entitlement offer saw a take-up rate of 96%, while the leftover shares were cleared in an institutional shortfall bookbuild at A$8.00 each.

APA is selling shares on a 1-for-17 basis at A$7.70 each to help fund its gas projects in Australia.

The retail entitlement offer opened on March 2 and will close on March 14.

Deutsche Bank and *JP Morgan* are the joint underwriters and joint bookrunners.

SMARTGROUP COMPLETES PLACEMENT

SMARTGROUP has raised A$75m (US$59m) from an underwritten institutional share placement. The human resources company sold 6.8m new shares at a fixed price of A$11.05 each, or a 5.5% discount to the pre-deal spot.

Macquarie and *Morgans* were joint bookrunners and underwriters.

Smartgroup will use the proceeds to strengthen its balance sheet and provide financial flexibility to support organic growth and pursue future acquisitions.

BANGLADESH

SUMMIT HEADS TO SINGAPORE

Last Monday, independent power producer **SUMMIT POWER INTERNATIONAL** started pre-marketing a US$350m Singapore Exchange IPO, the first overseas listing for a Bangladeshi company and also the country's largest float after the US$70m listing of mobile phone operator Grameenphone on the Dhaka Stock Exchange in 2009.

Summit Power, which is backed by the Summit Group, is hoping that investors will buy into Bangladesh's economic and power growth potential.

According to the company, although Bangladesh has added about 8.5 gigawatts of capacity between 2007 and 2017, installed capacity per million people is still half that of Indonesia and one-fifth of Vietnam.

Summit Power is seeking a 2019 EV/Ebitda valuation of 7.5x–8.5x, which is lower than the 10x–12x valuation that Thai IPPs command and 9x–10x valuation range for Indian IPPs.

Unfamiliarity with the Bangladeshi power and financial markets may have forced the company to seek a lower valuation and traditionally, overseas assets listing on the SGX through business trusts and real estate investment trusts have had to pay higher yields.

Still some market participants think Summit Power may find the path to listing challenging.

"Summit's IPO has come a couple of years too late. It was the beneficiary of a favourable government. With elections due later this year, any change in the government can radically reverse its fortunes," said a Dhaka-based fund manager.

The founder of Summit Group, Muhammed Aziz Khan, is the brother of Faruk Khan, a member of the Awami League, the country's governing party.

The current government is serving its second term and may find it challenging to win a third time, according to the fund manager.

"The growth potential in Bangladesh is not enough for investors to part with their money. In neighbouring South Asian countries we have seen independent power producers battle with threats to changes in the power purchase agreements and delayed payments from state electricity boards," a banker away from the deal said.

Summit Power owns 15 power plants in Bangladesh with a total capacity of 1,201 megawatts. It will make available around US$300m of primary shares and US$50m of secondary shares for the IPO. There is also a greenshoe option of up to 15% of the base offer. The shares will be denominated in US dollars to match the power purchase agreements signed with the state grid.

Bookbuilding is expected to start in mid-March. *Citigroup*, *DBS* and *UBS* are the joint global coordinators on the IPO.

CHINA

SUNLANDS AND GREENTREE FILE FOR US FLOATS

SUNLANDS ONLINE EDUCATION has filed a US$300m NYSE IPO with the US Securities and Exchange Commission.

The provider of online post-secondary and professional education posted a net loss of Rmb231m (US$37m) for the six months to June 30 2017, wider than a net loss of Rmb118m a year earlier.

Credit Suisse, *Goldman Sachs* and *JP Morgan* are joint bookrunners on the float.

As of June 30 2017, the company had 407,960 students.

Hotel chain operator **GREENTREE HOSPITALITY** has applied to the US Securities and Exchange Commission for approval for a US$200m NYSE IPO.

Bank of America Merrill Lynch, *Morgan Stanley* and *UBS* are leads on the float.

The company posted a 2017 net profit of Rmb285m, up 7.2% year-on-year.

As of December 31 2017, GreenTree had 2,289 hotels in 263 cities in China and overseas, according to a filing.

The company plans to use the proceeds for general corporate purposes.

BRIGHT FOLLOW-ON BRINGS US$190m

BRIGHT SCHOLAR EDUCATION has raised US$190m from a primary follow-on offering of 10m American depositary shares.

The shares were priced at US$19 each, a 0.6% discount to the February 27 close of US$19.11. There is a greenshoe option for up to 15% of the base deal size.

The company's shares have risen about 80% since their listing in May.

Bright Scholar plans to use the funds for capital expenditure, general corporate purposes and potential acquisitions.

There is a 90-day lock-up period for the company and certain other shareholders.

Deutsche Bank and *Goldman Sachs* were joint bookrunners.

BOQI ENVIRON OPENS IPO BOOKS

CHINA BOQI ENVIRONMENTAL has started bookbuilding for a Hong Kong IPO to raise up to HK$908m (US$116m).

The company is selling 252.2m shares (86% primary/14% secondary), representing a 25% free-float, at an indicative price range of HK$2.40–$3.60 each.

Boqi Environmental Engineering and Acheson are the selling shareholders.

Yunnan Energy Investment (HK) will subscribe to US$15m of shares as a cornerstone investor.

Books will close on March 9 with pricing of the IPO slated for the same day.

Boqi raised ¥20bn (US$172m) from a Tokyo IPO in 2007, making it the first Chinese entity to list on the main board in Japan.

The power utility and waste-treatment company delisted from Tokyo in 2012.

CMB International is sole sponsor and joint global coordinator with *Fortune (HK) Securities* and *AMTD*. The three banks are joint bookrunners with *ABC International*, *BoCom International*, *China Renaissance*, *Haitong International*, *Huatai International* and *Zhongtai International*.

CGN POWER READIES SHENZHEN IPO

Hong Kong-listed **CGN POWER** has filed to the China Securities Regulatory Commission's Shenzhen bureau for approval to launch a proposed Shenzhen IPO of more than US$1bn.

The nuclear energy company, with *CICC* and *China Development Bank Securities* as pre-listing tutors, plans to sell up to 5.05bn A-shares, or about 10% of its enlarged capital.

CGN Power could raise Rmb8.59bn (US$1.36bn) from the listing, based on the February 27 close of HK$2.11, equivalent to around Rmb1.70.

Proceeds will be used for the construction of nuclear power units and for working capital.

XIANHE GETS IPO APPROVAL

XIANHE has cleared a China Securities Regulatory Commission hearing for a proposed Shanghai IPO of about Rmb809m (US$127.5m), with *Citi Orient Securities* as sponsor.

The paper products company plans to sell no more than 62m shares, or a 10% free-float.

Proceeds will be used mainly for paper production and a thermal power project.

The float still needs written CSRC approval.

CSRC SUSPENDS NANSHAN REVIEW

The China Securities Regulatory Commission has agreed to suspend the review of **SHANDONG NANSHAN ALUMINIUM**'s application for a proposed rights issue of up to Rmb5bn (US$788m).

The Chinese manufacturer requested the suspension last month after sponsor *Guosen Securities* became the target of a CSRC investigation in January.

Guosen is alleged to have committed possible irregularities in an asset-restructuring exercise between 2013 and 2014 on which it acted as financial adviser.

Nanshan Aluminium will apply to the CSRC to resume the review process once it fulfils relevant regulatory requirements, according to a company filing.

It plans to offer up to 2.78bn rights shares on a 3-for-10 basis.

Controlling shareholder Nanshan Group and subsidiary Shandong Yili Electric Industry, which own a combined of 46.2% of Nanshan Aluminium, have agreed to take up their full entitlements.

Proceeds will be used to fund an aluminium project in Indonesia.

HONG KONG

IMPRO PRECISION FILES FOR IPO

IMPRO PRECISION INDUSTRIES has filed an application to the Stock Exchange of Hong Kong for a proposed IPO.

ASIA-PACIFIC EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	UBS	13	3,320.97	10.7
2	Goldman Sachs	9	2,798.44	9.1
3	Morgan Stanley	12	2,030.03	6.6
4	Huatai Securities	5	1,851.18	6.0
5	Citigroup	13	1,597.37	5.2
6	Citic	6	1,168.79	3.8
7	Daishin Securities	3	1,020.72	3.3
8	Sumitomo Mitsui Finl	15	947.17	3.1
9	Guotai Junan Securities	5	762.58	2.5
10	Kotak Mahindra Bank	4	762.07	2.5
	Total	**335**	**30,896.14**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4a1

ASIA-PACIFIC EQUITIES (EX-JAPAN)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	UBS	12	3,141.45	11.1
2	Goldman Sachs	9	2,798.44	9.8
3	Morgan Stanley	9	1,909.08	6.7
4	Huatai Securities	5	1,851.18	6.5
5	Citigroup	11	1,495.98	5.3
6	Citic	6	1,168.79	4.1
7	Daishin Securities	3	1,020.72	3.6
8	Guotai Junan Securities	5	762.58	2.7
9	Kotak Mahindra Bank	4	762.07	2.7
10	China Merchants	5	645.42	2.3
	Total	**309**	**28,416.68**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4a2

The Hong Kong-based manufacturer of precision industrial components is looking to raise around US$300m, according to bankers close to the float.

Morgan Stanley and *BOC International* are joint sponsors.

According to the filing, the company posted a 2017 net profit of HK$402m (US$51m) on revenue of HK$3bn.

INDIA

AAKASH EYES SECOND-HALF IPO

AAKASH EDUCATION intends to launch a Rs10bn (US$154m) IPO in the second half of this year, according to people with knowledge of the plan.

The Indian company, which JC Chaudhary founded in 1988, coaches students for national level examinations to join engineering and medical colleges.

The IPO is likely to involve a combination of primary and secondary shares.

According to its website, Aakash has over 127 coaching centres across India and trains close to 110,000 students annually.

Citigroup, *CLSA* and *Kotak* are bookrunners on the proposed IPO.

FLEMINGO PRE-MARKETING IPO

FLEMINGO TRAVEL RETAIL has started pre-marketing a Rs25bn (US$393m) IPO, targeted for launch in June.

The operator of duty-free shops will sell primary shares for Rs24bn and 1.1m of secondary shares. Shareholder Flemingo Duty Free Shop Mumbai is the vendor of the secondary shares.

Flemingo has outlets at airports in India, Sri Lanka and Africa.

Flemingo reported a net loss of Rs1.14bn in the financial year to March 31, lower than a loss of Rs1.18bn in 2016.

Axis, *Credit Suisse*, *HSBC,ICICI Securities* and *Yes Securities* are bookrunners on the float.

HDFC RAISES RS19bn VIA QIP

Mortgage lender HOUSING DEVELOPMENT FINANCE CORP has raised Rs19bn (US$292m) through a qualified institutional placement of shares priced at Rs1,825 each.

The price translates to a 0.2% discount to the pre-deal close of Rs1,828.65.

Around 10.3m shares, or 0.62% of the share capital, were sold.

Close to 35 accounts participated and most featured foreigners.

Proceeds will be used to grow the businesses of subsidiaries HDFC Ergo General Insurance, HDFC Education and HDFC Credila Financial.

Citigroup, *CLSA*, *Credit Suisse*, *IIFL Holdings*, *JM Financial*, *Kotak* and *Motilal Oswal* are bookrunners o the QIP.

JAPAN

IIFI FOLLOW-ON BRINGS ¥13.4bn

INDUSTRIAL & INFRASTRUCTURE FUND INVESTMENT has raised ¥12.8bn (US$121m) from an offering of new investment units priced at the top of the range, according to a term sheet.

There were 107,200 units in the base deal, with a greenshoe of 5,200 units, priced at ¥119,437 each, representing a 2.5% discount to the pre-deal spot. The units were marketed at an indicative discount range of 2.5%-5.0%.

Half of the units were offered to international investors, while the rest went to domestic investors. Of the domestic tranche, 50% was sold to institutional investors and the other half to retail investors.

There are lock-up periods of 90 days for the issuer and 180 days for asset manager Mitsubishi Corp-UBS Realty and sponsor Mitsubishi Corp.

The company will mainly use the proceeds for acquisitions.

Morgan Stanley, *Nomura* and *SMBC Nikko* were joint global coordinators and joint bookrunners with *Citigroup* on the international offering.

BOOKS OPEN FOR YAKULT SELL-DOWN

International bookbuilding for the secondary follow-on offering of up to ¥153bn (US$1.44bn) in YAKULT HONSHA started last Monday.

The books are multiple times covered without price sensitivity. The Japan retail tranche is also multiple times covered.

