



CREDIT SPECIAL

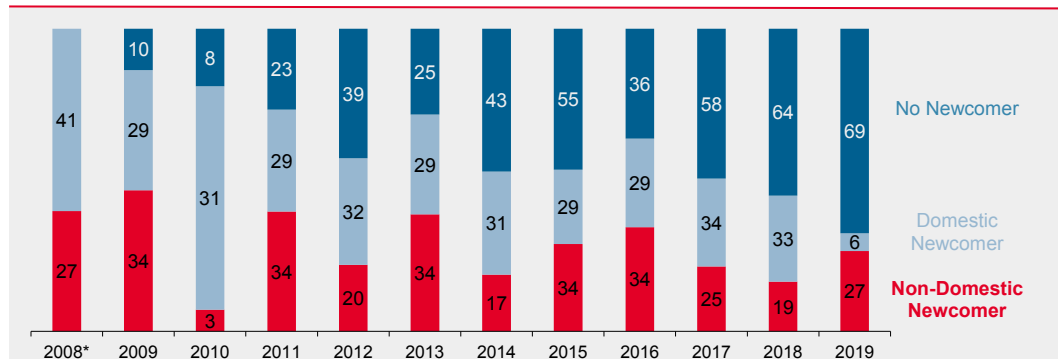
30 January 2020

Corporate Schuldschein market 2019 – Non-German newcomers excel with solid credit quality

- The development of the corporate Schuldschein market continues to be strongly influenced by new issuers. In 2019, they accounted for almost 30 % of the total placement volume. Although less in percentage terms than in previous years, in absolute figures this is nevertheless a respectable achievement. For the first time, companies from outside Germany dominated the ranks of new entrants, with 27 first-time issuers accounting for around 80 % of the total of 33 newcomers coming from other countries.
- Despite this, the trend towards globalisation has so far done little damage to the segment's solid credit quality profile. For example, our adjusted credit metric of net debt to EBITDA reached the low median value of 2.2x for the entire market in 2019, a figure at the lower end of the range observed over recent years. The ratio of operating cash flow to net debt averaged 26 %, thereby matching the robust level seen in the past couple of years. Capital backing also remained within the usual corridor. First-time issuers from outside Germany, in particular, stood out with comparatively good credit metrics: the median leverage of this group was only 2.1x.
- Admittedly, last year continued to see a number of borrowers with higher-risk financial profiles enter the market. As many as five companies (5.6 %) had an adjusted leverage ratio of more than 5.0x. It is precisely companies such as these that could prove to be comparatively vulnerable in the event of a more severe economic downturn. Overall, however, the number of corporates with weaker credit metrics has declined in comparison to previous years. More than two-thirds of the market volume in 2019 stemmed from issuers for which the adjusted metric of net debt to EBITDA was below the threshold of 3.0x.
- Unrated issuers stood out with debt ratios that were still at modest levels (median net debt / EBITDA 2019: 2.1x). This category primarily includes solid mid-caps, which are traditionally well represented in the SSD market. Overall, we believe that the Schuldschein market continues to offer a wide range of sound investment opportunities.

Non-German newcomers still major drivers of the SSD market

Number of issuers

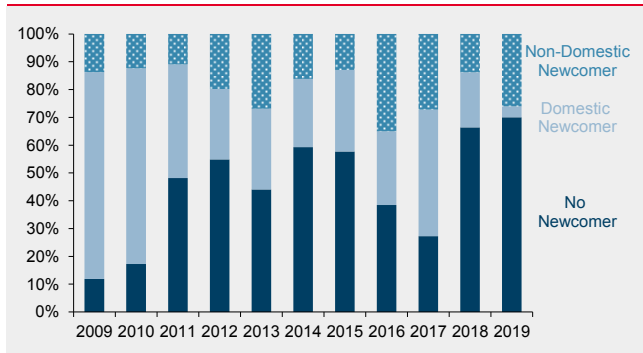


*baseline year
Source: Helaba Research

This publication was very carefully researched and prepared. However, it contains analyses and forecasts regarding current and future market conditions that are for informational purposes only. The data are based on sources that we consider reliable, though we cannot assume any responsibility for the sources being accurate, complete, and up-to-date. All statements in this publication are for informational purposes. They must not be taken as an offer or recommendation for investment decisions.

25 % of volume from non-German issuers

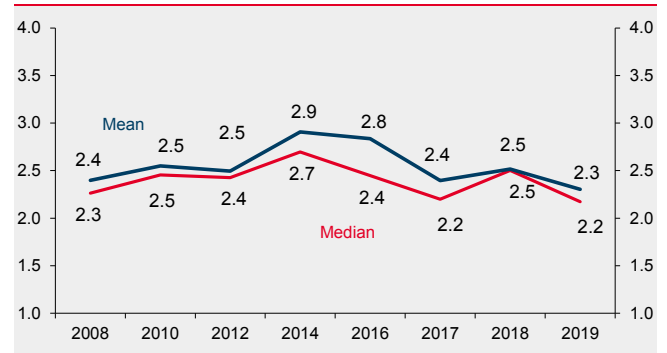
Share of market volume (in %)



