

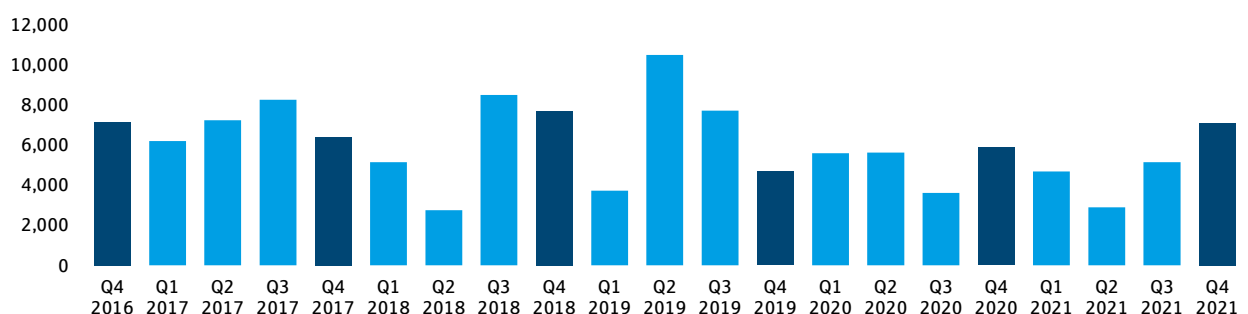


Primary Market Update Schuldschein 2021: a strong finish to the year

- The Schuldschein market set out to recover lost ground in Q4. In a dramatic reversal to the period of relative inactivity in H1, mostly due to lack of interest from cash-rich corporates, there were some 48 new deals printed in the months October to December, for a total of EUR 7.1bn¹. This marks the highest quarterly volume for the sector over the past two years. One of the largest new issues was the EUR 700m Schuldschein by French automotive Faurecia (265m of which to be valued at the beginning of 2022), helping to put the total for 2021 near the EUR 20bn mark.
- The average issue size was around EUR 150m, slightly lower from previous years. Unrated borrowers dominated on a level unseen since 2014: only 13 of the total of 136 new issues were by externally rated companies, comprising a volume market share of 16 %.
- As we predicted, corporates from cyclical industries have started coming back to the market (see [Credits: Sectors in the Schuldschein market 2021 - limited demand from cyclicals](#) from 5 November 2021). After being completely sidelined in the first 9 months of the year, there were issues by no less than three chemical companies in Q4, among them a EUR 200m Schuldschein by German thermoplastic film producer Renolit. Renewed interest in the automotive sector raised its share to a respectable 5%, while “other materials” remained on top following the mega-deal by Mayr-Melnhof back in February. From an overall perspective however, the cyclicals’ share remained below average whereas low-risk defensive sectors increased their share to 44 %, significantly above their average over the past decade.
- International borrowers accounted for around a third of total issuance in 2021, an increase from the previous year. In addition to Austrian companies (a volume of EUR 2.7bn across 13 deals), there was strong showing by French issuers with 9 transactions totaling EUR 2.3bn. The second largest deal after Faurecia was telecom operator Iliad with a EUR 500m Schuldschein in Q2. In addition to Faurecia, the deal of J.F. Hillebrand was one of the very few transactions offering a USD tranche (EUR 58m).

Significant volume increase in Q4

Valued Schuldschein issues by volume* (in EUR millions)



*values from previous quarter adjusted where applicable.

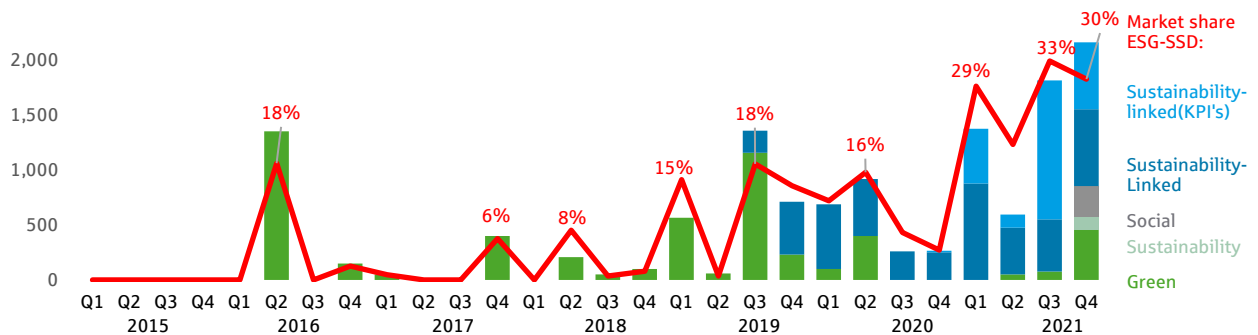
Source: Helaba Research & Advisory

¹Final volume of four deals not known at the date of publishing.