Vendor Danone Probiotics is selling 17.3m shares in the base offering and 2.6m shares in a greenshoe, after taking into account its participation in Yakult's share buyback.

According to a deal term-sheet, 60% of the shares on offer will be sold to domestic investors and 40% will go to international investors. The shares will be sold at a discount of 3%–5% to the market prices.

When the follow-on was first announced on February 14, Danone planned to sell 21.4m shares in the base offering and 3.2m shares in the greenshoe.

Concurrent with the follow-on, Yakult conducted a share buyback of up to ¥36bn, or up to 5m shares, from February 16 to 28. According to an announcement from Yakult at the time, Danone was expected to sell a portion of its Yakult shares through the share-repurchase transaction and, as such, might sell less in the follow-on offering.

According to the term-sheet, the share buyback involved 4.86m shares.

Books were set to close as early as March 2 and the shares will price sometime between Monday and Wednesday.

There are 180-day lock-up periods for Yakult and Danone. Excluding treasury stock, Danone currently owns 21.29% of Yakult. Danone intends to hold a stake of about 7% after the follow-on.

Citigroup and *Mizuho* are joint global coordinators and joint bookrunners with *JP Morgan* on the international tranche and joint bookrunners with *Daiwa* on the Japanese tranche.

DAIWA REIT GOES GLOBAL

DAIWA HOUSE REIT INVESTMENT has launched a global offering of new investment units to raise up to ¥61bn (US$579m).

The base deal comprises 222,000 units, with a greenshoe of up to 15,000 units.

About 30% of the units is being offered to international investors, while the other 70% is going to domestic buyers. Of the domestic tranche, 17.5% is earmarked for institutional investors, while the rest is for retail buyers.

The units are offered at a discount of 2.0%–4.5% to the market prices. The units will price on any day between March 12 and March 14.

There is a lock-up period of 90 days for the issuer and 180 days for sponsor Daiwa House Industry.

Books for the international offering will open on Wednesday and close on Friday.

The company will use the proceeds mainly to buy 16 additional properties.

Daiwa, *Morgan Stanley* and *Nomura* are joint global coordinators and joint bookrunners on the international offering.

PROLOGIS LAUNCHES FOLLOW-ON

NIPPON PROLOGIS REIT has launched an offering of new investment units to raise up to ¥31.8bn (US$302m).

The base deal comprises 103,510 units, with a greenshoe of up to 6,140 units. There is also an offer of 19,350 units to Prologis Property Japan Special Purpose Co.

Of the base deal, the Japanese and international offerings comprise 51,910 units and 51,600 units respectively.

Books opened on February 28 and closed as early as last Friday. Pricing will be on Monday at the earliest.

The company will mainly use the proceeds for acquisitions.

Goldman Sachs, *Morgan Stanley* and *SMBC Nikko* are joint global coordinators and joint bookrunners with *Bank of America Merrill*

Lynch and *JP Morgan* on the international offering. For the Japanese offering, *Goldman Sachs*, *Mitsubishi UFJ Morgan Stanley Securities*, *Nomura* and *SMBC Nikko* are joint bookrunners.

SINGAPORE

LUYE MEDICAL HIRES TRIO FOR IPO

LUYE MEDICAL GROUP has hired *Bank of America Merrill Lynch*, *Credit Suisse* and *UBS* for a Singapore Exchange IPO of up to US$500m, according to a person with direct knowledge of the plans.

The healthcare services provider, part of Chinese entrepreneur Liu Dianbo's Luye Life Sciences group, is looking to list later this year.

Fullerton Medical was the last healthcare company to attempt a SGX listing in 2016, but had to pull its S$213m (US$162m) IPO after anonymous complaints about the fee structure of its business.

Singapore-based Luye Medical runs 53 healthcare facilities in 26 cities in Australia, China, Singapore, South Korea and New Zealand. Luye Pharma, another Luye Life Sciences subsidiary, was previously quoted in Singapore before it delisted in 2012. Luye Pharma listed in Hong Kong in 2014.

Both Luye Medical and Luye Pharma declined to comment on the IPO mandate.

VIETNAM

VIETNAM MOVES ON FROM PRIVATISATION FLOPS

Residential property developer **VINHOMES**, a subsidiary of Vingroup, is planning to raise US$1bn from what could be the country's largest ever IPO. **VIETNAM TECHNOLOGICAL AND COMMERCIAL JOINT STOCK BANK** (Techcombank), which counts Masan Group as one of its shareholders, has also hired banks for a US$600m float.

The response to recent IPOs has been very poor given the long gap between pricing and listing, and a lack of clarity on the future growth strategy of the state-owned companies. Investors bid for just a quarter of Vietnam Rubber's IPO and 2.3% of the Power Generation Corp 3's (Genco 3) float.

Citigroup, *Credit Suisse*, *Deutsche Bank* and *Morgan Stanley* are working on the Vinhomes IPO, which is expected to come this year. Last year, another Vingroup subsidiary, Vincom Retail, raised D16.1trn (US$707m) through an IPO.

Vinhomes has a 48% market share of the high-end property developments in the last three years in Hanoi and Ho Chi Minh City. In 2017, it reported residential sales revenue of US$1.98bn and gross profit of US$766m.

Deutsche Bank, *Morgan Stanley* and *Viet Capital* are the banks on the Techcombank deal, which may hit the market as early as April.

According to the latest annual report available, the bank earned a net profit of D3.15trn in 2016, up from D1.53trn in 2015.

Both the Vinhomes and Techcombank IPOs are likely to be a combination of primary and secondary shares.

EUROPE/MIDDLE EAST/AFRICA

FRANCE

IVANHOE CAMBRIDGE CUTS GECINA STAKE

Ivanhoe Cambridge, the largest shareholder of **GECINA**, sold 4.28% of the share capital on Monday evening in an accelerated selldown managed by *Goldman Sachs*.

The Canadian real estate investor came to the market immediately after the close with 3.23m shares, which were entirely covered by expressions of interest generated by a wall-crossing exercise earlier in the day.

There was a formal covered message after 30 minutes, with pricing at €146.50 per share confirmed when the book closed at 7pm London time.

The pricing represents a 4.5% discount to the €153.40 closing and values the transaction at €472.93m.

Ivanhoe Cambridge retains 15.36% of the share capital, which is bound by a 90-day lock-up agreement. Last summer, the selling shareholder, which owned 22.88% of Gecina ahead of August's €1bn rights issue, indicated that it had reached the limit of its investment in the company by selling rights in a tail-swallow.

GERMANY

DWS LAUNCHES WITH VALUATION OF €7bn TO €9bn

The pre-Easter holiday IPO rush kicked off last week, led by the eagerly awaited float of Deutsche Bank's asset management unit **DWS**.

With Siemens Healthineers out of the traps the previous week, there is a belief that the presence of two must-have IPOs in the market will lift sentiment and provide extra momentum for other listings to launch.

"Having the likes of Healthineers and DWS in the market alongside these other floats should be a help, not a distraction," said a head of syndicate on DWS and other IPOs in the market.

"Investors certainly can't ignore DWS and as both are spin-offs of larger companies, you would expect them to go well, but also that the sellers will be pragmatic and rational on price. It should be a boost for ECM issuance in Europe, including aftermarkets."

WS comes with an expected valuation of €7bn–€9bn, which, on the assumption of a free-float in the region of 25%, would suggest a deal size of about €1.75bn–€2.25bn. The IPO is all-secondary with selling from Deutsche Bank.

A cynic would suggest the syndicate was composed to spread league table credit thinly, with Deutsche the only global coordinator. The joint bookrunners are *Barclays*, *BNP Paribas*, *Citigroup*, *Credit Suisse*, *ING*, *Morgan Stanley*, *UBS* and *UniCredit*. *Banca IMI*, *Commerzbank*, *Daiwa*, *Nordea* and *Santander* are co-lead managers.

There are no perfect comps, but the peer group is likely to include Amundi, BlackRock and Schroeders, which trade at estimated 2018 price-to-book values of 1.58, 2.94 and 3.03, respectively.

Another banker involved said that investors will be more likely to focus on P/E and dividend yield, with Amundi trading on 2018 estimates at 14.19 P/E and 4.43% dividend yield, BlackRock at 18.77 and 2.15% and Schroeders at 15.31 and 3.36%.

DWS has €700bn of assets under management, targeting net inflows of 3% to 5% of opening assets under management per year, a management fee margin equal to or greater than 30bp, as well as an adjusted cost income ratio of less than 65%. The dividend payout is targeted at a generous 65% to 75% of net income.

DWS is one of the top five asset managers in Europe and has a 26.3% market share in Germany within the retail segment.

STEMMER COMFORTABLY ABOVE WATER ON DEBUT

STEMMER IMAGING stock debuted in Frankfurt up nearly 6% at €36 on Tuesday morning from pricing in the previous week's €88.4m IPO of €34, the mid-point of the €32-€36 price range. The shares rose further to close at €37.70 on Tuesday, up more than 10%. There were 290,625 units changing hands, representing more than 11% of the IPO offering.

Hauck & Aufhaeuser was sole bookrunner.

MBB TRIMS STAKE IN AUMANN

Family business MBB trimmed its 49% stake in engineering group **AUMANN** last Monday night in a €103.9m accelerated trade. Post-sale, MBB retains a 38% stake and its position as largest shareholder with a hefty 12-month lock-up.

There was no wall-cross in advance, in part because MBB is also listed. Books opened with reference to the €67.30 market close and were covered within two hours, possibly taking longer than usual as the market was distracted by the larger Philips block.

In total, 1.7m shares were placed, representing 11.17% of the share capital and approximately 60 days' trading. Pricing came at €61, a 9.36% discount to the €67.30 close. The shares opened at €61.70 and despite drifting below pricing in the early afternoon, the stock closed at €61.50 on Tuesday.

The top 10 accounts took approximately 50% of the shares on offer.

Berenberg and *Citigroup* were joint global coordinators, and joint bookrunners with *Hauck & Aufhaeuser*.

EXISTING SHAREHOLDERS DOMINATE CORESTATE SELLDOWN

Berenberg was sole bookrunner for the Monday night sale by Marcellino Graf Zu Hoensbroech and Ralph Winter in real estate manager CORESTATE. Hoensbroech sold his entire 2m share stake alongside Ralph Winter in a combined 4.15m share sale totalling €209.5m.

There was no wall-crossing in advance and the deal launched with reference to the €53.30 market close. Books were covered after an hour and pricing came at €50.50, a 5.25% discount. As a result of the sale, the free-float has risen to 63.61%.

Allocations were skewed towards existing shareholders, along with some new money looking to build a position in a relatively large trade representing 19.5% of the company and more than 138 days' trading.

The top 10 accounts took approximately 80% of the offering.

Corestate shares opened at €51.80 and closed at €50.70.

ITALY

AS ROMA TARGETING €115m CAPITAL INCREASE

The board of football club AS ROMA has opted for a €115m capital increase after reporting revenues last week of €124m for the six months to December 31 2017, the company's first half for accounting purposes, versus €88.6m in the same period in 2016. The net loss in the first half of 2017-18 shrank to €40.3m from €53.4m previously.

EMEA COMMON STOCK ISSUER LEGAL ADVISERS
1/1/2018 TO DATE

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Linklaters	2	708.3	3.3
2	Werksmans Attorneys	2	663.2	3.1
3	Freshfields Bruckhaus Deringer	1	459.5	2.2
4	Cakmak-Gokce Avukatlik Burosu	1	350.7	1.6
5	Latham & Watkins	2	345.0	1.6
6	Mazanti-Andersen, Korso Jensen & Partnere	1	258.8	1.2
7	Goodwin Procter	2	200.8	0.9
8	Dickson Minto	1	131.4	0.6
=8	Ogier & Le Massurier	1	131.4	0.6
10	Vischer	1	130.8	0.6
	Total	131	21,322.4	

Source: Thomson Reuters SDC code: AX3

Shareholders approved a capital increase of up to €120m last October, with a possibility that some of those funds would be used to build a new stadium.

AS Roma shares closed at €0.493 on Thursday giving the club a market capitalisation of €195m.

NETHERLANDS

JC FLOWERS SELLS IN UP TO €650m NIBC FLOAT

Mid-tier bank NIBC is targeting a valuation of €1.45bn–€1.85bn for its all-secondary Euronext Amsterdam float that comprises selling from JC Flowers, which has a 98.16% pre-money stake.

The free-float will be around 35%, suggesting a deal size of €500m–€650m. NIBC has been through a few rounds of pilot-fishing and books are expected to open around March 12 and wrap up around March 23.

