IFR

INTERNATIONAL FINANCING REVIEW

MAY 19 2018 ISSUE 2234 www.ifre.com

THOMSON REUTERS

SFr1.65bn Sika jumbo revives CB market: deal is largest sole books convert in 19 years

Hong Kong set for first bitcoin-linked IPOs, as Canaan and Zhejiang Ebang seek US$1bn each

IQVIA bails out investors and Morgan Stanley by cancelling US$1bn block trade

Upfront

High stakes

Asian high-yield bonds can offer investors some welcome protection from rising US Treasury yields, but buyers will have to be prepared to ride out the storm first.

Fixed-income investors have something of a conundrum on their hands in Asia's US dollar debt market. After a vicious sell-off over the past month, Asian high-yield bonds now pay an average yield of more than 7.5%, up from about 6.4% at the start of the year and below 6% 12 months ago.

That kind of return hasn't been seen for two years. Even in spread terms, the index is back at late 2016 levels. And the premium over the US high-yield benchmark is the widest since China's summer wobble in 2015.

While this looks like fundamentally good value, investors could well face more pain in the near term.

China's deleveraging campaign is sending scores of Chinese companies overseas in search of much-needed funding at a time when the market is already suffering from indigestion.

Many of the 80 mainland issuers granted offshore debt quotas over the past month are smaller private-sector companies or lower-tier local government vehicles. That suggests several billion dollars of new high-yield debt will soon be looking for a home, pushing the wider market down in the process.

Brave investors will be able to pick up some real bargains, as desperate issuers agree to double-digit yields in return for access to capital. But a prolonged squeeze of mainland funding channels raises the risks that some weaker Chinese issuers will fall over, leaving investors facing unknown recovery rates.

The answer, then, is to tread carefully. In the rising market of 2017, high-yield fund managers had little to do but fight for the biggest allocation on every Asian new issue. At this stage in the cycle, they will need to pick their entry points carefully, or risk getting swept away in the storm.

MiFID II – take two

So it's time for IFR to do one thing that journalists don't often do (at least when they have a choice): admit that we got it wrong – or at least got a bit carried away.

In December, we ran a story that raised the distinct possibility that the introduction of MiFID II on January 3 would stop the traditional early-year rush in bond issuance.

It was certainly no exaggeration to say that many in the industry were very worried about the impact of MiFID II on issuance in 2018.

As it turns out, primary issuance in Europe has continued at a near record-setting pace, even if many more deals than in the past have been structured as high-denomination issues – €100,000 and up – in order to ensure trades didn't fall foul of the new restrictions on bonds ending up with retail investors.

So, yes, we – and the people we were talking to – got a little over-excited.

That is not to say, though, that MiFID II will not have profound effects.

Take equities trading and research. Those areas are being shaken up by the greater transparency, squeeze on margins and pressure on costs that come from the new rules.

And it's the mid-tier firms sitting between the bulge-bracket banks and the no-frills electronic traders that are expected to be hit hardest. If an asset manager slashes the number of trading firms from 20 to a handful, chances are not many sub-scale names will be on the shortened list.

It may take until early 2019 for the impact to play out, but the new rules will shine an uncomfortable light on many firms where the model isn't fit for purpose – and hasn't been for a long time.

Trolling Uncle Sam

The latest round of US sanctions against Russia unveiled last month have reaffirmed the power that Uncle Sam has over the world's financial markets. A single ruling from Washington has frozen trading in a whole range of international securities and thrown metal markets into turmoil.

Banks that extended billions of dollars in loans to Rusal and EN+, two companies drawn into the mess because they are owned by the target of sanctions, oligarch Oleg Deripaska, are now left open to the prospect of default. Worse still, because of sanctions, they can't sell the loans or even accept payments on them.

Russian issuers now face months of being locked out of markets as investors weigh up which companies have links to the Kremlin and who might be next. They don't want to be left like the shareholders and creditors of Rusal and EN+, who bought securities legally only to later find they can't trade out of them.

But there may well be one exception to the rule: Gazprom. Last week, the oil and gas giant signed a loan deal with Credit Agricole, and it is also rumoured to be considering making a Eurobond issue. The company has form: it has a tendency to come to market when markets are difficult, often to prove a point.

Of course, Gazprom is an extension of the Russian state, which is its biggest shareholder. It's ironic, then, that the one company that can pierce through the sanctions turmoil is the one closest to the government the US is seeking to punish.

Investors are likely to gobble up any bonds on offer. They, like Gazprom, know that the company will never be subject to financial sanctions itself. Europe is far too dependent on its gas flows for that to be considered.

President Donald Trump may be seeking to shake up diplomacy, but realpolitik – it seems – is very much alive and well.

THOMSON REUTERS

EIKON™

IFR, now appearing on screens everywhere

Access IFR via the industry's most intuitive desktop and mobile platform.

On Thomson Reuters Eikon, all the actionable intelligence from IFR is easier to view, search and use in your wider trading, investment, FI and capital raising strategies. The full range of IFR editorial content, now accessible in one location – that's a powerful combination.

Try Thomson Reuters Eikon Free.
For more information or a free Eikon trial, go to: **inancial.thomsonreuters.com/eikon**

THOMSON REUTERS™

Contents

INTERNATIONAL FINANCING REVIEW
MAY 19 2018 ISSUE 2234

Sika jumbo revives Europe's CB market

Structured Equity **Upsized SFr1.65bn bond is the largest European sole books CB in 19 years**

BY OWEN WILD

Fresh from settling a three-year plus battle over its future, SIKA secured SFr1.65bn (US$1.65bn) from an upsized seven-year convertible bond through sole bookrunner *UBS* with a conversion premium set 36% above its all-time high share price.

The success of the jumbo convertible eased concerns about the state of the equity-linked market sparked by the fact that two previous sizeable deals – both backstopped – had flopped, traded down and left lead banks holding unsold bonds.

Sika's deal shows, in contrast, what can be achieved by bringing the right issuer, deal structure and pricing leaving all parties to a trade happy.

The Swiss chemicals company agreed to buy back 6.97% of its shares from Saint-Gobain as part of the resolution of a bitter dispute and has issued the convert to help fund that purchase.

Launched at SFr1.5bn the bond was increased in size to SFr1.65bn, off a market capitalisation of SFr17.7bn.

The use of a high premium convertible, but with minimal coupon of 15bp, mitigates much of the high cost of the repurchased stake from the French company.

"This [the convertible] was the perfect fit – from a financial structuring as well as strategic perspective as the company had paid a premium to repurchase the shares from Saint-Gobain," said Armin Heuberger, head of EMEA equity-linked at UBS.

Sika paid SFr2.08bn for the stake, a 62% premium to the May 4 close. The conversion price on the bonds at a 40% premium to the improved share price is just 3% shy of the price paid to Saint-Gobain.

END OF HOSTILITIES

The agreement ends a three-year tussle over the future of Sika. Saint-Gobain agreed to buy the founding Burkard family's Schenker-Winkler Holding in December 2014, securing the majority of the votes of Sika and allowing the French company to consolidate accounts.

Sika's board and management immediately came out against the acquisition, not least as it meant Saint-Gobain taking control of the company through the purchase of only 16% of capital from the founding family, and owners of the other 84% not receiving an offer for their shares. Legal battles ensued until the agreement between the three parties two weeks ago.

Saint-Gobain retains 10.75% of Sika that is locked up for two years. Saint-Gobain is restricted from rebuilding its stake in Sika for six years and Sika is planning to convert all shares into one class once it has cancelled the repurchased shares.

UP TO SPEED

Pre-sounding for the CB began on Monday as UBS pushed to get investors up to speed. It coincided with S&P taking Sika's A– rating off negative watch, despite the bridge loan from UBS that paid for the share purchase.

The seven-year non-call five bonds were offered with a zero to 30bp coupon, 40%–45% premium and 100–101 issue

Hong Kong set for first bitcoin-linked IPOs

Equities **Mining gear makers Canaan and Ebang plan the world's largest bitcoin-focused floats**

BY FIONA LAU, JENNIFER HUGHES

Two Chinese bitcoin mining equipment makers are set to test equity investors' faith in the cryptocurrency's long-term future, with plans to raise up to US$1bn each in the world's largest bitcoin-focused IPOs to-date.

CANAAN applied to the Stock Exchange of Hong Kong last week for a listing while ZHEJIANG EBANG COMMUNICATION has started working with advisers on a Hong Kong float, according to people familiar with both deals.

Although the price of bitcoin has tumbled by 35% this year and Beijing has tightened its grip on trade in the virtual currency, equipment makers are still hungry for capital to fund growth and to meet still robust demand for their machines.

At US$1bn apiece, each IPO would dwarf other known listings for cryptocurrency-related firms.

Canaan declined to comment. Ebang did not return emails or calls seeking comment.

Both companies ditched China's National Equities Exchange and Quotations, also known as the New Third Board, for Hong Kong listings after China toughened its stance on cryptocurrencies.

"China doesn't say it won't allow cryptocurrency-related companies to raise funds but the understanding is the regulators will take the approvals slowly," said a banker working on one of the deals.

Last August, Canaan applied to list on the New Third Board, the biggest over-the-counter equity exchange in the country. The company, however, withdrew its application after Chinese regulators late last year banned initial coin offerings, shut down local cryptocurrency trading exchanges and limited bitcoin mining.

Ebang, meanwhile, delisted from the New Third Board this year after announcing in January that it would seek a Hong Kong listing.

VALUATION QUESTION

Canaan was the world's second-biggest maker of bitcoin mining hardware in terms of shipment of system products in 2017 with a market share of about 19.5%, according to research house Frost & Sullivan.

The company's revenue jumped 314% to Rmb1.3bn (US$204m) in 2017, while profit soared 587% to Rmb361m.

While Canaan has enjoyed rapid growth in the past few years, its business will be at huge risk if blockchain technology cannot gain wide market acceptance or if bitcoin is replaced by other cryptocurrencies.

"If bitcoin is replaced by other cryptocurrencies, we will lose the market for our bitcoin mining system products. More generally, if the market for cryptocurrencies does not price. Final terms saw a 15bp coupon on a par/par basis.

It was a steady build to a covered message after 90 minutes and by then there were about 20 orders of US$100m or more. Investors were then guided away from the cheap end of guidance and the increase in size followed.

Using a 30bp credit spread and 20 vol (200-day level) the implied vol at launch was 14.5%–21% and priced at 16%–16.5%, much cheaper on a vol basis than the two backstopped deals – from Carrefour and NMC Health – that had flopped. The bonds closed at 100.75 on their first day.

Allocations are subject to clawback. Bearer shares – the line listed on SIX Swiss Exchange – each have six rights and registered shares one right. Shareholders require 185 rights to purchase one bond. The exercise period is May 18 to midday on May 28, so only then will investors get final allocations.

Backstopped deals remain relatively rare in equity-linked so the failures of Carrefour in March and NMC in April led to worries that the lack of deals in the stagnant structured equity space meant banks were losing their heads in the hunt for mandates.

One prominent investor told IFR he had already warned bankers – before Carrefour – that they were pushing too hard with deal terms so needed to moderate issuer ambitions.

NEW AT NUMBER ONE

Sika's CB is the first to top US$1bn since Deutsche Post's €1bn 7.5-year last December, one of just five to top a billion in 2017.

Remarkably it is the largest sole-led convertible in Europe for nearly two decades, dating back to Vivendi's €1.5bn (then US$2bn) CB in January 1999.

Prior to the deal Deutsche Bank was top of the EMEA equity-linked league table with US$922m of credit from its three deals. UBS now has almost double that and a 21% market share. ■

develop, our industry may cease to exist," Canaan says in its IPO filing.

The lack of listed comparables and fluctuating prices of cryptocurrencies are expected to make it hard to value Canaan.

"Canaan was valued at about US$500m around a year ago. The IPO size could go up to US$2bn assuming the company is selling 25% at a US$8bn valuation," said a person close to the deal. "We have no idea what valuation the market can take at this moment as there is no comparables and there is huge volatility in bitcoin prices."

To increase its product mix, Canaan says it is developing mining gear for a cryptocurrency other than bitcoin and expects mass production of the new product in the fourth quarter. It has already received pre-sale orders of more than Rmb54m.

Jianping Kong, co-chairman of Canaan, also said in a Reuters interview last month that he expected China's push to promote its domestic chip industry to help drive growth for the company.

NO COMPARABLES

While many companies promote links to bitcoin and, more commonly, blockchain – the distributed ledger technology that underpins bitcoin – few that focus on the cryptocurrency have listed publicly.

Credit Suisse, *CMB International*, *Deutsche Bank* and *Morgan Stanley* are joint sponsors for Canaan's float.

Bitcoin mining equipment makers make computers with special chips that mine the coins more efficiently than more mainstream chips made by companies such as Intel. ■

IQVIA bails out buyers of US$1bn block

■ **Equities** **Stock plunges with ink not yet dry on trade**

BY ANTHONY HUGHES

Morgan Stanley and its buyside clients won a stunning reprieve late on Thursday when sponsor-backed contract research company IQVIA and selling shareholders agreed to unwind a US$1.02bn block trade.

The all-secondary stock sale was cancelled two days after pricing with those involved citing "recent market conditions".

It is extremely rare for any ECM deal to be cancelled once it prices, but it is almost unheard of for a block trade, where a bank has absorbed market and stock-specific risk by taking the shares onto its books before distributing them.

Late on Tuesday, *Morgan Stanley* had purchased 10m IQVIA shares, including 2.5m being bought back by the company, at US$101.65 from selling shareholders, including several private equity firms.

The bank reoffered the shares to investors overnight at US$101.85, a trade that would have netted it US$1.5m in underwriting fees assuming full distribution.

The timing could hardly have been worse.

On Wednesday, just hours after the block officially priced, the US Food and Drug Administration said in a press release that IQVIA had provided it with erroneous data related to opioid sales.

IQVIA shares immediately plummeted more than 10%, leaving investors who took shares in the offering exposed to as much as US$100m of potential combined losses - plus pain for Morgan Stanley which was thought to still hold some shares.

The NYSE halted trading in the shares for two hours while IQVIA responded to the FDA statement, saying it had already identified the issue, was correcting it and it stood behind its data methods.

Its shares recovered some ground to US$99.13 by Wednesday's close. But they came under pressure again on Thursday, closing down 1.3% at US$97.83 before the deal's later cancellation.

They bounced back above US$100 early in Friday's session on the cancellation news and after IQVIA separately reaffirmed its full-year earnings guidance.

Morgan Stanley won the block after a competitive auction with rival banks, a banker close to the deal said.

The bank had distributed the majority of the offering to investors, including high-quality long-only mutual funds, the banker said. Some investors had pushed for the deal to be cancelled, he said.

It is possible that investors had threatened to rescind their orders prior to settlement of the deal on Friday, a banker away from the deal said.

IQVIA may also have faced shareholder litigation over its disclosure of the FDA matter.

Investors had speculated that Morgan Stanley was left holding shares in IQVIA, exposing it to multi-million dollar losses if the trade stood.

There was also speculation that high-powered mutual fund Fidelity has taken a large portion of the deal.

"It's weird to me that the FDA issue is something that didn't come up in the due diligence," another banker away from the deal said.

An IQVIA spokesman said the company was not making any additional comment beyond Thursday night's release. ■

Foxconn sets template for CDRs

Equities IPO's strategic tranche and flexible deal size point to new approach to jumbo listings

BY KEN WANG, FIONA LAU

The planned Shanghai IPO of FOXCONN INDUSTRIAL INTERNET is emerging as an important template in China's push to attract more listings from the world's biggest technology companies.

Earmarked to fund Rmb27bn (US$4.24bn) of investments, the biggest A-share IPO since the 2015 stock market crash comes with a sizeable strategic tranche, limited retail clawback and no pre-agreed size – all big departures from the mainland standard.

The format proves that big deals can win regulatory approval in the mainland market at a time when China is pushing to attract high-profile international IPOs.

"FII's innovative IPO structure provides a balance between the regulators' desire to attract major tech listings and the fear of massive fundraising pressuring the stock market," said a banker away from the deal.

The Shenzhen-based subsidiary of Taiwan's Foxconn, the world's largest electronics contract manufacturer, will set its IPO price on Tuesday but has yet to set an exact fundraising amount.

That is a big change from the A-share standard, where the final deal size is typically fixed when the deal is approved by the securities regulator.

"Both the IPO price and fundraising size will be set based on the pricing consultation with investors, so the final size may be bigger or smaller than Rmb27bn," said a source close to the deal.

If the proceeds exceed Rmb27bn, FII says in a filing that it plans to use the extra funds to replenish working capital.

STRATEGIC INVESTORS

FII is also the first company to introduce strategic investors for an A-share IPO in more than four years. Those investors, similar to cornerstone investors in Hong Kong IPOs, will be barred from selling any shares for at least 12 months.

In addition to the strategic tranche, unusually, FII will also impose a 12-month lock-up on 70% of the shares sold in the institutional placement tranche. Assuming that the usual strong response from retail investors triggers a clawback, only about 57% of the total IPO shares will be free to trade, according to IFR calculations.

Even excluding the restricted stock, FII's IPO will still be the biggest listing since Guotai Junan Securities raised Rmb30bn in June 2015, weeks before China's stock market tumbled. Assuming FII reaches its Rmb27bn target, the free-float will be around Rmb15bn.

Bankers see FII's IPO as a milestone in China's drive to attract major domestic listings from the fast-growing tech sector, paving the way for upcoming tech giants and unicorns to issue Chinese depositary receipts or shares under the same structure.

The China Securities Regulatory Commission published draft rules on May 11 that would allow strategic investors to buy into CDR issues.

The draft rules also clarify that shares subject to lock-up arrangements would be excluded from the retail clawback mechanism – another innovation in FII's IPO.

That adds to the significance of FII's listing, as e-commerce giant ALIBABA GROUP, rival online retailer JD.COM and smartphone maker XIAOMI and others are looking to list in the A-share market through CDRs.

Twilio connects with investors on CB

Structured Equity High-growth appeal yields 0.25% coupon on five-year debt

BY STEPHEN LACEY

TWILIO's communications service is embedded in Uber, Whatsapp and other ubiquitous mobile apps, enabling the company to build its cash pile last week via a US$475m convertible bond paying a coupon of just 0.25%.

Software, specifically software-as-a-service, is transforming the way corporations and consumers around the world communicate and issuers are capitalising on interest in the sector to lock in ultra low-cost funding at elevated valuations.

ALTERYX, whose software is used to sort through complex data, is newer to the scene but faster-growing and secured US$200m for five years at a coupon of 0.5% last week.

Overall, 15 software companies have raised US$7bn through CBs sold in the US this year – plus Workday issued a US$1.15bn, 0.25% five-year in September. All of this year's deals incorporated call spreads and all but one printed at sub-1% coupons, according to IFR data.

Twilio will pay just 0.25% annually on the five-year CB it issued with investors eligible to convert a 35% premium. It used a portion of the proceeds to offset stock dilution to double the current share price.

Twilio shares fell 2% on the one-day marketing on Monday to US$52.52, meaning investors will be able to convert at prices above US$70.90 with the call spread pushing stock dilution to prices above US$105.04.

Twilio already trades at a lusty 8.9 times enterprise value-to-2018 sales.

"[The offering is] not surprising at all," said Jonathan Kees, who covers Twilio for Summit Insights Group. "A lot of SaaS companies are taking advantage of low interest rates to issue converts.

"This gives Twilio some dry powder for any M&A opportunities that might come along."

Twilio has more than US$700m of cash.

Goldman Sachs, *JP Morgan* and *Deutsche Bank*, joint books on Twilio CB, saw little investor pushback, as pricing came towards the aggressive ends of 0%–0.5% and 30%–35% price talk and they were able to upsize from the US$435m identified at launch.

"Every software company in existence is looking to add capital for strategic reasons," one CB originator told IFR. "With all the activity in the sector, you need to at least have a discussion at the board level and decide whether you need to do the same."

RAPID GROWTH

The investment rationale is simple. Twilio, whose shares traded at US$23.60 entering the year, and others are growing rapidly and the CB offers a principal-protected way to participate in that growth over the next five years.

Twilio shares also are incredibly volatile (mid-40s vol over the past 200 days), making the CB attractive to arbitrage accounts.

Twilio takes a small cut of activities via its software and communications networks. While its embedded communications in social media platforms is its legacy, enterprise solutions are part of the future.

Twilio Flex, a cloud-based contact centre platform that consolidates

The regulator may approve more jumbo tech listings later this year through the new structure, if FII's IPO is a success, according to the banker away from the deal.

The draft CDR rules would also allow overallotment options. The public consultation on the draft rules will end on June 10.

LOCK-UP PERIODS

According to a filing on May 14, FII plans to sell 1.97bn shares, or about a 10% free float. It plans to offer 590.8m of those shares, or about 30% of the deal, to strategic investors.

Those investors are subject to a lock-up period of 12 months to 36 months.

The remaining shares will be split between institutional investors and retail buyers, depending on demand.

The clawback mechanism, which diverts more shares to retail buyers if the public offering is heavily oversubscribed, also introduces a complicated calculation that is another departure from the A-share standard.

Clawback rules typically allocate 90% of A-share IPOs to retail investors if the retail tranche is more than 150 times subscribed – often the case in a market where IPO prices are held artificially low. WuXi AppTec's Rmb2.25bn Shanghai IPO last month was 4,913 times covered.

FII's clawback is capped at 1.006bn shares for retail investors, equal to 73% of the offering (excluding the strategic tranche).

The structure gives institutional investors a larger allocation than usual, but they will need to hold most of their shares for at least a year.

Assuming the retail tranche is 150 times covered, institutional buyers stand to receive 260.84m shares with a 12-month lock-up, and 111.79m tradable shares.

Bookbuilding will run for a day on May 24.

FII is 94% directly and indirectly controlled by Taiwanese parent Foxconn.

CICC is the sponsor on the float. ■

---

communications (voice, video, text, Facebook Messenger, Twitter), is a significant engine of expected growth.

"We think Flex is their first flag in the enterprise space," said MUFG analyst Stephen Bersey. "Twilio's management team is very plugged into the needs and trends of the end market."

Bersey, who has an overweight rating on the stock, expects Twilio's revenue will grow by 36% this year to US$543.8m and another 22.7% in 2019 to US$667.4m, though operating expenses are growing 8.6 and 4.0 percentage points slower, respectively.

As a result, he projects break-even operating income by the fourth quarter this year.

There are limits, though, to investor enthusiasm. Alteryx, just one year removed from its IPO compared to Twilio's two years, saw its US$200m five-year CB print at a 0.5% coupon and 42.5% conversion premium, with a 98 OID needed to hook investors. It was *JP Morgan* and *Goldman Sachs* that provided the subsidy out of their underwriting fees. ■

Markets wake up to Italian political risk

■ Bonds BTPs sell-off as populists strike deal

BY HELENE DURAND

Italian government debt, which until last week had shown remarkable resilience in the face of uncertain politics, lost its footing as the prospect of an alliance between the country's two anti-establishment parties became a reality.

On Friday, the 5-Star Movement and far-right League said they had signed an accord to form a ruling coalition - something that had been previously considered as improbable by the market - sending Italy's 10-year yield 10bp higher last Friday to be bid at 2.21%. By Friday afternoon, the yield on this benchmark was set for its biggest weekly jump since June 2015.

"The cat is out of the bag," a DCM banker said. "There had been a certain degree of complacency since the election and the market had not really reacted, based on the hypothesis that the two extreme parties wouldn't be able to form an alliance. This has changed and the leak earlier [in the] week didn't help."

That leak was of a purported draft of the coalition's programme that included the demand that the ECB forgives around €250bn of Italian debt.

The sovereign, which had started to sell a new BTP Italia last Monday, was forced to raise the coupon of the inflation-linked bond to 0.55% from the initial 0.40% mininum. It was, however, able to place €7.7bn by last Thursday, more than its previous trade in the format.

Other proposals the anti-establishment parties are working on include tax cuts, a roll back in pension reforms and a new universal income for the poor.

"What's highly probable is that the parties will carry out these reforms but will do it in a more pragmatic way than outlined," said Isabelle Vic-Philippe, head of euro rates and inflation at Amundi.

"But what they are proposing are expansionary fiscally and could potentially break the fiscal compact and the question will be by how much they deviate, for how long and also who is appointed to run the government."

So far, other peripheral markets, while volatile, have been resilient. And while Italy's yields have risen, so have Germany's as part of a broader spike in rates.

"As long as we're in a scenario where Italy consolidates fiscally less quickly than was anticipated, it will remain an Italian question," said Vic-Philippe.

"However, if the integrity of the eurozone or the currency is put in question, then it could have consequences on other countries and we could see a widening versus Germany. I don't think we are there yet however."

The first primary test of investors' appetite for Italian debt could come courtesy of ATLANTIA which has mandated banks for a euro multi-tranche fixed-rate transaction with tenors ranging from six to 15 years. ■

Sub-scale banks feel MiFID squeeze

People & Markets Europe's January rule changes are having a significant impact

BY STEVE SLATER, CHRISTOPHER SPINK

The launch of MiFID II trading rules four months ago has not wreaked havoc on Europe's markets in the way doom-mongers warned, but it is causing a subtle and significant shake-up in equities trading and research.

Bankers said trading appears to be consolidating into the hands of bigger banks, including the five US powerhouses, and no-frills execution brokers are also snatching business. Mid-tier banks are being squeezed.

Likewise, mid-tier banks are also facing the most pressure to reshape their research to make it fit for purpose in a new era of transparent pricing, although industry sources said changes here could take longer to play out.

The increased transparency from MiFID II is making far clearer the value – or cost – that banks and individuals provide to clients, bankers said.

"It's crystallising the value of the best people, but it's also crystallised the lack of value of the weaker people – whether that's individuals or teams," said one senior banker.

MiFID II came into force on January 3. It is one of the biggest overhauls of European trading rules, with sweeping reforms to report trading data, unbundle research and other measures to improve transparency and efficiency in trading bonds, equities and derivatives.

Much work and expense went into upgrading systems, but the fallout is now being felt as asset managers assess who is providing best execution, as well as the impact of new liquidity pools and trading venues.

Fund managers have cut the number of banks and brokers they are using. One big fund manager has slashed its list in one area from 25 firms to three, one source said.

GOOD Q1

Most major banks enjoyed a good first quarter for equities trading, helping ease the impact of the new rules.

Goldman Sachs, Citigroup and Bank of America Merrill Lynch all reported a 38% jump in equities revenues from a year ago, and the rise was 26%–27% at Morgan Stanley and JP Morgan. Among Europe's big banks, that was only matched by Barclays with a 28% increase. UBS, BNP Paribas and HSBC saw rises of 17%–19%.

Others lagged well behind, including Deutsche Bank, Credit Suisse and Societe Generale.

The strength of European currencies against the US dollar weighed on the European results and executives were wary of calling a MiFID trend too early, but bankers said it indicated trading wallet was consolidating among the stronger names.

"We think we're gaining some share and we're benefiting from some of that concentration among top players," JP Morgan CFO Marianne Lake told analysts after Q1 results. The bank had seen a "material increase" in EMEA electronic trading, she said.

Pure play execution brokers also appear to have won business, adding to the squeeze on sub-scale banks.

"There's no question the landscape is very favourable towards execution brokers," said Richard Parsons, CEO of Instinet Europe, the agency broker owned by Nomura. "When the clear directive for asset managers is to evaluate on execution performance only, that levels the playing field tremendously. We've seen the benefit of that."

Russia sanctions threaten capital markets shutdown

Emerging Markets Closure comes just as issuance was recovering from 2014 hit

BY GARETH GORE, SUDIP ROY

Russian companies are facing months of being shut out of global capital markets, as investors continue to digest the latest round of sanctions against the country introduced last month.

Bankers in Moscow say that sanctions introduced on April 6, which targeted oligarch Oleg Deripaska and two of his companies – energy producer EN+ and aluminium producer Rusal – mark a major turning point in the US sanctions campaign against Russia, which began in 2014 after the Ukraine crisis.

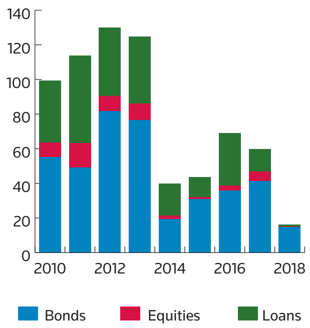
Although the US has since extended the deadline for investors to comply with sanctions and indicated it might even be willing to loosen them if Deripaska cedes control of the companies, the prospect of previously issued securities falling foul of sanctions still remains real.

Deripaska has been targeted because the US says he is close to President Vladimir Putin. While individuals and companies close to the Kremlin have been targeted before, this is the first time that previously issued bonds and loans have been included. Previous sanctions only targeted new issuance.

"People don't understand the rationale of how the US picks and chooses targets for sanctions, and that has had the impact of closing down capital markets to issuance – and across the board," said one senior banker in Moscow, who says it could be many months before any new deals hit the market.

CAPITAL MARKETS ACTIVITY OUT OF RUSSIA

ANNUAL ISSUANCE, US$bn



Source: Thomson Reuters

CANCELLATIONS

There have been no internationally syndicated bond deals since the Russian government sold almost US$4bn of debt in mid-March. The banker said that there were two or three companies that had been planning on coming to market, but those deals now look unlikely.

In equities, two Russian IPOs were live when the new sanctions hit. Meat company Cherkizovo and IBS IT Services were both scheduled to go public in the weeks after the sanctions, and both were in pre-marketing when the sanctions news hit the wires. Both have since cancelled any immediate plans.

There is, though, one company that might be able to pull off a deal. A second banker said that energy giant GAZPROM is considering bringing a bond to market before the summer break. On Friday, it signed a deal with Credit Agricole for a €600m loan, according to Interfax.

Continued capital markets activity from Gazprom, the biggest shareholder in which is the Russian state, would be ironic given US efforts to isolate Moscow. Still, the issuer has a long history of statement deals: it printed bonds in the days after the Brexit vote, Donald Trump's election victory and the poisoning of Russian spy Sergei Skripal and his daughter Yulia in Salisbury.

A third banker said that even if the political noise dims, supply in the international bond markets would be limited.

"My initial reaction was that the market will stay shut, but maybe we'll see a little bit of supply," he said. "The past two years have been very busy but

Instinet does not disclose its revenue, but Nomura's net revenue from equities in January-March jumped 47% from a year ago for its best quarter for almost three years.

As more trading goes electronic and margin pressure continues, more firms could look to follow the Exane BNP Paribas model, which is an equities joint venture between independent securities house Exane and BNP Paribas.

"Some [firms] knew they were running loss-making cash equities businesses, but it's become more transparent now," one banker said.

Bulge bracket banks will not be immune from looking to cut costs. Deutsche, for example, said this month it would pull back hard in global equities. That's due to a strategy rethink rather than MiFID, though the impact of the new rules could add further pressure.

"More changes will come out in the next few months, which will be a direct result of changes in client behaviour," Parsons said.

2019 CRUNCH

In research, asset managers typically allocate their content spending for a six-month period, so firms will get feedback in September for the first half of this year, and will not get a full-year view until next February or March.

"People are under different degrees of pressure and will all be thinking about their strategies, but I don't think we'll get full visibility until early next year," one banker said.

But some shifts are being seen. Macquarie this month reshaped its European research to focus on six specialist sectors, which it said were "aligned with client demand" and its global expertise, including infrastructure and metals and mining.

It denied the changes were due to MiFID II, but outsiders said it reflected the pressure on firms to play to areas of strength and cut back in areas where they may struggle to attract revenues. ■

---

mostly with tenders and refinancings to lower costs. Most Russian corporates' balance sheets are well managed – they don't need to do anything."

Indeed, the only Russian bond-related deals to have hit screens in recent weeks have been a couple of tender offers, including one announced on Friday by state-owned **RUSSIAN RAILWAYS**.

"They are not sanctioned, but very much a rouble-based company and this looks like a political snub to the US and US dollar markets, saying 'we don't need you as our domestic rouble markets give us what we need'," said the banker.

"If they were concerned about increasing sanctions, then logic would be to leave the US dollar debt outstanding and let the bondholders have the problem."

The potential slowdown comes just as Russian issuance was getting back on its feet after the initial jolt from the 2014 sanctions. Annual issuance across bonds, loans and equity fell from US$120bn a year to US$40bn. Last year, volumes had recovered to just under US$60bn. ■

Banks shy away from UK high street

■ **Loans** **Lenders reassessing their exposure to struggling British retail sector**

BY SANDRINE BRADLEY, DAVID BROOKE

Banks are increasingly wary of lending to the UK retail sector as shoppers continue to desert the high street in favour of lower cost online rivals, raising the prospect of further loan losses.

Lenders, predominately UK banks, have already taken big hits on £1.6bn of syndicated loans following UK services company Carillion's liquidation in January, and have limited capacity to absorb more losses.

"I think UK banks have already used up their budget for provisioning in the first quarter of the year. They need a safe ride now – a couple more hits and they will turn the tap off," a banker said.

Household names, including mother and baby products retailer Mothercare, restaurant chain Prezzo and carpet retailer Carpetright have announced trading difficulties recently.

As lenders continue to provision for potential losses, any further distress on the high street in the second half of the year could cause banks to shut up shop when it comes to the troubled retail sector.

"If there are any more default type situations there will be a serious shutdown [in lending] to the high street. Banks can absorb these losses so far, but much more and lending could fall off a cliff," the banker said.

A second banker agreed: "I think most people will stay away [from high street lending] – both funds and banks."

HIGH STREET SLUMP

The UK high street has been hit by a fall in consumer demand powered by a move to online shopping, high rents and over-expansion in the past decade.

"A combination of factors will continue to wreak havoc on the high street for at least another year," a third banker said.

Mothercare has a £62.5m revolving credit facility from HSBC and Barclays, comprising a £50m tranche maturing in May 2020 and a £12.5m tranche maturing in November 2018, according to Thomson Reuters LPC data.

On Thursday Mothercare said it would close 50 more stores and ask shareholders for £28m in an equity raise. In addition the firm said it had also secured revised committed debt facilities of £67.5m, £8m of new shareholder loans and a new debtor-backed facility of up to £10m from a trade partner.

Other names facing problems are Prezzo, Carpetright and department store chain House of Fraser, which all have outstanding bank loans, according to LPC data.

Private equity firm TPG acquired Prezzo in 2014, backed with a £155m leveraged loan financing, comprising a £130m term loan and a £25m revolving credit facility arranged by Barclays and Jefferies.

Carpetright has a £45m revolving credit facility that matures at the end of July 2019 and annually renewable overdraft facilities of £7.5m in the UK and €2.4m in the rest of Europe. National Westminster Bank is the company's principal banker.

The company agreed a £12.5m short-term loan in March and a £15m interim loan in May from Meditor European Master Fund ahead of a £60m equity raise, which launched on Friday, and extended the maturity of the £45m revolver to the end of 2019.

House of Fraser has a £125m term loan and a £100m revolver both maturing in July, provided by HSBC and Industrial and Commercial Bank of China. House of Fraser is planning to raise £70m in a private placement of shares with Hong Kong-based retailer C.banner.

Banks' exposure to these names is relatively small, but

Polyphor woes highlight lack of IPO confidence

■ **Equities** **Bankers question quality and conviction of current listing candidates**

BY ROBERT VENES

Shares in biopharma POLYPHOR were under water before the end of last Tuesday's SFr155m (US$155m) SIX stock exchange debut and appeared to need stabilisation to finish on positive terms. By early Wednesday, the stock was trading below the IPO price again and had yet to recover by the end of the week.

A European biopharma choosing to list domestically instead of the US is unusual, but the deal had defied the struggles of the European IPO market from launch through to pricing. This is not a strong market and the concern for ECM bankers is that Polyphor's woes are also being reflected in more mature and developed sectors and companies.

Polyphor was covered after three days of bookbuilding, priced around the top of guidance and was upsized twice, but still broke issue on debut. The previous week, Czech Republic-based anti-virus software group Avast Software opened below issue on its London debut, an exceptionally sloppy outcome. Its £602m IPO had been covered after one day of bookbuilding.

Just a few days prior to that, German publisher Springer Nature cancelled its €1.186bn IPO despite having put out a message earlier the same day that the deal was covered with bottom of the range pricing.

Bankers are adamant they are not losing control of their deals or providing bad advice on whether to float and at what valuation, but see the issue as a wider lack of must-have product amongst a cluttered pipeline.

> **"Presently, a much greater number of assets are late cycle and not providing exciting growth, which inevitably leads to a lack of conviction"**

"Presently, a much greater number of assets are late cycle and not providing exciting growth, which inevitably leads to a lack of conviction," said a head of ECM syndicate at a US bank. "We're seeing much smaller order sizes than historically, following equity fund flow across Europe turning more negative … IPOs are a confidence game and if there is a lack of conviction and less US participation, it's really tough."

That has been apparent in recent weeks. Of the last 15 IPOs to price, seven are trading below issue but a further 12 launched IPOs that were subsequently cancelled, an astonishingly poor success record in the absence of a market shock. Two of the floats could push lenders over provisioning limits combined with losses already taken after Carillion's collapse.

Five UK banks took heavy losses and provisions on loans to Carillion following its liquidation in January. Royal Bank of Scotland, HSBC, Santander, Lloyds and Barclays were among the most heavily exposed after providing £140m of emergency loans to the company in September 2017 and were also lenders on a £790m revolving credit facility.

Those two loans made up the bulk of Carillion's £1.6bn of committed debt facilities at the time of its collapse. Barclays had further exposure after providing one of two bilateral loans totalling £45m with Germany's Helaba Bank.

Six banks, including RBS, HSBC, Santander and Lloyds, also provided another £350m of early pre-payment facilities to Carillion's operating company.

The difficulties are exacerbated by the uncertainty around Brexit and what this will mean for UK PLC in general.

"There is a serious amount of uncertainty around UK PLC and its prospects post Brexit – there is a lot of underplayed caution," the first banker said.

The Bank of England is now asking UK banks for monthly reports on their lending to UK companies and is seeking additional information on general forward-looking market trends and conditions for the sector from banks' front offices, he said.

PRIVATE FUNDING

Private debt funds could potentially provide an alternative source of finance for struggling high street businesses but are now also more cautious about lending to the retail sector.

Many of these funds have historically steered away from highly cyclical high street retailing, but those that did invest have experienced problems in recent months.

The private banking and asset management firm LGT has run into problems with online furniture store sofa.com, after funding its acquisition by private equity firm CBPE in 2015.

"It is a tough sector," said one manager. "Most will stay away because of the risks." ■

that did price required extensive restructuring to get over the line.

"We have to be more brutal in allocations than last year," said a head of syndicate at a European bank. "Previously, you had fast money providing momentum and supporting deals. Now, we have investors that have already lost money since the beginning of the year. They are more cautious and so deals are taking longer to get covered. When you don't have a strong book, investors know that if their orders are being fully allocated it's a bad deal, and if the stock does not immediately perform they are dumping it."

NO TRUE BELIEVERS

Tweaks aimed at helping IPOs ride rough markets in previous years appear to be having less effect currently. "Pilot fishing is no longer achieving what it was set out to do in building an early core group of true believers. It is now a standard part of the process, not just for specific deals and not with concentrated groups that really help on feedback," said a London-based banker.

He also argued in favour of heavily concentrated allocations, also now standard instead of just for deals that favour a club deal approach. There is, however, a perception that with fewer deals making money and only a small number of accounts reaping the rewards, wider distribution could prove beneficial.

Yet earlier this month the 5.8% drop in CEVA Logistics on its debut was blamed on a single seller who had been deemed a high-quality institution, showing how a SFr821m IPO was ruined by tight allocations. ■

Hovnanian's debt exchange flops

■ **People & Markets Debt auction falls flat**

BY DAVIDE SCIGLIUZZO

HOVNANIAN did not find enough takers for a US$840m debt exchange, even after sweetening the terms of the offer and delaying its deadline several times over the past month.

The exchange would have provided attractive long-term financing to Hovnanian while also increasing the potential payout to holders of its credit default swaps.

It was the latest twist in a complex debt refinancing saga that triggered a bitter legal battle and warnings of a collapse of confidence in the US$1.5trn CDS market.

Through the exchange, the company had asked holders of its US$440m 10% 2022 and US$400m 10.5% 2024 secured bonds to exchange them for new unsecured notes due in 2047 paying a coupon of just 3%.

It initially offered US$1,250 of new bonds for every US$1,000 of old notes tendered, but later improved the amount of new bonds to US$1,400 in an effort to attract investors.

On Monday, however, Hovnanian said it had failed to receive the minimum US$50m of tenders required for the exchange to go through. That threshold had also been lowered, from the US$150m initially sought.

Analysts had argued that Hovnanian's proposal made no sense unless bondholders had also bought credit default swaps referencing the homebuilder.

"The economics of the transaction were extremely weak all along for an existing holder … that did not have a CDS axe," analysts at CreditSights wrote in a note on Monday.

The deal had similar features to a debt exchange that was part of a controversial refinancing Hovnanian struck with **BLACKSTONE**'s credit arm GSO at the end of last year.

In exchange for below-market financing from GSO, Hovnanian agreed to default on a small interest payment owed to one of its subsidiaries and issued a new 5% bond due in 2040 in exchange for some of its maturing higher-coupon debt.

The default is likely to trigger payments to buyers of CDS referencing Hovnanian and GSO stands to receive a big payout, having bought more than US$300m of the contracts.

"Hovnanian believed there was market interest in providing the company with additional favourable financing," said a company spokesman.

"The company is in solid financial condition and its previously closed refinancing transactions with GSO remain unaffected."

The arrangement between Hovnanian and GSO has sparked a heated debate in the CDS market and triggered a lawsuit from hedge fund Solus, which sits on the opposite side of the trade as a seller of CDS protection on the homebuilder.

The CTTC warned last month that "manufactured credit events" could amount to market manipulation, while ISDA is considering possible changes to the language of standard CDS contracts.

"The market and noteholders are showing themselves to be increasingly leery of the deal," a spokesman for Solus said on Monday.

"Given the CFTC has spoken out and other market voices are opposed, it appears public concern is spooking those who may otherwise engage in the exchange."

Analysts say a default could be declared in early June, after a 30-day grace period on Hovnanian's missed payment, which was due on May 1, expires. A CDS auction could follow a few weeks later.

Blackstone is buying a 55% stake in the Thomson Reuters F&R division, which includes IFR. ■

China offshore debt rush accelerates

Emerging Markets More indigestion could be on the way after 80 bond issuers win issuance approval

BY INA ZHOU, CAROL CHAN

Dozens more Chinese companies are lining up to sell offshore bonds, adding to the pressure on a market already buckling under the weight of supply.

Faced with tougher financing conditions at home, Chinese issuers are swamping the US dollar bond market even as rising US interest rates, weaker demand from mainland investors and growing default risks are causing a severe imbalance of supply and demand.

The National Development and Reform Commission, China's main regulator for offshore financings, has awarded quotas to 80 issuers in the past month.

The swelling pipeline comes at a time when Chinese borrowers are already struggling to attract international investors, especially in the high-yield sector.

Two Chinese issuers postponed US dollar bond offerings last week. Two more corporate issuers turned to floating-rate notes to drive demand. And another two sold debt with less than a year to maturity.

"The offshore bond market is unlikely to absorb the large supply, especially from weak Chinese borrowers," said Christopher Lee, S&P's chief ratings officer in charge of corporate ratings for China. "The refinancing environment has been very tough since early this year. There is a big mismatch between huge supply and much more selective demand."

The offshore rush comes as the government's deleveraging campaign and several onshore defaults are making it harder for mainland issuers to refinance their domestic debt.

The deleveraging push is also draining demand for offshore issues.

In particular, demand from Chinese investors, strong supporters of Chinese high-yield deals in the past two years, has started to show signs of fatigue.

Large domestic financial institutions, such as China Huarong Asset Management, have scaled back their overseas investments as they refocus on their core businesses.

The bad-debt manager was a major investor in overseas Chinese high-yield bonds in the past two years, often investing the proceeds from its own debt issues. Huarong's offshore issuance has stalled after its chairman Lai Xiaoming was put under investigation in April for suspected graft.

China also published tough new rules for the asset management industry, broadening its crackdown on excessive leverage and shadow banking activities.

"There is no new inflow from China onshore accounts as the renminbi strengthened, while outflow [from the offshore US dollar market] could accelerate as the new asset management rules unveiled in April may affect Chinese financial institutions' offshore investment activities," said Zhu Qi, executive director at Orient Finance Holdings (Hong Kong).

"The turnaround of the China high-yield sector depends on whether NDRC would slow the pace on granting new quotas and thus change market expectations about supply," he said.

HARDER TIME

Chinese borrowers, even investment-grade issuers, have found it increasingly hard to print US dollar deals.

Last week, property developer CHINA OVERSEAS GRAND OCEANS GROUP, rated Baa2/BBB–/BBB, local government financing vehicle ZHONGYUAN YUZI INVESTMENT HOLDING GROUP, rated A3/A– (Moody's/Fitch), were forced to postpone US dollar bond offerings after releasing final guidance, due to poor demand.

Successful issuers had to offer hefty concessions or opt for a floating-rate structure as a protection for investors in a rising rates environment.

PEKING UNIVERSITY FOUNDER GROUP last Monday priced a rare US$310m offering of unrated floating-rate bonds and even investment-grade CHINA VANKE, rated Baa1/BBB+/BBB+, chose the FRN format for the first time to raise US$650m last Thursday.

Other developers are paying ever higher coupons. GREENLAND HOLDING GROUP, rated Ba1/BB/BB–, offered around 100bp of new-issue premium last Wednesday for

Argentina wins reprieve as confidence returns

Emerging Markets Government may have won over markets but political risks abound

BY PAUL KILBY

ARGENTINA won a short-term reprieve last week after stemming a dramatic sell-off with some skilful liability management and a strong defence of the peso.

The change in mood was quick as both the central bank and the treasury acted in unison to instil some confidence in a market that had been quickly reducing exposure to the country.

Not only did monetary authorities roll over Ps617.627bn (US$26bn) of Lebac securities – a major source of concern – but the government also carried out a well-timed sale of peso paper called Botes that same day.

"It was a win-win for the government," said a Buenos Aires-based trader. "It was a good signal that there was interest in longer-dated bonds."

Rumours that a large California fund – which turned out to be Franklin Templeton – had put in a jumbo order for the retap of the 2023s and 2026s only served to lift prices.

In the end, the government sold US$3bn equivalent of the fixed-rate peso paper with Templeton fund manager Michael Hasenstab buying the vast majority – more than US$2.25bn – of the bonds, confirmed a source.

By Thursday, the sovereign's five-year credit default swap had swung back to 350bp after hitting 440bp just a few days earlier.

The new 2028 was quoted at 89.74, marking a good three-point jump since Monday, while the century bond rallied two points over the same period to trade at 87.85, according to Thomson Reuters data.

NOT EASY

Even so, longer term the government still faces challenges as it looks to continue its macro economic adjustment programme while also keeping the votes to remain in power.

That may not be so easy as it is forced to tighten its belt further and look for funding from the International Monetary Fund – often blamed locally for the 2001 crisis.

"This will provide some stability in the short term, but clearly the story has been rocked," said Denise Simon, co-head of Lazard Asset Management's EM debt team.

"The big concern to us now is that the political risks have gone up considerably going into the 2019 elections."

President Mauricio Macri may now have little choice but to follow through with more belt tightening and weather declining popularity on the hope that the economy will pick up ahead of the October elections.

US$500m of 363-day US dollar bonds, which were priced at 6.75%.

A banker on the deal said Greenland had an NDRC quota and could thus have issued longer-dated paper, but a fragile market backdrop meant the short-term notes would see better demand.

Chinese film distribution and property development company NAN HAI, rated B1 (Moody's), also raised US$120m from a 364-day US dollar notes sale with a reoffer yield of 11% last Thursday. And CHINA SOUTH CITY paid 11% for a US$150m August 2020 bond offering on Thursday, far higher than the 7.625% yield on a three-year issue in January.

For some weaker credits, including lower-tier LGFVs and industrial names from sectors suffering from overcapacity, bankers reckon paying a big premium will not help.

"We've some Single B first-time issuers that just could not find enough demand. It's not a matter of how much premium they're willing to offer," a banker from a Chinese brokerage said.

At least 14 Chinese issuers have awarded mandates for US dollar notes since the beginning of this year but have not gone ahead yet.

Most of the new NDRC quotas granted in the past month are for local government financing vehicles from lower-tier cities and counties, and smaller privately owned companies.

DEFAULT RISKS

Analysts said very restricted funding access onshore and offshore would expose weak credits to higher refinancing risks this year.

S&P said special attention should be paid to those with a large proportion of debt maturing over a short time-frame, those with a high reliance on short-dated bonds and those with a concentrated investor base.

News last week that an unrated Chinese issuer triggered a technical default on unrated US dollar bonds highlighted the risks.

CHINA ENERGY RESERVE AND CHEMICALS GROUP, a Beijing-based energy trading company, failed to repay US$350m of 5.250% notes due May 11. The issuer, which has not offered any onshore bonds, blamed a technical issue for missing the payment date and was planning to repay both principal and interest on the notes this week, according to market sources.

But some speculated that it might have some financing difficulties after one of its subsidiaries pulled out earlier this year from the purchase of Hong Kong skyscraper The Center. ■

"There is no other recourse but a renewed commitment to fiscal discipline and a hard target under the guidance of the IMF," wrote Siobhan Morden, head of Latin America fixed-income strategy at Nomura Securities.

And while Tuesday's Lebac auction takes out a big chunk of maturities, the central bank still needs to roll over another Ps600bn or so this year.

"Going forward they will have to solve this problem with the large amount of Lebacs maturing over the short-term," said German Plessen, a director covering the public sector at local brokerage Balanz Capital.

"Lebacs are supposed to be monetary policy instruments and should not be an element of instability."

For now, Argentina can lay low with no need to tap the international markets this year. Depending on the outcome of talks over what is expected to be a US$30bn-plus IMF credit line, it may even be able to stay out of the international markets next year as well.

The size of the package will be important – the bigger the better as far as many investors are concerned given the country's large funding needs.

"They don't have any external financing needs this year, especially after the money they raised [on Tuesday] in the local market," said Lazard's Simon.

"But if you look at their current account deficit and their financing needs next year, US$50bn–$60bn would be a comfortable package. To really allay concerns in the market you need a bigger package." ■

Reality check for European corporate market

■ Bonds Market braces itself for more supply

BY PAULINE RENAUD

The European high-grade bond market got a jolt on Thursday after BERTELSMANN pulled a new issue in what may be a warning that borrowers need to respect the shift in pricing power to investors.

The Baa1/BBB+ rated German media company said it would "wait for more stable market conditions" after failing to get a €500m no-grow seven-year over the line.

But while the credit market remains vulnerable to rates moves, it was still the second busiest week of the year in primary, with more than €13bn of issuance.

"It's a good reality check for the market and especially for those issuers who still don't understand that the market has changed," said one banker away from the deal. "It's not an open bar."

The July 2025 deal was pulled hours after putting out an initial level of swaps plus 45bp area. The deal was too tight, according to investors and bankers.

Optically, it began 20bp–25bp back of fair value. But the company's secondary curve, along with that of other Triple B names, has been heavily distorted by central bank purchases.

Bertelsmann October 2024s, for instance, closed at 15bp over swaps on Wednesday and its April 2026s at plus 26bp, according to Tradeweb prices. The latter widened almost 10bp between Wednesday and late Thursday afternoon.

"Mario Draghi has been buying so much paper that a lot of the secondary levels do not reflect where the market is and where people see value for these types of bonds, especially after the repricing we've seen over the last few weeks," said the banker.

In contrast to Bertelsmann, two other issuers found no problems getting seven-year deals away on Thursday.

Security company G4S launched an upsized €550m May 2025 at plus 120bp, 20bp inside the initial level, off a €2bn book. Meanwhile, French REIT SOCIETE FONCIERE LYONNAISE printed a €500m no-grow May 2025 bond at plus 88bp, 7bp inside where pricing began. Demand was more muted, at €800m.

HECTIC WEEK

Those deals came at the end of a hectic week, which included hybrids, reverse Yankees and M&A financings. And with still quite a bit of supply expected this month, including a rumoured hybrid from VOLKSWAGEN, as well as announced deals from French industrials company LAFARGEHOLCIM and Belgium's ELIA SYSTEM OPERATOR, bankers say that issuers need to adjust their pricing expectations as investors get more selective.

"You just need to be more cautious and spend time with investors to convince them to have a look at your credit. It's more an investor than an issuer-driven market," said a second banker.

Recent lacklustre executions act as a cautionary tale. In early May, German chemicals company Lanxess priced a €500m seven-year at the tight end of initial price thoughts, with the deal barely covered. It is now trading 7bp wider than reoffer, according to Tradeweb prices.

"IPTs strategy is an important discussion topic to have with issuers at the moment," said the second banker. "You can't start too aggressively and you need to show some value. Otherwise, in a busy market, people might just ignore your trade." ■

People & Markets

16 Jon Lindenberg is named MUFG's new head of investment banking for the Americas as it seeks to lift overseas earnings

20 BNP Paribas' US operation has bounced back from a US$9bn fine four years ago and reckons it's well placed to grow

23 Creditors of Lehman Brothers' European arm are set to receive a final payout in July, almost 10 years after its collapse

FRONT STORY MOVES

Solomon to revamp trading at Goldman

Business shake-up as two of three co-heads leave

David Solomon will begin to remake **GOLDMAN SACHS**' trading business as soon as this summer after the departure of long-time heads of the securities division.

Two of three co-heads of Goldman's securities division, *Pablo Salame* and *Isabelle Ealet*, will leave the bank in June, according to a memo obtained by IFR.

That leaves *Ashok Varadhan* as sole global co-head of the securities division until replacements are named. It also leaves Solomon with an opportunity to shape the trading group that many critics say is too prominent within Goldman, especially in light of comments from leadership about the Wall Street bank's future (see chart).

The shake-up in the securities group comes a couple of months after Solomon was named sole president of the bank and heir apparent to succeed CEO Lloyd Blankfein. That transition is expected at the start of 2019.

That will see the end of an era for Goldman and mark the exit of the third of a trio of the biggest proponents of the trading group: Gary Cohn, who rose to become president from the trading group, left last year; Harvey Schwartz, a trader who became co-president with Solomon and left when Solomon was earmarked as the next CEO; and Blankfein, who also rose from the trading side of the house.

Solomon's rise was seen as the board charting a new course and elevating investment banking as well as Goldman's other banking initiatives. With Cohn, Schwartz and Blankfein gone, there is more scope for a makeover of trading, potentially starting soon.

Although Blankfein is still CEO, Solomon will probably name the new co-heads and begin to put his stamp on the trading group, according to sources inside the bank.

There are no immediate plans to replace either Salame and Ealet. And Goldman, known for having a deep bench behind its leadership, is comfortable the current slate can effectively manage the group until replacements are named.

Varadhan will lead the securities division with Jim Esposito and Justin Gmelich, co-chief operating officers of the fixed income, currency and commodities group as well as Paul Russo and Michael Daffey, co-COOs of the equities franchise and Julian Salisbury, head of the special situations group, Blankfein said in the memo.

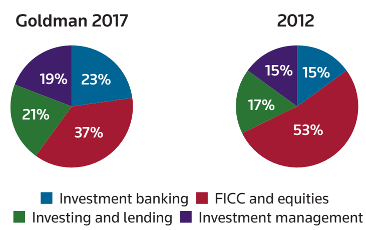
GOOD TIMING

Salame and Ealet both reached "independent decisions" that now was a good time to leave, according to a person familiar with the matter. Solomon is understood to have asked both to stay.

But the timing is right for an exit if they were inclined to leave on a brighter note. After a difficult year for trading in 2017, when FICC revenues fell 30% and equity trading revenue fell 4%, revenues in both areas bounced back in the first quarter.

MORE BALANCED

SHARE OF REVENUES BY BUSINESS



Source: Bank results

Salame joined Goldman in 1996 and became co-head of the global emerging markets debt group in 2000. Two years later he moved to London, where he held leadership positions in credit and European equities. He assumed his current role in 2008 and returned to New York in 2011.

Although Blankfein is still CEO, Solomon will probably name the new co-heads and begin to put his stamp on the trading group, sources said

"[Salame] helped lead the securities division through a difficult macro environment, a complex regulatory landscape and important strategic changes," Blankfein said. He also praised Salame's understanding of markets, handling of details and "passion for our culture".

Ealet joined Goldman as a commodities trader in 1991, and was named a partner in 2000. She was global head of commodities before assuming her current role in 2012.

"Ealet has always run to the most difficult issues and dealt with them methodically and deliberately, with deep analytical rigour," Blankfein said.

She helped build Goldman's commodities franchise in both physical and derivatives trading. Although commodities trading slumped last year, it turned around in the first quarter and Goldman is confident the group is in good hands with three co-heads, Ed Emerson, Jeremy Taylor and Jacques Gabillon.

Philip Scipio

“People wanted to see big plans and huge investments but we decided to develop a diversified, balanced business model and revenue mix”

JEAN-YVES FILLION, CEO OF BNP PARIBAS USA AND HEAD OF CIB AMERICAS, P20

Japan’s MUFG revamps in global push

MITSUBISHI UFJ FINANCIAL GROUP will implement a major revamp as it looks to increase earnings from corporate and investment banking overseas by more than a half over the next three years.

Japan’s largest bank detailed plans during an investor presentation last week to reorganise the group along international and domestic lines as part of a new medium-term business plan.

The shift comes as MUFG steps up its bet that overseas growth will supplement flagging earnings from Japan, after reporting lower income from its domestic business for the 2017 fiscal year.

“The reorganisation is designed to boost collaboration across the MUFG network and with our partner banks. It will support our ambition to become a top-tier global bank,” said a spokesperson.

MUFG said it is targeting 65% growth in profit over the next three years from both global CIB and global commercial banking, excluding Japan. That is equivalent to a net operating profit of ¥200bn (US$1.8bn) for global CIB and ¥320bn for global commercial banking.

The targets for global markets, the domestic CIB business, and asset management and investor services are 25%, 20% and 15% respectively. MUFG said profits from retail and commercial banking would flatline.

ALL CHANGE

The bank announced a number of senior personnel changes.

Kenji Yabuta has been appointed head of global corporate and investment banking following the reshuffle.

Yabuta, who previously ran the corporate banking division, will oversee MUFG’s combined CIB activities globally, including cash management, trade finance, syndicated lending and advisory.

Masato Miyachi has been appointed head of CIB in Japan. Miyachi has held a number of senior roles at MUFG, including as chief executive of Europe, the Middle East and Africa.

Eiichi Yoshikawa has been tapped to run global commercial banking. The new group includes the overseas retail and commercial banking units as well as the investments MUFG holds in banks such as Security Bank in the Philippines and Bank of Ayudhya in Thailand.

Naoki Hori has been picked to run the retail and commercial banking division in Japan, while *Sunao Yokokawa* will run asset management and investor services and *Shigeru Asai* will be in charge of global markets.

Jon Lindenberg was named head of investment banking for the Americas, reporting to Kevin Cronin, head of wholesale and investment banking for the Americas.

Lindenberg succeeds *Fumitaka “Hama” Nakahama*, who will return to Tokyo as head of the global corporate and investment banking planning division.

Lindenberg was previously deputy head of investment banking and head of structured finance. The bank tapped *Erik Codrington*, a managing director in the structured finance group, as the new head of structured finance.

Shinichi Sato, currently deputy general manager of MUFG’s investment banking credit division in Europe, the Middle East and Africa, will relocate from London to New York to take over as deputy head of investment banking for the Americas.

GOING GLOBAL

The global push came as MUFG reported a 6% decline in net interest income to ¥1.9trn for the year ending March 31, showing how

Weak FICC, structured finance weigh on Credit Agricole

CREDIT AGRICOLE’s revenues from fixed income, currency and commodities in the first quarter fell 24% from a year earlier to €464m, continuing the weak trading performance reported by French banks since the start of the year.

The bank’s first-quarter structured finance revenues sagged 8% from a year ago to €294m and investment banking revenues fell 16% to €68m, dragging its quarterly profit below expectations.

The bank said bond issues in euros were down 15% from a year ago, which hurt its credit and rates performance, and margins were down in foreign exchange. In investment banking, it said there was an increase in the number of transactions but fewer major deals.

The strength of the euro against the US dollar also hurt. Credit Agricole said stripping out the impact of a 14% appreciation by the euro against the US dollar since a year earlier, FICC revenues would have been down 20% and structured finance would have been down only 2%.

Group net income in the first three months was €856m, up 1% from the same period in 2017, but slightly below expectations.

M&A HIGHLIGHT

NATIXIS fared better than its compatriots in fixed income, commodities and treasury, reporting a 3% drop in first-quarter revenues to €378m.

Who’s moving where…

BARCLAYS has rehired *Neil Staff* from Credit Suisse as global head of exotics trading and head of derivatives trading for Europe and the Middle East. Staff will be based in London and report to Stephen Dainton, the global head of equities who joined in September - also from CS. Staff will be tasked with growing the UK bank’s structured products and corporate derivatives businesses. He previously worked at Barclays from 1997 until 2013, during which time he was part of the equity derivatives business.

CREDIT SUISSE has tapped *Anthony Abenante* to run global execution services, a new group that will merge its high touch, program trading and electronic trading groups into a single group. The combination is intended to unify technology use and development and decision-making. Abenante reports to global head of equities Mike Stewart. Within the group John Comerford will run execution products, while Doug Crofton, Jim McKeever and Gerry Milligan will continue to run Americas execution reporting to Abenante.

Japan's ultra-low interest rate environment continues to take its toll.

Of Japan's three megabanks, MUFG has by far the largest overseas presence due to its controlling stake in Bank of Ayudhya and minority shareholdings in Morgan Stanley and the Philippines' Security Bank.

Its investment in Morgan Stanley, in particular, has paid off well. It booked a ¥171.8bn profit from its roughly 24% shareholding in the US investment bank versus ¥146.8bn a year ago. Dividends from the Morgan Stanley stake accounted for around 17% of the group's overall profit.

In contrast, it said it plans to cut the number of domestic branches by 20% over the next six years.

Rivals SUMITOMO MITSUI FINANCIAL GROUP and MIZUHO FINANCIAL GROUP unveiled similar plans to reduce costs, having been equally affected by sluggish domestic conditions.

Mizuho said it would cut about one-fifth of its branches by March 2025. Together with a headcount reduction of 14,000 during that period, it aims to reduce costs by about ¥100bn.

SMFG said last week it aims to cut around ¥30bn in costs through a mixture of relocating branches to less expensive locations and moving some of its back office work off-site.

Thomas Blott

Additional reporting by Nic Stone

Equities proved tougher, however, and revenues fell 17% from a year earlier to €148m, as it bedded in its new partnership with Oddo-BHF.

On the primary side, a highlight was M&A, where revenues rose 85% on a constant FX basis. The bank has made a string of investments in this area lately. Overall investment banking revenues went up 2%, without stripping out FX, to €83m. Global finance was ahead 7% at €334m on the same basis.

Steve Slater, Christopher Spink

Competition hits Commerzbank corporate banking profits

COMMERZBANK blamed the competitive nature of German corporate banking for a 46% drop from a year earlier in operating profits to €145m in its corporate clients division during the first quarter.

The unit's revenues decreased 12% to €966m from a year earlier.

"The decline in earnings is attributable mainly to the competitive environment, which put pressure on margins and weakened demand for capital market and hedging products," the bank said.

Domestic corporate banking is one of the areas where Christian Sewing, new chief executive at rival Deutsche Bank, has said he wants to expand. But margins are wafer-thin, not helped by record low eurozone interest rates.

Despite this many lenders have recently tried to woo prosperous Mittelstand exporters away from market leader Commerzbank with cut-price loans and other products. BNP Paribas, ING and Landesbanks such as BayernLB and LBBW are all active.

"STIFF COMPETITION"

Many newcomers are looking to serve businesses with turnovers of €100m to €1bn, Commerzbank said, so the bank is aiming at smaller companies to make the best use of its 100-plus branches across the country.

"There is very stiff competition in Germany," Michael Reuther, head of the corporate clients division, told IFR. "We are focusing on businesses in the €15m to €100m turnover range for growth."

Chief financial officer Stephan Engels said: "Growth is our answer to what remains a highly competitive German banking market." The bank added 1,000 net new clients in the first quarter.

The bank wraps in all its investment banking products within the corporate clients division. It did not benefit as much as US banks from the renewed volatility seen during the quarter. Euro rates and FX were less choppy than US dollar equivalents.

"The spike in volatility seen during the first quarter helped in equities but not in fixed income, particularly euros compared to the US dollar," said Reuther.

It is looking to sell its equity markets and commodities business or its assets. "A portfolio sale without capital transfer is the most likely outcome," said Reuther. The business underperformed US banks in the quarter, with revenues excluding exceptional items down 18% to €97m year-on-year.

"The earnings performance in equity markets and commodities was weighed on by lower demand for structured products," the bank said.

"OVERBANKED"

On the primary side the introduction of the MiFID II regime slowed issuance slightly too. Reuther said this was "an additional burden on an already slow quarter with regards to the corporate [sector's] demand for hedging and corporate finance products."

Commerzbank declined to comment on a note published on Tuesday morning from Barclays analysts repeating the view that Deutsche Bank and Commerzbank might benefit from exploring a merger of their businesses.

Another analyst, Adam Barrass at Berenberg, said: "It is hard to argue that the German market is not overdue a wave of consolidation, given its lack of profitability and fragmented, overbanked nature."

Christopher Spink

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

EVERCORE

EVERCORE has hired *David Noah* as a senior managing director in its industrials group working from New York. Noah joined from Deutsche Bank, where he was most recently head of diversified. Prior to joining Deutsche in 2007 he was at Morgan Stanley. Noah has worked on transactions including Pentair's use of a "Reverse Morris Trust" to absorb Tyco Flow, the United Technologies sale of Pratt & Whitney Power Systems to Mitsubishi, and Hitachi's acquisition of Sullair.

MEDIOBANCA
Banca di Credito Finanziario S.p.A.

Stefano Marsaglia has stepped down as executive chairman of corporate and investment banking at **MEDIOBANCA** and will be replaced by *Francisco Bachiller*, co-head of the division. Marsaglia joined the Italian bank in December 2013 from Barclays, where he was chairman of the financial institutions group. He had previously been head of FIG at Rothschild. Marsaglia said he will be taking on a new role in private equity.

Bellwether

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

GIVEN THE UNPREDICTABILITY and complexity of the current political and economic backdrop, it's no surprise that every four years economists look for some light relief and pour their energies into predicting who will win the World Cup.

UBS Wealth Management is the first research team to take the field, and has applied "econometric tools, usually applied to assess investment opportunities" to determine the likely winner.

It has come out with the stunning prediction that current holders Germany will retain the title.

Funnily enough, Bellwether, which uses its own "tools", such as bitter experience drawn from hours of watching games over the last two decades when it should have been working, has come to the same conclusion.

UBS reckons Germany has a 24% chance of lifting the trophy. Brazil and Spain come next, while UBS places England as fourth favourite.

A nerve-shredding journey to the semis for Gareth Southgate's ragtag army of youngsters? Unlikely – indeed, on evidence of previous tournaments, ridiculous.

But not as ridiculous as the financial institution that predicted four years ago that England would win the last World Cup.

And which firm was it that used its "quantitative model" to extrapolate England as winners based on the deeply scientific metric of them having "a large presence of Liverpool players in the squad"?

Step forward Deutsche Bank.

Such ridiculous bets make some of Deutsche's long-dated derivatives positions look wholly sensible by comparison. New CEO Christian Sewing will hope his country's footballers will bring success and a much-needed morale boost to his bankers.

ACCORDING TO CARLO Palombo, a former trader at Barclays, being a vice president at the bank is the equivalent of being "the guy that serves you in McDonald's".

Palombo, who made the comment during his trial for rate rigging, was a VP in 2007 and earned US$1m, so if he's right, there's a scam going on in the fast-food world that's far more profound than any attempts to fix Libor.

For a start, it would explain why the slogan of McDonald's is "I'm lovin' it" – and it also could be a compelling alternative to finance or Silicon Valley for the brightest and best.

It turns out Palombo didn't mean to be taken literally but was drawing a comparison between the perceived status of VPs as masters of the universe and the day-to-day reality that they are little more than spud-peddlers, compared with high-rolling directors and managing directors.

But he may have inadvertently hit on a deep truth. An anonymous post on a jobs website detailed the qualities required to work at McDonald's: "Always have your emotions under control and be prepared for disorganised management."

YOU COULD ALMOST hear the humming of beard trimmers as it emerged that new "hipster" investment firm The Craftory is ploughing US$300m into consumer brands challenging conglomerate giants.

Surely a sign of peak hipster if ever there was one?

The Craftory team features an impressive line-up of executives including Simon David Miller, who began his career at JP Morgan before running away to become a film-maker and music industry executive.

On the firm's website Miller and the team are subjected to the quirky biog-makeover that is de rigueur among media firms.

Described as a "recovering ex-banker", Miller's "every sinew … flexes user discovery and dual-track". It sounds like he's dangerously close to a relapse. ■

Who's moving where…

■ **JP MORGAN** has hired *Reginald Lang*, the head of media investment banking at Wells Fargo, to work for its entertainment industries group, which provides financing to TV and film studios, sources said. The group, which is part of JP Morgan's commercial banking arm, does not finance individual TV and movie projects, but provides corporate financing that producers can use to fund budgets, refinance debt or splash out on M&A. Lang will move to Los Angeles and report to the head of JP Morgan's entertainment industries group, David Shaheen, the sources said.

■ *Peter Keller*, **CITIGROUP**'s EMEA co-head of global structured finance and securitisation, has been appointed EMEA head of spread product sales. Keller will be responsible for leading senior client relationships across Citi's regional credit and global securitised markets business. He will report locally to Conor Davis, head of investor sales for EMEA, and globally to Mickey Bhatia and Joe Geraci, who head spread products. Keller joined Citi from Deutsche in 2007.

■ **JP MORGAN** named *Mark Leung* as CEO for China and confirmed its application for a majority-owned securities business, less than 18 months after it exited its joint venture. Leung, a 21-year JP Morgan veteran, was most recently based in Hong Kong as co-head of global equities and prime services. Jason Sippel, Leung's New York-based co-head, will take on sole responsibility for the division. David Li, senior country officer for China, will also become vice chairman of global banking.

Brizay leaves UBS for BAML

Severin Brizay has resigned from UBS to join **BANK OF AMERICA MERRILL LYNCH** as head of consumer and retail investment banking for EMEA.

Brizay developed UBS's mergers and acquisitions business in Europe, the Middle East and Africa for the past four years. He was brought in by Andrea Orcel soon after he became president of UBS's investment bank in late 2012 and made sweeping changes to focus it on more capital-efficient businesses such as M&A advisory, rather than fixed income trading.

Brizay joined UBS from JP Morgan and recruited a number of senior advisers. One was *Laurent Dhome*, a managing director for financial sponsors, who is also moving to BAML with Brizay. Both start in August.

UBS is not expected to replace Brizay immediately. The firm has an experienced global head of M&A with EMEA experience in Piero Novelli, who reports to Orcel. In November Novelli was appointed co-executive chairman of global corporate client solutions, alongside Mike Santini.

At BAML Brizay will report to Luigi Rizzo, head of EMEA investment banking, and Lisa Clyde, head of global consumer and retail investment banking.

He replaces Jayanti Bajpai, who had filled the role on an interim basis and remains vice-chairman of EMEA corporate and investment banking. Dhome will report to Saba Nazar, co-head of global financial sponsors.

The bank has had a weaker start in M&A this year. Of the five major US banks, BAML trails the others, after reporting a 27% year-on-year drop in first-quarter revenues from M&A to US$296m.

In the Thomson Reuters table of completed M&A so far this year it has dropped three places to sixth, putting it behind Barclays too. The total value of the 50 deals completed at US$102bn is 57% below the same period a year ago, to May 17. It is fifth in terms of announced M&A by value.

BAML recently appointed Bernie Mensah, co-head of fixed income trading, to head its business in Europe, Middle East and Africa, after former boss Alex Wilmot-Sitwell's decision to leave for boutique Perella Weinberg.

Christopher Spink

Australia CBA's CFO flees to fintech

The surprise departure of **COMMONWEALTH BANK OF AUSTRALIA**'s chief financial officer has cast further doubt over the bank's leadership, leaving new CEO Matt Comyn needing to fill half the positions on the bank's executive committee.

