

CORP WEEKLY: Another bumper week led by Swisscom five-part

By Matthew Barrett | 24 March 2024

IGM

IG corporates continued to hit the market in numbers this week and make the most of what was on the whole a solid broader market backdrop and attractive market conditions despite uncertainty around rate cuts.

In the end another 22 IG corporate single currency lines were issued via 17 names worth a combined EUR13.75bn, making this the sector's second largest week of 2024.

That backed up the third biggest weekly haul on record for the sector last week where a further 20 names flocked to the market to print a total 33 tranches for EUR24.15bn.

Making this week's total even more impressive is the fact it was all crammed into a three-session period with the week starting with a Whit Monday holiday on much of the continent and then a Friday blank amid a risk-off tone and as participants took a well-deserved breather.

The latest weekly total was more than the average EUR10bn corporate supply estimate given by participants in our weekly issuance poll, but short of the highest guess of EUR15bn.

Source: IGM

Demand strong although a bit of resistance

Taking a top-line view of this week's barrage of issuance and it shows that issuance conditions remain attractive for corporate borrowers.

Chasing the EUR13.75bn of paper on offer were final combined orders worth EUR46.3bn, giving an average cover ratio of 3.41x across the 22 lines.

What was noticeable though was that some investors reduced orders during the execution process (peak demand was EUR56.85bn), perhaps in a nod to the recent glut of issuance and/or because some of the pricing levels were a bit too tight for some after the issuers cut an average 35.95bp from IPTs to reoffer. In the end, that resulted in the final average NIC this week coming in at 4.62bps versus 5.9bps the previous week.

Swisscom goes big

Leading from the front this week was Swisscom which took EUR4bn out the market via the first five-part (2/4.25/7.5/12.5/20yr) corporate trade of 2024.

In terms of size that marked the joint-third single currency corporate trade of 2024 having only been beaten by last week's Novo Nordisk EUR4.65bn four-part and a EUR5bn four-part from Siemens back in Feb.

Swisscom's offering, launched to fund its acquisition of Vodafone Italia S.p.A, saw demand settle at EUR11.1bn from a peak of EUR13.45bn with the final NICs finishing up between +5bps (2 & 4.25yrs) and -2bps (20yr).

Alstom hybrid sees biggest cover of 2024

Swisscom may have stood out on the size front this week, but the highlight arguably came from French multinational rolling stock manufacturer Alstom whose debut hybrid trade blew the doors off Thursday. A combination of a chunky yield (6.75% area IPTs), a no grow size and chance to gain exposure to the name in the format for the first time, drove peak orders of EUR8.8bn.

Demand fell slightly to EUR8bn after a huge 87.5bps spread compression during the execution process, but the final cover ratio of 10.67x was still the biggest of any EUR corporate trade so far this year.

Alstom was one of two corporates to tap the hybrid market this week along with utility company EDP (EUR750m 30NC6 green hybrid) where a EUR2.25bn (EUR3.3bn peak) book saw the borrower shave 50bps off 5.375% area IPTs to price with a zero NIC.

EUR 2024 ESG supply approaches EUR50bn

Five other IG corporates issued ESG paper this week along with EDP, offering a mixture of green and sustainability-linked senior bonds.

One of those was AB Sagax (EUR500m n/g 6yr green) on Wednesday and then Thursday came Air Liquide (EUR500m n/g 10yr green), Enxsis (EUR500m n/g 12yr green), EPH (debut EUR500m 5.5yr green) and Pandora (EUR500m n/g 6yr SLB).

Across the five senior trades worth EUR2.5bn we saw combined demand finish up at EUR8.6bn from a peak of EUR11.2bn.

This week's transactions lifted the year-to-date euro IG corporate ethical supply total up to EUR49.415bn, versus the final 2023 total of EUR78.55bn.

Of this year's total green bonds have dominated with EUR40.015bn, followed by SLBs at EUR4.95bn.

Summary of this week's EUR IG corporate trades:

Date	Issuer	Size (EUR m)	Maturity	IPTs/Initial guidance	Re-offer IPT	Re-offer Pricing	Differential (bp)			
NIC (bp)	Books (EUR m)	Final Cover Ratio (X)		Peak Books (EUR m)						
21-May	Avinor AS	500	29-May-34	m/s+105-110	m/s+80	-27.5	10	850	1.70	1300
21-May	EDP S.A (Green, Hybrid)	750	30NC6	5.375%a	4.875%	-50	0	2250	3.00	3300
22-May	American Tower, Corp	500	16-May-30	m/s+145-150	m/s+113-34.5		3	1900		3.80
22-May	American Tower, Corp	500	16-May-34	m/s+170-175	m/s+140-32.5		5	1400		2.80
22-May	Redexis S.A.U	350	30-May-31	m/s+210-220	m/s+175-30		N/A	1350	3.86	1550
22-May	Swisscom Finance B.V	500	29-May-26	m/s+60a	m/s+25	-35	5	1900	3.80	2450
22-May	Swisscom Finance B.V	500	29-Aug-28	m/s+80a	m/s+55	-25	5	1400	2.80	1600
22-May	Swisscom Finance B.V	1,250	29-Nov-31	m/s+105a	m/s+75	-30	3	2500		2.00
22-May	Swisscom Finance B.V	1,000	29-Nov-36	m/s+125a	m/s+93	-32	3	3000		3.00
22-May	Swisscom Finance B.V	750	29-May-44	m/s+160a	m/s+123-37		-2	2300		3.07
22-May	Aker BP ASA	750	29-May-32	m/s+160a	m/s+125-35		5	1200	1.60	2000
22-May	Molson Coors Beverage Company	800	15-Jun-32	m/s+135a	m/s+103-32		N/A			2150
22-May	AB Sagax (Green)	500	29-May-30	m/s+195a	m/s+155-40		0	2500	5.00	3200
22-May	Arcor plc	500	29-May-32	m/s+155-160	m/s+128-29.5		N/A	1600	3.20	1800
23-May	Hochtief AG	650	31-May-30	m/s+180a	m/s+142-38		N/A	2400	3.69	2700
23-May	EPH (Green)	500	30-Nov-29	m/s+340a	m/s+310-30		7.5	1600	3.20	1750
23-May	Koninklijke Philips N.V	700	31-May-32	m/s+140a	m/s+115-35		10	1500		2.14
23-May	Pandora A/S (SLB)	500	31-May-30	m/s+145a	m/s+115-30		15	1400		2.80
23-May	Mondi Finance plc	500	31-May-32	m/s+130a	m/s+95	-35	0	2000		4.00
23-May	Alstom SA (Hybrid)	750	PNC5.25	6.750%a	5.875%	-87.5	N/A	8000	10.67	8800
23-May	Air Liquide Finance (Green)	500	29-May-34	m/s+95a	m/s+62	-33	2	1250		2.50
23-May	Enxys Holding N.V (Green)	500	30-May-36	m/s+105-110	m/s+75	-32.5	7			1850

Sterling focus on sustainability market

Sterling corporate supply was limited to two trades this week, both of which came in sustainability format.

Kicking us off on Monday was United Utilities which refreshed its sterling curve with a new GBP350m 27yr sustainability in what was the only live deal across all asset classes on the day amid the Whit holiday.

The issue landed at mid-gilts +112 having been tightened in from +125-130 IPTs on the back of demand which was last communicated at GBP660m (GBP740m+ peak).

Backing that up the following session was UK peer Clarion Funding with a longer-dated GBP200m 33yr secured sustainability.

That deal came out a mid-gilt IPTs of +110-115 before landing at +95 on final books of GBP810m (GBP875m peak).

Next week's window looks small

This week's trades have shown that plenty of investor demand remains in place and there are sure to be other corps that want to mop some of that up.

Given the success of the two hybrid issuers, in particular Alstom, it wouldn't be surprising to see more subordinated paper in the near future.

However, next week's issuance window on the whole looks small due to a flurry of public holidays where both the UK (Bank Holiday) and US (Memorial Day) are out Monday, before a broad European holiday (Corpus Christi) on Thursday.

In turn that suggests that whatever comes out is likely to be in in a two-day Tuesday and Wednesday issuance window.

Performance tracker of recent EUR IG/split-rated benchmark deals

Issuer	Deal	Re-offer	spread (m/s)		Current i-spread (bid)		Issue Rating
HOTGR	4.250%	05/30	+142	+142	BBB-		
EPEN	5.875%	11/29	+310	+290	BBB-/BBB-		
PHIANA	3.750%	05/32	+115	+113	Baa1/BBB+		
PNDORA	3.875%	05/30	+115	+116	Baa2/BBB		
MNDILN	3.750%	05/32	+95	+94.5	Baa1/A-		
ALOPF	5.868%	PNC5.25	+292.8	+300	Ba2		
AIFP	3.375%	05/34	+62	+61	A2/A		
ENEXIS	3.500%	05/36	+75	+75	AA-		
AMT	3.900%	05/30	+113	+111.5	Baa3/BBB-/BBB+		
AMT	4.100%	05/34	+140	+140	Baa3/BBB-/BBB+		
SCMNVX	3.500%	05/26	+25	+12	A1/A		
SCMNVX	3.500%	08/28	+55	+50	A1/A		
SCMNVX	3.500%	11/31	+75	+74	A1/A		
SCMNVX	3.625%	11/36	+93	+93	A1/A		
SCMNVX	3.875%	05/44	+124	+123	A1/A		
AKERBP	4.000%	05/32	+125	+126.5	Baa2/BBB/BBB		
TAP	3.800%	06/32	+103	+101	Baa2/BBB		
SAGAX	4.375%	05/30	+155	+151	Baa2		
AMCR	3.950%	05/32	+128	+123	Baa2/BBB		
AVINOR	3.500%	05/34	+80	+83	A1		
EDPPL	4.750%	30NC6	+205.2	+202.5	Ba1/BB+/BB+		
FMUFP	4.125%	05/33	+148	+153	BBB+		
CLNXSM	3.625%	01/29	+98	+93.5	BBB-/BBB-		
TKR	4.125%	05/34	+155	+160	Baa2/BBB-		
MRK	3.250%	05/32	+55	+58	A1/A+		
MRK	3.500%	05/37	+80	+86	A1/A+		
MRK	3.700%	05/44	+105	+111.5	A1/A+		
MRK	3.750%	05/54	+133	+133.5	A1/A+		