NIBC has about 700 corporate clients, 800 investor clients, 250 leasing clients and approximately 400,000 retail clients. The bank's CET1 ratio was well above 14% at 19.3% in 2017 (up from 15.1% in 2016) and it is targeting a return on equity of 10%–12%, with a sustainable return on equity above 10%.

Net profit more than doubled to €213m in 2017, including €53m from the sale of the German commercial real estate legacy portfolio of Viljma. NIBC is targeting a dividend payout of at least 50% of net profit.

Across the syndicate, the price to book for 2017 is expected to be 0.84-1, suggesting a valuation at the mid-point of €1.65bn–€1.7bn. Benelux peers were said to be trading at around 1.2 and mid-size regional banks at or above book.

Two earlier rounds of pilot-fishing took place in London, the US and the Benelux

EMEA COMMON STOCK MANAGER LEGAL ADVISERS
1/1/2018 TO DATE

	Legal adviser	No of issues	Total US$(m)	Share (%)
1	Freshfields Bruckhaus Deringer	2	2,563.7	12.0
2	Allen & Overy	1	586.3	2.8
3	Linklaters	1	320.6	1.5
4	Cooley	2	309.4	1.5
5	Kromann Reumert	1	258.8	1.2
6	Bowman Gilfillan Africa Group	2	185.9	0.9
7	Covington & Burling	3	181.7	0.9
8	Skadden	1	176.8	0.8
9	Homburger	1	130.8	0.6
=9	Ropes & Gray	1	130.8	0.6
	Total	131	21,322.4	

Source: Thomson Reuters SDC code: AX4

region, with bankers saying that a dividend payout above 50% was compelling.

Citigroup, *Deutsche Bank* and *Morgan Stanley* are joint global coordinators, and joint bookrunners with *ABN AMRO* and *ING*. *NIBC* is lead manager.

PRE-MARKETING BEGINS FOR WHOLESALER B&S

Wholesaler B&S began pre-marketing a Euronext Amsterdam IPO on Monday that will provide founders and management with a chance to monetise their shareholdings. There is no primary selling.

B&S supplies consumer goods to cruise ships, military bases and low-cost retailers but is largely unknown to the public - a situation the IPO should reverse, according to a banker at one of the global coordinators.

ABN AMRO, *ING* and *Morgan Stanley* are joint global coordinators and joint bookrunners with *Deutsche Bank* and *Rabobank*.

Selling comes from founder and member of the supervisory board Willem Blijdorp, who has a 70% pre-money stake; CEO Bert Meulman, who holds 25% of the company; and members of management, with around 5%. Blijdorp intends to remain a majority shareholder post-money.

B&S has been heavily pilot-fished in Europe and the US, with the glo-co banker saying that investors had said that the business is one of the better assets seen in recent early-look meetings.

A standard two-plus-two schedule would put bookbuilding around March 12-23.

B&S reported a compound annual growth rate in turnover of 12.8% from 2009 to 2017, with net profit growth at 21.6% over the same period. The Ebitda margin during 2009-2017 increased to 7% from 4.6%, with a compound annual Ebitda growth rate of 18.9%. For the year ended December 31

2017, the group had turnover of €1.5bn and Ebitda of €106m.

Comparables include speciality distribution businesses such as Bidcorp, Bunzl, DCC, DKSH and IMCD, the latter believed by the glo-co banker to be the only peer with a higher Ebitda margin than B&S.

Based on forecast 2018 multiples of 23-26 for P/E, 1.2-1.3 for EV/sales, 1.5%-1.7% for dividend yield and free cashflow yield of 3.2%-3.6%, B&S could be valued at €1.8bn-€2bn.

That would put the deal size at €450m-€500m for a free-float of around 25%.

PHILIPS LIGHTING BUYBACK ALONGSIDE PARENT SELLDOWN

Monday's €520.6m trade in PHILIPS LIGHTING was covered in about half an hour, with Philips selling an 11.55% stake.

Philips Lighting took advantage of a €150m provision for buybacks alongside selldowns, buying back 2.2m of its own shares for €71m and providing momentum and easing digestion for an offering representing approximately 20 days' trading.

As a result of the buyback, the offer size was around 10%. Buybacks have been a feature of the previous four selldowns.

There was no wall-crossing in advance of the trade, but the deal was relatively well anticipated. The lock-up from last November's 12.3% sale had expired but the shares had dropped below €32, only rising above that level the previous week.

There was no guidance at launch, the deal was covered within a range of €32–€32.50 materialising at around 6:50pm in London, then covered throughout 15 minutes later. Just after 8pm, investors were told that orders below €32.10 risked missing out, with pricing at a 2.87% discount to the €33.05 close.

The top 20 accounts took more than 80% of a tightly allocated book that was hedge-driven on demand with a 70/30 hedge/long split. On allocation that was closer to 45/55, potentially helping Tuesday's aftermarket, with shares opening at €32.20 and staying largely above pricing before closing at €32.39.

Despite the skew towards hedge funds on demand, the largest order in the book was from a long-only account that met management on the release of results and was looking to build a sizeable position. There was also good support from existing shareholders.

ABN AMRO, *Goldman Sachs*, *Morgan Stanley* and *Societe Generale* were joint bookrunners.

BIG INTEREST FOR LITTLE ALFEN IPO

Energy group ALFEN has begun pre-marketing a Euronext Amsterdam IPO that will be slightly accelerated in order to price around March 21 and allow for a week of trading before Good Friday on March 30.

The expectation among syndicate heads is that most IPO launches will come by this week in a bid to begin trading ahead of the Easter break.

Alfen makes smart grids, energy storage systems and electric vehicle charging equipment.

Between 2015 and 2017, revenues grew on average 21% per year to €74m from €51m and the company has visibility on total revenues for 2018 to exceed €99m. Ebitda in 2017 was €4.88m, up from €2.53m in 2015.

The medium-term objective is to increase revenues by a compound annual growth rate above 40%, and to increase the adjusted Ebitda margin from 7% in 2017 to a mid-to-high teens percentage by leveraging its fixed cost base as revenues grow. Debt totalled €3.1m as of December 31.

Alfen said it does not intend to pay a dividend for the financial year 2018 or in the short to medium term, with cash generation to be used to fund growth opportunities. The plan is to also increase revenues outside the Netherlands, from 18% of revenues in 2017 to above 50%. Alfen expanded into Belgium in 2008 and the UK and Germany in 2014.

Consolidation is partly driving interest, with Engie currently in the process of buying power storage group EPS at a reported 5.5 times EV/sales. A banker said that the average in the sector for M&A in recent years is around 4.3 times, but that Alfen's owner, investment group Infestos, is not anticipating an M&A multiple in the IPO.

ABN AMRO and *Barclays* are joint global coordinators and joint bookrunners with *Rabobank/Kepler Cheuvreux*.

NORWAY

ELKEM RAISING NKR5BN IN OSLO LISTING

Chemicals and materials business ELKEM launched an Oslo IPO on Monday with plans to raise around NKr5bn (US$639m), with the proceeds to part-finance the acquisition of Xinghuo Silicones and Yongdeng Silicon Materials that was announced alongside the float. Proceeds will also cut debt.

Controlling shareholder ChemChina may also sell in the IPO but will maintain a majority position. The equity valuation is expected to be around US$2bn-$3bn.

Scheduling is expected to be two-plus-two putting bookbuilding around March 12-23.

ABG Sundal Collier and *Morgan Stanley* are joint global coordinators and joint bookrunners with *Carnegie*, *Citigroup* and *Nordea*.

FJORDKRAFT POWERS UP FOR NKR3.5bn TO NKR4BN IPO

Pre-marketing has begun for a US$100m-plus Oslo IPO of Norwegian electricity supplier Fjordkraft, which holds the number one and number two positions as electricity supplier to the consumer and business markets, respectively.

The deal is all secondary, with selling from BKK, which has a pre-money stake of 48.85%, Skagerak Energi with 48%, and Statkraft Industrial with 3.15%.

Fjordkraft is likely to be valued at NKr3.5bn to NKr4bn (US$445m–$508m).

It supplies electricity to more than 1.2m people through approximately 530,000 delivery points in households, with ambitions of supplying electricity to more than 2m people. The business operates in a Norwegian electricity retail industry that was deregulated more than 20 years ago.

A slightly accelerated schedule is expected to bring pricing in the week ahead of Easter, putting the launch of bookbuilding around March 14 and pricing on about March 23.

Revenues increased to NKr924m in 2017 from NKr336m in 2012, with Ebit increasing in the same period to NKr384m from NKr31m.

ABG Sundal Collier is sole global coordinator and joint bookrunner with *SpareBank 1*.

OCEAN YIELD FUNDS NEW VESSELS BUY

Shipping investor OCEAN YIELD raised NKr759m (US$79m) last Wednesday night from an offering of 11m new shares at NKr69, a 5.48% discount to the NKr73 close. The capital increase represented 7.4% of existing share capital and proceeds will finance purchasing new vessels.

Largest shareholder Aker had committed to subscribe for 5.5m of the shares but was zeroed on substantial demand from other investors.

EMEA EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	12	2,931.21	13.5
2	JP Morgan	8	1,498.80	6.9
3	Credit Suisse	5	1,384.15	6.4
4	Deutsche Bank	9	1,331.64	6.1
5	Investec	7	1,322.39	6.1
6	UBS	4	1,148.19	5.3
7	Barclays	4	1,100.17	5.1
8	HSBC	3	952.20	4.4
9	Morgan Stanley	7	873.32	4.0
10	Citigroup	5	859.41	4.0
	Total	**137**	**21,719.14**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4cr

The top 20 orders took approximately two-thirds of a book of around 200 lines.

In order to provide delivery of shares against payment and new shares requiring shareholder approval, new issuance for the trade will be covered by a share loan. Awilco Drilling did the same on its fundraising last week.

The stock opened below pricing at NKr68.20 and had inched up to NKr68.50 at the close.

ABG Sundal Collier, *Arctic Securities*, *Pareto* and *Sparebank 1* were joint lead managers.

REPUBLIC OF CONGO

HELIOS TO TEST DEMAND FOR AFRICAN TOWERS

Telecom infrastructure business HELIOS TOWERS is to list its shares in London and Johannesburg in a public offering that will be closely watched by peers that harbour listing ambitions of their own.

Shareholders, including Soros, Helios Investment Partners, Rothschild Investment Trust, and Albright Capital Management, are preparing to sell at least 25% of the share capital to partly monetise investments made in the sub-Saharan tower business nine years ago.

The company was founded to take advantage of the widespread adoption of wireless communications devices by populations that had no access to traditional land-line connections.

Since its formation, Helios Towers has acquired tower assets in the Democratic Republic of Congo, Congo Brazzaville, Ghana and Tanzania.

According to the GSMA, which represents the interests of mobile operators worldwide, the number of mobile connections in Sub-Saharan Africa was 731m in 2016, but could rise to more than 1bn by 2020.

The offering will be entirely secondary, with a provision made for a 15% greenshoe option. A pricing range is expected towards the end of the week beginning March 12.

A banker on the deal told IFR that while pricing would take account of country risk, the sellers would still be looking for a multiple in the low teens. European tower businesses such as Cellnex and Inwit currently trade at around 17 times.

Based on Ebitda of US$146m for 2017, Helios Towers could achieve an enterprise value of around US$2bn. Net debt in 2017 was US$595.2m.

Waiting in the wings are peers IHS Towers, which is bigger and is reported to be considering New York for a listing, and Eaton Towers, which is similar in size to Helios, and likely to list in London.

Bank of America Merrill Lynch, *Credit Suisse*, and *Standard Bank* are joint global coordinators and joint bookrunners with *Jefferies*.

SOUTH AFRICA

BLUE LABEL ISSUES SHARES FOR ACQUISITION

BLUE LABEL TELECOM placed 72m new shares on Monday evening at R12.50 per share in an accelerated bookbuilding managed by *Investec*.

The share issue, which represents 7.6% of the post-money share capital, raised R900m (US$76.77m) to part-pay for the company's R1.9bn acquisition of 3G Mobile.

The pricing is a discount of 8.5% to the closing price of R13.66, and represents a discount of 2.2% to the 30-day VWAP.

SWEDEN

D CARNEGIE TO RAISE CASH FOR PIPELINE

Stockholm-listed landlord D CARNEGIE has launched a rights issue to raise SKr1.013bn (US$122.57m) to finance property acquisitions and for investment in its current property portfolio.

