# Focus on: Credits 8 December 2023

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## **Corporate Schuldschein: Primary Market 2023**

## Respectable spurt at the end of the year



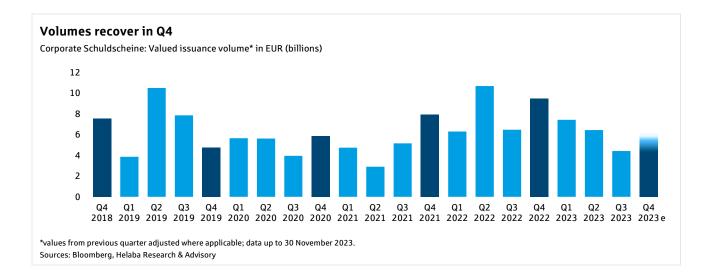
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Ulrich Kirschner, CFA Senior Analyst Phone 069/91 32-28 39

After a subdued performance in Q3, activity in the corporate Schuldschein market picked up noticeably in the final quarter of the year. According to our current information, at least EUR 5.1bn will have been valued in the three months to the end of the year. The number of transactions currently stands at 32, although there are likely to be a few more private placements. In addition, we do not yet know the final volumes of a number of deals in the marketing phase. We therefore expect the total volume in Q4 to be closer to EUR 6 billion, continuing the dynamic performance of the first half of the year.

Looking ahead to 2023 as a whole, the market is approaching a volume of around EUR 25bn.

Given that the Orpea restructuring case held back foreign and debut issuer activity for much of the year, and that some investment-grade rated companies have favoured the bond market due to lower funding costs, we consider this to be a very solid result for the year. In particular, foreign issuer activity has picked up recently. We therefore see good starting conditions for a further improvement in market sentiment in 2024 and for deal volumes to exceed this year's level.



#### One benchmark deals in Q4 – significantly more green transactions than last year

Not least due to the low number of benchmark-sized Schuldschein issues (4 deals since January), the average deal size in 2023 fell from EUR 189 million to EUR 174 million year-on-year. Among other things, the fact that the depth of the market is currently very difficult to estimate meant that only one deal with a volume of EUR 500 million or more were issued in the final quarter. The largest placement came from Groupe SEB with EUR 650 million. The market share of Schuldschein transactions with a sustainability component fell to one third of the placement volume, at the lower end of the long-term growth trend. However, the share of green deals with earmarked use of funds increased significantly once again. In 2023 as a whole, green Schuldscheine now account for just under 6 %

of the market volume, compared with almost 0 % in 2022. In our view, companies' familiarisation with the EU taxonomy and a better understanding of the requirements that a green placement will have to meet in the future are likely to have contributed to this revival.

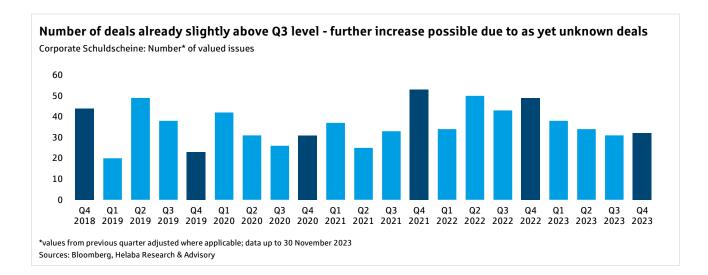
#### Utilities again with the most deals – issuers with agency ratings switch to the bond market

Utilities continued to be the leading sector in the fourth quarter. With 21 deals, they came to the market almost as often as in 2022. Retail also remained very active with the second highest number of transactions in 2023. By contrast, real estate companies have almost completely disappeared as an issuer group. The number of rated companies has more than halved compared to the previous year, due to the much cheaper financing costs in the bond market. A total of 19 agency-rated companies came to market, the second lowest number in the last eight years.

#### Non-German issuers' activity picks up – medium-sized transactions dominate

After a very cautious reception to non-German issuers in the wake of Orpea's restructuring, there were signs of a recovery in the fourth quarter. Groupe SEB, the domestic appliance manufacturer, was the first French public transaction of the year. Overall, 37 % of the market volume was issued by non-German issuers in the months from October to December - significantly more than in the first nine months of 2002. In addition, some larger placements from beyond Germany's borders are still in the marketing phase, so this share could be somewhat higher. Most foreign Schuldschein deals were issued by Austrian corporates, followed by Dutch counterparties. In terms of size, deals in the EUR 250-450 million range were particularly popular. Investors also continued to focus on short and medium maturities.

## **Chartbook: Corporate Schuldschein issues**

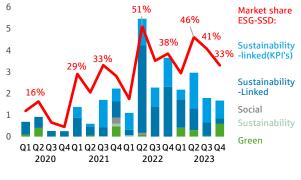


Corporate SSD: Average transaction volumes\* in EUR (millions) 300 ø final placement volume 250 inital target volume 200 150 100 50 ٥ 2008 2020 2009 1,018 2019 -201<sup>1</sup> 202 202 202 202 202 202  $2^{\circ}$  $2^{\circ}$ \*SSD = Schuldscheindarlehen (promissory notes), data up to 30 November 2023

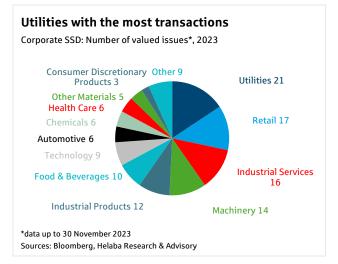
SSD loans lower on average than last year

Sources: Bloomberg, Helaba Research & Advisory



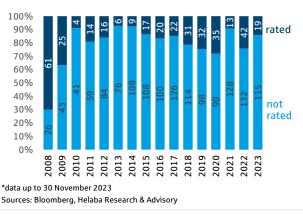


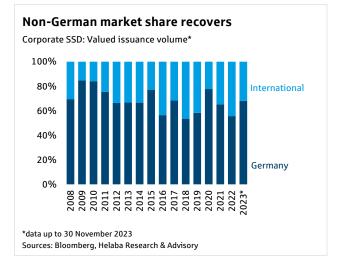
\*data up to 30 November 2023 Sources: Bloomberg, Helaba Research & Advisory

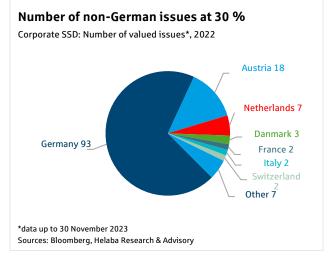


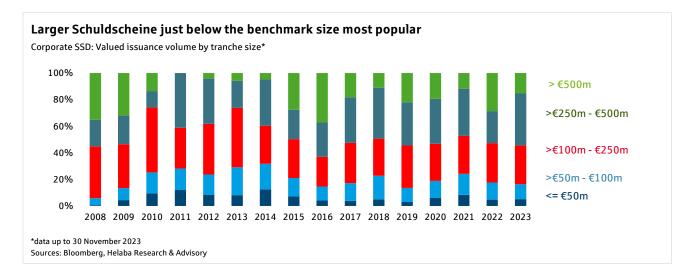
#### Significantly fewer rated corporates

Corporate SSD: Number of deals with and without agency ratings\*











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