- Smaller sized Schuldschein of up to EUR 50m were back in demand in 2021, reaching their highest market share in 5 years with 9.2%. However more than a third of total issuance remained in the size range from EUR 250 to 500 million.
- The demand for ESG-components in new issues continued unabated in Q4, with a total placement volume of EUR 2.2bn and a share of 30 %. Even though slightly below Q3, this was more than compensated for by milestone transactions such as a world-first corporate Social Schuldschein by Swedish healthcare provider Medicover (EUR 277m). German real estate company Nassauische Heimstätte offered another market innovation in the corporate space with a dual use of proceeds for green and social projects (Sustainability Schuldschein of EUR 130m). This was also the first time that all currently available ESG alternatives – Green, Social, Sustainability, Sustainability-linked to rating, Sustainability-linked to KPIs – were utilized in the market over the same quarterly period. With a total for the year of EUR 5.8bn, 2021 now marks a new record for ESG.
- We expect this high level of issuance activity to carry over into 2022. Companies seem to have disposed of most of their crisis-driven, excess build-up of liquidity, allowing them to turn their focus to spending on structural growth as well as further refinancing and repayments. The massive oversubscription of many new issues suggests continued strong investor demand. There is also a real possibility that externally rated issuers may be soon returning to the Schuldschein market, as ECB tapering and higher interest rates would effectively remove the disadvantage of the “zero floor” inherent in the Schuldschein for IG-rated issuers with access to the bond market. ESG issuance will also continue to grow in 2022. Not least because of the flexible use of proceeds, sustainability-linked Schuldschein will likely continue to dominate. In terms of the overall market, we see a good chance that volume will exceed the threshold of EUR 20bn significantly.

ESG Schuldschein loans reach almost a third of market volume

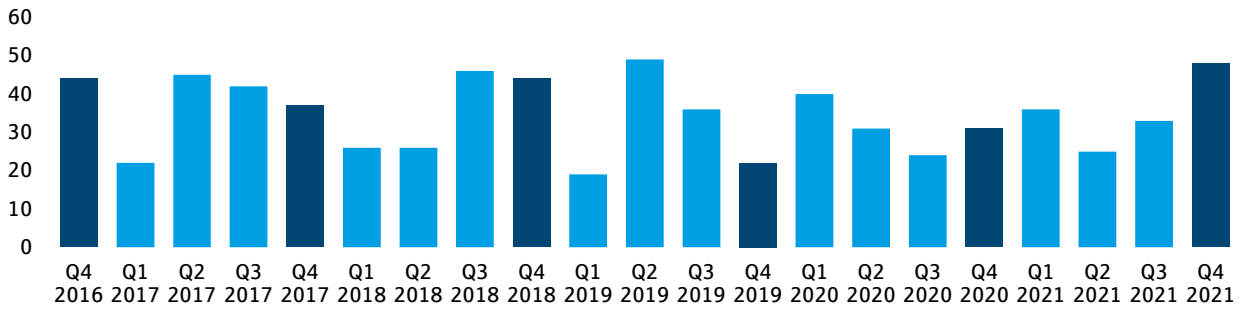
Schuldschein placements with ESG components (by volume, in EUR millions and market share in %)



Source: Helaba Research & Advisory

Number of deals continues to recover

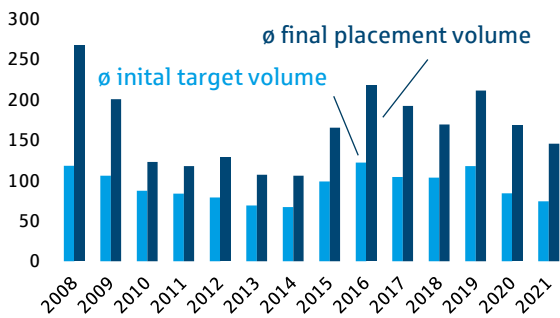
Number of valued Schuldschein issues*



*values from previous quarter adjusted where applicable.
Source: Helaba Research & Advisory

Average deal size below last year's level

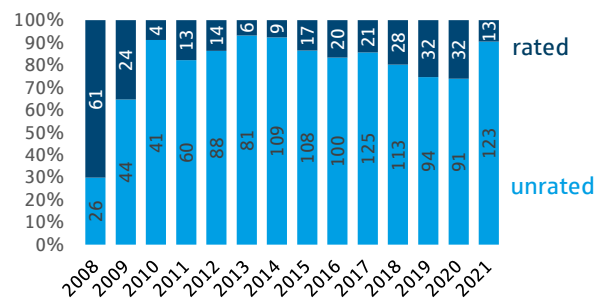
Average transaction volumes* (in EUR millions)