The company will issue up to 767,123 A-shares and 10.49m B-shares at SKr90 per share, on a 7-for-1 basis.

Pricing represents a 21.5% discount to TERP based on Tuesday's B-share closing price of SKr118.20.

The capital increase has the backing of the company's largest shareholder Blackstone, which will participate in the rights issue in proportion to its 56.4% stake.

Blackstone took control of the company last July with the acquisition of shares corresponding to 40% of the voting rights and 32% of the share capital from Kvalitena, Frasdale and SBH.

A mandatory bid in November for the shares it did not own increased Blackstone's holding by 13.9% of the share capital and 11.3% of the voting rights.

Didner & Gerge, representing 3.25% of the share capital, will also subscribe in full, while Lansforsakringar Fastighetsfond, representing 5.01% of the share capital said it will participate with all, or nearly all, its subscription rights.

The subscription period runs March 9-23, with a result expected on March 28.

Swedbank, in cooperation with *Kepler Cheuvreux*, is sole bookrunner.

Blackstone is buying a 55% stake in Thomson Reuters' Financial and Risk unit, which includes IFR.

BYGGHEMMA TO PAY DOWN DEBT WITH IPO CASH

Online building supplies and home furnishings business BYGGHEMMA GROUP has begun pre-marketing a Nasdaq Stockholm float. The company will raise SKr350m (US$42m) to pay down debt, plus secondary selling from FSN Capital.

Since 2006, Bygghemma has launched 26 online stores and 65 showrooms, employing approximately 500 staff in 15 offices in Sweden, Norway, Denmark and Finland. Bygghemma had sales of SKr2.6bn in 2016.

The IPO is expected to price in the week ending March 23.

Carnegie is sole bookrunner and joint bookrunner with *Berenberg* and *SEB*.

SWITZERLAND

MEDARTIS BEGINS PRE-MARKETING

MEDARTIS, which specialises in medical devices for treating bone fractures and osteotomies, has begun pre-marketing a SIX Swiss Exchange float that will finance growth.

Medartis sells directly and through distributors in 44 countries, including the US, the UK, France, Germany, Switzerland, Japan, Australia and Brazil. The company generated revenues of SFr105m in 2017, a 14% increase over 2016, with operational Ebitda of SFr19m. The company is expected to be largely debt free on admission.

Bryan Garnier and *Zurcher Kantonalbank* are joint bookrunners, with *Kepler Cheuvreux* as co-manager. *Quarton International* is advising.

SENSOR MAKER BEGINS PRE-MARKETING SIX FLOAT

Sensor maker SENSIRION launched pre-marketing last Tuesday for a SIX Swiss Exchange float targeting SFr55m (US$59m) in primary proceeds that will provide financial flexibility for future financing and growth opportunities.

Sensirion provides environmental and flow sensors, with the business expected to capture growth driven by the internet of things.

There is as yet undisclosed secondary selling from majority shareholder Gottlieb Knoch, who has a 55.5% pre-money stake. Founders, co-chairmen and former co-CEOs Felix Mayer and Moritz Lechner hold a combined 14% stake and said they remain fully invested in and committed in the long term to Sensirion.

Founded in 1998 as a spin-off from the Swiss Federal Institute of Technology in Zurich, Sensirion generated 2017 revenues of SFr148m, adjusted Ebitda of SFr26 and an adjusted Ebitda margin of 18%. Revenues in 2015 and 2016 were SFr117m and SFr131m, respectively.

A two-plus-two schedule would put the beginning of bookbuilding around March 12 and run through to March 23.

Credit Suisse and *JP Morgan* are joint bookrunners, with *Vontobel* as co-bookrunner. *Lazard* is advising.

UK

PROVIDENT FINANCIAL SHAREHOLDERS DARE TO HOPE

Shares in troubled doorstep lender **PROVIDENT FINANCIAL** were up more than 70% on Tuesday after the company launched a £331m rights issue to cover costs related to an investigation into mis-selling at its Vanquis unit.

Fees and expenses for the capital raising will absorb around 10% of the proceeds, leaving Provident Financial £300m to pay around £170m in compensation and a £2m fine to the FCA, which found the company did not properly inform customers about the full cost of an add-on product called the Repayment Option Plan.

The rally erased Monday's 10.5% slump on rumours of a £500m cash-call, but does little to ease the pain of investors such as Neil Woodford, who have seen the shares lose around two-thirds of their value since June, when the company made the first of two profit warnings related to a botched reorganisation and later, the investigation by the FCA.

The company will issue 105m new shares at 315p per share on a 17-for-24 basis. The pricing represents a discount to TERP of 33.7%, based on Monday's 588p closing price.

The subscription period runs from March 22 to April 9.

Invesco and Woodford Investment Management said they will participate in proportion to their holdings, which de-risks around 48% of the share issue.

Full-year numbers released earlier in the day showed that last year's adjusted profit before tax was down 67.3% at £109.1m from £334.1m in 2016.

Tuesday's closing price was £10.02.

JP Morgan and *Barclays* are joint bookrunners.

INTEGRAFIN POPS MORE THAN 29% ON DEBUT

INTEGRAFIN popped US-style on debut on Tuesday, rising more than 17% above the 196p IPO price at 230p, and pushing for a close of 253.5p, up more than 29%.

Approximately 11.94m units changed hands, representing around 13% of the IPO offering.

A banker working on the £177.6m float said it showed that there is still a decent amount of capital waiting for the right deal in the UK IPO mid-cap space.

IntegraFin was multiple times covered, with demand from largely UK long-only mid-cap accounts. There was significant scaling back and zeroing.

The offer comprised 90.63m shares, representing 27% of total issued share capital, but a free-float of 69%. The market cap is £649.4m and there is no greenshoe, although current trading suggests that will not be a problem.

On Wednesday, the shares closed at 258p.

Peel Hunt was sole bookrunner, with *Evercore Partners* advising. The sellers paid Peel Hunt a 1% fee with the company chipping in just £200,000.

ACACIA PRICED AT THE BOTTOM OF THE RANGE

Shares in **ACACIA PHARMA**, a Cambridge-based company working on treatments that prevent nausea and vomiting in surgical and cancer patients, will trade from Monday on Euronext Brussels after an IPO that values the company at €190.51m.

The company placed 11.11m new shares at €3.60, which was the bottom of the pricing guidance of €3.60-€4.60 per share.

An additional 1.11m shares, 10% of the share issue, is available for a primary greenshoe.

The free-float on admittance is 21%, increasing to 24% on full exercise of the greenshoe.

As per a pre-launch commitment, Capital Partners Healthcare Fund and Gilde Healthcare Partners invested €11.43m to subscribe for 3.175m new shares.

Bank Degroof Petercam and *RBC* were joint bookrunners.

TRIPLE POINT SOCIAL HOUSING LAUNCHES FUNDRAISING

TRIPLE POINT SOCIAL HOUSING REIT intends to raise up to £200m through the issue of C shares in an open offer, placing, and offer for subscription.

Under the open offer, 133.3m new C shares will be offered to eligible shareholders who can subscribe on a 2-for-3 basis.

The share issue is subject to shareholder approval at a general meeting on March 22.

Triple Point said it had already committed £179.2m to the acquisition or forward funding of properties, with a portfolio of 148 regulated-supported housing assets.

Canaccord Genuity is corporate broker.

ARIX BIOSCIENCE LAUNCHES SHARE ISSUE

Venture capital group **ARIX BIOSCIENCE**, which specialises in the healthcare and life science sectors, is looking to raise up to £100m for new investments.

The company will issue up to 44.444m new shares for a firm placing and an offer for subscription at 225p per share.

Strategic partners UCB and Takeda Ventures have already said they will invest £10m in the firm placing, alongside commitments of £40m from new shareholders Fosun and Ipsen Pharma.

Existing shareholder Woodford will invest £5m to bring the pre-launch commitments to a total of £55m.

The pricing represents a 14.5% premium to Tuesday's 196.5p closing price.

The company will issue up to 20m new shares for the placing and offer for subscription, raising £45m.

Shareholders will be asked to approve the share issue at a general meeting scheduled for March 16.

Jefferies is global coordinator and joint bookrunner with *Stifel Nicolaus Europe*.

FOUNDERS SLASH STAKES IN PLUS500

The founders of online CFD trading platform **PLUS500** sold 6.38% of the company on Friday in an accelerated transaction managed by *Liberum*.

In total, 7.272m shares were sold at £11 per share, which represents a 5.9% discount to the previous day's £11.69 closing price. The sale generated proceeds of £80m.

Alon Gonen was the single biggest seller with 3.4m shares, followed by Gal Haber and Elad Ben-Izhak with 1.2m shares each. Omer Elazari and Shlomi Weizmann sold 732,358 shares each.

As a result of the sales, Playtech, with 9.99% of the share capital, now has the largest shareholding.

AMERICAS

CANADA

IA FINANCIAL RAISES CASH ALONGSIDE PPI BUY

TSX-listed insurance and wealth management provider **IA FINANCIAL** raised C$135m (US$105m) from a common stock sale, coinciding with its purchase of insurance marketing firm PPI Management for an undisclosed sum.

A syndicate led by *TD Securities* and *National Bank Financial* bought 2.5m shares at C$54.10 each, a 2.7% discount to last sale. In a tough week for stocks, iA shares were trading around C$53.09 early Friday, having already fallen from more than C$60.00 in January.

The company also raised C$150m from a preferred share offering led by the same banks.

The funds will maintain and replenish its capital base after giving effect to the cost of the acquisition, iA said.

UNITED STATES

BIG BLOCKS MEET MARKET TURBULENCE

Renewed market turbulence in the past week has cast into doubt bankers' hopes for a pick-up in US ECM issuance in March.

Stocks slumped and volatility surged in the past week amid Federal Reserve hawkishness and the Trump administration's plan to impose steel and aluminum tariffs, pushing returns back into negative territory for the year so far.

US ECM activity stepped up a notch last week with four large block trades, but the timing was less than ideal as the market airpocket left banks nursing wounds on several deals.

General Motors (a US$1.6bn trade) and Crown Castle International (US$847.2m) both slid well below their reoffer prices after bringing large block trades during the week, but sponsor blocks from Norwegian Cruise Line (US$1.1bn) and GoDaddy (US$1bn) found more support.

Market conditions are likely to make for a quieter week on the secondary front.

No IPOs priced last week but one new issue launched and bankers were preparing to launch more deals in the coming week, notwithstanding a likely reassessment of market conditions.

IPOs that appear close to launch include cybersecurity company Zscaler, biotechs Arcus Biosciences, Taiwan Liposome and Polypid and community bank Bridgewater Bancshares, though some may decide to wait for calmer conditions.

At this stage, the sole IPO on the road is a US$65m offering from BioXcel Therapeutics, which is slated to price post-close Wednesday.

APOLLO, GENTING NEAR FULL NORWEGIAN EXIT

Morgan Stanley's US$1.1bn block trade in NORWEGIAN CRUISE LINE managed to sidestep the pain witnessed on some other deals last week.

After winning a competitive auction, the bank reoffered 19.5m Norwegian shares at US$56.00 each, the bottom of a US$56.00-$56.27 reoffer range and a 0.5% discount to a last sale of US$56.27.

Despite the very tight pricing, the shares fared well in Wednesday's aftermarket and bucked the broader market by rising to US$59.60.

The offering had been highly anticipated, particularly after the company filed its 10-K earlier on Tuesday.

With the stock trading well below analysts' price targets, investors wanted more of the name, one banker said.

Norwegian also repurchased US$263.5m of the shares in the offering to reduce the call on investors and ease the task of underwriters.

Long-time backers Apollo Global Management and co-investor Genting each sold 9.75m shares into the offering. The deal leaves them holding 15.7m shares (7%) and 3.15m shares (1.4%) respectively, and able to sell more after a 30-day lock-up.

Apollo first invested alongside Genting in Norwegian in 2007 before taking it public in 2013 and merging it with another portfolio company, Prestige Cruises, in 2014.

The cruise line has completed a succession of secondaries since the IPO, though this was the first time since 2015 that Norwegian had included a buyback.

The price on the latest offering was above the US$54.35 level at which Morgan Stanley priced a US$543.5m secondary block in November.

SPONSORS, FOUNDER SELL US$1bn STAKE IN GODADDY

Morgan Stanley and *Goldman Sachs* joined forces to shift a US$1bn block of web-hosting provider GODADDY, a name that was high on the lists of ECM calendar watchers.

