

CREDIT SPECIAL

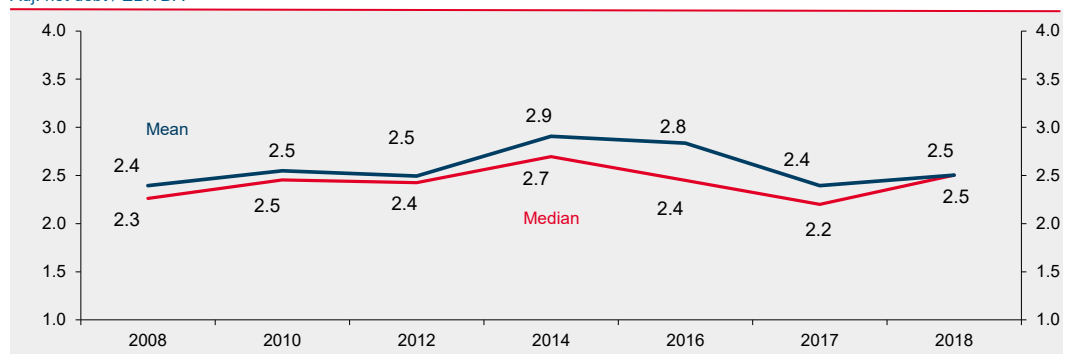
16 January 2019

Corporate Schuldschein Market 2018 – Solid issuers continue to dominate

- Last year also saw the vast majority of Schuldschein issuers presenting solid credit metrics. Although some companies found themselves in financial distress, average corporate debt remained at a moderate level. At 2.5x, the credit metric of adjusted net debt / EBITDA remains within a range observed in recent years. The average equity ratio also continued to be very robust at 36% and 37%, respectively.
- Unrated issuers continued to account for 80% of placements. Once again, they had better leverage ratios than rated issuers. The market still offers investors a wide range of solid investment opportunities: companies with an adjusted net debt / EBITDA ratio below the 3.0x level remain responsible for more than half of market volume.
- The Schuldschein market also attracted a large number of newcomers in 2018, with 52 companies, or 45% of the 116 issuers, raising funds with this instrument for the first time. First-time issuers put in a convincing performance with sound financial profiles and generally lower debt ratios than established SSD issuers. With revenues of EUR 2.8 billion, the average issuer was slightly larger than in previous years.
- Non-German companies made a strong showing, particularly in the second half of the year, achieving their highest market share to date. As in previous years, non-German issuers were in no way inferior to domestic issuers in terms of the quality of their financial profiles. At 2.5x, the ratio of net debt / EBITDA was slightly below that of German issuers; and they even performed significantly better in respect of cash flow from operations / net debt.
- This year, growing refinancing costs for bonds could attract more corporate bond issuers back to the SSD market in the coming quarters. We therefore believe it is possible that the credit metrics that can be observed on the SSD market will trend somewhat weaker on average. However, a more stable, more diversified business model in many cases also suggests a higher capacity for debt. We therefore expect credit quality in the SSD market to continue its robust development in 2019.

Average issuer indebtedness only slightly higher

Adj. net debt / EBITDA



Source: Helaba Research

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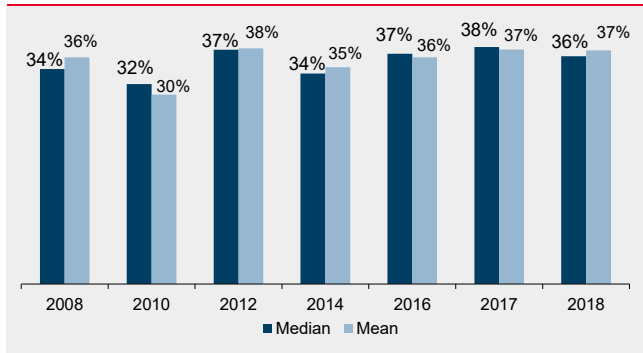
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Equity ratios remain sound

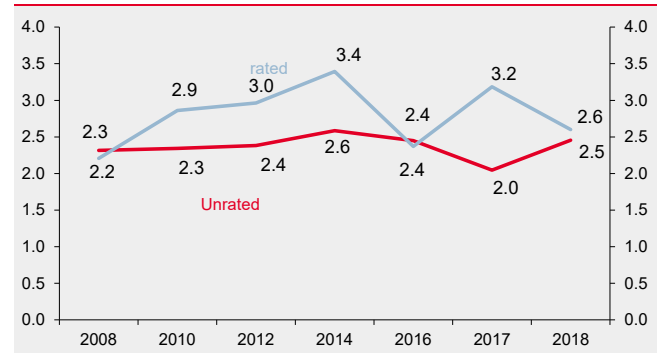
Equity ratios (in %)