Australia's biggest bank said last week that CFO *Rob Jesudason* had resigned with immediate effect after less than a year in the job.

Jesudason is joining **BLOCK.ONE**, the cryptocurrency company behind the EOS token, as chief operating officer and group president. He will be based in Hong Kong.

He is one of the most senior bankers to make the switch to fintech, along with *Karen Chen*, who stepped down as UBS China president to run Singapore-based blockchain firm Higgs Block Technology, according to media reports.

Jesudason was keen to return to Hong Kong, according to market sources, having worked there between 2011 and 2015 as head of CBA's international financial services group.

He had been tipped by some for the top CBA job when Ian Narev announced he was stepping down as CEO last August, although there is no suggestion that Comyn's appointment was a factor in his decision to leave.

CBA said *Alan Docherty*, CFO of the institutional banking and markets group, would take up the group CFO position on an interim basis, while the bank searches for a successor.

Comyn, who was only installed as CEO in April, must now fill six out of the 12 positions on the bank's executive committee.

CBA has been hit by a raft of problems, including a money laundering scandal in which the bank is alleged by the Australian financial crime agency Austrac to have overseen tens of thousands of illicit transfers, amounting to A$624.7m (US$471.1m), including some involving criminal gangs.

The allegations laid the foundations for an industry-wide Royal Commission inquiry, which has exposed widespread wrongdoing among some of Australia's largest banks.

Comyn said CBA was making "good progress with the renewal of the bank's executive team" and said he expected to provide an update on appointments to his leadership in the coming weeks.

The bank said in March that institutional banking and markets head Kelly Bayer Rosmarin, technology chief David Whiteing, and head of human resources Melanie Laing would all leave.

Comyn also needs to fill his previous position as head of retail banking and find a replacement for Vittoria Shortt as head of marketing after she moved in December to run the bank's New Zealand unit.

Thomas Blott

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

■ *Li Chao*, head of Asia bond syndicate at Standard Chartered in Hong Kong, has resigned to join a competitor. He left last week and is likely to take up his new position in August. He is rumoured to be joining **CICC**. Li has been with StanChart for almost six years and was named head of Asia bond syndicate in January 2017, having previously run syndicate for deals from Greater China. He previously worked at Royal Bank of Scotland in Singapore.

■ *Fabio Lisanti* has been appointed markets head for Switzerland and Liechtenstein at **CITIGROUP**, following Robert Schmoll's retirement. Lisanti is already markets head for Italy, Greece and Cyprus and will retain these positions in addition to his new role.

■ **SOCIETE GENERALE** appointed *Francis Repka* as chief country officer for Canada and *Luis Sainz* as chief country officer for Brazil. *Jose Antonio Merigo* was also named as country head for Mexico.

■ **CREDIT SUISSE** has parted company with four Asian debt bankers this month, shortly after appointing a new head of its syndicated lending platform in the region. *Saurabh Banglani*, a director based in Singapore, quit after nearly nine years there, responsible for south and south-east Asia. *Ashish Gala*, a director in the APAC financing group in India, and *Malay Makkar*, who handled bond sales and loan syndications, also resigned. Both were based in Mumbai. *Eddie Wong*, a director with responsibility for loan syndications in north Asia, also left this month.

“These shops always run key person risk, regardless of what they tell you in meetings about it being a team effort”

UNNAMED CLO INVESTOR, P25

After setback, BNPP says well set for US growth

BNP PARIBAS’ US banking operation is poised to benefit from a steady and balanced build-up that has allowed it to recover from a US$8.9bn fine four years ago to leave it well set as one of Europe’s strongest banks in the country.

The playing field now favours the French bank in ways that seemed impossible just six years ago, Jean-Yves Fillion, CEO of BNP Paribas USA and head of CIB Americas, told IFR.

“2011 and 2012 were a low point for the European banking sector,” said Fillion. “People then wanted to see big plans and huge investments but we decided to develop a diversified, balanced business model and revenue mix.”

”In the US we are a US$6bn revenue platform evenly distributed across wholesale and retail, the largest balance sheet allocation after France”

BNP Paribas was also later rocked by a record fine in June 2014 for violating US sanctions. It was ordered to improve its compliance procedures and was temporarily barred from clearing US dollars.

Now, it has 16,000 staff in the US and a broad mix from corporate and investment banking to a big retail bank via its Bank of the West business.

At a time when European peers, notably Deutsche Bank, are pulling back from the US, BNPP is growing, and sees opportunities as rivals restructure after Britain exits the European Union.

GO BIG OR GO HOME

While rivals approached the US adopting a “go big or go home” strategy BNPP never tried to be all things to all people.

The goal was to position the bank as one of three European banks serving clients domestically and internationally.

“It [the strategy] has been exponentially beneficial,” said Fillion, who has been with BNP for 34 years and part of this growth curve in the US since 2012.

It was deliberate, methodical growth that caught the attention of the market, said Fillion.

His mandate has expanded from the US to include all of the Americas – from Canada to Chile. He has two deputies, Bob Hawley and Bruno d’Illiers.

Brazil is easily the second-biggest market for BNPP in the Americas region, with revenues of €765m last year, and Fillion is there every quarter. Total Americas revenue was €5.6bn, or 13% of the group.

“In the US we are a US$6bn revenue platform evenly distributed across wholesale and retail, the largest balance sheet allocation of the group after France,” said Fillion.

BNPP has 23,000 employees in Americas, 70% of whom are in the US. “It is a huge US presence, bigger than any of the largest truly European banks.”

Its footprint in the Americas is primed for growth offering securities services, consumer finance and insurance.

“We are expanding our presence in Latin America via investments in Brazil, Mexico and Colombia to help our corporate and institutional clients and others looking to invest in these countries,” he said.

GROWING OPPORTUNITIES

The recovery of the European economy and fading scepticism about Europe provided opportunities for BNPP with companies looking for banks with a strong presence in the US and Europe as they pursue acquisitions.

“We can help corporates raise financing simultaneously in euros and dollars, which is a capability only well entrenched banks like BNP can offer, so we have been doing that systematically,” said Fillion.

“With M&A reinvigorated, we are in a good position. We are funding two capital raisings worth billions of dollars in the US for clients in the speciality minerals industry, one as left lead supporting a US domestic client and another European client making a large acquisition in the US,” he said.

Corporate repatriation of cash stashed overseas following new US tax reforms also provided an opportunity for BNPP, which has a presence in 80 countries and an ability to effectively manage money flows around the world.

BNP Paribas has been a top three debt underwriter in euros, while in the dollar domestic market it has not been in the top 10 but has featured as a bookrunner on many jumbo acquisition financings.

It ranks eighth for banks leading all international bonds across currencies this year, which is one position higher than in 2017, according to SDC data.

Volatility in broader markets is also good for BNPP, which operates one of the largest derivatives houses in the world.

“Running CCAR requires a lot of resources, lots of PhDs, people who run models, data, information sharing between retail and wholesale”

“It [volatility] has been a real opportunity as clients are having more risk management discussions with banks like us to help them reallocate, advise on strategy or help with hedging,” Fillion said.

PART OF THE FABRIC

Bank of the West is a key part of the bank’s US operations and gives the overall business an edge over its FBO competitors, according to Fillion.

BankWest meant steady retail revenues, liquidity and presence in speciality industries such as agriculture and wine orchards in California.

It also gave them access to a variety of small and medium-sized enterprises, which in turn was complementary to wholesale activity.

The bank, through its lending to individuals, households and small to medium sized businesses, is also a way for an international bank to be part of the fabric of the country.

“It is complicated to be a pure investment bank today as a Foreign Banking Organisation in the US, because of capital charges required,” said Fillion.

Large US banks benefit from their retail businesses and so does BNPP. The bank will face the first major test of the holding company structure it created for its US operation this year.

BNPP’s US operation faced its first public Comprehensive Capital Analysis and Review “stress test” this year run by the Federal Reserve. The results will be available in June.

“Running CCAR requires a lot of resources, lots of PhDs, people who run models, data, information-sharing between retail and wholesale,” Fillion said. “It is a big year for our holding company.”

Philip Scipio, Shankar Ramakrishnan

Barclays activist urges trading shutdown

Activist investor Edward Bramson is calling on **BARCLAYS** to end the bulk of trading activities at its investment bank, in a radical plan to cut costs and boost returns at the British lender, three sources said.

Investors briefed by the New York-based financier, who took a surprise 5% stake in Barclays in February, said Bramson wanted it to axe all parts of its investment banking operation that did not directly serve corporate clients.

The plan would see Barclays keep its money-spinning M&A advisory business and the equity and debt capital market teams responsible for leading high-value initial public offerings and bond sales, but cull its cash equities, currency and fixed income trading desks, the sources told Reuters.

Spokesmen for Bramson's **SHERBORNE INVESTORS** and Barclays declined to comment.

"The trading businesses lack scale, absorb too much risk capital and deliver too small a return," one of the sources familiar with Bramson's plan said.

"There is a route back to success and respectability for this bank, and this is to focus on the retail bank, BarclayCard and the good bits of the CIB"

"There is a route back to success and respectability for this bank, and this is to focus on the retail bank, BarclayCard and the good bits of the corporate and investment bank. Management just have to seize it."

Bramson, described as a turnaround specialist on his company website, has until now managed to keep the finer details of his plan to revamp Barclays under wraps since his £700m (US$947m) investment vehicle - Sherborne Investors Guernsey C - made its stake-building public.

Despite a decade of painstaking restructuring by Barclays, the bank's share price has continued to languish relative to peers including HSBC and Lloyds Banking Group.

Barclays CEO Jes Staley has championed its investment banking division despite its underperformance in recent years. He has recruited a slew of high-fliers from his former employer JP Morgan, including Australian investment banking chief Tim Throsby, and more than 40 managing directors charged with restoring profitability to a unit hit by years of upheaval and under-investment in technology.

Sinead Cruise, Ben Martin

Nomura rolls out Singapore booking hub

NOMURA is setting up a booking hub for derivatives trades in Singapore, joining a growing cohort of banks examining alternatives to London for their Asian businesses.

The Japanese investment bank, which has predominantly booked derivatives in London and Tokyo, has already begun migrating trading positions to Singapore, sources told IFR.

Its decision is unrelated to new regulations in Europe and Britain's decision to leave the European Union, which has prompted other banks to consider establishing booking centres not only in Continental Europe but also in Asia.

"We took the decision several years ago that we should decentralise and that basically means putting entities where the clients are," said one source at Nomura.

"At the moment, our clients book in Japan or Europe, so we're basically saying: Don't we want to have an Asia ex-Japan entity to face clients in the region? It's not a Brexit response. It's already very much in train."

Nomura declined to comment.

Global banks have typically opted to hold their derivatives trades in their home markets and London, with the majority of their Asia-related deals booked in the UK.

Banks have preferred to centralise their activities in London because of the UK's stable regulatory environment and deep talent pool of middle and back office staff, as well as the economies of scale generated by aggregating their capital in a single location.

Regulations, Brexit and other factors are forcing banks to reconsider, however. Credit Suisse, for example, has been booking more trades in Asia as it grows its presence in the region.

"The extra-territorial implications of MiFID II get quite complicated, but I think quite a few of the requirements would fall away if banks are trading with an Asian client and using an Asian booking centre," said Terry Yang, a partner at Clifford Chance.

"For international banks, they will comply with these new regulations. It is just that with business from Asia growing, the question is whether this is the model that makes most sense for them."

RED CARPET

In September, Reuters reported that regulators from Hong Kong and Singapore were discussing with the Asia Securities Industry and Financial Markets Association about regulatory changes required to get more banks to book their derivatives business in Asia.

Banks including HSBC, Morgan Stanley, Standard Chartered and UBS are also considering establishing booking centres, or booking more of their derivatives business, in the region.

"Previously, if you had these discussions with regulators two or three years ago, they were open to the idea, but they weren't exactly rolling out the red carpet," said the Asia-Pacific chief operating officer of one major bank.

"You now see a lot of regulators who are very welcome to the idea and the HKMA [Hong Kong Monetary Authority] has been at the forefront of working on regulatory changes to facilitate banks such as ours to move their business to Asia."

Hong Kong has made no effort to hide its desire to establish the city as a booking centre to rival London. In 2015, its top financial policy advisory body, the Financial Services Development Council, said Hong Kong should "seize the opportunity" to position itself as a global booking centre.

The report identified several factors hindering the special administrative region's development as a hub, most notably that Hong Kong has separate regulators for different institutions.

Thomas Blott

“For the first time in almost a decade we’re seeing the beginnings of real concern about corporate credit worthiness”

JOHN DETERS, CHIEF STRATEGY OFFICER AT CBOE, P24

Capital markets week ahead: **Atlantia, GreenSky, Capita**

TAKING ITS TOLL Atlantia is set to become a bellwether of demand for Italian paper following last Friday’s shock coalition deal between the alternative Five Star Movement and far-right League. The toll road operator is meeting investors in London on Monday to market a bond deal, with many details of the new and potentially radical government still up in the air.

Spreads have taken a hammering over recent days as details of the coalition deal have filtered out. While Friday’s agreement didn’t include previous proposals to write off €250bn of sovereign debt, investors nonetheless took fright. Yields on 10-year BTPs have gapped out by 50bp over the past month. Will Atlantia have to pay up – or will investors baulk at the deal altogether?

PAY ATTENTION GreenSky hopes to become the latest in a string of successful technology listings on Wednesday, when it’s due to price its US$784m IPO. The Atlanta-based consumer lending platform, which was founded in 2006, boasts 11,000 merchants, and has proven popular with home improvement brands and healthcare providers. It also has partnerships with more than a dozen banks.

DRUG MONEY Syndication continues on Asia’s biggest-ever loan, a US$30bn financing backing Takeda’s acquisition of London-listed rare-disease specialist Shire. Over 20 domestic and international banks attended a meeting in Tokyo last week, when each was asked to commit a minimum US$500m. JP Morgan is underwriting 50%, and MUFG and Sumitomo Mitsui Banking Corp have 25% each.

CAPITA CALL Capita, the outsourcing company that manages London’s congestion charge, hopes to wrap up its £701m rights issue on Thursday, as it seeks to repair its balance sheet after hefty writedowns. Chief executive Jon Lewis, who took over in December, has said many of Capita’s problems were self-inflicted, and could be tackled by doing “fewer things better”. Its shares have halved this year.

THE RIGHT CALL? Banks meet in London and New York on Wednesday and Thursday to discuss a €3.9bn loan being used to back the acquisition of Danish telecoms company TDC by a consortium of investors led by Macquarie. The meetings come after ratings agencies recently downgraded TDC into high-yield territory as a result of the deal, making it this year’s first European fallen angel.

CLOSING THE NET IT services business Netcompany Group opens books on Monday on a Nasdaq Copenhagen IPO that is expected to value the business at around €1bn. The free-float for the all-secondary offering is at least 40%, with selling coming from FSN Partners and its co-investors, along with Netcompany’s founders and partners. Pricing is set for June 1.

LAND OF THE RISING SUM The Republic of Indonesia is expected to reopen the Samurai market after several weeks with no deals. Pricing is expected on Thursday. The deal comes against a difficult backdrop, with the country caught in the crosshairs of an emerging markets sell-off. The rupiah hit a new record low of 14,155 against the dollar on Friday, and is down 4% this year.

EYEING THE FINNISH LINE Aktia Bank could bring a €500m covered bond deal to the market as soon as on Tuesday, in what will be the Finnish lender’s first foray into the market in three years. The deal comes as the European Central Bank begins to reduce its enormous asset purchase programme, which has supported the covered market over the past few years – although Aktia has shrugged off any concerns.

IN THE PUBLIC EYE Kiniksa Pharmaceuticals, fresh from a US$200m private raise in February, is looking to raise roughly US$130m from its IPO on Wednesday. Goldman Sachs and JP Morgan are marketing 7m shares at US$17-$19 each, representing a 10% to 20% step-up from the February private placement.

BASQUE-ING IN THE SUN The Basque government hits the road on Tuesday to market a debut sustainable bond to investors. The northern Spanish region is expected to print a 10-year deal shortly after meetings wrap up. A deal from the Basque Country, the subject of separatist calls for many years, comes as tensions over the possible secession of fellow Spanish region Catalonia subsides.

LAST WEEK IN NUMBERS

2.21% – High for Italian 10-year government bonds on Friday, the highest since October

US$50m – Threshold for a US$840m debt exchange offer from Hovnanian, which later failed

24.99 – New record low for the Argentinian peso against the US dollar on Tuesday

Lehman Europe payout expected in July

Creditors of LEHMAN BROTHERS' main European arm are likely to receive a final payout in July, almost 10 years after the US investment bank's failure.

The estate of Lehman Brothers (International) Europe has built up a surplus of up to £7.4bn in cash and equivalents to distribute, but had been prevented from doing so because of litigation primarily between the creditors and junior bondholders of the entity.

The latter had claimed they should receive the US$2.25bn of subordinated notes before paying £5bn of interest, at 8% per year, that had accrued on the creditors' original £11.5bn of claims, which have already been paid out.

However, the Supreme Court ruled a year ago the creditors' interest payments should be paid first.

Hedge funds Elliott Management and King Street Capital Management have built up significant interests in both classes.

The joint administrators at PwC have now agreed a settlement between all claimants and will propose it at a meeting on June 5, to be sanctioned by the court on June 13.

In return for dropping some outstanding litigation that sought to give certain creditors a higher rate of return, these specific claimants will be given an additional 2.5% on top of the value of their claims. The litigation could have delayed payouts until 2020.

"If the scheme goes through, then the administrators will be able to pay the statutory interest in full and on one occasion," Tony Bugg, a partner at Linklaters, the law firm that is advising the administrators, told creditors on a call.

The scheme is expected to be approved. Bugg said a simple majority of each of the four claimant classes voting on the scheme by number, and at least 75% of the claims in each class by value, have to back it for it to go ahead.

"There is significant support for the scheme. There should be a distribution towards the late part of July," he said. If so, a standard creditor would receive an estimated 140p in the pound.

Christopher Spink

Rothschild advisory revenues fall

ROTHSCHILD lagged rivals in the first quarter in its core global advisory business, as revenues fell to €262m, down a fifth from the record first quarter the Anglo-French firm enjoyed a year ago.

Rival boutiques Lazard, Evercore and Moelis reported revenues in the latest first quarter. Lazard's financial advisory business saw a 16% rise year-on-year to US$389m, Evercore's was 22% ahead at US$373m, and Moelis's up 27% at US$219m.

Bulge-bracket banks also mostly did better than Rothschild, led by JP Morgan and Morgan Stanley, although revenues at Bank of America Merrill Lynch and Goldman fell and there were mixed fortunes across the European banks.

Rothschild was 10th in the list of M&A fees after the first four months of the year, according to Thomson Reuters estimates, with Evercore sitting ninth and Lazard sixth. JP Morgan led the table.

Rothschild said it was optimistic about its pipeline. It is working on some significant deals that have yet to complete, such as advising Melrose on its offer for FTSE 100 engineering company GKN and Westfield on its €61bn merger with fellow shopping centre owner Unibail-Rodamco.

"The market conditions for M&A remain positive… We are cautiously optimistic for our 2018 revenue," it said.

Christopher Spink

RBS lawyers ask ex-banker to destroy docs

Lawyers for ROYAL BANK OF SCOTLAND asked a former employee to destroy confidential documents, according to a letter seen by Reuters, in a move that the one-time staffer's lawyer said put him at risk of legal action by the US government.

The letter, dated January 18 and signed by Herbert Smith Freehills, a British law firm acting for the bank, asked Victor Hong to "permanently destroy any confidential materials in his possession" obtained via litigation disclosures or during his employment in breach of his separation agreement with the bank.

A spokesman for RBS denied any wrongdoing, describing the action as "necessary and appropriate" and in line with standard practice.

Hong resigned from RBS in November 2007, less than two months after joining as a managing director for risk management and head of fixed-income independent price verification at the bank's US division, Greenwich Capital.

Hong submitted evidence against RBS in a UK legal action brought by shareholders who believed they were misled about the bank's true financial position when they were tapped for £12bn of emergency cash in April 2008.

The bank narrowly avoided insolvency after accepting a £46bn government bailout six months later.

In his witness statement for that case, Hong said he had repeatedly warned managers the bank was misrepresenting the values of millions of dollars of asset-backed securities on its books prior to the sub-prime mortgage crisis.

In documents filed by lawyers acting for RBS in 2016, the bank rejected those allegations, and denied that it should have repriced assets more promptly or that it misled shareholders over its finances.

RBS settled the case in May 2017, prompting HSF to request destruction of documents circulated among the case participants, including witness statements, emails and transcripts of interviews given by executives to regulators that shed light on how RBS valued these assets.

Prior to the settlement of the case, lawyers for the bank had requested the court to seal some evidence from the public domain, court documents show. In the letter, HSF alleged Hong was responsible for uploading the documents in question to the online library Scribd, which is accessible to registered users.

Hong declined to comment on the allegation. His lawyer said that compliance with the request to destroy documents would violate US federal law and requirements that bound the former employee following earlier submissions to the Department of Justice in its separate investigations into RBS's mis-selling of residential mortgage-backed securities.

Sinead Cruise

“The trading businesses lack scale, absorb too much risk capital and deliver too small a return”

SOURCE FAMILIAR WITH A BARCLAYS ACTIVIST INVESTOR, P21

Cboe announces first US corporate bond index futures

Exchange operator CBOE said it is developing the first US corporate bond index future contracts, alongside asset manager BLACKROCK and data firm IHS MARKIT.

The creation of new futures comes in response to investor requests for new ways to hedge risk in a credit market showing the strains from rate risks and high valuations.

“Large holders of fixed income corporate bond portfolios have been struggling to deal with a lack of liquidity in those markets, and the dearth of hedging vehicles to allow them to hedge their exposure,” said John Deters, chief strategy officer at Cboe.

The company said the products can help institutional investors temper their exposure to credit risk in the corporate debt market via exchange-traded, centrally cleared instruments.

The corporate bond index futures, to be launched this summer, will reflect the performance of ETFs based on Markit iBoxx indices - the iShares iBoxx High Yield Corporate Bond, and the iShares iBoxx Investment Grade Corporate Bond.

BlackRock is the largest ETF issuer through its iShares brand.

The move comes as investors have become increasingly concerned about the dearth of effective hedging instruments in the credit markets.

The traditional way to hedge corporate bond exposure - via the credit default swap market - has been challenged since the crisis.

Dealers have pulled back from the market, and there have been public fights between large investors over how to determine if a default or other credit event has occurred.

In addition, liquidity is widely believed to have declined as issuance has rocketed but secondary dealing has not grown as much.

Some see the issue coming to a head as the credit cycle rolls into a mature stage.

Recent rate spikes have investors worried about the sheer size of the US$8.5trn corporate bond market, and whether companies will be able to refinance their debt in a downturn.

And with almost half of all investment-grade debt now in the Triple B bracket, fears are that a slew of corporates could be demoted to junk during a downturn in the credit cycle.

”We’re seeing rates rising meaningfully for the first time in a decade ... there’s a real reason for people to be concerned”

“For the first time in almost a decade we’re seeing the beginnings of real concern about corporate credit worthiness,” said Deters.

“We’re seeing rates rising meaningfully for the first time in a decade. Valuations are at an all-time high. There’s a real reason for people to be concerned,” he said explaining why new hedging products might be in demand.

Eleanor Duncan

FROM THE ARCHIVE: 10 years ago this week

THE FINANCIAL CRISIS

From May 17 2008 issue

AIG raises US$20.3bn

Loaded down with problematic credit, financial institutions are continuing the painful steps necessary to recapitalise their balance sheets.

A disastrous first-quarter with a US$20.3bn recapitalisation was capped off by American International Group. The multi-tranche financing and US$3.6bn loss, much of which was driven by non-cash, mark-to-market losses on its mortgage and CDS portfolios, led to calls for a management shake-up and potential restructuring of the multi-line insurance giant.

Indeed, AIG shares have never been cheaper, at least from a historical perspective. In the wake of the earnings report and planned financing, the insurer’s shares plunged 13.1% to US$38.37, valuing it at just 1.2 times book and less than 10 times 2009 earnings.

The reaction – AIG has shed almost US$50bn of market cap this year – underscores the potential that additional write-downs may be necessary, wiping out future earnings.

BarCap poaches M&A team

Barclays Capital has staged a huge raid on the M&A team at ABN AMRO, one year after making a bid for the entire bank that eventually failed to trump a competing offer from a consortium led by RBS.

The move, which so far involves at least 29 M&A staff moving to BarCap, is a significant public statement of intent that the firm is looking to build a credible M&A advisory business. It is thought that up to 50 bankers could move from ABN once the process is complete.

How tough is old Boots?

Alliance Boots’ debt arrangers Deutsche Bank, JP Morgan, UniCredit (HVB), Barclays, Citi, Banc of America, Merrill Lynch and RBS are lining up a deal to sell a substantial senior sub–tranche of the £9.02bn package supporting KKR’s and Stefano Pessina’s buyout of Alliance Boots.

A sale requires unanimous agreement from the full arranger group, but sources said that not all of the banks involved would reduce their exposure in the process now under way. A minority of banks would rather hold the assets, which continue to perform, than realise a loss by selling at a discount.

Sources away from the deal said that up to 50% of a £5.05bn term loan B has been prepared for sale. There are also suggestions that an anchor investor is in the process of taking a major position on the £1bn second lien debt.

Experienced European CLO managers in demand

US hedge fund Angelo Gordon's poaching of portfolio manager Steven Paget from PGIM Fixed Income for its nascent European CLO business earlier this month has highlighted growing demand for experienced CLO managers.

The CLO market is the most active sector of the European securitisation market, with over €15bn of paper issued in the year to-date across new issues, resets and refinancings.

The money on offer has tempted experienced CLO managers from the US to build up European CLO platforms. The new entrants can pick one of two models for their new businesses, according to a veteran portfolio manager.

"One model is very US-centric, where you have a US credit committee and then three or four people on the ground in London as a small European satellite," he said.

"Or you come and hire a number two guy [at an existing manager] and put together a bespoke London team, although there are some capacity constraints doing that, and it is more expensive."

Investors typically favour the second model, valuing proven experience of managing CLOs where portfolio composition can change by 20% or 30% every year during a deal's reinvestment period.

"We think you should be employing a very established senior PM [portfolio manager] with their own style who knows the European market, rather than replicating the US model by just using someone from the team of loan analysts to manage the CLO," said a CLO investor.

"If good people are going to start up a new firm, you follow them because you know they are starting off on the right footing."

KEY PERSON RISK

The investor said Steven Paget was seen as the heir apparent to the experienced Jonathan Butler at PGIM and with Butler staying in place there would be no likely change to PGIM's direction or style as a CLO manager.

But changes right at the top of a platform can worry investors. In January, CVC Credit Partners said its London senior portfolio manager Jonathan Bowers was stepping back from his role to pursue other opportunities and would be working as a part-time adviser.

"I've had a few customers that are in paper such as CVC and voiced concern that credit picking might not be quite as good as it previously was," said a CLO trader.

"These shops always run key person risk, regardless of what they tell you in meetings about it being a team effort. Ultimately, it is the dedicated CLO manager that is the main priority in understanding how CLOs are managed in a particular shop," another CLO investor said.

A change of personnel does not just affect future new issues from a CLO manager but also existing deals still in their reinvestment period, where annual churn rates of 20% or 30% can transform portfolios over a couple of years.

Other CLO moves this year include Brian McNamara, who left KKR for another new entrant from the US, Credit Value Partners. Bankers also said Alcentra portfolio manager Russell Holliday left to set up the European CLO business at US shop Sound Point.

NEW PLATFORMS

Last week, established US CLO manager CIFC opened its new London office, appointing Joshua Hughes as head of European marketing. He was previously head of global distribution at Muzinich & Co.

Deals from new platforms will also have to work harder to get their new issues seen by investors. There are more than 40 managers with existing programmes in Europe.

"There are enough European managers available for me so I do not need new ones who cannot show me a European track record," said Laurence Kubli from GAM Investment Management.

"But having more competition and more know-how in the CLO market is great and once a new manager has two or three deals out I would start to look at them."

Market participants expect price differentiation between the newer and the established programmes.

"You could say that at the senior level you have sufficient subordination whoever's managing it, and a new issue from a second tier or newer manager will give you some extra basis points," said Kubli.

"But later if you need to trade out when the market is not so strong, you might lose much more than the few basis points you made on the new issue."

The demand for experienced personnel is not only coming from firms moving into Europe from the US, but also from Europe-based loan investors choosing to set up CLO platforms themselves.

CLO investor DWS, for example, is looking for a portfolio manager to build out a new CLO platform, after hiring Fatima Hadj from Tikehau Capital at the end of 2017 as head of CLO structuring.

Fair Oaks Capital is another European loan and CLO investor to have added its name to the list of CLO new issue expected to debut in 2018.

Christopher Moore

HSBC picks new financial sponsors chief

HSBC has promoted *Borja Azpilicueta* to global head of financial sponsors and sovereign wealth funds coverage, filling the position left by the departure of Alexis Maskell.

Azpilicueta has been HSBC's head of advisory for Europe, the Middle East and Africa since 2016, based in London. He joined HSBC in 2012 as co-head of advisory in Spain and two years later was appointed co-head of global banking for Spain.

HSBC said Azpilicueta will remain in London and continue to report to Robin Phillips, co-head of global banking. Azpilicueta will continue to lead the advisory EMEA team on an interim basis. Before joining HSBC he worked at UBS, Credit Suisse and Mediobanca.

Maskell left HSBC for Citigroup in March, just 14 months after he joined from Deutsche Bank to head its financial sponsors franchise, which deals with private equity firms and sovereign funds.

Several banks are bulking up their teams in that area as revenues grow from advising clients on buyouts, fundraisings and sales or listings of portfolio companies.

Steve Slater

“If the scheme goes through then the administrators will be able to pay the statutory interest in full and on one occasion”

LINKLATERS PARTNER TONY BUGG ON A PAYOUT FOR LEHMAN EUROPE’S CREDITORS, P23

Japan Post Bank to diversify holdings

JAPAN POST BANK, one of the country’s biggest institutional investors, with ¥207.7trn (US$1.89trn) under management, is to increase its allocation to credit and alternative investments in a bid to improve returns.

The bank, also known as Yucho Bank, said in its medium-term plan for FY 2018 to FY 2020 that it would reduce its allocation to yen interest rate products such as JGBs to 55% of its portfolio, from 61% at the end of March 2018. It will increase its allocation to credit to 41% from 39% and expand its strategic investment to 4% of its assets from 1%.

The strategic investment unit will add real estate debt funds and direct lending funds to its existing alternative investment portfolio, which includes private equity, hedge funds and real estate equity funds.

The diversification is a response to the significant decline in earnings from ultra-low-yielding JGBs.

To enhance gains from its private equity investments, Japan Post Bank and its sister company Japan Post Insurance have set up a joint investment company called Japan Post Investment Corp.

A spokesman said the allocation to credit includes both yen and foreign currencies, but declined to comment on whether the increased investments will include lower ratings or new regions.

“All we can say is we will properly manage risk and promote investment diversification based on market conditions,” he said.

The changes come shortly after pension fund giant GPIF added domestic high-yield bonds to its investment universe.

Debt market bankers, however, are not necessarily excited about Japan Post Bank’s plan to increase credit investments.

“They have been expanding credit investments already, so we don’t know for sure whether they will accelerate further,” said one syndicate banker at a domestic securities firm.

He said the increased strategic investment was likely to be the main focus of improving returns.

“Let’s see how they respond when a new [Samurai] deal comes up.”

Japan Post Bank last week reported group net profit of ¥352.78bn for fiscal 2017, but forecast a 26.2% decline to ¥260bn this fiscal year. CEO Masatsugu Nagato said he expects the impact of Japan’s low interest rate policy on its earnings to be the largest this fiscal year.

Bankers are watching how the recent adjustments by Japan Post Bank and GPIF will affect demand and pricing on upcoming deals.

Takahiro Okamoto

India calls for better disclosure on bonds

India’s market regulator has tabled stricter disclosure rules for issuers of bonds and preference shares, in a bid to enhance transparency and accountability for investors.

The Securities and Exchange Board of India has proposed that listed companies should disclose material information for debt investors, such as any delay or expected delay in interest or dividend payments, covenant breaches or changes to their credit ratings, within 24 hours of the event.

“We see this as a very critical measure towards increasing transparency and investor confidence,” said Shameek Ray, head of debt capital markets at ICICI Securities Primary Dealership.

Indian investors have long struggled to keep track of a borrower’s financial health, and the regulators have taken an inconsistent approach to loans and bonds.

Sebi in October withdrew a circular proposing that borrowers should report a one-day delay in payment on bonds or loans, following feedback from banks and corporates that systemic risks would rise, at a time when stressed assets in the banking system were already high.

In February, the Reserve Bank of India said even a one-day delay in repayment of term loans would be considered a default and lenders should start working on a resolution plan.

“The market regulator is trying to streamline the rules for debentures, similar to loans,” said Jayen Shah, head of debt capital markets at IDFC Bank.

Sebi has proposed that listed entities should disclose newly obtained credit ratings or changes in ratings within 24 hours.

Krishna Merchant

IN BRIEF

SAUDI DEAL

SAUDI BRITISH BANK and **ALAWWAL BANK** have agreed a merger to create Saudi Arabia’s third-biggest lender, in a US$5bn deal that marks the first major banking tie-up in the kingdom in two decades. The agreement would create a lender with assets of about US$77bn, and is seen strengthening the banking system as Saudi Arabia embarks on a plan to transform its economy and cut its dependence on oil revenues.

SABB is 40% owned by HSBC and Alawwal is 40% owned by RBS Holdings, a consortium that includes Royal Bank of Scotland that has been trying to cut its stake for some time. Selling a small stake in a larger merged entity could make it easier for RBS to find a buyer, sources said.

CITI SLAPPED

Hong Kong’s securities regulator has slapped **CITIGROUP** with a HK$57m (US$7.26m) fine over its role as sponsor of the 2009 IPO of Chinese mining company Real Gold Mining.

The censure is the second disciplinary action in less than a year against a global bank for its role as an IPO sponsor in what is likely to be a string of enforcement actions.

The regulator said Citi failed to conduct adequate due diligence on the company’s customers and did not properly supervise its staff when the company applied to list.

CHAIN REACTION

HSBC said it performed the world’s first trade finance transaction using a single blockchain platform, in a push to boost efficiency in the multi-trillion-dollar funding of international trade. HSBC and Dutch bank **ING** completed the deal for Cargill when a shipment of soybeans was transported from Argentina to Malaysia via the global commodities trader’s Geneva and Singapore subsidiaries.

While there have been other trade finance deals that use blockchain in conjunction with other technologies, the Cargill transaction marked the first use of a single, shared digital application rather than multiple systems, HSBC said.

The use of blockchain technology in the banking industry is expected to reduce the risk of fraud in letters of credit and other transactions as well as cut down on the number of steps used. LoCs are the widely used way of financing between importers and exporters, helping guarantee more than US$2trn worth of transactions, but the process creates a long paper trail and takes between five and 10 days to exchange documentation.

FRONT STORY SSAR

Dollar market leaves issuers cold

Euro, sterling markets offer calm waters as volatility hits dollars

Shift in economics changes backdrop

Public-sector issuers that typically rely on the US dollar market for funding shunned the currency in favour of euros and sterling last week, lured by more favourable borrowing costs and a less volatile market backdrop.

"Issuers are definitely looking at euros because the cost advantage is not marginal and also the euro market can deliver more funding for these issuers than it did in the past"

ASIAN DEVELOPMENT BANK and AFRICAN DEVELOPMENT BANK printed €1.25bn five and 10-year trades, respectively, giving investors a rare opportunity to buy the names in the single currency.

"The move in the cross-currency basis means that issuers can fund themselves in euros at a similar rate or in some cases at a better rate than in the US dollar market," said a DCM banker.

"If the basis swap continues to shrink [go less negative], we will see issuers who tend to favour the dollar market look at euros."

The five-year euro/dollar basis has moved from less 26bp at the beginning of May to less 22bp, according to Thomson Reuters data. At the beginning of 2018, it was quoted around less 35bp.

"Issuers are definitely looking at euros because the cost advantage is not marginal and also the euro market can deliver more funding for these issuers than it did in the past," another DCM banker said.

In ADB's case, its trade was almost as big as its last euro benchmark, a €1.5bn three-year priced in 2014.

And just like the COUNCIL OF EUROPE DEVELOPMENT BANK's €1bn May 2023, which priced later in the week, the issuer was able to lock in competitive funding.

ADB's mid-swaps less 22bp reoffer spread equated to around 6bp over US dollar swaps - about 2bp tighter than its US$3bn 2.75% March 2023s. The less 23bp print for CEDB came out even better, at almost 6bp through its US dollar levels.

For AfDB, which priced its biggest transaction in the single currency, there was the added lure of being able to access a longer tenor.

"We have a natural need for euros, and given the good window for issuance, our rarity value and the Social bond format, this was a great opportunity to get some duration while also extending our curve," said Keith Werner, chief treasury officer at AfDB.

Being ineligible for the ECB's asset purchase programme was no bar to demand, with ADB and AfDB attracting books of over €1.4bn and €1.7bn, respectively.

"It can be a difficult exercise, working out what the cost of being PSPP and non-PSPP eligibility is," said a syndicate banker.

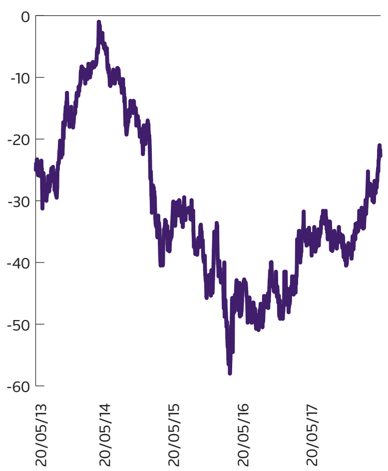
"You need to look at their US dollar curve and quantify the PSPP effect. It has lessened a bit and now the difference is about 4bp-5bp rather than 7bp-8bp."

UNSTABLE FOOTING

The basis move was not the sole reason for issuers choosing euros; volatile US dollar swaps were a contributory factor.

CREEPING UPWARDS

FIVE-YEAR EURO/US$ BASIS SWAP



Source: Thomson Reuters

"The US dollar market is not at its most constructive at the moment, assuming you're not willing to go at a particularly cheap price," another syndicate banker said. "It's a bit unappealing to go to a market where you don't know where your secondaries will be over the next 24 hours."

US swap spreads have snapped tighter this month, from 23bp to as low as 14bp in the case of the three-year, though by last Friday that had widened back out to 18bp.

"It's difficult to get a reason for the move," a third syndicate banker said. "I believe most of it comes down to what's been happening to Libor-OIS, which widened sharply at the beginning of the year. Swap spreads moved in a similar pattern. As Libor started to fix lower, swaps have followed and fallen back."

For issuers such as the WORLD BANK and EXPORT DEVELOPMENT CANADA, it meant the sterling market looked appealing versus US dollars. They both printed £750m five-year FRNs at 5bp and 10bp over Libor, respectively.

"The sterling FRN market is working very well," said the second DCM banker. "World Bank or EDC are regular sterling issuers but it still has to make sense for them. The currency has cheapened up and there hadn't been this type of supply for some time, so there was pent-up demand."

DOWN BUT NOT OUT

The US dollar market is far from being closed, however. SWEDISH EXPORT CREDIT CORPORATION and KOMMUNINVEST showed that the sector continues to have an enduring appeal for borrowers, regardless of whether the costs are more favourable.

SEK brought a US$1bn May 2021 deal on US$1.9bn of demand and Kommuninvest printed US$1bn March 2021s on books of more than US$2bn despite both pricing through their curves, at swaps plus 9bp and plus 6bp, respectively.

"If you want to raise US$1bn, it's not difficult given where yields are," a head of syndicate said. "However, the dollar market is untested for an issuer wanting to print US$3bn or US$5bn."

Helene Durand

Pangaea falls at Greek hurdle

Unrated Greek real estate firm pulls deal on pricing

NBG PANGAEA postponed its unrated bond offering before the end of its roadshow in the face of rising Greek yields, and after high-yield investors recoiled from the deal's ambitious initial price thoughts.

The €400m senior unsecured non-callable five-year was pulled because of market conditions.

"From the onset, this financing was based on favourable market conditions and wasn't going to be done at all costs," said Chris Papachristophorou, executive vice-chairman of NBG Pangaea's board of directors and chairman of its investment committee.

"While we could have proceeded and gotten a deal done this week, we felt the unexpected volatility in the sovereign market wasn't the right backdrop for us. We will continue to evaluate market conditions."

Greek government bonds came under pressure last week after markets were spooked by the financial plans of Italy's potential coalition government. According to Tradeweb data, the yield on the Greek five-year widened to 3.43% at Thursday's open, compared with 3.08% on Monday morning.

But several investors told IFR that the IPTs had failed to account for the underlying Greek sovereign risk in the first place.

"It needs a yield to give you a reason to look at it. There are plenty of things we could own for that spread, so if it was 200bp wider, then you'd think it's worth looking at," one said.

Had the Greek risk been compensated for, several investors had said they liked the company's financial metrics.

NBG Pangaea's offering is the second high-yield bond that has been formally pulled in 2018, following Spanish construction firm Aldesa's deal earlier in May.

A third, for tourism group Tui, was also postponed in March, but that deal, which was being executed off investment-grade syndicate desks, had not opened books and had not released formal guidance.

"Every case is specific, but these deals show that the market is more balanced and selective," said a banker away from the deal.

UNRATED PLAY

On the pricing NBG Pangaea was targeting, Papachristophorou said: "Our current average cost of debt is 4% and our goal is to improve that."

The high threes to 4% IPTs put the unrated deal in low Double B territory, sources said. The average rating on bonds that came with a 3.625%-4% coupon in 2018 is Ba3/BB-, according to IFR data.

However, several sources said they struggled to look at NBG Pangaea as a Double B-like name, given that National Bank of Greece, with long-term debt ratings at B3/CCC+, accounts for 56% of the issuer's portfolio.

And with 83% of NBG Pangaea's properties situated in Greece, the deal was a play on the Greek real estate sector.

Papachristophorou said: "Our credit metrics compare favourably with other investment-grade real estate companies that have successfully tapped the European bond market, but, absent of an improved sovereign rating, our potential to achieve the rating our company deserves would have been hindered."

Greece is rated B3/B/B.

Bankers away saw the lack of ratings as a disadvantage, weakening bankers' case in pitching the deal to investors and limiting the number of accounts that can buy the deal.

"The danger of non-rated deals is losing the ability to guide the market. The rating gives you an external validation of where you want to position the credit," the first banker away said.

"You would avoid unrateds in the difficult countries like Greece and Italy. Maybe [it would work] for Germany or France, but even the big French players are all rated," he added.

High-yield transactions are rarely pulled so early on in the marketing period.

"This was a company from day one that said they were opportunistic and weren't price-takers. Deciding to pull this before even seeing the roadshow out speaks volumes to that," said the source with knowledge of the matter.

MATTER OF TIMING

The banker away added that NBG Pangaea's postponement has put off one price-sensitive issuer from coming to market.

However, looking at corporate bond markets across investment-grade and high-yield, a second banker away stressed the importance of tapping the market sooner than later.

"Coming to the end of the quantitative easing period, they should be ready to accept [repricing] in any case. It's difficult to be among the first ones to accept the market with new pricing standards, but sooner or later, it's going to happen," he said.

Given that the widening seen in peripheral bonds last week originated from Italy, investment-grade deals from transport firm Atlantia and shipping name Fincantieri, which hold roadshows this week, will further demonstrate how the volatility will trickle down to the corporate primary market.

Joint global coordinators on NBG Pangaea were *JP Morgan* (B&D), *Deutsche Bank* and *Goldman Sachs*.

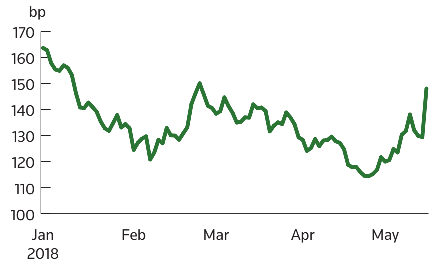
Yoruk Bahceli

WEEK IN NUMBERS

19bp

THE AMOUNT BY WHICH THE 10-YEAR BTP/BUND SPREAD WIDENED ON WEDNESDAY AFTER REPORTS THAT 5-STAR AND LEAGUE PLANNED TO ASK THE ECB TO FORGIVE €250bn OF ITALIAN DEBT

BTP/Bund spread



US$50m

THE MINIMUM THRESHOLD OF TENDERS REQUIRED BY HOVNANIAN FOR AN US$840m DEBT EXCHANGE OFFER TO GO THROUGH. HOWEVER, THE COMPANY FAILED TO RECEIVE SUFFICIENT INTEREST IN THE LATEST TWIST IN A COMPLEX DEBT REFINANCING SAGA

3.095%

THE YIELD THAT 10-YEAR TREASURIES HIT ON TUESDAY AFTER FIRM US RETAIL SALES DATA SAW AN INTRA-DAY JUMP OF NEARLY 10bp

€13.24bn

THE AMOUNT OF ISSUANCE TO HIT THE EUROPEAN INVESTMENT-GRADE MARKET LAST WEEK, WHICH INCLUDED HYBRIDS, M&A FINANCINGS AND REVERSE YANKEES

€1.044bn

THE AMOUNT THE ECB BOUGHT THROUGH ITS CSPP IN TRADES SETTLED IN THE WEEK UP TO MAY 11

In total, it has bought €153.637bn

SSAR

EUROS

ESM GETS TIMING RIGHT FOR RETURN

The EUROPEAN STABILITY MECHANISM nailed the timing of its first euro syndication in almost a year, pricing the €2bn 15-year ahead of a deterioration in market conditions that caught other issuers off-guard.

The supranational, which had not been in the single currency since June 2017, printed at 16bp through mid-swaps on a book of over €4.3bn.

"They only have to do €3.5bn this quarter and they were never targeting a large transaction," a lead said. "Their aim was to fill specific demand from insurance companies and create a liquid point on their curve."

A number of market participants questioned the issuer's decision not to raise its whole Q3 requirement in one go.

"They've taken a bit of a tantric approach to the market," one syndicate banker away said. "It looks like they want to make things last. I don't know why they didn't do a €3.5bn 10-year and get it over and done with."

Following the trade, ESM announced that it would skip its next issuance window, in the week of May 28, and use the week of June 11 to raise the remaining €1.5bn.

Furthermore, while ESM has only small funding needs this quarter, those creep up in the next two quarters to €8bn and €5.5bn, when the ability to access deeper parts of the market, such as the 10-year, will be more important.

"There's always a window for a 10-year ESM but you don't always get windows for a €2bn 15-year," the lead said. "Two years ago, 10-year-plus trades were not hard to achieve, but since the beginning of the year the market has become more technical and more of a 'window market'."

The issuer was also focused on price, which a smaller size enabled it to achieve. The reoffer of 16bp through mid-swaps spread gave a new-issue premium of around 2bp.

CAUGHT OFF-GUARD

Along with Asian Development Bank and African Development Bank, ESM appeared to time its trade to perfection, avoiding a much trickier backdrop as the week progressed.

COUNCIL OF EUROPE DEVELOPMENT BANK and NRW.BANK struggled to sell euro benchmarks last Thursday as volatility in rates markets hampered execution and curtailed demand.

Pressure on Italy, which until then had remained contained, took a turn for the worse last week, knocking sentiment, while rising US Treasury yields were also partly to blame.

CEDB was almost subscribed, with the €950m book nearly covering the €1bn size of the May 2023 deal.

The trade, via *Commerzbank, JP Morgan, Natixis* and *Societe Generale*, priced in line with guidance at swaps less 23bp.

However, there was no book update given on NRW.Bank's €1bn no-grow May 2025 via *Barclays, DekaBank, DZBank* and *JP Morgan.* It came at swaps less 15bp, in line with talk.

"We all know what this means," a banker away said. "You can read between the lines and guess that it's not fully sold. Market conditions are not as strong as perhaps people thought they were going to be."

He and others also blamed the rise in US yields for the less stable market footing. The 10-year Treasury hit a near seven-year high last Thursday at 3.12%.

The uncertainty took its toll on execution.

"The parachute didn't open and they crashed," the first syndicate banker said. "Yes, we haven't had much supply, but investors are cautious. They've seen 10-year Treasuries go past 3% and are asking themselves whether this could happen in Europe."

A lead banker struggled to explain why the trade had not worked.

"There's no logical reason," he said. "Maybe investors are a bit passive because of the volatility. In my opinion, it wasn't a problem with the level, which was fair. This offered about 3bp-4bp of new-issue premium."

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	466	131,560.92	7.6
2	Citigroup	445	124,932.67	7.2
3	Barclays	324	104,355.20	6.0
4	HSBC	423	97,446.71	5.6
5	BAML	348	94,154.14	5.4
6	Goldman Sachs	270	92,945.02	5.3
7	Deutsche Bank	353	86,280.38	5.0
8	BNP Paribas	286	71,186.07	4.1
9	Morgan Stanley	255	68,527.49	3.9
10	SG	191	51,002.82	2.9
	Total	2,372	1,739,483.84	

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	BAML	91	34,317.33	11.4
2	JP Morgan	88	33,925.37	11.2
3	Citigroup	82	29,083.07	9.6
4	Goldman Sachs	57	26,161.59	8.7
5	Barclays	48	23,329.64	7.7
6	Wells Fargo	54	19,934.02	6.6
7	Deutsche Bank	36	17,339.42	5.7
8	Morgan Stanley	47	14,259.53	4.7
9	HSBC	31	13,139.96	4.4
10	RBC	33	12,926.70	4.3
	Total	177	302,020.23	

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	BNP Paribas	152	37,060.48	6.9
2	SG	136	34,671.93	6.5
3	Deutsche Bank	150	31,240.69	5.8
4	HSBC	155	29,373.21	5.5
5	Credit Agricole	118	29,317.80	5.5
6	JP Morgan	114	28,867.37	5.4
7	Barclays	98	28,016.07	5.2
8	UniCredit	126	25,235.18	4.7
9	Citigroup	95	22,814.03	4.3
10	Goldman Sachs	75	22,791.22	4.3
	Total	706	535,517.49	

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

Source: Thomson Reuters SDC code: N1

EUROPEAN SOVEREIGN BOND AUCTION RESULTS WEEK ENDING MAY 18 2018

Pricing date	Issuer	Size	Coupon (%)	Maturity	Average Yield (%)	Bid-to-cover
May 16 2018	Germany	€1.5896bn	0.50	Feb 15 2028	0.620	2.21
May 17 2018	Italy (BTP Italia)	€7.709235bn	0.55	May 21 2026	0.550	-
May 17 2018	Spain	€2.575bn	0.35	Jul 30 2023	0.433	1.83
May 17 2018	Spain	€1.441bn	5.90	Jul 30 2026	1.086	1.94
May 17 2018	Spain	€1.036bn	1.40	Apr 30 2028	1.370	2.25
May 17 2018	France	€5.051bn	0.00	Feb 25 2021	-0.300	1.97
May 17 2018	France	€2.446bn	0.00	Mar 25 2023	0.100	2.42

Source: IFR

BASQUE GOVERNMENT MANDATES FOR SUSTAINABLE FIRST

The **BASQUE GOVERNMENT**, rated A3 (stable)/A+ (positive)/A- (stable) by Moody's, S&P and Fitch, respectively, has mandated *BBVA, Credit Agricole, HSBC, Norbolsa* and *Santander* to arrange a series of fixed income investor meetings across Europe starting on May 22.

The subsequent transaction, which is expected to have a 10-year tenor, will be the issuer's inaugural Sustainable trade.

It will come amid a volatile backdrop for eurozone sovereigns, in particular peripheral ones, after Italy sold off on the back of rising political risk last week.

"What's happening in Italy might impact the deal," a lead said. "Bonos have suffered and this will price over Spain, even though it's better rated." Spain is rated Baa1/A-/A-.

S&P raised the Basque government rating in April, following its upgrade of the sovereign.

"Our rating on the Basque Country can be higher than that on Spain because, in our view, the region's credit characteristics would make it more resilient than the sovereign in a stress scenario," the agency said.

The Basque Country, as a special-status regional government within Spain, benefits from greater fiscal autonomy than normal-status regions.

"The region's financial management is professional, clearly identifies the region's main external risks, and shows a strong credit culture," the agency added.

"Over the past decade, various Basque Country governments have shown their ability to reach across party lines to approve regional budgets, which we view as a positive factor, underlining the stability and predictability of the region's creditworthiness."

STERLING

WELL-TRAILED DMO HITS ULTRA LONG-END SWEET SPOT

Demand poured into the **UK DMO**'s longest Gilt yet, a £6bn 1.625% October 2071 trade that lured record interest for a conventional line of over £37bn and extended the country's curve by three years.

The bond, the longest conventional since the 2068 Gilt was established in June 2013, leaves the DMO with a mere £3.5bn to raise via conventional syndications for the rest of the 2018-2019 fiscal year. Its overall 2018-2019 remit is £106bn.

The trade had been well flagged. A record of the DMO consultation meetings with the GEMMs published at the end of March said there was a clear preference for the 2071-2073 area of the curve, while investors also expressed strong support for an extension to the conventional curve.

"A big theme which has been quite pronounced for the last six to nine months is that demand in the long end from the UK core investor base seems to have been focused more in the conventional rather than the linker space, as increasingly some pension funds are looking to hedge their longest term liabilities with nominal rather than with index-linked Gilts," said Robert Stheeman, chief executive of the DMO.

The duration of the bond is an extra six and a half years compared with the 3.5% 2068 Gilt, representing a 19% extension to the curve in terms of duration, according to Stheeman.

"We have seen over the last 18 months very significant buying from pension funds of ultra-long conventional Gilts looking to hedge the interest risk that they have got in their pension funds," echoed Miles Tym, at fund manager at M&G.

"This bond in particular will appeal to those kind of investors for multiple reasons: it's an extension of the yield curve, so it allows them to hedge their liabilities further out than they were able to before. They also very much like the fact that it's a current coupon bond, and that means that as well as getting a term increase, you get a big duration increase."

Most of the other long-dated Gilts trade well above par, in two cases as high as 167, whereas the new deal priced at 97.615.

SMOOTH RIDE

The DMO has proved itself able to syndicate both conventional and linkers smoothly since the Brexit vote, despite the uncertain political and monetary policy backdrop.

"If there was a very messy Brexit, we could see international investors start to demand a bit more yield for UK assets. But because this end of the market it's mainly UK investors mainly hedging UK liabilities, whether we're in or out of the EU doesn't make any difference," said M&G's Tym.

A £5bn tap of its July 2057s priced a year ago closed with books of over £26bn, for example.

"We do not aim to have the world's largest order book, the allocations on which could leave our core investors dissatisfied," added Stheeman. "What we want most of all is to give the market the liquidity that it wants and … something that will support its good functioning going forward."

MUNICIPAL, CITY, STATE, PROVINCE ISSUES IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	DGZ-DekaBank	17	2,731.95	13.6
2	UniCredit	21	2,616.27	13.1
3	HSBC	12	2,069.48	10.3
4	LBBW	12	1,575.80	7.9
5	Nord/LB	12	1,228.20	6.1
6	Deutsche Bank	10	1,201.70	6.0
7	JP Morgan	5	917.21	4.6
8	Credit Agricole	3	860.47	4.3
9	BBVA	4	851.01	4.3
10	DZ Bank	8	764.24	3.8
	Total	**58**	**20,022.63**	

Excluding ABS/MBS.
Source: Thomson Reuters SDC code: N7

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Barclays	12	9,669.17	11.9
2	Citigroup	13	8,121.10	10.0
3	JP Morgan	10	7,911.91	9.7
4	NatWest Markets	6	6,826.39	8.4
5	BNP Paribas	10	5,658.66	7.0
6	HSBC	9	5,546.89	6.8
7	SG	9	4,754.51	5.9
8	Goldman Sachs	7	3,723.50	4.6
9	Santander Global	4	3,428.70	4.2
10	ING	3	3,087.00	3.8
	Total	**26**	**81,245.15**	

Excluding ABS/MBS.
Source: Thomson Reuters SDC code: N4

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	JP Morgan	10	4,227.66	9.6
2	HSBC	12	3,657.56	8.3
3	Commerzbank	6	3,478.64	7.9
4	UniCredit	5	2,926.33	6.6
5	SG	10	2,821.00	6.4
6	LBBW	7	2,637.58	6.0
7	Credit Agricole	10	2,545.87	5.8
8	Goldman Sachs	4	2,431.48	5.5
9	BNP Paribas	5	2,425.45	5.5
10	NatWest Markets	4	2,280.62	5.2
	Total	**57**	**44,258.59**	

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

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Credit Agricole	12	5,478.78	12.7
2	Commerzbank	7	3,844.00	8.9
3	UniCredit	6	3,795.35	8.8
4	JP Morgan	6	3,610.32	8.4
5	Barclays	5	3,581.26	8.3
6	Goldman Sachs	5	2,839.64	6.6
7	Deutsche Bank	7	2,666.55	6.2
8	SG	5	2,463.56	5.7
9	BAML	6	2,020.52	4.7
10	HSBC	7	1,815.86	4.2
	Total	**39**	**43,003.81**	

Excluding ABS/MBS.
Source: Thomson Reuters SDC code: N5

The deal priced at 0.5bp through the 3.5% July 2068 Gilt, the tight end of the less 0.5bp/flat guidance range, and was substantially increased from the £4.5bn minimum size that had been earmarked.

"We took £1bn out of the unallocated pot," said Stheeman. The 2018-2019 remit has an unallocated remit of £6.7bn that can be used to either increase syndication or auction sizes.

"We have done that before, but only twice by that much in our entire syndication programme," said Stheeman.

"Also, such a transfer would also normally happen later on in the year. It's not that usual for us to increase a transaction on this scale at the start of the programme, but in this instance we thought it was the right thing to do."

Barclays, Deutsche Bank, Goldman Sachs and *NatWest Markets* were lead managers.

The UK aims to raise a minimum of £18bn through syndications in 2018-2019 - split between £9.5bn of long conventional and £8.5bn of index-linked Gilts - and envisages coming to market four times.

SCOTIABANK EUROPE QUITS AS UK PRIMARY DEALER - DMO

SCOTIABANK EUROPE will stop acting as a primary dealer for UK government bonds, effective from the close of business on Friday May 18, the UK Debt Management Office said last Thursday.

"The UK Debt Management Office (DMO) is announcing that it has today accepted the resignation of Scotiabank Europe plc as a Gilt-Edged Market Maker (GEMM) in both the conventional and index-linked Gilt sectors," the DMO said in a statement.

The bank follows Societe Generale and Credit Suisse, which stopped acting as primary dealer for UK government bonds in January 2016 and October 2015, respectively.

NON-CORE CURRENCIES

AUSSIE PUBLIC SECTOR TAPS

The AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT tapped the 3.25% June 21 2039 Treasury bond issue for A$1.7bn (US$1.28bn) last Tuesday, increasing the size of the line to A$8bn.

The syndicated sale via joint leads *ANZ*, *CBA* and *NAB* was priced at a yield to maturity of 3.205%, with A$3.2bn of bids received at the clearing price.

The reopening came 36bp wide of EFP (10-year futures), in the middle of the AOFM's 35bp–37bp guidance range.

The initial syndicated sale of the bonds in October 2015 raised A$4bn, with the AOFM tapping the issue for A$2.3bn via a syndicated sale last July.

NORTHERN TERRITORY TREASURY CORP, rated Aa2 (Moody's), tapped its 3.50% April 21 2028 bond offering for the maximum targeted A$250m, taking the size of the line up to A$750m.

Last Monday's reopening via joint leads *ANZ* and *UBS* was priced at 100.834 for a yield of 3.40%, at the tight end of the 61bp–64bp over EFP guidance range, 62.5bp over the May 2028 ACGB.

NTTC also repurchased A$20.6m of the A$500m 4.75% September 20 2018 bond at a clean cash price of 100.909.

On October 24 last year, NTTC raised A$500m from the initial sale of April 2028s, which were priced 72bp wide of EFP and 70.75bp over the May 2028 ACGB.

NZ GOVERNMENT ISSUANCE EDGES HIGHER

The NEW ZEALAND DEBT MANAGEMENT OFFICE has updated its borrowing programme in conjunction with the latest official fiscal and economic projections.

Gross New Zealand government bond issuance is now projected to be NZ$1bn higher at NZ$8bn in each of the fiscal years 2018/19, 2019/20 and 2020/21, while the 2021/22 forecast in unchanged at NZ$7bn, for a four-year total of NZ$31bn.

The extra NZ$3bn of projected bond issuance is partly offset by a NZ$2bn reduction in planned T-bill supply versus the NZDMO's half-year update.

Over the next four fiscal years NZ$28.1bn is due to be redeemed or repurchased for projected net issuance for that period of NZ$2.9bn.

At the end of fiscal year 2021/22 NZGBs on issue are now forecast to be NZ$77.1bn, up from NZ$74.2bn on June 30 2018. However, this is expected to reduce the outstanding NZGBs-to-GDP ratio from 25.0% to 22.0%.

The relatively small amount of New Zealand sovereign debt has raised liquidity concerns, especially as the country does not qualify for Citigroup's nominal World Government Bond Index, which many global portfolio managers like to track. The NZDMO helped alleviate offshore investors' liquidity worries in last December's mid-year statement, when it committed to maintaining NZGBs on issue to be worth at least 20% of GDP over time.

New Zealand's long-term foreign currency issuer ratings are Aaa/AA/AA, while its long-term domestic issuer ratings are Aaa/AA+/AA+.

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	181	58,259.29	12.7
2	BAML	156	46,577.80	10.2
3	Citigroup	159	45,228.44	9.9
4	Goldman Sachs	97	33,837.11	7.4
5	Barclays	85	29,759.69	6.5
6	Morgan Stanley	115	28,903.37	6.3
7	Wells Fargo	109	28,487.76	6.2
8	Deutsche Bank	56	16,027.54	3.5
9	RBC	57	15,193.74	3.3
10	MUFG	64	14,242.67	3.1
	Total	**395**	**458,479.66**	

Source: Thomson Reuters SDC code: F09a

CORPORATES

US DOLLARS

INVESTORS DRINK UP KEURIG M&A BOND

Investors piled into KEURIG GREEN MOUNTAIN's US$8bn bond offering, which will fund its merger with Dr Pepper Snapple.

The bonds got nearly US$32bn in orders, according to one of the banks managing the deal.

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	38	7,130.28	10.7
2	JP Morgan	35	5,923.05	8.9
3	Morgan Stanley	22	5,468.25	8.2
4	Citigroup	27	5,149.98	7.7
5	Barclays	24	4,198.72	6.3
6	Wells Fargo	31	4,164.27	6.2
7	Mizuho	20	3,601.70	5.4
8	MUFG	15	2,838.26	4.3
9	Goldman Sachs	13	2,748.10	4.1
10	BNP Paribas	11	2,267.79	3.4
	Total	**94**	**66,674.03**	

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	75	13,058.01	8.9
2	SG	63	11,759.89	8.0
3	Deutsche Bank	60	10,229.28	6.9
4	Goldman Sachs	34	9,504.68	6.4
5	HSBC	60	8,535.06	5.8
6	Credit Agricole	47	7,949.27	5.4
7	JP Morgan	53	7,885.27	5.3
8	UniCredit	41	7,613.98	5.2
9	Barclays	34	6,241.00	4.2
10	BAML	36	6,178.68	4.2
	Total	**213**	**147,541.60**	

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

Source: Thomson Reuters SDC code: N8

Keurig launched six tranches with tenors of three to 30 years. All of them were fixed.

Buoyant investor demand allowed Keurig to tighten levels from initial talk to launch by 15bp-20bp. That allowed it to cut its new debt premiums down from over 20bp to 4bp-11bp, according to IFR calculations.

The investment-grade market has seen mixed performance of late on the back of concerns about rising rates and a volatile equity market.

"The timing of [Keurig's] deal is good as the market began to perform last week," one investor said. "Yield curves are steepening and equities are in good shape."

Account managers reckoned the deal looked attractive at IPTs, with another bond buyer comparing Keurig's new bonds favourably with Kraft levels in secondary.

At initial talk, the 10-year was offering a 30bp new-issue concession compared with Kraft, the investor said.

Those juicy premiums allowed the buyside to shrug off wider concerns around the health of the food and drink space.

Major players in the sector, including Bacardi, have been levering up to buy or invest in other companies to shore up margins that have taken a beating from falling prices and demand for their mass market brands.

"While there is concern with the sector, the demise of the beverage space will take some time to play out and global demand should remain fine," the investor said.

Monday's financing was set to take Keurig's debt-to-Ebitda ratio to a multiple of 5.6 times - a level which CreditSights analysts described as "way too high for mid-BBB ratings".

Still, investors pointed out Keurig was planning to do only US$1.5bn between the 20-year and 30-year tranches.

"That suggests a commitment to deleverage quickly," the investor said.

Keurig's high-grade bond, rated Baa2/BBB, included six tranches with maturities of between three and 30 years.

Bank of America Merrill Lynch, Citigroup, Goldman Sachs and *JP Morgan* led the sale.

The reverse takeover, worth more than US$21bn, was announced in January. Global investment firm JAB Holding, which currently owns Keurig through its Acorn fund, also helped fund the deal with a US$9bn equity investment.

The previous Friday, Moody's downgraded Dr Pepper Snapple's rating by one notch to Baa2, and assigned a Baa2 rating to the new bond offering.

The ratings agency said the combined company, which will be renamed Keurig Dr Pepper, would have good scale and diversity but also high leverage.

"Initial leverage will be high for an investment-grade rating," said Moody's. "But if synergies and working capital improvements are achieved as planned, leverage would reduce to levels more appropriate for the rating within two to three years."

HARLEY-DAVIDSON ROLLS INTO SPOOKED MARKET

HARLEY-DAVIDSON rode into a bumpy market on Wednesday but pulled off a US$800m deal paying minimal new-issue concessions.

Harley was the sole borrower to brave the investment-grade market - and that worked to the company's advantage.

Investors placed US$2.6bn of orders for the deal, leaving it over three times covered.

Harley, rated A3/A-/A, steered clear of the long end and approached investors with a two-year floater and three-year fixed bonds, issued through the company's credit arm.

Initial price talk for the fixed tranche was Treasuries plus 95bp area, implying a new-issue concession of 16bp.

But subsequent investor demand allowed Harley to tighten spreads by 15bp, whittling down the premium to a mere 1bp by pricing, according to IFR calculations.

It priced a US$450m two-year floater at three-month Libor plus 50bp and a US$350m three-year fixed at Treasuries plus 80bp.

The company last came to the market in similar circumstances in February, when the market was undergoing extreme volatility in equities. At that time it had to pay investors a double-digit premium to get its US$350m five-year senior unsecured deal over the line.

This time around, the trade may have been given a helping hand by some good news in Harley's first-quarter earnings report.

The company said it expects dealers to sell more motorcycles in overseas markets, offering a glimmer of hope to a business struggling with an aging consumer base in the United States, according to a Reuters report.

Still, that was not enough for CreditSights analysts, who recommended investors pass on Harley's new three-year fixed bonds thanks to event risk in the name.

"The company's dominant business positioning in the US, healthy margin profile … and flagging EV could make it an attractive candidate in a potential LBO scenario," analysts wrote. "We remain cautious about the possibility of a leveraging event going forward."

BLUESCOPE MAKES EUROBOND DEBUT

BLUESCOPE STEEL, Baa3/BBB– (Moody's/S&P), attracted a hefty order book of US$1.1bn from 75 accounts for last Wednesday's debut Reg S-only bond issue, a US$300m 4.625% five-year note offering arranged by joint lead managers *ANZ*, *Credit Suisse*, *HSBC* and *JP Morgan*.

The strong demand enabled the leads to price thhe deal well inside 205bp area initial price thoughts at Treasuries plus 180bp.

Asia-Pacific investors bought 75% of the notes and EMEA buyers the remaining 25%. Asset managers and hedge funds were allocated 72%, banks 15%, insurers 10% and private banks 3%.

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BNP Paribas	100	28,067.53	6.9
2	SG	102	27,603.78	6.8
3	JP Morgan	79	24,921.11	6.2
4	Credit Agricole	90	24,245.60	6.0
5	HSBC	115	23,886.33	5.9
6	Barclays	69	23,455.42	5.8
7	Deutsche Bank	103	23,018.27	5.7
8	Goldman Sachs	53	19,674.33	4.9
9	UniCredit	85	19,168.32	4.7
10	Citigroup	66	16,906.25	4.2
	Total	505	404,671.93	

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	NatWest Markets	41	6,922.69	13.6
2	HSBC	41	5,704.39	11.2
3	Barclays	33	5,320.26	10.4
4	RBC	30	4,510.97	8.8
5	Lloyds Bank	24	3,974.38	7.8
6	BAML	15	2,975.79	5.8
7	JP Morgan	12	2,898.04	5.7
8	Santander Global	11	2,654.62	5.2
9	Deutsche Bank	8	2,433.41	4.8
10	Nomura	17	2,337.81	4.6
	Total	119	51,052.76	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K05a

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	56	5,628.49	26.8
2	UBS	48	5,031.63	24.0
3	Verband Schweiz	6	2,737.21	13.0
4	ZKB	25	2,168.93	10.3
5	Raiffeisen Schweiz	15	1,465.19	7.0
6	BNP Paribas	12	1,161.84	5.5
7	Deutsche Bank	7	611.14	2.9
8	Commerzbank	6	526.51	2.5
9	HSBC	5	435.63	2.1
10	Gazprombank	1	187.50	0.9
	Total	99	20,983.82	

Including preferreds. Excluding equity-related debt.

Source: Thomson Reuters SDC code: K06b

The third Australian corporate Reg S issuance this year follows rail-freight operator Asciano (Baa3/BBB–/BBB–) and toll-road operator Transurban Queensland, rated BBB (S&P), which printed US$400m and US$500m of 10-year bonds in March and April, respectively.

Bluescope visited the 144A/Reg S market with a US$500m five-year non-call two print in April 2016, when it was a high-yield credit, rated Ba2/BB (Moody's/S&P). The new bonds will help refinance the 144A note issue when it is called this month.

EUROS

JUMBO M&A FINANCINGS TEST APPETITE

A smattering of jumbo M&A financings woke the corporate market from its stupor last week, **GLAXOSMITHKLINE**, **UNITED TECHNOLOGIES** and **BASF** flying off the shelves.

GSK followed a US$6bn five-parter with a €2.5bn three-tranche trade on Monday, raising cash to help fund its buyout of Novartis' stake in their consumer healthcare joint venture for US$13bn.

Recent lacklustre executions had raised concerns about investor appetite. But with books over €6.1bn, GSK showed there is still room as long as pricing does not start too aggressively.

"We need to be cautious about where we start these trades because the market is still fragile and performance wasn't there on all issues last week," said one banker away.

An investor reckoned GSK, A2/A+, looked attractive at IPTs, in particular the eight-year, which he said seemed more compelling than the 12s given the flatness of the curve.

Solid demand enabled leads to tighten pricing significantly from the tight end of IPTs. Investors still managed to grab some premium - around 5bp on each tranche. On Friday, GSK was trading tighter, by up to 6bp on its 12-year.

United Technologies also found strong appetite for its €2bn three-parter with books more than three times covered. Part of the proceeds will help fund its US$30bn acquisition of US aviation firm Rockwell Collins.

Demand was skewed towards the €750m six-year, which attracted €2.9bn of orders.

On Tuesday, BASF sold a €1.25bn two-tranche bond to help fund the purchase of additional seeds and crop protection businesses and assets from Bayer for €1.7bn.

The German chemicals company had already raised €3bn in November to buy assets being offloaded by Bayer ahead of the latter's acquisition of Monsanto.

BASF found demand strongest at the shorter end. Its €750m seven-year, upsized from an expected €500m, attracted €1.9bn of orders. Books on the €500m 12-year reached €1.5bn.

The seven-year tenor was the sweet spot for a number of issuers last week, including **WUERTH FINANCE**, **SODEXO**, **SOCIETE FONCIERE LYONNAISE** and **G4S**.

"This is where there's always been the most depth and where you find a mixture of various investors," said a second banker.

Enel joins hybrid LM fray; VW heard mandated

CORPORATES Refinancings and acquisitions seen driving rise in hybrids

ENEL launched a €1.25bn dual-tranche subordinated issue last Tuesday alongside tender and exchange offers, taking advantage of revised S&P methodology on the refinancing of hybrids.