Taking advantage of a nearly 20% year-to-date gain in GoDaddy's stock price, the banks reoffered 16.92m shares at US$59.50 a share, the midpoint of the US$59.40–$59.60 range and a thin 0.5% discount to last sale.

As with all of last week's large blocks, the two banks jointly underwrote the offering after winning a competitive auction for the trade against multiple banks.

In Thursday's aftermarket, the stock mostly held its own, closing at US$59.36, or slightly below the reoffer price, in a tough tape.

Sellers KKR & Co (5m shares), Silver Lake (3.9m shares) and founder Bob Parsons (8m shares) are left with 6.5%, 7.1% and 4.7% respectively and a total of nearly 31m shares they can sell in 45 days.

The deal came just days after GoDaddy posted a quarterly revenue/free cashflow/bookings beat. Management expects healthy 12% inorganic revenue growth (at the midpoint of guidance) this year.

The latest selldown was a block in December that saw Morgan Stanley offload 7.3m shares at US$47.32 each.

GoDaddy went public in April 2015 at US$20 a share in a deal that raised a base sum of US$410m, and has completed a string of secondaries since then.

CROWN CASTLE PASSES OFF RISK ON US$850m RAISING

CROWN CASTLE INTERNATIONAL, the many-tentacled wireless tower giant, left nothing to risk, securing circa US$850m via a block sale overnight on Wednesday that will reload its balance sheet for even more acquisitions.

After a competitive auction, *Citigroup* and *JP Morgan* sought to offload their purchase of 7.765m shares at US$109.10, a 0.9% discount to last sale and the low end of a US$109.10-$109.50 marketing range.

The deal fell flat in the aftermarket, prompting speculation that the banks had lost money on the trade.

Crown Castle shares immediately fell below the reoffer price in Thursday's session post pricing, closing at just US$106.07. By midday on Friday, they stood at US$104.86.

While large on an absolute-dollar basis, the Crown Castle block represented just 1.9% of outstanding and just three days' volume.

Crown Castle, which last sold stock via a combo US$5.5bn equity/mandatory CB in July to help fund the US$7.1bn acquisition of fibre-optic operator Lightower, has earmarked proceeds for general corporate purposes.

The company fully repaid the US$980m outstanding on its $3.5bn revolver at December 31 with US$1.75bn raised from the sale of straight debt in January.

Crown Castle seems content to digest the purchase of Lightower as it focuses on building out next-generation wireless small-tower capacity.

"Our criteria in terms of how we think about assets and things that would be interesting to us has remained the same," CEO Jay Brown said on the company's fourth-quarter earnings call on January 25. "It needs to be high-capacity fibre in dense urban areas, and that is a relatively limited targeted set of assets.

"In the short term here, I think we're going to be digesting the assets that we found."

Building some balance-sheet capacity provides flexibility should the opportunity arise.

Crown Castle plans to spend US$1.5bn on capex this year, the bulk of which will be for organic growth, including small cell deployments. That spend is consistent with a target to grow its dividend by 7%–8% annually.

HAMILTON LANE WEATHERS BUMPY ROAD

Alternative asset manager **HAMILTON LANE** priced its first follow-on on Wednesday, a US$135m all-secondary share sale on behalf of employees and financial backers.

JP Morgan and *Morgan Stanley* marketed the offering for two days before pricing 3.94m shares at US$34.25, a 2% discount to last sale but 8% below pre-launch levels.

By week's end, Hamilton Lane recovered to US$35.39.

"It was a little unfortunate," a banker close to the deal said of the stock's 9.5% decline on Tuesday while the deal was on the road.

This came amid the broader market swoon that followed what was read as hawkish testimony by new Fed Chair Jerome Powell.

"I suspect one or two holders were trying to sell," the bank said. Even so, the deal was four-times oversubscribed.

Hamilton Lane, which both manages capital and directs capital to other private equity managers, went public last February, selling 13.656m Class A shares at US$16.00 apiece.

The 3.94m shares sold this week represented a sizable 35-days' trading volume but just 7.3% of outstanding.

Hamilton Lane elected to market the follow-on offering because it was not yet a well-known seasoned issuer.

The company sold 3.24m Class A shares and used proceeds raised to tax-efficiently repurchase a similar number B shares from employees and financial backers. Management led by Hamilton Lane Asia head Juan Delgado-Moreiro and other insiders sold the remaining 700,000 shares directly.

Hamilton Lane has exceeded expectations since it went public.

Direct assets under management have grown to US$51bn, from $40bn at the IPO. Assets under advisement, a lower-fee but stickier component, have grown to US$374bn, from US$292bn at the IPO.

Broadening its investor appeal, Hamilton Lane is structured as traditional, tax-paying C-Corp, unlike Blackstone, KKR or Carlyle Group. Strong share performance has seen the annual yield on its shares trimmed to 1.9%, from 4.4% at the IPO.

NMI PUMPS UP CAPITAL BASE AHEAD OF TIGHTER MI RULES

Mortgage insurer **NMI** was able to bring in new investors via a US$73.1m stock sale, a one-day marketed effort that saw it sell 3.7m shares or 6% outstanding at US$19.75 a share.

In aftermarket trading Wednesday, NMI closed at US$19.85 or a little above the offering price, faring better than direct mortgage insurance peers and the broader insurance sector, which was down 1.7%.

JP Morgan, *Deutsche Bank* and *RBC Capital Markets* led the offering, pricing the deal at a wide 9% all-in discount but against a record closing price for the stock at the time of the launch.

The offering was not unexpected given the company's strong growth and share price performance but the timing was earlier than some anticipated, one banker close to the deal said.

The equity will help the company come up with the extra capital needed to meet tougher regulatory requirements under so-called PMIERS 2.0 rules (for insuring Fannie Mae and Freddie Mac loans) that go into effect later this year.

"If it weren't for the growth they are seeing they wouldn't have needed this capital," the banker said.

The deal helped improve the quality of NMI's shareholder base, which has now transitioned from mostly hedge funds six to nine months ago to a number of long-only funds.

Management had previously indicated the company could issue mortgage insurance-linked notes to fund its growth, but the recent run-up in NMI's price (up 17.4% year-to-date ahead of the deal) prompted it to turn to ECM.

"Management told us that by taking the equity issuance route they likely had put NMI in better stead with the credit ratings agencies for potential rating upgrades that could facilitate a refinancing of the company's US$150m term loan at a more attractive rate," BTIG analyst Mark Palmer said in a note to clients.

Having started in the aftermath of the financial crisis, NMI has no legacy exposures to crisis-era mortgages and 88% of the company's insurance-in-force features FICO scores above 700.

ATARA BREAKS LOCKUP FOR EQUITY

ATARA BIOTHERAPEUTICS this week took the concept of being a serial issuer to another level with its second stock offering in as many months.

The company had little trouble securing an early release of a lock-up agreement from

BioXcel launches AI-PO

US Biotech applies artificial intelligence to drug development

Repurposing FDA-approved drugs for new development is nothing new, though **BIOXCEL THERAPEUTICS** is hoping that its use of artificial intelligence will score points with public investors.

The company, a unit of privately-held BioXcel, is seeking up to US$65m through an IPO to further development of two drugs.

Barclays, *UBS* and *BMO Capital Markets* last week launched the sale of 5m shares at US$11-$13 each for pricing on March 7.

If priced, the deal would be the first US IPO to price since February 8 and would mark the IPO market's comeback after a tumultuous February. There is no indication of insider participation on BioXcel's prospectus cover.

Parent company BioXcel's Evolver AI drug discovery platform uses artificial intelligence to identify existing drugs that are FDA-approved or have been clinically validated and that can be repurposed to treat other diseases.

The platform has been endorsed through BioXcel's partnerships with Alexion Pharmaceuticals and Takeda Pharmaceutical in recent years. BioXcel Therapeutics was formed last March to oversee the clinical development of proprietary treatments for dementia and pancreatic/prostate cancer.

The dementia drug is a reformulated version of the FDA-approved sedative Precedex.

An IV formulation of the drug is being tested in a Phase Ib safety study in patients with mild Alzheimer's disease and the company hopes to move into Phase II trials with a thin film (taken under the tongue) formulation of the drug later this year.

The cancer drug is a small molecule that has already been tested in more than 700 healthy patients across multiple clinical trials. The company hopes to initiate Phase II trials in the second half of this year.

BioXcel Therapeutics has raised US$1.2m in private placements of its common stock with Peter Mueller, who is the chairman of the board of directors.

The latest was a US$1m raising that priced at US$6.88 a share in early January and the IPO seeks a 1.6-times to 1.9-times step-up within a span of just two months.

The company had just US$2.8m of cash on its balance sheet as of December 31 but plans to spend upwards of US$45m over the next 12 months on drug development. It will return US$1.88m to its parent as partial compensation for the initial assets and to repay intercompany debt.

Robert Sherwood

its underwriters but brokering a price with investors proved far more difficult.

The deal launched Tuesday night even though Atara was still subject to the 60-day lockup period from its January offering.

Atara's stock price dropped 9.5% on Wednesday as *JP Morgan* and *Cowen* marketed the deal, which was for fixed proceeds of US$150m. The banks priced 4.3m shares that night at $35.00 each, a 9% discount to the previous US$38.53 close and 18% down from Tuesday's pre-launch close of US$42.55.

Atara closed at US$37.20 on Thursday, though it touched a low of US$34.75 and the VWAP on the 2.6m shares traded was US$36.35.

It was not hard for the underwriters to justify the quick turnaround. Atara's share price had more than doubled since the January 3 deal, which priced at US$18.25. The banks also fielded some reverse inquiry.

Waiving the selling restriction cleared the way for Atara to fund opportunistically.

Atara's surge actually began in December when the FDA cleared the company's T-cell therapy against the Epstein Barr virus (EBV) for two Phase III trials. Enrolment for both studies is underway and Atara expects to have data to report by the middle of next year.

Proceeds boost Atara's pro forma cash reserves to US$450m, versus US$300m circa the January offering. The extra cash will allow Atara to prepare the commercial launch of its EBV drug and accelerate the development of other T cell therapeutics in its pipeline.

A Phase I study of a T-cell treatment for multiple sclerosis has recently begun. Atara is planning to bring new treatments for viral infections into the clinic before the end of this year.

ENDOCYTE BACK IN BUSINESS

ENDOCYTE, a once embattled drugmaker, has gained a new lease on life after purchasing a cancer drug late last year.

The company secured US$75m through an overnight stock sale last week to help fund Phase III trials on the acquired drug and see it through 2020.

Joint bookrunners *Jefferies*, *Wells Fargo* and *Deutsche Bank* confidentially marketed those plans to investors before publicly announcing the deal on Tuesday night.

They ended up placing 17.9m shares with investors at US$4.20 each on Wednesday morning, five cents below Tuesday's US$4.25 close and up from 15m shares at launch.

The offering was Endocyte's first in four years. Endocyte rocketed 41.2% on Wednesday to US$5.93 in open trading.

The company announced earlier in the week plans to enroll patients for a Phase III trial on its prostate cancer treatment by the end of the second quarter.

The stock cratered back in 2014 after Endocyte's ovarian cancer drug candidate failed a Phase III trial.

Endocyte shares ran from US$1.41 to US$6.10 after the transformative acquisition was announced in early October. Endocyte paid German biotech ABX US$12m upfront for worldwide rights to the prostate cancer drug, plus up to US$160m in milestone payments and a midteens royalty on future sales.

The drug represents a potential US$1bn global opportunity if approved. Phase II trials are complete and Endocyte will present that data at the ASCO investor conference in Chicago in June.

VINE RESOURCES CROSS-POLLINATES WITH JV PARTNER

VINE RESOURCES, the Blackstone-backed Haynesville Shale explorer, is winding its way to the public markets, even as those plans lie fallow.

