

PRIMARY MARKET UPDATE CORPORATE SCHULDSCHEIN

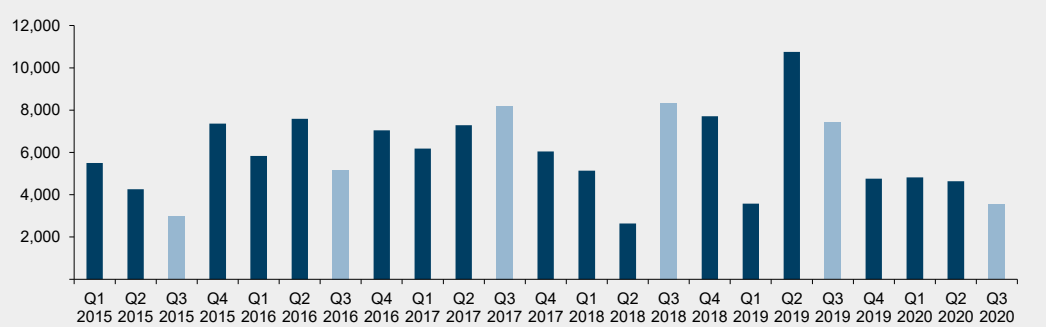
23. September 2020

Indian summer after lukewarm vacation season

- The Schuldschein market has posted a solid recovery in recent weeks. However, the hesitancy of issuers in the second quarter led to a significant decline in the number of SSD transactions with a value date between July and September. In total, only EUR 3.5 billion was issued in 16 Schuldschein deals in Q3, which remained somewhat smaller on average than in 2019. The few larger-scale transactions included Deutsche Flugsicherung, Germany's air traffic control provider, with a volume of EUR 500 million.
- Still, since the beginning of the year, placements have amounted to a total of EUR 13 billion. Against the backdrop of the strong pull of the buoyant corporate bond market, this was a rather solid performance, in our view.
- The majority of transactions in the first nine months were issued by industrials (17), utilities (10) and automotive companies (9). Since the beginning of January, companies in the industrial sector have been responsible for issuing EUR 5.3 billion, or around 40% of market volume. The trend towards sustainable financing continued in the third quarter, with Indus issuing a sustainability-linked SSD with a volume of EUR 60 million.
- As sentiment rebounded, Q3 also saw more international players venturing back into the market. At around 30 % of total placement volume, they issued significantly more than in the first half of the year. For the year to date, the share of non-German issuers has increased to almost 20 %. With the exception of a modest tranche from Barry Callebaut (CHF 20 million), no non-euro SSDs have been placed in Q3.
- Small Schuldschein loans of up to EUR 50 million recorded their highest market share in five years in the first three quarters of 2020. Although Robert Bosch also placed what was by far the largest SSD of the year, with a volume of EUR 2 billion. The proportion of externally-rated issuers was higher than at any time since 2009. In many cases, credit ratings may have facilitated placements by providing additional evidence of healthy credit quality.
- Currently, the total volume of SSDs in the marketing phase that will be valued in the fourth quarter is estimated at EUR 1.8 billion. We anticipate that this figure will rise significantly in the weeks to come, given improved market sentiment and a substantial reduction in refinancing costs. For the year as a whole, we now regard an issuance volume of around EUR 18 to 20 billion as a realistic prospect.

Covid-19 effect leads to fall in valued SSD volume in Q3

Valued Schuldschein loans: issuance by volume (in EUR millions)



Source: Helaba Research

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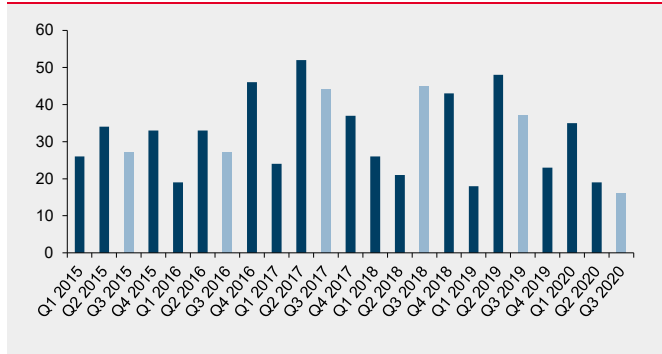
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Issuer hesitancy reduces number of transactions in Q3

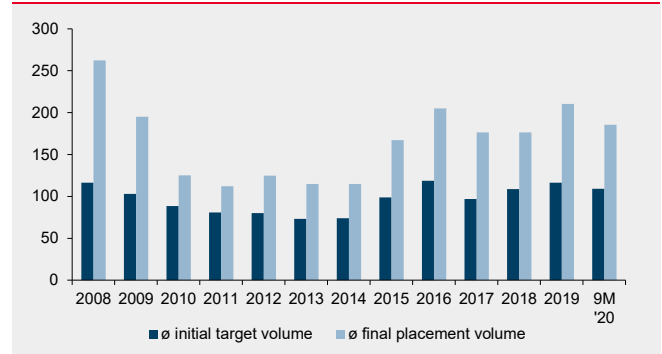
Number of valued Schuldschein issues, figures from previous years adjusted