Source: Helaba Research

Ø-leverage continues downward trend in 2019

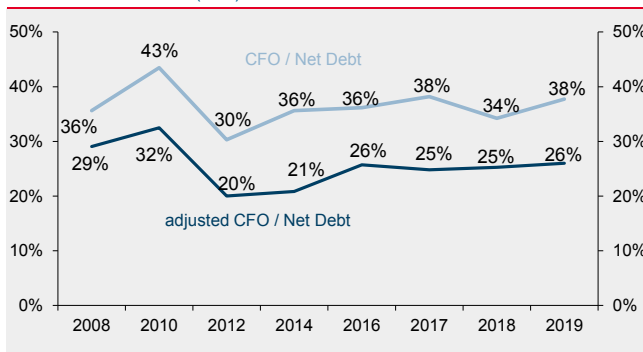
Adj. net debt / EBITDA (median value of corporate SSD issuers)



Source: Helaba Research

Cash flow-based metrics on a solid level

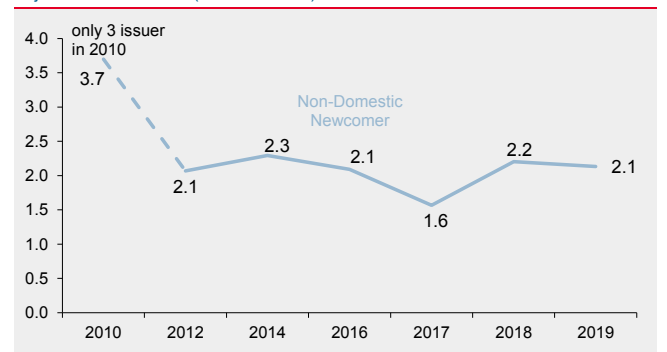
Share of market volume (in %)



Source: Helaba Research

Non-German newcomers support credit quality profile

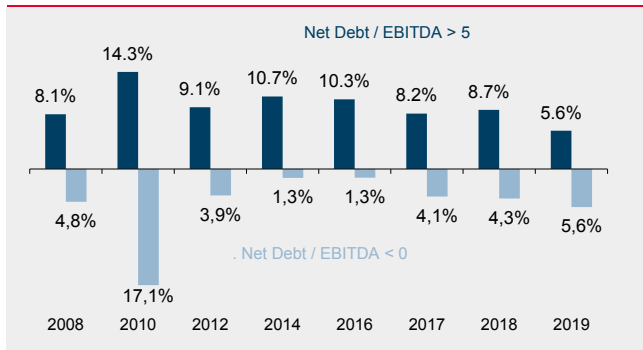
Adj. net debt / EBITDA (median values)



Source: Helaba Research

Decline in number of highly-leveraged issuers

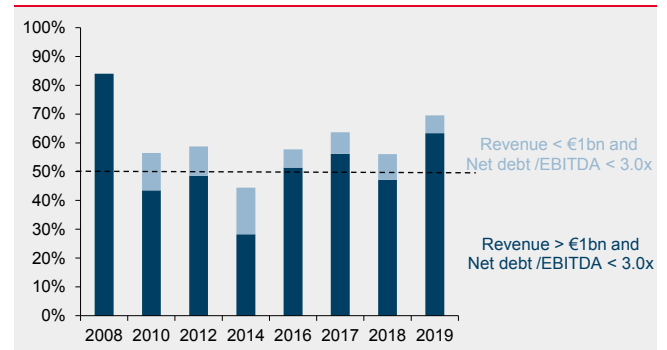
Number or share of issuers with extreme credit ratios (in %)



Source: Helaba Research

Broad range of high-quality issuers

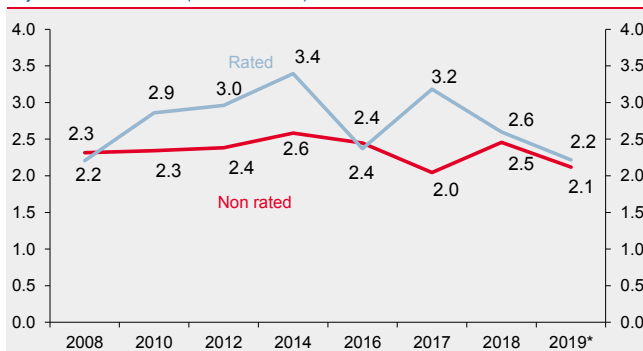
SSD placement volume by credit quality criteria (in %)



Source: Helaba Research

Unrated issuers with modest leverage

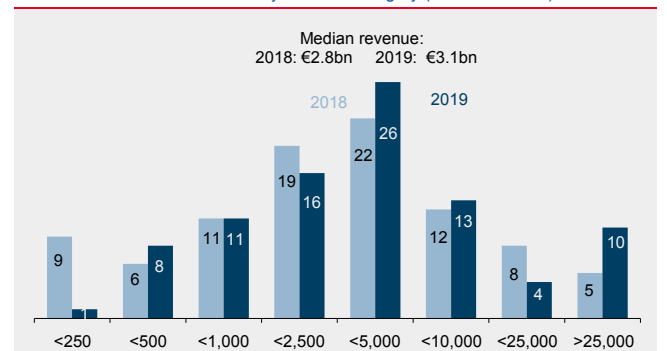
Adj. net debt / EBITDA (median values)



Source: Helaba Research

Midcaps offer potential for diversification

Number of SSD issuers in 2019 by turnover category (in EUR millions)



Source: Helaba Research