Attractive pricing conditions are widely expected to prompt further LM exercises, with the likes of EDF, Engie and Orange considered among the likely candidates given they are the more established issuers in the sector.

VOLKSWAGEN has already been mandated, according to people familiar with the situation. Some of its hybrids have call dates later this year.

Italian energy company Enel (senior Baa2/BBB+/BBB+) follows in the footsteps of Alliander in February and Telefonica in March. Those were the first companies to conduct hybrid LM exercises after S&P relaxed its rules on refinancing deals within five years of issuance.

"If you have the opportunity to conduct LM on your old high-coupon bonds, then it makes sense for these companies to do that now," said a banker on the deal.

Combined books of €3bn enabled leads to erode the initial yields on offer, launching the 60.5NC5.5 at 2.625% and the 63.5NC8.5 at 3.5%. A second banker saw both tranches pricing through the curve.

Enel, however, has underperformed in secondaries, both tranches bid with low to mid-98 handles on Friday having priced at over 99.

"Given BTPs have moved 20bp wider, the Enel bonds have held up quite well, probably better than expected," said an investor.

Proceeds will finance an any-and-all tender offer targeting its €1.25bn 6.5% non-call January 2019s that expired on May 18.

Enel also conducted an exchange ending on the same day for up to €500m of its €1bn 5% non-call January 2020s. The offer will be financed via an upsize of the NC5.5 portion prior to settlement.

WIN-WIN SITUATION

Hybrids have found solid support in recent weeks, in particular from low-beta names. In mid-April Unibail-Rodamco, A2/A/A, attracted €7bn of orders for its €2bn dual-tranche debut, with an investor saying the trade was an attractive way to take on exposure to a very high-quality name.

Late last month, Fraser Lundie, co-head of credit at Hermes Investment Management, said hybrids are a win-win for both issuers and investors.

"It's a relatively cost-effective funding instrument from an issuer perspective, given the equity treatment. For investors, this remains an interesting opportunity to receive a pick-up in yield from very high-quality companies and take different types of risk rather than pure-play credit risk like you would be doing for the same compensation in other areas."

According to Scope Ratings, this year's corporate hybrids total should exceed €20bn, with almost €10bn issued so far, more than the €15bn placed in 2016 and 2017 but less than the €30bn seen in 2015.

Refinancings as well as acquisitions are expected to be the main drivers for an increase in such deals.

"The supply pipeline is bulging partly as a result of a surge in M&A by companies typically well suited to issuing hybrid bonds, namely those operating in capital-intensive sectors such as utilities, telecommunications and increasingly real estate," wrote Scope Ratings analysts.

Vodafone recently said it would issue hybrid bonds to help fund its €18bn acquisition of some of Liberty Global's assets.

The pipeline is at present filled with a couple of corporates looking to tap the format.

LAFARGEHOLCIM, Baa2/BBB, has picked *HSBC* and *JP Morgan* as joint structuring agents and global coordinators, as well as *Citigroup*, *HSBC*, *JP Morgan*, *MUFG*, *Natixis* and *Societe Generale* for a roadshow that started last Thursday. The building materials company is targeting a benchmark perpetual non-call 5.25/6 deeply subordinated transaction with a Ba1 rating from Moody's and an expected BB+ from S&P.

Meanwhile, **ELIA SYSTEM OPERATOR** is on the road from May 22 for a €700m PNC5.25 hybrid, with an expected BBB- rating from S&P, and €300m senior unsecured transaction, BBB+ expected, with a 10 to 12-year maturity.

Bank of America Merrill Lynch and *BNP Paribas* are global coordinators joined by *ING* and *NatWest Markets* as active joint bookrunners.

Pauline Renaud

"In a market that has seen a little bit more volatility in the last couple of months, it's a decently long tenor while still offering a lot of liquidity."

REVERSE YANKEE REVIVAL

A number of euro trades from US corporates injected further life into the reverse Yankee market last week, following in the footsteps of a €1bn two-parter from Ford Motor Credit Company in early May.

So far this month, US corporates have brought €4.6bn of trades to market, some way short of the €13.3bn seen last May. Bankers do not expect that figure to be matched, citing US tax reforms and fewer refinancing needs in euros.

Pharmaceutical company **MYLAN** was the fourth US corporate to tap euros last week, coming after a €2bn three-part outing from **UNITED TECHNOLOGIES** and a €300m three-year floater from **PACCAR** on Monday and a €500m eight-year from **AMERICAN TOWER** on Tuesday. All were quoted flat or tighter than reoffer price on Friday, by up to 10bp on the UTX 12-year.

BECTON DICKINSON also took a bite of the euro market on Thursday with a dual-trancher that consisted of a €300m five-year and a £250m seven-year to redeem outstanding notes.

"The euro market looks better in some parts of the curve vis-a-vis dollars," said one banker. "Although US issuers have the ability to hedge accounts, and therefore don't need to issue in euros, tapping the single currency gives them the option to diversify, taking pressure away from the dollar market and getting the added benefit of the swap."

Mylan's €500m seven-year was in line with most of last week's trades, starting generously at IPTs - around 30bp-35bp back of fair value according to a lead - before tightening a good amount on the back of decent orders.

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

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	HSBC	6	668.27	17.0
2	Lloyds Bank	5	573.64	14.6
3	Barclays	6	507.72	12.9
4	Credit Suisse	4	250.00	6.3
5	MUFG	3	248.53	6.3
6	NatWest Markets	3	238.82	6.1
7	BNP Paribas	3	209.05	5.3
8	RBC	2	174.49	4.4
9	Morgan Stanley	1	160.00	4.1
10	Deutsche Bank	1	149.34	3.8
	Total	**15**	**3,939.62**	

Source: Thomson Reuters SDC code: N8a

The deal, rated Baa3/BBB-/BBB- (all stable), printed nearly three times covered at mid-swaps plus 143bp.

"Mylan is a name that trades extremely wide for its rating and sector, being obviously tainted by other competitors and the general slight softness in the sector," said the banker.

Mylan plans to use proceeds from the euro trade, as well as US$1.5bn from 10-year and 30-year notes issued in late March, to refinance existing debt. In euros, the company has a €500m floater due in November.

American Tower, rated Baa3/BBB-/BBB-, found €1.4bn of interest for its €500m SEC-registered eight-year last Tuesday, with leads able to shave 17bp off IPTs for a launch at swaps plus 118bp. A lead saw the trade starting 20bp back of fair value.

"The tower business prices aggressively but secondary levels are far above those of other Triple B minus credits," said a second banker away from the trade early in the session.

"Even if the concessions are not very attractive at IPT levels, it's still a nice spread."

Proceeds will be used to repay debt under a revolving credit facility entered into in June 2013.

SMOOTH JOURNEY FOR AUTO TRADES

Auto sector supply persisted last week, with **BMW FINANCE**, **PACCAR FINANCIAL EUROPE** and **RCI BANQUE** all tapping the euro market in the footsteps of Daimler and Ford the previous week.

There were no bumps in the road for regular issuer BMW (A1/A+), its dual-trancher attracting over €2.9bn of demand.

Initially marketed as benchmark sizes, the 4.5-year ended up as a €1bn issue and priced 15bp inside IPTs at mid-swaps plus 20bp. The eight-year, meanwhile, was €750m at 38bp over, 12bp inside the tight end of IPTs.

The premium on the longer leg was fairly elevated at around 16bp, according to bankers, who pegged fair value in the low 20s using BMW and Daimler curves. On the shorter tranche, the concession was estimated at 8bp.

Monday's execution was far smoother than BMW's most recent trade in early April, a £250m four-year which did not cover its books and priced flat to IPTs at Gilts plus 85bp.

But it resembled its €2bn trade in January, which garnered orders of over €3.6bn. Leads tightened pricing from IPTs by 13bp on the 5.5-year tranche and 15bp on the 10-year.

A1/A+ rated Paccar, the in-house finance company of DAF Trucks, found over €620m of orders for its €300m no-grow three-year floater. Books peaked at over €900m earlier in the session.

A lead banker said that although the deal carries some US risk, the parent company being US-based Paccar, it was nonetheless expected to be CSPP-eligible because it is issued out of a European entity. The US business tapped the dollar market the week prior, coming with a US$550m dual-trancher.

On Tuesday, regular issuer RCI Banque, the Renault Nissan Alliance auto finance captive company, opted for an eight-year maturity, selling €750m at swaps plus 78bp on books of around €1.5bn.

RCI's fixed euro curve does not go beyond April 2025; a €600m trade was quoted at 62bp over pre-announcement according to Tradeweb prices. A second banker pegged fair value at plus 70bp.

PLASTIC OMNIUM, a supplier to the automotive industry, is still in the pipeline, having ended its roadshow last Wednesday for an unrated €500m no-grow seven-year.

PIPELINE SWELLS

The European corporate market is bracing itself for another busy week, a number of issuers having already announced roadshows.

These include two Italian companies. Transport infrastructure company **ATLANTIA**, rated Baa2/BBB/BBB+, is on the road between May 21 and May 23 for a multi-tranche fixed-rate transaction with tenors ranging from six to 15 years. *Banca IMI*, *BNP Paribas*, *Bank of America Merrill Lynch*, *Credit Suisse*, *Goldman Sachs*, *Mediobanca*, *Santander* and *UniCredit* have been mandated.

In late April, Atlantia and German builder Hochtief finalised loan financing backing their joint takeover of Spanish toll-road operator Abertis.

FINCANTIERI has picked *Banca IMI*, *BNP Paribas*, *Deutsche Bank*, *Goldman Sachs*, *HSBC* and *UniCredit* for a roadshow that runs at the same time as Atlantia's. The unrated shipbuilder is targeting a fixed-rate senior unsecured transaction with a maturity of five to seven years and a minimum €300m size.

French consulting firm **IPSOS**, also unrated, has opted for a seven-year tenor for its fixed-rate senior unsecured €300m no-grow. Investor meetings start on May 22 via *Credit Agricole*, *HSBC* and *Societe Generale* as joint global coordinators. Part of the proceeds will be used for refinancing.

Elsewhere, **O2 TELEFONICA DEUTSCHLAND**, rated BBB by Fitch with a positive outlook, has mandated *BNP Paribas* as global coordinator, joined by *Commerzbank*, *MUFG* and *UniCredit* as active bookrunners for European investor meetings from May 22 to May 24. The telecoms operator is targeting a euro-denominated six to eight-year benchmark offering.

Meanwhile, installation products distributor **AHLSELL** has picked *DNB Markets* and *SEB* for a Nordic roadshow on May 23 to introduce its SKr5bn (US$571.6m) MTN programme.

DEMIRE ANNOUNCES CHANGE OF CONTROL OFFER

DEMIRE (Deutsche Mittelstand Real Estate) has offered to purchase for cash any and all of its outstanding 2.875% €400m senior notes due 2022 at 101.

The offer ends on June 14, unless extended or terminated earlier at the sole offeror's discretion. All notes properly tendered will be accepted for payment.

The tender agent is *Lucid Issuer Services*.

NON-CORE CURRENCIES

AUSNET PLACES A$200m OF 25-YEAR BONDS

AUSNET SERVICES, rated A3/A– (Moody's/S&P), has privately placed A$200m (US$150m) of 25-year bonds via sole lead manager *Westpac* to refinance debt and fund continued asset growth.

The deal comprised a A$150m May 29 2043 line and a A$50m November 24 2043 line, both paying a 4.5% coupon.

AusNet Services, Victoria's largest energy delivery service, had net debt of A$6.482bn as of May 15. It has outstanding bonds and hybrid notes in several currencies, including Australian dollars, US dollars, euros, sterling, Swiss francs, yen, Hong Kong dollars, Singapore dollars and Norwegian kroner.

FIG

US DOLLARS

RBS GETS SOLID RESPONSE FOR FIRST OF THE YEAR

ROYAL BANK OF SCOTLAND enjoyed solid demand for its first US dollar trade this year - a US$1.75bn 11-year non-call 10 that came 18bp inside initial price talk on final books of US$3bn.

The bank, rated Baa3/BBB-/BBB+, had received close to US$5bn in orders early in the morning when the deal was first announced. But as the spread was tightened significantly, many of these orders fell away.

"There is still liquidity for bank deals, but there is increased price sensitivity, especially with all the volatility in rates and equities," said one senior banker.

The final level of Treasuries plus 182bp left little or no concession to existing RBS 10-year bonds, especially after adjusting for the curve and call option.

The deal could have benefited from some positive analyst comments after the bank agreed to pay US$4.9bn to the US Department of Justice to settle allegations that it sold risky mortgage-backed debt between 2005 and 2007.

In a May 10 report, CreditSights moved its rating on RBS holdco senior debt back to outperform.

The deal was a huge success for RBS, as it will give it a decent push towards its annual funding target.

RBS has a target of £4bn-£6bn to cover minimum requirements for own funds and eligible liabilities (MREL) this year, of which it had completed £2.1bn-equivalent before Monday's trade.

Credit Suisse, *JP Morgan*, *Morgan Stanley*, *NatWest Markets* and *UBS* were leads on the SEC-registered trade.

SVENSKA DEBUTS IN STYLE

SVENSKA HANDELSBANKEN executed its first US dollar deal of the year in style, by taking advantage of what continues to be decent appetite in the short end of the credit curve despite broader market volatility.

The Swedish bank raised US$2.5bn in three-year fixed and floaters after pricing them around 15bp tighter than initial price talk. Final levels were the same as guidance, however, which indicates that investors are still price-sensitive.

Still, it was a solid deal for the bank because, at Treasuries plus 65bp, the fixed-rate bonds offered just 1bp in concession compared with the outstanding 1.95% September 2020s at a G-spread of 60bp and accounting for the longer maturity on the new deal.

Final books were a whopping US$4.95bn, with the floater receiving the bulk of orders at US$2.55bn.

The bank raised US$1.5bn in three-year fixed and floaters in August last year, according to IFR data.

Yankee financials have been regularly issuing in dollars in recent weeks, as they still see that market providing them more depth and diversity than others despite recent volatility.

Investors have shown a preference for floaters in a rising rate environment and banks have been happy to meet their requests.

Earlier in the week, appetite seemed to shift from very short-end defensive tenors to longer ones. But a jump in Treasury yields put a stop to that.

There is little doubt, however, that liquidity conditions are still strong in the dollar market and the short end is wide open for all issuers.

CHARLES SCHWAB was also in the market on Thursday. It priced US$1.95bn through three-year fixed and floaters, and a seven-year fixed, around 15bp inside IPTs.

Again, the levels did not move from guidance, although final spreads on the three and seven-year fixed still only left a mere 2bp-3bp in new-issue concession.

Final books were US$5bn for coverage of over 2.5 times. The seven-year fixed got the most demand at US$2.1bn, followed by the three-year floater at US$1.5bn and fixed at US$1.4bn.

DEUTSCHE BANK GETS SOLID RESPONSE TO EXCHANGE OFFER

DEUTSCHE BANK has received US$6.2bn of tenders in an up to US$9.7bn debt exchange designed to swap bonds issued out of its London and Frankfurt entities into notes from its New York unit.

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

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	UBS	20	10,082.70	10.7
2	BNP Paribas	35	9,501.63	10.1
3	Deutsche Bank	29	7,474.50	7.9
4	SG	24	6,794.35	7.2
5	Natixis	11	5,049.82	5.4
6	Credit Agricole	14	4,399.12	4.7
7	Morgan Stanley	18	4,150.01	4.4
8	HSBC	28	4,144.51	4.4
9	JP Morgan	21	3,160.87	3.4
10	Barclays	17	3,131.10	3.3
	Total	**140**	**94,340.64**	

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	BNP Paribas	12	2,777.99	6.8
2	SG	7	2,760.13	6.8
3	JP Morgan	14	2,689.57	6.6
4	UBS	13	2,362.63	5.8
5	HSBC	14	2,327.25	5.7
6	BAML	11	2,167.62	5.3
7	Goldman Sachs	10	2,008.17	4.9
8	Morgan Stanley	12	1,942.51	4.8
9	Barclays	10	1,867.11	4.6
10	Deutsche Bank	10	1,860.29	4.6
	Total	**55**	**40,871.37**	

Source: Thomson Reuters SDC code: J3a

The move is part of Deutsche Bank's efforts to align itself with the primary consumers of its US dollar funding and in turn benefit from recent tax reforms.

Issuing through New York could help limit its tax liability under the so-called base erosion and anti-abuse tax (BEAT), which aims to limit foreign companies from minimising their US tax liabilities.

"Changing the direct issuing entity to the New York branch may have benefits for the Deutsche Bank group under the recently enacted US tax reform," the bank said in a statement.

The six series of fixed-rate notes that are currently included in the Bloomberg Barclays US Aggregate Index will be exchanged for new securities that would remain eligible for the same index.

The exchange notes will have the same interest rate, interest payment dates and maturity date as those of the original notes, although certain other specific terms within the exchange notes may differ.

The bank has also extended the early participation cash incentive of US$1 per US$1,000 principal amount for the exchange offers until the expiration date of May 30.

EUROS

ERSTE BACKS AWAY FROM FRAGILE MARKET

ERSTE GROUP BANK reined in an Additional Tier 1 bond sale as market conditions soured last Wednesday, while a lukewarm response to **BANQUE FEDERATIVE DU CREDIT MUTUEL**'s Tier 2 also called into question the extent of investors' risk appetite.

Tuesday's announcement from the Austrian national champion looked like the surest sign yet of gradually improving market conditions, and would have been the first euro subordinated supply for nearly a month.

It was hoping to bag a third AT1, a €500m PNC2025 (BBB- by S&P) via leads *Barclays*, *Bank of America Merrill Lynch*, *Erste Group*, *Goldman Sachs* and *UBS*, but chose not to proceed.

The AT1 sector fell victim to a heavy sell-off from mid-April, but bankers had been confident the previous week that fresh supply should find decent support.

Erste's decision has underlined the market's fragility, however, and other AT1 announcements lined up were put on hold. It also serves as a timely reminder that, despite the AT1 market's maturity, it remains a high beta product.

"It's a bit surprising - Erste is a good credit and it's only €500m, so I'd have thought the reception should be strong," said a banker away.

"I think the feedback on pricing has come back much wider than what leads agreed with the issuer beforehand, and the certainty of execution is a lot more fragile."

The issuer did not respond to a request for comment.

A lead argued that the decision had nothing to do with appetite, but rather an unexpected bout of volatility that saw Erste's outstanding bonds drop nearly a point since Tuesday's open.

The issuer is taking a "responsible approach", the lead added, and will continue to monitor the market.

"I think they are very keen on doing a sensible trade into a well-functioning market," he said. "Over the last 24 hours we've seen some big moves in the rates space, and that has reverberated into the credit market."

AT WHAT PRICE?

Michael Huenseler, managing director at Assenagon Asset Management, reckoned Erste was unlikely to hold back for long.

The bank's popularity has increased, he said, but the poor performance of 2018's AT1s is weighing on investors' propensity to buy. The majority are trading below par, in the low 90s in some cases.

"Optically, coupons of less than 5% seem to undershoot what investors see as a minimum compensation for equity-like risk," he said.

While Erste's outstanding AT1s are yielding just 2.5% to 4%, they offer a decent back-end spread which should give additional comfort when it comes to the issuer's decision to call or not.

"We don't think this is [the whole] rationale, but at the end of the day this is what drives prices, and also to a certain extent the reception of a new issue," Huenseler added.

"I guess fair value is towards 4.625% to 4.75%, but it is important to see how the book builds."

PUSHING AHEAD

Unlike Erste, BFCM decided to proceed with its 10-year bullet Tier 2 (Baa1/BBB/A), an asset class that is less momentum-driven compared with AT1.

"There is a sense that this window presents an opportunity, and are things going to get much better? A lot of issuers are taking that view, which is probably why we're seeing a bit more supply," said a banker close to the deal.

Barclays, *Credit Suisse*, *Goldman Sachs* and *Societe Generale* were joint leads.

IPTs of swaps plus 150bp area offered a pick-up to BFCM's 2.625% March 2027s and 1.625% November 2027s, bid at 121bp and 126bp, respectively.

However, books were only at €700m as guidance came at 145bp-150bp - a reflection of its densely populated Tier 2 curve, as well as the market backdrop. It priced at the tight end in a €500m size.

Like AT1, Tier 2 bonds performed poorly last Wednesday - CaixaBank's €1bn 2.25% 12NC7 - the last euro Tier 2 sold - was more than 6bp wider on the day, while Italian paper, buffeted by political stability, was seen up to 30bp wider.

BNP PARIBAS CLOSE TO TICKING OFF €10bn SNP TARGET

BNP PARIBAS has nearly met its €10bn senior non-preferred target for 2018 at a time when funding costs in the asset class are rising, although its issuance strategy has come under the spotlight.

SNP spreads have been drifting since the start of the year: BNPP's €1.25bn 1.125% June 2026 was bid at swaps plus 77bp last Tuesday, having priced at 47bp in January, while bonds sold the same month by Societe Generale and BPCE were 19bp-24bp wider, according to Tradeweb.

Added to that, investors are all too aware that BNPP has one of the market's largest targets. As such, its bond sales are inevitably trickier compared with others such as Danske Bank and BBVA, which have rarity on their side.

Unlike HSBC, which has favoured multi-billion, multi-tranche transactions, BNPP has instead chosen to visit the market on multiple occasions, often prioritising price over size - a strategy that is not without its detractors.

"I honestly don't understand what BNPP are doing," said a banker. "It's such a big requirement and they just keep drip-feeding deals into the market. I think it's really starting to hurt them, in terms of capacity for the name."

He also questioned the decision to bring a floater and fixed in the same five-year tenor given the risk of cannibalisation, though others said the overlap was not material.

"In dollars you can definitely do that and there is depth, but I don't think it works in the euro market to the same extent," said the banker.

"At least the issuer is getting a bit of an arb on the floater as they're pricing them flat to each other."

"DECENT OUTCOME"

Despite those reservations, BNPP has nonetheless managed to rack up €8.2bn-equivalent of SNP funding in the first five months, ahead of further potential widening and prior to new jurisdictions breaking into the asset class.

That €8.2bn includes last Tuesday's €700m long five-year fixed, which priced at mid-swaps plus 62bp, and a €800m five-year floater, at three-month Euribor plus 62bp. Ratings are Baa1/A-/A+/A.

Both notes priced 8bp inside 70bp area IPTs and offered a 12bp NIP, higher than BNPP paid earlier in the year but reflecting a tougher market, competing supply expectations and the larger targeted size.

Order books passed €1.1bn for each tranche and the €1.5bn transaction was at the upper end of BNPP's target range, making it the bank's largest euro deal this year. The unusual sizing reflected the composition of the book.

"People know they have a lot to do and it's been a while since we've seen massive books exploding," said a second banker away. "A final concession of 12bp is still good for them. It's a decent outcome, but not the best we've seen."

Investors are also increasingly focused on the SNP supply outlook, particularly with regard to which currencies banks might pick, against a backdrop of tapering and TLTRO refinancing.

"That [combination] generally creates a more defensive backdrop for investors," said the second banker. "Knowing all of this, I suspect investors will become more picky."

SANTANDER CF, OP CORPORATE BANK OFFER PREFERRED SENIOR

SANTANDER CONSUMER FINANCE and **OP CORPORATE BANK** kept senior preferred supply ticking over last week, offering investors some diversification from the flow of holdco and senior non-preferred paper offered by banks tackling their loss-absorbing shortfalls.

OP brought a €500m three-year FRN and €500m seven-year fixed on Tuesday, obtaining blended five-year funding but avoiding the struggle faced by other banks raising standalone five-year preferred deals.

Banco BPM only drew €700m-plus of orders for its €500m five-year in April, for example, and Santander Consumer Finance's €500m five-year on Wednesday was only just covered.

Joint leads *Citigroup*, *JP Morgan* and *OP* launched at three-month Euribor plus 20bp and mid-swaps plus 30bp, respectively. Both were 10bp tighter than IPTs.

A banker away saw a 7bp or 8bp NIP for the FRN and 10bp for the fixed.

"It hasn't blown the doors off, but it's a name that for some reason doesn't," said a second banker. "It's a very well-rated credit, but each time they do a deal, it works, but not a lot more than that."

A third banker away reckoned the €1.75bn-plus book, split evenly across the two tranches, was strong, but another said it was a bit disappointing.

"They're not a frequent issuer, so lines aren't as deep," he said.

Not only is the Finnish lender a rare name, but senior preferred supply is set to decrease as Nordic names start to issue more MREL-eligible notes. Danske Bank brought the first such trade last Monday, a €1.25bn 0.875% May 2023 SNP at swaps plus 53bp.

While orders only trickled in for Santander Consumer Finance's no-grow €500m five-year, it arguably avoided the elevated NIP that a longer trade would likely demand.

Danske Bank opens up Nordic frontier in SNP market

SENIOR NON-PREFERRED BONDS Investors swamp debut deal from Danish national champion

DANSKE BANK brought the first Nordic senior non-preferred bond last Monday, creating a strong benchmark for further supply from the region as lenders address their loss-absorbing shortfalls.

The euro five-year (Baa1/A-/A) was put on hold two weeks previously due to a "technical docs issue", news emerging a day later that the Danish financial watchdog had found serious weaknesses in the bank's governance as part of an anti-money laundering probe.

That delay did not get in the way of Danske obtaining €2.8bn of orders, and leads - *BNP Paribas*, *Credit Suisse*, *Danske Bank*, *HSBC* and *Societe Generale* - moved IPTs from swaps plus 65bp area to a final 53bp, 10bp or so above fair value.

"The fact that we announced and then delayed, if nothing else, meant everyone was aware the trade was coming and was ready," said Christoffer Mollenbach, head of treasury of Danske Bank.

"And we didn't have a lot of competing supply on the day, which I think helped."

The bond was widely distributed to more than 200 investors, and the issuer upsized to €1.25bn to help with allocations. It brought a SKr4.25bn (US$485m) dual-tranche SNP just four days later via its own syndicate desk, *Handelsbanken Capital Markets*, *Nordea* and *Swedbank*.

"It's a very good textbook example of a solid, successful inaugural SNP deal," said a lead on the euro. "The pricing dynamics, the new issue premium, the order book and the number of accounts checks the boxes across the board."

"BANG IN LINE"

The recent dearth of supply, as well as the chance to diversify into an asset class dominated by France, drove investor appetite.

And unlike its larger peers, Danske has a manageable target - around DKr100bn (US$15.8bn) - which does not create incremental issuance needs.

The trade also offered a rare opportunity to pick up some yield from a Nordic issuer - Danske's preferred senior bonds due 2022 and 2023 are bid considerably tighter, in the mid-teens.

Relative value versus preferred senior and Tier 2 looked bang in line with the averages for core Europe, said a banker away, and the delay did not seem to come at a cost.

"Some have commented it could have come a little tighter, but given the size they got done, and the fact it was reopening the market, I thought it looked really solid," the banker added.

"You have to remember, the market is not stellar."

FORM A QUEUE

The strong outcome is likely to tempt others into the market, both in euros and further afield. **UNICREDIT** is a potential candidate in dollars, for example, having executed its debut euro SNP in January.

Moody's last week upgraded **SYDBANK**, and placed **JYSKE BANK** on positive outlook, in the expectation that they will issue SNP. Sydbank's senior unsecured ratings changed to A2 from Baa1, while Jyske was affirmed at Baa1.

NORDEA BANK is also a likely candidate, having already flagged that its SNP issuance could start this year.

Sweden is lagging Denmark in implementing SNP legislation, and several borrowers such as Svenska Handelsbanken have previously said they would not come until it is in place.

In contrast, Danske's transaction pre-empts changes to Denmark's insolvency regime, which come into force on July 1. The notes will switch from a preferred senior to SNP format once the law is enacted.

Nordea may try something similar. The bank, which is in the middle of relocating, could use a contractual solution enabling it to issue ahead of legal changes in either Sweden or its new Finnish headquarters.

Investors should not hold their breath for **ABN AMRO**, however. The Dutch bank said last Monday that it requires an increase of roughly €1.6bn in CET1 or eligible instruments to meet its 29.3% MREL target for year-end 2019, but it is not planning an SNP transaction before the end of 2018.

Alice Gledhill

"[Given] what we're hearing from investors, longer duration is still a little bit trickier," said a fifth banker.

"Look at some of the longer corporate trades – they've gone okay, but the concessions are a little bit greater to try to eke out some of that demand. So I think for choice, most issuers are coming a little bit shorter."

After the deal was announced with IPTs of mid-swaps plus mid-50s area, it took a while for any further update. Investors need more time to analyse in a saturated market and on the back of holidays, according to a lead - though BFCM's 10-year bullet Tier 2 was the only other live euro trade last Wednesday.

"It's coming in a preferred format with a juicy spread - relatively cheaper than everything else out there for a Single A rating," said the third banker, before the update.

Books were later reported at over €500m, excluding joint lead manager interest, and the spread was set at plus 50bp.

Bankers agreed that fair value was around 35bp, based on the 34bp level of SCF March 2023s, its longest outstanding bond. They had expected the deal to tighten to the mid-40s.

"The preferred format is still a decent space, especially since this is offering a bit of spread compared to other preferred trades," said the lead.

Barclays, ING, JP Morgan and *Santander* ran the deal.

POPULIST POLICIES ROIL ITALIAN BANK SPREADS

Prices on Italian bank paper hit new lows last Friday as proposals from the country's planned coalition government took aim at the sector, weighing further on risk appetite after a sharp deterioration in issuance conditions.

Italy's anti-establishment Five-Star Movement and far-right League, which won the most parliamentary seats in inconclusive elections on March 4, have called on the European Union to "radically reform" its bail-in regime to ensure greater protection for savers.

They also want tougher penalties for management and regulators in cases of bank failures, and the possibility of compensation for retail shareholders of resolved banks.

Having underperformed the market all week, Italian bank bonds dropped further. A UNICREDIT €1bn 5.375% PNC2025 fell below 96.50, for example, two points down since Monday and its lowest cash price since printing last December.

The yield on BANCA MONTE DEI PASCHI's €750m 5.375% 10NC5 Tier 2 jumped to 7.50%, its highest ever and up from 6.24% on Monday, following calls for the state to remain a shareholder and a roll-back of branch closures.

"We really need to understand what the government's policy will be, once it's finally formed," said a banker.

"We have already seen some softening in certain instances since the initial draft was leaked, but the eurosceptic stance of the two parties is an area of concern. It's not easy to understand what the true implications could be, but there is some uncertainty here."

National champions UniCredit and Intesa should be able to access markets as the political backdrop settles, but - as ever - prospects for Italy's smaller and weaker credits will be less clear-cut.

A spokesperson at BANCA CARIGE, which was forced to postpone a Tier 2 transaction in March, told IFR last week that its €1.3bn funding plan for 2018 includes a €500m senior, potentially ahead of the summer.

Funding costs are also rocketing in that sector, however - BANCO BPM's €500m 1.75% April 2023s (Ba2/-/-/BBBL) widened 16bp last week alone.

WATCH AND WAIT

The iTraxx indices pulled wider again on Friday, with the financials sub index almost 6bp weaker at 133.25bp at 12:15pm.

Covered bonds aside, euro financials issuance withered after Erste Group Bank postponed an Additional Tier 1 on Wednesday, although the widening of recent trades was relatively contained.

BFCM's €500m 2.5% 10-year Tier 2 was nearly 5bp wider than its swaps plus 145bp reoffer level last Friday, while the week's fixed-rate senior was flat to 2.5bp wider, according to Tradeweb.

The week's €8bn of euro issuance fell short of expectations, as a drop in risk appetite, exacerbated by rates moves, forced most borrowers into watch-and-wait mode and brought covereds back to the fore.

"I do think there were quite a few that didn't go, and there is a bit of a back-up [in the pipeline]," said a banker. "Supply will be very sensitive to how the market performs."

Erste said last Thursday that it was under no pressure to proceed, and would wait for stability to return. At least two other AT1s had been lining up for issuance in the coming days.

"The stigma of a failed deal in the market is not helpful, and the investor base has got its tail up in terms of being able to push pricing wider and stick to their guns," the banker added.

"[But] I think fallout can be quite contained. The outcome for other issuers will probably be weaker than it would have been - though clearly the market is a bit weaker as well."

STERLING

PROVIDENT DOORSTEPS INVESTORS AS HASTINGS REOPENS STERLING

HASTINGS GROUP revived the sterling senior bond market with a well-received £250m seven-year, but a five-year from PROVIDENT FINANCIAL - clawing its way back from a dire 2017 - could prove a much more difficult sell.

Hastings, which offers motor and home insurance, had accrued £650m in orders as it launched at Gilts plus 180bp, well inside the 190bp-200bp IPTs. The bond is rated BBB by Fitch.

"It's a very good operator in terms of the business model, the solvency margins and so on," said a banker. Its small size compared with industry peers presents the only challenge, he added, making it more tempting for investors to pass.

Barclays, *HSBC* and *Lloyds* led the deal.

The company has no outstanding bonds, meaning other sterling insurance paper offered the best reference points.

One was the Hiscox 2% December 2022, trading in the mid-90s over Gilts, though it is better rated (BBB+ by S&P and Fitch) and a larger institution. Similarly rated UK building societies trade in the 120bp-140bp range.

The response offers an insight into the state of demand for financials paper in sterling after supply tailed off in late April, when Santander UK's dual-trancher failed to lift off.

Its £500m May 2026 holdco bond (Baa1/BBB/A) priced in line with IPTs at Gilts plus 160bp and has since drifted to 167bp. The broader market is flat to a touch tighter.

"It's two-way - there is definitely paper being offered," said an investor, "but I am a little more constructive."

BACK FROM THE BRINK

He planned to avoid sub-prime lender Provident Financial, however, which started investor meetings on Thursday for a sterling five-year via *Barclays*, *Lloyds*, *NatWest Markets* and *Santander*.

"I'm not going to jump into something as dodgy as that," the investor said.

"You'd have done alright in the equity if you jumped in at the lows, but there is always more scope for something to fall apart on this, and I can't accurately gauge what risk I'm taking there."

The credit, which has been dealing with regulatory investigations into elements of its business, is likely to prove divisive.

It swung into the red last year, prompting the departure of its CEO and the suspension of its dividend, and remains on negative outlook at Fitch, where it is rated BBB-.

Its £250m 8% October 2019 plummeted more than 30 points from a 112 cash price last August - Provident dropped out of the FTSE 100 that month - but is bid back around 105.

"People thought it was dead - it was an existential crisis," said the first banker. "It's a tough sector, and it's had very credit-specific negative newsflow as well. That's a tough trade, but I hope it works."

2018 has brought some welcome relief. After losing 70% of their value last year, Provident's shares soared in February when it announced a £331m share sale, increasing its capital by more than a third.

That, paired with a positive trading update this month, provided the catalyst for its bond market comeback, an exercise it hopes will extend its funding beyond that 2019 maturity.

After 2017's botched restructuring, changes in the business are finally filtering through and the 2019 bond's performance indicates investors are increasingly comfortable with the credit, a lead said.

"Obviously, the sector it's in can create emotion, but they are a very responsible and good company; they've been around for a very long time and are really providing a service," he added.

While the bond may not appeal to some investment-grade accounts, demand is arguably deeper for higher-yielding assets compared with paper sold at double-digit spreads.

"There is an interesting debate as to whether everybody has as much cash as everybody thinks. And there has been quite a lot of supply, particularly on the FIG side and from UK banks, and I think people are treading carefully," the lead said.

"[But] the market is certainly there for this sort of credit, this sort of name and this sort of spread."

SWISS FRANCS

FOREIGN BANKS TO THE FORE IN SWITZERLAND

WESTPAC opened the week in the Swiss franc primary market with a SFr200m (US$201m) 0.40% six-year Eurobond issue last Monday at the wide end of mid-swaps plus 22bp–25bp price talk.

The offering, via sole lead *Credit Suisse*, attracted a SFr200m order book from 38 accounts and, despite pricing at the wide end of guidance, paid a modest new issue premium of 2bp.

Asset managers bought 73%, insurance companies 15%, pension funds 10.5% and retail/private banks 1.5%. Westpac is rated Aa3/AA–/AA–.

BNP PARIBAS followed on Wednesday with a SFr200m seven-year senior non-preferred issue. Those bonds came at mid-swaps plus 68bp, broadly in line with extrapolated fair value. BNPP's only other Swiss franc senior, a SFr200m 1.875% 2022, was bid at a Z-spread of 25bp, and adding 25bp-30bp for the senior/SNP differential and 15bp for curve extension suggested fair value at around 67.5bp.

The bonds were priced with a 1% coupon to yield 0.94% and went mainly to an all-Swiss roster of asset managers and insurers.

BNP Paribas (Suisse) was sole bookrunner, with joint leads *Credit Suisse*, *Julius Baer* and *ZKB*. BNPP's SNPs are rated Baa1/A-/A+.

On the domestic front, SCHAFFHAUSER KANTONALBANK (ZKB AA+) priced a SFr125m 0.5% 10-year at mid-swaps less 2bp, the tight end of less 2bp/flat guidance. *ZKB* led the deal.

NON-CORE CURRENCIES

SINGAPORE RATE SWING DELAYS LLOYDS T2

LLOYDS BANKING GROUP is delaying plans for a Singapore dollar bank capital offering after rising rates made the local market less competitive.

"The deal's not on for the time being," said one banker involved in the transaction. "Lloyds is now exploring alternative funding markets for its Tier 2 bonds."

Another source said Lloyds would continue to monitor the local market for an opportunity to print.

DBS, *HSBC* and *Standard Chartered* are joint lead managers for the potential issue.

Since announcing its plan for the Tier 2 issue on May 2, the UK bank has struggled to launch the deal because of volatile local benchmark rates. The five-year Singapore dollar SOR climbed from 2.38% on May 2 to around 2.47% on May 17.

"Lloyds had a target price in its home currency but the rising rates made the swap cost unattractive and the Singapore currency just didn't work in the end," said one high-net-worth investor who had looked at the deal.

Rival bankers said Lloyds had also found it challenging to garner strong demand at price whispers of 3.875% in a weak market.

A recent sell-off in outstanding Singapore dollar Tier 2 bonds made that look tight. Barclays' 3.75% 12-year non-call seven T2, sold in November, was quoted at a yield of 4.56% while Manulife Financial Group's 3% 12-year non-call seven T2 was at a yield of 3.60% and Landesbank Baden-Wuerttemberg's 3.75% 10-year non-call five was indicated at 3.80%. Only Commerzbank's 4.875% 10-year non-call five notes sold last year were above water at 101.18, or 4.52%.

QUICK KANGAROO RETURN

Lloyds faced no such problems in the Australian dollar market, raising A$400m from its fourth Kangaroo bond offering in 20 months, a dual-tranche fixed-rate 5.5-year and 10-year issue.

The A$250m of 3.9% November 23 2023s were priced at 99.584 for a yield of 3.985%, in line with asset swaps plus 140bp area guidance.

The A$150m of 4.75% May 23 2028s were priced at 99.902 to yield 4.7625%, matching asset swaps plus 185bp area price talk.

ANZ, *JP Morgan*, *NAB*, *Nomura* and *Westpac* were joint lead managers on last Wednesday's transaction.

A floating-rate 5.5-year note tranche was marketed but, with greater demand for the fixed-rate offering, the leads opted for a larger, single 5.5-year tranche in the interest of liquidity and performance.

On February 28 this year, Lloyds Banking Group issued a A$750m dual-tranche seven-year Kangaroo.

On September 13 2016, the group printed a debut A$650m dual-tranche 5.5-year Kangaroo before issuing a A$450m 4.25% 10-year Kangaroo on November 15 2017.

These bonds count towards the group's total loss-absorbing capacity or, in the EU jurisdiction, minimum requirement for own funds and eligible liabilities (MREL).

Under UK rules, holding companies can issue TLAC/MREL-eligible Kangaroos, though they are subject to Australian law.

BARCLAYS (Baa3/BBB/A) is set to join Lloyds, having mandated itself and *NAB* to host debt investor meetings in Hong Kong, Singapore, Melbourne and Sydney starting this week ahead of a potential senior unsecured Kangaroo bond issue.

Structures under consideration are five-year and/or 10-year bullet bonds or six-year non-call five and/or 11-year non-call 10 callable bonds.

COVERED BONDS

EUROS

NIMBLE NORDEA FINDS RECEPTIVE COVERED MARKET

NORDEA MORTGAGE BANK breathed some life into a rather dormant covered market last Thursday, swiftly accruing orders for its seven-year Finnish benchmark.

"Clearly the tone was changing yesterday: the high-beta stuff has been a bit soft," said a banker away. "Therefore, the backdrop is perhaps good for borrowers to switch to covereds."

Stable secondary spreads on the lack of supply enabled leads *HSBC, LBBW, Nordea, Societe Generale* and *UBS* to build on an aggressive starting point, moving in one fell swoop from mid-swaps flat area to a final less 3bp.

Books for the €1bn deal went on to close at over €2bn.

"People do like Nordea," said a second banker away. "It's probably one of the most well-liked issuers in the market. Their transactions tend to be reasonably priced and decently executed."

Bankers could not agree on the new-issue premium, estimating it at anywhere from zero to low single digits.

The bank last visited euros in February, selling a €2bn two-part trade across five and 15-year tenors. Those priced very tightly - at swaps less 11bp and less 1bp - but have since softened substantially, to minus 5bp and plus 4bp, respectively.

Nordea's deal came as smaller compatriot Aktia Bank was finishing investor meetings for an intermediate-tenor covered benchmark, although a lead said Nordea's decision to launch on Thursday was unrelated.

"The market for covereds has been quiet, but it's strong," he said, indicating a French national holiday on Monday 21 and broader supply considerations as reasons for the timing.

A lead on Aktia reckoned Nordea's appearance might in fact be helpful in terms of calibrating where Finnish covereds should be pricing.

"It's definitely a smart move to come today," he said, speaking last Thursday. "The market at 8am yesterday morning did not look so bad, yet deals were slow. Issuers need to be more flexible and nimble in terms of which products they offer and when."

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

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Natixis	26	6,357.80	6.1
2	LBBW	32	6,046.58	5.8
3	UniCredit	32	6,032.49	5.8
4	HSBC	30	5,572.16	5.4
5	Credit Suisse	23	5,511.08	5.3
6	Deutsche Bank	23	5,461.56	5.3
7	Commerzbank	27	4,964.07	4.8
8	SG	21	4,440.87	4.3
9	Barclays	22	4,362.96	4.2
10	Credit Agricole	22	4,362.37	4.2
	Total	131	103,554.05	

Source: Thomson Reuters SDC code: J15a

DEUTSCHE PFANDBRIEFBANK LEAVES LITTLE ON TABLE

DEUTSCHE PFANDBRIEFBANK's €500m six-year Hypothekenpfandbrief ended a six-day lull in the covered bond primary market, although the deal's aggressive opening level had some bankers worried that issuers are reverting to pricing at super-tight spreads.

Guidance started at mid-swaps less 6bp area, indicating a new-issue premium of 4bp, according to a lead. Deutsche Bank marketed its €500m five-year the previous week at minus 5bp area, at that point indicating a 4bp concession.

"The backdrop definitely looks firmer at the moment," said a banker. "But it's not like there's a big party going on in secondary where everybody is asking for paper. I would have liked to see them a bit more generous by 1bp or 2bp to also ensure that the general market sentiment remains where it is."

Even when the majority of issuers were paying up in terms of concessions in April, some such as DG Hyp were still firing off benchmark trades with tiny NIPs.

PBB managed to cover its €500m book within the first hour, as did Deutsche Bank, and to set the spread at the tight end of the revised guidance of minus 8bp area (+/-1bp), defying the first banker's expectations that it would not land at minus 9bp.

He admitted that the Pfandbrief market is always different to any other covered market.

"Even if the PBB gets done, at least it confirms that markets are in a better shape than they were," he said.

A lack of competing supply, and stable German secondary levels after weakness in recent weeks, indicated it was the right time for a Pfandbrief, said another banker away.

Although core French, Norwegian, Swedish and Dutch names are expected to greet the sparse covered market, supply is still low, lagging behind the senior market, for instance.

"There are still some guys looking at covereds, but they're also taking advantage of the more stable market to do riskier trades, such as senior, non-preferred or holdco," said the second banker.

"They can use covereds if that market closes again."

Citigroup, Commerzbank, DekaBank, Deutsche Bank and *Erste Group* ran the deal.

THIRD TIME LUCKY FOR COMMERZBANK

COMMERZBANK's last-minute covered swoop proved more convincing than its last two sector outings, with a final ex-lead book of over €950m.

Having started the marketing with a 7bp concession, orders were already over €600m in just over an hour.

"It's going fast for a Friday, which is normally a no-go," said a lead. "But we went out due to the lack of covered issuance this week and the expected saturated supply across financials next week. The issuer would have gone yesterday had it not been for Nordea."

ABN AMRO, Commerzbank, DZ Bank, Santander and *Societe Generale* went on to fix the €500m no-grow seven-year at swaps less 9bp, the tight end of less 8bp area (+/-1bp) revised guidance and well inside the initial less 5bp area talk.

That suggested a final 3bp premium, in line with last Thursday's trade at the same tenor from Nordea. Commerzbank's last seven-year outing, a €500m 0.625% due March 2025, was bid 5bp back from its March reoffer level at swaps less 10bp.

The bond is the third Commerzbank covered in as many months. "That's why we've gone out with a little bit of premium," said a second lead.

Covereds make up a hefty 50% of the bank's funding structure, as at the end of March this year.

Orders for last month's 10-year only passed the €750m mark despite a generous starting point. The March seven-year, meanwhile, topped out with books at €700m, including €100m of joint lead manager interest.

A banker away was expecting another slow run this time based on the frequency of the issuer's market visits and the abundance of German covereds - which total over €12bn so far this year.

"There isn't a big following outside of Germany: it's one that investors can afford to sit out on," he said. "Other German deals have also had a slower reception. I wouldn't say it's credit-specific."

After an aggressive opening of minus 6bp area, the book for Deutsche Pfandbriefbank's €500m six-year reached only €625m last week at the final swaps less 9bp spread. Deutsche Bank's €500m five-year earlier in the month, however, was more than twice subscribed.

AKTIA TO BRING WELCOME FINNISH COVERED SUPPLY

AKTIA BANK's treasurer is not concerned about any potential impact on the covered bond market from the European Central Bank's gradual reduction of its asset purchase programme, as it prepares its return to the sector after a three-year hiatus.

"There have been people in the market who have used the investor to drive issue spreads as tight as possible," said Timo Ruotsalainen, head of treasury and investor relations at Aktia Bank.

"I've never been a big sponsor of that idea because, at the end of the day, we need real-money investors here, also for the rainy days and particularly now the central bank is planning to leave."

Lead managers *BNP Paribas, LBBW, Natixis* and *Nordea* arranged investor meetings lasting from May 9 until May 17. A euro-denominated benchmark covered bond with an immediate tenor is expected to follow in the week of May 21, according to a lead.

"We have not been relying on the central bank in any of our transactions," said Ruotsalainen. "I still welcome them to join and bid for this one, but we are not dependent on their participation."

Aktia will refinance its €500m 1.125% June 2018. That bond was bid on Friday at mid-swaps less 2bp, 3bp back of where Nordea Mortgage Bank's €1.25bn five-year - sold in February as part of a dual-tranche transaction - was trading.

"It requires a reasonably good day and I'm sure that we will be able to place the bond successfully," said Ruotsalainen.

As the least active country in the Nordics, Finnish covered supply year-to-date stands at €3.25bn, including Nordea's €1bn five-year sold last Thursday.

The majority of this is dominated by Nordea's combined €2bn dual-tranche transaction. The only other issuer to come out of Finland has been Mortgage Society of Finland, which sold a €250m five-year in mid-April. The April 2023 was bid last Friday at mid-swaps plus 8bp, 2bp wider than reoffer.

Aktia's issuance strategy will rely on €500m-sized public deals with selective private placement offerings, according to the bank's investor presentation.

OBERBANK PLANNING EUROPEAN COVERED ROADSHOW

OBERBANK has mandated *DZ Bank, Erste Group* and *UniCredit* to arrange a series of fixed income investor meetings across Europe in the week commencing May 22 to introduce its covered bond programme.

An inaugural €300m long-term deal with an expected rating of AAA from S&P may follow.

HIGH-YIELD

UNITED STATES

PRIVATE EQUITY FIRMS DIAL BACK AGGRESSIVE BOND TERMS

Private equity firms were forced to tweak covenants and hike the yields of two junk bond sales on Thursday, following push-back from investors on their aggressive terms.

The deals' struggle illustrates increasing unease among investors about weaker bond covenants for leveraged buyouts, amid warnings that the credit cycle has entered its late stages.

"Private equity firms feel like they need to protect their optionality," said Christina Padgett, head of leveraged finance research at Moody's. "They are expecting lower returns given high valuations and higher cost of capital."

Leonard Green faced the sharpest criticism last week for provisions it had initially sought to include in a bond sale backing its US$3bn-plus buyout of wholesale roofing company **SRS DISTRIBUTION**.

Moody's originally gave the US$380m eight-year non-call three offering a covenant quality score of 4.9 on a scale of one to five, where five represents the weakest possible safeguards for bondholders.

Other firms that conduct legal reviews of bond offerings had also expressed negative views on the covenant package, which allowed the company ample flexibility to incur additional debt and siphon cash away from bondholders, they said.

In a note on Wednesday, Covenant Review analyst Ross Hallock said terms on the SRS bond were "among some of the worst covenants that we have ever seen".

According to Xtract Research, a particularly weak set of provisions governing the ability of SRS to incur additional debt - by itself - made the deal "a candidate for Worst High-Yield Bond of the Year".

Separately, covenants on a US$375m eight-year non-call three issue for the buyout of contract bakery **HEARTHSIDE FOOD SOLUTIONS** similarly came under fire for what Covenant Review called "extremely loose, porous covenants".

Moody's assigned a covenant quality score of 4.75 to the preliminary terms of that offering, which is part of the financing package for **CHARLESBANK CAPITAL PARTNERS** and **PARTNERS GROUP**'s buyout of the company.

Barclays is the lead underwriter on both bond offerings, which also have the same legal advisors - Latham & Watkins for the issuer and Allen & Overy for the underwriter - according to people familiar with the matter.

CHANGES

In updates to the market on Thursday, Barclays announced a number of changes to the SRS and Hearthside covenant packages.

While the changes helped alleviate some of the concerns, analysts said the overall terms remained weak.

"Anytime there is improvement we are happy, but it never seems to be enough," Valerie Potenza, head of leveraged research at Xtract, told IFR. "Some of these terms make you wonder if the company thought they could get away with this."

In another move to placate investors, the yields offered on the deals were also sweetened, both initially having been indicated in the 7.75%-8% range.

The SRS bond was subsequently marketed at a yield of 8%-8.25%, pricing at the wide end in a US$350m size, less than the US$380m originally earmarked. Hearthside's bond was marketed at 8.25%-8.50%, and also priced at the wide end in a reduced size - US$350m, from US$375m.

VALEANT ATTENDS TO BOND MATURITIES WITH NEW ISSUE

VALEANT PHARMACEUTICALS, rated Caa1/B-/B-, returned to market on Thursday with a US$750m 8.6-year bond in an effort to improve its US$25bn debt profile and attend to upcoming maturities.

The deal from the Canadian drugmaker comes on the heels of positive earnings and a name change to Bausch Health Companies as it seeks to move past a string of scandals in relation to drug pricing practices.

Markets have largely reacted well to the turnaround story, with Valeant 2025s tightening more than 200bp over the past

ALL US$ DENOMINATED HIGH-YIELD BONDS
BOOKRUNNERS – 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	72	10,782.88	10.6
2	Goldman Sachs	60	7,055.44	7.0
3	Barclays	49	6,842.32	6.7
4	Deutsche Bank	55	6,736.31	6.6
5	Wells Fargo	48	6,642.22	6.6
6	BAML	65	6,564.25	6.5
7	Credit Suisse	54	6,538.78	6.5
8	Morgan Stanley	48	6,081.03	6.0
9	Citigroup	53	5,944.74	5.9
10	RBC	34	4,209.24	4.2
	Total	**185**	**101,370.94**	

Including US domestics, Euro, foreign, globals. Excluding equity-related debt.

Source: Thomson Reuters SDC code: B5

ALL NON-DOLLAR DENOMINATED HIGH-YIELD BONDS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	Deutsche Bank	22	2,638.14	9.0
2	JP Morgan	27	2,487.57	8.4
3	BNP Paribas	24	2,013.07	6.8
4	BAML	14	1,873.08	6.4
5	Goldman Sachs	16	1,549.85	5.3
6	Credit Suisse	16	1,522.49	5.2
7	HSBC	17	1,444.49	4.9
8	Morgan Stanley	9	1,440.51	4.9
9	Barclays	11	932.40	3.2
10	Natixis	9	922.39	3.1
	Total	**65**	**29,472.57**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B6

year, and Thursday's 8.6-year bond enjoyed good demand.

One investor said books on Thursday's deal were around four times subscribed.

"The primary driver of sentiment is Valeant's operational stabilisation," Eric Axon, senior analyst at CreditSights, told IFR. "The bleed has slowed and investors are starting to see some modest organic growth across the important businesses of the company."

Proceeds from the bonds, which had a call in year four, will help refinance a Term Loan B and redeem 5.375% 2020, 6.375% 2020, 6.75% 2021 and 7.25% 2022 notes.

As part of the refinancing, Valeant has also taken out an up to US$1.2bn five-year revolving credit facility, as well as a US$4.565bn Term Loan B facility.

The company had initially planned to also sell a US$750m secured note, but later decided to shift that amount to the loan portion of the financing.

The unsecured bonds priced at 8.5%, which was inside talk of 8.625% area but well above the coupons on the bonds that will be refinanced through the new debt sale.

Even so, that will clear out around 44% of Valeant's 2020-2022 maturity wall, according to CreditSights analysts.

"The further out that maturity wall gets, the better people feel about the story," said Axon.

Yet, while Valeant has been chipping away at its debt pile, the company still faces around US$2.5bn of maturities in 2021 and US$6bn in 2023.

"I'm of the view the market is getting a bit overexcited about Valeant," Axon said. "While things are looking better, if you make growth assumptions from their current Ebitda base and bounce it against US$25bn of debt, there's still a difficult road ahead of them."

Chief Executive Joseph Papa has said 2018 will be a "trough year for the company", and some investors still are not convinced by the turnaround story.

"I'm going to need to do a little more digging before I get comfortable with buying the bonds," one investor said. "Leverage is still pretty high, they've got revenue challenges from patent losses, and outstanding litigation. That's hard to handicap as a creditor."

And while the refinancing is a plus for bondholders, Valeant is also pursuing amendments to its credit agreement to provide it with "enhanced operating flexibility".

That could mean bondholders could be exposed to additional secured layering, CreditSights said.

Moody's, which assigned a Caa1 rating to the new notes, cited gross leverage of around 7.5 times and growth difficulties due to patent expirations.

The company was last in the bond market in March 2017, when it sold US$2.5bn also to refinance debt.

Goldman Sachs acted as left lead with *Barclays*, *Citigroup*, *Deutsche Bank*, *DNB*, *JP Morgan*, *Morgan Stanley* and *RBC*.

ALL ASIAN HIGH-YIELD ISSUERS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Deutsche Bank	13	1,591.55	8.3
2	Morgan Stanley	10	1,440.18	7.5
3	BAML	9	1,313.11	6.9
4	Citic	17	1,310.33	6.9
5	Guotai Junan Securities	21	1,044.67	5.5
6	Haitong Securities	21	960.06	5.0
7	Bank of China	11	917.07	4.8
8	JP Morgan	4	910.18	4.8
9	Credit Suisse	13	886.09	4.6
10	HSBC	13	684.57	3.6
	Total	**46**	**19,106.02**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B06d

❯ SPRINT WINS BONDHOLDER APPROVAL TO REMOVE LEGAL RISKS

US wireless carrier **SPRINT** can remove legal risks related to the securitisation of some of its airwaves, after a majority of bondholders gave it the green light to proceed.

The company had sought to amend terms on its 6.875% notes due 2028 and its 8.75% notes due 2032 - a move seen as a way to quell any doubts that the spectrum notes had violated indentures ahead of Sprint's US$26bn merger with rival T-Mobile.

"While Sprint maintains that the spectrum transaction was not in violation of the indenture, it is prudent to quash the risk before the Sprint and T-Mobile merger moves into more advance stages," wrote analysts at CreditSights.

Even so, the company had to increase the consent payment on the transaction to get investors on board after a bondholder group was heard pushing back for better terms.

That seemed to do the trick after Sprint announced on Friday that investors holding 95.3% of the US$2.475bn 2028s and 98.7% of the US$2bn 2032s had agreed to the amendments.

The consent solicitation, which was announced on Monday, provides that a transaction Sprint recently carried out to securitise some of its spectrum is not subject to limitations contained in US$4.475bn of Sprint's old bonds.

Sprint initially offered holders of 2028s and 2032s an aggregate consent fee of US$49.5m and US$40m, respectively, when it announced the offer on Monday.

On Wednesday, however, Sprint sweetened the deal for investors by bumping that fee to US$99m for the 2028s and US$80m for the 2032s.

The revised fee implies a payment of 4bp for every US$1,000 of bonds for which consent is delivered, assuming all bondholders accept.

If only some accept, the payment would have been higher in percentage terms, as the whole fee is split only among those consenting.

With the revision of its consent fee, Sprint accelerated the deadline for bondholders to respond to May 17 from May 18 initially.

ALL EUROPEAN HIGH-YIELD ISSUERS
1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	31	3,808.22	8.7
2	Deutsche Bank	27	3,385.74	7.8
3	BNP Paribas	27	2,659.29	6.1
4	Goldman Sachs	22	2,547.95	5.9
5	BAML	16	2,235.69	5.1
6	Barclays	17	2,153.01	4.9
7	Credit Suisse	18	2,032.75	4.7
8	HSBC	18	1,826.62	4.2
9	Citigroup	15	1,734.57	4.0
10	ING	13	1,714.08	3.9
	Total	**77**	**43,552.59**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: B06c

EUROPE/MIDDLE EAST/ AFRICA

❯ PREMIER FOODS DRAWS EYES TO MUTED STERLING HY MARKET

PREMIER FOODS' £300m refinancing trade, the only sterling high-yield deal to come out so far in May, drew eyes to issuance in the currency, which has gone quiet after a record year in 2017.

Physical bookrunners *Barclays*, *BNP Paribas*, *HSBC* (B&D) and *Lloyds* tightened talk to 6.25% area on Friday from mid-6s IPTs earlier in the week, after which the 5NC2 deal priced in line with guidance, at 6.25%.

No other borrowers have tapped sterling high-yield this month, as issuance in the currency has dampened in 2018.

While Becton Dickinson priced a £250m seven-year on Thursday, that deal, rated Ba1/BBB/BBB-, was executed as an investment-grade trade.

Year-to-date, £2.7bn of issuance has cleared the sterling high-yield market - the second lowest year-to-date level on record, according to IFR data. It is eclipsed only by 2016, when the lead-up to the UK's referendum on EU membership battered volumes.

The subdued issuance comes after total supply in the currency last year hit a record high £8.66bn. Year-to-date volumes in 2017 stood at £4.2bn.

Last year, issuance was supported by European and global funds as they ventured into the sterling space in search of returns. Sterling bonds often offered more spread than comparable euro-denominated paper.

"Before, the sterling market was a diversification play for global accounts, but that's not the case now," said a syndicate head.

However, appetite among such accounts is starting to drop.

"We're definitely looking to limit the size of our exposure to sterling. Quite often it's one in, one out," one investor said.

For others, it is more about the share of sterling bonds out of risky sectors.

"We haven't taken a top-down view on cutting exposure to sterling. However, when you look at the amount of sterling we hold, it is less than it used to be," said a second investor.

"That's just been more from looking at individual names. It's more so just because so much of sterling is consumer names," the second investor said.

Consumer debt is another sector of concern and one that also accounts for a substantial share of sterling issuers, the investors said.

A banker on Premier Foods, however, said appetite for sterling paper remains a case-by-case question.

"It depends on the deal, really. You tend to find that, for the pure UK companies, they don't have a massive bid outside of the UK [anyway]," he told IFR.

"People look at two things on sterling deals: one is the currency itself and the exposure of the credit to the UK economy. For an international credit, that increases the probability of non-UK participation in the deal," he said.

In Premier's case, the banker said the deal had attracted a significant number of non-sterling accounts. That comes despite only 6% of Premier's revenues coming from non-UK operations in the year ending April 2017 and 5% during the previous year.

The trade came on the back of Premier Foods releasing preliminary results for the year ending March 31, which showed adjusted Ebitda up to £140m from £133m the year before.

"That it has achieved this during the chill consumer wind of Brexit and as Britain comes over all 'healthy-eating' is admirable," CreditSights analysts wrote in a note. "The next hurdle will be to negotiate supermarket consolidation and the ongoing squeeze on UK disposable income."

When the company came to market last year, the deal was announced on the back of declining earnings.

Coming from the food sector is also to the company's advantage.

"It's not retail - and if you regard it as retail, it's food, so there are worse places to be," the first investor said, pointing to riskier consumer names in the fashion space.

At least one other sterling trade is in the making, expected to come to market in the coming weeks, a third banker said.

Virgin birth for Aussie HY

■ **ASIA-PACIFIC HIGH-YIELD Safe landing for Australia's first Single B offering**

VIRGIN AUSTRALIA HOLDINGS has pushed Australia's developing high-yield bond market further down the credit curve with the first low Single B rated offering.

The 8.25% five-year non-call three medium-term note issue raised a creditable A$150m (US$113m). It was priced at par, in line with initial low 8% area price talk and final 8.25% area guidance.

The senior unsecured bond offering arranged by joint lead managers *ANZ*, *HSBC* and *UBS* is rated B3/B– (Moody's/S&P), at the bottom of the Single B spectrum, one and two notches below the issuer's B2/B+ ratings, respectively.

"The success and size of the deal represents an important broadening of Australia's high-yield bond market that can only encourage other sub-investment-grade rated corporates to look to the local market for their funding requirements," said ANZ's global head of syndication, Paul White.

The move to a low Single B credit represents a big step for the famously conservative fixed-income investor base in Australia, where previous high-yield bonds have come from either Double B rated names or unrated credits with assumed Double B or Triple B ratings.

One Sydney-based fund manager told IFR he, like many others, has a client mandate cut-off point at BBB– (the lowest investment grade) but suggested some funds with broader mandates could get involved even at such a low rating, as long as they were comfortable with the credit and satisfied with the premium on offer.

HOMEGROWN DEMAND

Some expected the bulk of demand to come from Asia, where investors should derive more comfort from Singapore Airlines' 20% stake in Virgin Australia. Abu Dhabi's Etihad Airways also owns 20%.

However, the geographical breakdown showed Australia taking the lion's share with a 75% allocation, mostly to funds and middle-market investors, while Asia bought 21% and EMEA 4%.

Qantas Airways, the country's largest airline, issued the first high-yield bonds in Australia's institutional wholesale market, and benefited from implicit government support as it raised A$750m from seven-year and eight-year issues in 2014.

That was a vastly different credit proposition, however, coming soon after Qantas had suffered downgrades to junk status, which were subsequently reversed. Its high Double B ratings at the time also provided rather more comfort than Virgin Australia's lowly B3/B– status.

Historically, the US 144A and private-placement markets have been the first ports of call for non-investment-grade Australian corporate issuers looking for size and, indeed, Virgin Australia has issued US$750m in that market.

Last October, it raised US$350m from the sale of 7.875% five-year 144A/Reg S bonds, priced 659bp wide of Treasuries, and also has an outstanding US$400m 8.50% November 15 2019 144A/Reg S note.

EXPANDING INVESTOR BASE

High-yield issuance remains relatively rare in Australia, where high-rated banks dominate the A$1trn-plus investment-grade market, but it now makes up a significant share of new corporate supply.

High-yield corporate issuance totalled more than A$1bn in 2017 across all markets, including retail, versus A$12.6bn for Triple B and higher-rated debt, excluding Kangaroos.

The local buyside is underpinned by a deep and rapidly expanding pension pool, with total assets of more than US$1.9trn equivalent, or 138.4% of GDP, according to Towers Watson.

With funds and wealthy individuals looking for higher returns in a low interest rate domestic environment, sub-investment grade companies are becoming more confident that their funding needs will be met at home.

The high-yield arena remains highly credit-specific, however, with a recent wake-up call provided by Mackay Sugar, which sought and secured a 12-month extension on its unrated A$50m 5.25% April 5 2018 note issue.

John Weavers

KRATON ACCELERATES REVERSE YANKEE DEBUT

KRATON PERFORMANCE POLYMERS accelerated its debut euro trade, taking centre stage in the euro market after NBG Pangaea's decision to postpone its deal. The US synthetic rubber manufacturer priced a €290m eight-year non-call three note issue at 5.25% on Thursday, the tight end of 5.25%-5.5% talk. The roadshow was initially slated to end on Friday.

The deal is a debut for Kraton in the European bond market, extending its euro funding after issuing a euro-denominated Term Loan B in March as part of a cross-border refinancing deal.

A source with knowledge of the matter said Kraton went for euros due to its currency needs. Kraton generated 34% of its revenues in Europe, the Middle East and Africa in 2016, compared with 43% in the Americas and 23% in Asia-Pacific.

The deal comes at an interesting time, as bankers have said recently that issuing in US dollars and swapping back to European currencies is more compelling, though that could be on course for change.

"As underlying rates in the US rise, the absolute coupon differential may become compelling for issuers, particularly for issuers that have European cashflows," one senior banker said. Investor diversification is also another important reason that often brings reverse Yankees to Europe.

More reverse Yankees could tap the market in the coming weeks, another banker said.

The last reverse Yankee issuer to price a deal in the European high-yield market prior to Kraton was The Lycra Company, which brought a €250m 5NC2 senior secured note issue at 5.375% in late April.

Year-to-date high-yield issuance in euros by US corporates is slightly down on 2017 levels, at €5.3bn compared with €6.1bn, according to IFR data. 2017 was a peak year for reverse Yankee issuance, with volumes hitting €11.5bn for the full year.

Proceeds from the deal will be used to refinance Kraton's US$440m 10.50% senior 2023s, which were issued in 2016 to back its acquisition of Arizona Chemical.

Leads had to initially take the whole of that deal onto their books as they failed to find buyers for the paper, which carried Triple C ratings at the time, in a deteriorating market. It was eventually sold at 96.225 two months later.

However, the company subsequently focused on deleveraging and cost-cutting, reducing net debt by US$281m since the acquisition, and came to market at a lower borrowing cost in 2017. Its last deal, a US$400m April 2025 note issue (April 2020 call) printed at 7%, is now bid around 5.90%, according to Thomson Reuters data.

Results released in the last week of April showed Kraton's Ebitda for Q1 at US$89m, up 35% on the same quarter in 2017.

The deal came in conjunction with a tender offer for the 2023s. The company is offering bondholders US$1,107.66 for every US$1,000, while the bonds are callable at 107.875 from October this year.

The financing also includes a US$90m term loan add-on.

JP Morgan (B&D), *Credit Suisse* and *Deutsche Bank* were bookrunners on Kraton's offering.

STRUCTURED FINANCE

EMEA MBS

B&B TAKEOUTS DURHAM MORTGAGES A AND B PRICED

DURHAM MORTGAGES A and **DURHAM MORTGAGES B**, the two securitisations of Bradford & Bingley mortgages acquired last month by **BARCLAYS** and **PIMCO**, were priced on Friday.

Durham Mortgages A securitises owner-occupied mortgages and Durham Mortgages B securitises buy-to-let ones.

They were not being publicly offered or marketed. Instead, financing banks Barclays, HSBC, Lloyds, Nationwide, NatWest and Santander UK have bought 95% of Classes A to D from both deals.

The process is very similar to the Ripon and Harben RMBS priced last year, which securitised the first portion of Bradford & Bingley mortgages sold by UKAR, although a portion of those deals were sold publicly.

As with Ripon and Harben, the same six banks agree to hold their bonds for predetermined periods of time. They cannot sell any for six months - compared with 12 months for the Ripon and Harben deals - and then must keep at least 75% until 18 months after closing. They must keep at least 50% from that point until 30 months after closing.

Barclays, as retention holder, will hold a 5% vertical slice of all classes. It will initially purchase but then transfer to a different investor - understood to be Pimco - 95% of seven further classes.

For both deals, *BNP Paribas* is arranger and a joint lead with *JP Morgan*.

OBVION SELLS THIRD GREEN STORM

Obvion priced its third Green RMBS on Friday, selling a €550m five-year Triple A off SPV **GREEN STORM 2018**. The deal had been announced on Monday.

The notes came at a discount margin of 14bp over three-month Euribor, after IPTs of high teens. The book exceeded €1bn at the final spread.

The deal is Obvion's third Dutch RMBS targeted at dedicated Green bond investors and came one year after the previous Green Storm, which sold €550m five-year seniors at plus 17bp.

The portfolio has a five-year revolving period. It pools mortgages on residential buildings that are either in the top 15% of Dutch properties based on energy performance, or that have been refurbished to achieve at least a 30% improvement in energy efficiency.

JP Morgan and *Rabobank* were joint leads.

ARGENTA RETURNS WITH GREEN APPLE DUTCH RMBS

ARGENTA SPAARBANK announced a repeat Dutch RMBS on Thursday, **GREEN APPLE 2018-1 NHG**, backed by NHG guaranteed mortgages.

The SPV name does not indicate the deal is targeted at Green investors. Instead it refers to Belgium-based Argenta's logo, which is a green apple.

There were two issues off the programme in 2007 and 2008 but the only outstanding paper is from the bank's first post-crisis deal in October last year.

Green Apple 2017-1 priced a €1.2bn 4.9-year Triple A at a discount margin of 18bp over Euribor.

The new deal is offering a 4.98-year Triple A via joint leads *ABN AMRO* and *BNP Paribas*. The coupon has been pre-set at 40bp over three-month Euribor.

The tranche size has not been given, but the static portfolio's provisional size of €1.16bn indicates there will be around €1bn of Class As. The mortgages have an average balance of €152.9k, 2.8 years of seasoning and a weighted average current loan to original market value of 90.1%.

Unlike the 2017 deal, which had a 6.8% bucket of interest-only mortgages, the new RMBS will securitise only amortising mortgages. Credit enhancement for the seniors is reduced from 13% to 12%.

There is a three-day roadshow running from Tuesday to Thursday.

CHARTER COURT READIES SECOND OWNER-OCCUPIED DEAL

CHARTER COURT FINANCIAL SERVICES announced its second prime owner-occupied RMBS on Wednesday, the first such public deal from the UK since Holmes 2018-1 in early March.

CCFS is better known as a buy-to-let securitiser, and this year alone has already issued two BTL deals off its Precise Mortgage Funding platform. Its first owner-occupied RMBS was a £300m trade in July 2017.

That deal publicly offered only Triple As, a £260m 2.91-year bond that came at 50bp over Libor, while three rated mezzanine tranches were pre-placed. Two unrated junior portions were retained, and earlier this year were bought by Bank of America Merrill Lynch.

There are six rated tranches in the new securitisation, **CHARTER MORTGAGE FUNDING 2018-1**. Classes A to D are being offered and Classes E and X shown as call desk. An unrated tranche of residual certificates is not offered.

The Triple As have a 2.96-year weighted average life, tranches B to E are at 4.76 years and the Class X is at 1.37 years.

They are backed by a £304.4m portfolio pooling 1,923 accounts with an average balance of £158.29k. Weighted average seasoning is 11.6 months, the average remaining term is 25.2 years and the average current LTV is 70.6%. The average interest rate is 4.17%.

All mortgages are first lien owner-occupied loans. No borrowers have CCJs or IVAs within six years of the loan origination, and none of the loans are in arrears.

The deal was arranged by *Lloyds,* which is a joint lead with *BAML* and *Natixis*. A roadshow started on Friday and will end on Monday, with pricing due later in the week.

Charter Court said in a first-quarter trading update on Tuesday its loan book grew 28% year-on-year to £5.5bn with £668m of new origination in the quarter.

INITIAL PRICE TALK FOR UK HOTEL CMBS RIBBON FINANCE

Initial price talk was released on Thursday for UK hotels CMBS **RIBBON FINANCE 2018**, following a two-day site visit. The deal securitises a loan from Goldman Sachs to sponsor Amir Dayan, backed by a portfolio of 17 Holiday Inn and three Crowne Plaza hotels.