*includes valued deals until end of Sept 2021.
Source: Helaba Research & Advisory

Participation of rated issuers remains low

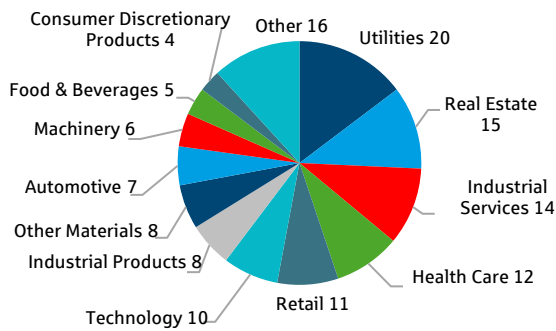
Number of issues by publicly rated and unrated deals*



*includes valued deals until end of Sept 2021.
Source: Helaba Research & Advisory

Utilities and Real Estate account for 25 % of deals

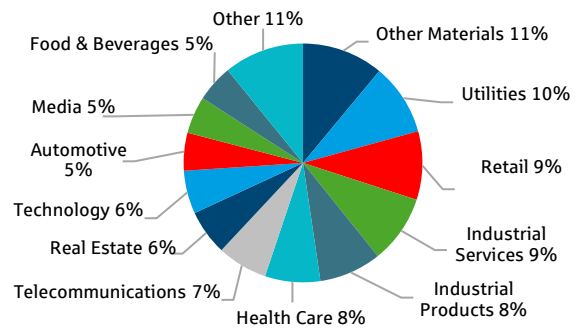
Number of issues by sector in 2021



Source: Helaba Research & Advisory

'Other materials' with highest market volume

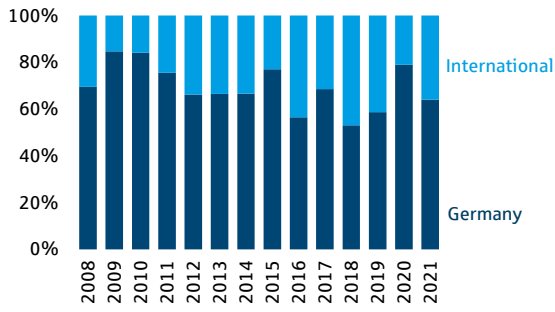
Issuance volume by sector in 2021 (EUR billions or %)



Source: Helaba Research & Advisory

Interational issues defend market share

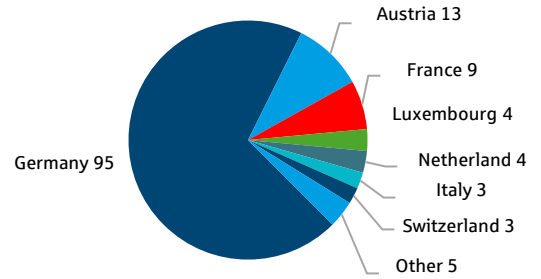
Issuance volume by country of origin* (in %)



*includes valued deals until end of Sept 2021.
Source: Helaba Research & Advisory

High market activity of Austrian & French issuers

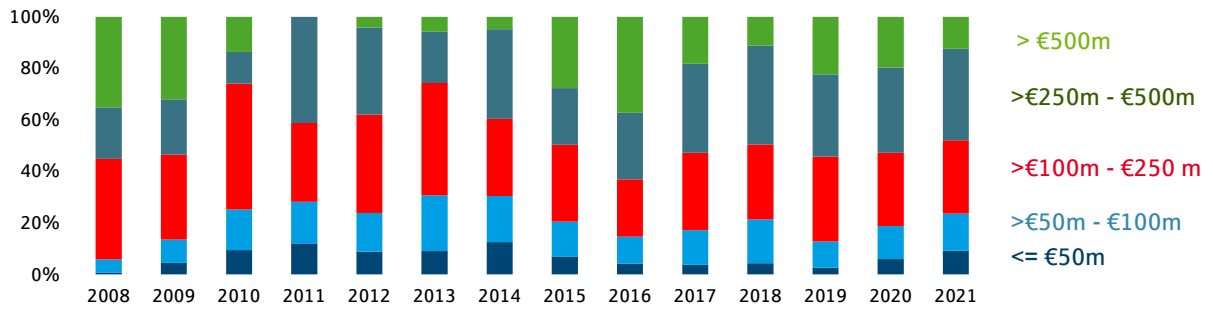
Number of issues by country of origin in 2021



Source: Helaba Research & Advisory

Small sized deals displaying high demand

Issue size (distribution by volume in EUR millions)*



*includes valued deals until end of Sept 2021.
Source: Helaba Research & Advisory



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