Source: Helaba Research

Unrated issuers with lower debt

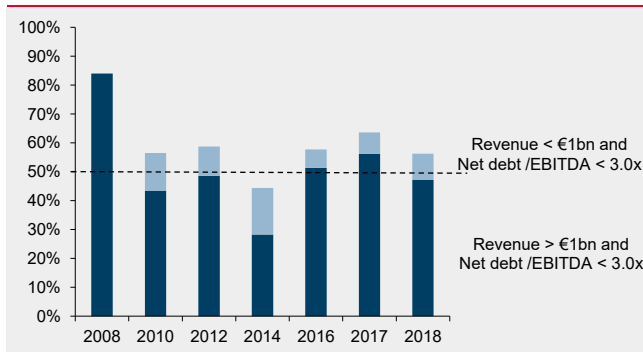
Adj. net debt / EBITDA (median values)



Source: Helaba Research

Broad range of solid issuers

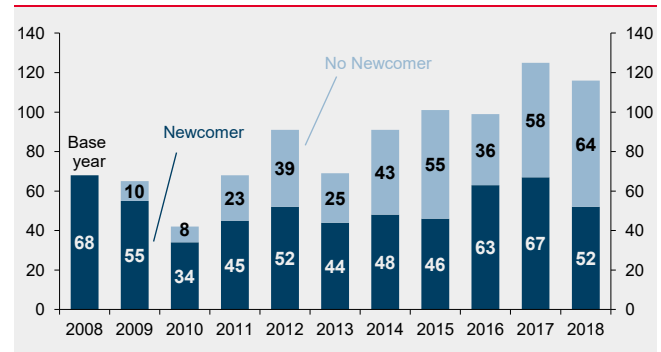
Volume of SSDs placed by credit quality criteria (in %)



Source: Helaba Research

SSD newcomers still well represented

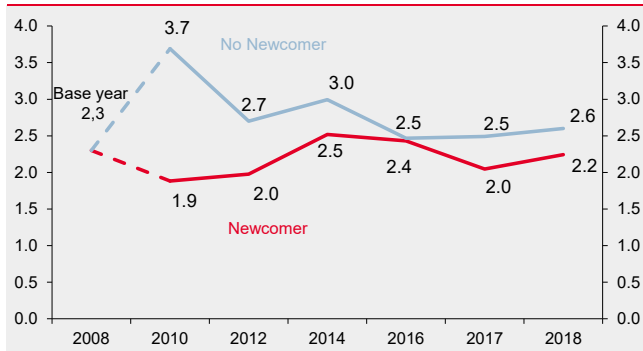
Number of first-time and regular issuers



Source: Helaba Research

Newcomers' financial profiles in good shape

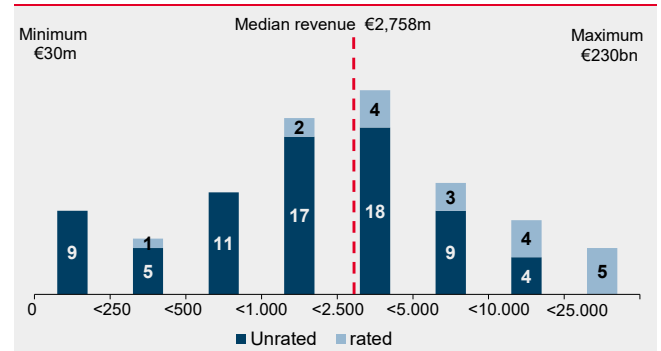
Adj. net debt / EBITDA (median values)



Source: Helaba Research

Significance of larger issuers growing

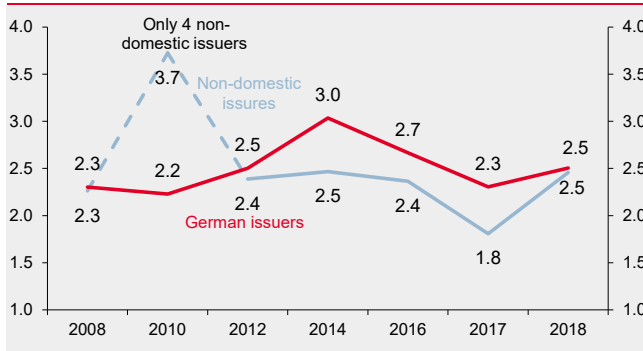
Number of SSD issuers in 2018 by revenue bracket



Source: Helaba Research

Non-German issuers with manageable leverage ...

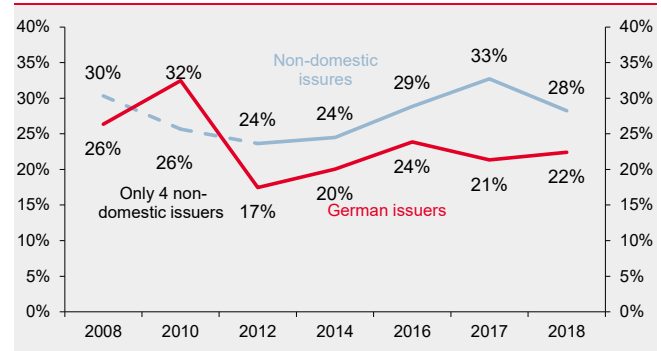
Adj. net debt / EBITDA (median values)



Source: Helaba Research

... and better cash flow-based metrics

Adj. cash flow from operations / net debt (median values)



Source: Helaba Research