The £153.9m Triple As (S&P and DBRS) are shown at low 80s over three-month Libor. The £48.07m AA/AAL Class B is at low 100s, the £27.93m AA/A– Class C at mid-100s and the £49.02m A/BBBH Class D at very high 100s.

The £81.7m BBB–/BBBL Class E is at low 200s, the £54.815m BB/BBH Class F is low/mid 300s and the £11.875m BB–/BB Class G is high 300s.

Expected maturity is April 2023, in line with the maturity of the underlying loan. The loan has a 30-month non-call period.

NEW ASSET-BACKED SUMMARY DETAILS: WEEK ENDING 18/5/2018

Issuer	Amount (m)	WAL	Coupon (%)	Bookrunner(s)	Rating	Asset type
CAALT 2018-2	US$281.2	2.58	3.470	Wells Fargo Secs/BMO CM	Aaa/AAA/NR	ABS
CAALT 2018-2	US$92.5	3.44	3.940	Wells Fargo Secs/BMO CM	Aa2/AA/NR	ABS
CAALT 2018-2	US$76.3	3.85	4.160	Wells Fargo Secs/BMO CM	A2/A/NR	ABS
Cadogan Square CLO VII	€272	5.6	3mE+78bp	Morgan Stanley	Aa2/NR/AA	CLO
Cadogan Square CLO VII	€29.5	7.2	3mE+132bp	Morgan Stanley	Aaa/NR/AAA	CLO
Cadogan Square CLO VII	€20	7.2	3mE+162bp	Morgan Stanley	Aa2/NR/AA	CLO
Cadogan Square CLO VII	€20	7.2	2.100	Morgan Stanley	Aa2/NR/AA	CLO
Cadogan Square CLO VII	€20.5	8.0	3mE+175bp	Morgan Stanley	A2/NR/A	CLO
Cadogan Square CLO VII	€10	8.0	3mE+205bp	Morgan Stanley	A2/NR/A	CLO
Cadogan Square CLO VII	€25.5	8.6	3mE+260bp	Morgan Stanley	Baa2/NR/BBB	CLO
Cadogan Square CLO VII	€27.5	9.3	3mE+470bp	Morgan Stanley	Ba2/NR/BB	CLO
Cadogan Square CLO VII	€13.5	9.9	3mE+625bp	Morgan Stanley	B2/NR/B–	CLO
Cadogan Square CLO VII	€53.65	N/A	N/A	Morgan Stanley	NR/NR/NR	CLO
Durham Mortgages A	£2,713,886	2.35	3mL+55/step up 100bp	BNP Paribas/JP Morgan	Aaa/AAA/NR	RMBS
Durham Mortgages A	£133.368	2.76	3mL+100/step up 180bp	BNP Paribas/JP Morgan	Aa1/AA+/NR	RMBS
Durham Mortgages A	£160.041	2.76	3mL+120/step up 225bp	BNP Paribas/JP Morgan	A1/A+/NR	RMBS
Durham Mortgages A	£60.016	2.76	3mL+140/step up 260bp	BNP Paribas/JP Morgan	Baa2/A/NR	RMBS
Durham Mortgages B	£1,805,181	2.76	3mL+60/step up 110bp	BNP Paribas/JP Morgan	Aaa/AAA/NR	RMBS
Durham Mortgages B	£183.970	3.24	3mL+100/step up 180bp	BNP Paribas/JP Morgan	Aa1/AA/NR	RMBS
Durham Mortgages B	£114.980	3.24	3mL+120/step up 225bp	BNP Paribas/JP Morgan	A2/A/NR	RMBS
Durham Mortgages B	£45.992	3.24	3mL+140/step up 260bp	BNP Paribas/JP Morgan	Baa2/A–/NR	RMBS
Globaldrive Auto Receivables UK 2018-A	£300	1.85	1mL+50bp	BAML/BNP Paribas/HSBC/NatWest	NR/AAA/AAA	ABS
Globaldrive Auto Receivables UK 2018-A	£31.2	2.99	1mL+94bp	BAML/BNP Paribas/HSBC/NatWest	NR/AA/AA	ABS
HERO 2018-1	US$178.4	5.1	4.670	Barclays	NR/NR/NR	ABS
NAVSL 2018-B	US$226	1.21	1mUSL+35bp	JP Morgan/Barclays	NR/AAA/NR	ABS
NAVSL 2018-B	US$110	5.34	3.610	JP Morgan/Barclays	NR/AAA/NR	ABS
NAVSL 2018-B	US$110	5.34	1mUSL+72bp	JP Morgan/Barclays	NR/AAA/NR	ABS
NAVSL 2018-B	US$75	9.08	4.130	JP Morgan/Barclays	NR/A/NR	ABS
NZES 2018-FNT1	US$205.557	2.88	3.610	CS/Citigroup	NR/NR/NR	RMBS
NZES 2018-FNT1	US$58.513	2.88	3.910	CS/Citigroup	NR/NR/NR	RMBS
NZES 2018-FNT1	US$74.091	2.88	4.400	CS/Citigroup	NR/NR/NR	RMBS
NZES 2018-FNT1	US$113.512	2.88	4.690	CS/Citigroup	NR/NR/NR	RMBS
NZES 2018-FNT1	US$64.592	2.88	4.890	CS/Citigroup	NR/NR/NR	RMBS
NZES 2018-FNT1	US$79.316	2.88	5.570	CS/Citigroup	NR/NR/NR	RMBS
NZES 2018-FNT1	US$50.344	2.88	5.670	CS/Citigroup	NR/NR/NR	RMBS
FCAT 2018-2	US$130.9	1.08	2.970	Wells Fargo Secs/DB	NR/AAA/NR	ABS
FCAT 2018-2	US$22.524	2.65	3.560	Wells Fargo Secs/DB	NR/AA/NR	ABS
FCAT 2018-2	US$26.286	3.30	3.890	Wells Fargo Secs/DB	NR/A/NR	ABS
FCAT 2018-2	US$19.855	4.00	4.230	Wells Fargo Secs/DB	NR/BBB/NR	ABS
FCAT 2018-2	US$12.34	4.14	5.510	Wells Fargo Secs/DB	NR/BB–/NR	ABS
SEACO 2018-1	US$188	5.1	4.29	DB/CS/PNC CM/SunTrust Robinson Humphrey	NR/A/NR	ABS
SEACO 2018-1	US$8	3.4	5.1	DB/CS/PNC CM/SunTrust Robinson Humphrey	NR/BBB/NR	ABS

Pricing is expected this week. *Goldman Sachs* is arranger and lead manager.

€4.9bn LLOYDS SALE COULD TRIGGER PUBLIC RMBS

Publicly offered RMBS paper may follow the sale by Lloyds of a €4.9bn Irish mortgage portfolio to a consortium comprising BARCLAYS, M&G and a third, undisclosed party.

The sale, called Project Porto, was announced on Friday and follows Barclays' purchase alongside Pimco of the Bradford & Bingley portfolio of mortgages from government vehicle UKAR in April.

After the Porto sale closes in the coming months the portfolio will be securitised. With Barclays keeping a minimum 5% for risk retention purposes, the equity will be bought by members of the consortium.

Cecile Hillary, head of Asset Finance Solutions at Barclays, said some of the senior and mezzanine bonds could be offered publicly to other investors, although a decision had yet to be made.

The mortgages are mainly owner-occupied loans but include some buy-to-let.

ALL INTL ISSUERS (EXCLUDING SELF-FUNDED)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	44	10,789.58	9.6
2	Credit Suisse	41	9,726.79	8.6
3	BAML	36	9,287.07	8.2
4	Wells Fargo	33	8,990.83	8.0
5	Citigroup	43	8,441.60	7.5
6	Goldman Sachs	18	5,951.65	5.3
7	Barclays	23	5,477.42	4.9
8	Deutsche Bank	30	5,313.07	4.7
9	SG	10	4,645.29	4.1
10	Morgan Stanley	13	4,104.68	3.6
	Total	**189**	**112,898.82**	

Includes securitisations, PFI bonds and credit-linked notes. Excludes US global ABS/MBS, CDOs and self funded issues.

Source: Thomson Reuters SDC code: J10d

ALL EUROPEAN ISSUERS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	SG	5	3,329.15	10.2
2	BAML	10	3,272.25	10.0
3	Credit Agricole	6	2,214.02	6.8
4	Cooperatieve Rabobank	2	1,937.42	5.9
5	Lloyds Bank	9	1,885.58	5.8
6	Citigroup	7	1,838.92	5.6
7	BNP Paribas	8	1,752.46	5.4
8	Commerzbank	2	1,557.03	4.8
9	MUFG	1	1,398.52	4.3
10	Morgan Stanley	4	1,229.38	3.8
	Total	**43**	**32,736.46**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Thomson Reuters SDC code: B16n

They were originated by Bank of Scotland (Ireland), whose parent HBOS was taken over by Lloyds in 2008.

Lloyd said on Friday it would receive around £4bn at current exchange rates for assets of around £4.3bn, of which £0.3bn are impaired. It said they generated a pre-tax loss of around £40m in the year to December 31 2017.

The deal will generate around 25bp of CET1 capital and a pre-tax loss on sale of around £110m. Lloyds said the sale was "in line with the Group's strategy of becoming a low risk, UK-focused bank".

EMEA ABS

GLOBALDRIVE COMES 10bp WIDE OF JANUARY'S E-CARAT

FCE BANK sold UK auto ABS GLOBALDRIVE UK 2018-A on Thursday, pricing its Triple As 10bp wide of the previous publicly placed UK auto trade in January.

The deal's £300m Triple A tranche at 1.85 years came at 50bp over one-month Libor, compared with 40bp over for Vauxhall Finance's 1.61-year E-Carat 9 in January

A banker away from the deal said the widening of the basis between one-month and three-month Libor from around 2.5bp in January to 10bp at the start of last week, would make bonds priced over one-month Libor less attractive for some investors from a relative value perspective.

Globaldrive also sold a £31.2m three-year Double A at 94bp over.

IPTs had been at the 50bp area for the seniors and low 90s for the mezz, refined to 50bp and 94bp guidance. At final pricing the two tranches were 1.2 times and two times covered respectively.

Bank of America Merrill Lynch, BNP Paribas, HSBC and *NatWest Markets* were joint leads.

GLOBAL STRUCTURED FINANCE IN EUROS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	SG	5	2,718.58	15.4
2	Credit Agricole	6	1,792.55	10.1
3	Cooperatieve Rabobank	2	1,582.21	9.0
4	BAML	4	1,461.65	8.3
5	Commerzbank	2	1,271.38	7.2
6	UniCredit	5	930.09	5.3
7	Morgan Stanley	3	831.10	4.7
8	Standard Chartered	1	675.22	3.8
9	Citigroup	3	583.41	3.3
10	BNP Paribas	3	578.96	3.3
	Total	**25**	**17,670.12**	

Includes securitisations, credit-linked notes (Euro, foreign, global and domestics) and excludes CDOs.

Source: Thomson Reuters SDC code: B16g

BANK11 PRE-PLACES GERMAN AUTO ABS REVOCAR 2018

German credit company BANK11 FUR PRIVATKUNDEN UND HANDEL pre-placed auto loan deal REVOCAR 2018 last week through sole lead *UniCredit*.

The deal's senior tranche, a €364m 1.9-year Triple A, was pre-placed at 27bp over one-month Euribor. A €20.3m A1/A (Moody's and DBRS) Class B was retained.

Three further tranches, all fixed rate, were partially pre-placed. These were a €2.9m A2/BBBH Class C at 1%, a €8.9m Ba2/BB Class D at 3.6% and an unrated €3.9m Class E at 6.6%.

The notes are backed by a revolving portfolio of 36,742 auto loans with a new/used split of 41%/59%. Seasoning is 7.6 months, the average loan amount is €10,887, and the weighted average yield is 3.56%.

EMEA CLO

CADOGAN SQUARE CLO VII RESETS

CREDIT SUISSE ASSET MANAGEMENT priced a €472.15m reset of CADOGAN SQUARE CLO VII on Monday through sole bookrunner *Morgan Stanley*.

The deal priced its Triple As at 78bp over three-month Euribor. The Class B1 Double As came at 132bp over, the Class C1 Single As at 175bp over and the Triple Bs at 260bp over.

The Double Bs and Single Bs priced below par, at discount margins of plus 510bp and 710bp respectively.

The non-call period runs to May 2020 and the reinvestment period to August 2022.

* See People & Markets section to read *Experienced European CLO managers in demand*.

TWENTYFOUR'S CHARLESTON WELCOMES RISK TIERING

Pricing differentials that have developed over the past few weeks in the structured finance market point to a return to a more normal environment with more prominent risk-tiering, according to TWENTYFOUR ASSET MANAGEMENT.

Douglas Charleston, portfolio manager at the firm, said in a note that he was relieved to see risk-tiering playing a larger role in the market.

So far it has been limited to specific sectors – most obviously the booming CLO market, where a wide range of managers have brought deals.

"Varying investor perceptions of manager quality, portfolio and deal structure has generated tiering at the BBB level of around 30bp up from 10bp a few months ago."

A 25bp spread basis opened up in recent UK buy-to-let Triple A pricing, while CMBS deals "have all had a healthy risk tiering that reflects very different strategies and structures".

Charleston said Continental ABS had been less sensitive to tiering because of demand from local investors and a scarcity premium, but predicted this would be likely to change as new issue volume and diversity increases.

Looking ahead, the note says that although there has been a lack of term premium between three-year and five-year deals, that may change as the cycle progresses.

Deals where interest rate risks are not perfectly hedged could also be at risk of re-pricing, although they have protection built into their structures.

"Consider in the UK some deals where mortgage borrowers pay a margin over Bank of England base rate and bond liabilities use 3m GBP Libor [a 15bp negative basis currently, but as much as 29bp just a few weeks ago] or floating rate Spanish mortgages which reset annually with the bonds typically quarterly."

US MBS

US CMBS AND RMBS DEAL PRICINGS

CMBS PRICED

BANK 2018-BNK12

A US$736.009m conduit commercial mortgage pass-through certificates called BANK 2018-BNK12 priced via *Bank of America Merrill Lynch, Morgan Stanley* and *Wells Fargo*.

Collateral: 63 loans secured by 95 properties.

Largest tranche: Class A-4 US$243.028m (approx), with 9.89-year WAL, rated Triple A, priced at Swaps plus 79bp versus guidance swaps plus 80bp-82bp.

FANNIE MAE

FANNIE MAE priced a US$565.852m multi-family DUS REMIC transaction, FNA 2018-M7 under its GeMS Programme. *KGS-Alpha Capital Markets* is lead manager and sole bookrunner. All classes of FNA 2018-M4 are guaranteed by Fannie Mae with respect to the full and timely payment of interest and principal.

Collateral: 60 Fannie Mae DUS MBS.

Largest tranche: Class A2 US$500.752m with 9.66-year WAL; priced at swaps plus 51bp.

FREDDIE MAC

FREDDIE MAC priced a US$993.392m structured pass-through certificates backed by floating-rate multi-family CMBS called FREMF 2018-KF45 MORTGAGE TRUST. The K-F45 Certificates are expected to settle on or about May 25 2018. Co-lead managers and joint bookrunners: *Bank of America Merrill Lynch* and *Goldman Sachs.*

Single tranche: Class A US$993.392m with 6.54-year priced with one-month Libor plus 21bp coupon.

RMBS PRICED

AIG

AIG is expected to price a US$364m prime jumbo RMBS called PEARL STREET MORTGAGE COMPANY PSMC 2018-2 TRUST on Friday. *Credit Suisse* is structurer and joint bookrunner along with *Wells Fargo*.

Collateral: Prime jumbo residential mortgages.

FREDDIE MAC

FREDDIE MAC priced a US$880m credit risk transfer RMBS, STRUCTURED AGENCY CREDIT RISK TRUST (STACR) 2018-HRP1 issuance, which includes HARP collateral funded between 01/1/12 and 31/3/13 and incorporates the new STACR CLN Trust structure. *Bank of America Merrill Lynch* structured the deal and was a joint bookrunner with *Barclays Capital.*

Collateral: The reference pool represents 163,624 mortgage loans acquired by Freddie Mac between January 1 2012 and March 31 2013.

Largest tranche: Class M-2 US$362m, with 2.24-year WAL, rated BB-/BBB- (Fitch/Mstar), priced at one-month Libor plus 165bp versus guidance at one-month Libor plus 185bp-195bp.

NRZ (NZES) 2018-FNT1

NEW RESIDENTIAL priced a US$645.925m 144A/Reg S RMBS non-agency MSR offering called NRZ (NZES) 2018-FNT1. *Credit Suisse* structured the deal and was a joint bookrunner with *Citigroup.*

Collateral: Aggregated excess servicing fees.

GLOBAL SECURITISATIONS IN STERLING
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total £(m)	Share (%)
1	MUFG	1	1,006.20	15.3
2	Lloyds Bank	9	977.90	14.9
3	BAML	7	827.15	12.6
4	Citigroup	4	668.78	10.2
5	BNP Paribas	5	596.59	9.1
6	Natixis	3	413.30	6.3
7	HSBC	3	374.33	5.7
8	RBC	3	242.14	3.7
9	Barclays	2	197.50	3.0
10	JP Morgan	1	175.00	2.7
	Total	**18**	**6,563.66**	

Including Euro, foreign, global and domestics, excluding CDOs.

Source: Thomson Reuters SDC code: B16i

Largest tranche: Class A US$205.557m, with 2.88-year WAL; rated Triple A; priced at interpolated swaps plus 80bp versus guidance at interpolated swaps plus 75bp-80bp.

US ABS

LOANME GOES SECURITISATION ROUTE

Startup lender LOANME is looking to broaden its funding sources by bundling some of its consumer loans into an unrated bond deal, according to three investors.

The internet lender wants to raise up to US$200m and has sliced its loans into three classes of unrated notes, according to deal documents. The lender will retain a 5% stake to comply with risk retention rules.

The bonds will be backed by a US$144.7m pool of prime loans with original terms of 15 years, a weighted average interest rate of 13.74% and a US$36,697 average balance.

LoanMe previously conducted business as Cash4Rent and originates consumer loans to a spectrum of prime to sub-prime borrowers who are homeowners and renters.

The company's website highlights that LoanMe can fund some loans in as few as three to four hours. It also has a small business lending platform.

LoanMe hired Greenwich, CT-based *Performance Trust Capital Partners* to sell the consumer loan securitisation.

A fund of Leon Cooperman's hedge fund Omega Advisors provided the company with a warehouse facility.

It is unclear if LoanMe will follow in the footsteps of other online lenders and look to get subsequent deals rated.

CDO FEATURE

In addition to LoanMe's pooled collateral, the bond sale also includes a US$55.3m pre-funding account to purchase additional loans.

SECURITISATIONS – ALL EUROPEAN RMBS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total €(m)	Share (%)
1	BAML	9	1,898.39	15.6
2	Cooperatieve Rabobank	2	1,582.21	13.0
3	Citigroup	5	1,183.07	9.7
4	SG	1	1,074.57	8.8
5	Morgan Stanley	4	997.66	8.2
6	Lloyds Bank	6	938.59	7.7
7	BNP Paribas	3	672.44	5.5
8	NatWest Markets	2	510.80	4.2
9	Credit Agricole	1	507.64	4.2
10	Natixis	3	468.68	3.9
	Total	**19**	**12,159.93**	

Including Euro, foreign, global and domestics, excluding CDOs.

Source: Thomson Reuters SDC code: B10a

CMBS roars on with trophy property finance

COMMERCIAL MORTGAGE-BACKED BONDS **Investors feel better protected**

Building owners have increasingly turned to the bond market to finance trophy assets and large commercial property portfolios, bolstered by high valuations and drawn in by low rates.

And unlike the last time high-profile property deals featured strongly in CMBS, when bondholders were left on the hook after the market crashed, investors feel better protected.

"We watch obviously the metrics to make sure they aren't getting too levered," said Geoff Caan, the head of structured products at Sun Life Investment Management, of property bonds bundled into single asset and single borrower (SASB) deals.

"Some of the valuations in New York City are high," Caan said. "But we don't envision valuations on trophy properties – especially in New York City – depreciating substantially."

Last year the CMBS market financed the largest share of New York-area property deals at 31%, up from 17% in the year prior, according to real estate data tracker Real Capital Analytics.

And this type of debt financing has only grown in popularity nationally in the past few years.

NEW HEIGHTS

SASB CMBS is distinct from the broader CMBS market because it centres on large loans on marquee properties and financing big portfolios that are owned by some of the nation's biggest landlords.

Underwriters also often point to leverage on these deals, in the 50%–60% loan-to-value range, versus higher LTV loans typical in conduit CMBS.

Investors also say they are easier to analyse because they also only contain one or a few property loans – often owned by the same borrower – whereas conduit deals can pool 60 or 70 individual loans to a similar number of borrowers.

Despite record real estate prices on trophy buildings in some cities, confidence among bond investors in the SASB asset class remains high.

Sales of SASB CMBS hit a new record of US$36.5bn last year, according to Wells Fargo data. And the pace has accelerated this year with US$10.5bn issued in the first quarter, versus just US$2.8bn in the same period of 2017.

"The CMBS market from a performance perspective has done very well over the last 18 months," said Harris Trifon, a portfolio manager at Western Asset Management.

"That's not just tighter spreads but stable spreads. That gives investment banks more confidence to underwrite loans."

VALUATION PLAY

Still, some of the 2017 transactions have eye-popping valuations and billions in bonds in investor portfolios hinge on continued high prices.

A swath of the US$2.3bn of debt used to refinance the General Motors Building at 767 Fifth Avenue in Manhattan was funded through CMBS, as was a senior slice of the US$1bn of debt that refinanced the nearby Olympic Tower at 641 Fifth Avenue, according to IFR data.

Around the same time, Chinese conglomerate HNA Group also purchased 245 Park Avenue, a 44-storey office tower near Manhattan's Grand Central, paying a whopping US$2.21bn.

Almost half of the sale price was financed with CMBS debt, of which US$500m was cut into a SASB bond sale and another US$700m was pooled into a dozen conduit CMBS deals.

Because the 245 Park debt was sprinkled into so many different bond deals, it was difficult for some investors to avoid owning any exposure to the property.

Now the building is being closely watched as a potential barometer of future sale prices, especially since demand for US real estate has been on the decline.

Deals involving domestic sources of capital were down 3% in 2017 versus 2016, whereas cross-border investments were down 23% in the same period, according to Real Capital data.

According to news reports, HNA already has taken steps to sell 245 Park after it and several other major Chinese investment companies came under pressure by Beijing to reduce their foreign real estate holdings.

"You have to be careful because some trophy assets have been bid up and people think they are safe," said Tracy Chen, the head of structured credit at Brandywine Global.

"But I would say the valuation is very tight."

Chen also thinks that foreign investors outside of China still have a strong interest in US properties.

"Commercial real estate properties still offer a decent internal rate of return of more than 6%," she said. "If you have a strong dollar that persists, foreign investors still will like to invest in US real estate."

Joy Wiltermuth

Pre-funding accounts were a common feature of CDOs before the crisis. Their frequency in ABS deals has increased recently as investors chase yield.

Larger online lender Prosper included one in its March consumer loan securitisation.

There also have been a string of sub-prime auto issuers using pre-funding features in deals sold in the first quarter.

"You have to assume the worst," said one high-yield ABS investor, about his approach to vetting an unidentified pool of assets for risks.

Still, typical pre-funding accounts are not without restrictions.

There often is a range of credit characteristics that new loans must adhere to and a set timeline in which investments must take place.

Initial price talk on the deal's biggest 3.69-year A class was circulated in the 185bp area earlier this week.

Prosper's top A class in March was rated A–/A+ and priced much tighter at 70bp over iswaps.

Unrated notes from an issuer like LoanMe that has only been making loans since May 2014 would be expected to price at a premium.

LoanMe was expected to price the deal on Friday, one of the investors said.

Securitisation has become a key funding tool for a host of online lenders looking to fund their businesses.

LoanMe thus far has primarily relied on equity investments from shareholders and debt capital raised at relatively high rates, according to deal documents.

Performance Trust Capital did not return a call seeking comment.

US ABS DEAL PRICINGS

Another dozen ABS deals cleared in a busy week for supply, but with some hiccups at the Triple A level.

Large-ticket equipment company **STONEBRIAR** raised just over US$575m via its fourth securitisation – its first to see Triple A ratings.

Its 2.1-year Triple As cleared at a 3.658% yield. a premium to where equipment company **CNH** priced its 2.64-year Triple As at a 3.149% yield this week.

Even bellwether Ford struggled a bit with its 2.18-year Triple As, which cleared at 25bp over swaps after being guided in the 17bp–20bp range.

"Everyone wants yield," said one ABS banker of the trend.

The dash for trash has given a massive boost to sub-prime auto securities this year.

AmeriCredit priced its BBB+/BBB class at swaps plus 90bp last week, making it the tightest post-crisis print from the programme, according to Finsights data.

More broadly, sub-prime auto ABS spreads have rallied to their tightest levels since the crisis, according to Wells Fargo data.

AMERICAN EXPRESS

AMERICAN EXPRESS priced an upsized US$1.522bn credit card ABS through two separate transactions called American Express Credit Account Master Trust split between a US$900m **AMXCA 2018-4** issue and a US$622.414m **AMXCA 2018-5** issue. *RBC* (B&D), *Citigroup, MUFG, Wells Fargo* were joint bookrunners.

Collateral: Credit cards.

Largest tranche: 2018-4 Class A US$900m (upsized from US$500m), with 2.99-year WAL, rated Triple A, priced in line with guidance at interpolated swaps plus 16bp; 2018-5 Class A US$600m (upsized from US$500m) with 4.98-year WAL, rated Triple A; priced in line with guidance at one-month Libor plus 34bp.

CNH INDUSTRIAL

CNH priced a US$774.88m (no grow) equipment lease ABS transaction, called **CNH EQUIPMENT TRUST (CNH) 2018-A**. *Citigroup* structured the deal and was a joint bookrunner with *Rabo Securities* and *Societe Generale.*

Collateral: Equipment retail instalment sales contract leases.

Largest tranche: Class A-2 US$262m, with 1.14-year WAL, rated Triple A; priced at EDSF plus 20bp.

Direct comp: CNH 2017-C (14/11/17) Class A-2 US$235m, with 1.14-year WAL, rated Triple A; priced at EDSF plus 10bp.

CREDIT ACCEPTANCE CORP

CREDIT ACCEPTANCE AUTO LOAN TRUST priced a US$450m sub-prime auto ABS, called **CAALT 2018-2**. *Wells Fargo* structured the deal and was a joint bookrunner with *BMO*.

Collateral: Sub-prime auto loans.

Largest tranche: Class A US$281.2m, with 2.58-year WAL, rated Triple A; priced at interpolated swaps plus 65bp versus guidance of plus 65bp-70bp.

Direct comp: CAALT 2018-1 (13/2/18) Class A US$323m, with 2.58-year WAL, rated Triple A; priced at swaps plus 60bp

FLAGSHIP CREDIT ACCEPTANCE

FLAGSHIP CREDIT ACCEPTANCE priced a US$223.06m sub-prime auto ABS, **FLAGSHIP CREDIT AUTO TRUST (FCAT) 2018-2**. *Wells Fargo* and *Deutsche Bank* were joint leads.

Collateral: Sub-prime auto loan contracts secured by new and used automobiles, light-duty trucks, vans, and minivans.

Largest tranche: Class A US$137.79m, with 1.09-year WAL, rated Triple A; priced in line with guidance at EDSF plus 41bp.

Direct comp: FCAT 2019-1 (14/2/18) Class A US$116.612m, with 1.08-year WAL, rated Triple A; priced at EDSF plus 37bp.

FORD MOTOR

FORD MOTOR CREDIT COMPANY priced a US$1.578bn-plus (no-grow) prime auto loan ABS transaction, **FORD CREDIT AUTO OWNER TRUST (FORDO) 2018-A**. *RBC* was structurer, *Deutsche Bank* and *Mizuho* active joint leads and *Barclays* and *Societe Generale* passive.

Collateral: Prime auto loans.

One of the largest tranches: Class A-3 US$547.31m, with 2.18-year WAL, rated Triple A, priced at interpolated swaps plus 25bp versus guidance at plus 17bp-20bp.

Direct comp: FORDO 2017-C (14/11/17) Class A-3 US$557.3m, with 2.18-year WAL, rated Triple A; priced at swaps plus 13bp.

GM FINANCIAL

GM FINANCIAL priced a US$1.1bn sub-prime auto loan ABS called, **AMERICREDIT AUTOMOBILE RECEIVERSUSABLES TRUST (AMCAR) 2018-1**. *BNPP* structured the deal and was a joint lead with *Citi, JPM and RBC.*

Collateral: Backed by new and used automobile, light truck and utility vehicle loans originated and serviced by AmeriCredit Financial Services Inc.

One of the largest tranches: Class A3 US$268.58m, with 2.07-year WAL, rated Triple A, priced at interpolated swaps plus 30bp versus guidance at plus 30bp-32bp.

Direct comp: AMCAR 2017-4 (7/11/17) Class A3 US$296.2m, with 2.08-year WAL, rated Triple A; priced at interpolated swaps plus 21bp.

NAVIENT

NAVIENT CORPORATION priced a US$521m PC student loan ABS transaction, **NAVIENT PRIVATE EDUCATION LOAN TRUST (NAVSL) 2018-B**. *JP Morgan* structured the deal and was a joint bookrunner with *Barclays* and *RBC*.

Collateral: Private/Refi student loans.

Largest tranche: Class A-1 US$226m with 1.21-year WAL, rated Triple A, priced in line with guidance at one-month Libor plus 35bp.

Direct comp: NAVSL 2018-2 (20/3/18) Class A-1 US$222m, with 1-year WAL, rated Triple A; priced at one-month Libor plus 24bp.

RENOVATE AMERICA

RENOVATE AMERICA priced a US$204.8m property assessed clean energy (PACE)/ Green Bond securitisation, **HERO FUNDING (HERO) 2018-1** via sole bookrunner *Barclays*. US$17m Class B was pre-placed.

Collateral: Property assessed clean energy.

Largest tranche: Class A-2 US$187.8m, with 5.05-year WAL, rated Triple A; priced at interpolated swaps plus 110bp versus guidance at plus 110bp-120bp.

SANTANDER CONSUMER USA

SANTANDER CONSUMER USA priced an upsized US$1.268bn (from US$1bn) sub-prime auto loan ABS, called **DRIVE AUTO RECEIVABLES TRUST (DRIVE) 2018-2**. *Societe Generale* structured the deal and was a joint bookrunner with *JP Morgan* and *RBC.*

US ASSET-BACKED SECURITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	75	28,492.13	19.4
2	JP Morgan	49	14,715.28	10.0
3	BAML	37	11,182.49	7.6
4	RBC	28	7,590.96	5.2
5	Deutsche Bank	37	7,152.38	4.9
6	Wells Fargo	35	7,101.86	4.8
7	Barclays	32	6,885.77	4.7
8	Goldman Sachs	22	5,264.85	3.6
9	Mizuho	17	5,260.54	3.6
10	MUFG	16	4,565.33	3.1
	Total	249	147,219.93	

Excludes MBS.

Source: Thomson Reuters SDC code: F14

STRUCTURED FINANCE – ALL INTL ISSUERS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	44	10,789.58	8.9
2	BAML	40	10,639.60	8.7
3	Credit Suisse	41	9,726.79	8.0
4	Wells Fargo	34	9,172.89	7.5
5	Citigroup	45	8,934.72	7.3
6	Barclays	26	6,367.78	5.2
7	Goldman Sachs	19	6,143.92	5.0
8	Deutsche Bank	31	5,938.33	4.9
9	SG	12	4,924.85	4.0
10	Morgan Stanley	15	4,815.84	4.0
	Total	202	121,717.31	

Includes securitisations, PFI bonds, self-funded issues and credit-linked notes. Excludes US global ABS/MBS and CDOs.

Source: Thomson Reuters SDC code: J10c

GLOBAL STRUCTURED FINANCE IN US$
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	116	41,922.67	15.4
2	JP Morgan	95	32,264.25	11.9
3	Wells Fargo	87	29,200.20	10.7
4	BAML	74	26,536.10	9.8
5	Credit Suisse	74	24,877.83	9.1
6	Goldman Sachs	49	17,333.66	6.4
7	Morgan Stanley	37	14,600.59	5.4
8	Barclays	47	12,052.96	4.4
9	Deutsche Bank	47	10,608.37	3.9
10	RBC	35	10,252.13	3.8
	Total	469	272,041.89	

Including securitisations (Euro, foreign, global and domestics, excluding CDOs) and PFI bonds.

Source: Thomson Reuters SDC code: B16b

Collateral: Sub-prime auto loans backed by retail instalment sales contracts for new and used automobiles and light-duty trucks

Largest tranche: Class A2 US$327m, with 0.49-year WAL, rated Triple A, priced at EDSF plus 28bp versus guidance at EDSF plus 28bp-30bp.

Direct comp: DRIVE 2018-1 (14/2/18) Class A2 US$174.26m, with 0.43-year WAL, rated Triple A; priced at EDSF plus 23bp.

SEACO CONTAINER

SEACO CONTAINER priced a US$196m container ABS transaction, **SEACO 2018-1**. *Deutsche Bank* structured the deal and was a joint bookrunner with *Credit Suisse*, *PNC* and *SunTrust*.

Collateral: Container lease.

Largest tranche: Class A US$188m, with 5.1-year WAL, rated A (S&P), priced at interpolated swaps plus 130bp versus guidance at plus 125bp-130bp.

Direct comp: SEACO 2017-1 (18/4/17) US$294m with 5.19-year WAL, rated A; priced at swaps plus 205bp.

STONEBRIAR COMMERCIAL FINANCE

STONEBRIAR COMMERCIAL FINANCE priced a US$565.626m large-ticket equipment issuance, **SCFET 2018-1**. *Bank of America Merrill Lynch* was structurer and joint bookrunner with *Credit Suisse* and *Goldman Sachs*.

Largest tranche: Class A2 US$202.907m, with 2.1-year WAL, rated Triple A, priced at swaps plus 83bp.

ASIA-PACIFIC MBS

RESIMAC PRICES A$750m PRIME RMBS

Non-bank lender **RESIMAC** issued a A$750m dual-currency prime RMBS last Friday through **RESIMAC PREMIER SERIES 2018-1**.

NAB was arranger and joint lead manager with *Citigroup* and *Westpac*. MUFG was co-manager.

The US$210m Class A1 notes with a 1.8-year weighted average life, priced below 85bp–90bp area guidance at one-month Libor plus 80bp.

The A$288.75m Class A2 notes with a 2.7-year WAL priced in line with one-month BBSW plus 110bp area guidance.

The A$62.5m Class A3b notes priced wide of 135bp area price talk at one-month BBSW plus 140bp with the A$50m fixed-rate Class A3a notes yielding 3.8748% versus initial 3.69% guidance, later revised to 3.71%. Both A3 notes have 5.0-year WALs.

The A$47.25m Class ABs, A$11.25m Class Bs amd A$7.5m Class Cs, all with 4.5-year WALs priced 165bp, 185bp and 270bp over one-month BBSW. This compares with 165bp area, 185bp–195bp area and 275bp–285bp area guidance.

The A$6m Class Ds with a 4.3-year WAL priced in line with one-month BBSW plus 575bp area guidance while the A$3m Clas Es were retained.

The Class A1, A2 and A3 notes have 10% credit support. The ABs to Ds have 3.7%, 2.2%, 1.2% and 0.4% support,respectively.

Resimac prevously issued A$1bn equivalent of Australian and US dollar RMBS in April last year through Resimac Premier Series 2017-1.

BOQ READIES NEXT RMBS

BANK OF QUEENSLAND has released initial price talk for an indicative A$500m securitisation of residential mortgages under **SERIES 2018-1 REDS TRUST**, expected to launch this Monday.

Guidance for the A$460m Class A1 notes with a 2.8-year weighted-average-life is 102bp–105bp area over one-month BBSW.

Price talk for the A$13m Class A2s, A$4.7m Class ABs, A$8.9m Class Bs, A$6.7m Class Cs, A$3.1m Class Ds and A$3.6m Class Es all with 6.1-year WALs, is one-month BBSW plus 115bp–120bp area, 145bp–155bp area, 165bp–175bp area, 240bp–260bp area, 330bp–350bp area and 590bp, respectively.

NAB is arranger and joint lead manager with *CBA*, *SMBC Nikko Capital Markets* and *Westpac* for the Class A1 notes. NAB is sole lead manager for the remaining tranches of the RMBS.

Bank of Queensland last sold residential mortgage-backed securities in February last year with an upsized six-tranche A$1bn print via Series 2017-1 REDS Trust RMBS.

PEPPER MARKETS PRIME RETURN

Initial price talk has been released for the A$400m **PEPPER I-PRIME 2018-1 TRUST RMBS** issue, expected to launch this week.

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 18/5/2018

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SSAR							
US DOLLARS							
May 15 2018	SEK	US$1bn	May 22 2021	2.875	99.701	MS+9 / T+24.8	2.98
May 16 2018	Kommuninvest	US$1bn	Mar 1 2021	2.875	99.799	MS+6 / T+20.7	2.952
May 17 2018	New Brunswick	US$500m	Feb 24 2028	3.625	99.874	MS+50	3.641
EUROS							
May 15 2018	ESM	€2bn	May 23 2033	1.2	99.51	MS-16 / B+47.1	1.236
May 15 2018	ADB	€1.25bn	May 25 2023	0.2	99.866	MS-22 / B+22.3	0.227
May 15 2018	Rentenbank	€250m incr (€1.45bn)	May 18 2027	0.625	98.66	MS-18 / B+28.8	0.78
May 16 2018	Schleswig-Holstein	€500m	May 24 2023	0.125	99.424	MS-20 / B+25.5	0.241
May 16 2018	AfDB (Social Bond)	€1.25bn	May 24 2028	0.875	99.938	MS-8 / B+36.7	0.987
May 17 2018	Council of Europe	€1bn	May 25 2023	0.125	99.578	MS-23 / B+23.9	0.21
May 17 2018	NRW.BANK	€1bn	May 26 2025	0.5	99.405	MS-15 / B+34.9	0.587
May 17 2018	Italy (BTPITALIA) linker	€7.709235bn	May 21 2026	0.55	100	-	0.55
May 18 2018	Rentenbank	€200m incr (€1.75bn)	Feb 20 2030	0.625	95.287	-	1.054

NAB is arranger and joint lead manager with *CBA* and *Westpac*.

Guidance for the A$120m Class A1-S notes and A$200m Class A1-L notes with 0.8-year and 3.0-year weighted-average lives is one-month BBSW plus 70bp area and 115bp–120bp area, respectively.

For the A$48m Class ABs, A$10.6m Class Bs, A$8m Class Cs, A$5.4m Class Ds and A$3.6m Class Es, price talk is one-month BBSW plus 160bp–170bp area, high 100s area, high 200s area, high 300s area and high 500s area.

For the A$2.2m Class F notes with a 3.5-year WAL, guidance is one-month BBSW plus high 600s area.

The structure is completed by A$2.2m Class G notes with a 4.0-year WAL.

Pepper Group issued an enlarged A$1bn equivalent dual-currency non-conforming RMBS in March 2018, called Pepper Residential Securities Trust No 20 which included US$150m A1-u1 notes.

The specialist residential mortgage and consumer lender last sold prime RMBS in December last year, an A$400m transaction via Pepper I-Prime 2017-3 Trust.

COLUMBUS PLANS DUAL-CURRENCY RMBS

Non-bank lender **COLUMBUS CAPITAL** has mandated *MUFG*, *NAB* and *Westpac* to market a potential Australian dollar and Reg S US dollar RMBS under the Triton programme.

Columbus Capital issued an enlarged A$500m offering of prime RMBS last November through Triton 2017-2, five months after the A$500m Triton Capital 2017-1 print.

ASIA-PACIFIC ABS

CHINA'S EXCHANGES TIGHTEN ABS SUPERVISION

China's stock exchanges have stepped up their scrutiny of the booming asset-backed securities market, publishing new rules that require prompt information disclosure and risk management updates from issuers.

The country's ABS market has exploded over the past few years as the government's crackdown on shadow banking pushed borrowers to find alternative sources of finance. Companies have struggled to cope with China's deleveraging campaign, which has made conventional debt finance harder to get.

Issuance rose to Rmb1.5trn (US$236.84bn) last year, from almost zero in 2013, according to consultancy China Securities Analytics.

The Shanghai and Shenzhen stock exchanges said at the weekend that regulators supported the development of the market, but also scrutinised its potential risks.

The exchanges stipulate "timely and effective disclosure" on ABS products, on which better-informed investment decisions can be made.

The exchanges also published rules to mitigate default risks, requiring ABS issuers to submit risk-management reports to the stock exchanges every six months.

GLOBAL CDOs
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	40	20,500.21	37.5
2	Morgan Stanley	4	2,100.21	3.8
3	BAML	4	1,975.94	3.6
4	Credit Suisse	5	1,886.29	3.4
5	JP Morgan	4	1,701.66	3.1
6	BNP Paribas	3	1,406.30	2.6
7	Deutsche Bank	2	1,088.69	2.0
8	Goldman Sachs	4	1,055.44	1.9
9	Barclays	3	554.18	1.0
10	Natixis	2	462.30	0.8
	Total	**113**	**54,686.60**	

Including Euro, foreign, global, US domestics.

Source: Thomson Reuters SDC code: B12

ALL EUROMARKET CDOs
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	14	6,285.19	19.3
2	Morgan Stanley	4	2,100.21	6.4
3	BAML	4	1,975.94	6.1
4	Credit Suisse	5	1,886.29	5.8
5	JP Morgan	4	1,701.66	5.2
6	BNP Paribas	3	1,406.30	4.3
7	Goldman Sachs	4	1,055.44	3.2
8	Deutsche Bank	1	632.95	1.9
9	Barclays	3	554.18	1.7
10	Natixis	2	462.30	1.4
	Total	**70**	**32,573.14**	

Excludes global and domestic.

Source: Thomson Reuters SDC code: J11

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+12 area, MS+10 area	-2	>US$1.9bn, ~50 acs	Aa1/AA+	BMO/GS/JPM/MS	Amers 57%, EMEA 26%, Asia 17%. CB/OI 51%, Bks 22%, FM/PF 22%, Other 5%.
MS+8 area	-1	>US$2bn	Aaa/AAA	Barc/BNPP/HSBC/JPM	-
MS+50 area(I), MS+50 area(G)	-	>US$600m	Aa2/A+	RBC/Scotia/TD	-
MS-15 area	2	>€4.3bn	Aa1/-/AAA	Citi/CA-CIB/DB	EUR Area 76%, UK/Switz 16%, Asia 5%, RoEur 3%. FM 43%, Bks 38%, CB/Govt/SWF 9%, Ins/PF 9%, Other 1%.
MS-21 area	-	>€1.4bn	Aaa/AAA/AAA	BNPP/Citi/CA-CIB/GS	EMEA 82%, Asia 16%, Amers 2%. CB/OI 45%, FM 30%, Bks 22%, Ins/PF 2%, HF 1%.
MS-18	-	-	Aaa/AAA/AAA	CMZ/DZ	-
MS-20 area	-	-	-/-/AAA	Deka/DZ/Uni	-
MS-6 area, MS-7 (+/-1)	-	>€1.7bn	Aaa/AAA/AAA	CA-CIB/GS/Natx/SG	Fr 41%, Asia 15%, Benelux 14%, Amers 11%, Ger 8%, Nordics 3%, Other EMEA 8%. AM 38%, CB/OI 34%, Tsy 28%.
MS-23 area	2	>€950m	Aa1/AA+/AA+	CMZ/JPM/Natx/SG	-
MS-15 area	3	-	Aa1/AA-/AAA-/ Dagong AA+	Barc/Deka/DZ/JPM	-
-	-	-	Baa2/BBB/BBB/ BBBH	MPS/Uni	-
-	-	-	Aaa/AAA/AAA	GS	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 18/5/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
STERLING							
May 14 2018	World Bank	£750m	May 22 2023	3mL+5	100	3mL+5	-
May 15 2018	UK DMO	£6bn	Oct 22 2071	1.625	97.615	G'68-0.5	1.693
May 15 2018	FMS	£250m incr (£800m)	Sep 7 2022	1	98.646	G+28	1.322
May 16 2018	EDC	£750m	May 24 2023	3mL+10	100	3mL+10	-
May 17 2018	EIB	£250m incr (£750m)	Mar 7 2025	1.375	98.709	G+28	1.571
NON CORE							
May 14 2018	KfW	Rmb200m	May 23 2020	3.85	100	-	3.85
May 14 2018	Quebec	C$500m incr (C$9bn)	Dec 1 2048	3.5	106.69	GOC+71.5	3.157
May 14 2018	NTTC	A$250m incr (A$750m)	Apr 21 2028	3.5	100.834	EFP+61, ACGB+62.5	3.4
May 15 2018	Alberta	C$900m incr (C$6.2bn)	Dec 1 2048	3.05	95.045	GOC+78.5	3.309
May 15 2018	AOFM	A$1.7bn incr (A$8bn)	Jun 21 2039	3.25	-	EFP+36	3.205
May 16 2018	EDC	A$400m	May 31 2023	2.8	99.653	ASW+35 / ACGB+41.5	2.875
May 16 2018	Ssundsvalls Kommun	SKr700m	May 23 2023	3mS++75	102.96	3mS+17	-
May 16 2018	CHT CMB	C$2.5bn incr (C$	Mar 15 2028	2.65	98.32	GOC+37	2.847
May 16 2018	CHT CMB	C$2.5bn	Sep 15 2023	3mCDOR-6	100	3mCDOR-6	-
May 16 2018	Ontario	C$600m incr (C$4.35bn)	Jun 2 2049	2.9	92.855	GOC+76	3.268
May 17 2018	Norrköpings Kommun	SKr250m	May 24 2023	0.773	100	MS+19	0.773
May 17 2018	Manitoba	C$300m incr (C$2.1bn)	Sep 5 2048	2.4	100.487	GOC+85.5	3.374
CORPORATES							
US DOLLARS							
May 14 2018	AEP Texas	US$500m	Jun 1 2028	3.95	99.67	T+100	3.99
May 14 2018	Ameren Illinois	US$430m	May 15 2028	3.8	99.91	T+82	3.811
May 14 2018	American Express	US$1.2bn	May 17 2021	3.375	99.98	T+68	3.381
May 14 2018	American Express	US$800m	May 17 2021	3mL+52.5	100	3mL+52.5	3mL+52.5
May 14 2018	Canadian Pacific Railway	US$500m	Jun 1 2028	4	99.91	T+102	4.011
May 14 2018	Fidelity National Information Services	US$400m	May 15 2028	4.25	99.65	T+130	4.293
May 14 2018	Fidelity National Information Services	US$600m	May 15 2048	4.75	97.96	T+175	4.88
May 14 2018	Maple Escrow Subsidary (Keurig)	US$1.75bn	May 25 2021	3.551	100	T+85	3.551
May 14 2018	Maple Escrow Subsidary (Keurig)	US$2bn	May 25 2023	4.057	100	T+120	4.057
May 14 2018	Maple Escrow Subsidary (Keurig)	US$1bn	May 25 2025	4.417	100	T+145	4.417
May 14 2018	Maple Escrow Subsidary (Keurig)	US$2bn	May 25 2028	4.597	100	T+160	4.597
May 14 2018	Maple Escrow Subsidary (Keurig)	US$500m	May 25 2038	4.985	100	T+185	4.985
May 14 2018	Maple Escrow Subsidary (Keurig)	US$750m	May 25 2048	5.085	100	T+195	5.085
May 14 2018	San Diego Gas & Electric Company	US$400m	May 15 2048	4.125	99.56	T+105	4.176
May 15 2018	Avista Corp	US$375m	Jun 1 2048	4.35	99.9	T+115	4.356
May 15 2018	Diageo Capital	US$500m	May 18 2020	3	99.95	T+45	3.027
May 15 2018	Diageo Capital	US$500m	May 18 2020	3mL+24	100	3mL+24	3mL+24

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3mL+6 area	-	>£840m	Aaa/AAA	Barc/RBC/TD	-
G'68-0.5/flat	-	>£37.8bn, 148 acs	Aa2/AA/AA	Barc/DB/GS/NatWest	UK c.90%, Other c.10%.
G+29 area, G+28 area	-	>£400m	Aaa/AAA	BAML/RBC/TD	-
3mL+10 area(I), 3mL+10 area(G)	-	>£750m	Aaa/AAA	BAML/HSBC/RBC	-
G+28 area	-	-	Aaa/AAA/AAA	Barc	-
-	-	-	Aaa/AAA/Scope AAA	BOC	-
-	-	-	Aa2/AA-/AA-/AH	BMO/NBF/VDF	-
EFP+61-64			Aa2/-	ANZ/UBS	
-	-	-	Aa1/A+/-/AA	NBF	-
EFP+35-37	-	A$3.2bn	Aaa/AAA/AAA	ANZ/CBA/NAB	-
ASW+35	-	-	Aaa/AAA/AAA	RB/RBC/TD	-
-	-	-	-/AA+	SEB/Swed	-
GOC+37 area	-	-	Aaa/AAA/AAA/AAA	BMO/NBF/RBC/Scotia	-
3mCDOR-6 area	-	-	Aaa/AAA/AAA/AAA	BMO/NBF/RBC/Scotia	-
-	-	-	Aa2/A+/-/AAL	Scotia	-
-	-	-	-/AA+	Swed	-
-	-	-	Aa2/A+/-/AH	TD	-
T+110 area, T+100/105	2	US$1bn	Baa1/A-	BNP/Citi/MUFG	-
T+95 area, N/A	5	US$1.1bn	A1/A	JPM/MDM/USB/WFS	-
T+low 80s, T+70 (+/-2)	4	US$2bn	A3/BBB+/A	Barc/DB/HSBC/RBC	-
3mL equiv, 3mL equiv	FRN	US$2bn	A3/BBB+/A	Barc/DB/HSBC/RBC	-
T+120 area, T+105 (+/-3)	2	US$2.2bn	Baa1/BBB+/BBB	Barc/MS/WFS	-
T+145 area, T+135 (+/-5)	2	US$2.2bn	Baa2/BBB/BBB	BAML/MUFG/USB/WFS	-
T+190 area, T+180 (+/-5)	7	US$1.9bn	Baa2/BBB/BBB	BAML/MUFG/USB/WFS	-
T+105 area, T+90 (+/-5)	4	US$31,8bn combined	Baa2/BBB	BAML/Citi/GS/JPM	-
T+135 area, T+125 (+/-5)	11	US$31,8bn combined	Baa2/BBB	BAML/Citi/GS/JPM	-
T+160 area, T+150 (+/-5)	11	US$31,8bn combined	Baa2/BBB	BAML/Citi/GS/JPM	-
T+175 area, T+165 (+/-5)	11	US$31,8bn combined	Baa2/BBB	BAML/Citi/GS/JPM	-
T+205 area, T+190 (+/-5)	4	US$31,8bn combined	Baa2/BBB	BAML/Citi/GS/JPM	-
T+215 area, T+200 (+/-5)	4	US$31,8bn combined	Baa2/BBB	BAML/Citi/GS/JPM	-
T+110 area, T+105 (the #)	10	US$700m	Aa2/A+/AA-	CA-CIB/CS/JPM/WFS	-
T+125 area, T+115 (the #)	3	US$675m	A2/A-	BNY/JPM/MUFG/WFS	-
T+60/65, T+47 (+/-2)	2	US$1.6bn	A3/A-/A-	BAML/Barc/GS/UBS	-
3mL equiv, 3mL equiv	FRN	US$1.7bn	A3/A-/A-	BAML/Barc/GS/UBS	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 18/5/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
May 15 2018	Diageo Capital	US$500m	Sep 18 2023	3.5	99.78	T+63	3.547
May 15 2018	Diageo Capital	US$500m	May 18 2028	3.875	99.63	T+85	3.92
May 16 2018	Harley-Davidson	US$450m	May 21 2020	3mL+50	100	3mL+50	3mL+50
May 16 2018	Harley-Davidson	US$350m	May 21 2021	3.55	99.98	T+80	3.556
May 16 2018	BlueScope Steel	US$300m	May 25 2023	4.625	99.625	T+180	4.71
May 17 2018	Valero Energy Corp	US$750m	Jun 1 2028	4.35	99.91	T+125	4.361
EUROS							
May 14 2018	United Technologies	€750m	May 18 2020	3mE+20	100.256	DM+20	-
May 14 2018	United Technologies	€750m	May 18 2024	1.15	99.695	MS+62 / B+106	1.203
May 14 2018	United Technologies	€500m	May 18 2030	2.15	99.467	MS+100 / B+158.9	2.201
May 14 2018	PACCAR	€300m	May 18 2021	3mE+45	100.61	DM+25	-
May 14 2018	GlaxoSmithKline	€750m	May 21 2020	3mE+20	100.46	DM+10	-
May 14 2018	GlaxoSmithKline	€1bn	May 21 2026	1.25	99.751	MS+45 / B+92.8	1.283
May 14 2018	GlaxoSmithKline	€750m	May 21 2030	1.75	99.85	MS+57 / B+115.7	1.764
May 14 2018	BMW	€1bn	May 22 2022	0.5	99.814	MS+20 / B+65.9	0.542
May 14 2018	BMW	€750m	May 22 2026	1.125	99.325	MS+38 / B+85.9	1.214
May 14 2018	Fairfax Financial	€150m incr (€750m)	Mar 29 2028	2.75	98.893	MS+185 / B+226.9	2.88
May 15 2018	RCI Banque	€750m	May 26 2026	1.625	99.858	MS+78 / B+125.7	1.644
May 15 2018	Enel	€500m	Nov 24 2078 (Nov 2023)	2.5	99.375	MS+209.6 / B+257.6	2.625
May 15 2018	Enel	€750m	Nov 24 2081 (Nov 2026)	3.5	99.108	MS+258 / B+304.5	3.5
May 15 2018	Wuerth	€500m	May 26 2025	1	99.745	MS+30 / B+77.3	1.038
May 15 2018	BASF	€750m	May 22 2025	0.875	99.568	MS+20 / B+67.5	0.939
May 15 2018	BASF	€500m	May 22 2030	1.5	98.948	MS+37 / B+95.9	1.597
May 15 2018	Sodexo	€300m	May 22 2025	1.125	99.573	MS+45 / B+92.1 / OAT+76	1.189
May 15 2018	American Tower	€500m	May 22 2026	1.95	99.313	MS+118	2.044
May 16 2018	Mylan	€500m	May 23 2025	2.125	99.762	MS+143 / B+191.8	2.162
May 17 2018	G4S	€550m	May 24 2025	1.875	99.572	MS+120 / B+169.3	1.941
May 17 2018	SFL	€500m	May 29 2025	1.5	99.199	MS+88 / B+136.9	1.622
May 17 2018	Becton, Dickinson & Co	€300m	May 24 2023	1.401	100	MS+95 / B+141	1.401
STERLING							
May 17 2018	Becton, Dickinson & Co	£250m	May 24 2025	3.02	100	G+170	3.02

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
T+75/80, T+65 (+/-2)	3	US$1.6bn	A3/A-/A-	BAML/Barc/GS/UBS	-
T+95/100, T+87 (+/-2)	5	US$1.3bn	A3/A-/A-	BAML/Barc/GS/UBS	-
3mL+65 area, 3mL+53 (+/-3)	FRN	US$1.8bn	A3/A-/A	Barc/Citi/GS	-
T+95 area, T+83 (+/-3)	1	US$800m	A3/A-/A	Barc/Citi/GS	-
T+205 area	-	US$1.1bn	Baa3/BBB-/-	ANZ/CS/HSBC/JPM	APac 75%, EMEA 25%. AM/HF 72%, Bank 15%, Ins 10%, PB 3%.
T+137.5 area,	9	US$2.1bn	Baa2/BBB/BBB	BAML/JPM/MS/WFS	-
DM+30 area	5	€1.3bn	A3/A-	BAML/BNPP/DB/GS/HSBC/MS	-
MS+80 area, MS+65/70	7	€2.5bn	A3/A-	BAML/BNPP/DB/GS/HSBC/MS	-
MS+120 area, MS+105/110	5	€2bn	A3/A-	BAML/BNPP/DB/GS/HSBC/MS	-
DM+35/40, DM+25/28	-	>€900m	A1/A+	ING/JPM/Rabo	-
DM+20 area	5	~€6.1bn combined	A2/A+	Barc/BNPP/Citi/Miz	-
MS+60/65, MS+45/50	5	~€6.1bn combined	A2/A+	Barc/BNPP/Citi/Miz	-
MS+75/80, MS+60 (+/-3)	2	~€6.1bn combined	A2/A+	Barc/BNPP/Citi/Miz	-
MS+35 area, MS+20/25	8	>€1.6bn	A1/A+	BBVA/CMZ/JPM/Miz/SG	Ger/Aus 30%, UK 22%, Benelux 13%, S.Eur 13%, Fr 13%, Switz 5%, Nordics 2%, Other 2%. AM 64%, Ins/PF 13%, Bks 11%, Sov/CB 10%, Other 2%.
MS+50/55, MS+40 (+/-2)	16	>€1.3bn	A1/A+	BBVA/CMZ/JPM/Miz/SG	Ger/Aus 40%, Fr 16%, Benelux 11%, UK 11%, Switz 8%, S.Eur 7%, Nordics 5%, Other 2%. AM 58%, Ins/PF 22%, Sov/CB 13%, Bks 5%, Other 2%.
MS+190 area	-	>€300m	Baa3/BBB-/-/BBB	BAML	-
MS+95 area, MS+80 (+/-2)	8	~€1.5bn	Baa1/BBB	BBVA/CA-CIB/Miz/SG	Ger/Aus 25%, UK 23%, Fr 17%, Benelux 10%, S.Eur 10%, Nordics 8%, Japan 4%, Asia 2%, Other 1%. AM 60%, Ins/PF 24%, OI 7%, Bks/PB 6%, Other 3%.
2.75%/2.875%, 2.625%/2.75%, 2.625%	13	€1.3bn	Ba1/BBB-/BBB-	BNPP/BAML/Caixa/Citi/CMZ/CA-CIB/DB/GS/IMI/ING/JPM/MUFG/NatWest/SG/Uni	-
3.75% area, 3.625% (+/-0.125%), 3.5%	27	€1.7bn	Ba1/BBB-/BBB-	BNPP/BAML/Caixa/Citi/CMZ/CA-CIB/DB/GS/IMI/ING/JPM/MUFG/NatWest/SG/Uni	-
MS+45/+50, MS+30/35	10	~€1.6bn	-/A-	BNPP/DZ/LBBW/UBS	-
MS+35/40, MS+20/25	5	~€2bn	A1/A/Scope A	Barc/BNPP/CMZ/ING	Ger 47%, Fr 17%, UK/Ire 17%, Benelux 10%, S.Eur 3%, APAC 3%, Switz/Aus 1%, Nordics 1%, Other 1%. FM 53%, Ins/PF 19%, CB/SSA 16%, Bks/PB 9%, Other 3%.
MS+50 area, MS+40 (+/-3)	10	~€1.5bn	A1/A/Scope A	Barc/BNPP/CMZ/ING	Ger 35%, Fr 24%, UK/Ire 21%, APAC 8%, Benelux 4%, Nordics 4%, Switz/Aus 2%, S.Eur 1%, Other 1%. FM 53%, Ins/PF 21%, CB/SSA 14%, Bks/PB 10%, Other 2%.
MS+60/65	-	~€1bn	-/A-	HSBC/SG	-
MS+135 area, MS+120 (+/-2)	-	>€1.35bn	Baa3/BBB-/BBB	Barc/BAML/BBVA/Citi/JPM	-
MS+160 area	-	>€1.3bn	Baa3/BBB-/BBB-	DB/JPM/MS	-
MS+140 area, MS+125 (+/-3)	15	~€2bn	-/BBB-	BAML/Barc/Citi/Lloyds/Santan	-
MS+95/100, MS+90 (+/-2)	18	~€800m	-/BBB+	BNPP/CA-CIB/HSBC/Natx/SG	Fr 49%, Ger/Aus 15%, S.Eur 13%, Nordics 9%, UK 8%, Benelux 6%. FM 57%, CB/OI 21%, Ins/PF 16%, Bks/PB 4%, HF 2%.
MS+100 area	18	-	Ba1/BBB/BBB-	Barc	-
G+180/185	-	-	Ba1/BBB/BBB-	Barc	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 18/5/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
SWISS FRANCS							
May 14 2018	Investis Holding	SFr100m	Jun 12 2020	0.35	100	MS+80 / Eidg+112	0.35
May 16 2018	Coop-Gruppe	SFr300m	Jun 6 2025	0.75	100.157	MS+48 / Eidg+94	0.727
NON CORE							
May 14 2018	Holmen	SKr500m	May 23 2022	3mS+44	100	3mS+44	-
May 15 2018	Latour	SKr600m	Nov 16 2020	0.36	-	-	-
May 16 2018	Castellum	SKr100m incr (SKr300m)	Sep 20 2024	2.29	-	-	-
May 17 2018	Skanska Financial Services	SKr500m	Nov 24 2020	3mS+75	100.837	3mS+42	-
May 17 2018	Skanska Financial Services	SKr500m	May 24 2023	3mS+82	100	-	-
May 17 2018	SFF	SFr534m	May 31 2020	0.465	100	MS+60	0.465
May 17 2018	SFF	SFr220m	May 31 2021	3mS+80	100	3mS+80	-
May 17 2018	Gettinge	SKr1.25bn	May 21 2021	3mS+150	100	3mS+150	-
May 18 2018	Virgin Australia	A$150m	May 30 2023 (May 2021)	8.25	100		8.25
May 18 2018	Christchurch Airport	NZ$100m	May 23 2024	4.13	100	MS+125	4.13
FINANCIALS							
US DOLLARS							
May 14 2018	Bank of America	US$2.25bn	May 17 2022	3.499	100	T+80	3.499
May 14 2018	Goldman Sachs Group	US$1.5bn	May 15 2026	3mL+117	100	3mL+117	3mL+117
May 14 2018	Great-West Lifeco	US$300m	May 17 2028	4.047	100	T+105	4.047
May 14 2018	Great-West Lifeco	US$500m	May 17 2048	4.581	100	T+145	4.581
May 15 2018	Citigroup Global Markets	US$1.25bn	June 1 2024	4.044	100	T+112.5	4.044
May 15 2018	Citigroup Global Markets	US$1bn	June 1 2024	3mL+102.3	100	3mL equiv	3mL+102.3
May 15 2018	Citigroup Global Markets	US$350m	September 29 2027	4.45	98.08	T+163	4.706
May 15 2018	The Royal Bank of Scotland Group	US$1.75bn	May 18 2029	4.892	100	T+182	4.892
May 17 2018	Charles Schwab	US$600m	May 21 2021	3.25	100	T+50	3.251
May 17 2018	Charles Schwab	US$600m	May 21 2021	3mL+32	100	3mL+32	3mL+32
May 17 2018	Charles Schwab	US$750m	May 21 2025	3.85	99.93	T+80	3.861
May 17 2018	Svenska Handelsbanken	US$1.25bn	May 24 2021	3.35	99.89	T+65	3.39
May 17 2018	Svenska Handelsbanken	US$1.25bn	May 24 2021	3mL+47	100	3mL+47	3mL+47
EUROS							
May 14 2018	Danske	€1.25bn	May 22 2023	0.875	99.611	MS+53 / B+96.9	0.955
May 15 2018	BNP Paribas	€700m	Nov 22 2023	1.125	99.89	MS+62 / B+109.9	1.146
May 15 2018	BNP Paribas	€800m	May 22 2023	3mE+62	100	3mE+62	
May 15 2018	OP Corporate Bank	€500m	May 22 2021	3mE+50	100.916	3mE+20	-
May 15 2018	OP Corporate Bank	€500m	May 22 2025	1	99.745	MS+30 / B+77	1.038
May 15 2018	SMBC	€400m	May 22 2020	3mE+50	100.712	DM+15	-
May 16 2018	BFCM (T2)	€500m	May 25 2028	2.5	99.886	MS+145 / B+189.2	2.513
May 16 2018	Santander Consumer Finance	€500m	May 30 2023	0.875	99.752	MS+50 / B+96	0.926

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
MS+70/80(I), MS+70/80(G)	15	SFr100m,	ZKB BBB-/CS LBBB/VT BBB	CS/Vont/ZKB	Switz 100%. AM 64%, PB 22%, Ins 12.5%, PF 1.5%.
MS+43/48	-	>300m, 41 acs	ZKB/CS/UBS/VT) BBB+/low A/BBB+/BBB+	ZKB/BKB	Switz 100%. Inst/Ins 45.3%, AM 29.5%, PF 12.3%, Bks 12.9%.
-	-	-	-/BBB+	Danske	-
-	-	-	-	SEB	-
-	-	-	Baa3	Danske	-
-	-	-	-	HCM/Swed	-
-	-	-	-	HCM/Swed	-
-	-	-	-	Swed	-
-	-	-	-	Swed	-
-	-	-	-	HCM/SEB	-
Low 8% area, 8.25% area	-	-	B3/B-	ANZ/HSBC/UBS	Aus 75%, Asia 21%, EMEA 4%.
MS+125/135	-	-	-/BBB+	WBC	-
T+100 area, N/A	7	-	A3/A-/A-	BAML	-
3mL+125 area, 3mL+120 (+/-3)	FRN	-	A3/BBB+/A	GS	-
T+130 area, T+110 (+/-5)	5	US$1.7bn	A+/A	JPM/RBC/WFS	-
T+160 area, T+145 (the #)	10	US$1.5bn	A+/A	JPM/RBC/WFS	-
T+115/120, T+112.5 (the #)	9.5	US$1.8bn	Baa1/BBB+/A	Citi	-
3mL equiv, 3mL equiv	FRN	US$1.3bn	Baa1/BBB+/A	Citi	-
T+hi 160 area, T+163 (the #)	1	US$350m	Baa3/BBB/A-	Citi	-
T+200 area, T+185 (+/-3)	3	US$3bn	Baa3/BBB-/BBB+	CS/JPM/MS/NatWest/UBS	-
T+65 area, T+50 (the #)	2	US$1.4bn	A2/A/A	BAML/Citi/CS/GS/JPM	-
3mL equiv, 3mL equiv	FRN	US$1.5bn	A2/A/A	BAML/Citi/CS/GS/JPM	-
T+95 area, T+80 (the #)	3	US$2.1bn	A2/A/A	BAML/Citi/CS/GS/JPM	-
T+80 area, T+65 (the #)	1	US$2.4bn	Aa2/AA-/AA	BAML/GS/JPM/MS	-
3mL equiv, 3mL+47 (the #)	FRN	US$2.55bn	Aa2/AA-/AA	BAML/GS/JPM/MS	-
MS+65 area, MS+55 (+/-2)	8	~€2.8bn, 210 acs	Baa1/A-/A	BNPP/CS/Danske/HSBC/SG	Ger/Aus 19%, Nordics 19%, UK/Ire 17%, Fr 14%, S.Eur 9%, Benelux 8%, Asia 8%, Switz 4%, Other 2%. AM 59%, CB/OI 15%, Ins/PF 13%, Bks 9%, Other 4%.
MS+70 area, MS+65 (+/-3)		>€1.1bn	Baa1/A-/A+/AH	BNPP	-
3mE+70 area, 3mE+65 (+/-3)		>€1.1bn	Baa1/A-/A+/AH	BNPP	-
3mE+30 area, 3mE+25 area	7	>€1.75bn combined	Aa3/AA-	Citi/JPM/OP	Nordics 37%, Ger/Aus 22%, Fr 14%, UK 7%, Sp 7%, Other 13%. FM 47%, CB/OI 28%, Bks 15%, Ins/PF 10%.
MS+40 area, MS+35 area	10	>€1.75bn combined	Aa3/AA-	Citi/JPM/OP	Ger/Aus 28%, Nordics 23%, Fr 21%, Asia 13%, UK 8%, Sp/It 5%, Other 2%. FM 45%, Ins/PF 22%, Bks 21%, CB/OI 12%,
3mE+15	-	-	A1/A/A	SMBC	-
MS+150 area, MS+145/150	15	>€700m	Baa1/BBB/A	Barc/CS/GS/SG	Fr/Benelux 37%, UK 20%, Ger 14%, Asia 14%, Switz 11%, S.Eur 4%. AM 56%, Ins/PF 32%, Bks 7%, Other 5%.
MS+ mid 50s	-	>€500m	A2/A-/A-	Barc/ING/JPM/Santan	-

GLOBAL BOND SUMMARY DETAILS: WEEK ENDING 18/5/2018 (CONTINUED)

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
May 16 2018	Morgan Stanley	€1.25bn	May 21 2021	3mE+40	100	3mE+40	-
STERLING							
May 17 2018	Hastings Group	£250m	May 24 2025	3	99.157	G+180	3.135
SWISS FRANCS							
May 14 2018	Schaffhauser Kantonalbank	SFr125m	May 31 2028	0.5	100.073	MS-2	0.493
May 14 2018	Westpac	SFr200m	Jun 6 2024	0.4	100.074	MS+25 / Eidg+67.5	0.387
May 16 2018	BNP Paribas	SFr125m	Jun 6 2025	1	100.405	MS+68	0.94
NON CORE							
May 16 2018	Lloyds Banking Broup	A$250m	Nov 23 2023	3.9	99.584	ASW+140	3.988
May 16 2018	Lloyds Banking Broup	A$150m	May 23 2028	4.75	99.902	ASW+185	4.763
May 18 2018	MUFG Sydney	A$300m	May 23 2019	3mBBSW+52	100	3mBBSW+52	
May 18 2018	Danske Bank SNP	SKr2.25bn	Jan 25 2023	1.125	99.546	MS+73	1.226
May 18 2018	Danske Bank SNP	SKr2bn	Jan 25 2023	3mS+73	100	3mS+73	-
COVERED BONDS							
EUROS							
May 15 2018	pbb	€500m	May 22 2024	0.5	99.912	MS-9 / B+35.6	0.515
May 15 2018	Stadshypotek	€100m	May 24 2038	-	-	-	-
May 17 2018	Nordea Mortgage Bank	€1bn	May 23 2025	0.625	99.401	MS-3 / B+46.2	0.713
May 18 2018	Commerzbank	€500m	May 28 2025	0.625	99.816	MS-9 / B+40.3	0.652
SWISS FRANCS							
May 18 2018	MunHyp	SFr150m	Jun 14 2028	0.5	100.073	MS-6 / Eidg+36	0.492
NON CORE							
May 15 2018	LF Hypo	SKr200m	May 22 2030	1.879	100	MS+39	1.879
May 16 2018	Landshypotek Bank	SKr5.25bn	May 25 2023	0.75	99.527	MS+27	0.847
HIGH YIELD							
US DOLLARS							
May 14 2018	Alcoa	US$500m	May 15 2028 (May 2023)	6.125	100	T+314	T+314
May 15 2018	Calfrac Holdings	US$650m	May 30 2026	8.5	100	-	-
May 15 2018	MSCI	US$500m	May 15 2027 (May 2021)	5.375	100	T+232	T+232
May 17 2018	Largo Resources	US$150m	Jun 1 2021 (Jun 2019)	9.25	98	-	-
May 17 2018	SRS Distribution, Inc (sponser: Leonard Green & Partners, L.P.)	US$350m	Jul 1 2026 (Jul 2021)	8.25	100	T+514	T+514
May 17 2018	Hearthside Finance Company Inc (Matterhorn Merger Sub, LLC)	US$350m	Jun 1 2026 (Jun 2021)	8.5	100	T+539	T+539
May 17 2018	Valeant Pharmaceuticals International	US$750m	Jan 31 2027 (Jan 2022)	8.5	100	T+538	T+538
May 17 2018	Crownrock	US$185m	Oct 15 2025 (Oct 2020)	5.625	98.26	T+284	T+284
May 18 2018	BWX Technologies, Inc.	US$400m	Jul 15 2026 (Jul 2021)	5.375	100	T+229	5.375
EUROS							
May 17 2018	Kraton Polymers	€290m	May 15 2026 (May 2021)	5.25	100	B+488	5.25
STERLING							
May 18 2018	Premier Foods	£300m	Oct 15 2023 (May 2020)	6.25	100	G+506	6.25
NON CORE							
May 14 2018	Nortura	NKr500m	May 25 2078 (May 2028)	3mN+425	100	3mN+425	-
May 16 2018	Ocean Yield	NKr750m	May 25 2023 (May 2020)	3mN+365	100	3mN+365	-

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
-	-	-	A3/BBB+/A/ AH/R&I A-	MS	-
G+190/200	-	>£650m	-/-/BBB	Barc/HSBC/Lloyds	-
MS-2/flat	-	22 acs	ZKB AA+	ZKB	Switz 100%. PF 35%, Inst/Ins29.5%, AM 25%, Bks 10.5%.
MS+22/25	2	SFr200m, 38 acs	Aa3/AA-	CS	Switz 100%. AM 73.15%, Ins 14.88%, PF 10.50%, Retail/PB 1.48%.
MS+68	-	-	Baa1/A-/A+	BNPP	Switz 100%. AM 73%, Ins 17%, Bks 4%, Tsy 4%, PB 2%.
ASW+140 area	-	-	A3/BBB+/A-	ANZ/JPM/NAB/Nomura/WBC	-
ASW+185 area	-	-	A3/BBB+/A-	ANZ/JPM/NAB/Nomura/WBC	-
3mBBSW+52 area	-	-	A1/A	ANZ	-
MS+75 area	-	>SKr4bn combined	Baa1/A-/A	Danske/HCM/Nordea/Swed	-
3mS+75 area	-	>SKr4bn combined	Baa1/A-/A	Danske/HCM/Nordea/Swed	-
MS-6 area, MS-8 (+/-1)	1	>€625m	Aa1	Citi/CMZ/Deka/DB/Erste	Ger/Aus 80%, Switz 9%, UK 3%, Asia/ ME 3%, Fr 3%, Other 2%. Bks/PB 53%, AM 21%, OI 21%, Ins 5%.
-	-	-	Aaa	Danske	-
MS flat area	1.5	€2bn, 78 acs	Aaa	HSBC/LBBW/Nordea/SG/UBS	Ger/Aus 43%, Nordics 21%, Benelux 14%, UK 8%, Fr 6%, Asia 4%, Switz 3%, Other 1%. Bks 42%, CB/OI 32%, FM 20%, Ins/PF 3%, Other 3%.
MS-5 area, MS-8 (+/-1)	3	>€950m	Aaa	ABN/CMZ/DZ/Santan/SG	-
-	-	-	Aaa	CS	-
-	-	-	Aaa/AAA	Danske	-
MS+29/32, MS+27/29	-	>SKr7.2bn	-/AAA	Danske/HCM/Nordea	-
6.25% area	-	-	Ba1/BB+	JPM/CS/GS (JLMs) Citi/MS/BAML/ DB/BNPP (JBs)	-
8.25%/8.5%	-	-	B3/B-	RBC	-
5.25% area	-	-	Ba2/BB+	JPM/MS/GS/CS/GUGG	-
-	-	-	-	JEFF	-
8%/8.25%	-	-	Caa2/CCC+	Barc/BAML/UBS/CS/GS/NOMURA/ RBC	-
8.25/8.5%	-	-	Caa2/CCC+	Barc/GS/CS/JEFF/NOMURA/RBC	-
8.625% area	-	-	Caa1/B-	GS/Barc/Citi/DB/DNB/JPM/MS/RBC	-
98.26/98.50	-	-	B3/BB-	CS/Citi/JPM/MUFG/WFS	-
5.5% area, 5.375%	-	-	Ba3/BB+	MS/WFS/JPM/TD/USB/PNC	-
Mid 5%s, 5.25%/5.5%, 5.25%	-	-	B3/B	JPM/CS/DB	-
Mid 6%s, 6.25% area	-	-	B2/B	Barc/BNPP/HSBC/Lloyds(phys) + CS	-
3mN+425	-	-	-	Danske/DNB/Nordea	-
N+mid/high 300s, N+375 area, N+365/375	-	>NKr1bn	-	DnB/Danske/Nordea/Fearnleys/SEB	-

■ FRONT STORY PRIMARY MARKETS

South Africa toughs out rates spike

› Sovereign prints first post-Zuma trade

› Timing and pricing strategy come under scrutiny

Unsettled markets weighed on SOUTH AFRICA's latest bond sale on Tuesday as a sell-off in Treasuries made life tough for the first offering from the post-Zuma administration.