ECM DEALS: WEEK ENDING 2/3/2018

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
APA Group	Australia	23/02/2018	A$288m	A$7.70	Follow-on (Primary)	Deutsche Bank, JP Morgan
Smartgroup	Australia	26/02/2018	A$75m	A$11.05	Follow-on (Primary)	Macquarie, Morgans
Industrial Alliance Insurance and Financial Services	Canada	27/02/2018	C$135.3m	C$54.10	Accelerated follow-on (Primary)	TD Securities, National Bank Financial
Bright Scholar Education	China	27/02/2018	US$190.0m	US$19.00	Follow-on (Primary, Secondary)	Deutsche Bank, Goldman Sachs
Gecina	France	26/02/2018	€472.93m	€146.5	Accelerated follow-on (Secondary)	Goldman Sachs
Aumann	Germany	26/02/2018	€103.9m	€61	Accelerated follow-on (Secondary)	Berenberg, Citigroup, Hauck & Aufhaeuser
Corestate	Germany	26/02/2018	€209.5m	€50.5	Accelerated follow-on (Secondary)	Berenberg
HG Infra Engineering	India	28/02/2018	Rs4.62bn	Rs270	IPO (Primary-Secondary)	HDFC, SBI Capital
Housing Development Finance Corp	India	28/02/2018	Rs19bn	Rs1,825	Follow-on (Primary)	Citigroup, Credit Suisse, CLSA, IIFL Holdings, JM Financial, Motilal
Philips Lighting	Netherlands	26/02/2018	€449.4m	€32.1	Accelerated follow-on (Secondary)	ABN AMRO, Goldman Sachs, Morgan Stanley, Societe Generale
Awilco Drilling	Norway	27/02/2018	NKr501m	NKr29	Follow-on (Primary)	ABG Sundal Collier, Arctic Securities, Fearnley Securities
Ocean Yield	Norway	28/02/2018	NKr759m	NKr69	Accelerated follow-on (Primary)	ABG Sundal Collier, Arctic Securities, Pareto, Sparebank 1
Blue Label Telecom	South Africa	26/02/2018	R900m	R12.50	Accelerated follow-on (Primary)	Investec
Acacia Pharma	UK	01/03/2018	€40m	€3.60	IPO (Primary)	Bank Degroof Petercam, RBC
Gama Aviation	UK	27/02/2018	£48m	£245p	Follow-on (Primary)	Jefferies
IntegraFin	UK	26/02/2018	£177.6m	196p	IPO (Secondary)	Peel Hunt
Plus500	UK	02/03/2018	£80m	£11	Accelerated follow-on (Secondary)	Liberum
Atara Biotherapeutics	US	28/02/2018	US$150.0m	US$35.00	Follow-on (Primary)	JP Morgan, Cowen
Crown Castle International	US	28/02/2018	US$847.2m	US$109.10	Accelerated follow-on (Primary)	Citigroup, JP Morgan
Endocyte	US	27/02/2018	US$75.2m	US$4.20	Accelerated follow-on (Primary)	Jefferies, Wells Fargo, Deutsche Bank
General Motors	US	27/02/2018	US$1.6bn	US$39.80	Accelerated follow-on (Secondary)	Barclays, Citigroup
GoDaddy	US	28/02/2018	US$1.0bn	US$59.50	Accelerated follow-on (Secondary)	Morgan Stanley, Goldman Sachs
Hamilton Lane	US	28/02/2018	US$135.0m	US$34.25	Follow-on (Synthetic Secondary)	JP Morgan, Morgan Stanley
Limelight Networks	US	01/03/2018	US$60.7m	US$3.97	Accelerated follow-on (Secondary)	B Riley FBR
NMI Holdings	US	27/02/2018	US$73.1m	US$19.75	Follow-on (Primary, Secondary)	JP Morgan, Deutsche Bank, RBC Capital Markets
Norwegian Cruise Line	US	27/02/2018	US$1.1bn	US$56.00	Accelerated follow-on (Secondary)	Morgan Stanley

In an effort to streamline operations, the E&P has exchanged oil & gas properties with a joint venture partner that increases control on development.

Vine filed initial documents for the IPO last April, with the latest amendment on Monday providing year-end financial results and the exchange.

Just because Vine has updated its IPO doesn't mean it is any closer to going public.

"The company is currently evaluating whether they should come to market," one banker involved in the underwriting told IFR.

Vine, formed from the acquisition of a 40% interest in Haynesville properties from Royal Dutch Shell for US$1.1bn in 2014, has been in a holding pattern since first filing IPO documents publicly last April.

In October, the company issued US$530m of 8.735% notes due 2023 that it used to refinance bank debt and also renegotiated a reserve-based loan facility.

Credit Suisse, *Morgan Stanley*, *Barclays*, *Citigroup* and *HSBC* are joint bookrunners on the IPO.

For the full-year 2017, it reported adjusted Ebitdax of US$270.7m on revenue of US$440.8m, though US$101.3m of the top-line were gains from commodity derivatives.

❱ IBEX PREPS US$75m NASDAQ IPO

IBEX, the Bermuda-incorporated call centre/BPO provider controlled by Pakistan Stock Exchange-listed TRG Pakistan, filed February 23 for an upcoming US$75m Nasdaq listing.

Baird, *Piper Jaffray*, *William Blair* and *SunTrust Robinson Humphrey* are slated to lead the IPO, which could launch later this month.

In the year ended June 30 2017, IBEX generated US$16.2m of adjusted Ebitda from revenues of US$334m, up 3% from the prior year.

Customer concentration shapes as a key risk, since the company's top three clients accounted for 58.4% of last year's revenue.

IBEX competes with call center and diversified BPO providers including Teleperformance, Convergys, SITEL, Sykes Enterprises and TeleTech, customer acquisition companies Red Ventures and Clear Link Technologies, and insurance marketing companies such as eHealth.

The company first filed confidentially on November 22.

❱ GOLDMAN STEPS OUT OF THE LIMELIGHT

Goldman Sachs has given up on its pre-financial crisis investment in web content delivery platform LIMELIGHT NETWORKS.

Having begun its exit late November, Goldman has all but cleared its Limelight stake through a US$60.7m trade last week.

Sole bookrunner *B Riley FBR* priced Goldman's 15.27m shares at the US$3.97 market price on Thursday.

Limelight agreed to repurchase 1m of these shares from the underwriter, and will purchase another 527,249 shares when the deal closes.

The offering was the culmination of a two-step exit process that began in late November. Goldman achieved a slightly better outcome when B Riley FBR priced the first US$69m deal at US$4.60 a share.

Limelight has not been one of Goldman's better investments.

GS Capital Partners took a 45% stake in Limelight back in July 2006, purchasing 26.5m shares at US$4.89 a share.

Goldman took Limelight public a year later at US$15 a share but was not a selling shareholder on Limelight's US$240m IPO.

The stock bottomed out at US$1.17 two years ago but has mounted a comeback in 2017–18. Limelight was back up 8% to US$4.30 early on Friday with the removal of its Goldman overhang.

BRAZIL

❱ BRAZILIAN INSURERS QUEUE UP FOR IPO CAPITAL

The on-again, off-again IPO of Brazilian health insurer and hospital operator NOTREDAME INTERMEDICA is on again, after the company filed documents on Monday with local regulators for a Bovespa-listed IPO.

The offering will comprise primary and secondary shares, though a size was not disclosed.

Morgan Stanley, *Credit Suisse*, *Itau*, *JP Morgan*, *Bradesco* and *UBS* are joint bookrunners.

Principal sponsor Bain Capital elected not to proceed with an attempted IPO last May, amid political instability that led it to seek "a more opportune time to raise capital".

Intermedica has continued to grow through acquisitions and its operations have stabilised.

The company, the third-largest Brazilian hospital operator and fourth-largest private insurer, generated full-year 2017 Ebitda of R$711m (US$218.1m) on revenue of R$5.3bn (US$1.6bn), a 13.4% margin and up from R$497m (12%) and R$4.1bn in 2016.

Intermedica last month closed on the acquisition of Hospital Cruzeiro do Sul, the latest in a series of acquisitions that has given it a leading market share in the Sao Paulo and Rio de Janeiro metropolitan markets.

Privatisation of Brazilian healthcare is a significant theme of the capital markets.

HAPVIDA, the country's third-largest insurer, filed documents for an IPO on Monday comprising primary and secondary shares.

Bank of America Merrill Lynch, *BTG Pactual* and *Goldman Sachs* are joint bookrunners.

While the deal size was not disclosed, Reuters reported that the company is seeking to raise R$3bn (US$925m), including sales by controlling shareholder the Koren de Lima family.

MEXICO

❱ MEXICO SPAC FILES US$100m IPO

OPES ACQUISITION, a Mexican special purpose acquisition company, has filed for a US$100m IPO.

The vehicle was formed by Axis Capital Management to consummate an acquisition with a Mexico-based target. A US$30m forward purchase agreement with New York hedge fund Lion Point Capital increases the likelihood of a successful acquisition.

The offering consists of 10m units at US$10, with each unit comprising one share of common stock and a warrant to purchase one full share at US$11.50.

The structure is much simpler than recent US SPAC offerings that have come with warrants for half or a third of a common share. *EarlyBirdCapital* is the sole bookrunner.

Axis Capital and Lion Point will invest another US$4m in a concurrent private placement of 400,000 units at the IPO price.

Axis is the sole owner of 2.5m founders' shares, representing a 19.4% equity stake. Lion Point has also entered into a contingent forward purchase of another 3m units for US$10 each when Opes consummates an acquisition.

The forward purchase is contingent upon Lion Point approving Opes' acquisition target. Opes will have 24 months to complete an initial business combination, or make a full return of capital to its shareholders.

STRUCTURED EQUITY

AUSTRIA

❱ AMS RUSHES BACK TO EQUITY-LINKED

Austrian sensor maker AMS was back in the equity-linked market on Monday only five months since its last issue – and it has taken things up a notch since September.

The new bond issue is bigger, longer-dated and not only has no coupon but offers a negative yield (it does mark a switch from dollars to euros).

The other standout is that *Deutsche Bank* was again sole bookrunner. That followed the previous week's CB from Ence led by BNP Paribas, so by the end of last week one quarter of the bonds so far this year has been led by a lone bank.

The €600m issue of seven-year paper launched in the morning with a 45% premium already fixed. The zero-coupon bonds were offered with an issue price of 101.5%-107% to deliver a yield to maturity of -0.97% to -0.21.

Pricing came at 102 and the initial conversion price at €136.04, a 45% premium to the SFr108.25 VWAP - the Austrian company is listed in Switzerland - from launch to pricing. There are 4.41m shares underlying the bonds, representing 5.2% of the company.

The previous issue priced with a coupon of 0.875% on five-year paper with a volume of US$350m.

Shares ended at SFr111.15 on February 23, the previous close, up 60% from the reference price on the bonds issued in September, which now trade around 130. So investors are well aware of the equity story. Some CB investors also noticed a press release two weeks ago alongside results that mentioned a possible €600m CB and expressed interest in buying it.

The book was covered by 9:30am but with some price sensitivity, as is inevitable with negative yielding paper and a high fixed premium over a near all-time high, pricing came in the afternoon. Many investors seen in September came back to buy more, some having offloaded the 2022s over the past fortnight, while the switch to euros helped attract accounts more focused on the single currency.

The company makes sensors for products including smartphones, payment systems, cars and healthcare systems. Proceeds are for general corporate purposes, including potential M&A.

BELGIUM

INVESTOR CAUTION LEAVES BUYERS AND ISSUERS HAPPY ON CBS

Investors and issuers can walk away happy from convertible bond issues at present.

Belgium's **ECONOCOM** on Thursday was the latest issuer to end with a very well subscribed book after pricing a new issue towards the best terms for investors - yet still pricing in line with historic volatility.

The €200m five-year OCEANE is the third convert by the IT and telecoms provider but the most recent was called by the company last year. With no outstanding bonds the benchmark for the credit was an assumed BBB- credit with the lead suggesting a spread of 175bp that apparently met no pushback, helped by low leverage.

The previous convert was to back the company's Mutation plan for 2013-17 where it targeted revenue of €3bn and operating profit of €150m. With both of those met on schedule (profit was actually €154.4m last year) a new four-year strategic plan has begun, to double operating profit on revenue of €4bn by 2022.

Pre-sounding was completed by leads *Credit Agricole* and *Societe Generale* on Wednesday and gave good momentum to enable a covered message at 10am Paris time.

Guidance at launch was a coupon of zero to 0.75% and a premium of 30%-35%, later revised to 30% and a coupon of 50bp-75bp. At pricing the coupon was set at 0.5% where implied vol was 24, in line with one-year realised vol. The bonds can be called from three years, subject to a 130% hurdle.

The book was heavily outright names amounting to 80% of the deal, as expected when most of the bonds went to French investors, followed very far behind by UK and Swiss names.

CANADA

MAPLE SYRUP MAKER TAPS NEW C$85m CB

Maple syrup manufacturer **ROGERS SUGAR** has refinanced one convertible bond issue with another, replacing C$60m principal of 5.75% debt that was to come due in December with a new, C$85m (US$66m) seven-year note offering on which it will pay a 4.75% coupon annually.

TD Securities and *National Bank Financial* backstopped the CBs at the 4.75% coupon, inside the 5.7% yield on the underlying shares, and a conversion price of C$8.85, a roughly 40% premium to reference.