Source: Helaba Research

Average issuance volume lower than 2019

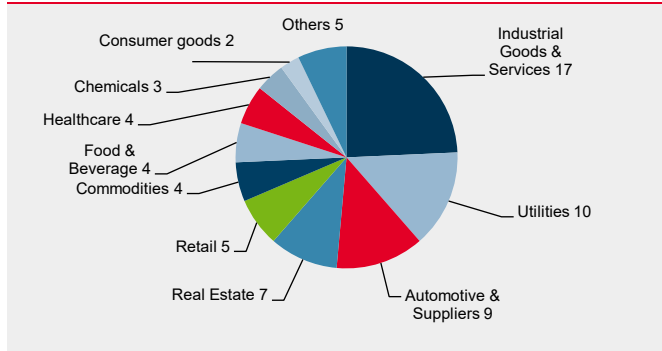
Average transaction volumes (in EUR millions)



Source: Helaba Research

Only three sectors account for approx. half of issues

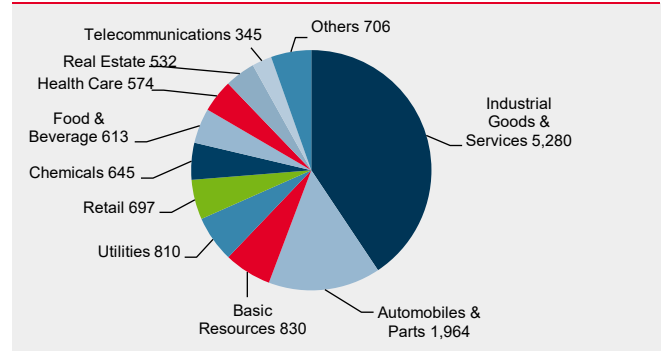
Issuance activity by sector in 9M 2020 (distribution by number of issues)



Source: Helaba Research

Industrials place 40 % of total volume

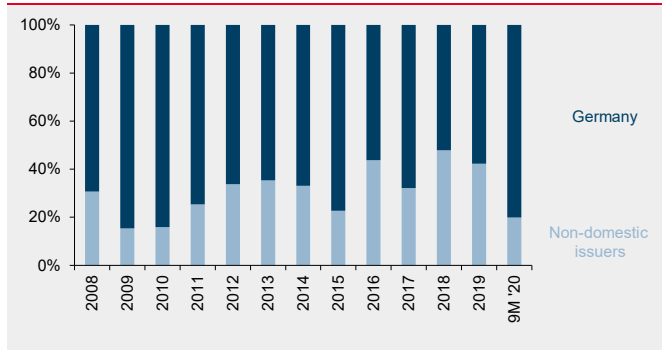
Issuance activity by sector in 9M 2019 (by volume, in EUR millions)



Source: Helaba Research

International players remain cautious

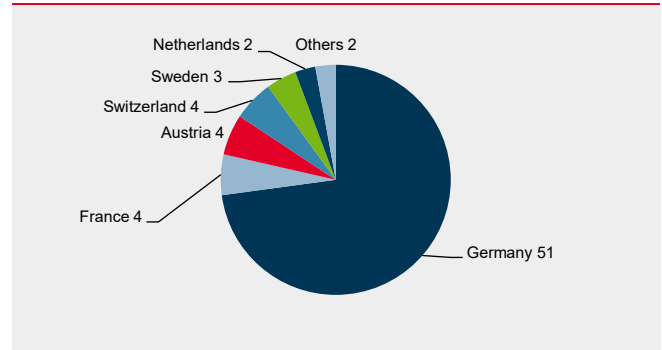
Issuance by country of origin (volumes in %)



Source: Helaba Research

Almost two-thirds of issues from Germany

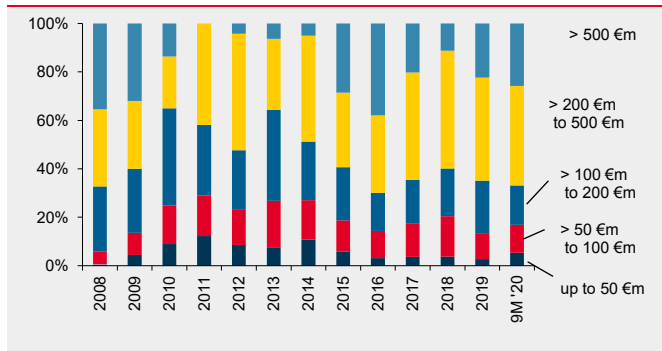
Issuance by country of origin in 9M 2020 (distribution by number of issues)



Source: Helaba Research

Higher market share of very small transactions

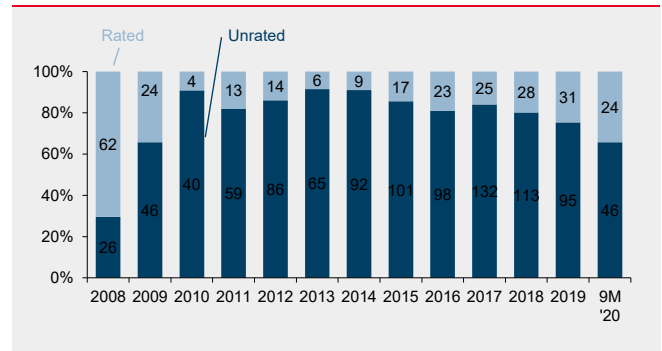
Issue size (distribution by volume in EUR millions)



Source: Helaba Research

Share of rated issues higher than any time since 2009

Issuance activity by publicly rated and unrated deals (number / share in %)



Source: Helaba Research