The sovereign was able to raise US$2bn through a dual-tranche offering, clearing the way for the government headed by President Cyril Ramaphosa to get on with enacting the reforms that investors are hoping for.

Reaction to the trade was mixed, though, as some bankers questioned its timing as well as the pricing strategy, while others thought the leads were unlucky that the market turned during execution and in the circumstances felt the outcome was as good as could be expected.

"I imagine [the South Africans] will be a bit underwhelmed on their return post-new administration, but the timing was challenging, unfortunately," said one rival banker. "Still, it was a good deal to pull off in this environment."

The trade lost momentum after the US open – it was only 1.7 times covered by the end from a peak book of more than US$4.3bn - as an anaemic backdrop undermined sentiment. The yield on the 10-year Treasury jumped nearly 10bp to 3.09% following the release of important US economic data.

Leads defended the decision to put the deal on screens, pointing to a relatively stable opening on Tuesday, as well as a rally in South Africa's US dollar bonds in the days preceding the deal.

The bid yield on the October 2028s, for example, had fallen to inside 5.40% at Monday's London open from 5.62% on May 9, according to Tradeweb.

"I don't think waiting is a great policy in this market," said one banker close to the deal.

Some had sympathy for the leads' position.

"They got unlucky as the market in the afternoon was poor and hence they didn't get as much US interest as they maybe should have," said a second banker away from the deal.

The sovereign began marketing benchmark June 2030 and June 2048 notes at 6.00% area and 6.375% area, respectively.

Those levels also drew comments from the market, with the second banker away from the deal reckoning the premium on the 12-year note was 40bp and 35bp on the 30-year tranche, saying he was confused. "It looks too flat to me," he said.

As a result, he said that, relative to South Africa's outstanding curve, the 12-year notes looked attractive but the 30-year tranche was too expensive.

SIMPLE STRATEGY

Leads said the pricing strategy was simple: they took South Africa's October 2028s as their main reference point, adjusted for the curve, and then added a new issue premium of roughly 35bp for both tranches.

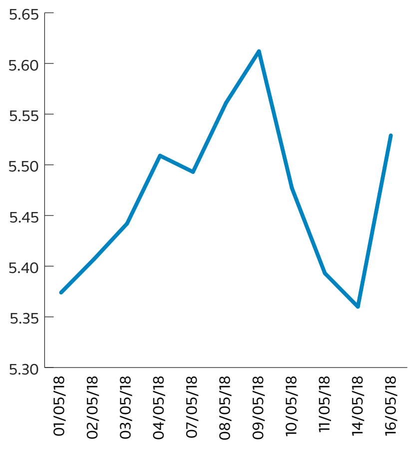
"South Africa has a very flat curve in the secondary," said the banker close to the deal.

Investors showed clear preference for the shorter-dated notes as South Africa (Baa3/BB/BB+) printed US$1.4bn of 2030s at a yield of 5.875% and US$600m 2048s at 6.30%.

"Tightening so little and printing US$1.4bn and US$600m doesn't strike me as the strongest result," said the second banker away.

RIDING OUT THE STORM

THE YIELD ON SOUTH AFRICA'S OCTOBER 2028s (%)



Source: Thomson Reuters

Optically, the final concessions were 25bp–30bp, though if the move in Treasuries is taken into account, they were more like 12.5bp–17.5bp. The bonds traded up more than half a point on the break.

The transaction means that South Africa has raised two-thirds of its international funding needs for the year and provides breathing space for the new government.

Investors appear to have taken Ramaphosa's promises of reform on trust, while the IMF too is hopeful that his government will turn the country's fortunes around.

In April, the multilateral lifted South Africa's economic growth forecast for the next two years, citing the election of a new political leadership, but warned that growth would underperform if no economic reforms were carried out.

"Business confidence is likely to gradually firm up with the change in the political leadership, but growth prospects remain weighed down by structural bottlenecks," the IMF said in its latest World Economic Outlook.

KEY CHANGES

Nazmeera Moola, co-head of Africa fixed income at Investec Asset Management, said that a lot has been done in South Africa, particularly with personnel changes to key institutions such as Eskom and the revenue service, and structural improvements.

"We have seen progress, although this is more correcting the problems of the last few Zuma years rather than making net progress since 2012," she said.

"The biggest change is that there seems to be a much more cohesive relationship between government and business. You need to see a partnership between government and labour to see structural growth rates improve."

The leads were *Deutsche Bank/Nedbank*, *JP Morgan*, *Rand Merchant Bank* and *Standard Bank*.

Sudip Roy, Robert Hogg

ASIA-PACIFIC

CAMBODIA

NAGACORP BONDS OPEN NEW FRONTIER

NAGACORP, which owns and operates the only integrated casino and hotel resort in Phnom Penh, has become the first Cambodian issuer of offshore bonds, overcoming a weak Asian high-yield market.

The company last Monday priced US$300m of 9.375% three-year non-call two bonds at 99.362 to yield 9.625% via joint global coordinators and bookrunners *Credit Suisse* and *Morgan Stanley*. Final pricing was inside initial guidance of 9.75% area.

The bonds are expected to be rated B1/B (Moody's/S&P), in line with the Hong Kong-listed issuer. Moody's rating is one notch above that of the Cambodian sovereign, which has never issued offshore bonds. S&P and Fitch do not rate the sovereign.

The jurisdiction was a key challenge for bookrunners and investors in forming an opinion on fair value. Investors were heard to be asking for anywhere from 8% to more than 10%.

Mongolia (B3/B–/B–) and Pakistan (B3/B/B) had three-year bond issues quoted at 6.1% and 6.3%, respectively, according to Tradeweb, pointing to a Cambodian sovereign yield in that area.

Nomura's sales and trading desk put fair value in the region of 9.3%–9.4% after adding a spread for the company's own credit risk, as well as the political and regulatory frameworks in Cambodia. It warned of potential risks around the Cambodian general election in July.

A market source argued that Nagacorp would be viewed as a strong Double B credit if it was based in another jurisdiction, but the rating was constrained by the strength of the sovereign.

Nagacorp's fundamentals made it an appealing credit, as it had not even taken bank loans before coming to the offshore bond market, and generated US$320m of Ebitda in 2017.

Roadshows were held in Asia, London, New York and Boston. The company engaged with US investors familiar with high-yield issuers from the casino industry and keen to pick up a rare Asian gaming credit. Some investors already familiar with the stock were said to have looked at the bonds, too.

Asian investors took 63% of the 144A/Reg S notes, with US investors booking 22% and EMEA accounts 15%. By investor type, asset managers and fund managers bought 90%, banks and securities firms 9%, and private banks 1%.

"You would think a debut high-yield issue would be hard to do in this market, but you can view this as a play on Chinese consumers and it's barely levered," said a banker away from the deal. Cambodian casinos are targeted at tourists, as local gamers face restrictions.

"The stock is doing okay and it has sizeable Ebitda," added the banker. "At this yield, if investors have cash to deploy, it doesn't look like it would push much wider."

In fact, the bonds were bid 1.5 points higher in trading on Tuesday, bucking the recent trend in Asian high-yield for new issues to trade down.

While the US$300m issue was Nagacorp's target size for this offering, analysts away from the deal said that it eventually intended to raise US$600m–$800m from the bond market.

"They did the right thing to set a benchmark, build their reputation and credibility, and then they can tap or do a new issue later," said a syndicate banker away from the deal.

Proceeds from the issue will be used to grow Nagacorp's VIP gaming business and refurbish hotel rooms. Nagacorp's concession runs until 2065 and it has a monopoly in the Phnom Penh area until the end of 2035.

CHINA

TAHOE PERSISTS DESPITE DOWNGRADES

Chinese property developer **TAHOE GROUP** is proceeding with plans to issue offshore bonds despite a warning from S&P that its dependence on debt financing is "unsustainable".

The Shenzhen-listed company said in a filing on May 11 that its board had agreed to increase the maximum amount of offshore bond issuance to US$1.8bn, from an original cap of US$1.0bn.

The filing capped a whirlwind few days during which S&P first cut the company's ratings and then, the very next day, withdrew them at the issuer's request.

Still, Tahoe Group managed to raise US$100m from a tap, albeit at a much higher yield and much smaller size than the ambitious plan it unveiled earlier.

The group in a May 16 filing said it had reopened its 7.875% Reg S 2021s, rated B3/B– (Moody's/Fitch), for US$100m. It did not disclose the reoffer price but, according to market sources, the additional bonds were sold at 95.359 to yield 9.90%. That compared with an 8% yield when the bonds were originally issued in January.

The tap increased the size of the outstanding 2021s to US$530m.

"The [S&P] withdrawal is unusual and is further evidence of the control that issuers, and their bankers, have over rating agencies in Asia," Charles Macgregor, head of Asia at research firm Lucror Analytics, said in a note.

S&P on May 9 downgraded Tahoe Group's long-term issuer credit rating to B– from B and kept its stable outlook unchanged. At the same time, it also lowered its long-term issue rating on the company's senior unsecured notes to CCC+ from B–.

S&P said the group's leverage was significantly higher than expected as a result of weak cash collection and aggressive expansion, leading to an unsustainable dependency on debt financing. S&P also warned that the group's liquidity position was tight and noted that it faces high refinancing risk given the high proportion of short-term debt and alternative financing in its debt mix.

Then, on May 10, S&P said it was withdrawing all of its ratings on Tahoe Group and its bonds at the group's request.

Tahoe said in the May 11 filing that its offshore subsidiary Tahoe Group Global would issue new bonds in phases with an initial size of US$500m and a tenor of up to five years in the first phase.

Tahoe Group will guarantee the bonds.

The company first tapped the offshore bond market in January this year following a November roadshow. It sold US$200m of 7.875% senior notes due 2021 at 99.672 to yield 8.00% and US$225m of 8.125% senior notes due 2023 at 99.697 to yield 8.20%. Then in March, it reopened the 7.875% 2021s for a US$230m tap at 98.116 to yield 8.625%.

Rating agencies, however, have since warned that Tahoe faces high refinancing risks.

Moody's on May 4 downgraded Tahoe Group's corporate family rating to B2 from B1 and its senior unsecured notes to B3 from B2. It changed the outlook on all ratings to stable from negative.

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	96	11,651.39	8.2
2	Bank of China	76	7,509.94	5.3
3	Citigroup	51	7,494.84	5.3
4	Standard Chartered	63	6,836.89	4.8
5	Morgan Stanley	31	6,522.72	4.6
6	BNP Paribas	45	5,756.95	4.1
7	Credit Suisse	40	5,238.88	3.7
8	Citic	46	4,746.92	3.3
9	Deutsche Bank	39	4,134.20	2.9
10	UBS	40	3,917.11	2.8
	Total	**283**	**141,853.90**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L4

PLN sidesteps US Treasury spike

INDONESIA Utility steers long bonds through market turbulence – at a price

Indonesian power utility **PERUSAHAAN LISTRIK NEGARA**, rated Baa2/BB/BBB, sold two long-dated tranches of US dollar bonds on Tuesday, even though the 10-year Treasury yield hit a seven-year high during bookbuilding.

PLN priced a US$1bn 5.45% 10-year tranche at 99.619 to yield 5.5%, and a US$1bn 6.15% 30-year at 99.323 to yield 6.2%. The two tranches came 30bp inside initial guidance of 5.8% area and 6.5% area, respectively.

But the state-owned borrower had to pay a hefty price to engage investors in rough markets. The coupon on the 30-year is the highest PLN has paid for dollar debt since 2011, according to Thomson Reuters data.

Analysts said it was more important that the issuer cleared the deal even at wider yields, instead of waiting for a better window. PLN's capital expenditure is on the rise, as it needs to fund the construction of power plants and transmission and distribution infrastructure to increase electricity capacity.

The utility has earmarked US$8.6bn in capex for this year to fund these objectives, more than doubling from 2015, according to a deal prospectus.

"PLN has high capex needs and therefore has to access the bond markets to fund it," said Nicholas Yap, a credit analyst at Nomura.

Yap said what PLN was offering on its new bonds was attractive enough to complete the deal despite volatile markets.

"Notwithstanding PLN's weaker-than-peer fundamentals, given its high leverage and large capex plans, we thought that valuations on the new PLN bonds sufficiently compensated investors for that. Indeed, the bonds have performed relatively well in secondary trading, particularly the 30-year tranche, which is up about a point from reoffer."

As the 144A/Reg S offering was bookbuilding on Tuesday, the 10-year US Treasury yield hit 3.07%, registering its biggest daily rise since March 2017 and its highest level since 2011, while the 30-year yield also rose 7bp.

Bankers away from the deal had expected a 30-year issue to be a tough task even before the Treasury spike, given the sell-off in emerging-market bonds in recent weeks, and noted that PLN had said it planned to sell 10-year and/or 30-year bonds, allowing it to save face if it could not find demand for both.

On top of the cooling appetite for EM credits, Indonesia endured its own negative headlines: the rupiah continued to struggle, a domestic government bond auction failed on May 8, and on May 13 a family bombed churches in Surabaya, prompting President Joko Widodo to issue an emergency law to implement anti-terror measures.

GOOD DEMAND

Despite it all, PLN managed to attract good demand, with little attrition as Treasury yields rose. The 10-year tranche drew orders of US$2.1bn from 114 accounts, while the 30-year attracted US$1.8bn from 113 accounts.

The issuer's existing 2027 and 2047 bonds were seen yielding 5.3% and 5.8% at the start of bookbuilding, implying it paid a new issue premium of 20bp–25bp.

The juicy initial guidance should logically have led to some widening in the old bonds as holders sold to buy the higher-yielding primary offering, but they remained steady, as a large amount of the old bonds are owned by a small number of long-term investors.

The yield on PLN's bonds had risen from 4.8% on April 25 when the mandate was announced to a peak yield of 5.5% bid on May 8. The yield on Indonesia's April 2028 bonds had jumped 47bp since issue to a peak of 4.7%, but had regained some ground to 4.5% on Tuesday.

That meant that PLN's new issue was around 100bp wide of the sovereign, a big difference from last year's issue, when its spread over the sovereign was 38bp and 54bp for 10 and 30-year bonds. Nomura's sales and trading desk noted that PLN's spread over the sovereign was wider than those of state-owned port operator Pelindo II and oil-and-gas company Pertamina due to its higher leverage and debt-funded expansion plans.

US demand drove the deal, accounting for 55% of the 10-year and 50% of the 30-year. European investors bought 19% of the 10-year and 28% of the 30-year, while Asian investors booked 26% and 22%, respectively.

Asset managers and fund managers bought 74% of the 10-year, banks 6%, insurers and pension funds 11%, and sovereign wealth funds and central banks 9%. For the 30-year, asset managers and fund managers took 84%, banks 8%, and insurers and pension funds a combined 8%.

The bonds were quoted around reoffer on Wednesday morning.

Citigroup, *HSBC*, *Mandiri Securities* and *Standard Chartered* were joint bookrunners.

Part of the proceeds will be used to fund a tender offer via the same banks for US$1.7bn of PLN's existing dollar bonds with higher coupons, cutting its annual interest costs.

It accepted US$603.559m of its US$750m of 8% bonds due August 2019; US$912.364m of its US$1.25bn of 7.75% notes due January 2020; and US$211.688m of its US$500m of 7.875% notes due June 2037.

PLN offered to pay US$1,066.75 per US$1,000 in face value for its 2019s, US$1,074.00 per US$1,000 for its 2020s, and US$1,295.00 per US$1,000 for its 2037s.

The deadline for the offer was pushed back twice, from May 4 originally.

Daniel Stanton

Moody's said the downgrade reflected its expectation that the group's deleveraging over the next 12 to 18 months will be slower than it had expected, while the refinancing pressure from its maturing onshore shadow-banking loans and puttable onshore bonds has increased.

Haitong International and *China Industrial Securities International* were arrangers of last week's tap, which was a private placement.

Moody's said the tap will not materially affect Tahoe Group's debt leverage, because its size is not material relative to the company's total debt, and part of the issuance proceeds will be used to refinance debt.

Fitch also said the reopening will not affect its B (stable) rating on Tahoe Group and its B– rating on its senior unsecured bonds.

Fitch said Tahoe Group's 2017 leverage was lower than the 81% it had expected, partly because the group slowed its land acquisition pace. However, Tahoe Group's plan to target aggressive contracted sales growth means it remains under pressure to add to its land bank, which will limit the room for deleveraging, Fitch noted.

FOUNDER PRINTS RARE UNRATED FLOATERS

PEKING UNIVERSITY FOUNDER GROUP has raised US$375m from a sale of offshore bonds to refinance debt and for general corporate purposes.

The Chinese state-owned conglomerate on Monday priced US$310m of new three-year floating-rate bonds at three-month Libor plus 400bp, well inside initial 425bp area guidance.

It was a rare offering of floating-rate notes from an unrated issuer. Issuers of such securities are overwhelmingly financial institutions and a few investment-grade corporates.

The notes attracted final orders of more than US$700m from 35 accounts. Of the notes, 99% went to Asia and 1% to Europe. By investor type, 45% were private banks and others, 30% were banks, and 25% were fund managers.

The company also raised US$65m from a tap of the 6.25% 2020 2.5-year fixed-rate bonds it priced last month. The tap was priced at 100.590, versus final price guidance of 100.00. The reopening took the amount outstanding of the 2020s to US$490m.

Both the floating-rate and fixed-rate rated Reg S notes are unrated and will be issued by Kunzhi, while Founder Information (Hong Kong) is guarantor. Both are subsidiaries of Founder Group.

The notes also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from Founder Group.

Bank of China, *Barclays*, *DBS Bank* and *Founder Securities (Hong Kong)* were joint global coordinators, joint lead managers and joint bookrunners for both tranches.

BOC International and *Orient Securities (Hong Kong)* were also joint lead managers and joint bookrunners for the tap issue.

Peking University owns 70% of Founder Group and Beijing Zhaorun Investments Management, a holding company of the group's employees, controls the remaining 30%. Founder Group has interests in information technology, healthcare and pharmaceuticals, finance and securities, bulk commodities trading, education and training.

ICBC RAISES US$650m FROM FLOATERS

INDUSTRIAL AND COMMERCIAL BANK OF CHINA, rated A1/A (Moody's/S&P), has raised US$650m

GLOBAL EMERGING MARKETS BOND DETAILS: WEEK ENDING 18/5/2018

Pricing date	Issuer	Amount	Maturity	Coupon (%)	Reoffer	Spread (bp)	Yield (%)
May 14 2018	Peking University Founder Group	US$310m	May 21 2021	3mL+400	100	3mL+400	3mL+400
May 14 2018	Peking University Founder Group	US$65m incr (US$490m)	Oct 17 2020	6.25	100.59	-	-
May 14 2018	KDB Life Insurance (sub)	US$200m	Rolling in perpetuity (May 21 2023)	7.5	100	T+465.8	7.5
May 14 2018	BOC Aviation	US$350m	May 21 2025	3mL+130	100	3mL+130	3mL+130
May 14 2018	Nagacorp	US$300m	May 21 2021 (May 21 2020)	9.375	99.362	-	9.625
May 15 2018	AVIC International	US$400m	May 23 2021	4.375	99.758	T+175	4.462
May 15 2018	PLN	US$1bn	May 21 2028	5.45	99.619	-	5.5
May 15 2018	PLN	US$1bn	May 21 2048	6.15	99.323	-	6.2
May 15 2018	South Africa	US$1.4bn	Jun 22 2030	5.875	99.992	T+280.5	5.875
May 15 2018	South Africa	US$600m	Jun 22 2048	6.3	99.991	T+310.1	6.3
May 15 2018	KNOC	SFr500m	Jun 1 2023	0.373	100	MS+35 / Eidg+77	0.373
May 15 2018	Unigel	US$200m	Jan 22 2024 (Jun 2021)	10.5	99.943	-	10.5
May 16 2018	Landsea Green Group	US$50m incr (US$200m)	April 25 2020	9.625	99.556	-	9.875
May 16 2018	Greenland Holding	US$500m	May 22 2019	6.75	100	-	6.75
May 16 2018	First Abu Dhabi Bank	Rmb1.1bn	June 1 2021	4.8	100	-	4.8
May 16 2018	Pemex	€600m	Nov 24 2022	2.5	99.814	MS+220 / B+268.8	2.546
May 16 2018	Pemex	€650m	Aug 24 2023	3mE+240	100	3mE+240	-
May 16 2018	Pemex	€650m	Nov 24 2025	3.625	99.738	MS+288 / B+338.3	3.668
May 16 2018	Pemex	€1.25bn	Feb 26 2029	4.75	99.434	MS+370 / B+421.5	4.821
May 17 2018	Trafigura	SFr165m	May 30 2023	2.25	100	MS+222 / Eidg+263	2.25
May 17 2018	China Great Wall AMC	US$600m	May 25 2023	4.375	99.552	T+155	4.476
May 17 2018	China Vanke	US$650m	May 25 2023	3mL+155	100	3mL+155	3mL+155
May 17 2018	China South City Holdings	US$150m	Aug 24 2020	10.875	99.654	-	11
May 17 2018	Nan Hai Corp	US$120m	May 23 2019	9.75	98.85	-	11
May 17 2018	KDB	SFr200m	Jun 14 2023	0.303	100	MS+27 / Eidg+64.9	0.303
May 17 2018	CBQ	US$500m	May 24 2023	5	99.311	MS+212.5 / T+222.2	5.158
May 17 2018	QNB	US$1.5bn	May 31 2021	3mL+135	100	3mL+135	-
May 18 2018	Banorte	SFr100m	Dec 14 2021	0.875	100.272	MS+100 / Eidg+138	0.796

from a sale of US dollar floating-rate Reg S bonds via its Sydney and Singapore branches.

ICBC Sydney branch last Monday priced a US$300m new three-year floater at three-month Libor plus 75bp, well inside initial 100bp area guidance. The notes have an expected A rating from S&P.

Meanwhile, ICBC Singapore branch on the same day reopened its five-year floaters due April 2023 for US$350m. The tap was priced at three-month Libor plus 85bp, well inside initial 110bp area guidance and matching the initial margin on the original US$500m issue last month. The notes are rated A1 by Moody's.

The Sydney branch's three-year floaters drew final orders of around US$1bn from 54 accounts. Of the notes, 89% went to Asia and 11% to EMEA. By investor type, 66% were banks, 23% were fund managers and asset managers, 10% were central banks and sovereign wealth funds, and 1% were private banks.

ANZ, *BNP Paribas*, *ICBC* and *NAB* were joint lead managers and joint bookrunners for the new bonds.

ICBC Singapore, *Agricultural Bank of China Hong Kong branch*, *ANZ*, *DBS Bank*, *HSBC* and *Standard Chartered* were joint lead managers and joint bookrunners for the tap.

Proceeds will be used to finance the issuers' operations and for their general corporate purposes.

Pricing steps	NIP (bp)	Book size	Ratings	Bookrunners	Distribution
3mL+425 area	-	US$700m	Unrated	BOC/Barc/DBS/Founder	Asia 99%, Eur 1%. Bks 30%, FM 25%, PB/Other 45%.
100	-	-	Unrated	BOC/Barc/DBS/Founder/BOCI/Orient	-
7.5% area	-	US$400m	-/-/BB	KDB/UBS/BOCI	-
3mL+160 area, 3mL+130-135	-	US$3bn	-/A-/A-	BOCI/Citi/GS	Asia 87%, EMEA 13%. FM 57%, Bks 28%, PB 13%, Ins 2%.
9.75% area	-	-	B1/B	CS/MS	Asia 63%, US 22%, EMEA 15%. AM/FM 90%, Bks/Sec 9%, PB 1%.
T+200 area	-	US$900m	-/-/A-	BOCI /HSBC/DBS/CISI/BOSC / CMSHK	Asia 91%, Eur 9%. Bks 42%, FM/AM 35%, Corp/agency 14%, Ins 7%, PB/Other 2%.
5.8% area	20	US$2.1bn	Baa2/-/BBB	Citi/HSBC/Mandiri/StCh	US 55%, Eur 19%, Asia 26%. AM/FM 74%, Bks 6%, Ins/PF 11%, SWF/CBks 9%.
6.5% area	25	US$1.8bn	Baa2/-/BBB	Citi/HSBC/Mandiri/StCh	Asia 50%, Eur 28%, Asia 22%. AM/FM 84%, Bks 8%, Ins/PF 8%.
6% area, 5.875%	-	US$2.4bn, 121 acs	Baa3/BB/BB+	DB/Nedbank/JPM/Rand/Stan	UK 42%, US 31%, MEA/LatAm 11%, Eur 10%, Asia 6%. FM 68%, Ins/PF 9%, Bks/PB/FIG 9%, HF 7%, Other 7%.
6.375% area, 6.3%	-	US$1bn, 61 acs	Baa3/BB/BB+	DB/Nedbank/JPM/Rand/Stan	UK 43%, US 29%, Eur 15%, Asia 12%, MEA/LatAm 1%. FM 47%, HF 31%, Ins/PF 15%, Bks/PB/FIG 5%, Other 2%.
MS+35/37	12	55 acs	Aa2/AA/AA-	BNPP/UBS	Switz 100%. AM 78%, Tsy 9%, PB 6%, PF 5%, Ins 2%.
10% area, 10.5%	-	-	-/B+/B+	MS/UBS	-
-	-	-	B3/B-/B	Guotai Junan/Haitong Intl/ZhongrongPT	-
6.875% area	-	US$1.9bn	Unrated	BOCI /Miz/CNCBI/Guotai Junan/Haitong	FM/AM 55%, Bks 31%, PB/Other 14%.
4.8% (the #)	-	-	Aa3/AA-/AA-	StCh Taiwan	-
MS+230/235, MS+220 area	-	>€5.25bn combined	Baa3/BBB+/BBB+	BBVA/DB/Santan/SG	-
3mE+260 area, 3mE+240/245	-	>€5.25bn combined	Baa3/BBB+/BBB+	BBVA/DB/Santan/SG	-
MS+305 area, MS+290/295	-	>€5.25bn combined	Baa3/BBB+/BBB+	BBVA/DB/Santan/SG	-
MS+385/390, MS+370/375	-	>€5.25bn combined	Baa3/BBB+/BBB+	BBVA/DB/Santan/SG	-
2.25%/2.5%(I), 2.25%/2.5%(G)	15	SFr165m, 44 acs	-	GC UBS + CS/DB	Switz 100%. Retail/PB 89.83%, PF 4.33%, AM 3.32%, Other 2.52%.
T+180 area	-	US$2.25bn	Baa1/BBB+/A	StCh/ABChina/CCBI /ICBCA/JPM/MS/BoC/BoCom/CMBCHK/CLSA / Haitong /ICBCI/ICBC Sing/Miz/SPDB	Asia 98%, Eur 2%. Bks 73%, FM/AM 18%, Ins/PF 8%, PB 1%.
3mL+185 area	-	US$3.75bn	Baa2/BBB/BBB+	UBS/GS/HSBC/BOCI/CICC/BOCHK	Asia 90%, Eur 10%. AM 65%, Ins/Corp 15%, Bks 13%, PB 7%.
11% area	-	-	-/B-/B	UBS/BAML/Guotai Junan/HSBC/AMTD/Haitong /CMSHK	-
-	-	-	-	Guotai Junan	-
-	-	-	Aa2/AA	BNPP/CS	Switz 100%. AM 75%, Tsy 15%, PF 5%, Inst 4%, Ins 1%.
MS+237.5 area, MS+225 (+/-12.5)		>US$1bn	A2/BBB+	BAML/AlKhaliji/Barc/QNB/StCh/WFS	-
3mL+150 area	-	-	Aa3	CA-CIB/StCh	-
-	-	-	A3/BBB+/BBB+	UBS	-

VANKE PRICES HOT US$650m FLOATER

CHINA VANKE raised US$650m of five-year money on Thursday after its first US dollar floating-rate note issue attracted one of the biggest order books of the year for an offshore Chinese financing.

Vanke, the country's second-biggest property developer by sales, drew a final order book of over US$3.75bn from 211 investors, tapping into demand for protection from rising US interest rates.

The Baa1/BBB+/BBB+ rated Chinese property developer priced the five-year senior unsecured notes at three-month Libor plus 155bp, well inside initial 185bp area guidance.

Orders exceeded US$4.65bn before final guidance was released, well above the response to Vanke's most recent fixed-rate offering just a month ago.

Vanke priced a US$971m of 4.15% five-year senior unsecured bonds on April 11 to yield Treasuries plus 160bp. The final order book was US$1.6bn.

"Floaters are in favour recently amid expectations of further rate increases in the US," a banker on the deal said.

"Issuers just need to do an interest rate swap with banks to hedge the risk, then they could still achieve similar funding costs compared with fixed-rate bonds. But by issuing floaters, they could now have a bigger issue size and longer tenor," he said.

Of the notes, 90% went to Asia and 10% to Europe. By investor type, 65% were asset managers, 15% were insurers and corporates, 13% were banks, and 7% were private banks.

In line with the fixed-rate deal, Vanke Real Estate (Hong Kong) is the issuer, and the parent company, listed in Shenzhen and Hong Kong, is providing a keepwell deed and equity interest purchase undertaking.

The notes have expected Baa2/BBB/BBB+ ratings. Proceeds will be used for general corporate purposes.

UBS, *Goldman Sachs*, *HSBC* and *BOC International* were joint global coordinators, as well as joint bookrunners and joint lead managers with *CICC* and *Bank of China (Hong Kong)*.

ZHONGYUAN YUZI POSTPONES BOND

ZHONGYUAN YUZI INVESTMENT HOLDING GROUP, rated A3/A– (Moody's/Fitch), postponed a US dollar 3.5-year bond offering after marketing the deal on Thursday.

Final guidance for the senior unsecured deal was Treasuries plus 250bp, unchanged from initial guidance of 250bp area, and orders were over US$575m, including interest from the leads.

The benchmark Reg S bonds were due to be issued by Zhongyuan Sincere Investment and guaranteed by Zhongyuan Yuzi Investment.

The notes had expected ratings of A3/A– (Moody's/Fitch).

A source said the technical market backdrop was weak, with US Treasury yields continuing to climb, and other more prominent deals in the market at the same time dominated investors' attention.

The benchmark US 10-year Treasury hit 3.122% on Thursday, the highest since July 2011.

The Henan local government financing and investment vehicle planned to use proceeds for construction projects investment, debt refinancing and general corporate purposes.

Credit Suisse and *Goldman Sachs* were joint global coordinators as well as joint lead managers and joint bookrunners with *China Citic Bank International* and *China Minsheng Banking Corp Hong Kong branch*.

Zhongyuan Yuzi Investment is the sole provincial-level financing and investment vehicle for low-income housing projects and urbanisation construction projects in Henan province.

COGO POSTPONES US DOLLAR BOND DEAL

Property developer **CHINA OVERSEAS GRAND OCEANS GROUP**, rated Baa2/BBB–/BBB, has postponed a five-year US dollar senior unsecured bond offering that it had planned to price on Wednesday night, according to market sources.

One of the joint global coordinators told other bookrunners on Thursday morning that, "despite having a deal together, the company decided to stand down due to supply concerns".

One of the sources said the issuer may revisit the market this week.

An official from the Hong Kong-listed company declined to comment.

The company had set final guidance on Wednesday evening at Treasuries plus 225bp, in from initial guidance of 245bp area. When final guidance was released, books were said to be over US$850m, including interest from leads.

"Some big orders withdrew after the final price guidance was announced. The pricing was too tight," one of the market sources said. Fair value was put at around Treasuries plus 230bp.

The developer has a US$700m offshore debt issuance quota from China's National Development and Reform Commission. It originally aimed to use around half of the quota this time.

CICC, *ICBC International* and *UBS* are JGCs, as well as joint bookrunners and joint lead managers with *BoCom International*, *China Citic Bank International* and *Shanghai Pudong Development Bank* Hong Kong branch on the Reg S issue.

The proposed notes, with expected ratings of Baa2/BBB–/BBB, would be issued by China Overseas Grand Oceans Finance IV (Cayman) and China Overseas Grand Oceans would be the guarantor.

Proceeds would be used to repay or refinance debt, to finance new and existing projects, and for general corporate purposes.

GUANGDONG HELENBERGH MEETS INVESTORS

GUANGDONG HELENBERGH REAL ESTATE GROUP, which has just received first-time ratings from the three global rating agencies, held a non-deal fixed income roadshow in Hong Kong on May 16 via *Guotai Junan International* and *Barclays*, according to a market source.

Moody's has assigned a B2 (stable) rating to the company while S&P rates it B (stable) and Fitch B+ (stable).

As at end-2017, the Guangdong-based privately owned property developer had land reserves of 28m square metres in gross floor area, including around 13 sq m of GFA pending settlement, in 29 cities. Its key operating cities include Huizhou, Kunming, Wuhan and Zhaoqing.

Moody's expects Helenbergh's revenue/adjusted debt will remain largely stable at 70%–75% in the next 12–18 months compared with 74% in 2017. Its Ebit/interest coverage will also be largely stable at around 2.9 times over the same period, compared with 2.8 times in 2017.

Moody's said the company's rating is constrained by its "private company status, narrow funding access, and high level of outstanding trust loans and loans from asset management companies", which raises its refinancing risks.

HONG KONG

HSIN CHONG FAILS TO REDEEM BONDS

HSIN CHONG GROUP HOLDINGS was unable to repay US dollar bonds that matured on Friday and has begun talks with bondholders.

The Hong Kong-based construction company said it would not redeem its US$300m 8.75% bonds on the maturity date of May 18. Failing to repay those bonds on time would trigger an event of default on its US$150m 8.50% bonds due January 22 2019 and on certain loan agreements.

It has about HK$1.8bn (US$229m) of loans outstanding from Hong Kong banks and Rmb8.1bn (US$1.3bn) from mainland Chinese banks.

Hsin Chong has hired *Moelis* as financial adviser and *Kirkland & Ellis* as legal adviser to assist in restructuring the 2018 and 2019 notes.

Hsin Chong's shares have been suspended since April 3 2017. At the time of its 2017 results announcement auditor BDO said it was uncertain whether the company could continue as a going concern.

Poly Property Group is in talks to become a substantial shareholder. Hsin Chong is also working on a cooperation agreement with Kaisa Group Holdings in relation to the Sanshui district of Foshan city in the province of Guangdong.

INDIA

RCOM DOLLAR BONDS TUMBLE

RELIANCE COMMUNICATIONS' 6.5% US$300m bonds due in 2020 were trading at a cash price of 55.00 on Friday last week after dropping 10 points to 50.95 on May 16, according to Thomson Reuters data, after India's National Company Law Tribunal admitted an insolvency plea filed by a trade creditor.

Swedish network equipment maker Ericsson, which signed a seven-year deal in 2014 to operate and manage RCom's nationwide telecoms network, is seeking Rs11.6bn (US$170m) from the company and two of its subsidiaries, Reuters reported.

The recent order from the NCLT means that the asset sale would now be overseen by a court-appointed administrator and will potentially delay RCom's plans to sell assets and reduce debt.

INDONESIA

SOVEREIGN SETS SIGHTS ON SAMURAI

The **REPUBLIC OFINDONESIA** is poised to reopen the Samurai market, and several foreign banks are rumoured to follow.

The South-East Asian sovereign is marketing three-year notes at 40bp–55bp over yen offer side swaps and five-year notes at 60bp–75bp over.

Other tranches may be added if there is sufficient demand.

Daiwa, *Mizuho*, *Nomura* and *SMBC Nikko* are lead managers for the deal, scheduled to be priced on May 24.

"We cannot judge for sure by just looking [at the management plan] whether they will start to buy bonds even at tighter spreads," said another domestic syndicate banker. "Perhaps they won't."

PHILIPPINES

PHILIPPINES EYES NEW US DOLLAR BOND

The **REPUBLIC OF THE PHILIPPINES** is planning a second US dollar bond issue this year to fund its infrastructure programme and pay maturing debts, its finance secretary said last week.

Finance Secretary Carlos Dominguez told reporters the government had yet to determine the size and tenor of the planned offering, but was looking to launch the sale in "late third or early fourth quarter".

Dominguez said the sale was also being timed ahead of more interest rate increases by the US Federal Reserve.

The Philippines, one of Asia's active issuers of sovereign debt, raised US$750m of fresh funds from 10-year US dollar bonds in January, and US$230m from a sale of Panda bonds in March.

SINGAPORE

TRAFIGURA MAKES SWISS DEBUT

Commodity trading firm **TRAFIGURA** made its debut in the Swiss market on Thursday, following a roadshow in Zurich and Geneva and a day of marketing.

Sounding began as soon as the roadshows finished on Wednesday with IPTs at 2.25%-2.5% for a five-year note, before books opened on Thursday morning for a minimum SFr150m at the same levels. Pricing followed in the afternoon at the tight end of guidance for a final SFr165m print.

The 2.25% coupon and yield level equated to mid-swaps plus 222bp, or Swiss government bonds plus 263bp for the unrated Singapore-based company.

That level gave a new issue premium of around 15bp compared to the outstanding levels of its recent March 2023 US Dollar trade, adjusted for the cross-currency swap.

Swiss retail took the vast majority with nearly 90% of the bonds, with asset managers and pension funds taking most of the remainder.

UBS was global coordinator on the deal, joined by lead managers *Credit Suisse* and *Deutsche Bank*.

SOUTH KOREA

KDB LIFE DEBUTS SOUTH KOREAN HY HYBRID

KDB LIFE INSURANCE priced a US$200m hybrid issue at par to yield 7.5%, unchanged from initial guidance of 7.5% area, becoming the first South Korean issuer to sell such instruments with a high-yield rating.

The offering marks another step in the broadening of the South Korean high-yield market. In the past 12 months Korean Air has sold unrated senior and perpetual dollar bonds at yields that imply it is viewed as a high-yield credit, after years without any high-yield South Korean issues offshore.

KDB Life's subordinated securities have a legal maturity of 30 years but roll in perpetuity, and there is a call after five years.

This was the first high-yield subordinated trade from a South Korean issuer and was priced wide of its investment grade national insurance peers due to its lower rating and the smaller size of the company. KDB Life has about 3% of the domestic life insurance market by premium income, according to Fitch.

This was also KDB Life's debut offshore deal, as it has never sold senior bonds in an international offering.

The issue was capped at US$200m, although Fitch in its rating note in April had expected the size to be US$300m.

KDB Life's hybrid offering is expected to be rated BB by Fitch, a notch below the BB+ issuer default rating, which reflects recovery prospects in the event of a default. The issuer's insurer financial strength rating is BBB–.

The Reg S securities come with a coupon reset at the first call date in May 2023 and every five years thereafter to the prevailing five-year US Treasury benchmark, plus the initial spread of 465.8bp over Treasuries. There is an additional 1% step-up as of May 2028.

During bookbuilding, the hybrid bonds of Kyobo Life Insurance and Hanwha Life Insurance were quoted at 4.7% and 5.0%, respectively. Both bond issues are rated A3/A– (Moody's/Fitch). Heungkuk Life Insurance's hybrids, rated Baa3/BBB– (Moody's/Fitch), were seen at 6.2%.

Orders exceeded US$400m at the time final guidance was announced. There was demand from private banks and institutions, with Asia making up the majority.

Korea Development Bank and *UBS* were joint global coordinators. The JGCs were also bookrunners with *BOC International*. The notes were heard to be quoted below reoffer on Tuesday.

HITTING THE SWISS MARKET

KNOC and **KDB** both visited the Swiss market last week, raising SFr700m between them through five-year bonds.

KNOC came first with a deal on Tuesday that was a very big for the Swiss market.

The SFr500m 0.373% June 2023s priced at par to give a spread of mid-swaps plus 35bp, the tight end of plus 35bp/37bp guidance. That equated to Swiss government (Eidg) plus 77bp.

The transaction came around 10bp-15bp back of Korean Swiss franc secondaries, but priced some 20bp inside KNOC's US dollar secondary curve, adjusted for the cross-currency swap.

Swiss asset managers took the vast majority of the paper, from a book of 55 accounts for an average ticket of SFr9m.

KDB followed on Thursday with a SFr200m 0.303% June 2023, also at par, to give mid swaps plus 27bp (Eidg+64.9bp).

That was more in line with the South Korean curve, with around 2bp of concession compared to compatriot agency Kexim's 0.253% March 2023s, which were issued earlier in 2018. Those bonds were trading at a Z-spread of plus 25bp, according to SIX on Thursday.

Both bonds will more than refinance paper maturing at the end of 2018: KNOC has a SFr240m 1.625% from 2013 due in late November, while KDB has a SFr180m 1% from 2012 due in December.

Other South Korean names may be on the way to refinance maturing paper. KFC has a total of SFr400m of bonds due in July and October, while Korea Railway Corp has SFr300m coming up in November. Looking further ahead, KOWEO and KEP have bonds due in early 2019.

KNOC, rated Aa2/AA/AA-, was led by *BNP Paribas (Suisse)* and *UBS*.

KDB, similarly rated at Aa2/AA, was led by *BNP Paribas (Suisse)* and *Credit Suisse*.

KEXIM HIRES FOR US DOLLAR FORAY

The **EXPORT-IMPORT BANK OF KOREA**, rated Aa2/AA/AA–, has mandated itself, *Citigroup*, *ING*, *JP Morgan*, *Morgan Stanley* and *Societe Generale* for a SEC-registered US dollar offering.

The proposed bond deal, which is slated for this month, is the state-run bank's first foray into US dollars this year. It issued bonds in offshore renminbi and Swiss francs in March and February, respectively.

Kexim sold its last US dollar deal in October, a US$2bn issue of five-year fixed and floating-rate notes and three-year fixed-rate bonds.

The offering comes ahead of a summit between North Korean leader Kim Jong Un and US President Donald Trump that has been scheduled for June 12. The fate of the meeting, however, has become uncertain after Kim threatened to pull out if Washington continued to demand it unilaterally abandon its nuclear arsenal.

North Korea also called off talks with South Korea, blaming US-South Korean military exercises.

KOREA WESTERN POWER PICKS BANKS

KOREA WESTERN POWER, rated Aa2/AA (Moody's/S&P), has mandated *BNP Paribas*, *Citigroup* and *HSBC* for a US dollar-denominated Reg S-only transaction.

A series of fixed income investor meetings in Asia will commence on Monday.

EUROPE/AFRICA

BOSNIA & HERZEGOVINA

BOSNIAN REGION LOOKS TO INTERNATIONAL MARKETS

Bosnia's autonomous **SERB REPUBLIC** aims to raise €200m by selling its first international bond, finance minister Zoran Tegeltija said on Wednesday.

The bond sale is likely to be in mid-2018, he said.

"The decision has been taken due to limited capacity of the local financial market," Tegeltija told the regional parliament, Reuters reported, saying selling a Eurobond would be a "great political success".

Bosnia's two postwar autonomous regions, the Serb Republic and the Bosniak-Croat Federation, have so far sold short and long-term debt only in local auctions, raising funds to plug budget holes and finance maturing debt.

The Serb Republic is seeking to reduce its short-term borrowing. Its 2018 budget envisaged issuance of KM86.6m (US$52.6m) of Treasury bills but half of that has been cancelled.

Tegeltija said that reflected a rise in revenues and a new loan tranche from the International Monetary Fund in February that had ensured budget liquidity.

Preliminary estimates put the region's total debt at KM5.35bn, or 50.6% of its 2018 GDP, with public debt seen at KM4.2bn or 40.06% of GDP.

POLAND

MBANK NAMES LEADS FOR SWISS ROADSHOW

MBANK has hired banks for a Swiss franc bond.

The Polish lender, rated BBB+ by S&P and BBB by Fitch, has mandated *Commerzbank*, *Credit Suisse* and *UBS* to arrange a series of

EXOTIC DEBT PRICES: 17/5/2018

	Bid	Offer
Americas		
Cuba (€)	19.00	20.00
Cuba (¥)	18.00	20.00
Guyana/PD–trade	80.00	90.00
Honduras trade	30.00	40.00
Nicaragua/Loans	16.00	19.00
Suriname trade	10.00	12.00
Africa		
Angola	99.00	100.00
Benin	10.00	15.00
Burkina-Faso	8.00	10.00
Cameroon trade	22.00	32.00
Cape Verde trade	75.00	85.00
Central African Rep trade	0.50	1.50
Congo/trade	25.00	30.00
Congo (Dem Rep)	3.75	6.75
Cote d'Ivoire	101.50	103.50
Equatorial Guinea trade	85.00	90.00
Ethiopia	2.00	4.00
Gabon PD-Trade	70.00	78.00
Ghana	88.00	92.00
Guinea-Bissau trade	7.00	10.00
Guinea	8.00	13.00
Kenya trade	45.00	55.00
Liberia PD trade	9.00	12.00
Madagascar (trade)	27.00	34.00
Mali PD trade	2.00	6.00
Mozambique (trade)	6.00	12.00
Senegal	24.00	26.00
Sierra Leone PD-trade	1.00	5.00
Tanzania	12.00	16.00
Uganda trade	16.00	18.00
Zambia PD-trade	15.00	22.00
Asia		
Bangladesh	70.00	80.00
Cambodia trade	6.00	12.00
Mongolia	27.00	38.00
Myanmar trade	27.00	32.00
Nepal trade	13.00	16.00
North Korea/Loans	0.03	1.50
Papua New Guinea	85.00	95.00
Vietnam	102.00	103.00

Source: Wesbruin Capital

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	23	7,734.36	14.1
2	JP Morgan	20	5,305.37	9.7
3	VTB Capital	10	4,886.69	8.9
4	Deutsche Bank	12	4,773.43	8.7
5	Standard Chartered	8	3,504.97	6.4
6	HSBC	11	3,452.14	6.3
7	BNP Paribas	12	2,888.30	5.3
8	Goldman Sachs	6	2,538.60	4.6
9	SG	12	2,346.08	4.3
10	UniCredit	8	1,106.26	2.0
	Total	**49**	**54,949.57**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L2

Investors in Turkey stunned by Erdogan's fight with markets

TURKEY Lira's fall highlights regime's lack of economic nous

"Shock and disbelief" - that's how global money managers reacted to an attempt by Turkish President Tayyip Erdogan to re-assure foreign investors about his economic management as the lira went into tailspin.

Fund managers who met Erdogan and his delegation in London on Monday, part of a three-day visit to Britain, were baffled about how he plans to tame rising inflation and a currency in freefall - while simultaneously seeking lower interest rates.

Some said that while Erdogan has crushed his domestic enemies, he would find taking on international financial markets with policies that defy economic orthodoxy much tougher.

A resurgent dollar, rising oil prices and a jump in borrowing costs have caused havoc across emerging markets in recent weeks. However, Turkey has been among the worst affected due to its a gaping current account deficit and growing puzzlement over who exactly holds the reins of monetary policy.

Erdogan's comments that he planned to take greater control of the economy after snap presidential and parliamentary elections next month deepened investors' worries about the central bank's ability to fight inflation, helping to send the lira to a record low on Tuesday.

Rampant inflation dogged Turkey for decades before 2000 and has been back in double digits since the start of 2017. But Erdogan has styled himself as an enemy of high interest rates, defying orthodox monetary policy that prescribes tighter credit to keep a lid on prices.

Speaking on condition of anonymity due to the political sensitivity of the meetings, investors told Reuters they were flabbergasted by his stance and willingness to go into battle with world markets at such a fragile time.

FINDING ENEMIES

One noted Erdogan's long list of enemies including US-based Islamic preacher Fethullah Gulen, whom he accuses of orchestrating a failed coup in 2016.

"He picks battles with everybody ... he is fighting the opposition, he is fighting Gulen, he is fighting the extremists, he is fighting after the failed coup - now he is fighting the markets, and that is dangerous," said one fund manager at a major asset management firm,

"You can find your domestic foes all you want, but when you are trying to take on a financial market, that is a battle you can't really win," said the manager whose firm attended a closed-door investor meeting with Deputy Prime Minister Mehmet Simsek.

Another portfolio manager, who attended a meeting with Erdogan, said the president had been "very honest" and clear about where he expected interest rates to go if he should win the elections on June 24.

"Erdogan ... said when he (is re-elected) president, he will ensure rates will be low, not high," the portfolio manager said. "His view is that high rates lead to high inflation, I'm not sure I agree with that view."

Once a darling of emerging market investors, Turkey has seen its star fall dramatically in recent years, hit by slowing growth and concern about Erdogan's outsize influence over monetary and fiscal policy.

Having weakened five straight years already, the lira is on track for a 15% fall since the start of the year against the dollar - making it one of the worst performing emerging market currencies.

"He thinks the market is a bunch of speculators, and that is not his audience, his audience are ordinary people in Turkey and they need lower rates," said a third asset manager, whose firm also attended the Erdogan meeting.

Karin Strohecker

Additional reporting by Marc Jones

fixed income investor meetings in Switzerland on May 22.

A senior unsecured benchmark with an intermediate maturity may follow.

The issuer debuted in the Swiss market in 2013 with a SFr200m 2.5% October 2018 note. Proceeds from the new bond will presumably go to refinance that bond.

It also has an outstanding SFr200m 1.005% March 2023 from early 2017, which was trading at a Z-spread of plus 48bp ahead of the announcement on Monday, according to SIX.

RUSSIA

RUSSIAN RAILWAYS OPENS TENDER OFFER

RZD CAPITAL, the issuing entity of state-owned RUSSIAN RAILWAYS, has opened an any-and-all tender offer on two of its outstanding US dollar bonds.

RZD is offering to buy back its US$500m 3.45% due 2020s and its US$500m 4.375% due 2024s.

Even while Russian issuers were busy accessing the primary markets before the most recent round of sanctions, liability management had been a big theme. More recently, TransKapital Bank had undertaken a small buyback of its 2020s.

That in itself calls into question how much Russian new issuance will be hitting the market if the political situation changes.

"Most Russian corporates' balance sheets are well managed - they don't need to do anything," said one banker about the prospect of Russian supply later in the year.

The banker added that the RZD announcement was "interesting".

"They are not sanctioned, but very much a rouble-based company and this looks like a political snub to the US and US dollar markets, saying 'we don't need you as our domestic rouble markets give us what we need'," said the banker.

"If they were concerned about increasing sanctions, then logic would be to leave the US dollar debt outstanding and let the bondholders have the problem."

In a statement to the London Stock Exchange, RZD said the tender offer "is reflective of the company's robust liquidity position".

RZD will buy back the 2020s at 98.25 and the 2024s at 98.50. They were trading at 97.502/98.086 and 97.128/97.753 at Friday's open, according to Tradeweb prices.

RZD also has US$1.4bn 5.70% 2022s outstanding but they aren't subject to the tender offer. That may be because they are trading at 103.093/103.937.

JP Morgan and *VTB Capital* are the dealer managers on the offer, which expires on May 25.

MIDDLE EAST

ISRAEL

ISRAEL CHEMICALS EYES LONG-DATED BOND

ISRAEL CHEMICALS began meetings last week ahead of a long-dated new issue that funded a tender offer.

Dana Gas reaches agreement with creditors

ISLAMIC FINANCE Sharjah company hopes to end tussle with sukuk holders

DANA GAS has reached agreement with creditors on restructuring US$700m of sukuk, it said on May 13, potentially ending a protracted legal battle that unsettled the global Islamic finance industry.

The United Arab Emirates energy company said in June that it would not redeem the Islamic bonds, arguing that changes in Islamic financial practices had made them invalid under UAE law, leading to a fight in UAE and British courts.

Under the deal with the sukuk holders' committee, investors who want to exit the instruments can do so in a tender at 90.5 cents on the dollar.

Alternatively, investors can exchange the sukuk for new three-year Islamic instruments with a 4% profit rate, while receiving final profit payments that they were owed before the old sukuk matured on October 31.

"The consensual transaction represents a means to resolve amicably all current issues and disputes facing the parties," Dana said.

The company said it expected to launch the tender offer this month and complete the deal by the first half of July, though this depends on conditions including the payment of certain parties' costs and termination of all current litigation.

Holders representing more than 52% of US$350m of sukuk convertible into equity, and 30% of US$350m of non-convertible sukuk, agreed to take no further action before the tender, Dana said.

A person familiar with the deal told Reuters it would require the support of 75% of sukuk holders and would then become compulsory for the rest.

Dana's shares jumped 3.9% after news of the deal, which it said could reduce the company's debt by up to US$385m.

The dispute involved a number of leading international financial institutions, including fund manager BlackRock, and Deutsche Bank, which represented investors in legal proceedings.

Dana said the dispute had no implications for Islamic finance as a whole, but many in the industry worried that it could set a dangerous precedent for other firms to repudiate debts on the grounds that scholars' interpretation of what was religiously permissible had shifted.

The original sukuk carried profit rates of 7% and 9% and used a mudaraba structure, an investment management partnership.

Dana argued this structure had fallen into disuse, and it justified paying a lower profit rate on the new sukuk on the grounds that its prospects had improved as it secured hundreds of millions of dollars of payments from Iraqi Kurdistan.

The new sukuk will use a wakala structure, a more common format in which one party manages assets on behalf of another.

The deal appeared fairly close to a proposal that Dana made to creditors in mid-2017, when it suggested swapping the original sukuk for new, non-convertible ones with four-year maturities and profit distributions at less than half the rate.

"We are now pleased to have reached an agreement with the company and provide our support to the settlement," the sukuk holders' committee said without elaborating.

One sukuk holder, who declined to be named, was more critical.

"The company has acted egregiously against their creditors in the interest of protecting the equity value. In doing so, they have anchored the conversation so far out in left field that any settlement is a win for them and a loss for us."

Creditors won some rounds in the dispute; a London High Court judge ruled in February that the purchase undertaking behind the sukuk was valid and enforceable.

But a court in the emirate of Sharjah at one stage directed enforcement of UK court orders in the UAE be suspended, appearing to set courts in the two jurisdictions at odds with each other.

Robert Hogg

The company, rated BBB- by S&P and BBB- by Fitch has mandated *Bank of America Merrill Lynch*, *Barclays*, *BNP Paribas*, and *HSBC* leads to arrange the roadshow. Meetings will take place in Tel Aviv, London, New York and Boston.

A US dollar-denominated Reg S/144A senior unsecured long dated 20-year to 30-year bond offering may follow.

The company is also undertaking an any-and-all tender offer for its outstanding US$800m 4.500% 2024s, which is scheduled to expire on May 22.

QATAR

CBQ TESTS APPETITE FOR RISK

COMMERCIAL BANK OF QATAR last week became the first issuer from the country, aside from the sovereign, to issue in mainstream public markets since the diplomatic and trade dispute between Doha and Saudi Arabia and its allies erupted nearly a year ago.

CBQ (A2/BBB+) printed a US$500m five-year at 212.5bp over mid-swaps, 25bp inside initial guidance.

While the allocation statistics have yet to be released, the deal is likely to have a more international-based allocation than typical Gulf deals, given the region's politics, as well as domestic support.

"The Qatar credit story is something people like," said a banker close to the deal. "We had a strong Qatari bid so that helped mitigate [the lack of a regional bid]. International investors were also important. They had a more critical distribution than we've grown accustomed to."

Leads spotted fair value in the high 100s/200bp area based on other banks in the region, as well as Qatar itself. CBQ's longest outstanding bond was its June 2021, which was bid at 150bp over mid-swaps, according to Tradeweb.

Books were US$1bn including US$200m of lead interest.

CBQ wasn't the only Qatari lender in the market as QATAR NATIONAL BANK (Aa3) raised US$1.5bn through a three-year floating-rate note in Taiwan's Formosa market. It was a further demonstration of Qatari banks' ability to access liquidity in different pockets of the bond markets.

QNB, the Gulf's largest lender, sold its maiden Dim Sum bond in March, its first Kangaroo bond in January, and has been a frequent visitor to the Formosa market.

Despite the economic and trade restrictions, Qatari banks expect private sector credit growth in the country to pick up speed in 2018 as companies borrow and invest to expand.

QNB is targeting the private sector to contribute around 50% of lending growth in 2018, up from 22.5% in 2017, a bank spokesman told Reuters last month.

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	Standard Chartered	24	7,470.70	13.3
2	Citigroup	14	7,198.92	12.9
3	HSBC	20	6,044.59	10.8
4	Deutsche Bank	7	4,152.37	7.4
5	Credit Suisse	6	2,987.94	5.3
6	Goldman Sachs	3	2,896.18	5.2
7	Barclays	6	2,489.25	4.4
8	Morgan Stanley	3	2,405.79	4.3
9	Gulf International Bank	2	2,373.03	4.2
10	JP Morgan	6	2,277.34	4.1
	Total	**55**	**55,987.37**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L5

Bank of America Merrill Lynch, *Al Khaliji*, *Barclays*, *QNB Capital*, *Standard Chartered* and *Wells Fargo* were the leads on CBQ.

Credit Agricole Taipei branch and *Standard Chartered* were joint lead managers on the QNB deal. *Barclays* was structuring agent.

AMERICAS

CHILE

BANCOESTADO RETURNS TO ASIAN MARKETS

BANCOESTADO, rated Aa3/A+/A, raised about US$200m equivalent in the Asian market last week after pricing two bond deals in quick succession.

On Monday, the bank issued debt in Hong Kong dollars for the first time ever - a HK$600m 3.6% 2033 bond through *HSBC*. This was followed overnight by a ¥13bn 0.58% 2026 bond led by *Daiwa* and *MUFJ*.

"We monitor markets all over the world, but pick the ones that offer costs that are the same or less than the local markets," CFO Carlos Martabit told IFR.

"In Chile we have a deep local capital markets where we can issue up to 30 years."

The bank still plans to raise about US$500m equivalent in the cross-border markets this year, not including another US$300m locally, he said.

To fund its operations, BancoEstado typically needs to raise about US$1.6bn annually, and it has already made a variety of forays this year, Martabit said.

In January, it issued a US$500m three-year bond - its first dollar deal since 2013, according to IFR data - followed by an A$40m 12-year issue in the Kangaroo market.

ALL INTL EMERGING MARKETS BONDS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Citigroup	118	32,947.46	10.6
2	HSBC	138	26,793.80	8.6
3	Deutsche Bank	63	18,766.98	6.0
4	Standard Chartered	96	17,718.94	5.7
5	JP Morgan	73	17,616.82	5.7
6	BNP Paribas	71	12,502.09	4.0
7	Morgan Stanley	44	10,527.56	3.4
8	Credit Suisse	56	10,037.15	3.2
9	Goldman Sachs	37	9,684.17	3.1
10	BAML	50	9,583.52	3.1
	Total	**453**	**311,184.20**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L1

In February it also issued its first social bond in the local market - a CLP50bn 2022 bond.

MEXICO

PEMEX MAKES LAST FUNDING PUSH BEFORE ELECTION

PEMEX broke the silence in the Latin American primary on Wednesday when it priced a €3.15bn bond sale in one last funding push before the country's July 1 presidential elections.

The state-owned oil company stepped into a market that has been far from kind to Latin issuers of late, which are either sidelined or paying above and beyond initial expectations.

But with bond prices showing signs of stability and big names entering the euro market early last week, Pemex saw its chance to achieve a sizable print before more election volatility.

"I suspect that this will be the last Mexican capital markets deal, both corporate and sovereign, to come until the elections," said a banker away from the deal. "I can't fault them for coming (now)."

Pemex has been particularly susceptible to political risks amid promises by leading candidate Andres Manuel Lopez Obrador (AMLO) to revisit energy reforms seen as vital to turning around the company's poor financials.

"It is not generating sufficient cash and production has been falling, and that is why liberalizing the energy sector has been so important," Augustin Monnoyeur, a senior research analyst at research firm CreditSights.

"But AMLO has been voicing doubts about oil reform and has been talking about freezing fuel prices."

Concerns over the outcome of the elections have been reflected in the secondaries, where the company's new 5.35% 2028 saw yields hit a high 6.26% earlier this month.

It is a similar story in the euro market where the 4.875% 2028 has seen its yield rise from 3.464% in January to 4.343% on Wednesday, according to Thomson Reuters data.

With substantial funding needs, Pemex has hardly been price sensitive and that was arguably more true in this environment.

Starting with concessions of 45bp-50bp, Pemex finally offered yields with generous premiums of anywhere between 25bp and 30bp over fair value, said another banker.

At Tuesday's close, the existing 2022s, 2024s, 2026s and 2028s were being spotted at I-spreads of 164bp, 234bp, 263bp and 307bp.

In the end, Pemex priced a €600m 4.5-year at mid-swaps plus 220bp, a €650m 7.5-year at plus 288bp and a €1.25bn 10.75-year at plus 370bp. It also priced a 5.25-year at three-month Euribor plus 240bp.

"In our view they have been a bit more generous to investors than usual, which is fair considering presidential elections," said Monnoyeur.

A relatively small order book of €5.5bn - at its peak - was yet another indication to some bankers that European investor appetite for Pemex risk had waned, even with oil prices on the rise.

"European investors on the whole are a lot more defensive than dollar investors," said a second syndicate manager.

That contrasts with the US$25bn book the company generated when it did a US$4bn four-part trade in February.

The deal was done in conjunction with a cash tender for €1.35bn of outstanding 3.75% 2019s at a purchase price of 102.978.

The idea is to dedicate about €1bn of the new issue to the tender with the remaining €2bn to be used as new money, said a banker on the deal.

"It is a continuation of their medium-term strategy, raising funding along with refinancing maturities," the banker said.

BBVA, *Deutsche Bank*, *Santander* and *Societe Generale* acted as leads on the deal. Ratings are Baa3/BBB+/BBB+.

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	28	10,457.17	17.5
2	JP Morgan	22	6,083.05	10.2
3	Deutsche Bank	5	5,706.99	9.6
4	HSBC	10	5,644.22	9.5
5	BAML	15	4,078.85	6.8
6	Morgan Stanley	9	4,009.35	6.7
7	BBVA	4	2,811.40	4.7
8	BNP Paribas	8	2,741.03	4.6
9	Santander Global	12	2,553.79	4.3
10	Credit Suisse	7	1,608.34	2.7
	Total	**59**	**59,629.25**	

Excluding equity-related debt.

Source: Thomson Reuters SDC code: L3

PARAGUAY

BANCO REGIONAL ENDS DEBT TENDER

BANCO REGIONAL has cancelled its debt tender for any and all of its 8.125% 2019 bonds following in the footsteps of several Latin American issuers that have stepped down this month.

The Paraguayan bank had been roadshowing a US dollar bond with a five or seven year maturity as part of the liability management transaction, but never emerged with a deal.

As of May 2, about US$260m of the notes had been validly tendered at a buyback price of 103.85.

The 144A/RegS deal was expected to be rated Ba1/BB. *Citigroup* and *JP Morgan* were managing the bond and the tender.

Banco Regional is 38.7% owned by Rabo Partnerships and is focused largely on the agribusiness sector.

PERU

CAMPOSOL ABANDONS BUYBACK

CAMPOSOL has abandoned its offer to buy back a 10.5% 2021s.

As of May 9, US$113.843m of the notes had been validly tendered, or about 77.19% of the outstanding principal amount. The company had offered a buyback price of 106.69.

The company had recently finished roadshows to market a US dollar 144A/RegS senior unsecured bond to finance the tender, but never emerged with a deal as conditions worsened.

Bank of America Merrill Lynch was global coordinator as well as joint bookrunner along with *JP Morgan*.

Camposol is a vertically integrated producer of predominantly off-season and healthy food for both retailers and wholesalers. Expected ratings were B2/B+/B.

VENEZUELA

EURINAM PREPS GROUP FOR SMALL HOLDERS OF VENEZUELA DEBT

Financial adviser European InterAmerican Finance LLC (Eurinam) is accumulating interest among smaller holders of **VENEZUELA** debt as it prepares for possible debt talks in the event of a change of government in the embattled country.

Eurinam has set up an offshore special purpose vehicle to act on behalf of retail and small institutional investors, and expects holders of around US$3bn of Venezuelan debt to join the group with others to follow in due course.

Law firm Clifford Chance in turn has agreed to advise Eurinam on a range of issues including compliance with any European and US sanctions.

The idea is to enhance the negotiating leverage of such investors if the administration of President Nicolas Maduro loses power and sanctions against the country are modified or eliminated altogether.

"With enough volume we (will) have a seat at the negotiating table and can represent debt holders effectively to make the best deal for them," said Martin Schubert, chairman and CEO of Eurinam.

The move comes as larger institutional holders of Venezuelan debt start to coalesce into one group as investors bet that Maduro's days in government are numbered.

In contrast, Eurinam's group is seeking to give a voice to the needs of retail and smaller accounts who have also bought Venezuelan debt over the years.

Eurinam is a US-based firm that advises emerging market corporates and sovereign borrowers and was created in 1983 following the Latin American debt crisis.

■ FRONT STORY EUROPEAN LEVERAGED MARKET

Investors debate role of law firms

› Lawyers in focus as loan docs deteriorate

› Investors and banks are declining aggressive deals

Aggressive documentation on European leveraged loans is highlighting the role of lawyers that work for private equity firms and also represent the banks lending to sponsors' buyout loans.

Investors and banks are now declining aggressively structured deals and some are questioning private equity firms' ability to exercise control over deals by selecting and paying for banks' lawyers.

"As a lawyer, you have an ethical duty to act for the best interests of your bank client, but the sponsor is picking up the fee so naturally you don't want to upset them either," said a banking partner.

Investors often do not have legal representation, and use services such as Covenant Review and Debt Explained to review deal documents, while private equity firms pay for arranging and participating banks' lawyers.

Legal fees are likely to remain a contentious issue for the broader market until banks pay for their own representation, a banking partner at a law firm said.

"No one is stopping the banks paying their own fees but they don't want to hit their profits," he said.

WEAK DOCS

Hard designations, where private equity firms instruct their banks to use specific law firms, are more common in Europe than New York, where banks sometimes pay their own fees, and are being seen more frequently.

Private equity firms originally designated law firms to ensure that they were working with trusted partners and to avoid getting multiple legal opinions on the same deal. But the motive may have changed as documentation has grown more aggressive, the second lawyer said.

Potential problems could arise if private equity firms' lawyers advise them to use other law firms for the banks, who then feel compelled to return the favour on another deal, the second lawyer said.

"You're almost taking the client out of the equation in that situation," he said.

Private equity firms often meet objections to documentation by telling banks to pay for their own legal representation or be removed from the deal. Banks' scope to negotiate on documentation via their appointed counsel is now considerably smaller, another lawyer said.

"Now, what seems to happen is that law firms for sponsors serve up the terms and that's just it," she said.

Some banks have responded by hiring lawyers with documentation expertise to their syndicate desks for a second opinion to "take the sting out of their general counsel", the second lawyer said.

Market participants view the growing prominence of sponsor-focused law firms in particular as a significant change, as they are often identified as driving the aggressive terms.

> "These law firms get paid twice as much, end up getting a load of terms that the sponsor doesn't need and then say they've now got market precedent"

"The sponsor-focused law firms can be the bad cop. I know that these firms openly say to a sponsor 'we couldn't care less about whether the banks or investors lose money'," the second lawyer said. "These law firms get paid twice as much, end up getting a load of terms that the sponsor doesn't need and then say they've now got market precedent."

Sponsors are winning on removing a range of lender protections including provisions that give them more flexibility to make add-on acquisitions, the ability to limit cash sweep protections, which repay debt with excess cashflow, and are seeking to limit the use of sale proceeds to repay debt or reinvest. Moody's said last week that cash sweep protections are now at their weakest level on record.

One of the most common complaints from leveraged finance bankers and investors is that law firms are applying aggressive documents designed for large, liquid loans to riskier smaller middle-market companies.

The £300m Term Loan B backing Carlyle's buyout of ACCOLADE WINES, for example, has similar debt incurrence capacity to the largest deals in the market. Moody's noted that only 5% of Term Loan Bs issued in EMEA in 2017 had more than one covenant, and a negligible amount of deals had a full suite of creditor protections.

POST-CRISIS WORLD

While some investors are questioning the close relationship among private equity firms, their lawyers and lenders, a large supply-demand imbalance is giving sponsors the upper hand. A lack of deals is forcing investors to continue to accept the erosion of lending terms in return for yield to avoid sitting on cash.

"In Europe, the economic power of the sponsors drives the market more, whereas the US is more precedent-driven," the first lawyer said.

Having a variety of law firms working on the same transaction can prove very expensive, a third partner said, and the move to one designated firm highlights the growing commoditisation of the private equity business model. It is also a function of the competition among law firms in a hot market, a leveraged finance head said.

"Like the bank market, the law firms are also slightly cartelised. If you're a new entrant, you've got to compete hard. In the last two to three years, maybe one or two firms have made a very strong push," the leveraged finance head said.