Aside from the obvious excitement to holders of the 5.75% notes, the trade was unremarkable.

Rogers shares fell 15 cents post-pricing on Tuesday to C$6.16.

The new CBs cannot be called for three years, are provisionally callable from June 2021 to June 2023 subject to a 125% contingent conversion trigger, and freely callable thereafter at principal plus accrued interest through to maturity, a standard Canadian structure.

Also typically Canadian, the deal was placed predominately with retail investors.

There hasn't been this much excitement in the Rogers Sugar camp since last July, when the company agreed to buy LB Maple Treat for C$125m.

CHINA

WUJIANG RCB TO SEEK CB APPROVAL

JIANGSU WUJIANG RURAL COMMERCIAL BANK will seek on Monday China Securities Regulatory Commission approval for proposed six-year convertible bonds to raise up to Rmb2.5bn (US$394m).

Proceeds from the issue, for which *Huatai United Securities* is the sponsor, will be used for Core Tier 1 capital.

SHANDONG LINGLONG TYRE raised Rmb2bn from five-year CBs, with the public tranche 472 times covered.

Existing shareholders took about 39.1% of the CBs, while retail investors got the remainder.

The coupon for the CBs is 0.3% in year one and then steps up to 2.0% in year five. The initial conversion price has been set at Rmb19.10, or a discount of 0.5% to the pre-deal spot.

The unsecured bonds scored an AA+ rating from China Chengxin Securities Rating.

Essence Securities was sole bookrunner on the issue, with proceeds to be used for production and working capital.

TWO COMPANIES PLAN EB ISSUES

JIANGXI FANGDA IRON & STEEL GROUP has proposed a placement of three-year bonds exchangeable into **FANGDA SPECIAL STEEL TECHNOLOGY** shares to raise up to Rmb3bn (US$474m).

Jiangxi Fangda holds 525m Fangda Special shares, or about 39.6% of the company's total issued capital.

China Securities is the sole bookrunner. The placement still needs regulatory approval.

TIBET DAOHENG INVESTMENT has proposed an issue of three-year bonds exchangeable into **TIBET HUAYU MINING** shares to raise up to Rmb1.2bn.

Daoheng Investment holds 239m Huayu Mining shares, or about 45.4% of the company's total issued capital.

The placement also still needs regulatory approval.

Huayu Mining, listed in Shanghai, mainly mines non-ferrous metals.

FRANCE

NEXITY DEVELOPING A FOLLOWING WITH CBS

NEXITY made it three equity-linked deals in four days on Tuesday as the European market continued its post-results run with an upsized €200m CB.

The French developer - real estate but a little different to most of the CBs from the sector - is well known and last issued converts in May 2016, when the new seven-year bonds were combined with the repurchase of its 2020s. This is a clean new issue of ORNANE (net-share settled) bonds and again stretches for seven years, callable after four years subject to a 130% hurdle.

Joint bookrunners *Credit Agricole*, *Natixis* and *Societe Generale* offered €180m of bonds with a zero to 0.375% coupon and 30%-37.5% premium. The deal had been pre-sounded on Monday so was covered by 10am Paris time but investors were coming in at cheaps. The 14% run-up since results the previous week capped the premium. A message that the premium would be 30% accompanied by a coupon of 0.25%-0.375% followed, before the deal increased to €200m and pricing came at 0.25%.

The leads took a credit spread of 160bp from the outstanding bonds, which are balanced, and implied came in line with historic vol at 24%. The downside of the existing bonds still being balanced is that some investors didn't see the need to switch or top-up.

French outrights took a large minority of the bonds, followed by Swiss and UK accounts.

Shares were down 2% for most of the day and then dropped in the last half hour of trading to a 4% fall on the day.

UNITED STATES

RINGCENTRAL ACHIEVES LOW COST ON US$400m CB

Communications collaborator **RINGCENTRAL** became the latest tech company to seize on investor demand for downside-protected growth, landing US$400m on Wednesday from the sale of a five-year convertible bond.

The financing will see the company pay a 0% coupon, the aggressive end of 0%-0.5% talk, for five years with the purchase of a related call spread offsetting dilution to US$119.04, a 90% premium to reference.

CB investors are eligible to convert at US$81.45, a 30% premium to the US$62.65 reference price and the high end of a 25%-30% marketing range.

In addition to aggressive-end pricing, *Morgan Stanley*, *Goldman Sachs*, *Bank of America Merrill Lynch* and *Deutsche Bank* were able to upsize the deal from US$350m at launch.

Underscoring the extent of outright participation, they downsized a concurrent stock buyback from US$35m to US$15m, or 240,000 shares, enough to provide delta-hedging for just 7.5% of the deal.

"It's not uncommon to resize the buyback to the composition of the book," a banker close to the deal said.

RingCentral shares fell 2.1% to US$62.65 amid a broader market selloff, but the extent of outright demand for the CB was evident.

On a theoretical basis, the RingCentral CB is worth 100.5, at the L+275bp and 38 vol credit and vol assumptions provided by the underwriters.

The bonds were wrapped around par in the aftermarket on Thursday, as the underlying shares initially fell, recovered and closed the session at US$62.60, down a nickel.

"It was pretty exact pricing," said a second banker. "There was a lot of strong fundamental support but less support from technical investors for the convertible's profile. It speaks to the strength of the company."

The upshot for fundamental investors is they can participate in 65% of the upside in the underlying with the bond floor limiting downside to 75, based on the same inputs and assuming RingCentral does not go bankrupt.

For RingCentral, the financing is purely opportunistic. After factoring in US$15m spent on the share repurchase and roughly US$40m on the call spread, the company now has north of US$500m of cash for acquisitions or other growth initiatives.

RingCentral, whose enterprise software provides individual employees with a single identity across communication devices, is at a growth inflection point.

An expected 26% rise in revenue this year to US$634m and flat operating costs have analysts projecting that Ebitda will grow to US$73m this year, US$97m in 2019 and US$124m in 2020.

Cloud collaboration developer Nutanix achieved a 0% coupon on a US$575m CB it issued in January that saw it offset dilution to a 100% premium to the reference price, versus the 33% base conversion premium.

Coupa Software (0.375%, up 32.5%), Q2 Holdings (0.75%, 27.5%) and Okta (0.25%, 35%) have all achieved similarly attractive funding on CBs this year.

LIBERTY MEDIA ARBITRAGES SIRIUS XM STAKE

LIBERTY MEDIA is never one to miss an opportunity.

Reputed for its equity derivatives prowess, Liberty Media narrowed the discount on its ownership in **SIRIUS XM** through the sale of a US$400m exchangeable CB.

BNP Paribas, *Citigroup*, *UBS*, *Credit Agricole*, *Credit Suisse*, *Deutsche Bank* and *Mizuho Securities* priced the exchangeable at a coupon of 2.125% and conversion premium of 27.5%, the investor-friendly ends of 1.875%-2.125% and 27.5%-30% talk.

The security, structured as a 30-year maturity with matching investor puts and call protection in year five, is exchangeable into either shares of Sirius XM or Liberty Media's tracking stock, "LSXMK".

Liberty Media used proceeds from the financing to repurchase LSXMK stock. LSXMK, one of a series of Liberty trackers, gained 2.9% on the Thursday marketing to US$43.00, versus the 0.2% rise in Sirius shares to US$6.29.

The shares do not track one-for-one.

Sirius XM has a current US$28.3bn market capitalisation and Liberty Media's 70.4% stake, held through the tracking stock, should in theory be worth US$19.9bn. Instead it is worth US$14.4bn.

"The tracking stock does not represent proper ownership of the company and its assets, just the value," explained one equity-linked banker. "The exchangeable only works with fundamental buyers."

EQUITY-LINKED DEALS WEEK ENDING: 2/3/2018

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon (%)	Premium (%)	Bookrunner(s)
AMS	Austria	26/02/2018	€600m	–	7y	0.000	45	Deutsche Bank
Econocom	Belgium	01/03/2018	€200m	–	5y	0.500	30	Credit Agricole, Societe Generale
Rogers Sugar	Canada	26/02/2018	C$85m	C$12.75m	7y	4.750	40.0	TD Securities, National Bank Financial
Nexity	France	28/02/2018	€200m	–	7y	0.250	30	Credit Agricole, Natixis, Societe Generale
Corium International	US	28/02/2018	US$100m	US$20m	7y	5.000	32.5	Cantor Fitzgerald
Liberty Media/SiriusXM	US	01/03/2018	US$400m	US$60m	30y	2.125	27.5	BNP, Citigroup, UBS, Credit Agricole, Credit Suisse, Deutsche Bank, Mizuho
RingCentral	US	28/02/2018	US$400m	US$60m	5y	0.000	30.0	Morgan Stanley, Goldman Sachs, BAML, Deutsche Bank

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (2/3/2018)