The European leveraged loan market has also moved in line with the larger US market in terms of deal structures and documentation, as the institutional buyside has developed following the financial crisis, and these changes are also reflected in the legal market.

"Fundamentally the European legal market has shifted since the crisis to the US firms, which are more entrepreneurial and deal-driven. They're businesses, not clergy, and maybe the market just hasn't adjusted to that yet. The terms are very different now but the client service is also astronomically better," the leveraged finance head said.

Max Bower

ASIA-PACIFIC

AUSTRALIA

MACQUARIE GOES GREEN

Investment bank MACQUARIE GROUP is adopting green industry standards for a debut £500m loan.

The facility will be established under the bank's new green finance framework, which will be aligned with the Green Loan Principles published by Europe's Loan Market Association and the Asia Pacific Loan Market Association on March 21.

The deal comprises two three-year revolving credit facilities of £75m each (Tranches A1 and A2) and two five-year term loans of £175m apiece (Tranches B1 and B2).

The interest margins are tied to the borrower's S&P and Moody's ratings.

The three-year tranches pay 100bp over Libor for Baa1/BBB+ or higher, 110bp over Libor for Baa2/BBB, and 120bp over Libor for Baa3/BBB– or lower. The initial three-year margin is 110bp.

The five-year tranches pay 115bp over Libor for Baa1/BBB+ or higher, 125bp over Libor for Baa2/BBB, and 135bp over Libor for Baa3/BBB– or lower. The initial five-year margin is 125bp over Libor.

If the borrower has a split rating, the margin for the lower rating will apply.

Lenders are being invited to commit at six levels: MLABs and MLAs committing £250m or more or £200m–£249m earn participation fees of 40bp and 60bp for Tranches A and B, respectively, while lead arrangers joining with £150m–£199m receive fees of 35bp and 55bp, respectively.

Arrangers taking £100m–£149m earn fees of 30bp and 50bp for Tranches A and B, respectively, while senior managers joining with £50m–£99m receive fees of 25bp and 45bp. Managers coming in for £25m–£49m are offered fees of 20bp and 40bp for Tranches A and B, respectively. The deadline for commitments is May 17.

HSBC is the coordinator.

Funds will be used for general corporate purposes, according to the term-sheet. However, some sources have speculated that proceeds may also be used to refinance debt that Macquarie took on to buy the UK government's Green Investment Bank for £2.3bn in August 2017.

INFIGEN REFI BEATS REG RISKS

Syndication of the A$605m (US$455m) refinancing for renewable energy producer INFIGEN ENERGY is expected to close in a month despite regulatory uncertainty in Australia's power market.

Sole underwriter *Goldman Sachs* has received commitments from a number of investors and is targeting closing the books in June, sources said.

Australia's energy market has been marred by policy indecision, including ongoing discussions on a national power plan proposed by the government.

The National Energy Guarantee, to be put up for approval in August, would require the power sector to cut carbon emissions by 26% from 2005 levels by 2030, Reuters reported. At the same, it will require electricity providers to ensure they have enough supply from steady power sources such as coal and gas-fired plants to back up intermittent sources such as wind and solar power.

Earlier government intervention in the gas market to prevent producers from selling gas overseas also spooked some potential loan investors.

Infigen sells electricity through a mix of medium and long-term contracts as well as through the spot market.

The loan, which was launched into syndication in February and reached financial close in April, comprises a A$525m five-year institutional term loan targeted at investors and A$80m of five-year liquidity facilities aimed at the bank market.

Goldman has been conducting a bookbuilding process. The interest margin for the five-year institutional loan is in the 400bp–450bp range, while the margin for the other portion is 350bp over BBSY, the sources said.

The sources declined to be named due to the confidential nature of the information. Goldman also declined to comment.

The institutional loan refinances Infigen's global debt facility maturing on December 31 2022 and a loan backing the construction of its Woodlawn wind farm in New South Wales.

The A$80m of liquidity facilities comprise a A$60m bank guarantee and letter of credit loan and a A$20m working capital facility, which is structured as a super-senior secured term loan, according to earlier public statements. The borrower had total debt of A$724m as of December 31 2017.

Infigen, formerly Babcock & Brown Wind Partners, has 557MW of installed wind generation capacity in New South Wales, South Australia and Western Australia, with an additional 113MW of capacity under construction in NSW.

The company has been cutting debt by selling assets offshore in the US and Europe to focus on the domestic energy market. It tapped shareholders last April for a A$151m capital-raising to fund wind and solar projects.

CHINA

GEELY WRAPS VOLVO LOAN

ZHEJIANG GEELY HOLDING GROUP has closed a €3.05bn loan backing its purchase of a stake in Swedish vehicle-maker AB Volvo following commitments from 14 banks in senior syndication.

Eight of the 14 banks joining are Chinese. They are *Bank of China*, *China Everbright Bank*, *China Merchants Bank*, *China Minsheng Banking Corp*, *Export-Import Bank of China*, *Industrial & Commercial Bank of China*, *Ping An Bank* and *Shanghai Pudong Development Bank*.

The other lenders are *ANZ*, *ING*, *MUFG*, *Nordea*, *SEB* and *Societe Generale*.

BNP Paribas and China Citic Bank were the mandated lead arrangers, bookrunners and underwriters.

The borrowing is split into a €2.1bn five-year term loan and a €950m 12-month bridge, paying respective top-level all-in pricing of 185bp and 130bp over Euribor. Drawdown is expected to take place shortly.

Proceeds from the loan fund Geely's acquisition of an 8.2% stake in AB Volvo from activist investor Cevian Capital.

YIXIN MAKES OFFSHORE DEBUT

Online car retailer YIXIN GROUP is seeking a US$150m three-year loan, marking its debut in the offshore loan market.

Bank of Communications Hong Kong Branch, *Hang Seng Bank* and *HSBC* are the mandated lead arrangers and bookrunners of the transaction, which pays an interest margin of 263bp over Libor and has a 2.5-year average life.

MLAs committing US$50m or more will receive all-in pricing of 323bp via a participation fee of 150bp, while lead arrangers joining with US$30m–$49m earn all-in pricing of 315bp via a 130bp fee.

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	207	33,329.81	19.0
2	MUFG	359	24,138.20	13.8
3	Sumitomo Mitsui Finl	252	23,513.79	13.4
4	Bank of China	91	15,628.03	8.9
5	ANZ	27	6,672.01	3.8
6	Citic	4	4,644.27	2.7
7	HSBC	18	4,489.90	2.6
8	Standard Chartered	15	4,465.03	2.6
9	United Overseas Bank	7	3,411.22	1.9
10	Citigroup	10	3,224.67	1.8
	Total	**1,142**	**175,028.07**	

Proportional credit

Source: Thomson Reuters SDC code: S3a

Fly Leasing takes off for Malaysian deal

MALAYSIA Borrowing to fund acquisition of AirAsia aircraft portfolio

New York-listed **FLY LEASING**, managed by aircraft portfolio management giant BBAM, has launched a US$1.2867bn secured loan to back its planned purchase of aircraft from Malaysian budget airline AirAsia.

BNP Paribas, *Citigroup*, *Commonwealth Bank of Australia* and *Deutsche Bank* are the mandated lead arrangers of the facility, which comprises a US$582.2m term loan Tranche A for Fly Leasing and a US$704.5m term loan Tranche B for **INCLINE B AVIATION**.

Tranche A is further split into a US$145.55m two-year tranche and a US$436.65m five-year portion, while Tranche B comprises a US$176.125m two-year tranche and a US$528.375m five-year portion.

The interest margins for the two and five-year tranches are 150bp and 180bp over Libor, respectively. The estimated average lives are 1.86 years and 4.01 years for the two and five-year tranches, respectively.

Commitments from lenders will be apportioned to all the tranches on a pro rata basis. Banks are being invited to join as lead arrangers with commitments of US$50m–$99m for top-level all-in pricing of 166.13bp or 196.21bp via participation fees of 30bp or 65bp for the two and five-year tranches, respectively, as arrangers with US$25m–$49m for all-in pricing of 163.44bp or 192.47bp via fees of 25bp or 50bp, respectively, or as senior lenders with US$10m–$24m for all-in pricing of 160.75bp or 188.73bp via fees of 20bp or 35bp, respectively.

Bank presentations were held in Singapore on Tuesday and Taipei on Thursday. Individual bank meetings took place in Hong Kong on Wednesday. The deadline for responses is June 11.

Before the launch of general syndication, *First Abu Dhabi Bank* and *MUFG* joined as MLABs, while *Fifth Third Bank* and *Korea Development Bank* came in as MLAs.

PURCHASES TOTAL 132 PLANES

Fly Leasing, together with BBAM's other capital partners, Nomura Babcock & Brown and Incline Aviation, will buy a total of 132 aircraft from AirAsia and its subsidiary Asia Aviation Capital (AAC), as well as 14 engines and options to acquire 50 A320neo family aircraft. The deal is secured against 65 delivered, on-lease aircraft, according to a term sheet for the loan.

It will initially acquire 34 of these aircraft, of which 33 are on lease to five different airlines within the AirAsia Group. These planes have an average age of 6.6 years and a remaining lease term of 6.2 years, according to an announcement from the company on February 28.

Additionally, it will buy 21 A320neo aircraft that will be subject to 12-year leases to AirAsia Group airlines. These aircraft are slated for delivery between 2019 and 2021. Furthermore, it will acquire the option to buy an additional 20 A320neo planes that are not subject to lease. These aircraft are slated for delivery in 2019.

AirAsia will receive about US$1bn in cash and 3.33m newly issued Fly Leasing shares at US$15 per share, according to the February 28 announcement. The shares AirAsia acquires will be under lock-up arrangements through 2021.

Fly Leasing also said on February 28 that an affiliate of private equity firm Onex and BBAM's management team will each acquire 666,667 newly issued shares of Fly Leasing at the same price for a total consideration of US$20m after which their combined stake in Fly Leasing will increase to 17%.

AirAsia will also make a US$50m investment in Incline Aviation.

The entire sale is part of AirAsia's efforts to sell non-core assets and cut debt. It raises about US$902m of cash proceeds and gives AAC an enterprise value of US$2.85bn.

Evelynn Lin, Yan Jiang

Arrangers coming in for US$15m–$29m will receive all-in pricing of 303bp via a 100bp fee. The deadline for responses is June 15.

Yixin's subsidiaries incorporated outside China and India will provide unconditional and irrevocable corporate guarantees.

Last October, Shanghai Yixin Financial Leasing, a unit of the borrower, raised a Rmb1.08bn (US$170m then) two-year term loan. HSBC was the sole MLAB on that deal, which offered top-level all-in pricing of 110% of the PBoC rate based on an interest margin of 103% of the PBoC rate and a 60bp arranging fee.

The Hong Kong-listed borrower is China's largest online auto retail transaction platform, with a market share exceeding 18%.

HAITONG SIGNS US$600m LOAN

HAITONG INTERNATIONAL HOLDINGS has closed a US$600m five-year term loan with six banks.

Bank of New York Mellon Hong Kong branch is the facility agent, while the other lenders are the Singapore branches of *Bank of China* and *Bank of Communications*, the Tokyo branch of *China Construction Bank*, *Industrial & Commercial Bank of China (Macau)* and *Standard Chartered (Hong Kong)*.

The borrower's parent Haitong Securities is the guarantor on the deal. Haitong International Holdings is a wholly owned offshore investment vehicle of Shanghai and Hong Kong-listed Haitong Securities.

The borrower last raised a US$550m five-year term loan from the Hong Kong branches of Agricultural Bank of China and Bank of Communications in December 2016.

Subsidiary **HAITONG UNITRUST INTERNATIONAL LEASING CORP** is in the market for a US$200m two-year bullet loan. The deal offers top-level all-in pricing of 170bp via a margin of 120bp over Libor. *Deutsche Bank* is the sole mandated lead arranger and bookrunner.

Another subsidiary, Haitong International Securities Group, clubbed a HK$11.8bn (US$1.5bn) three-year bullet refinancing with 13 banks in March. That deal paid all-in pricing of 150bp based on a margin of 120bp over Hibor.

HONG KONG

CR LAND RAISES HK$14.8bn CLUB

Property developer **CHINA RESOURCES LAND** has raised a HK$14.8bn (US$1.9bn) five-year club loan.

DBS was the coordinator of the facility, which offers an interest margin of 110bp over Hibor.

The MLAs were *Agricultural Bank of China* Hong Kong branch, *Bank of Communications Hong Kong*, *China Construction Bank (Asia)*, *Hang Seng Bank*, *HSBC*, *Industrial & Commercial Bank of China (Asia)*, *Intesa Sanpaolo* Hong Kong branch, *MUFG*, *Sumitomo Mitsui Banking Corp* and *United Overseas Bank*. *Agricultural Bank of China Macau* joined as lead arranger.

Funds are for refinancing and general corporate purposes.

CR Land last raised a HK$11bn five-year bullet loan in August 2017. CCB (Asia) was the coordinator of that deal, which paid all-in pricing of 140bp over Hibor.

The Hong Kong-listed borrower is the flagship listed vehicle for China Resources Group's real estate operations in China. State-owned China Resources (Holdings), which is supervised by the state-owned Assets Supervision and Administration Commission of the State Council, has a 65% stake in CR Land.

THREE MORE JOIN AOYUAN

Hong Kong-listed developer **CHINA AOYUAN PROPERTY GROUP** increased its latest club loan to HK$2.458bn after three more lenders joined as mandated lead arrangers.

Aoyuan initially signed the three-year term loan at HK$1.6bn in March with three lenders – *Hang Seng Bank*, *China Minsheng Banking Corp* and *Nanyang Commercial Bank*. Hang Seng is also the facility agent.

The company said in a stock exchange filing on April 30 that three more lenders had committed HK$858m combined to the dual-currency loan.

The deal offered all-in pricing of 455.6bp based on an interest margin of 395bp over Hibor/Libor and an average life of 2.475 years.

Aoyuan is the borrower, while some of its subsidiaries are guarantors. Shares of Aoyuan and its subsidiaries form the security.

Funds are for refinancing and general corporate purposes.

INDONESIA

DELTA MERLIN DUNIA TEXTILE RETURNS

DELTA MERLIN DUNIA TEXTILE is returning to the loan market after a two-year absence for a term loan of up to US$250m.

BNP Paribas, *ING Bank*, *Maybank* and *Standard Chartered* are the mandated lead arrangers and bookrunners of the transaction, which comprises an onshore tranche and an offshore portion.

The deal offers interest margins of 490bp and 465bp over Libor, respectively, for the onshore and offshore pieces.

Based on an average life of 3.25 years, MLAs committing US$20m or more earn top-level all-in pricing of 520.77bp (onshore) or 495.77bp (offshore) via a participation fee of 100bp, while lead arrangers joining with US$10m–$19m receive all-in pricing of 510bp (onshore) or 485bp (offshore) via a 65bp fee. Arrangers joining with US$5m–$9m are being offered all-in pricing of 502.31bp (onshore) or 477.31bp (offshore) via a 40bp fee.

Funds are for working capital purposes and to refinance a US$250m loan signed in September 2015, which comprised a five-year term loan Tranche A and a three-year term loan Tranche B. The margins for Tranches A and B were 532bp and 502bp over Libor, respectively, and the top-level fees were 130bp.

The borrower, a textile company, is part of the Duniatex Group.

JAPAN

TAKEDA BRIDGE HITS MARKET

TAKEDA PHARMACEUTICAL's US$30.85bn bridge loan backing its £46bn acquisition of London-listed rare-disease specialist Shire Plc has been launched into syndication.

More than 20 domestic and international banks attended a bank meeting in Tokyo last week.

Each of the banks invited has been asked to commit a specific amount. Unlike in other syndicated loans, participating lenders do not have the choice to commit lower amounts than that requested.

The minimum ticket size is said to be about US$500m and responses are due by June 1.

JP Morgan is underwriting 50% of the financing, and *MUFG* and *SMBC* are committing equally to the remainder.

The financing comprises three 364-day tranches of US$15.35bn, US$4.5bn and US$7.5bn, respectively, and a US$3.5bn 90-day tranche.

The US$7.5bn tranche is expected to be extended to five years and will pay an interest margin of about 100bp over Libor.

The other 364-day tranches pay margins and commitment fees based on a ratings grid.

For A+/A1 or above the margin is 75bp over Libor with a 7bp commitment fee; for A/A2 it is 87.5bp and 8bp; for A–/A3 it is 100bp and 9bp; for BBB+/Baa1 it is 112.5bp and 10bp; for BBB/Baa2 it is 125bp and 12.5bp; and for lower than BBB/Baa2 it is 150bp and 17.5bp.

The margins increase by 25bp every three months after closing. Duration fees start at 50bp 90 days after closing, rising to 75bp 180 days after closing and to 100bp 270 days after closing. Duration fees apply to outstanding drawn and undrawn commitments.

Takeda's bridge will be the largest loan to-date from Asia, easily trumping a ¥2.65trn (then US$23bn) jumbo refinancing in November for SoftBank Group Corp. Takeda's acquisition of Shire, if successful, would be the largest overseas purchase by a Japanese company and also the biggest in the pharmaceutical sector since 2000.

NIKKISO REFIS CRYOGENIC BRIDGE

NIKKISO, the pump maker, is seeking a ¥34bn bullet term loan to refinance short-term debt backing its acquisition of US-based Cryogenic Industries.

Mizuho Bank, which provided a one-year bridge loan of the same size last August, is arranging the refinancing.

A few relationship banks are expected to join ahead of signing later this month.

TAIWAN

QUANTA COMPUTER SEEKS REFI

Computer maker **QUANTA COMPUTER** has launched a US$550m three-year loan.

Mizuho is the mandated lead arranger and bookrunner of the transaction, which is equally split into a Tranche A for Quanta and a Tranche B for Cayman-incorporated subsidiary **QUANTA INTERNATIONAL**.

The interest margins for Tranches A and B are 87bp and 95bp over Libor, respectively. The borrower will pay any excess interest rate beyond a 42bp difference between TAIFX and Libor.

Banks are being invited to join as MLABs with commitments of US$60m or more for an upfront fee of 15bp, as MLAs with US$45m–$59m for a 12bp fee, or as participants with US$30m–$44m for a 9bp fee.

Funds are to refinance a US$360m three-year revolving credit signed in August 2013 with a two-year extension option and for working capital purposes. Mizuho also led that deal, which offered a margin of 108bp over three or six-month Libor. The borrower would pay any excess interest rate beyond a 38bp difference between TAIFX and Libor.

The Taiwan-listed borrower last tapped the market in December 2015 for a US$480m three-year loan, which paid a margin of 108bp over Libor. The borrower would pay any excess interest rate beyond a 38bp difference between TAIFX and Libor.

TPK CUTS LOAN TO US$163m

Touch-panel maker **TPK HOLDING** has cut a three-year loan to US$163m from the initial US$200m target.

Mega International Commercial Bank was the sole mandated lead arranger and bookrunner of the facility, which comprises a US$163m term loan Tranche A and a US$30m revolving credit Tranche B. The borrower can draw a maximum of US$163m.

Mandated lead arranger is *EnTie Commercial Bank*, while participants are *Taipei Fubon Commercial Bank*, *Standard Chartered*, *Metropolitan Bank & Trust Co*, *Taichung Commercial Bank*, *BNP Paribas*, *Shin Kong Bank*, *Far Eastern International Bank* and *Bank of Panhsin*.

The deal has an interest margin of 120bp over Libor. The borrower will pay any excess interest rate beyond a 40bp difference between TAIFX and Libor.

Banks were offered a top-level upfront fee of 25bp.

Funds are for refinancing and working capital purposes.

VIETNAM

MAYBANK WINS SOLE MANDATE

VIETTEL GLOBAL INVESTMENT, a subsidiary of Vietnam's largest telecommunications company Viettel Group, has mandated *Maybank* on a US$100m six-year amortising loan.

The borrowing has a US$50m greenshoe and pays an interest margin of 325bp over Libor.

Quarterly repayments start after a 24-month grace period, translating to an average life of 3.9 years.

Maybank is inviting a limited number of relationship banks on two levels. Those committing US$30m or above as mandated lead arrangers earn 100bp in fees for top-level all-in pricing of 350.64bp, while lead arrangers joining with US$20m or above receive 75bp for an all-in of 344.23bp.

The borrowing carries a letter of comfort from Viettel Group, which is wholly owned by Vietnam's Ministry of Defence. Viettel Group owns a 99% stake in Viettel Global.

The financing also comes with financial and ownership covenants.

Funds are for Viettel Global's capital expenditure and investments in South-East Asia.

Viettel Global has not borrowed previously in its own name, although it had eyed a five-year loan of around US$100m for an acquisition in Tanzania in 2015.

The group's Cambodian unit, Viettel Cambodia, completed a debut US$50m two-year offshore term loan in April 2016. ANZ was the sole MLAB of that deal, which offered top-level all-in pricing of 265bp based on a margin of 230bp over Libor and a two-year average life.

Vietnam has won an upgrade from Fitch, which raised its sovereign rating by one notch to BB, citing an improvement in economic performance and lower debt levels.

The deal is Maybank's first sole mandate in the country. The Malaysian bank is also one of six leads on a US$400m five-year loan for **VINGROUP**, Vietnam's largest private-sector real estate developer. The latter deal offers top-level all-in pricing of 370.38bp based on a margin of 350bp over Libor and an average life of 3.925 years.

Viettel Global handles the group's international investments. Viettel Group operates in 12 countries in Asia, Africa and America, and has more than 90m customers.

EMEA LOANS BOOKRUNNERS – FULLY SYNDICATED VOLUME

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	JP Morgan	23	19,029.03	8.5
2	SG	49	17,196.79	7.7
3	Deutsche Bank	36	13,151.63	5.9
4	BAML	27	12,513.20	5.6
5	Credit Agricole	51	12,080.30	5.4
6	BNP Paribas	60	11,416.32	5.1
7	Citigroup	29	10,727.78	4.8
8	ING	40	10,422.04	4.7
9	HSBC	38	9,163.90	4.1
10	Goldman Sachs	17	8,768.97	3.9
	Total	222	223,120.57	

Proportional credit

Source: Thomson Reuters SDC code: R17

EUROPE/MIDDLE EAST/AFRICA

AUSTRIA

ATRIUM AGREES €300m REFI

Central European shopping centre owner and developer **ATRIUM EUROPEAN REAL ESTATE** has agreed a €300m revolving credit facility, increasing the facility by €75m and extending the maturity to 2023.

The unsecured refinancing, which is undrawn, was agreed on improved terms.

The previous financing comprised a €200m RCF from ING Bank, HSBC and Citigroup; and a €25m RCF from Deutsche Bank, due to mature in October 2020 and October 2019, respectively.

In September 2017 the €200m RCF was increased from an original €125m.

Atrium is a closed-end investment company incorporated and domiciled in Jersey. The company specialises in food-focused shopping centres across the CEE region.

EGYPT

BANQUE MISR HIRES CITI

BANQUE MISR, Egypt's second largest bank, has mandated *Citigroup* to arrange a US$500m syndicated loan, the latest sign of a pick-up in interest among international banks in lending to Egyptian borrowers, Reuters reported.

Misr's debt facility follows a US$600m loan being syndicated for National Bank of Egypt, the country's largest lender.

Other deals include a loan of up to around US$700m for Egyptian Electricity Holding Company and three loans recently raised by Telecom Egypt with a combined value of around US$900m.

Such loans are being seen as a sign of returning confidence among international lenders in the Egyptian economy, where business conditions are slowly improving under a three-year IMF loan programme tied to fiscal and economic reforms.

Before November 2016, when the central bank allowed the Egyptian pound to float, Egyptian banks could only access foreign liquidity through central bank auctions, rather than the interbank market.

While the move has improved Egyptian banks' access to foreign currency liquidity, they still need to bolster their hard currency buffers to face requirements accrued before the currency floatation.

National Bank of Egypt is syndicating its planned US$600m loan with HSBC, Standard Chartered, Citigroup, Emirates NBD, Bank ABC, Rakbank and Commercial Bank of Qatar.

GERMANY

HANNOVER ISSUES €100m GREEN SSD

German state capital **HANNOVER** has issued a €100m, 30-year Green Schuldscheindarlehen (SSD), the first Green SSD issued by a municipality.

Hannover will use the funds to reduce its CO2 emissions and energy use by 90% by 2050 in comparison to 1995, by financing the modernisation of its urban building stock and to provide accommodation for refugees and homeless people.

Consulting firm Imug, under the supervision of Vigeo Eiris, provided an assessment of environment, social and governance criteria in accordance with Green Bond Principles and Social Bond Principles.

The deal was arranged by *NordLB* and *Deutsche Bank*.

The financing pays 1.56% interest.

Books on the deal closed early after raising oversubscription of more than two times, leading to an increase in the financing from a launch amount of €80m.

Investors include large insurance companies and banks.

GHANA

COCOBOD MANDATES FOR ANNUAL PXF

GHANA COCOA BOARD has mandated a group of banks to arrange its annual US$1.3bn pre-export receivable-backed trade finance.

A consortium comprising *ABN AMRO*, *Bank of China*, *ICBC* and *Standard Chartered* has been joined by *Ghana International Bank*.

The facility will be used to finance the 2018/2019 cocoa crop.

It replaces a US$1.3bn loan raised last year. Last year's facility was arranged by Rabobank, Credit Agricole CIB, Natixis, Standard Bank, and SMBC as coordinating initial mandated lead arrangers and bookrunners, and Ghana International Bank as initial mandated lead arranger. It paid a margin of 65bp over Libor.

Cocobod is a statutory public board established in 1947 under the responsibility of the Ministry of Finance and Economic Planning, which supervises Ghana's cocoa industry.

Schuldschein market cools as risks and regulations weigh

EUROPE Moody's report says volumes to drop to €19bn this year

Corporate Schuldscheindarlehen market volumes are expected to drop to around €19bn this year, down from the record €27bn raised in 2017, as recent credit events and new regulations dampen investor appetite for the instrument, according to a report from Moody's.

The SSD market, which has seen impressive growth over the past four years, saw weak first-quarter numbers raising just close to €4bn, down from average first-quarter volumes of €6bn in the past three years.

"Corporate Schuldschein market volumes in 2018 will remain below record levels, but will nevertheless mirror reasonable 2016 volumes," said Dirk Steinicke, analyst at Moody's.

The SSD market provides medium to large-sized corporates with the opportunity to raise long-term money at more attractive pricing compared with other capital markets, while diversifying sources of funding. Streamlined documentation - in most cases only a few pages long - and unrestrictive covenants also attract issuers to the market.

Meanwhile, flexible tranching offers investors an arbitrage between pricing and maturity not otherwise available in the bond market.

Once a purely domestic market funded by the German savings banks, over the past few years the SSD market has seen new investors flood in from outside Germany, including lenders from Asia, as well as large commercial banks, providing ever-deeper levels of liquidity.

Tempted by the deep liquidity available, growing numbers of issuers from outside Germany have tapped the market to diversify their sources of funding and helped lead to the striking growth of the product.

SEE NO EVIL

However, recent credit events including the collapse of UK construction contractor CARILLION and accounting irregularities at South African retailer STEINHOFF have raised questions about transparency and credit quality in the market and have hurt investor demand.

In addition, recent SSDs for TELEFONICA DEUTSCHLAND and VOLKSWAGEN IMMOBILIEN have seen investors push back, terms adjusted and pricing increased.

"Not a shining moment for those involved and for the market in general," a senior banker said.

A number of deals have been cancelled in the first quarter, with one deal pulled after launch due to lack of investor demand, the report said.

Some of the companies issuing SSDs have weaker credit characteristics than those generally assumed for an investment-grade issuer, while deterioration in the credit quality of an issuer may not be recognised in a timely manner as the market is private and information limited, Moody's said.

Many issuers are not publicly listed and do not want to disclose their accounts publicly, making it difficult to analyse the credit quality of specific issuers and to provide transaction comparables.

Lean documentation also restricts investor protection.

Legally, SSDs are bilateral loans and are not classified as securities or bonds, meaning that in the event of a default or covenant breach each investor or lender would need to negotiate with the issuer on a case-by-case basis, leading to an onerous, drawn-out process.

New accountancy regulations may also hit arranging bank appetite for SSDs.

Banks holding liquid SSDs and not following a pure buy-and-hold strategy may be required to account for the bonds at fair market value under IFRS 9 regulations that came into force at the beginning of the year.

Previously, SSDs were broadly treated like loans, in that they could be held at cost without reflecting market value changes. Several large German banks, which are the main arrangers of SSD, decided to sell parts of their SSD investments in 2017 in anticipation of the rule changes, the report said.

Alasdair Reilly

IRELAND

C&C TO RENEW €450m LOAN

Cider and drinks company C&C GROUP is seeking to renew its existing €450m multicurrency syndicated revolving credit facility ahead of its December 2019 maturity.

The move comes after C&C acquired UK drinks distributor Matthew Clark Bibendum out of the administration of Conviviality in April.

The existing financing was put in place in December 2014 via Bank of Ireland, Bank of Scotland, Barclays Bank, Danske Bank, HSBC, Rabobank and Ulster Bank.

The RCF includes a €100m uncommitted accordion facility and also allows C&C to increase its debt, excluding working capital and guarantee facilities, by up to a further €150m, giving the company total debt capacity of €700m.

Pricing is around 100bp-120bp over Euribor/Libor on the existing facility, depending on net debt to Ebitda levels. There are also utilisation fees that step up depending on how much of the facility is drawn.

The commitment fee is 40% of the applicable margin on undrawn funds.

There are two financial covenants: minimum Ebitda to interest of 3.5 times and maximum net debt to Ebitda of 3.5 times.

C&C acquired UK drinks distributor Matthew Clark Bibendum out of the administration of Conviviality in April for a nominal sum of £1. The company's focus is now to delever to its medium-term target of 2.0 times net debt to Ebitda, from 2.37 times at the end of February.

ITALY

HERA BAGS ITALY'S FIRST GREEN LOAN

Utility company HERA GROUP has agreed a €200m sustainable revolving credit facility, the first Green loan agreed for an Italian company.

The five-year facility has a margin tied to certain environmental, social and governance objectives including reductions in the company's carbon footprint from energy production, new targets in energy efficiency, and improvements in sorted waste collection.

Independent ESG consultant Vigeo Eiris will provide a second-party opinion on the objectives.

Hera said that its carbon footprint fell 16% in 2017, a 3.6% drop in its own energy consumption since 2013; it has a target of reaching a 5% decrease by 2020. Sorted waste was 57.7% above the national average.

Four banks are providing the financing. *BBVA* is sustainability coordinator, *BNP Paribas* and *UniCredit* are documentation agents, while *Credit Agricole CIB* is facility agent. All the banks acted as mandated lead arrangers.

Hera has been a pioneer of Green financing in Italy, launching the country's first Green bond in 2014.

The company was formed in 2002 out of the merger of 11 municipal companies operating in Emilia-Romagna. Hera's main activities are in the waste management, water and energy sectors. The company is also involved in public lighting and telecommunications.

NETHERLANDS

HEIJMANS AGREES €144m REFI

Property developer **HEIJMANS** has agreed a €144m loan refinancing, reducing the amount of the facility from €156m and extending the maturity to July 1 2022.

Heijmans brought forward talks with its banks over the renewal of the financing after reporting a recovery in profit and reducing its debt.

The refinancing was agreed with the existing bank syndicate comprising *ABN AMRO*, *ING*, *KBC* and *Rabobank*.

The financing will gradually reduce to €121m by the end of June 2019, when KBC will fully exit the banking syndicate.

Interest on the loan has been reduced, while performance-related targets could further reduce the margin to 165bp over Euribor. Previously the loan paid a margin ranging from 200bp to 350bp over Euribor, depending on leverage.

Interest cover and leverage covenants remain the same at a minimum 4.0 times and a maximum 5.0 times, respectively.

An average leverage ratio covenant has been reduced to a maximum 1.5 times until the end of the first quarter 2019 and to a maximum of 1.0 times in subsequent quarters. Previously the covenant was 2.5 times.

At the end of the first quarter 2018, the average leverage ratio was 0.4 time.

A new solvency ratio covenant has been added, under which the guarantee capital has to be at least 20% of the balance sheet in 2018 and 2019, and at least 22.5% in subsequent years.

Heijmans agreed the original €256m loan in February 2017 as part of a refinancing via ABN AMRO, ING, KBC and Rabobank. The financing was reduced to €156m earlier than planned in October 2017 after a strong improvement in the company's results.

The loan was due to mature in mid-2019.

Heijmans is involved in property development, residential building, non-residential building, roads and civil engineering.

ROYAL BAM EXTENDS €400m LOAN

Construction firm **ROYAL BAM GROUP** has amended and extended its €400m revolving credit facility extending the maturity of the loan by a year to March 2023 with an option to extend for an additional year.

ING Bank coordinated the amend and extend with *ABN AMRO*, *KBC Bank* and *Rabobank* also as bookrunning mandated lead arrangers.

BNP Paribas, *Commerzbank*, *HSBC*, *Lloyds*, *Societe Generale* and *UniCredit* are mandated lead arrangers.

ABN AMRO is facility agent.

RUSSIA

GAZPROM SIGNS €600m LOAN

Energy major **GAZPROM** has signed a €600m five-year loan with *Credit Agricole CIB*.

This is the second financing secured directly from the French bank after a €700m five-year loan was agreed in March last year.

Bilateral and small club deals between Russian corporates and international banks have become increasingly popular since the West imposed economic sanctions on Russia in 2014 following Russia's annexation of the Crimea.

Since then, banks have shied away from the more public nature of syndicated lending even to unsanctioned companies.

Lenders expect this activity to continue following the latest round of sanctions introduced by the US on April 6 when US Treasury Secretary Steven Mnuchin announced new sanctions against seven Russian oligarchs, 12 of their companies and 17 senior Russian government officials.

Gazprom was last in the market in November 2017 when it signed a €1bn five-year loan with Mizuho Bank, SMBC and JP Morgan.

SOUTH AFRICA

ASPEN CLOSES €3.4bn REFI

Pharmaceuticals company **ASPEN HOLDINGS** has closed €3.4bn-equivalent of loans, refinancing an existing €3bn-equivalent loan originally agreed in June 2016.

The financing is structured across euro, rand and Australian dollar term loans and revolving credit facilities with maturities ranging from two to four years, consolidated into a single facility agreement.

The loan is for Aspen's wholly owned subsidiaries and includes a €1bn two-year term loan, a €500m four-year term loan, and a €1.15bn four-year revolving credit facility for Aspen Finance.

There is a R6bn four-year term loan and a R6bn four-year RCF for Aspen Pharmacare; and a A$350m four-year RCF for Aspen Asia Pacific.

The financing closed more than 70% oversubscribed allowing Aspen to increase the euro-denominated facilities to €2.65bn, while still providing a significant scale back in commitments.

A total of 28 lenders committed to the loan from across the US, Europe, Africa, Australia and Asia, comprising existing core relationship banks, as well as a number of new relationship lenders.

MUFG and *Nedbank* were global coordinators, initial mandated lead arrangers and bookrunners on the financing.

Mandated lead arrangers and bookrunners were *ABSA Bank*, *Bank of America Merrill Lynch*, *BNP Paribas*, *Citigroup*, *FirstRand Bank*, *Investec Bank*, *Mizuho Bank*, *JP Morgan*, *Standard Chartered Bank*, *Standard Finance*, *Standard Bank of South Africa* and *SMBC*.

Mandated lead arrangers were *Intesa Sanpaolo*, *MMI Group*, *National Australia Bank*, and entities within the *Sanlam Investment Group*, while lead arrangers were *China Construction Bank*,*Commonwealth Bank of Australia* and *ICBC*.

Arrangers were *AfrAsia Bank*, *CaixaBank*, *Deutsche Bank*, *Bank of Ireland*, *Mauritius Commercial Bank* and *Westpac*.

MUFG Bank was also euro and Australian dollar coordinator, arranger and bookrunner as well as documentation agent, while Nedbank was euro and rand coordinator, arranger and bookrunner as well as publicity agent.

TANZANIA

SOVEREIGN EYES ACCORDION

The **UNITED REPUBLIC OF TANZANIA** is set to sign an accordion facility attached to the US$500m loan five-year syndicated loan it signed in September 2017.

The accordion facility could be as large as US$500m, according to two bankers, although one said it was more likely to be closer to US$100m.

"There is appetite out there for yield and Tanzania is a good name – it would not be a surprise if they raised another US$500m," one of the bankers said.

The original US$500m loan was led by Credit Suisse, with Nedbank and Bank of China also participating.

It was the first syndicated loan for the east African country since August 2011, when it signed a US$250m multi-tranche loan with a group of local and international banks to fund development projects, including road and rural electrification.

That three-tranche loan was led by Stanbic Bank Tanzania and its parent bank, Standard Bank Group, as global coordinator.

TURKEY

ISBANK SIGNS US$1.5bn LOAN

ISBANK has signed a US$1.5bn-equivalent 367-day loan with a group of international banks.

The loan comprises a US$447m tranche and a €867.6m tranche that pay 130bp over Libor and 120bp over Euribor, respectively.

The deal refinances a US$1.4bn-equivalent financing signed in May 2017. That loan comprised a US$296m tranche and a €989.5m tranche, with all-in pricing of 145bp over Libor and 135bp over Euribor, respectively. Standard Chartered coordinated the loan.

Isbank was last in the market in September when it has signed a US$1.1bn-equivalent 367-day dual-tranche term loan, comprising a US$352m tranche and a €656m tranche paying all-in pricing of 135bp over Libor and 125bp over Euribor, respectively.

UAE

TECOM TO REFI US$1bn LOAN

Business park operator **TECOM GROUP**, owned by Dubai Holding, is considering refinancing and increasing the size of a loan of around US$1bn it raised in 2014, Reuters reported.

The company borrowed Dh3.53bn (US$961m) at the end of 2014 to back development plans and for general corporate purposes.

It is now in talks with banks to refinance that facility and potentially increase it to Dh6bn, as it seeks to take advantage of favourable local loan market conditions.

Syndicated loan volumes in the Middle East fell significantly last year as a number of borrowers opted to raise funding through bond issues instead. But as global interest rates increase, some borrowers in the region are looking again at bank debt as a cheaper form of financing.

Additionally, liquidity among local banks has improved since oil prices started rising again, translating into better pricing and borrowing terms.

Formerly known as TECOM Investments, TECOM Group, which declined to comment, says it has a portfolio of 11 business parks where around 5,600 businesses employ a total workforce of 90,000.

It is in talks with a group of banks including most of the lenders that participated in the 2014 facility plus some new ones. The loan will likely be provided exclusively by local banks.

Abu Dhabi Commercial Bank, Citigroup, Commercial Bank of Dubai, Dubai Islamic Bank, Mashreqbank, and Noor Bank were the arrangers of the 2014 facility, which is due in 2022.

UK

PLAYTECH DETAILS €1bn BRIDGE

Details have emerged on London-listed online gaming company **PLAYTECH**'s €1.04bn bridge loan backing its proposed €846m acquisition of Italy's Snaitech.

The financing comprises a €425m acquisition tranche and a €615m refinancing tranche. The bridge loan has a one-year maturity with two six-month extension options.

Initial margins on the loan are 175bp over Euribor until the end of the first three months, subsequently stepping up to a maximum of 325bp over Euribor after 18 months.

Santander UK, *NatWest Bank*, *UBS* and *Unicredit* are mandated lead arrangers on the loan. Santander UK is facility agent.

There is also a €250m three-year revolving credit facility, which pays a margin ranging from 130bp to 210bp over Euribor, depending on the company's leverage ratio.

The new RCF has a one-year extension option and replaces Playtech's existing €200m RCF that was agreed with Barclays and Royal Bank of Scotland in July 2015, which had been due to mature in July.

Drawn debt on the existing RCF will be repaid and the new RCF will be undrawn.

Playtech will fund the acquisition and any potential refinancing of Snaitech's existing debt with the bridge financing and its own cash resources.

The bridge loan provides certainty of funds for the acquisition and will be refinanced through debt markets in due course, harnessing the combined strong free cash flow of both businesses.

The acquisition will leave the combined company with pro forma net debt leverage of below 1.5 times 2017 Ebitda, with a strong cash flow profile to pay down debt over the medium term.

The company sees the acquisition as a catalyst to improve the company's capital structure and improve balance sheet efficiency.

An initial acquisition of 70.6% of Snaitech is expected to be completed by the third quarter followed by a mandatory takeover offer, which is expected to complete by the fourth quarter.

PREMIER FOODS EXTENDS RCF

PREMIER FOODS has agreed to extend the maturity of its existing revolving credit facility to December 2022 from December 2020.

The RCF will reduce to £176m from £217m and pricing will be cut by 25bp. Covenants are unchanged.

The amended facility is conditional on the issuance of £300m of five-year senior secured fixed-rate bonds.

Earlier this year, Premier extended the maturity of the RCF to December 2020 from March 2019, reducing the size of the facility to £217m from £272m.

The existing RCF paid a margin ranging from 250bp to 400bp over three-month Libor, depending on leverage.

Premier amended and extended the revolver in May 2017 via Banco Sabadell, Barclays, BNP Paribas, Credit Suisse, HSBC, Jefferies and Lloyds.

Premier is rated B by S&P and B2 by Moody's.

EUROMONEY INCREASES RCF

Business information group **EUROMONEY INSTITUTIONAL INVESTOR** has repaid US$100m and £40m of term loans, transferring the funding commitment to its existing revolving credit facility, which has been increased to £240m from £130m previously.

The term loans and RCF were originally arranged as part of the funding for a £193.4m share buyback, which was completed in January 2017.

The five-year financing was arranged by HSBC, with Bank of America Merrill Lynch, BNP Paribas, Commerzbank, and Lloyds also participating. There was also an uncommitted £130m accordion facility.

Margins were based on a net debt to Ebitda grid. Financial covenants included maximum net debt to Ebitda of 3.0 times and minimum interest cover of 3.0 times. Euromoney's net debt to Ebitda was 0.31 times at the end of March.

Daily Mail General Trust announced that it would reduce its equity interest in Euromoney to 49% from 68% in December 2016. The reduction was made through a 15% share buyback and a 10% placing with institutional shareholders. The buyback was funded through a mixture of cash and the new debt facilities.

As part of the buyback, Euromoney's committed multicurrency credit facility from DMGT was terminated.

NATIONAL EXPRESS AMENDS RCF

Transport company **NATIONAL EXPRESS** has amended and extended nearly £500m of its unsecured revolving credit facilities, pushing maturities out to 2023 from November 2021 previously.

National Express agreed its existing £416m core RCF in November 2014 via Banco Santander, Bank of America Merrill Lynch, Barclays, BayernLB, BBVA, BNP Paribas, Caixabank, Commerzbank, Credit Agricole, HSBC, MUFG, Royal Bank of Scotland and Wells Fargo.

The financing had a five-year maturity with two one-year extension options, which were exercised. It paid a margin of 60bp over Libor.

The company added a further £96m RCF in September 2016 and a £32m RCF in December 2017, both on the same terms as the core facility.

The company said it has a strong pipeline of further acquisition and bidding opportunities across all its divisions.

ATLANTICA YIELD NETS US$215m REFI

ATLANTICA YIELD, previously Abengoa Yield, has signed a US$215m revolving credit facility to replace an existing US$125m facility that was due to mature in December.

The new facility, which matures in December 2021, pays between 160bp and 225bp over Libor, depending on leverage, down from the 275bp paid on the previous financing.

The financing may be increased by US$85m to US$300m.

Letters of credit under the facility are subject to a US$70m sublimit.

RBC is administrative agent on the financing, while *CIBC* is also involved.

The previous facility was arranged in December 2014 via joint lead arrangers and joint bookrunners Banco Santander, Bank of America, Citigroup, HSBC Bank, and RBC.

The company agreed a US$290m revolving credit facility in June 2015 via global coordinator Bank of America with joint lead arrangers and joint bookrunners Barclays and UBS.

That RCF, which was due to mature in December 2017, paid 250bp over Libor and was replaced in February 2017 with €275m of senior bonds.

ITE TO INCREASE LOAN FOR ACQUISITION

ITE GROUP, which organises international trade exhibitions and conferences, will seek to increase its existing £100m revolving credit facility by around £50m to help fund its £300m acquisition of Ascential Events.

The purchase is being backed by a rights issue of around £315m, which is expected to be underwritten by Numis Securities and Investec.

The increased RCF will reduce the rights issue to around £265m.

Assuming the completion of the rights issue and fully drawn RCF, pro forma leverage as at September 30 2017 for the combined group would be within ITE's target range of 1.5 times to 2.0 times Ebitda.

ITE expects to be able to delever the business further during the year ending September 30 2019.

ITE agreed its existing £100m facility in November 2017 via HSBC, Barclays, Citigroup and Commerzbank. The financing was due to mature in November 2021 and amortises by £10m each year.

LAND SECURITIES AGREES £1.53bn DEAL

Commercial property manager LAND SECURITIES has agreed a £1.53bn syndicated revolving credit facility (RCF), refinancing £1.38bn of existing facilities on improved terms.

The financing, which pays 65bp over Libor, matures on March 29 2023.

Land Securities has total committed revolving credit facilities of £2.09bn. Pricing on the RCFs ranges from 65bp to 80bp over Libor.

The facilities also include a £435m syndicated RCF agreed in June 2016 and a £125m bilateral RCF agreed in January 2017.

LOW & BONAR GETS HEADROOM ON REFI

Performance materials group LOW & BONAR has signed a €165m five-year revolving credit facility, replacing an existing €165m facility that was due to mature in July 2019.

The new financing was agreed with five relationship banks and includes a temporary increase in the maximum net debt to Ebitda covenant to 3.5 times from 3.0 times until May 31 2019.

The adjusted covenant gives the company additional headroom as it executes its reorganisation and cost and structural debt reduction plans.

Holders of the company's €60m senior bonds have also agreed to the increased covenant ratio.

Low & Bonar said there is no material change to the cost of the overall debt.

The previous facility was put in place in July 2014 via Barclays, Comerica Bank, HSBC, ING, KBC, Santander and Royal Bank of Scotland.

The financing paid an initial margin of 150bp over Libor/Euribor, subsequently ranging between 100bp and 200bp depending on the level of net debt to Ebitda.

Low & Bonar produces advanced, high-performance materials from polymer-based yarns and fibres.

NORTH AMERICA

UNITED STATES

WALMART MARKETS US$17bn LOANS

WALMART, rated AA/Aa2, is in the market to refinance and increase an existing credit facility.

JP Morgan and *Citigroup* are leading the deal, which includes a US$5bn five-year loan and a US$10bn 364-day loan that the company is looking to increase from US$7.5bn.

There is also a US$1.8bn letter of credit facility.

Proceeds will be used for general corporate purposes.

The 364-day loan pays a 1.5bp commitment fee undrawn. Drawn pricing on the facility is based on the company's one-year CDS with a floor at 10bp and a cap at 75bp.

The five-year loan pays a 4bp commitment fee undrawn. Drawn pricing on the facility is based on the company's five-year CDS with a floor at 10bp and a cap at 75bp.

The LC facility pays a 1.5bp commitment fee and is subject to the same CDS spread if drawn.

In May 2017, the company renewed and extended its existing five-year credit facility and its existing 364-day revolving credit facility at US$5bn and US$7.5bn, respectively, with each used to support its commercial paper programme.

JONES LANG LASALLE EXTENDS CREDIT

Global real estate company JONES LANG LASALLE has extended its five-year credit facility and reduced pricing, while keeping the amount at US$2.75bn.

BMO Capital Markets and *Bank of America Merrill Lynch* were joint lead arrangers and joint bookrunners.

Barclays, *NatWest*, *Wells Fargo*, *JP Morgan* and *HSBC* were joint lead arrangers.

The facility will mature in May 2023 instead of June 2021.

Pricing is 100bp over Libor with a 15bp facility fee. Previous pricing was 130bp over Libor with a 20bp facility fee.

JLL is rated BBB by S&P and Baa1 by Moody's.

Proceeds of borrowings will be used for general corporate purposes, including acquisitions, dividends and distributions.

ZOETIS TO TAP FOR ABAXIS

Animal health company ZOETIS will finance its US$1.9bn acquisition of Abaxis, which provides diagnostic tools to the animal health industry, with existing cash and new debt.

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	410	116,915.86	12.6
2	JP Morgan	341	101,078.74	10.9
3	Wells Fargo	290	65,237.08	7.0
4	Citigroup	180	57,058.36	6.2
5	Barclays	154	40,780.62	4.4
6	Morgan Stanley	98	38,603.42	4.2
7	MUFG	92	37,317.79	4.0
8	Goldman Sachs	136	36,492.92	3.9
9	Deutsche Bank	135	35,195.32	3.8
10	Credit Suisse	131	33,105.13	3.6
	Total	**1,383**	**926,080.30**	

Proportional credit

Source: Thomson Reuters SDC code: R7

The acquisition aims to expand the company's presence in the veterinary diagnostics business to serve livestock as well as household pets.

Guggenheim Securities and Barclays were financial advisers to Zoetis, which said would provide more details as the company gets closer to closing the proposed transaction. The company expects the deal to close before year-end.

Zoetis discovers, develops, makes and markets veterinary vaccines and medicines, complemented by diagnostic products and services including genetic testing. The company sells its products in more than 100 countries, and had revenues of US$5.3bn in 2017.

The company's long-term debt is rated Baa1 by Moody's and BBB by S&P.

Moody's affirmed its rating and stable outlook. The rating agency said in a report that the acquisition is credit negative, however, as Zoetis will gain access to a fast-growing area within animal health, but the deal will result in increased leverage.

TRIMBLE DETAILS CREDIT FACILITY

Software company **TRIMBLE** announced details of a US$1.25bn unsecured revolving credit, as well as a US$500m delayed-draw term loan.

The five-year revolver, along with cash on hand, will be used to replace a five-year deal agreed in November 2014.

For Baa1/BBB+ the commitment fee on the revolver is 10bp and the margin is 100bp over Libor; for Baa1/BBB+ it is 12.5bp and 112.5bp; for Baa2/BBB it is 15bp and 125bp; for Baa3/BBB- it is 20bp and 137.5bp; for Ba1/BB+ it is 25bp and 162.5bp; and for lower than Ba1/BB+ it is 30bp and 187.5bp.

Trimble is rated Baa3 by Moody's and BBB- by S&P.

On the US$500m delayed-drawn loan, there is a term ticking fee of 20bp starting 60 days after signing.

Lenders are *JP Morgan*, *Goldman* Sachs, *Bank of America Merrill Lynch*, *Bank of Nova Scotia*, *Wells Fargo*, *Compass*, *HSBC*, *MUFG*, *PNC*, *SMBC*, *TD Bank*, *US Bank*, *Nordea*, *BB&T*, *KeyBank* and *KBC*.

In April, Trimble lined up US$1.2bn of bridge financing commitments from JP Morgan, Goldman Sachs and BAML to back its US$1.2bn acquisition of privately held Viewpoint from investment firm Bain Capital.

Trimble said it is committed to maintaining an investment-grade rating, and expects to reduce leverage by limiting additional acquisitions and by temporarily suspending share buybacks.

LATIN AMERICA

BRAZIL

BRASKEM LINES UP US$1bn CREDIT

Petrochemical producer **BRASKEM** has lined up a US$1bn five-year revolving credit facility that will be used for refinancing.

Pricing is based on ratings. For BBB-/Ba1/BBB- it pays a 30bp commitment fee and drawn pricing is 125bp over Libor.

The loan is subject to a utilisation fee based on revolver borrowings. For 33%-66% it is 15bp and for over 66% it is 30bp.

Joint bookrunners and joint lead arrangers are *ABN AMRO*, *BNP Paribas*, *Credit Agricole*, *Citigroup*, *Santander* and *SMBC*.

Credit Agricole is also the administrative agent.

LEVERAGED LOANS

UNITED STATES

T-MOBILE USA ADDS LENDERS

T-MOBILE USA has added to the group providing US$38bn of loans backing its US$26bn acquisition of fellow mobile phone provider Sprint Corp.

The US unit of Deutsche Telekom previously said that *Barclays*, *Credit Suisse*, *Deutsche Bank*, *Goldman Sachs*, *Morgan Stanley* and *Royal Bank of Canada* had agreed to provide the financing commitments.

The company has since added *BNP Paribas*, *Commerzbank*, *Credit Agricole*, *TD Securities*, *Wells Fargo*, *Banco Santander*, *SG Americas*, *SunTrust*, *National Westminster Bank* and *US Bank* as initial lenders.

The financing commitments cover a US$4bn five-year revolving credit facility, a US$7bn seven-year senior secured term loan B, a US$19bn 364-day senior secured bridge loan, and a US$8bn senior unsecured bridge loan, which is expected to be taken out with high-yield notes as part of the permanent financing.

The revolving credit facility is expected to be priced at 125bp over Libor while the term loan B will be priced at 175bp over Libor.

The senior secured bridge loan will pay 125bp over Libor with a 25bp step-up every three months.

The unsecured bridge loan will be split between a US$4bn eight-year tranche priced at 350bp over Libor and a US$4bn 10-year tranche paying 375bp over Libor.

The combined company is expected to have between US$63bn and US$65bn of net debt following the merger, putting net leverage at approximately 2.9 times.

However, T-Mobile expects leverage to drop to 2 times within three to four years.

The company expects a corporate credit rating in the mid-to-high Double B range with its unsecured debt rated in the low-to-high Double B range and the secured debt rated in the low Triple B area.

Headsets maker **PLANTRONICS** set guidance on the US$1.275bn covenant-lite term loan B backing its acquisition of communication technology company Polycom from private equity firm Siris Capital.

Wells Fargo leads the seven-year loan, which is guided at 225bp-250bp over Libor range with a 0% floor and 99.5 discount.

It will include six months of 101 soft call protection and amortise at 1% per year.

Proceeds will be used to refinance existing debt, fund the acquisition, cover fees and expenses and for general corporate purposes.

The cash and stock transaction values Polycom at US$2bn.

The consideration includes US$1.638bn in cash and US$362m in Plantronics shares.

Ratings are Ba2/BB corporate and Ba1/BB facility.

Medical equipment maker **ORTHO-CLINICAL DIAGNOSTICS** launched a US$2.325bn term loan and a US$350m revolving credit facility that will be used to refinance its debt.

Barclays is leading with *Goldman Sachs*, *JP Morgan*, *ING*, *UBS*, *Credit Suisse*, *Citigroup*, *Macquarie*, *Royal Bank of Scotland*, *BOI* and *Nomura*.

Guidance opened at 325bp over Libor with a 0% floor and a discount in the 99.5 to 99.75 range. The deal includes a 25bp step-down if the company completes an IPO.

The term loan is expected to have six months of soft call protection at 101.

Ortho-Clinical arranged a US$2.175bn term loan to support its buyout by private equity firm The Carlyle Group in 2014. The term loan priced at 375bp over Libor with a 1% floor.

Carlyle purchased the business from Johnson & Johnson.

ENERGIZER SEEKS BRIDGE

Battery manufacturer **ENERGIZER HOLDINGS** is lining up a US$780m senior unsecured bridge loan to support its US$2bn purchase of a battery and portable lighting unit from Spectrum Brands.

Barclays is leading with *JP Morgan*, *Bank of America Merrill Lynch*, *Citigroup*, *MUFG*, *TD Bank* and *Societe Generale*.

The bridge loan is expected to be taken out with unsecured notes. The company also plans to arrange a secured loan of

Rising stars slash debt costs in robust US economy

■ **US Some 18 companies upgraded to high-grade from junk in Q1**

Oil producer **CONTINENTAL RESOURCES** is one of several US companies that have been able to cut borrowing costs after their credit ratings were upgraded to investment-grade on the back of rising commodity prices and a robust economy.

The number of "rising stars," that have crossed the threshold to high-grade from speculative grade or 'junk' ratings rose to 18 in the first quarter from 15 in the fourth quarter of 2017. The number of "fallen angels" going in the other direction dropped to 35 in the first quarter from 40, which is the 10th consecutive quarter to see a reduction, according to Moody's.

The ratio of fallen angels to rising stars also fell to 1.9 times on March 31 from 2.7 times on December 31, according to Moody's. It was as high as 5.7 times in the fourth quarter of 2015 after oil prices collapsed, which was the highest level since 8 times in June 2009, after the financial crisis.

"Economic strength, along with improved commodity prices, is a factor in the ratio of fallen angels to rising stars remaining below historical averages," said Moody's analyst Michael Corelli.

Fitch gave Continental Resources its second ratings upgrade on April 30, which allowed it to reach investment-grade status after S&P upgraded the company to BBB- in February. Moody's rated it Ba2, two notches below investment-grade, in March.

Moving up to investment-grade can immediately reduce borrowing costs significantly if interest margins are linked to ratings grids. High-grade ratings also help companies to refinance more cheaply.

Continental Resources was upgraded shortly after the company lined up a US$1.5bn revolving credit facility with pricing linked to a ratings grid, which saw pricing fall to 150bp over Libor from 175bp.

The company has traditionally used its revolving credit, and had US$188m of outstanding borrowings under its revolver at the end of 2017 which it repaid in the first quarter of 2018, according to filings with the Securities Exchange Commission.

Continental Resources will also save money on the commitment fee, which drops to 20bp from 25bp if the revolving credit facility is undrawn.

PRO RATA SAVINGS

An investment-grade credit rating can also mean that companies can easily switch from syndicated term loans to less expensive pro rata facilities that can save up to 300bp. Discount retailer **DOLLAR TREE** did just that in April, after Moody's upgraded its debt to Baa3 in March from Ba2.

Dollar Tree lined up a US$1.25bn revolving credit facility and a US$782m term loan shortly after the upgrade to replace 5.75% senior notes due in 2023 and existing term loans, including a US$650m term loan B2 due in July 2022.

Dollar Tree's new term loan, which matures in April 2020 priced at 100bp over Libor, compared with a fixed interest rate of 425bp on its existing term loan B.

Other rising stars this year include building products manufacturer **MASCO CORP** in March and chipmaker **WESTERN DIGITAL CORP** in January, which were both upgraded to investment-grade at Baa3 from Ba1, according to Moody's.

The pattern of rising stars and upgrades could be threatened by increased M&A activity in the robust US economy as companies making acquisitions load up with debt to buy rivals, which can drag their credit rating lower, according to Corelli.

Changes in technology could also hit high-grade credit ratings and produce more fallen angels in the near future, according to Michael Terwilliger, a portfolio manager at investment firm Resource America.

"Unquestionably the biggest threat facing all businesses - whether they are high-yield issuers or not - is technology," Terwilliger said. "The Uber/Facebook/Amazons of the world are quickening the pace of change in our economy, threatening the core of countless businesses. Given the pace of technological change, the trend will inevitably result in more fallen angels versus rising stars over time."

Jonathan Schwarzberg

approximately US$1.6bn to fund the purchase.

The acquisition includes the Rayovac and Varta brands.

DENTAL CORPORATION OF CANADA launched a US$925m loan that backs the company's sale to L Catterton.

The deal comprises a US$50m revolving credit facility, a US$500m first-lien term loan, a US$125m delayed-draw first-lien term loan, a US$200m second-lien term loan and a US$50m delayed-draw second-lien term loan.

The first-lien term loan has a seven-year tenor. Pricing is guided at 375bp over Libor. The loan is offered at a 99.5 OID and has 101 soft call protection for six months.

The second-lien term loan matures in eight years. Pricing is guided at 750bp over Libor. The loan is offered at a discount of 99 and is callable at 102, 101.

The delayed draw portion is available for 24 months. There is no ticking fee for the first 60 days. A ticking fee equal to half the spread kicks in on day 61 until day 120. After that the full spread is applicable.

Jefferies leads the acquisition funding along with a group of arrangers.

Meat processor **JBS USA** launched a US$450m term loan to pay down revolving credit borrowings.

Barclays is the sole arranger and is a bookrunner with *BMO*, *Royal Bank of Canada*, *SunTrust* and *UBS*.

Guidance opened in the 250bp-275bp over Libor range with a 0.75% floor and a discount of 99. The deal includes soft call protection of 101.

The debt will mature in October 2022 when the company's existing term loan is due.

JBS arranged its loan at US$2.8bn in January 2017 priced at 250bp over Libor with a 0.75% floor.

Lighting manufacturer **LUMILEDS** has launched a US$300m add-on to its US$1.38bn covenant-lite term loan B due in June 2024.

Deutsche Bank leads with *Credit Suisse*, *ING* and *Rabobank*.

Pricing on the incremental has circulated ahead of the call at 350bp over Libor with a 1% floor, in line with pricing on the existing tranche.

It will be offered at 99.75 with six months of 101 soft call protection. The six-month 101 soft call protection on the existing tranche will be refreshed.

Proceeds will fund a US$150m dividend to shareholders, including private equity firm Apollo Global Management. Remaining proceeds will go to cash on the balance sheet for future acquisitions or another dividend if acquisitions aren't made in the next 18 months.

The company is seeking an amendment to the existing credit agreement as part of the transaction to allow for the US$150m dividend. Existing lenders are offered a 25bp fee for consent.

VC GB OUT WITH REFINANCING

Decorative lighting company **VC GB HOLDINGS** has set price talk on its US$595m covenant-lite term loan B backing a refinancing of existing debt.

Deutsche Bank leads the seven-year loan, which is guided at 325bp over Libor with a 1% floor and 99.75 discount.

Lenders are offered six months of soft call protection.

Proceeds, along with balance sheet cash that includes proceeds from a sale and leaseback transaction, will be used to refinance the company's term debt, which is split between a roughly US$505m term loan B due in February 2024 and a US$150m second-lien term loan due in February 2025.

VC GB is formerly known as Generation Brands Holdings. The existing loans were placed in 2017 to back Generation Brands' acquisition of Visual Comfort for US$630m. The company is owned by private equity firm AEA Investors.

Ratings are B2/B corporate and facility.

Tracking technology company **ZEBRA TECHNOLOGIES** launched a repricing of its US$1.125bn term loan due in 2021.

As part of the transaction, the company expects to pay down US$250m of the loan using its revolving credit facility.

Morgan Stanley leads with *JP Morgan*. Guidance circulated at 175bp over Libor with a 0.75% floor. The transaction is expected to be issued at par.

In July 2017, Zebra cut pricing on the term loan to 200bp over Libor with a 0.75% floor. At that time the loan was US$1.338bn.

The loan originally priced in September 2014 at 400bp over Libor. Zebra lowered pricing in May 2016 to 325bp over Libor and to 250bp over Libor in December 2016.

Automotive electronics maker **VISTEON** floated guidance on the repricing of its US$350m term loan due in March 2024.

Citigroup is leading with *Bank of America Merrill Lynch* and *SMBC*.

Pricing is expected to be 175bp over Libor with a 0% floor. The transaction includes six months of soft call protection at 101.

The company lowered pricing on the US$350m term loan in November 2017 to 200bp over Libor from 225bp.

Visteon agreed the loan eight months earlier to refinance debt.

The company is rated Ba2/BB+, while the loan is rated Ba2/BB.

24 HOUR FITNESS SHOPS REFI

Gym **24 HOUR FITNESS** has launched a US$970m refinancing deal.

Morgan Stanley leads alongside *Bank of America Merrill Lynch*, *Barclays*, *Royal Bank of Canada* and *Citizens*.

The proposed debt consists of a US$850m first-lien term loan and a US$120m revolving credit facility.

Guidance on the seven-year term loan opened in the 350bp-375bp over Libor range with a 0% floor and a discount of 99.5. The loan will have six months of soft call protection at 101 and amortise at 1% annually.

24 Hour Fitness arranged a US$850m term loan in May 2014 to back its buyout by AEA Investors and Ontario Teachers' Pension Plan. The loan priced at 375bp over Libor with a 1% floor.

The issuer is rated B2/B. The loan is rated Ba3/B+.

Semiconductor manufacturing company **IDT** is repricing its US$198m Term Loan B due in 2024.

JP Morgan leads the deal, guided at 250bp over Libor with a 0% floor. Pricing is currently 300bp over Libor with a 0% floor.

The term loan is offered at 99.875-100 with six months of 101 soft call protection.

Existing ratings are Ba2/BB- corporate and Baa3/BB- facility.

Australian plumbing products firm **REECE** is in the market with a US$1.14bn Term Loan B backing its acquisition of US peer MORSCO.

JP Morgan is leading the seven-year term loan, which is guided at 225bp-250bp over Libor with a 0% floor and a 99.5 discount.

Lenders are offered six months of 101 soft call protection.

Proceeds, along with those from an equity raising, will be used to finance Reece's acquisition of MORSCO from private equity firm Advent International.

Reece is acquiring MORSCO for an all-cash enterprise value of US$1.44bn.

WYNDHAM DESTINATIONS set price talk on its US$300m covenant-lite Term Loan B backing a refinancing.

BAML leads with *JP Morgan*, *Barclays*, *Deutsche Bank*, *Credit Suisse*, *Wells Fargo*, *SunTrust*, *Scotiabank*, *MUFG* and *US Bank*.

The seven-year term loan is guided at 225bp-250bp over Libor with a 0% floor and 99.75 discount.

Lenders are offered six months of 101 soft call protection,

Proceeds will be used to repay a portion of the company's revolving credit facility.

Ratings are Ba2/BB- corporate and facility.

VERTAFORE SEEKS US$2.4bn DEAL

Insurance software provider **VERTAFORE** is lining up a US$2.365bn credit facility to back a dividend recapitalisation.

Nomura is leading with *Guggenheim* and *Macquarie*.

The deal comprises a US$1.6bn seven-year first-lien term loan, a US$665m eight-year second-lien term loan and a US$100m five-year revolving credit facility.

Guidance on the first-lien loan opened at 325bp-350bp over Libor with a 0% floor and a discount of 99.5. The second-lien loan is expected to price in the 700bp-725bp over Libor range with a 0% floor and a discount of 99.

The first-lien loan includes six months of soft call protection at 101 while the second-lien loan will have hard call protection of 102/101.

The company priced a US$1.1bn term loan at 375bp over Libor in June 2016 to back its buyout by private equity firms Bain Capital and Vista Equity Partners. Vertafore later tacked on US$60m to the loan in April.

The issuer is rated B3/B-. The first-lien loan is rated B2/B-, while the second-lien loan is rated Caa2/CCC.

Metals processor **GLOBAL BRASS & COPPER** launched a US$315m term loan B backing a refinancing of existing debt.

JP Morgan leads the seven-year term loan, which is guided at 250bp-275bp over Libor with a 0% floor.

It is offered at 99.875 with six months of 101 soft call protection.

Proceeds will be used to refinance the company's existing US$315m term loan B due in July 2023.

Existing ratings are B1/BB- corporate and B2/BB- facility.

TRUCK HERO, which provides accessories for pickup trucks and jeeps, has launched an US$859m first-lien term loan repricing.

Pricing on the loan is guided at 350bp-375bp over Libor with a 0% floor. The loan is offered at par and has 101 soft call protection for six months.

Jefferies leads the deal.

Truck Hero raised a US$1.025bn credit facility in May 2017 that backed its buyout by financial sponsor CCMP Capital Advisors.

The funding comprised a US$100m five-year revolver, a US$675m, seven-year senior secured first-lien term loan and a US$250m

US LEVERAGED LOANS

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BAML	238	49,764.86	11.1
2	JP Morgan	199	46,726.25	10.4
3	Credit Suisse	118	28,831.09	6.4
4	Barclays	120	28,760.63	6.4
5	Wells Fargo	163	27,262.15	6.1
6	Goldman Sachs	117	26,416.80	5.9
7	Deutsche Bank	116	25,924.13	5.8
8	Citigroup	97	23,538.29	5.3
9	Morgan Stanley	77	17,206.80	3.8
10	RBC	88	14,685.38	3.3
	Total	**788**	**447,663.32**	

Excluding Project Finance.

Source: Thomson Reuters SDC code: P2

Firms focus on buy-and-build growth strategies

US MIDDLE MARKET Sponsors focus on smaller add-on acquisitions

US middle market companies and their private equity sponsors are focusing on growing through 'buy and build' strategies, rather than transformative acquisitions, despite a surge in global merger and acquisition activity, as they prepare for a possible macroeconomic downturn.

Despite a generally benign economic climate, toppy purchase prices and high debt multiples are encouraging sponsors to focus on smaller add-on acquisitions for mid-sized portfolio investments as they brace for a less favourable trade environment or a possible downturn in the economic cycle.

"Sentiment is split. We are still seeing great results, strong profits, and businesses are hiring, but there are simultaneously things to worry about," said John Martin, managing partner and co-CEO of Antares Capital.

Making smaller acquisitions at lower multiples of four to five times existing deals can help to justify high double-digit purchase price multiples as financial sponsors focus on adding scale through bolt-on acquisitions rather than solely emphasising organic growth.

"If there is still room to grow a company, and you don't have to sell it or you don't have a good reinvestment opportunity, sponsors would rather build it out with add-ons and tuck-in acquisitions," a middle market lender said.

One lower middle market lender said that 20% of the names in their portfolio made add-on acquisitions in the first quarter, which is notably high. Overall M&A activity was less robust than anticipated in the first three months as fewer middle market companies took advantage of the tax cuts in the New Year to make acquisitions, the lender said.

This trend has continued so far in the second quarter. **NORTHSTAR FINANCIAL SERVICES**, a portfolio company of TA Associates, launched a US$405m acquisition loan on May 4 that backs the company's purchase of asset management firm FTJ FundChoice. NorthStar is buying the FTJ platform from financial sponsor Seaport Capital. Antares Capital leads the deal with Macquarie Capital and Citizens Bank.

Also earlier in May, urgent care provider **CITYMD**, a portfolio company of private equity firm Warburg Pincus, finalised a repricing of its US$224.4m term loan and a US$120m add-on facility that will be used to support an acquisition. Credit Suisse, SunTrust and ING arranged the funding.

HIGHLINE AFTERMARKET completed a US$368m Term Loan B in April that refinanced existing debt and funded the company's acquisition of South/Win, a manufacturer of automotive fluids. Private equity firm The Sterling Group backs **HIGHLINE**, an automotive chemicals, lubricants, and parts manufacturer and distributor. The BNP Paribas-led deal brought in existing lenders and new-money investors.

CHEAP DEBT

Debt funding remains cheap and investor appetite for floating-rate assets has stayed strong in a rising rate environment. Leveraged lending constraints on banks have loosened, CLO funds are no longer required to hold as much skin in the game, and Business Development Companies have been given the green light to raise leverage.

This abundant liquidity and the ability to line up low-cost acquisition funding with flexible terms is not, however, enticing mid-sized US companies to raise new money in event-driven deals at a pace that keeps up with investor demand.

"We are in an optimal issuance environment, but issuers aren't coming to market at a faster pace," said a regional banker of sponsor-backed companies and corporate borrowers.

Some issuers are still waiting for further clarity on the implications of US tax cuts and trade policy discussions. There are also indications that despite a mostly positive economic outlook and continued confidence about M&A prospects, uncertainty around trade policy and anticipation about an eventual market downturn is introducing some caution into US middle market companies' calculations.

"Rate increases are coming late in the cycle, stocks are choppier, trade talks are floating around. Concerns are rising, but it hasn't derailed confidence yet," Martin said.

A recent survey of middle market dealmakers by Antares Capital showed that 69% of respondents are either very or somewhat concerned that rising trade tariffs or a potential trade war could impact portfolios. Similarly, at 65% the majority thinks a recession is somewhat or very likely in the next 18 months.

Despite wariness around the business impact of possible trade wars or a looming recession, the survey also found that a majority of respondents still expects M&A growth to be strong (12% of respondents) or modest (55% of respondents) in 2018.

Leela Parker Deo

eight-year senior secured second-lien term loan.

First-lien pricing cleared at 400bp over Libor with a 1% floor, while the second-lien tranche priced at 825bp with a 1% floor.

In October, the company added US$235m in incremental debt, split between a US$190m first-lien loan and US$45m second-lien loan. Proceeds were used to fund an acquisition.

The first-lien tranche was fungible with the company's existing term loan, while the second-lien tranche was privately placed.

Asset manager **TCW GROUP** launched a repricing of its US$599m term loan B due in December 2024.

JP Morgan leads the deal, guided at 175bp over Libor with a 0% floor. The term loan currently pays 200bp over Libor with a 1% floor.

It is offered in the 99.875-100 range with six months of soft call protection at 101.

Ratings are Baa3/BB+ corporate and facility.

OPENTEXT MARKETS US$1bn REFI

Software company **OPENTEXT** is in the market with a US$1bn term loan to refinance debt.

Barclays is leading the seven-year term loan, which is guided at 175bp over Libor with a 0% floor and a discount in the 99.75 to 100 range.

The deal includes six months of soft call protection at 101.

The loan will be governed by a total net leverage covenant of 4 times.

The company in February 2017 repriced its US$776m term loan due in December 2020 at 200bp over Libor with a 0% floor.

The issuer is rated Ba1/BB+, while the loan is rated Baa2/BBB-.

Resort management company **APPLE LEISURE GROUP** is marketing a US$950m first-lien term loan to refinance debt and pay for an acquisition.

Credit Suisse leads with *KKR*, *Deutsche Bank*, *JP Morgan* and *Bank of America Merrill Lynch*.

The loan is expected to keep the same March 2024 maturity date as the company's existing loan. Guidance opened in the 375bp-400bp over Libor range with a 0% floor and a discount of 99.5.

Apple Leisure lined up a US$600m first-lien term loan in February 2017 to back its buyout by private equity firms KKR and KSL.

The loan priced at 475bp over Libor with a 1% floor and a discount of 97.5.

Casino lenders brace for refi wave after sports betting ruling

US Gaming firms expected to seek better borrowing terms

The potential legalisation of sports gambling in the US is worrying casino loan investors as par-plus secondary loan prices could wilt if the prospect of improved earnings triggers a loan refinancing wave.

The US Supreme Court ruling last week paved the way for states to legalise sports gambling, which is expected to turbo-charge earnings for gaming companies and casino companies and has triggered an equities rally.

"The legalisation of sports betting will provide a shot in the arm for casino operators and casinos themselves," said Steven Oh, global head of credit and fixed income at PineBridge Investments.

Loans for gaming companies and casinos have been trading at or above par all year with average bids of 100.12 exceeding all other sectors, according to Thomson Reuters LPC data. This contrasts with average bids of 98.57 on the SMi100, which tracks the 100 most widely held loans.

Hotel and casino operator GOLDEN NUGGET's US$1.045bn term loan B is trading at 101 after breaking over par in the secondary market on April 11, for example.

An improved earnings outlook for the sector raises the prospect that issuers could seek to refinance loans on more favourable terms as profits, and potentially credit ratings, increase.

"If the introduction of sports betting does allow for improved earnings outcomes, then you could see these loans repriced again. One negative aspect of being a loan investor is that pre-payability," Oh said.

Already toppy secondary prices are unlikely to move higher and could even fall as loans are refinanced at par, potentially bringing losses to investors that bought over par.

"The equities got the juice on it, but the term loans are usually backed by property and the property valuations were already so high that the Boyds and the Nuggets of the world are trading at yield to call anyway, so there's nowhere for them to go," a loan trader said.

Casino operator BOYD GAMING's US$1.265bn term loan B, which pays lenders a spread of 250bp over Libor with a 0% floor, has been trading at 100.5-101 since April. Casino operator ELDORADO RESORTS' US$1.45bn term loan was quoted at 100.625-101 on Friday, unchanged from Monday's trading levels.

GOOD BET

Increased traffic into casinos should ultimately lead to higher cashflows and an improved credit profile for these businesses, said Seth Meyer, portfolio manager at Janus Henderson Investors.

"It's a nice wind for them, but it doesn't change the fundamental profile of their balance sheet that much," Meyer said. "Ebitda estimates are going to be higher because of this, but not significantly. You could see a situation where the credit profile could warrant a lower interest burden."

Some credit investors played down the implications of the Supreme Court ruling for the time being, arguing that casinos still need to get the green light for sports betting at a state level, which is unlikely to happen before 2019.

"Companies are unlikely to reprice in the immediate future as a direct result of the decision as they still need to get state approval," an investor said. "However, some companies could see improved financial performance in the future, which could lead to repricings."

Yun Li

The company also arranged a US$225m second-lien term loan that priced at 900bp over Libor with a 1% floor and a discount of 96.5 to support the buyout.

The new transaction includes six months of soft call protection at 101.

NATIONAL RESPONSE CORP, a provider of commercial environmental and industrial services, is in the market with a covenant-lite US$358m term loan B in part backing a merger.

BNP Paribas leads the six-year term loan, which is guided at 525bp over Libor with a 1% floor. It is offered at 99 with six months of 101 soft call protection.

The financing includes a US$40m five-year revolving credit facility that is guided at 525bp over Libor with no floor.

Proceeds will be used to back the merger of National Response with Sprint Energy Services, both portfolio companies of private equity firm JF Lehman & Co, and a dividend recapitalisation.

BROADSTREET WRAPS REPRICING, ADD-ON

Insurance broker BROADSTREET PARTNERS increased the spread on a repricing of its US$579m term loan B and a US$15m add-on loan.

Pricing for the existing TLB and the incremental loan is 325bp over Libor with a 1% floor, 25bp higher than initially proposed at launch. The issue price is par.

Proceeds from the incremental funds will be used to repay borrowings under the company's revolving credit facility.

RBC Capital Markets led the deal with *Bank of America Merrill Lynch*, *SunTrust* and *ING*.

In November 2017, BroadStreet repriced its then US$407m TLB to 375bp over Libor with a 1% floor and added a US$175m incremental loan at the same spread.

Fastener company HILLMAN GROUP wrapped up an extension of its US$530m term loan, which will include a US$165m delayed-draw term loan add-on.

Proceeds from the delayed-draw tranche will be available to finance a potential acquisition.

Barclays led with *Jefferies*, *Citizens* and *MUFG*. The deal includes a US$150m asset-based revolving credit facility due in 2023.

The company is extending the maturity on its term loan debt to 2025 from 2021.

The existing loan and incremental debt will be priced at 350bp over Libor with a 0% floor. The delayed-draw term portion will pay out half the margin after 30 days and the full margin after 60 days versus the originally circulated 45 and 75 days, respectively.

The company added a 50bp most favoured nations clause for the life of the loan.

The term loan will have six months of soft call protection at 101.

Hillman lined up the existing term loan in June 2014 at US$550m to support its buyout by private equity sponsor CCMP Capital Advisors. The loan priced at 350bp over Libor with a 25bp step-down.

SEAHAWK HOLDINGS shifted US$45m to the first-lien side of a US$1.795bn transaction and firmed pricing on the deal, which is being raised in conjunction with the spin-off of SonicWall from the parent company, formerly known as Dell Software Group.

Credit Suisse led the deal, which now comprises a US$1.465bn first-lien term loan and a US$330m second-lien term loan. Previously, the first-lien portion was expected at US$1.42bn and the second-lien tranche US$330m.

The seven-year first-lien loan priced at 425bp over Libor with a 0% floor and a discount of 99.5 after circulating at 425bp-450bp.

The second-lien loan priced at 825bp over Libor with a 0% floor and discount of 99. The loan was guided at 825bp-850bp.

The first-lien loan has six months of soft call protection at 101, while the second-lien term loan includes hard call protection of 102/101.

Private equity firm Francisco Partners and hedge fund Elliott Management purchased Dell's software group in 2016, creating Quest and SonicWall as independent companies. Seahawk was the new parent company.

The borrower is rated B3/B. The first-lien debt is rated B2/B+, while the second-lien loan is rated Caa2/B-.

ADS REVISES TLB REFI

Tactical and operational equipment supplier **ADS TACTICAL** made structural and pricing revisions to its covenant-lite term loan B backing a refinancing.

Wells Fargo led the seven-year loan, which was cut by US$80m to US$250m. The financing will now include a US$75m secured note.

Pricing widened to 525bp over Libor with a 1% floor from 425bp with a 1% floor at launch. The OID dropped to 99 from 99.5.

The six months of soft call protection at 101 has been replaced with a 12-month 101 hard call premium.

The loan will amortise at 1% per year.

It will contain an excess cash flow sweep that opens in 2020 at 50% when first-lien leverage is greater than 4.5 times, with step-downs to 25% when first-lien leverage is between 4.0 and 4.5 times and 0% when leverage is below 4.0 times.

Proceeds will be used to refinance existing debt including outstanding amounts under the asset-based revolving credit facility, term loan due in 2022, senior secured notes due in 2022 and cover transaction fees and expenses.

The outstanding amounts under the ABL facility have decreased since launch, which accounts for the US$5m reduction in debt now being raised.

Ratings are expected at B2/B corporate and B3/B facility.

VALEANT PHARMACEUTICALS INTERNATIONAL increased its term loan to US$4.565bn from US$3.815bn. Proceeds will be used to refinance debt.

Barclays led with *Goldman Sachs*, *JP Morgan*, *Citigroup*, *Morgan Stanley*, *DNB*, *Deutsche Bank* and *Royal Bank of Canada*. A US$1.2bn revolving credit facility will round out the transaction.

The company dropped pricing on the seven-year term loan to 300bp over Libor with a 0% floor and a discount of 99.5 from guidance of 325bp. The loan transaction includes six months of soft call protection at 101.

Valeant repriced its existing loan at 350bp in November 2017.

The company is also shopping notes alongside the loan. Valeant plans to use all the proceeds to refinance its existing term loan as well as pay down its 5.375% notes due in 2020, its 6.375% notes due in 2020, its 6.75% notes due in 2021 and its 7.25% notes due in 2022.

The issuer is rated B3/B. The loan is rated Ba3/BB-.

Prison phone services provider **SECURUS TECHNOLOGIES** tightened the discount on an incremental term loan and increased the size to US$375m from US$350m.

The additional proceeds will be used to pay down more of the company's revolving credit facility. Securus is using the remainder to back the purchase of Inmate Calling Solutions.

Deutsche Bank led alongside *Bank of America Merrill Lynch* and *Goldman Sachs*.

The company narrowed the discount to 99.75 from 99.5.

The new debt is fungible with the company's existing loan due in November 2024. The loan priced at 450bp over Libor with a 1% floor in June 2016.

The loan will have soft call protection of 101 until November 1.

The incremental loan includes a ticking fee that will pay 50% of the spread, and then the full spread after 75 days until the deal closes, which is expected in the third quarter.

The issuer is rated B3/B with the debt rated B2/B.

SONICWALL WRAPS SPIN-OFF LOANS

Internet security company **SONICWALL** has completed syndication of a US$657m first and second-lien credit facility backing its separation from Seahawk Holdings.

UBS led with *Credit Suisse* and *SunTrust*.

The financing comprises a US$50m revolving credit facility, a US$452m seven-year first-lien term loan that was increased by $20m during syndication, and a US$175m eight-year second-lien term loan that was cut by US$20m.

Pricing on the first-lien term loan finalised at 350bp over Libor with a 0% floor, at 99.5 with six months of 101 soft call protection, as originally proposed.

Pricing on the second-lien finalised at 750bp over Libor with a 0% floor and a 99 OID, in line with guidance. It includes a 102/101 hard call schedule.

Proceeds will be used to refinance SonicWall as a standalone entity when it splits from parent Seahawk Holdings, formerly known as Dell Software Group, and fund a dividend to shareholders including Francisco Partners and Elliot Management.

Ratings are B2/B- corporate and first-lien and Caa2/CCC+ second-lien.

Canadian snowmobile manufacturer **BOMBARDIER RECREATIONAL PRODUCTS** made structural and pricing changes to its covenant-lite term loan B backing a refinancing of its existing debt.

TD Securities led with *BMO Capital Markets*, *RBC Capital Markets* and *Citigroup*.

The seven-year term loan has been increased by US$100m to US$900m. Pricing is 200bp over Libor with a 0% floor, the tight end of opening guidance of 200bp-225bp with a 0% floor.

The loan was issued at 99.75, in line with guidance.

Lenders will receive six months of 101 soft call protection.

Proceeds will be used to refinance the company's term loan due in 2023. Additional proceeds will be used for general corporate purposes.

Bombardier is also seeking to refinance its existing revolving credit facility due in 2021 with a C$575m (US$446m) facility due in 2023.

The company and term loan are rated BB/Ba3. The revolving credit is rated BBB-/Baa3.

Building material maker **GMS** eliminated the discount on a US$425m add-on to its US$573m term loan.

The company is extending the maturity on the debt to 2025 from 2023. Proceeds will finance the purchase of gypsum dealer WSB Titan.

Barclays led with *Credit Suisse* as administrative agent.

The add-on originally circulated with a discount of 99.75 but the deal priced at par. The debt will remain priced at 275bp over Libor with a 0% floor, the same as the existing loan. The debt will have six months of soft call protection at 101.

GMS, which stands for Gypsum Management & Supply, tacked on US$100m to the debt in June 2017 when the spread was set at 300bp over Libor with a 1% floor.

JORDAN UPS PRICING, CUTS SIZE

JORDAN HEALTH SERVICES increased pricing on a US$935m first- and second-lien loan that backs the company's acquisition by Kelso & Company and Blue Wolf Capital Partners.

In addition to raising the first- and second-lien spreads by 100bp, the company also dropped the US$75m first-lien delayed draw term loan as well as the US$25m second-lien delayed draw term loan.

The deal now comprises an US$80m five-year revolver, a US$660m seven-year first-lien term loan, and a US$195m eight-year second-lien term loan.

Final pricing on the first-lien term loan is 500bp over Libor with a 0% floor, while the second-lien term loan cleared at 900bp with a 0% floor.

The first-lien tranche sold at a 98.5 OID. The second-lien tranche sold at 99.

Call protection on the first-lien loan is set at 101 soft call for 12 months, extended from six months. The second-lien loan is callable at 102, 101.

Jefferies arranged the funding with *Deutsche Bank*, *RBC Capital Markets*, *CIT* and *Golub Capital*.

Renewable energy company **TERRAFORM POWER** has repriced its US$349.125m Term Loan B.

Pricing cleared at 200bp over Libor with a 0% floor, at the tight end of guidance of 200bp-225bp. The loan was issued at a discount of 99.875 and has 101 soft call protection for six months.

The maturity on the repriced loan is unchanged from the existing loan at November 8 2022.

RBC Capital Markets was lead arranger and bookrunner on the deal.

In November 2017, TerraForm Power was in the market with a US$350m term loan that refinanced existing debt. The loan priced at 275bp over Libor with a 1% floor.

Corporate family ratings are B1/BB-/BB-. Issuer ratings are Ba1/BB+/BB+.

MHS HOLDINGS has agreed a US$200m incremental term loan that funds a dividend to shareholders, but scrapped a proposed repricing of its existing US$263m Term Loan B.

The new-money portion is fungible with the existing TLB. It sold at par and priced at 500bp over Libor with a 1% floor, in line with the current pricing on the existing loan. The deal has 101 soft call protection for six months.

When the transaction launched on April 30, the company was seeking to reprice the existing term loan to 375bp over Libor with a 1% floor at par. The add-on was guided at the same spread, but the new money was offered at a 99.75 OID.

During syndication and ahead of the original May 8 commitment deadline, MHS increased price guidance on the existing and incremental term debt to 425bp over Libor. The company subsequently cancelled the repricing component.

RBC Capital Markets was lead left arranger on the deal.

MHS raised a US$240m term loan priced at 500bp over Libor in April 2017 to fund the company's sale to Thomas H Lee. In October last year the company tacked on US$25m in incremental debt to the existing loan.

MHS creates sorting systems and provides logistics for e-commerce companies such as Amazon and shipping companies.

Corporate family ratings are B2/B.

OMNIA TIGHTENS PRICING

Group purchasing organisation **OMNIA PARTNERS** tightened pricing on a US$565m credit facility backing its purchase of the US Communities Government Purchasing Alliance.

Additional proceeds will be used to refinance debt.

Barclays led with *Ares*, *Jefferies* and *Fifth Third*.

The debt comprises a US$390m first-lien loan, a US$145m second-lien loan and a US$30m revolving credit facility.

The first-lien loan priced at 375bp over Libor with a 0% floor and a discount of 99.75 after being guided at 375bp-400bp with a 0% floor and a discount of 99.5.

The company tightened pricing on the second-lien loan to 750bp over Libor with a 0% floor and a discount of 99 from guidance of 775bp-800bp with a 0% floor and a discount of 99.

The first-lien loan will have six months of soft call protection at 101. The second-lien loan includes hard call protection of 102/101.

The issuer removed a most favoured nations sunset clause.

Private equity firm TA Associates backs OMNIA. The issuer is rated B3/B. The first-lien loan is rated B2/B, while the second-lien loan is rated Caa2/CCC+.

PINNACLE FOODS finalised terms for the US$250m add-on to its US$1.244bn term loan B due in February 2024 backing a refinancing.

Bank of America Merrill Lynch leads with *Mizuho*.

The fungible incremental priced in line with the existing tranche at 175bp over Libor with a 0% floor, 101 soft call protection through September 15 2018, and a 5.75 times net first-lien leverage covenant.

The offering price firmed at par, versus initial guidance of 99.875-par.

Proceeds, along with US$100m of drawings under the revolving credit facility and balance sheet cash, will be used to refinance the company's 4.875% senior unsecured notes due 2021.

Ratings are Ba3/BB- corporate and Ba2/BB+ secured.

Wire and cable producer **SOUTHWIRE COMPANY** has wrapped up syndication of its US$500m term loan B backing a refinancing.

KKR Capital Markets led with joint arrangers *BAML*, *BMO*, *JP Morgan* and *Wells Fargo*. *Fifth Third*, *PNC* and *US Bank* were co-managers.

Pricing on the term loan finalised at 200bp over Libor with a leveraged-based step-down to 175bp and 0% floor, compared with opening guidance of 175bp-200bp with a 0% floor.

It cleared at 99.75 with six months of 101 soft call protection, in line with guidance.

Proceeds will be used to refinance the company's existing term loan B.

KEANE TIGHTENS REFI PRICING

Oilfield services firm **KEANE GROUP** cut pricing on a US$350m seven-year term loan that will refinance debt and add cash to its balance sheet.

Barclays led the deal. The company dropped pricing, which is tied to a leverage-based grid, by 25bp during syndication.

Pricing will now open at 375bp over Libor versus 400bp. The grid will run from 350bp over Libor for net leverage under 0.5 time to 450bp for leverage of 2 times or greater. The grid steps up by 25bp every half turn of leverage.

The transaction includes a 1% floor and will be issued at a discount of 99.5. The loan will have six months of soft call protection at 101.

Keane arranged a US$150m term loan in March 2017 through Owl Rock Capital with an additional US$135m in incremental capacity, which was drawn.

Sand supplier **UNIMIN** eliminated the discount on a US$1.65bn term loan supporting the acquisition of fellow sand specialist Fairmount Santrol.

A US$200m revolving credit facility rounds out the deal, led by *Barclays* with *BNP Paribas*.

The term loan originally circulated with a discount of 99.5, but was issued at par.

Pricing is in line with guidance, tied to a leverage-based grid that ranges from 325bp over Libor when net leverage is below 1.5 times to 400bp over Libor when net leverage reaches 2.5 times. The spread increases by 25bp every half turn of leverage and is expected to open at 375bp over Libor.

The deal includes a 1% floor and will have six months of soft call protection at 101.

The company removed the sunset clause on the most favoured nations provision.

The issuer and the debt are both rated Ba3/BB.

Wholesale building products distributor **SRS DISTRIBUTION** finalised terms for a covenant-lite term loan B supporting its sponsor-to-sponsor buyout by Leonard Green & Partners.

Bank of America Merrill Lynch led with *Barclays*, *UBS*, *Credit Suisse*, *Goldman Sachs*, *Nomura* and *RBC*.

The seven-year loan has been increased by US$30m to US$1.33bn, after funds were switched from a Barclays-led unsecured note that will now total US$350m rather than US$380m.

Pricing on the seven-year loan is 325bp over Libor with a 25bp step-down at 0.5 time inside closing net first-lien leverage and a 0% floor. Guidance opened at 325bp-350bp with the same step-down and floor.

It was issued at 99.75, the tight end of 99.5-99.75 guidance.

Lenders will receive six months of 101 soft call protection, as originally proposed.

The financing includes a US$400m asset-based revolving credit facility.

BI-LO SEALS EXIT FINANCING

Supermarket chain **BI-LO** made changes to the pricing and structure of its six-year term loan B backing its exit from Chapter 11 bankruptcy protection.

Deutsche Bank led with *SunTrust*, *RBC* and *Bank of America Merrill Lynch*.

The term loan was cut by US$50m to US$475m, while pricing was increased to 800bp over Libor with a 1% floor, from 750bp. It sold at 96 from 99 initially.

The two-year 101 hard call schedule was unchanged.

The free and clear incremental basket was reduced by US$50m to US$100m.

The ratio governing the unlimited incremental basket was reduced to closing first-lien net leverage to 2.0 times first-lien net leverage.

The ability to designate unrestricted subsidiaries was also removed and the excess cash flow sweep was increased to 75%.

The financing includes a US$600m asset-based lending facility split between a US$550m asset-based revolver and a US$50m FILO term loan. The revolver pays 125bp over Libor while the FILO tranche pays 350bp. The credit includes a total net leverage ratio.

Ratings are B3/B- corporate and Caa1/B facility.

BI-LO parent Southeastern Grocers filed for Chapter 11 bankruptcy protection in March with a pre-packaged restructuring plan. The restructuring will reduce its debt by US$500m as it will continue to operate over 580 stores. It plans to close 94 of its stores.

Under the terms of the restructuring, BI-LO's existing secured notes and revolver will be paid in full, while its unsecured notes will be exchanged for 100% of equity in the reorganised company.

AMERICAN AIRLINES has repriced and extended its US$1.825bn term loan B.

Pricing on the deal was 175bp over Libor with a 0% floor. It was issued at a discount of 99.625, versus guidance of 99.75.

The *Barclays*-led transaction includes six months of soft call protection at 101 and now matures on June 27 2025.

The airline cut pricing in March 2017 to 225bp over Libor with a 0% floor from 275bp.

Building products distributor **FOUNDATION BUILDING MATERIALS** finalised a US$450m term loan B that will be used to refinance debt.

The seven-year loan priced at 325bp over Libor with a 0% floor having been guided at 325bp-350bp. There is also a 25bp step-down at 4.0 times first-lien net leverage.

The OID narrowed to 99.75 from 99.5 at launch. The loan has 101 soft call protection for six months.

Proceeds from the loan, along with drawings under the company's ABL revolving credit facility, will be used to redeem its existing 8.25% senior secured notes due 2021 and pay related expenses.

Lead-left *RBC Capital Markets* arranged the covenant-lite loan with bookrunners *Goldman Sachs*, *SunTrust* and *Stifel*.

Corporate family ratings are B2/B+ and facility ratings are B3/B+.

JACK'S FAMILY RESTAURANTS wrapped the repricing of its US$245m term loan B due April 2024 after adding a 25bp step-down.

RBC, *BAML* and *Morgan Stanley* were joint lead arrangers and joint bookrunners.

Pricing cleared at 350bp over Libor with a 1% floor, in line with guidance. A 25bp step-down was added at 3.75 times net first-lien leverage.

The covenant-lite loan sold at par and the transaction resets 101 soft call protection for six months.

The maturity is unchanged at April 5 2024. Corporate family and facility ratings are B3/B.

WARNER MUSIC NEARS REPRICING

Music publisher **WARNER MUSIC** was scheduled last week to close a repricing of its US$1.3bn term loan due in November 2023.

Credit Suisse was leading with *Barclays*, *Goldman Sachs*, *Morgan Stanley*, *Nomura* and *UBS*.

The company was aiming to lower the interest rate to 200bp over Libor from 225bp with a 0% floor. The deal was expected to be issued at par.

The transaction will refresh soft call protection of 101 for six months.

Warner Music tacked on US$320m to its term loan in February. The company cut pricing by 25bp on the loan in November 2017 and May 2017.

The corporate rating is B1/B+, while the debt is rated Ba3/B+.

Food services provider **ARAMARK** was expected to close last week a repricing of its US$1.4bn term loan due in March 2024.

Credit Suisse was leading the deal, which aimed to drop pricing to 175bp over Libor from 200bp with a 0% floor. The transaction was expected to be issued at par.

The deal refreshes soft call protection of 101 for six months.

The company lined up the debt in October 2017 to support its purchase of Avendra and AmeriPride Services.

The borrower is rated Ba2/BB+, while the loan is rated Ba1/BBB-.

Arts and crafts retailer **MICHAELS STORES** was scheduled to close last week a repricing of its US$2.226bn term loan B due in January 2023.

JP Morgan was leading the deal, which was guided at 225bp-250bp over Libor range with a 1% floor. Previous pricing was 275bp over Libor with a 1% floor.

The term loan was offered at par with six months of 101 soft call protection.

Existing ratings are Ba2/BB- corporate and Ba2/BB+ facility.

Cable operator **TELENET** has wrapped a US$1.6bn term loan B (AN), which was issued at 99.875.

The loan, which matures in August 2026, pays a spread of 225bp plus Libor with a 0% floor. It has six months of 101 soft call protection.

The financing will repay existing term loans AL/AL2.

Goldman Sachs, *BNP Paribas*, *ING*, *JP Morgan*, *NatWest*, *Rabobank*, *RBC*, *Scotia* and *Societe Generale* arranged the financing.

Telenet is in the process of repricing its €730m term loan B (see European leveraged loans).

WASTE INDUSTRIES NEARS CLOSE

Waste management company **WASTE INDUSTRIES** was scheduled to close last week a US$170m add-on and a repricing of the seven-year US$890m term loan B that was agreed in September.

The company plans to use proceeds to back acquisition activity, as well as pay down its revolving credit facility.

Barclays was leading the deal, which will be fungible with the existing loan.

The combined debt was expected to price at 275bp over Libor with a 25bp step-down when first-lien net leverage drops to 4.0 times.

The issuer priced the loan at 300bp over Libor when it arranged the debt to support its buyout.

The transaction refreshes soft call protection of 101 for six months.

Pipes, valves and fittings distributor **MRC GLOBAL** was scheduled to close on Friday a repricing of its US$399m term loan B due in September 2024.

JP Morgan was leading the deal, guided at 275bp-300bp over Libor with a 0% floor. Previous pricing was 375bp over Libor with a 1% floor.

The term loan was offered at par with six months of 101 soft call protection.

Existing ratings are B1/B corporate and B2/B+ facility.

All-inclusive holiday company **PLAYA RESORTS** wrapped up the repricing of its US$904m covenant-lite term loan B due in April 2024 and US$100m fungible add-on.

Deutsche Bank led with *Bank of America Merrill Lynch*, *Citigroup* and *Nomura*.

Pricing on the entire term loan finalised at 275bp over Libor with a 1% floor, in line with guidance. The US$904m tranche previously paid 325bp with a 1% floor.

The repricing cleared at par, in line with guidance, while the add-on cleared at 99.75, the wide end of 99.75-par guidance.

A six-month 101 soft call refresher will be applied to the entire term loan.

Proceeds from the add-on will be used to back the acquisition of five all-inclusive resorts from Sagicor Group Jamaica.

Ratings are B2/B corporate and B2/B+ facility.

EUROPE/MIDDLE EAST/ AFRICA

TDC SHOPS €3.9bn LOAN

Danish telecoms company **TDC** has launched a €3.9bn-equivalent loan backing its acquisition by a consortium of investors led by Macquarie.

Proceeds will also be used to refinance existing debt.

The seven-year covenant-lite term loan comprises a €2bn tranche and a €1.9bn-equivalent dollar-denominated tranche. Both loans are guided at 325bp-350bp over Euribor/Libor with a 0% floor and a 99.5 OID.

Barclays and *BNP Paribas* are global coordinators, physical bookrunners and bookrunners. *Deutsche Bank*, *HSBC*, *Macquarie Capital* and *Nordea* are physical bookrunners and bookrunners, while *Citi* and *JP Morgan* are bookrunners.

Danske Bank and *Nykredit* are additional mandated lead arrangers. Barclays is the admin agent.

Expected corporate ratings are B+/B1/B+, while expected issuer ratings are BB- (RR2)/ Ba3/BB+ (RR1).

Macquarie and three Danish pension funds - PFA, PKA and ATP - are acquiring the telecoms company, which provides broadband and mobile services across Denmark and Norway, for US$6.7bn.

ZENTIVA DETAILS LBO LOANS

Generic pharmaceuticals company **ZENTIVA** is in the market with a €1.28bn loan package backing Advent International's acquisition of the business.

The deal comprises a €880m-equivalent seven-year first-lien Term Loan B, a €275m eight-year second-lien Term Loan B, and a 6.5-year €125m-equivalent multi-currency revolver.

The first-lien TLB comprises a €680m-€730m tranche and a €150m-€200m-equivalent sterling-denominated tranche.

The euro loan is guided at 350bp over Euribor with a 0% floor and a 99.5 OID, while the sterling tranche is guided at 425bp with a 0% floor and a 99-99.5 OID.

The second-lien loan, of which €200m has been pre-placed, launched at 700bp over Euribor, offered at 99-99.5 with a 0% floor.

Total net leverage for the deal is expected at 7.1 times adjusted Ebitda for 2017 of €162m, and 5.4 times net senior secured.

Goldman Sachs, *JP Morgan* and *Morgan Stanley* are joint global coordinators and bookrunners.

Proceeds back Advent's €1.9bn acquisition of Zentiva from French healthcare group Sanofi.

The planned sale of Zentiva began in October after Sanofi spent more than a year carving out the division to create a standalone company that could be sold to one of its competitors or to an investment fund.

Zentiva operates in 50 markets and has a strong presence in Eastern Europe, particularly in the Czech Republic, Slovakia and Romania.

ACCOLADE WINES DETAILS LBO LOAN

ACCOLADE WINES has detailed its A$700m-equivalent loan deal backing Carlyle's A$1bn buyout of the business.

Citi, *Credit Suisse*, *ING*, *Mizuho* and *Rabobank* are leading the deal, which comprises a £301m first-lien Term Loan B and a A$150m-equivalent multi-currency revolver. Both loans have a 0% floor.

The seven-year term loan B is guided at 475bp-500bp over Libor with a 99.5 OID. The RCF is guided at 400bp over BBSY.

The TLB, which includes 101 soft call for six months, will be used to finance the buyout and for refinancing. The six-year RCF will be used for general corporate purposes.

Expected corporate ratings are B2/B/B, while expected issue ratings are B2/B/BB-.

Despite being based in Australia, Accolade is the biggest-selling wine company in the UK by volume, according to its website, with brands such as Echo Falls, Hardy's Wines and Kumala.

Carlyle is paying more than three times the A$290m paid by Accolade Wines' private equity owner CHAMP Private Equity seven years ago, when it formed Accolade after buying Constellation Brands' Australian wine-making operations, along with some UK and South African labels.

CHEPLAPHARM POISED FOR €1bn REFI

German pharmaceuticals firm **CHEPLAPHARM** is set to launch around €1bn of refinancing loans in the coming weeks.

The deal comprises a covenant-lite Term Loan B and a revolving credit facility, and is being led by global coordinators and physical bookrunners *Deutsche Bank*, *HSBC* and *UniCredit*.

Further details of the transaction will be released upon launch to syndication.

Family-owned Cheplapharm has conducted a buy-and-build strategy in recent years, announcing earlier this month the acquisition of anti-arrhythmia drug Sotalex alongside Bristol-Myers Squibb.

Sweden-headquartered Proventus Capital Partners provided Cheplapharm with a €60m subordinated loan facility in September 2016, backing its acquisition of the global rights to two pharmaceutical drugs.

ADVANCED COMPUTER SOFTWARE SETS GUIDANCE

UK-based software and IT services provider **ADVANCED COMPUTER SOFTWARE** guided pricing on US$733m of loans that will be used to refinance its debt.

Morgan Stanley is leading with *Goldman Sachs*.

The transaction comprises a US$341m first-lien term loan, a £244m first-lien term loan and a $50m revolving credit facility.

The term loans will mature on May 31 2024.

The dollar-denominated loan is circulating in the 500bp-525bp over Libor range with a 0% floor and a discount in the 99 to 99.5 range. The sterling-denominated

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	SG	12	2,775.99	9.3
2	Natixis	12	2,486.16	8.3
3	BNP Paribas	13	2,470.89	8.3
4	Credit Agricole	12	2,201.65	7.4
5	Deutsche Bank	11	2,109.38	7.0
6	ING	9	1,921.84	6.4
7	HSBC	9	1,903.11	6.4
8	Goldman Sachs	9	1,830.16	6.1
9	Citigroup	4	1,206.01	4.0
10	RBC	5	1,103.90	3.7
	Total	**38**	**29,937.93**	

Excluding project finance.

Source: Thomson Reuters SDC code: P13

EUROPEAN LEVERAGED LOANS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	BNP Paribas	22	4,729.78	7.4
2	SG	18	4,586.45	7.2
3	Deutsche Bank	21	4,396.06	6.9
4	Credit Agricole	17	4,333.91	6.8
5	Goldman Sachs	13	3,887.74	6.1
6	ING	14	3,271.95	5.1
7	Citigroup	11	3,199.85	5.0
8	Natixis	14	3,133.72	4.9
9	HSBC	15	3,120.92	4.9
10	Barclays	11	2,360.35	3.7
	Total	**60**	**63,861.21**	

Excluding project finance. Western Europe only included.

Source: Thomson Reuters SDC code: P10

I-Med buyout loan lures funds

AUSTRALIA Financing for X-ray network reveals strong non-bank demand

Asian banks and institutional investors ended up with much less of **I-MED**'s A$690m (US$519m) buyout loan than they expected following a strong response to the deal, underlining the growing appetite for high-yielding financings in the region.

The transaction, which finances global private equity firm Permira's acquisition of Australia's largest medical imaging network from EQT Partners and other shareholders, attracted 28 banks and institutional investors in general syndication.

All 28 recommitted to the deal, despite a 25bp reverse flex on the interest margin, and institutional investors were allocated a combined 20%.

"Event-driven financing still offers relatively generous pricing despite any reverse flex," said a senior Hong Kong-based banker at a Taiwanese bank.

Singapore's GIC made a large A$100m commitment, its first investment in an Australian LBO, and five other institutional investors also participated. Traditional bank investors were heavily scaled back, with some participants, including Taiwanese banks, only allocated only 30%–40% of their original commitments.

I-Med's margins were cut to 350bp and 375bp over BBSY for the amortising and bullet term loan tranches respectively, from 375bp and 400bp at launch. The deal carries an average life of 4.9 years and a leverage multiple of 4.5 times Ebitda.

GIC's investment fits its direct lending strategy, as the sovereign wealth fund targets sponsor-driven debt deals with higher margins, a source said.

GIC also provided US$160m of subordinated debt to the holding company of Hong Kong-based Asia Broadcast Satellite last June. Its Chesham Investment unit invested in a US$40m piece of a US$280m five-year refinancing for ABS, which is also owned by Permira.

Taiwanese banks took the lion's share of Asian banks' commitments, which amounted to 34% of the deal. European banks, including four of the six leads, accounted for 36.4% of the deal with combined commitments of A$252.5m.

Credit Agricole, *Goldman Sachs*, *HSBC*, *ING Bank*, *Natixis* and *SMBC* were the mandated lead arrangers, bookrunners and underwriters.

STRONG APPEAL

I-Med's LBO loan proved a compelling investment due to the strength of the company, which reported revenues of A$700m in 2017 through internal growth and acquisitions.

Permira's pulling power, generous pricing and I-Med's strong market position in the diagnostic imaging industry, combined with otherwise low deal flow, also enhanced the deal's appeal.

I-Med runs more than 200 clinics throughout Australia and conducts more than 4m patient procedures a year that benefit from government subsidies.

The buyout is Permira's first investment in Australia and its only healthcare investment in Asia.

I-Med's loan offered liquid lenders a good opportunity to invest in an otherwise low margin environment as investors continue to chase yield.

"We have strong interest in lending thanks to our abundant liquidity and cheap funding costs, and we don't have many other choices due to the lack of deal flow in the leveraged loan market," the senior Hong-Kong-based banker said.

I-Med's loan was launched in late February amid little flow of buyout loans. Australasia did not close a single LBO loan in the first quarter, compared with US$2.48bn and US$16.74bn in all of 2017 and 2016 respectively.

The only other leveraged financing in the market at the time of I-Med's launch was a A$400m seven-year loan backing the acquisition of **REAL PET FOOD**.

China Merchants Bank is the sole bookrunner on that deal, which had attracted seven Asian lenders by early March but has still not closed.

Real Pet Food's loan offers an interest margin of 250bp over six-month BBSY, well below market rate, has a blended average life of 5.17 years and represents a leverage multiple of around 5.02 times based on estimated Ebitda for 2018 of slightly under A$80m.

The excess demand highlighted by I-Med's heavy oversubscription and scale-back could benefit a A$280m five-year amortising LBO loan backing the acquisition of Australian vitamin company **NATURE'S CARE MANUFACTURE**.

That loan finances the Chinese-led acquisition of a majority stake in the Sydney-based vitamin company and is expected to be launched imminently.

Sharon Klyne, Evelynn Lin

loan is expected to price at 475bp over Libor with a 0% floor and a discount of 99.5.

The covenant-lite term loans both have six months of soft call protection at 101 and will amortise at 1% annually.

The issuer arranged a US$323m first-lien term loan, a US$194m second-lien term loan and a £108m first-lien term loan in February 2015 to support its buyout by Vista Funds.

The first-lien term loans priced at 550bp over Libor while the second-lien term loan priced at 950bp over Libor.

VERALLIA RETURNS WITH REFI

French packaging group **VERALLIA** has launched a €550m incremental Term Loan B that will refinance existing bonds.

The seven-year covenant-lite loan will be used to repay the remainder of its €500m senior secured and €225m senior unsecured notes.

Pricing is guided at 300bp to 325bp over Euribor, offered at 99.5 with a 0% floor. There is six months soft call protection at 101.

Verallia's existing €1,375m Term Loan B margin ticked down to 275bp in November due to a leverage-related margin ratchet, the lowest margin attained so far by a Single B rated corporate.

The bottle maker announced adjusted Ebitda of €119.9m for the first quarter on Thursday, up 9.2% year-on-year. Net leverage stood at 3.6 times adjusted Ebitda for the 12 months to the end of March of €514.2m, down from 4.2 times for the previous year.

Apollo-owned Verallia is one of the more aggressive issuers in the European leveraged finance market, having repriced the term loan three times in the year to May 2017 while issuing €350m of PIK toggle notes in the meantime.

Credit Suisse and *Deutsche Bank* are global coordinators and physical bookrunners. *Barclays*, *BNP Paribas*, *Citi*, *Nomura*, *Santander* and *Societe Generale* are bookrunners.

Verallia makes bottles and packaging for companies including Dom Perignon and Nutella.

EXCLUSIVE OUT WITH LBO LOAN

French cybersecurity business **EXCLUSIVE GROUP** has launched €590m of loans backing Permira's €1.3bn buyout of the group from Cobepa and Andera Partners.

The deal comprises a €500m covenant-lite seven-year term loan B and a €90m 6.5-year multi-currency revolving credit facility. Both have a 0% floor and the RCF includes a net springing covenant.

A bank meeting is scheduled for Tuesday in London, after which price guidance will be released.

Leverage for the deal is expected at 6.25 to 6.75 times total, split between 5 times senior and 1.25 to 1.75 times subordinated debt.

Morgan Stanley and *Societe Generale* are joint bookrunners and mandated lead arrangers.

Deutsche Bank, *Goldman Sachs*, *ING* and *RBC* are additional mandated lead arrangers.

Cobepa and Andera, formerly Edmond de Rothschild Investment Partners, bought the group for just under €350m in 2015.

Exclusive announced revenues for 2017 of €1.75bn, a 38% increase on 2016.

THREE BACK SIVANTOS MERGER

Hearing-aid makers **WIDEX** and **SIVANTOS** have agreed to merge, with *JP Morgan*, *Goldman Sachs* and *Deutsche Bank* providing financing for the deal.

Swedish private equity firm EQT will own a majority of the merged group in which the Topholm and Westermann families, who currently own Widex, will retain large stakes. EQT bought Sivantos from Siemens in 2015 for more than €2bn.

Germany's Sivantos - formerly known as Siemens Audiology - and Denmark's Widex will create a company with a valuation of more than €7bn, including roughly €3bn in debt.

The combined company will form the world's third-largest supplier behind Sonova and William Demant. It will generate revenues of around €1.6bn, employing over 10,000 people.

The merger pushes back EQT's plans for a stock market listing of Sivantos by a few years, as the focus will now be on integrating the companies and advancing digital technology.

Sivantos issued a €225m incremental Term Loan B last month, backing its acquisition of US peer TruHearing. That deal was led by Deutsche Bank alongside Goldman Sachs and UBS.

Sivantos reported adjusted Ebitda of €238m for 2017, from revenues of €967m.

AMBEA UPS LOAN TO SKr3bn

Nordic healthcare services firm **AMBEA** has increased its existing revolving credit facility by SKr500m to SKr3bn (US$349m).

The financing has a maturity of four years with one one-year extension option.

As part of the extended financing, Nordea has joined the facility on the same terms and conditions as the other lenders.

The increased facility will be used primarily for acquisitions and expansion of Ambea's activities in the own-management sector.

The loan was first put in place in 2017 as part of Ambea's IPO. The facility totalled SKr2.5bn with a three-year maturity and two one-year extension options.

Danske Bank and DNB provided the facility, which paid an initial margin of 150bp to 200bp.

Stockholm-listed Ambea provides services in disabled care, individual and family care, and elderly care with a focus on residential care and own-management. Total revenue in 2017 amounted to SKr5,816m.

TELENET MARKETS REPRICING

Belgian cable and mobile company **TELENET** is repricing its €730m Term Loan B.

Goldman Sachs is on the left, joined by *BNP Paribas*, *JP Morgan*, *RBS* and *Societe Generale*.

The company is aiming to lower pricing to 250bp over Euribor with a 0% floor and an OID of 99.75-100.

Lenders are offered six months of soft call protection at 101.

The €730m 9.25-year term loan AM was agreed in December 2017 and priced at 275bp over Euribor with a 0% floor, at par.

The December 2027 maturity on the new term loan AO is the same as on the existing term loan AM.

Corporate ratings are Ba3/BB-/BB- and facility ratings are Ba3/BB-/BB.

RESTRUCTURING

UNITED STATES

REMINGTON EMERGES FROM BANKRUPTCY

REMINGTON OUTDOOR, one of the largest US makers of firearms, has emerged from Chapter 11 bankruptcy protection after completing a debt-cutting deal with creditors.

Remington, America's oldest gunmaker, filed for bankruptcy protection in March, weeks after a shooting at a high school in Parkland, Florida killed 17 people and triggered intensified campaigns for gun control by activists.

Under the reorganisation plan, the outline of which was agreed just two days before the February 14 Parkland shooting, over US$775m of Remington's debt has been converted into equity.

Remington also received a new US$193m lending package funded by seven banks. They are *Bank of America*, *Wells Fargo*, *Regions Bank*, *Branch Banking and Trust*, *Synovus Bank*, *Fifth Third Bank* and *Deutsche Bank*.

The company will appoint a new board of directors.

EUROPE/MIDDLE EAST/ AFRICA

AGROKOR REQUESTS LOAN EXTENSION

Troubled Croatian retailer **AGROKOR** said it has requested an extension for its €480m senior loan facility as the company continues talks around its €5.9bn debt restructuring.

Food producer and retailer Agrokor, the largest company in the Balkans with some 60,000 staff, was put under state-run administration in April 2017, crippled by debts built up during an ambitious expansion drive.

Administrators to Agrokor have been exploring the possibility of agreeing a new exit facility to replace the existing senior loan, but believe it will not be able to secure this by July when the facility matures and a debt restructuring is expected to be signed. Instead it is seeking an extension of the loan.

The €480m super senior loan was put in place last July to help the with the company's immediate liquidity needs. It has an interest of 4% annually and can be extended to 24 months.

The facilities were arranged and backstopped by Knighthead Capital Management and Zagrebacka Banka with 20 Croatian and international banks and funds participating in the deal. Some €150m of the new money came from bondholders, €160m from local banks and €170m from international banks.

Creditors agreed draft settlement terms of the debt restructuring last month, which the company's crisis manager Fabris Perusko is now working to finalise.

The settlement must be voted on by July 10, according to an emergency law adopted a year ago to save Agrokor from bankruptcy.

■ FRONT STORY JAPAN

Mercari readies rare e-commerce IPO

› Flea store app to use IPO proceeds for international expansion, including the UK

The Tokyo listing of second-hand goods marketplace app MERCARI is set to offer investors a rare opportunity to buy into a Japanese technology unicorn.

High-growth stocks are few and far between in the mature Japanese market, and bankers are hoping that a successful debut will stoke demand for more "new economy" listings.

Mercari, which has recorded more than 100 million downloads of its flea market app worldwide, is ticking all the boxes to ensure that the country's largest IPO for the year so far is a success.

The company is offering 40.8m shares, plus a greenshoe of 2.8m shares, to raise up to ¥110.2bn (US$995m), rising to ¥117.7bn with the 'shoe.

The indicative price range of ¥2,200 to ¥2,700 values the stock at a 2020 P/E multiple of 20–25, lower than the local industry average of 30, according to a banker on the deal. E-commerce peer Start Today trades at a 2020 P/E multiple of 33.

"The company wants the interest in the IPO to be strong and to trade well post-listing," said a Tokyo-based analyst.

Half of the deal will be sold to international investors and half to Japanese investors.

NOT YET PROFITABLE

Reasonable pricing is important to attract investors as, similar to other global start-ups, Mercari has a history of operating losses since its inception in 2013. For the nine months ended March 31 2018, its loss widened to ¥3.4bn from ¥2.4bn a year earlier. Net sales, however, were up 72% to ¥26.1bn over the same period.

Although the company's Japanese operations have turned profitable, the US business continues to report substantial losses, disclosures in the prospectus show.

"We continue to invest heavily in growing our US business and expect to incur significant additional expenses related to advertising and promotions," the company says in the prospectus.

"However, there can be no assurance that our US operations will generate revenue to offset such significant expenses."

The IPO funds will also be used to expand the overseas business, which includes a presence in the UK.

The outlook for the Japanese e-commerce sector, though, is strong. The Tokyo-based analyst said the domestic second-hand goods market is expected to grow by 20%–25% annually over the next five years.

Of the international offering, 13.9m are primary shares and 7.9m are secondary shares. For the Japanese tranche, 4.3m are primary shares and 14.6m are secondary shares.

The selling shareholders include Mercari co-founder and CEO Shintaro Yamada, Development Bank of Japan and venture capital firms.

Bookbuilding will run from June 1 to June 8 and pricing will be on June 11. Listing will be on June 19.

Daiwa and *Morgan Stanley* are the joint global coordinators. The two banks are also active bookrunners on the international offering. *Bank of America Merrill Lynch*, *JP Morgan*, *Mizuho* and *SMBC Nikko* are the passive bookrunners for the tranche.

Daiwa and *Mitsubishi UFJ Morgan Stanley* are the joint bookrunners for the Japanese offering.

S Anuradha, Fiona Lau

SEHK set for second towering IPO

› China Tower files to raise US$10bn shortly after Xiaomi

CHINA TOWER, the world's biggest operator of mobile phone towers, has filed a listing application for a Hong Kong IPO in what could become the city's second US$10bn offering this year.

The company, which could be valued at about US$40bn at the time of listing, is expected to come to market in the third quarter, according to people close to the deal.

CICC and *Goldman Sachs* are the joint sponsors.

The proposed deal is the latest mega IPO planned in Hong Kong this year, following Chinese smartphone maker Xiaomi's application in early May for what could also be a US$10bn float.

The two supersized deals, together with many other planned Chinese technology and biotech listings, will be a boon to Hong Kong's IPO market this year. Activity has picked up lately, with JIANGXI BANK, HUIFU PAYMENT and VCREDIT planning to pre-market IPOs of a combined US$1.8bn this week.

The recent listing of Ping An Healthcare and Technology, however, shows investors have turned cautious after investing heavily in IPOs late last year.

SHIFT IN SENTIMENT

"Many fund managers have not much cash left on hand and hence have become very picky on IPOs. The disappointing aftermarket performance of some technology IPOs late last year also hurts sentiment," said an ECM banker.

Ping An Healthcare shares have fallen as much as 10.8% below the IPO price since listing in early May. The stock closed at HK$53.93 last Thursday versus an issue price of HK$54.80.

China Mobile, China Unicom and China Telecom set up China Tower in July 2014 to be responsible for the construction, maintenance and operations of their telecommunications towers and infrastructure across the country.

China Tower's share in the country's telecommunications tower market was 96.3% in terms of tower sites and 97.3% in terms of revenue as of December 31, according to a regulatory filing.

The company posted net profit of Rmb1.94bn (US$306m) in 2017, up from Rmb76m in 2016. Revenues rose 23% to Rmb68.7bn in 2017 from a year earlier.

China Mobile holds a 38% stake in China Tower, China Unicom has 28.1% and China Telecom 27.9%. State asset management firm China Reform Holding has a 6% stake.

Fiona Lau

WEEK IN NUMBERS

19 years

■ SIKA ENTRUSTED UBS ALONE TO LEAD ITS SFr1.65bn (US$1.65bn) ISSUE OF SEVEN-YEAR CONVERTIBLE BONDS. IT IS THE LARGEST CONVERTIBLE OFFERING BY A SOLE BOOKRUNNER IN EUROPE SINCE VIVENDI'S €1.5bn (THEN US$2bn) ISSUE IN JANUARY 1999, EXCLUDING MANDATORIES AND EXCHANGEABLES

12 months

■ FOXCONN INDUSTRIAL INTERNET WILL INCLUDE A 12-MONTH LOCK-UP ON MOST SHARES SOLD IN THE INSTITUTIONAL TRANCHE OF ITS US$10bn A-SHARE IPO, IN ADDITION TO THE NORMAL LOCK-UP ON CORNERSTONE INVESTORS. APPROXIMATELY 57% OF THE TOTAL IPO SHARES WILL BE FREE TO TRADE, ASSUMING FULL RETAIL CLAWBACK

Seventh

■ PLURALSIGHT IS THE SEVENTH SOFTWARE COMPANY TO INCREASE THE MARKETING RANGE ON A US IPO THIS YEAR. ZSCALER, DROPBOX, DOCUSIGN, ZUORA, SMARTSHEET AND CARBON BLACK ALL DID THE SAME, WITH ALL BAR CARBON BLACK GOING ON TO PRICE ABOVE THE TOP OF REVISED GUIDANCE

Two days

■ STATE-OWNED HYPO REAL ESTATE'S €285m ACCELERATED SALE OF DEUTSCHE PFANDBRIEFBANK AND A US$350m CONVERTIBLE BOND BY NORWAY'S BORR DRILLING WERE BOTH PRE-SOUNDED FOR TWO DAYS AHEAD OF LAUNCH

Seven times

■ AXON ENTERPRISE CAPITALISED ON THE DOUBLING OF ITS SHARES THIS YEAR TO RAISE US$227.9m IN A FOLLOW-ON. RAPID GROWTH IS COMING FROM CLOUD SERVICES THAT COMPLEMENT THE PROVISION OF TASERS TO POLICE FORCES. FOUNDER RICK SMITH HAS BEEN SHOT SEVEN TIMES BY A TASER

US$1bn

■ TWO CHINESE BITCOIN MINING EQUIPMENT MAKERS ARE PLANNING US$1bn HONG KONG IPOs. EQUIPMENT MAKERS ARE HUNGRY FOR CAPITAL TO FUND GROWTH AS DEMAND REMAINS HIGH DESPITE THE 35% SLUMP IN BITCOIN THIS YEAR

ASIA-PACIFIC

CHINA

HAIDILAO ADDS SPICE TO IPO MENU

HAIDILAO INTERNATIONAL, one of China's most popular hotpot chains, has filed an application with the Stock Exchange of Hong Kong for a proposed IPO.

The company, which mainly serves spicy Sichuan-style hotpots, intends to raise US$600m–$700m from its Hong Kong listing in a push to take the brand global, people with knowledge of the plans told IFR earlier.

CMB International and *Goldman Sachs* are joint sponsors for the proposed IPO, which may happen in the second half of the year.

The planned listing comes as the Chinese restaurant operator looks to expand further at home and boost its network globally.

According to the company filing, Haidilao plans to use about 60% of the proceeds to finance its expansion and about 20% to develop new technology, while the remainder will be used to repay loans and replenish working capital.

Haidilao owns and operates 320 restaurants, including 296 in the PRC, and 24 in Taiwan, Hong Kong, Singapore, South Korea, Japan and the United States.

The company posted a 2017 profit of Rmb1.19bn (US$187m), up 22% year-on-year. Its revenue rose 36% to Rmb10.64bn.

DUO TO START PRE-MARKETING

HUIFU PAYMENT and VCREDIT are set to start pre-marketing this week for their IPOs of a combined US$1bn, according to people familiar with the situation.

Chinese third-party payment firm Huifu Payment intends to raise about US$400m–$500m from its float. *CLSA* and *JP Morgan* are joint sponsors.

Huifu posted a 2017 net profit of Rmb133m, up 12% year-on-year.

Trixen, an affiliated company of the Sampoerna Group, owns a 29.99% stake in Huifu, while Bain Capital holds 22.45%.

Founded in 2006, Huifu began as an online payment firm and has since diversified into infrastructure services for other financial companies, including peer-to-peer lending platforms, wealth managers, consumer finance providers, private equity firms and exchanges.

Meanwhile, Chinese online consumer finance provider VCredit plans to raise about US$400m–$500m from its float. *Credit Suisse*, *Goldman Sachs* and *JP Morgan* are joint sponsors.

VCredit reported a loss of Rmb1bn in 2017, widening from a deficit of Rmb565m in 2016. Excluding fair value loss of preferred shares and share-based compensation expense, it made an adjusted net profit of Rmb292m, versus an adjusted net loss of Rmb275m in 2016.

TPG Growth, the middle-market and growth equity arm of TPG, owns a 7.2% stake in VCredit.

BEYONDSPRING MULLS HONG KONG LISTING

Nasdaq-listed BEYONDSPRING, a clinical-stage biopharmaceutical company, is in discussions with banks for a potential Hong Kong listing, according to people familiar with the situation.

The company has held initial discussions with banks for a potential share sale in Hong Kong, which could come early next year, said the people.

It is unclear how much the company will raise from a Hong Kong listing as the discussions are at early stage.

On April 25, BeyondSpring said in a regulatory filing that it may sell up to 5m shares from time to time.

ASIA-PACIFIC EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	34	9,614.61	10.2
2	Citigroup	39	8,452.02	8.9
3	Goldman Sachs	24	5,452.34	5.8
4	UBS	27	5,436.84	5.8
5	BAML	11	5,419.79	5.7
6	Credit Suisse	21	3,955.46	4.2
7	Citic	20	3,643.52	3.9
8	JP Morgan	16	2,323.81	2.5
9	Huatai Securities	10	2,254.22	2.4
10	Sumitomo Mitsui Finl	32	2,169.33	2.3
	Total	**937**	**94,494.55**	

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	Morgan Stanley	26	8,381.36	10.0
2	Citigroup	35	8,046.04	9.6
3	Goldman Sachs	23	5,399.77	6.5
4	UBS	25	5,196.14	6.2
5	BAML	9	4,934.50	5.9
6	Credit Suisse	21	3,955.46	4.7
7	Citic	20	3,643.52	4.4
8	Huatai Securities	10	2,254.22	2.7
9	China Securities	14	1,846.07	2.2
10	JP Morgan	13	1,662.73	2.0
	Total	**855**	**83,422.80**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4a2

BeyondSpring raised US$54m from a US listing in March 2017. Shares of the company closed at US$27.60 last Wednesday, up 38% from the IPO price.

The company did not reply to emails from IFR seeking comment on its potential Hong Kong share sale.

Hong Kong introduced new listing rules at the end of April to attract listings from early-stage drug developers. Pre-revenue biotech companies can apply to list as long as they have developed at least one core product beyond the concept stage.

BeyondSpring's lead asset Plinabulin is in a Phase III clinical trial. The drug is being developed to treat chemotherapy-induced infections, stemming from a reduced concentration of white blood cells, a condition called neutropenia.

BeyondSpring co-founder and chairman Lan Huang is a Memorial Sloan Kettering Cancer Center-trained researcher with 10 years of entrepreneurial experience in the US and Chinese biotech sectors. The company will seek dual market approval of its lead product candidate in the US and China.

LINGYUN INDUSTRIAL BOARD BACKS RIGHTS ISSUE

LINGYUN INDUSTRIAL has secured board approval for its proposed rights issue of up to Rmb1.5bn (US$235m). The auto parts manufacturer plans to offer up to 137m shares on a 3-for-10 basis.

Proceeds will be used to repay debts and for working capital. The deal still needs approval from shareholders and regulators.

HUA HONG SALE BRINGS HK$487m

Sino-Alliance International has raised HK$487m (US$62m) from a sell-down of its stake in HUA HONG SEMICONDUCTOR.

The sale of 28m shares, or a stake of about 2.7%, was priced at HK$17.40 a share for a discount of 7.1% to the pre-deal spot, slightly below the midpoint of an indicative range of HK$17.22–$17.60.

There is a 90-day lock-up on Sino-Alliance.

After the sell-down, with *Goldman Sachs* as sole bookrunner, Sino-Alliance still owns 52.5% of Hua Hong.

CHENG DA PLANS SPIN-OFF LISTING

Liaoning Cheng Da has secured board approval to list its subsidiary LIAONING CHENGDA BIOTECHNOLOGY on the main board of the Stock Exchange of Hong Kong.

Chengda Biotech, a producer of bacterial and virus vaccines traded on China's third board, plans to sell no more than 25% of its enlarged company capital in the base deal, according to a company filing. There is also a greenshoe option of 15% of the base deal.

The company may raise around Rmb2bn (US$313.5m), based on its May 11 close of Rmb17.77.

Chengda Biotech posted a 2017 net profit of Rmb555.86m, up 21.6% year-on-year. In the first quarter of this year, the company posted a net profit of Rmb114.47m, up 25.4% from a year earlier.

Liaoning Cheng Da currently holds a 60.5% stake in Chengda Biotech.

The deal still needs approval from shareholders and regulators.

Chengda Biotech, which has a market capitalisation of Rmb6.66bn based on its May 11 close, is looking to take advantage of a new arrangement that makes it easier for companies traded on China's third board to list in Hong Kong.

The April 21 agreement says NEEQ-listed companies can list in Hong Kong, provided they meet the city's listing requirements, without having to delist from the NEEQ.

Chengda Biotech was one of 11 third-board companies that attended the signing ceremony of the agreement in Beijing, according to local media.

INDIA

RAIL VIKAS IPO ON TRACK FOR MID-JUNE

State-owned railway engineering company RAIL VIKAS NIGAM plans to launch a Rs6bn (US$89m) IPO in mid-June, people with knowledge of the transaction have said.

The Indian government will sell a 10% stake in the IPO.

Elara Capital, *IDBI Capital* and *Yes Securities* are the bookrunners.

The company reported revenue of Rs59bn for the financial year to March 31 and a net profit of Rs4.4bn.

INDONESIA

LINK NET BLOCK FETCHES Rp1trn

First Media has raised Rp1trn (US$75m) through the sale of 230.1m LINK NET shares at the bottom of a Rp4,550–Rp5,000 range. The final price represents a 15.7% discount to the pre-deal close of Rp5,400.

A handful of investors participated in the transaction and the top five investors were allocated 85% of the deal. The investors were a combination of existing shareholders and long-only institutions.

First Media sold the 7.8% stake from its 33.8% holding in the internet service provider.

There is a 90-day lock-up on the vendor.

Morgan Stanley was the sole bookrunner.

NEW ZEALAND

FLETCHER BUILDS WAR CHEST

Building materials and construction company FLETCHER BUILDING has completed a NZ$750m (US$519m) fully underwritten entitlement offer.

Fletcher said it raised NZ$229.5m from the retail portion of the 1-for-4.46 entitlement offer. An offer of 47.8m shares was priced at NZ$4.80 each, representing a discount of 27% to the pre-deal spot.

The company earlier completed the institutional portion of the entitlement offer at the same price.

It plans to use the funds raised to repay senior debt.

Fletcher slumped to a half-year loss in the six months to December after booking cost provisions on a number of key construction projects, capping a year of earnings downgrades after labour charges and materials costs on its two biggest commercial building jobs ran out of control.

SINGAPORE

CCT PRICES PLACEMENT AT TOP

CAPITALAND COMMERCIAL TRUST has raised S$218m (US$163m) from the placement of 130m new units at the top of the S$1.631-$1.676 range.

The placement, equal to a 3.5% stake in the trust, came at a 2.6% discount to the pre-deal close of S$1.72.

Books were multiple times covered, with over 80 accounts participating. The investors were a mix of international long-only institutions, real estate investors, private banking clients and hedge funds. The top 10 accounts were allocated 50% of the deal.

The final price translates to a 2018 yield of 5.3%.

The funds will go towards the S$548m acquisition of the Gallileo office tower in Frankfurt's banking district, with the balance to come from new loan facilities.

Citigroup, *DBS* and *JP Morgan* were the bookrunners.

TAIWAN

M17 FILES FOR US IPO

Live-streaming start-up M17 ENTERTAINMENT has filed for a US$115m IPO on the New York Stock Exchange.

Citigroup and *Deutsche Bank* are leading the transaction.

M17 stems from last year's merger of Taiwanese video-streaming platform 17 Media and Singapore-based social networking and dating platform Paktor.

The company is in the process of integrating live streaming into online dating applications. Its integrated platform had 47.9 million registered users as of March 31 2018 and 1.7 million average monthly active users in the three months ended March 31 2018.

M17's loss for the three months ended March 31 2018 was US$26.9m, compared with a loss of US$17.5m on a pro forma consolidated basis for the same period in 2017.

M17 provides live streaming in six markets: Taiwan, Indonesia, Hong Kong, Japan, Malaysia and Thailand.

THAILAND

JASMINE BLOCK UPSIZED

Telecommunications service provider Jasmine International, the sponsor of **JASMINE BROADBAND INTERNET INFRASTRUCTURE FUND**, has raised Bt5.67bn (US$177m) from an upsized block in the fund.

Some 540m shares representing 9.8% of the capital were sold at Bt10.50 per share, as against the 458m originally planned.

The final price, within the Bt10.40–Bt10.80 range, represents a 7.1% discount to the pre-deal close of Bt11.30. The price translates into a yield of 9%.

The top 10 investors were allocated 75% of the deal. The investors were a mix of local investors, regional and international long only institutions.

There is a 90-day lock-up on the vendor.

The sponsor will use the funds raised to fund working capital needs and pay down indebtedness and liabilities.

Morgan Stanley was the sole international bookrunner.

DTIF PRICES Bt53.2bn SHARE SALE

DIGITAL TELECOMMUNICATIONS INFRASTRUCTURE FUND has priced a preferential share offer to existing investors and a public offer to retail and institutional investors at the top of a Bt13.60–Bt13.90 per unit range, according to a person with knowledge of the transaction.

The price for the Bt53.2bn (US$1.7bn) sale is equivalent to a 2.1% discount to the pre-deal close of Bt14.20 and a 2019 yield of 7.48%.

The combined offer was 1.2 times subscribed. The Bt38.6bn preferential offer was undersubscribed to the extent of Bt100m and the Bt14.6bn placement tranche was covered 1.7 times. The shortfall in the preferential offer will be allocated to the placement tranche. Up to 2.78bn preferential units were being sold on a 1-for-2.0911 basis.

In the preferential offer, about half of the foreign investors did not take up their rights while domestic institutions put in excess applications. In the public offer, the institutional tranche was subscribed 4.4 times with 70% domestic demand, while the retail tranche was 1.8 times subscribed.

The preferential offer closed on May 8 and the public offer on May 11.

Siam Commercial Bank was the sole global coordinator and joint domestic bookrunner with *Bangkok Bank* and *Krung Thai Bank*. *Credit Suisse* was sole international bookrunner.

EUROPE/MIDDLE EAST/AFRICA

DENMARK

SPEEDY COVERAGE FOR DFDS RAISING

There was no wall-cross ahead of last Monday night's DKr1bn (US$160m) capital increase for shipping and transport group **DFDS**, although investors had been primed for an equity raising at the time of acquiring UN Ro-Ro, a Turkish ferry operator in the Mediterranean, for an enterprise value of €950m.

Despite that, books were covered within 15 minutes of launching the trade and the deal ultimately finished at high single-digit coverage.

Proceeds from the capital raising will go towards planned fleet renewal in DFDS and UN Ro-Ro, as well as for potential investments during the next 12 to 18 months.

Books opened with reference to the DKr383.40 market close and targeting DKr1bn. Pricing came at DKr380, a tight 0.88% discount; the placing of 2.63m shares represented 4.9% of share capital.

As announced at launch, Lauritzen Foundation, which has a 42% shareholding, irrevocably undertook to subscribe for DKr400m in the equity raising.

Including that allocation, the top 10 orders account for more than 65% of a book of around 85 lines and the top 20 orders took 80%. Geographically, the UK represented the greatest demand at 45% of the book, with 40% from Denmark, skewed on allocations to 66% for Denmark and 23% for the UK with the balance across Europe.

The shares opened at DKr387 and finished at DKr389 on Tuesday.

Nordea and *SEB* were joint bookrunners.

FRANCE

DELACHAUX BEGINS PRE-MARKETING

Rail equipment maker **DELACHAUX GROUP** launched pre-marketing on Friday for a Euronext Paris IPO in which it will raise fixed primary proceeds of €100m.

The cash will reduce leverage to 2.75 times net debt/Ebitda as at the end of 2018, as well as supporting growth.

There will be secondary selling from CVC Capital Partners, which has a 49.89% pre-money stake, alongside some former and current members of management. The Delachaux family has a 49.86% pre-IPO stake and is not selling.

A two-plus-two schedule would put the launch of bookbuilding around June 4 and pricing around June 15.

Delachaux operates in more than 35 countries and has more than 3,000 employees. Revenues in 2017 were €841m, with adjusted Ebit of €112m.

BNP Paribas, *Citigroup* and *Deutsche Bank* are joint global coordinators and joint bookrunners with *Credit Agricole CIB*, *HSBC* and *Societe Generale*.

GERMANY

GERMANY SELLS 16.5% OF DEUTSCHE PFANDBRIEFBANK

There was a two-day wall-cross for state-owned Hypo Real Estate's 16.5% selldown in **DEUTSCHE PFANDBRIEFBANK** last Tuesday night, with the government keen to ensure the deal got across the line smoothly.

Morgan Stanley was selected to run the wall-cross, with anonymised investor feedback shared with banks ahead of an auction run by *PwC* that resulted in joint bookrunner slots for Morgan Stanley, *Citigroup* and *Credit Suisse*. In addition to the feedback, the wall-cross also provided indications of interest covering the shares offered at launch.

That was helped somewhat by a German institutional investor new to the company committing to buying into the trade for a 4.5% stake, leaving leads to find buyers for the remaining 12%. The institutional buyer is expected to declare its position.

Official coverage arrived less than 20 minutes after launching an offering of 22m shares with guidance of €12.90-€13 versus a €13.50 close. Representing approximately 20 days' trading, the sale priced at €12.95 for a €285m total and a 4% discount.

Including the anchor position, the top 10 accounts took around 75% of a book that was highly skewed towards existing shareholders and wall-crossed investors. A banker involved said that pricing was focused around a handful of large tickets at the top of the book not being prepared to go above €12.95.

The state, with PwC advising, was said to have been very involved in the allocation process, which is not atypical when governments are involved. Auctions are the standard procedure for selling governments as they give clear cover for achieving best price. The addition of pre-sounding is unusual but was deemed important as the sale had not been expected by investors and so it improved the chances of the sale being a success.

Deutsche Pfandbriefbank stock opened at €13.09 per share and remained above €13 for much of the day, breaking issue late in the afternoon and closing at €12.77. Shares were at €13.06 late on Friday afternoon.

Hypo retains a 3.5% stake and is locked up until November 24.

PHENOMEN VENTURES SAYS GOODBYE TO HELLOFRESH

Weeks after Rocket Internet allowed a group of pre-IPO investors to cash out of **HELLOFRESH**, another pre-IPO shareholder exited the food delivery group last Wednesday night in a €130m clean-up trade.

Moscow-based Phenomen Ventures put US$7.5m into a US$20m series C funding round for HelloFresh in September 2013 and is reported to have been involved in other funding rounds.

The investor cleared its 7.31% stake on Wednesday following a small wall-cross during the day, launching an offering of 11.77m shares after the market close with reference to the €12.10 finish.

Sole bookrunner *Berenberg* was one of the five leads on last year's €277m IPO and the recent €150m Rocket selldown, providing the bank with a decent view of where interest in the shares lay. A banker involved said that there was good momentum from the off and the deal was covered inside half an hour. Phenomen was locked up from the IPO until May 1.

Pricing came at €11, a wide 9% discount to the close. The offering represented a chunky 140 days' trading.

A multiple times covered book of more than 50 lines included one sizeable anchor that will probably have to declare its stake. The deal was skewed to existing investors.

Opening nearly 3% down, the stock had pushed above €12 in the early afternoon and closed at €11.94.

HOME24 TARGETS UP TO €200m IPO

Online furniture retailer **HOME24** has begun pre-marketing an all-primary Frankfurt IPO targeting €150m-€200m. Proceeds will be used to fund the roll-out of its go-to-market strategy in all its current geographies, investments in property, equipment and technology, and to repay outstanding liabilities.

Founded in Berlin in 2009, Home24 operates in Germany, Austria, Belgium, France, Italy, the Netherlands, Switzerland and Brazil. The company had full-year 2017 revenues of €276m and had a CAGR of 129% between 2010 and 2015. In the three months ended March 31 2018, revenues were €85m, a growth rate of 30% over Q1 2017.

Rocket Internet has a 41% pre-money stake in Home24, with Kinnevik holding 17%.

A two-plus-two schedule would put the launch of bookbuilding around June 4 and pricing around June 15.

Berenberg, *Citigroup* and *Goldman Sachs* are joint bookrunners.

ICELAND

KAUPTHING RETURNS WITH ARION BANKI DUAL LISTING

Having risen out of the ashes of the crisis, **ARION BANKI**, the domestic arm of Iceland's failed Kaupthing Bank, has launched pre-marketing for an Iceland IPO and secondary Nasdaq Stockholm listing. Now cleaned up and overcapitalised as a full service relationship bank, its owners are targeting an all-secondary float in the region of US$350m and a free-float of at least 25%.

The main sellers are Kaupskil, the holding company of Kaupthing, and Attestor Kapital, which have pre-money stakes of 55.7% and 12.44% respectively. Non-selling shareholders include Taconic Capital with 9.99%, Och-Ziff with 6.58%, Goldman Sachs with 3.37%, Arion Bank with 9.5% and Icelandic investors with an aggregate 2.55%.

As of the end of 2018, Arion Banki had an estimated book value of US$2bn and is expected to be valued at a price to book of 0.7-0.8, suggesting a deal size of around US$350m at the 25% minimum free-float.

A banker working on the trade said that the bank has a dedicated following and the deal is launching with a handful of expected anchor orders. "Iceland has a growing GDP and the bank continues to improve its cost efficiency, but it is also extremely overcapitalised so there will be a lot of cash to return through dividends as well as potential for growth," said the banker.

He added that while the main listing is in Reykjavik, the lack of any IPO action in the country means that the bulk of international investors are expected to buy stock in the Swedish line.

A two-plus-two schedule would put the launch of bookbuilding around May 31 and pricing around June 14.

Arion Bank, *Carnegie*, *Citigroup* and *Morgan Stanley* are joint global coordinators and joint bookrunners with *Deutsche Bank* and *Goldman Sachs*. *Fossar*, *Islandsbanki*, *Landsbankinn* and *Svenska Handelsbanken* are co-lead managers.

IRELAND

MEIRAGTX FILES FOR NASDAQ IPO

MEIRAGTX, a gene therapy offshoot from Kadmon Holdings, is seeking to put the past behind it with a roughly US$85m IPO publicly filed on May 14.

Bank of America Merrill Lynch, *Barclays* and *Evercore* are mandated as joint books.

MeiraGTx has a colourful history.

After being spun off from Kadmon in April 2015, the company merged with collaborative partner Athena Vision in 2016.

MeiraGTx has been working to cut ties with Kadmon co-founder Dr. Samuel Waksal.

Waksal is barred by the SEC from having an elevated role in any publicly traded company after an insider trading scandal that sent him and Martha Stewart to jail.

The biotech entrepreneur was paid US$2.45m in consulting fees by MeiraGTx over the past three years. MeiraGTx agreed to pay Waksal another US$400,000 for fiscal 2018, according to an earlier draft IPO filing.