	Moody's		S&P		Fitch	
Sovereign	1	2	3	4	5	6
Abu Dhabi	Aa2		AA	AA+	AA	AA+
Albania	B1	Ba2	B+	BB		
Andorra		W	BBB	AAA	BBB p	A–
Angola	B2 n	B1	B–	B–	B n	B
Argentina	B2	B1	B+	BB–	B p	
Armenia	B1	Ba2			B+ p	BB–
Aruba			BBB+	BBB+	BBB–	
Australia	Aaa	Aaa	AAA n	AAA	AAA	
Austria	Aa1	Aaa	AA+	AAA	AA+	AAA
Azerbaijan	Ba2	Ba2	BB+	BB+	BB+	BB+
Bahamas	Baa3 n	Baa1	BB+	BBB–		
Bahrain	B1 n	Ba2	B+	BB–	**BB–** ▼	**BBB–** ▼
Bangladesh	Ba3	Ba2	BB–	BB–	BB–	BB
Barbados	Caa3	Caa2	CCC+ n	CCC+		
Belarus	Caa1	Caa1	B	B	B– p	B–
Belgium	Aa3	Aaa	AA	AAA	AA–	AAA
Belize	B3	B1	B–	B–		
Bermuda	A2	Aa3	A+	AA+		
Bolivia	Ba3	Ba2	BB n	BB	BB–	
Bosnia Herzegovina	B3	B3	B	BB–		
Botswana	A2	Aa3	A–	A+		
Brazil	Ba2 n	Ba1	BB–	BB+	**BB–** ▼	**BB** ▼
Bulgaria	Baa2	A3	BBB–	A–	BBB	A–
Cambodia	B2	B1				
Cameroon	B2	Ba2	B	BBB–	B	BB+
Canada	Aaa	Aaa	AAA	AAA	AAA	
Cape Verde			B	BB–	B	B+
Cayman Islands	Aa3	Aa2				
Chile	Aa3 n	Aa1	A+	AA	A	
China	A1	Aa3	A+	A+	A+	
Colombia	Baa2	A3	BBB–	BBB+	BBB	
Congo (DR)	B3 n	B3	CCC+	CCC+		
Congo (Rep)	Caa2 n	B2	CCC+	BBB–	CC	B+
Cook Islands			B+	AAA		
Costa Rica	Ba2 n	Baa3	BB– n	BB+	BB	
Cote d'Ivoire	Ba3	Baa3			B+	BBB–
Croatia	Ba2	Baa3	BB p	BBB	BB	BBB
Cuba	Caa2	Caa2				
Cyprus	Ba3 p	A3	BB+ p	AAA	BB p	BBB
Czech Rep	A1	Aa2	AA–	AA+	A+ p	AA+
Denmark	Aaa	Aaa	AAA	AAA	AAA	AAA
Dominican Rep	Ba3	Ba1	BB–	BB+	BB–	
Ecuador	B3	B2	B–	B–	B	
Egypt	B3	B2	B– p	B	B	B
El Salvador	**B3** ▲	**B1** ▲	CCC+ p	AAA	B–	
Estonia	A1	Aaa	AA–	AAA	A+ p	AAA
Ethiopia	B1	B1	B	B	B	B
Fiji	Ba3	Ba3	B+	B+		
Finland	Aa1	Aaa	AA+	AAA	AA+	AAA
France	Aa2	Aaa	AA	AAA	AA	AAA
Gabon	B3 n	Ba3			B	BB+
Georgia	Ba2	Baa3	BB–	BB+	BB –	BB
Germany	Aaa	Aaa	AAA	AAA	AAA	AAA
Ghana	B3	B1	B– p	B	B	B
Greece	**B3 p**	Ba2	B p	AAA	B	BB–
Guatemala	Ba1	Baa3	BB–	BB+	BB	
Honduras	B1	Ba2	BB–	BB		
Hong Kong	Aa2	Aaa	AA+	AAA	AA+	
Hungary	Baa3	Baa1	BBB– p	BBB+	BBB– p	A–
Iceland	A3	A3	A	A	A	A
India	Baa2	Baa1	BBB–	BBB+	BBB–	
Indonesia	Baa3 p	Baa2	BBB–	BBB	BBB	
Iraq	Caa1	B3	B–	B–	B–	B–
Ireland	A2	Aaa	A+	AAA	A+	AAA
Israel	A1	Aa3	A+ p	AA	A+	AA
Italy	Baa2 n	Aa2	BBB	AAA	BBB	AA
Jamaica	B3	Ba3	B	B+	B	B
Japan	A1	Aaa	A+	AA+	A	
Jordan	B1	Ba1	B+	BB		
Kazakhstan	Baa3	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– p	AAA	A–	AAA
Lebanon	B3	B1	B–	B+	B–	B–
Lesotho					B+	BB+
Liechtenstein		Aaa	AAA	AAA		
Lithuania	A3	Aaa	A– p	AAA	A–	AAA
Luxembourg	Aaa	Aaa	AAA	AAA	AAA	AAA
Macau	Aa3	Aa2			AA	AAA
Macedonia (FYR)			BB–	BB	BB p	BB+
Malaysia	A3	A1	A–	A+	A–	
Maldives	B2	Ba3			B+	
Malta	**A3 p**	Aaa	A– p	AAA	A+	AAA
Mauritius	Baa1	A2				
Mexico	A3 n	A1	BBB+	A+	BBB+	
Moldova	B3	B2				
Mongolia	B3	B1	B–	B	B– p	
Montenegro	B1	Ba1	B+	AAA		
Montserrat			BBB–	BBB–		
Morocco	Ba1 p	Baa2	BBB–	BBB+	BBB–	BBB
Mozambique	Caa3 n	Caa2	SD	CCC	RD	B–
Namibia	Ba1 n	Baa2			BB+	BBB–
Netherlands	Aaa	Aaa	AAA	AAA	AAA	AAA
New Zealand	Aaa	Aaa	AA	AAA	AA	AAA
Nicaragua	B2 p	B1	B+	BB–	B+	
Nigeria	B2	B1	B	B	B+ n	B+
Norway	Aaa	Aaa	AAA	AAA	AAA	AAA
Oman	Baa2 n	Baa1	BB	BB+	BBB– n	BBB
Pakistan	B3	B2	B	B	B	B
Panama	Baa2 p	A3	BBB	AAA	BBB	A
Papua New Guinea	B2	B1	B+ n	BB		
Paraguay	Ba1	Baa3	BB	BB+	BB p	
Peru	A3	A1	BBB+	A	BBB+	
Philippines	Baa2	A3	BBB	BBB+	BBB	
Poland	A2	Aa3	BBB+	A	A–	AA–
Portugal	Ba1 p	A1	BBB–	AAA	BBB	AA
Qatar	Aa3 n	Aa3	AA– n	AA	AA– n	AA
Ras al-Khaimah			A	AA+	A	AA+
Romania	Baa3	A3	BBB–	A–	BBB–	BBB+
Russia	Ba1 p	Baa3	**BBB–** ▲	BBB–	BBB– p	BBB–
Rwanda	B2	B1	B	B	B+	B+
St Vincent & Gren	B3	Ba3				
San Marino					BBB–	BBB+
Saudi Arabia	A1	A1	A–	A	A+	AA
Senegal	Ba3	Baa1	B+	BBB–		
Serbia	Ba3	Ba1	BB	BB+	BB	BB+
Seychelles					BB–	BB
Singapore	Aaa	Aaa	AAA	AAA	AAA	
Slovakia	A2 p	Aaa	A+	AAA	A+	AAA
Slovenia	Baa1	Aa1	A+	AAA	A–	AAA
Solomon Islands	B3	B2				
South Africa	Baa3 n	A3	BB	BBB–	BB+	BBB–
South Korea	Aa2	Aa1	AA	AAA	AA–	
Spain	Baa2	Aa2	BBB+ p	AAA	A–	AAA
Sri Lanka	B1 n	Ba2	B+	B+	B+	B+
Suriname	B2 n	Ba3	B n	B+	B–	
Sweden	Aaa	Aaa	AAA	AAA	AAA	AAA
Switzerland	Aaa	Aaa	AAA	AAA	AAA	AAA
Taiwan	Aa3	Aa2	AA–	AA+	AA–	
Thailand	Baa1	A2	BBB+	A	BBB+	
Trinidad & Tobago	Ba1	Baa3	BBB+	A		
Tunisia	B1 n	Ba2			B+	BB–
Turkey	Ba1 n	Baa2	BB n	BBB–	BB+	BBB–
Turks & Caicos			BBB+ p	AAA		
Uganda	B2	Ba3	B	B	B+	B+
Ukraine	Caa2 p	Caa1	B–	B–	B–	B–
UAE	Aa2	Aa2				
UK	Aa2	Aaa	AA n	AAA	AA n	AAA
USA	Aaa	Aaa	AA+	AAA	AAA	
Uruguay	Baa2	A2	BBB	A–	BBB–	
Venezuela	Caa3 n	Caa3	SD	CC	RD	
Vietnam	B1 p	Ba2	BB–	BB–	BB– p	
Zambia	B3	B1	B	B	B n	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

EDITOR
Matthew Davies
+44 (0)20 7542 7504
m.davies@tr.com

DEPUTY EDITOR
Equities/Structured equity:
Owen Wild
+44 (0)20 7542 8541
owen.wild@tr.com

AMERICAS BUREAU CHIEF
Jack Doran
+1 646 223 6302

ASSOCIATE EDITORS
Features and analysis: Gareth Gore
+44 (0)20 7542 4279

US editor: Stephen Lacey
+1 646 223 8808

Fixed-income, Emerging markets:
Sudip Roy
+44 (0)20 7542 4617

People & markets: Steven Slater
+44 (0)20 7542 4367

MANAGING EDITOR
Philip Wright
+44 (0)20 7542 8144

IFR ASIA EDITOR
Steve Garton
+852 2912 6670

HEAD OF ASIA CREDIT
Daniel Stanton
+65 6417 4548

HEAD OF US CREDIT
Natalie Harrison
+1 646 223 4070

EQUITIES EDITOR, ASIA
Fiona Lau
+852 2912 6673

ASSISTANT EDITORS: LONDON
Fixed-income: Alice Gledhill
+44 (0)20 7542 2529

People & markets:
Christopher Spink
+44 (0)20 7542 3814

Equities/Structured equity:
Robert Venes
+44 (0)20 7542 8326

NEW YORK
Equities: Anthony Hughes
+1 646 223 8174

Latin America: Paul Kilby
+1 646 223 4733

Emerging markets: Davide Scigliuzzo
+1 646 223 8388

SINGAPORE
Equities: Anuradha Subramanyan
+65 6417 4547

SENIOR CREDIT CORESPONDENT
Kit Yin Boey
+65 6417 4549

SENIOR REPORTERS: LONDON
Emerging Markets: Robert Hogg
+44 (0)20 7542 9077

Fixed-income/Structured Finance:
Chris Moore
+44 (0)20 7542 5018

Fixed-income: Jon Penner
+44 (0)20 7542 7348

NEW YORK
People & markets: Philip Scipio
+1 646 223 8767

Structured Finance: Joy Wiltermuth
+1 646 223 5022

HONG KONG
People & markets: Thomas Blott
+852 2841 5878

Fixed-income: Carol Chan
+852 2912 6604

Fixed-income: Frances Yoon
+852 2841 5783

Fixed-income: Ina Zhou
+852 2912 6674

SYDNEY
Fixed-income: John Weavers
+612 9373 1655

REPORTERS: LONDON
Fixed-income: Yoruk Bahceli
+44 (0)20 7542 7571

Equities: Graham Fahy
+44 (0)20 7542 4381

Fixed-income: Melissa Song Loong
+44 (0)20 7542 9008

Fixed-income: Pauline Renaud
+44 (0)207 542 5016

Fixed-income: Merle Crichton
+44 (0)207 542 5006

NEW YORK
Equities: Robert Sherwood
+1 646 223 8792

Fixed-income: Eleanor Duncan
+1 646 223 6141

BEIJING
Equities: Ken Wang
+86 10 66271259

SINGAPORE
Fixed-income: Krishna Merchant
+91 9833847353

CREDIT EDITOR
Alex Chambers
+44 (0)20 7542 8389

DEPUTY CREDIT EDITOR
Helene Durand
+44 (0)20 7542 3469

NEWS EDITORS
Julian Baker
+44 (0)20 7542 7432

Marc Carnegie
+1 646 223 5124

Shankar Ramakrishnan
+1 646 223 8127

DESK EDITOR
Vincent Baby
+852 2912 6612

Ian Edmondson
+44 (0)20 7542 9703

CHIEF SUB-EDITOR
Richard Stanbury

IFR ASIA SUB-EDITOR
Dharsan Singh
+852 2912 6675

EDITORIAL ASSISTANT
Anna Farish
+44 (0)20 7542 3474

LPC/IFR LOANS
LOANS EDITOR
Tessa Walsh
+44 (0)20 7542 4048

BUREAU CHIEF: LONDON
Chris Mangham
(IFR Associate Editor)
+44 (0)20 7542 3582

BUREAU CHIEF: HONG KONG
Prakash Chakravarti
+852 2912 6671

BUREAU CHIEF: NEW YORK
Michelle Sierra
+1 646 223 8592

PUBLISHER: NEW YORK
Jonathan Methven
+1 646 223 6840

SENIOR WRITER: NEW YORK
Lynn Adler
+1 646 223 6307

AUSTRALIA EDITOR
Sharon Klyne
+ 612 9373 1847

SENIOR REPORTERS: LONDON
Sandrine Bradley
+44 (0)20 7542 0651

Alasdair Reilly
+44 (0)20 7542 3197

Claire Ruckin
+44 (0)20 7542 1891

NEW YORK
Andrew Berlin
+1 646 223 6837

Kristen Haunss
+1 646 223 6790

Leela Parker Deo
+1 646 223 6893

Jonathan Schwarzberg
+1 646 223 6809

HONG KONG
Langi Yan Jiang
+852 2912 6684

Evelynn Lin
+852 2912 6607

Chien Mi Wong
+852 2912 6611

TOKYO
Wakako Sato
+813 6441 1876

REPORTER: LONDON
Max Bower
+44 (0)20 7542 7497

David Brooke
+44 (0)20 7542 7489

PRINT/WEB PRODUCTION, LONDON
Head of production: Clive George
+44 (0)20 7542 3869

IFR production manager:
Carole Styles

Andreas Michael, Nita Webb,
Gavin White

GLOBAL HEAD – ADVERTISING & SPONSORSHIP SALES
Shahid Hamid
+65 9755 5031

ADVERTISING & SPONSORSHIP SALES DIRECTOR
Leonie Welss
+44 (0)20 7542 7752

GLOBAL ADVERTISING PRODUCTION MANAGER
Gloria Balbastro
+44 (0)20 7542 4348

SUBSCRIPTION SALES ENQUIRIES
UK/EMEA
+44 (0)20 7542 4569
Americas
+1 646 223 5543
China, Hong Kong, Japan, Korean, Taiwan
Alan Wong +852 2912 6606

Australia, India, Indonesia, Malaysia, Singapore, Thailand
Samantha Harris +612 9373 1749

CLIENT SERVICES
IFR.Clientsupport@tr.com

NEW ISSUES LEAGUE TABLE & DATABASE
ECM: Caroline Hamod
+44 (0)20 7542 1369

Loans: Iolanda Barbati
+44 (0)20 7542 0971

DCM: Ian Willmott
+44 (0)20 7542 4376

REPRINTS OR LICENCE TO COPY
Gloria Balbastro
+44 (0)20 7542 4348

E-MAIL ADDRESSES
firstname.lastname@tr.com

LONDON, HEAD OFFICE
30 South Colonnade
Canary Wharf
London E14 5EP
Tel +44 (0)20 7250 1122

NEW YORK
3 Times Square
18th Floor
New York
NY10036

HONG KONG
16/F Cityplaza 3
14 Taikoo Wan Road
Taikoo Shing,
Hong Kong
Tel +852 2522 4159

SINGAPORE
18 Science Park Drive
Singapore 118229
Tel +65 6775 5088

THOMSON REUTERS