The consulting agreement was terminated effective May 14 and Waksal's compensation for 2018 was slashed to US$197,260, according to the most recent IPO filing.

Waksal still owns a 2.9% equity stake in the company.

Kadmon, which Waksal co-founded in 2010, is the largest shareholder with a 17.7% stake, followed by New York hedge fund Perceptive Investors with a 16.1%.

Perceptive anchored a US$106m Series C preferred offering last September with a US$27.5m investment. In connection, Perceptive also received warrants with a US$2.70 exercise price to purchase 2.7m shares.

The warrants will expire when MeiraGTx prices a qualified IPO, or other change of control event such as an asset sale, share sale, a winding-up of the company or the third anniversary of the issue date.

Existing shareholders have not indicated any interest in reinvesting on the IPO.

MeiraGTx had US$32.3m of cash as of March 31 and has an increasing need for cash as it brings new gene therapy treatments to clinical trials.

It currently has four drugs that are undergoing Phase I/II trials and another study that is expected to enter Phase I next year.

ITALY

ROMA BOARD SETS TERMS FOR CAPITAL INCREASE

The board of directors of football club AS ROMA have approved final terms on a €115m capital increase. The offering comprises 265m new shares on a two-for-three basis at €0.433, a 12.7% discount to TERP, based on the €0.538 close on Tuesday.

Shareholder NEEP Roma Holding, with 79% of share capital, is expected to subscribe pro rata.

Subscription runs from May 21 to June 7, with rights trading finishing on June 1.

Roma shares closed at €0.505 on Thursday.

ASTALDI TO PRESS AHEAD WITH €300m RAISING

The board of directors at construction company ASTALDI has approved plans for a €300m capital increase as part of a €2bn capital strengthening plan which includes asset sales and debt refinancing.

Japan's IHI Corporation, with which Astaldi is working on Turkey's Osman Gazi bridge, will acquire 18% of Astaldi's share capital and 13% of voting rights following the rights issue.

JP Morgan is providing a volume underwrite as sole global coordinator but others are expected to join the underwriting syndicate later.

An EGM is due at the end of June and the capital increase is expected to complete in the third quarter.

EMEA EQUITIES

BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	27	6,470.31	10.2
2	JP Morgan	24	5,738.24	9.0
3	UBS	13	3,725.56	5.9
4	Citigroup	22	3,537.54	5.6
5	Deutsche Bank	20	3,120.02	4.9
6	Morgan Stanley	26	3,046.33	4.8
7	BAML	13	2,986.87	4.7
8	Credit Suisse	15	2,536.86	4.0
9	Barclays	15	2,225.76	3.5
10	Berenberg Bank	20	2,102.25	3.3
	Total	355	63,663.95	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C4cr

SPAIN

AENASELLDOWN FALLS SHORT

There was no covered message for last Tuesday night's €696.5m selldown in airports operator AENA, with indications that coverage was in excess of 85% and a banker involved adding that the shares were "really pretty close" to being fully distributed. The banker said that the trade had not been helped by its size or being unexpected.

The seller was The Children's Investment Fund and its charitable foundation Talos Capital, which was rebalancing its portfolio.

Prior to launch, TCI and Talos owned a combined 16.4m shares or 10.96% of Aena. The offering comprised 4m shares with guidance of €174.12 to the €179.50 market close and represented approximately five days' trading. There was no wall-cross in advance of launch but the deal was mandated on an agency basis.

Pricing at €174.12 represented a 2.99% discount. TCI and Talos are left with an aggregate 8.29% stake subject to a 90-day lock-up. TCI said that it intends to remain a long-term shareholder and retains a board seat.

There was a large anchor in the book and the top 10 accounts including the anchor took approximately 80% of the shares sold.

Citigroup and *UBS* were joint bookrunners.

MANAGEMENT INCENTIVE SALE IN MASMOVIL

Books opened later than is typical last Wednesday night for an offering of 497,500 shares in telecoms operator MASMOVIL IBERCOM by Anbank Espana on behalf of 30 managers of Masmovil, as part of a management incentive plan.

The launch was slightly delayed waiting for paperwork to be processed, with books opening at around 5:40pm in London with reference to the €119.80 market close. A covered message followed around 50 minutes later and investors were guided at 7:30pm to a range of €115-€116. Books closed 45 minutes later with pricing at €115, a 4% discount. The deal size was €52.2m.

The top 10 accounts took more than 75% of a multiple times covered book. The shares represented 2.4% of share capital and approximately eight days' trading.

The stock opened on Thursday at €118.90 and dropped 3.7% for a close of €115.40.

Barclays was sole bookrunner.

SWEDEN

PAYPAL BUYS IZETTLE MID-IPO

Financial technology business IZETTLE will not be pressing ahead with its Nasdaq Stockholm IPO as PayPal announced a US$2.2bn takeover on Friday.

Pre-marketing had been due to finish on Friday for an IPO that involved SKr2bn (US$227m) of primary alongside unspecified secondary selling.

Carnegie and *JP Morgan* were joint global coordinators and joint bookrunners with *Barclays*. *ABG Sundal Collier* and *Nordea* were joint lead managers, with *KeyBanc Capital Markets* as co-lead manager.

CIRCUIT BOARDS MAKER NCAB BEGINS PRE-MARKETING

Printed circuit boards maker NCAB GROUP has begun pre-marketing a Nasdaq Stockholm IPO expected to total in the region of US$75m-$100m, or around SKr645m-SKr900m.

The float comprises a small primary offering of SKr100m (US$12m) with secondary selling yet to be decided. Selling comes from NCAB CEO Hans Stahl, chairman Christian Salamon, and Swedish investment firm R12 Kapital.

R12 said in a statement that it intends to remain an active major shareholder for the foreseeable future.

Primary proceeds will be used to strengthen the balance sheet and implement the company's growth strategy, including selective acquisitions.

NCAB is present in 15 countries and serves customers in 45, with revenues growing to SKr1.4bn from SKr374m between 2008 and 2017, a compound annual growth rate of 16%.

Bookbuilding is expected to begin around May 24, with a trading debut around June 5.

Carnegie is sole bookrunner.

SWITZERLAND

POLYPHOR PRICES WELL BUT TRADES BADLY

Biopharma company POLYPHOR disappointed on debut last Tuesday, particularly after achieving early coverage, pricing in the top half of guidance, and twice being upsized.

Priced at SFr38 per share in a SFr155m (US$155m) IPO, the stock was up more than 5% on debut, but was under water in the early afternoon and had dipped to a low of SFr37.155 in the run-up to the market close. In the remaining minutes the stock shot up to SFr38.195, suggesting stabilisation was required.

It did not work for long, with the shares opening at SFr38.005 on Wednesday and finishing up at SFr37.315, and falling further to SFr35.40 on Thursday.

Pricing of SFr38 made for a SFr410m market cap with a free-float of 37.8%. There is also a 263,100-share greenshoe.

The company, however, received in excess of the proceeds originally required to progress its pipeline. The previous Friday it had said that the additional SFr15m from the second upsizing would ensure full funding of Polyphor's preclinical OMPTA programme up to clinical proof of concept, as well as for general corporate purposes.

UBS and *Deutsche Bank* were joint bookrunners, with *Cantor Fitzgerald Europe* and *Zurcher Kantonalbank* as co-lead managers. *Octavian* was selling agent.

TURKEY

SOK GETS ITS MONEY BUT TRADES DOWN

Discount grocer **SOK MARKETLER** got its Istanbul IPO across the line last Monday, but still required extra cash from owner Yildiz Holding to meet the TL2.6bn (US$603m) target identified at the beginning of pre-marketing.

SOK priced its IPO at TL10.50 per share after the range was cut to TL10-TL10.50 from an original TL12-TL14.40, as messaging suggested last Friday, for a deal size of TL2.294bn.

Yildiz Holding, which purchased SOK in August 2011, made up the balance, purchasing 33.42m shares at the IPO price.

Yildiz had already come to SOK's rescue during bookbuilding, with messaging the previous week that it would be injecting US$100m into the float through Gozde Girisim, in which it has a stake.

Pricing at TL10.50 represents a market capitalisation of TL6.425bn and an estimated EV/Ebitda for 2019 of 8.2, which compares with key peer BIM trading at 12.12.

Primary proceeds will repay substantially all of SOK's current indebtedness, including bank borrowings and related party non-trade payables, with any remainder to be used for general corporate purposes.

The deal employs a TL200m brownshoe. In the event it is fully exercised the free-float will decrease from 35.7% to 32.6%.

Practically every IPO book is highly concentrated now regardless of IPO environment, company sector or geography, but especially on a restructured trade. The top five accounts took approximately 60% of the deal.

Domestic demand was limited, as had been indicated from messaging the previous Wednesday that the international tranche was covered based on the minimum international tranche size of 68% of the total deal size. That was three days into a restructured five-day bookbuild, during which there was never any messaging around domestic interest.

International accounts represented 85% of allocations, with the remainder equally split between domestic institutions and local retail.

There were disclosures regarding material positions post-IPO for Genesis Investment EBRD (15.6%), Neuberger Berman (9.15%), GIC (6.18%), Schroeders (5.49%) and BlackRock (5.3%).

A banker involved said simply that SOK was "going to trade well" when the stock debuted on Friday.

It did not.

The shares debuted on Friday below pricing at TL10.47 and swiftly fell to a band of TL10.20 and TL10.25 before midday. At that point, approximately 9.5m shares had changed hands, representing less than 5% of the IPO offering. The stock ended at TL10.00 on volume of 12.26m shares.

Bank of America Merrill Lynch, *Credit Suisse*, *JP Morgan* and *Unlu Menkul Degerler* were joint global coordinators, with *Citigroup* and *UniCredit* as global bookrunners. *Garanti Yatirim* was domestic bookrunner.

UK

UK MONEY DOMINATES TEAM17 FLOAT

Games maker **TEAM17 GROUP** priced its AIM IPO at 165p on Thursday for a market capitalisation on admission of £217m. Primary proceeds were fixed at £45m for repayment of loans, with the deal pricing in the middle of a 150p-180p range. Guidance had been tightened to 155p-165p on the penultimate day of bookbuilding, having achieved coverage on the fourth day of roadshows.

Secondary selling totalled £62.45m. The free-float is 49.6%.

Allocations were skewed towards Tier 1 long-only accounts in a multiple-times covered book that required significant scaling back, with around a third of orders zeroed. The top 10 orders represented approximately 60% of the deal. UK money dominated with support from Western Europe.

Trading begins on Wednesday, May 23.

Berenberg was sole bookrunner.

CARPETRIGHT SETS PRICING FOR £65m CASH CALL

Floorings chain **CARPETRIGHT** has set terms for its £65m placing and open offer, with proceeds to repay loans and fund the company's turnaround plan.

The offering comprises 232.46m shares at 28p, a 15.8% discount to the 33.25p close on May 17.

The shares have been conditionally placed and are subject to clawback from a 88-for-27 open offer that closes on June 5, with a result on June 6.

Deutsche Bank and *Peel Hunt* are joint bookrunners.

ITE GROUP TO FUND ASCENTIAL EVENTS BUY

Exhibitions and conferences business **ITE GROUP** is raising at least £265m through a capital increase with proceeds to part-fund the purchase of Ascential Events from Ascential for an enterprise value of £300m.

The acquired unit operates the Bett and CWIEME exhibitions, which generated revenues of £77.5m and Ebitda of £24m in the financial year ended December 31. In full-year 2017, ITE Group generated total revenues of £152.6m and headline profit before tax of £31.6m.

ITE will raise up to £315m through a rights issue, but the capital increase is expected to total £265m, with the £50m balance coming from amending existing debt facilities. The enlarged group will have anticipated leverage of 1.5-2.0 times Ebitda.

The rights issue is fully underwritten by *Investec*, with *Numis* as joint bookrunner and expected to join the underwriting.

Shareholders will get the chance to nod through the acquisition and fundraising at a June EGM, with expectation that the completion will occur in July.

LOOPUP GETS £50m FOR MEETINGZONE BUY

LOOPUP GROUP, an AIM-listed online conferencing business, has raised £50m through a placing of 12.5m shares at 400p.

Proceeds will be used to part-finance the acquisition of MeetingZone Group from GMT Communications Partners for £61.4m. There is also a £17m term loan from Bank of Ireland.

The shares represented approximately 30% of existing share capital. *Numis* and *Panmure Gordon* were joint bookrunners on the underwritten placing, which along with the MeetingZone acquisition is subject to shareholder approval at an EGM on June 1.

LoopUp shares closed at 471.5p on Wednesday.

GREENCOAT CLOSES CLYDE FUNDING EARLY

Renewable infrastructure fund **GREENCOAT UK WIND** opted to close a fundraising to increase its stake in Clyde wind farms early last week, on heavy demand.

A placing comprising 101.57m new shares wrapped up on Wednesday instead of Friday as planned. The placing raised £118.8m and came with fixed pricing of 117p.

As a result, Greencoat's stake in the Clyde wind farms increases to 28.2%. GLIL Infrastructure has increased its stake in the farms to 21.7% at the same time.

RBC was sole bookrunner, with *Kepler Partners* as placing agent.

PERMIRA FOLLOWS CINVEN OUT OF JUST GROUP

Four months after Cinven exited, Permira closed the door on its investment in annuity provider **JUST GROUP** on Thursday night.

The private equity house sold its remaining 17.7% stake in a £237.5m trade that priced at the top of launch guidance of 135p-143p. As a clean-up trade, there was no wall-cross in advance, but the stock has been placed in several accelerated bookbuilds since Just Group was formed out of Just Retirement and Partnership Assurance.

Pricing was a 4.9% discount to the 150.4p close.

The offering represented approximately 55 days' trading and was covered after around 45 minutes.

The top 15 orders took more than two thirds of a multiple-times covered book of more than 90 lines.

A banker involved said orders came from a diverse group of long-only accounts. "This is a stock that has gradually built an investor base over the course of a number of selldowns; it was quite narrow to start with, and there was plenty of interest here as this is very much the last liquidity opportunity in this name," he said.

Just Group shares opened on Friday at 150p.

Barclays and *Numis* were joint bookrunners.

AMERICAS

UNITED STATES

US ECM HEADS INTO HOLIDAY-SHORTENED WEEK

The upcoming Memorial Day long weekend will compress ECM activity into the first three days of the coming week, but bankers are still expecting solid activity levels.

The coming week brings five IPOs, a step-up from only one deal (Pluralsight's US$310.5m IPO) in the past week.

As has been the case all year, tech and biotech dominate the deal mix.

Early indications suggest fintechs **GREENSKY** and **EVO PAYMENTS** are drawing strong interest, while the three biotechs - **KINIKSA PHARMACEUTICALS**, **ITERUM THERAPEUTICS** and **SCHOLAR ROCK** - will provide another big test for the still-prolific healthcare sector

Bankers said they expected several block trades as well in the early part of the week, though ECM activity will shut down late Thursday and on Friday ahead of the long weekend.

Though IQVIA's US$1.02bn block snafu last week threatened to derail the post-earnings pick-up in the block business, the company cancelled the deal late Thursday in an extraordinary move.

The past week also saw several unregistered blocks, most notably TPG Capital's sell-down of 24.9m shares in casino operator Caesars Entertainment at US$13.06, a slim discount to the stock's US$13.15 close.

Last week saw US ECM raise a total of US$5.3bn from follow-ons, CBs and the sole IPO, though CBs dominated, accounting for more than half (US$2.9bn) of the sums raised.

ITERUM IPO ON THE AGENDA

ITERUM PHARMACEUTICALS is looking to an IPO of up to US$85m to fund Phase III trials of an antibiotic drug and through potential FDA approval by the end of 2019.

Leerink Partners and *RBC Capital Markets* kicked off marketing on Wednesday morning of 5.3m shares at US$14-$16 for pricing on May 24, a slightly compressed schedule that gets in just before the US Memorial Day long weekend.

Insiders have indicated for up to US$35m - roughly 40% of the offering.

Iterum, which is headquartered in Dublin, Ireland and has offices in Chicago and Old Saybrook, Conn., has raised US$120m privately since it was founded in 2015.

Canaan Partners and Sofinova are the top shareholders with 15.7% pre-IPO stakes, followed by Frazier Healthcare (13.9%) and New Leaf Ventures (10.2%).

Iterum purchased the antibiotic drug from Pfizer for US$5m in cash and US$6m of stock. Pfizer is also entitled to milestone payments on clinical trials, as well as royalties on future sales.

Iterum is planning three Phase III trials of the antibiotic drug, sulopenem, as a treatment for urinary tract infections and intra-abdominal infections.

With US$60m of cash in the till as of March 31, the company expects the IPO will keep it afloat through the end of 2019. The aim, if all goes according to plan, is to file a new drug application with the FDA towards the end of next year.

BAKER-BACKED KINIKSA LAUNCHES IPO

The investment strategy of life sciences specialist Baker Brothers is well known in biotech circles - invest early, re-up at each funding round, cash out at a profit, and reinvest.

KINIKSA PHARMACEUTICALS, a company it formed in July 2015, offers the latest example of the Baker Brothers redeploying funds from a successful exit into a new venture and taking it public.

The company was formed shortly after Alexion Pharmaceuticals bought Baker Brothers-backed Synageva BioPharma for US$8.5bn in early 2015.

Kiniksa, led by former Synageva executives, is now on the hunt for roughly US$130m of new funding via an IPO. The proceeds will fund an upcoming Phase III trial of one of its rare-disease treatments.

Goldman Sachs and *JP Morgan* are marketing 7m shares at US$17-$19 each for pricing on May 23.

The deal is backed with an insider commitment for up to US$50m of the shares or more than one third of the deal.

Kiniksa has raised US$310.6m privately through three previous rounds since its formation.

Baker Brothers preserved its 77.6% controlling stake by taking US$64m of Kiniksa's most recent US$200m crossover round in February.

Crossover investors Fidelity, Venrock and Deerfield invested alongside Baker Brothers and other existing holders at US$15.64 a share.

The company had US$221.1m of cash at March 31, enough to fund operations through at least the next 12 months.

Kiniksa is conducting a Phase II trial of its drug rilonacept in patients with recurrent pericarditis, a debilitating inflammatory cardiovascular disease.

US EQUITIES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	64	12,359.13	15.5
2	JP Morgan	67	8,746.72	11.0
3	Barclays	36	7,535.30	9.4
4	Goldman Sachs	53	7,365.89	9.2
5	Citigroup	51	7,297.84	9.2
6	BAML	48	5,721.24	7.2
7	Credit Suisse	35	4,189.08	5.3
8	Deutsche Bank	26	3,774.96	4.7
9	Wells Fargo	25	3,077.31	3.9
10	RBC	25	2,764.83	3.5
	Total	**291**	**79,749.89**	

Including all domestic and international deals and rights issues

Source: Thomson Reuters SDC code: C3r

The company expects to report preliminary data later this year and initiate Phase III if the data is positive.

Kiniksa licensed rilonacept from Regeneron Pharmaceuticals, which markets the drug as an FDA approved treatment for a rare autoinflammatory disorder under the brand name Arcalyst.

SCHOLAR ROCKS IPO MARKET

SCHOLAR ROCK, a preclinical developer of a new class of monoclonal antibody (MAB) drugs, hopes to begin clinical trials this month.

As part of that effort, Scholar Rock is seeking up to US$85m from its IPO.

Jefferies, *Cowen* and *BMO Capital Markets* are marketing 5.36m shares at US$13-$15 each for pricing this coming Wednesday, May 23.

While there is no indication of upfront insider participation on the prospectus cover, recent investors are likely to invest more money at the IPO.

Mutual fund Fidelity anchored a US$40m Series B round last May with a US$16m investment and took down US$10m of the US$47m Series C round that priced in December. It now has a 14.9% stake in Scholar Rock.

Luxembourg private equity firm Artal International anchored the Series C round with a US$20m investment and now has a 10.2% stake in Scholar Rock, a new position for the firm.

The IPO targets a 1.3-times to 1.5-times step-up from the US$10.28 equivalent price set on the December crossover.

Scholar Rock was co-founded by biotech entrepreneur Dr. Timothy Springer, who is the company's top shareholder with an 18.2% stake.

In 2011, Springer outlined the role certain proteins called TGF-B play in growth-related diseases. He formed Scholar Rock to develop MAB drugs to block signals from these proteins that inhibit healthy muscle growth.

The first drug called SRK-015 will soon begin Phase I trials for spinal muscular atrophy (SMA), the number-one genetic cause of death for infants.

Scholar Rock had US$47m of cash as of March 31. It expects the net proceeds from the IPO to provide sufficient funding through to the second half of 2020.

GIRSKY SPEAKS SPAC

Stephen Girsky, a one-time Wall Street analyst credited with turning around General Motors, is seeking to reenter the auto industry via US$200m raised from a special purpose acquisition company.

VECTOIQ ACQUISITION secured the financing Tuesday on the pricing of 20m units at US$10 each, with each unit consisting of one common share and three-quarters of a warrant exercisable at US$11.50 per full warrant.

Cowen and SPAC specialist *Chardan* were joint bookrunners on the offering.

Cowen invested in the so-called founder round in February, acquiring 1.45m shares for roughly US$5,800. VectoIQ, the auto consultancy/investment firm Girsky founded, purchased the remaining 4.3m founder shares

ECM DEALS: WEEK ENDING 18/5/2018

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Aircastle	Bermuda	16/05/18	US$169.6m	US$21.50	Accelerated Follow-on (Secondary)	Goldman Sachs, Citigroup
CannTrust	Canada	16/05/18	C$75.2m	C$9.00	Accelerated Follow-on (Primary)	Canaccord Genuity, GMP Securities
Hua Hong Semiconductor	China	17/05/18	HK$487m	HK$17.40	Follow-on (Secondary)	Goldman Sachs
DFDS	Denmark	14/05/18	DKr1bn	DKr380	Accelerated Follow-on (Primary)	Nordea, SEB
Deutsche Pfandbriefbank	Germany	15/05/18	€285m	€12.95	Accelerated Follow-on (Secondary)	Citigroup, Credit Suisse, Morgan Stanley
HelloFresh	Germany	16/05/18	€130m	€11	Accelerated Follow-on (Secondary)	Berenberg
IndoStar Capital	India	11/05/18	Rs18.4bn	Rs572	IPO (Primary/Secondary)	JM, Kotak, Morgan Stanley, Motilal, Nomura
Link Net	Indonesia	11/05/18	Rp1trn	Rp4,550	Follow-on (Secondary)	Morgan Stanley
Fletcher Building	New Zealand	16/05/18	NZ$229.5m	NZ$4.80	Follow-on (Primary)	Macquarie
CapitaLand Commercial Trust	Singapore	17/05/18	S$218m	S$1.676	Follow-on (Primary)	Citigroup, DBS, JP Morgan
Aena	Spain	15/05/18	€696.5m	€174.12	Accelerated Follow-on (Secondary)	Citigroup, UBS
Masmovil Ibercom	Spain	16/05/18	€52.5m	€115	Accelerated Follow-on (Secondary)	Barclays
Polyphor	Switzerland	14/05/18	SFr155m	SFr38	IPO (Primary)	Deutsche Bank, UBS
Digital Telecommunications Fund	Thailand	11/05/18	Bt53.2bn	Bt13.90	Follow-on (Primary)	Siam Commercial Bank, Credit Suisse, Bangkok Bank, Krung Thai Bank
Jasmine Broadband Fund	Thailand	15/05/18	Bt5.67bn	Bt10.50	Follow-on (Secondary)	Morgan Stanley
SOK Marketler	Turkey	14/05/18	TL2.294bn	TL10.50	IPO (Primary)	BAML, Credit Suisse, JP Morgan, Unlu Menkul Degerler, Citigroup, UniCredit, Garanti Yatirim
Greencoat UK Wind	United Kingdom	16/05/18	£118.8m	117p	Placing	RBC
Just Group	United Kingdom	17/05/18	£237.5m	143p	Accelerated Follow-on (Secondary)	Barclays, Numis
LoopUp Group	United Kingdom	16/05/18	£50m	400p	Placing	Numis, Panmure Gordon
Team17 Group	United Kingdom	17/05/18	£107.45m	165p	IPO (Primary, Secondary)	Berenberg
Atkore Enterprises	US	16/05/18	US$146.1m	US$20.20	Accelerated Follow-on (Secondary)	Credit Suisse
Axon Enterprise	US	16/05/18	US$227.9m	US$53.00	Follow-on (Primary, Secondary)	JP Morgan, Morgan Stanley
Boot Barn	US	17/05/18	US$172.8m	US$24.00	Accelerated Follow-on (Secondary)	JP Morgan, Jefferies
Calyxt	US	17/05/18	US$54.0m	US$15.00	Follow-on (Primary)	Citigroup, Goldman Sachs, Jefferies
Curo Group	US	16/05/18	US$115.0m	US$23.00	Follow-on (Secondary)	Credit Suisse, Jefferies, Stephens
Matador Resources	US	14/05/18	US$229.3m	US$32.75	Accelerated Follow-on (Primary)	RBC Capital Markets
Myers Industries	US	17/05/18	US$69.4m	US$18.50	Follow-on (Primary)	JP Morgan, RW Baird
Party City	US	15/05/18	US$181.8m	US$15.15	Accelerated Follow-on (Secondary)	Morgan Stanley
PluralSight	US	16/05/18	US$310.5m	US$15.00	IPO (Primary)	Morgan Stanley, JP Morgan, Barclays, BAML
Primo Water	US	17/05/18	US$64.4m	US$14.00	Follow-on (Primary)	Wm Blair, BMO Capital Markets
Rapid7	US	14/05/18	US$90.8m	US$30.25	Accelerated Follow-on (Secondary)	Barclays
Trinity Merger	US	14/05/18	US$300.0m	US$10.00	IPO (Primary)	BFBR
VectorIQ	US	15/05/18	US$200.0m	US$10.00	IPO (Primary)	Cowen, Chardan

GreenSky brings US$750m-plus fintech IPO

US Platform reaches for lending opportunities in home improvement, healthcare

The US tech IPO market may be entering a new phase as several fintech deals prepare to be priced in the coming week.

Though most tech IPOs this year have come from the ever-reliable software sector, last Monday's launch of the US$750m-plus Nasdaq IPO of David Zalik's point-of-sale consumer finance platform **GREENSKY** means there are now two US fintech new issues on the road.

The other is global merchant acquirer and payment processor **EVO PAYMENTS**, which is pricing its up to US$224m IPO on Tuesday or a day before GreenSky. Both companies are looking to get public before the Memorial Day long weekend.

GreenSky's size, market opportunity and status as one of the biggest fintech "unicorns" means it is likely to grab the most attention.

Goldman Sachs, *JP Morgan* and *Morgan Stanley* are leading an 11-firm underwriting syndicate looking to sell 34.1m GreenSky shares at US$21-$23 each, raising up to US$784.1m and valuing the company at up to US$4.3bn.

"There's a lot of name familiarity with their products and services and now the investment world is going to get a chance to find out more about it," one syndicate banker said.

GreenSky's platform is used by 12,000 merchants so that their customers can quickly access loans to finance purchases at the point of sale.

The platform has proved particularly effective for home improvement, healthcare and (historically at least) solar purchases.

Some 1.7m consumers have used the platform since its inception in 2006, but GreenSky is hoping to convince investors it has just scratched the surface when it comes to point-of-sale lending.

The US home improvement market is worth US$315bn, whereas GreenSky has financed only US$12bn of transactions since its inception.

Another attraction is the entrepreneur smarts of founder Zalik, a former maths prodigy who attended college and founded his first company, a PC assembler and refurbisher, at the age of 14.

BANKS

Nearly 90% of GreenSky's commitments to extend loans in the past year have come from four bank partners, SunTrust Bank, Regions Bank, Fifth Third Bank and Synovus.

GreenSky services the loans on behalf of these banks but does not bear any credit risk.

More than 80% of revenues come from clip-the-ticket-type transaction fees paid by merchants. Home Depot represented 6% of GreenSky's revenue last year, making it the platform's biggest single merchant.

"It's a nice niche business in terms of the partnership with Home Depot," another syndicate banker said.

Based on the US$21-$23 IPO marketing range, GreenSky is coming at a "high teens" multiple of 2019 Ebitda, above PayPal at 16 times but below Square at 55 times and Visa and MasterCard at around the 20 times mark.

The more sceptical will cite the experience of fintech IPO flops such as LendingClub and OnDeck Capital.

Indeed, GreenSky is not without competition (like anyone in the consumer finance space).

Its IPO filing specifically lists Synchrony Financial, Wells Fargo and other credit card issuing banks as credit and payment competitors.

Other competitors include Affirm, a start-up led by PayPal co-founder Max Levchin that is originating loans for a wider range of merchants including clothing retailers, bicycle stores and travel websites. Square has reportedly been looking at the area too.

Point-of-sale lending offers an alternative to credit cards and also plays into the reluctance of consumers to use home equity loans that just eat away at their home equity.

GreenSky's loan sizes typically average less than US$10,000. Though they usually carry higher rates than home equity loans, the loans often come with a 0% promotional rate or low-rate terms initially.

The company is carrying a relatively modest US$388m of debt into its new guise as public company.

The IPO is "synthetic secondary", whereby the proceeds will be used to purchase holding company units from insiders including Zalik.

Zalik will emerge from the IPO with 71.7m super-voting Class B shares (down from 90.1m pre-offering), giving him roughly 50% voting power.

Anthony Hughes

for US$17,200, before transferring about 435,000 shares to BlackRock in March.

Those shares give the founders up to a 20% stake of any acquisition. The combined investment is considered at-risk as it would be forfeited if an acquisition is not consummated – not much at-risk, so a novel way for Cowen to increase potential returns.

VectoIQ, Cowen and BlackRock invested US$6m in a concurrent private placement alongside the public offering.

BlackRock invested another US$25m via the IPO.

P. Schoenfeld Asset Management, the New York-based alt manager founded by Peter Schoenfeld, has pledged to invest US$25m on an acquisition.

Complicated, to be sure, but this is a SPAC.

VoctoIQ closed first-day trading Wednesday at US$10, flat to the offer price.

The vehicle has 24 months from the IPO to identify an acquisition.

And while a target has not been identified, VectoIQ highlights transportation/industrial technology, automotive and smart mobility as areas of interest.

Girsky, 55, joined the GM board in July 2009 before the bailout by the US and Canadian governments and helped revitalise the automaker as vice chairman of global corporate strategy. He is credited helping GM with investments in digital technology and mobile connectivity, such as investments in OnStar, as well as helping turnaround Adam Opel, GM's primary European brand at the time.

TRINITY MERGER LANDS US$300m ON SPAC IPO

SPACs have been anything but special of late.

TRINITY MERGER ACQUISITION, a vehicle focused on investing in real estate, secured US$300m from its IPO last week, though its ability to close an acquisition has been questioned.

Trinity finished first-day trading on Nasdaq on Tuesday at US$10.01, flat-to-offer – not surprising, given that the proceeds raised are held in trust and earn interest to help fund the acquisition.

B. Riley FBR placed 30m units at US$10.00 apiece, in line with fixed price marketing and after extending the bookbuild from planned pricing on Thursday, May 10.

Each unit is structured as one share of common stock and one full warrant exercisable at US$11.50.

Trinity Real Estate Investments, the vehicle's sponsor, purchased 8.625m founder shares for US$25,000, giving it a 20% stake. The firm invested an additional US$11m to purchase warrants, also exercisable at US$11.50, in a private placement alongside the IPO.

Both the founder and warrants purchased are "at-risk" capital that would be lost if an acquisition is not consummated.

Trinity Merger has 18 months to find an acquisition, which would be subject to approval of a majority of shareholders. The vehicle expects to focus on real estate, specifically real estate management or hospitality and lodging, though it is not limited to a particular industry or geography.

"Hard real estate is really difficult," said one SPAC banker away from the Trinity Merger IPO. "It is hard to buy something for US$100m and convince investors it is really worth US$120m. "They are going to have to turn over every single shareholder."

The implication is that public shareholders may not be inclined to vote in favour of an acquisition, regardless of merits.

Lee Neibart, the vehicle's chairman is a partner at Ares Management and CEO of HBS Global Properties, a JV between Hudson's Bay and Simon Property Group that owns 83 retail properties.

MATADOR RESOURCES BLOCKS OFF ACQUISITIONS

MATADOR RESOURCES, a Delaware Basin-focused E&P, continued its conservative approach to expansion by pre-funding acquisitions with a US$229.3m block sale overnight on Monday.

The company has consistently used overnight, capital-commitments to meet its equity needs, including a similarly sized raise in October.

The recent funding saw *RBC Capital Markets* reoffer its purchase of 7m shares at US$32.75 each, the low end of a US$32.75–$33.15 marketing range, a 3.1% discount to the last sale Monday, and versus a US$32.37 purchase price.

Matador closed Tuesday at US$32.87 and traded late in the week at US$33.81.

"I don't think it's unusual given their previous equity raises were associated with acreage acquisitions," said Richard Tullis, who covers the company for Capital One Securities. "They are in the process of acquiring additional acreage in the Delaware Basin. The equity raise helps fund those acquisitions and provides capacity to invest in some of their midstream projects."

Matador has agreed to acquire 10,635 net leaseholds and mineral acres in the Delaware Basin and said that those purchases would boost capex this year by US$132.8m.

CD&R SELLS REST OF ATKORE STAKE

Private equity firm Clayton Dubilier & Rice completed a profitable exit from building products supplier and former Tyco International unit **ATKORE INTERNATIONAL**, selling its remaining 15.5% stake in a block trade on Wednesday night.

Credit Suisse reoffered its purchase of 7.23m Atkore shares to investors at a fixed price of US$20.20 or a 1.9% discount to last sale for gross proceeds of US$146.1m.

In Thursday's aftermarket, Atkore traded in a US$20.25-$21.03 range before closing at US$20.85, up from the previous session close of US$20.60.

It was a much stronger outcome than some of the week's other blocks.

"There was some reverse inquiry because it was a relatively obvious position that could be sold," one banker said. "The book included a number of existing investors looking to size up and a handful of new investors as well. The whole thing was wrapped up in less than an hour from the launch to pricing."

The block means CD&R has completely sold out of its Atkore investment less than two years after taking the company public, and seven and a half years after it bought a

Pluralsight breezes through IPO test

US Skills learning platform ups range, price above and soars on debut

Skills learning platform **PLURALSIGHT** added its name to an elite group of hot software debutantes this year, upping its IPO asking price by as much as 50% through its marketing period and jumping by one-third in its first session amid heavy demand for the shares.

Despite pricing its US$310.5m IPO with a princely valuation of about six times forward EV/sales, Pluralsight still managed to leave something on the table for new investors.

Leads *Morgan Stanley*, *JP Morgan*, *Barclays* and *Bank of America Merrill Lynch* priced 20.7m shares at US$15.00, above a US$12–$14 range that was upped from the original US$10–$12 range just a day earlier.

The shares closed their first Nasdaq session on Thursday up 33.3% to US$20.00.

The IPO was more than 20 times covered, a banker said.

A late decision to hold back US$25m of shares for the company to allocate to existing shareholders further limited the supply of stock.

In fact, Plural's price progression during the marketing period was much the same as most of this year's software IPOs.

Six of this year's tech vintage have upped their ranges, priced above that range, and then gone on to deliver 25% day-one gains.

These performances have underscored the extraordinary consistency of software IPOs and investors' willingness to pay high multiples for subscription-based software business models that offer high growth and gross margins and a high proportion of recurring revenues.

However, high valuations have started to pare aftermarket returns relative to the much higher aftermarket gains, including several 100% day-one gains, of software IPOs in the 2012 to 2014 period.

TERMS

The IPO terms give Pluralsight a market capitalisation of nearly US$2bn versus revenue of US$166.8m last year. First-quarter revenues grew 33% but the company generated US$13.1m of negative free cashflow in the same period.

"Pluralsight's valuation is very much in line with the broader SaaS sector," a syndicate banker said.

Pluralsight's cloud-based learning platform offers skill assessments that help IT companies identify skills gaps in their workforce and an online library of more than 6,700 courses.

The IPOs of EVO Payments and GreenSky this week fall more into the fintech bucket, so investors will have to wait until after Memorial Day on May 28 for the next software IPO launch.

Next in the queue is tax software company Avalara, a company with scale – a US$200m-plus revenue base – but red ink across its profitability and cashflow metrics.

Also joining the pipeline last week and therefore shaping up for a June debut as well is **ADAPTIVE INSIGHTS**, a business planning cloud software company backed by Silicon Valley VCs Bessemer Venture Partners and ONSET Ventures.

Adaptive passed the US$100m revenue mark last year when it posted 30% top-line growth to US$106.5m. Gross margins were 74%, though free cashflow was negative to the tune of US$20m in the same period and cash and cash equivalents stood at US$30.1m at the January 31 balance date.

Morgan Stanley, *Bank of America Merrill Lynch*, *Jefferies* and *RBC Capital Markets* are leading the offering, which was filed last week after an earlier confidential filing in March.

One sign of the maturing of the software IPO market might be the emergence of IPO aspirants that break the rule of 40, whereby growth rate and profitability should add up to 40%, and on the face of it, Adaptive would seem to fall into that category.

Anthony Hughes

Taser maker makes rare ECM outing with US$227m stock sale

US Cloud transformation underpins investor demand

AXON ENTERPRISE founder Rick Smith has been shot seven times by a taser. He insists it is "pretty safe".

The maker of the gun alternative for police and other public safety officers and on-officer body cameras has also zapped short-sellers this year.

Its shares have doubled so far in 2018 in part thanks to a shift in the company's business model away from just making the hardware and towards selling subscriptions and cloud software designed to make law enforcement safer and more efficient.

Axon last week took advantage of its vastly improved valuation by pricing a US$227.9m mostly primary stock sale, a rare ECM outing for the company that will help to pad its balance sheet.

After two days of marketing, a syndicate led by *JP Morgan* and *Morgan Stanley* priced 4.3m Axon shares, including 4m primary and 300,000 sold by Smith himself, at US$53.00, a 7% discount to pre-launch levels.

The deal, equating to about 7% of the outstanding, proved a hit with investors. It also delivered more pain for the heavy contingent of short-sellers in the stock (nearly 20% of the outstanding at last count), the shares rising more than 5% in Thursday's aftermarket to US$57.12.

Axon's strategic shift in recent years plays right into the market's current obsession with - and willingness to pay - big multiples for subscription-based businesses that produce predictable and recurring revenues.

The foundation of Axon (formerly Taser International) is still its hardware, being the tasers whose introduction into law enforcement has the lofty aim of making the bullet obsolete.

But even this part of the business is shifting to a model whereby users pay monthly subscriptions for the taser (US$22-$26 a month plus US$9-$10 for cartridges) with a five-year upgrade/replacement cycle.

The taser business is still growing at double-digit rates and dominates the US police department customer base but Axon's connected sensors (body cameras) and cloud software (the Axon Cloud and a platform called Evidence.com) have a much higher growth trajectory.

Together, these products form an "ecosystem" whereby crime scene data, including interview transcripts, video footage and ID information can be transmitted directly from the camera/device into the cloud, reducing the time that cops spend writing reports.

SUBSCRIPTIONS

In a roadshow accompanying the stock sale, Axon cited statistics showing body cameras significantly reduce the number of complaints about police and the violence that police are involved in.

"The Axon Cloud uses captured video to create value from the officer in the field to the prosecutor in the courthouse," president Luke Larson said.

"Our platform transforms, manages, stores and retrieves and shares all this data seamlessly on one integrated platform."

From 20% two years ago, subscription revenues now make up 52% of sales and will constitute the bulk of the business over time.

Though the addressable market for tasers is estimated at US$1.5bn, the cloud business's is much bigger at US$5.5bn.

The available taser market is 2m-plus global officers (versus the 600,000 Axon already has in place), but there are also opportunities in adjacent markets such as private security, corrections, emergency medical technicians, firefighters, and even casinos

Reporting first-quarter numbers on May 8, Axon upped its annual revenue growth guidance to 18%-20% and forecast 300bp–400bp operating margin expansion.

Anthony Hughes

51% stake in the former Tyco electrical and metal products division.

The firm took full control four years later as part of a recapitalisation.

Atkore has been solid more than stunning as an IPO, but CD&R walks away with a good return on the US$306m equity cheque it originally wrote.

It was not a flawless monetisation exercise given that CD&R had previously sold stock at a better price than it achieved on the final two blocks.

CDR sold 12m shares in Atkore's IPO at US$16.00 a share in mid-2016, another 8m shares at US$19.00 in December 2016 in the first follow-on and another 9m shares at US$25.00 in February last year (also a marketed follow-on).

Morgan Stanley completed the first Atkore block in February (6m shares) at US$21.50 before the latest and final trade via Credit Suisse.

Total sale proceeds before fees from these five deals amount to more than US$840m.

Pension fund Ontario Teachers sold its entire 10.1% stake worth nearly US$170m in aircraft lessor **AIRCASTLE** via a block trade on the same evening.

Goldman Sachs and *Citigroup* offloaded their joint purchase of nearly 7.9m Aircastle shares at US$21.50, the bottom of the US$21.50-$22.00 marketing range and a 6.3% discount to the prior close.

The block, which represented more than 20 days' average daily trading volume, ran into some turbulence in the aftermarket.

The stock changed hands at prices between US$20.90 and $21.43 in Thursday's session before closing at US$21.21, never trading above the reoffer price.

Japan's Marubeni remains Aircastle's biggest shareholder with a 27.6% stake.

VCS CUT RAPID7 STAKE VIA PRE-OPEN BLOCK

Cybersecurity firm **RAPID7** lived up to its name by pricing a US$90.8m block trade before the market opened on Monday morning.

The deal saw Rapid7's venture backers Technology Crossover Ventures and Bain Capital Venture Investors each sell 1.5m shares, cutting their respective stakes to 4.4% (2m shares) and 4.7% (2.2m shares).

Acting as sole books, *Barclays* reoffered the 3m shares purchased at US$30.25, the bottom of a US$30.25 to US$30.50 marketing range and a 2.7% discount to the previous Friday's closing price of US$31.08.

Rapid7 shares closed on Monday post-pricing at US$30.02 but traded later in the week at US$30.65, up 63.3% on the year.

The secondary sale followed strong first-quarter results a week earlier that saw Rapid7 up its revenue guidance for the full year.

Barclays executed a 2m-share secondary sale in March at US$26.25.

The sellers are locked up for 60 days.

Barclays bought the recent block for US$30.00 a shares, netting it US$750,000.

CURO LETS INSIDERS OUT EARLY

CURO drew strong demand for its first-time follow-on, a US$115m deal that allowed middle-market private equity FFL Partners to cut its stake inside the 180-day lock-up period that followed the payday lender's December IPO.

Credit Suisse, *Jefferies* and *Stephens* led the two-day marketed offering of 5m secondary shares, pricing them at US$23.00 or a 5.5% file-to-offer discount versus the stock's US$24.35 pre-launch close.

The offering was five times oversubscribed, a banker close to the deal said.

The deal proved a useful liquidity event in a stock that has had a limited analyst following and has been thinly traded since its debut.

"If you were looking to increase your position in the company, it has not been easy," the banker said.

FFL sold 3.5m shares in the base deal to cut its stake from 29% to 21.2%, while co-founders Chad Faulkner and Mike McKnight each sold 500,000 shares to cut their stakes modestly to 14% each.

Credit Suisse and Jefferies, which controlled the lock-up, allowed insiders to sell ahead of lock-up expiry after gauging investor demand and in recognition of the stock's impressive rally from its US$14.00 IPO price.

CURO took advantage of confidential filing provisions to file for the follow-on on May 4, shortly after it reported better than expected first-quarter earnings on April 26.

Analysts had also noted the stock was trading at a large discount to comps - Enova was the main one cited at the IPO.

Insiders are locked up for another 90 days from selling any more shares.

MYERS TAKE BIG DISCOUNT ON RARE STOCK SALE

MYERS INDUSTRIES, an Ohio-based maker of plastic containers and fuel tanks, took a heavy discount on a US$74m marketed follow-on stock sale.

The proceeds could fund selective acquisitions and/or repay debt.

After three days of marketing, Myers sold 4m shares or nearly 10% of outstanding at US$18.50 each, 16.1% below the pre-launch close of US$22.05.

The offering, led by *JP Morgan* and *Baird*, was upsized from 3.75m shares at launch.

The company had not raised equity at any time in recent memory, hence the long marketing period.

Management had not hinted at an offering on the previous week's first-quarter earnings call but reaffirmed the company's outlook for low-to-mid-single-digit sales growth this year. The stock was up 13.1% for the year ahead of the deal launch.

The company discussed M&A, though on the call CEO David Banyard described this as a sellers' market and bemoaned high asset prices.

PRIMO WATER TAPS INTO EQUITY

Multi-gallon bottled water supplier **PRIMO WATER** took steps to deleverage its balance sheet by raising US$64.4m from a marketed stock sale.

William Blair and *BMO Capital Markets* launched the equity offering on Monday night after Primo entered into an engagement letter with SunTrust Robinson Humphrey regarding a potential refinancing.

Primo traded up 4% during three days of marketing before it priced 4.6m primary shares at US$14 each. The offering price was a 3.7% discount to last sale but a slight premium to pre-file levels.

The company is using the proceeds to pay down some of the US$196m of debt it used to fund its December 2016 acquisition of Glacier Water Services.

The balance of the credit facility, which was arranged by Goldman Sachs, will be refinanced.

SunTrust's US$250m commitment to Primo consists of a US$200m term loan and a US$50m revolver.

Primo expects to save up to US$5.75m of interest payments in the second half once the refinancing is complete.

SPONSOR BOOTS STAKE IN WESTERN RETAILER

Sponsor Freeman Spogli & Co offloaded its remaining stake in western clothing retailer **BOOT BARN** via a US$169.2m block sale late on Thursday.

Though some banks have stepped back from the block business after some tough trades this year, *JP Morgan* and *Jefferies* happily lodged their spurs into Boot Barn.

The pairing were quickly able on-sell their joint purchase of 7.2m shares at US$23.50 each, the bottom of a US$23.50-$24.00 marketing range and a 4% discount to the stock's US$24.49 last sale price on Thursday.

Freeman Spogli sold all of its remaining 7m shares alongside individual sellers Peter Starrett (a Freeman Spogli executive and Boot Barn's chairman) and Greg Bettinelli (a Boot Barn director).

The reoffer price was struck well above Boot Barn's last offering/insider sell-down in January at US$17.25.

Earlier in the week, Boot Barn posted bumper same-store sales growth of 5.2% for its fourth quarter ended March 31. It expects same store sales growth to accelerate to 10% in the current quarter.

CALYXT HARVESTS FIRST STOCK SALE

CALYXT, the bio-agricultural subsidiary of French biotech Cellectis, raised US$54m from a first-time follow-on offering as it prepares for the commercial launch of its first crop of gene-edited soybeans.

After two days of marketing, the company priced 3.6m primary shares at US$15 each, an 8.3% all-in discount.

Citigroup, *Goldman Sachs* and *Jefferies* led the offering, which was upsized from 3.05m shares at launch and underpinned by Cellectis' decision to buy more shares in the company.

BJ's Wholesale sponsors seek public exit

US Dual track process leads to IPO filing

BJ'S WHOLESALE CLUB is seeking a return to public markets via an NYSE IPO, seven years after being taken private by CVC Capital Partners and Leonard Green Partners in a US$2.8bn buyout.

Bank of America Merrill Lynch, *Deutsche Bank*, *Goldman Sachs* and *JP Morgan* are joint bookrunners on a US$100m placeholder filing from May 17. BJ's first filed confidentially with the SEC on March 2.

The sponsors were reportedly looking for a strategic buyer for the warehouse club operator last year at a US$4bn-plus valuation, suggesting the IPO is the fallback option.

The timing is not ideal as traditional retailers are struggling against online competitors like Amazon.

BJ's footprint of 215 stores generated US$12.8bn of total revenues in the fiscal year to February 3 with only 0.8% of same-store sales growth, though this is a turnaround from years of declining same-store sales.

"BJ's had a lot of problems in the past. It's a second-rate Costco and even Costco has its own issues with Walmart/Jet.com and Amazon," said a banker away from the deal.

The company's adjusted Ebitda of US$534m and net income US$50m in fiscal 2018 are up 31% and 109% since CEO Chris Baldwin took the reins two years ago.

BJ's current debt load of US$2.7bn is 5.1-times trailing adjusted Ebitda. The company would bring its debt inside of four times if all of its IPO proceeds were used to offset a US$735.5m sponsor dividend it made last year.

Robert Sherwood

Cellectis, which holds a 79% stake, had earlier indicated it planned to take a private placement alongside the public offering, but instead the offering was upsized.

The offering price is 75% above the US$8 print on Calyxt's IPO in July last year but down from a US$31.85 October high.

The hypervolatility reflects the thin float but also uncertainty over the valuation at the time of the IPO, which saw Calyxt lined up against a broad mix of comps.

On one side were hot gene-editing companies Editas Medicines and Intellia Therapeutics; on the other, less sexy bio-ag names such as Marrone Bio Innovations and Evogene.

Calyxt added to the volatility by producing disappointing third-quarter earnings in November. The company expects to begin the commercial launch of its first product this December.

BRAZIL

BUNGE SEEKS TO FLOAT SUGAR SUBSIDIARY

Commodities trader **BUNGE** is arguably taking the road of least resistance as it seeks to float a minority stake in its Brazilian sugar and ethanol unit after years of trying to unload the money-losing business.

In a filing this week, the company named *Itau BBA*, *JP Morgan* and *Santander* as leads on a secondary share sale – a first step toward reducing swings in Bunge's quarterly earnings.

"I don't think they would be able to get much value if they were to sell it outright to a third party or sell the whole stake," said Seth Goldstein, an equity analyst at Morningstar.

"This will allow them to begin the divesting process."

Yet **BUNGE ACUCAR AND BIOENERGIA** – the issuing entity – may have missed its best window, as investors begin to lose their taste for emerging market assets after a burst of primary activity earlier this year.

Just last week EM equity funds suffered their biggest weekly outflows since mid-2017, according to UBS, amid concerns about the impact of a rising dollar and higher rates on the asset class.

Brazil's sugar companies have also had a rough time in recent years as sugar prices hit multi-year lows.

Bunge Acucar and Bioenergia's net revenues declined R$111.9m in the first quarter, down from a R$61.9m drop during the same period in 2017, according to the preliminary prospectus.

"Bunge has been seeking to exit the sugar business in Brazil for the last three-plus years largely because they are working to reduce the volatility of their earnings," said an equity analyst.

Net debt stood at R$2.93bn in the first quarter, with net debt to adjusted Ebitda standing at around two times at the end of 2017.

Even so, analysts see room for optimism as Brazilian sugar companies enjoy increasing demand for ethanol following a cap on gasoline prices.

The recent passage of Brazil's so-called RenovaBio program, which is designed to increase the use of biofuels, could also be a boon for the sector.

"Brazil's change in how they price fuel along with the RenovaBio programme make the sugar and ethanol market in Brazil a clear growth driver," said the analyst.

The parent plans to maintain a majority stake in the business.

"It would be difficult if they were trying to sell the whole stake, but having Bunge there to run the business will [help]," said Goldstein.

■ FRONT STORY CONVERTIBLE BONDS

Akamai pays little for seven-year CB

Internet delivery platform achieves among lowest-cost CBs

After settling decade-long litigation and making friendly with an activist shareholder, AKAMAI TECHNOLOGIES continued recent success with a US$1bn seven-year convertible bond that is among the lowest-cost financings ever.

Akamai will pay just 0.125% annually with investors able to convert into the underlying at a 27.5% premium, with the company purchasing a call spread to offset dilution to even higher share prices.

The 0.125% coupon is among the lowest rates achieved on a seven-year CB in 15 years in the US, superseded only by the zero coupon achieved by Sepracor Pharmaceuticals in 2003, though that deal featured a lower 16% conversion premium, bankers on the Akamai CB told IFR.

JP Morgan and *Morgan Stanley*, later joined by *Bank of America Merrill Lynch*, marketed the CB on Wednesday at 0%-0.25% and 27.5%-32.5%.

"There were three seven-years with a 0.25% coupon [in the past 15 years]," one of the bankers said. "Akamai is pretty unique, a very strong credit with a stock that is very volatile."

There was significant fundamental demand underpinning the outcome, as over half the CB was allocated to long-only and outright CB funds, the bankers said.

Outright allocations allowed the company to trim a concurrent buyback to US$46.2m, from US$50m, to facilitate delta-hedging by arbs that participated.

Akamai shares fell 2.2% on the marketing to US$74.59, but rebounded 2% on Thursday to US$76.09.

In addition to the stock buyback and call spread, the company is using proceeds to pre-fund US$690m of a 0% five-year CB that matures in February convertible at $89.56.

"It didn't make economic sense for them to buy it back, given the zero-coupon, and they would have to pay a premium to buy it back," said one of the bankers.

There are plenty of reasons to be bullish.

In March, Akamai announced a number of strategic initiatives that it developed in collaboration with Elliott Management, which held a 6.5% stake and had been pushing for changes, including a possible sale of the business.

The company appointed former Amazon chief information officer Tom Killalea to its board, increased its share repurchase programme to US$750m, set a goal to achieve 30% operating margins by 2020, and pledged to return a "substantial percentage of free cashflow" to shareholders.

Separately, Akamai last month settled a patent infringement battle with Limelight Networks just days before the case was to go trial.

Akamai has already made significant progress toward the 2020 target with a first-quarter non-GAAP operating income of US$167m, a 25% margin, on revenue of US$669m.

The cloud security business, which is focusing on enterprises and away from legacy content delivery that has been under pressure for years, produced 32% year-on-year revenue growth to US$149m.

Stephen Lacey

Alteryx US$200m prints at 98

Underwriters subsidise overly rich deal economics

Things are humming along for ALTERYX, the machine-learning analytics provider that went public a little over a year ago. From its IPO in March, to a secondary sell-down in September, the company has thrashed investor expectations on a quarterly basis.

That it would seek to cash in on investor enthusiasm with an opportunistic CB is par for the course (see Twilio in Top News).

Alteryx did secure attractive terms on a US$200m five-year CB that will see it pay 0.5% annually with dilution offset to 42.5%. Too attractive, in fact, as investors demanded a 98 OID to supplement those economics.

JP Morgan and *Goldman Sachs*, joint books on the trade, absorbed the discount from underwriting fees, typically 2.5% of the gross proceeds raised on a deal of this size.

"They went out with crazy terms," said one CB banker away from the deal. "It was way too aggressive."

Alteryx's shares tanked 9% on the one-day marketing on Wednesday to US$31.11, as arbitrage accounts over-hedged delta exposure, and eroding the benefit of a CB.

JP Morgan and Goldman Sachs research analysts rate the stock "neutral", leading others to chirp about the banks.

"There's no conviction from research; no wonder there was no interest from fundamental investors," said a second CB banker, who was also not involved in the transaction.

Pot shots, sure, but execution was not ideal.

Regardless, Alteryx landed funding at terms otherwise unattainable.

Alteryx management are confident, even as investors/analysts question a sky-high valuation. They spent US$16.5m of the proceeds on a call spread to offset stock dilution to share prices above US$62.22, a 100% premium.

The company went public at US$13.00 a share last March.

Alteryx, whose data analytics software is used by organisations to streamline decision-making from archived information, continued its beat-and-raise track record in the first quarter. With 281 new customers added in the quarter, the company grew revenue by 50% to US$42.8m, topping the US$40m consensus.

Gross margin of 88% also topped the 84% expected.

"One key takeaway from the quarter and outlook is that the strong uptick in gross margins is enabling Alteryx to accelerate its investments in growth while still operating within its original margin framework for the year," analysts at Cowen wrote in a note to clients on May 10.

"Alteryx represents one of the best pure-plays in software participating in the AI/machine learning market, and we thus expect shares to command a strong premium."

Alteryx bumped its full-year 2018 revenue guidance by US$7m to US$183m–$186m. On those numbers, it trades at a heady 10x EV-to-2018 sales.

Stephen Lacey

CHINA

RED STAR TO ISSUE EXCHANGEABLE

RED STAR MACALLINE HOLDING GROUP has applied to the Shanghai Stock Exchange for a proposed private placement of six-year bonds exchangeable into the A-shares of RED STAR MACALLINE GROUP to raise up to Rmb15bn (US$2.37bn).

The holding group holds 2.48bn Red Star A-shares, or about 63% of the company's total issued capital.

Guotai Junan Securities and *Great Wall Securities* are joint bookrunners.

Red Star is an operator of home decoration and furniture stores.

Separately, WINTIME GROUP has proposed a private placement of three-year bonds of up to Rmb5bn exchangeable into Shanghai-listed shares of WINTIME ENERGY.

Wintime Group owns 4.03bn Wintime Energy shares, representing about 32.4% of the company's total issued capital.

The deal still needs regulatory approval.

YONGTAI GROUP has proposed a private placement of four-year bonds exchangeable into the shares of HAINAN HAIDE INDUSTRY to raise up to Rmb5bn.

The group owns 291m Hainan Haide shares, or about 65.8% of the property developer's total issued capital.

The deal still needs regulatory approval.

ZHONGTIAN GETS CB APPROVAL

JIANGSU ZHONGTIAN TECHNOLOGY has obtained shareholder approval for a proposed issue of six-year convertible bonds of up to Rmb3.97bn (US$622.4m).

The manufacturer of fibre-optic cables will use the proceeds for six production projects and for working capital.

Goldman Sachs Gao Hua Securities is working on the transaction, which still needs regulatory approval.

Separately, NANFANG ZHONGJIN ENVIRONMENT has secured board approval to issue six-year convertible bonds of up to Rmb1.70bn. The pump and water equipment manufacturer plans to use the proceeds for sewage treatment projects and production projects.

ZTF Securities is the sole bookrunner. Shareholders will review the proposal on June 8.

LOMON TO SELL CB

LOMON BILLIONS GROUP, formerly Henan Billions Chemicals, has secured board approval for a proposed issue of six-year convertible bonds of up to Rmb1.85bn (US$290m).

The manufacturer of fine chemical products plans to use the proceeds for a production project and replenishment of working capital.

GF Securities is working on the transaction. Shareholders will review the proposal on June 4.

ALL INTERNATIONAL ASIAN CONVERTIBLES (EXCLUDING JAPAN)
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	2	2,136.01	32.6
2	Credit Suisse	5	1,060.59	16.2
3	JP Morgan	2	660.45	10.1
4	BNP Paribas	2	475.42	7.3
5	China Merchants Secs	1	333.33	5.1
=5	Citic	1	333.33	5.1
7	Morgan Stanley	2	318.89	4.9
8	CIMB Group Holdings	1	160.40	2.4
9	Nomura	1	142.09	2.2
10	Haitong Securities	1	118.89	1.8
	Total	**16**	**6,556.45**	

Including exchangeables.

Source: Thomson Reuters SDC code: M11

NORWAY

BORR DRILLING PRICES 'HAPPY MEAL' AT MIDS

BORR DRILLING priced an offering of US$350m convertible bonds due 2023 at the mid-point last Wednesday night, with funds partly financing the US$745m purchase of five rigs from an Asian shipyard.

Proceeds will also be used for general corporate purposes and a call spread aimed at mitigating hedging risk as the CBs were offered as part of a 'happy meal'. The delta placing comprised 10.69m shares, or 2.03% of existing share capital, that priced at US$4.87, flat to the NKr39.60 close once converted to dollars.

With the coupon coming at 3.875% from guidance of 3.5%-4.25% and the premium at 37.5% from 35%-40%, the conversion price was US$6.6963. The call spread involved 52.26m shares bought at the US$6.6963 strike and sold at 75% above the reference price or US$8.5225.

Borr Drilling was established less than 18 months ago and is not expected to generate cash until next year. This meant pre-sounding was carried out over two days and involved a much larger number of investors than is typical. The upshot was that the deal was covered on indications before launch, with a number of those wall-crossed converting into orders.

A credit assumption of 500bp was based largely on comparables in the US such as Noble-Ensco and Transocean, which have much greater leverage, and Rowan Companies, which has outstanding straight bonds trading in a band of 400bp-475bp but has more of a track record. There was no pushback.

Implied vol on guidance was 23%-30% versus limited historic given how recently the company was founded, but 260-day vol was around 30%. The bond floor on pricing was 84%.

A banker involved said it was known that there was demand for equity in the company and that provided the impetus for a concurrent delta placing that would also provide a perfect hedge. The final book was split approximately 60% outright to 40% hedge funds.

The banker added that it was also helpful that CEO Svend Anton Maier had been John Fredriksen's right-hand man at Seadrill for a number of years.

The bonds were trading around 103.5% late afternoon on Wednesday, with the stock opening at NKr39.80 and finishing up 4.04% on Thursday at NKr41.20.

Citigroup, *Clarksons Platou Securities*, *DNB* and *Goldman Sachs* were joint bookrunners.

ALL INTERNATIONAL ASIAN CONVERTIBLES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	3	2,289.76	28.4
2	Credit Suisse	5	1,060.59	13.2
3	JP Morgan	2	660.45	8.2
4	Daiwa Securities	3	524.29	6.5
5	BNP Paribas	2	475.42	5.9
6	Sumitomo Mitsui Finl	2	401.79	5.0
7	Nomura	3	375.42	4.7
8	China Merchants Secs	1	333.33	4.1
=8	Citic	1	333.33	4.1
10	Morgan Stanley	2	318.89	4.0
	Total	**23**	**8,062.53**	

Including exchangeables.

Source: Thomson Reuters SDC code: M10

UNITED STATES

NEW RELIC SIGNALS BULLISH OUTLOOK WITH US$435m CB

NEW RELIC, the cloud-based data analytics firm, secured US$435m on Tuesday from the sale of a five-year CB issue, becoming just the latest in a progression of high-growth software companies to raise opportunistic funding. (See Twilio connects with investors on US$475m CB.)

The company, whose revenues are growing by 30%-plus annually, will pay a coupon of just 0.5%, with a related derivatives transaction allowing it to offset stock dilution to double the current share price.

The upper strike on the derivative was struck at US$173.82, versus the US$86.91

reference and the US$59.73 the shares fetched at the beginning of the year.

Investors will be able to convert at US$110.81, a 27.5% premium.

Morgan Stanley and *Goldman Sachs* marketed the CB at a coupon of 0.25%–0.75% and conversion premium of 25%–30%.

The flood of SaaS CBs shows no signs of letting up any time soon. Companies that do not enter the arms race of low-cost funding are, seemingly, putting themselves at a competitive disadvantage.

There are signs of investor discrimination.

VOCERA COMMUNICATIONS, a provider of mobile communications solutions, secured US$125m on a similarly structured five-year CB offering on Wednesday. That deal, led by *Morgan Stanley* and *Piper Jaffray*, was priced at a 1.5%, up 32.5%, the midpoint of price talk.

Vocera shares slumped by 5.7% on the one-day marketing to US$24.34, extending year to-date losses to 19.5%.

Vocera, like New Relic, purchased a call spread to offset dilution to higher share prices.

LIGAND INCLUDES CALL ON CB

LIGAND PHARMACEUTICALS, a repeat issuer, also utilised a call spread on its US$650m, five-year CB issue.

Barclays and *Goldman Sachs* finalised pricing on Thursday at 0.75%, up 30%, the mid-point of price talk and setting the base conversion price at US$248.48.

Ligand, which has a US$245m, 0.75% CB offering that matures next August, spent US$43.6m on the call spread to offset dilution to US$315.38, a 65% premium. It also spent US$49.7m to buy back 260,000 shares in conjunction with the new deal.

Call spreads, whereby the embedded call option is repurchased and warrants sold at a higher strike, have become commonplace on recent CBs.

KKR MORTGAGE REIT DIVERSIFIES FUNDING

KKR REAL ESTATE FINANCE TRUST, the KKR-affiliated mortgage REIT, eliminated risks when securing US$125m overnight on Tuesday on the sale of a five-year CB.

Morgan Stanley, *Wells Fargo* and *KKR Capital Markets* led a syndicate of bookrunners in pricing the CB at a 6.125% coupon and 10% conversion premium, the investor-friendly ends of 5.625%–6.125% and 10%–15% talk.

The coupon, while relatively high, is far lower than the 8.3% yield on the underlying shares, at the current 43-cent quarterly dividend and US$20.69 reference price. Because of that lower-cost equity, CBs are a popular funding vehicle for mortgage REITs.

Overall, eight mortgage REITs have raised $1.9bn since the beginning of 2017, including repeat issuers Blackstone Mortgage Trust and Apollo Commercial Real Estate Finance, according to IFR data.

For investors, the CB is higher-yielding than alternatives protected by a high bond floor. To provide flexibility to convert (high payout ratios mute volatility), the KKR REIT CB is structured with a 110% contingent conversion trigger, lower than the 130% trigger typical on most CBs.

For KKR REIT, which only went public last March at $20.50 (the stock on Wednesday post-pricing was down 2.8% to US$20.11), the CB is the latest step to diversify its funding. Last month, it secured a US$400m five-year term loan facility on a non-recourse basis.

KKR Capital Markets earned a 75bp fee for structuring.

It also sold four of five CMBS positions held last month for US$112.7m, realising a small profit on the carrying value.

The CB is similarly accretive to the stock's US$19.73 book value at March 31.

GLOBAL CONVERTIBLE OFFERINGS
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Goldman Sachs	26	5,663.42	12.5
2	JP Morgan	26	4,153.41	9.1
3	Morgan Stanley	27	3,992.38	8.8
4	BAML	19	2,917.32	6.4
5	UBS	5	1,971.68	4.3
6	Deutsche Bank	9	1,899.37	4.2
7	Credit Suisse	9	1,503.96	3.3
8	Citic	3	1,413.99	3.1
9	BNP Paribas	7	1,192.85	2.6
10	China Intl Capital	3	1,173.17	2.6
	Total	155	45,474.38	

Including exchangeables.

Source: Thomson Reuters SDC code: C9

GLOBAL CONVERTIBLE OFFERINGS – EMEA
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	UBS	2	1,749.73	21.0
2	Deutsche Bank	3	922.29	11.1
3	JP Morgan	4	776.58	9.3
4	Goldman Sachs	4	614.41	7.4
5	SG	5	607.79	7.3
6	BNP Paribas	4	584.09	7.0
7	Morgan Stanley	3	481.58	5.8
8	Citigroup	4	385.75	4.6
9	BAML	2	376.58	4.5
10	HSBC	3	343.25	4.1
	Total	22	8,314.73	

Including exchangeables.

Source: Thomson Reuters SDC code: C09d

ALL INTERNATIONAL US CONVERTIBLES
BOOKRUNNERS: 1/1/2018 TO DATE

	Managing bank or group	No of issues	Total US$(m)	Share (%)
1	Morgan Stanley	22	3,191.91	18.4
2	JP Morgan	20	2,716.37	15.6
3	BAML	16	2,477.12	14.3
4	Goldman Sachs	17	2,124.58	12.2
5	Barclays	6	909.70	5.2
6	RBC	5	810.54	4.7
7	Deutsche Bank	5	705.33	4.1
8	Citigroup	6	606.25	3.5
9	Wells Fargo	8	576.04	3.3
10	Jefferies	4	447.95	2.6
	Total	49	17,367.07	

Source: Thomson Reuters SDC code: C9a

EQUITY-LINKED DEALS WEEK ENDING:18/5/2018

Issuer	Country	Date	Amount	Greenshoe	Tenor	Coupon (%)	Premium (%)	Bookrunner(s)
Borr Drilling	Bermuda	15/05/18	US$350m	-	5y	3.75	37.5	Citigroup, Clarksons Platou Securities, DNB, GS
Sika	Switzerlandq	15/05/18	SFr1.65bn	-	7y	0.15	40.0	UBS
Akami Technologies	US	16/05/2018	US$1.0bn	US$150.0m	7y	0.1	27.5	JP Morgan, Morgan Stanley, BAML
Alteryx	US	15/05/2018	US$200.0m	US$30.0m	5y	0.5	42.5	JP Morgan, Goldman Sachs
KKR Real Estate Finance Trust	US	16/05/2018	US$125.0m	US$18.8m	5y	6.1	10.0	MS, Wells Fargo, KKR, BMO CM, GS, KBW, JMP Securities, Raymond James
Ligand Pharmaceuticals	US	17/05/2018	US$650.0m	US$100.0m	5y	0.8	30.0	Goldman Sachs, Barclays
New Relic	US	15/05/2018	US$435.0m	US$62.3m	5y	0.5	27.5	Morgan Stanley, Goldman Sachs
Twilio	US	14/05/2018	US$475.0m	US$75.0m	5y	0.3	35.0	Goldman Sachs, JP Morgan, Deutsche Bank
Vocera Communications	US	14/05/2018	US$125.0m	US$18.8m	5y	1.5	32.5	Morgan Stanley, Piper Jaffray

GLOBAL DEBT: SOVEREIGN FOREIGN CURRENCY LONG-TERM RATINGS (18/5/2018)

Sovereign	Moody's 1	Moody's 2	S&P 3	S&P 4	Fitch 5	Fitch 6
Abu Dhabi	Aa2		AA	AA+	AA	AA+
Albania	B1	Ba2	B+	BB		
Andorra		W	BBB	AAA	BBB p	A–
Angola	B2 n	B1	B–	B–	B	B
Argentina	B2	B1	B+	BB–	B	B
Armenia	B1 p	Ba2			B+ p	BB–
Aruba			BBB+	BBB+	BBB– n	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	B3	B3	B	B	B– p	B–
Belgium	Aa3	Aaa	AA	AAA	AA–	AAA
Belize	B3	B1	B–	B–		
Bermuda	A2	Aa3	A+ p	AA+		
Bolivia	Ba3	Ba2	BB n	BB	BB–	
Bosnia Herzegovina	B3	B3	B	BB–		
Botswana	A2	Aa3	A–	A+		
Brazil	Ba2	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	AA
China	A1	Aa3	A+	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				
Curacao			A–	A–		
Cyprus	Ba3 p	A3	BB+ p	AAA	BB+	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 ▲**	**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 p	Aaa	AA	AAA	AA	AAA
Gabon	B3 n	Ba3			B	BB+
Georgia	Ba2	Baa3	BB–	BB+	BB – p	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	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	Baa2	A3	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 p	Aaa	A+ p	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+

Sovereign	Moody's 1	Moody's 2	S&P 3	S&P 4	Fitch 5	Fitch 6
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–	A
Maldives	B2	Ba3			B+	
Malta	A3 p	Aaa	A– p	AAA	A+	AAA
Mauritius	Baa1	A2				
Mexico	A3 n	A1	BBB+	A+	BBB+	A
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	Baa3 n	Baa2	BB	BB+	BBB– n	BBB
Pakistan	B3	B2	B	B	B	B
Panama	Baa2 p	A3	BBB	AAA	BBB	A
Papua New Guinea	B2 n	B1	B	BB–		
Paraguay	Ba1	Baa3	BB	BB+	BB p	
Peru	A3	A1	BBB+	A	BBB+	A–
Philippines	Baa2	A3	BBB p	BBB+	BBB	
Poland	A2	Aa3	BBB+ p	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	A3	BB	BBB–	BB+	BBB–
South Korea	Aa2	Aa1	AA	AAA	AA–	
Spain	Baa1	Aa2	A–	AAA	A–	AAA
Sri Lanka	B1 n	Ba2	B+	B+	B+	B+
Suriname	B2 n	Ba3	B	B+	B–	
Sweden	Aaa	Aaa	AAA	AAA	AAA	AAA
Switzerland	Aaa	Aaa	AAA	AAA	AAA	AAA
Tanzania	B1n	Ba3	B1 n			
Taiwan	Aa3	Aa2	AA–	AA+	AA–	
Thailand	Baa1	A2	BBB+	A	BBB+	
Trinidad & Tobago	Ba1	Baa3	BBB+ n	A		
Tunisia	B2	Ba2			B+	BB–
Turkey	Ba2	Baa3	BB–	BB+	BB+	BBB–
Turks & Caicos			BBB+ p	AAA		
Uganda	B2	Ba3	BBB	A–	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	AAA
Uruguay	Baa2	A2	BBB	A–	BBB– n	BBB+
Venezuela	C	Ca	SD	CC	RD	
Vietnam	B1 p	Ba2	BB–	BB–	**BB ▲**	**BB ▲**
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

INTERNATIONAL FINANCING REVIEW CONTACTS

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

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

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

CHINA EDITOR
Langi Yan Jiang
+852 2912 6684

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

Yun Li
+1 646 223 6278

Jonathan Schwarzberg
+1 646 223 6809

HONG KONG
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