

COMMERZBANK

The bank at your side



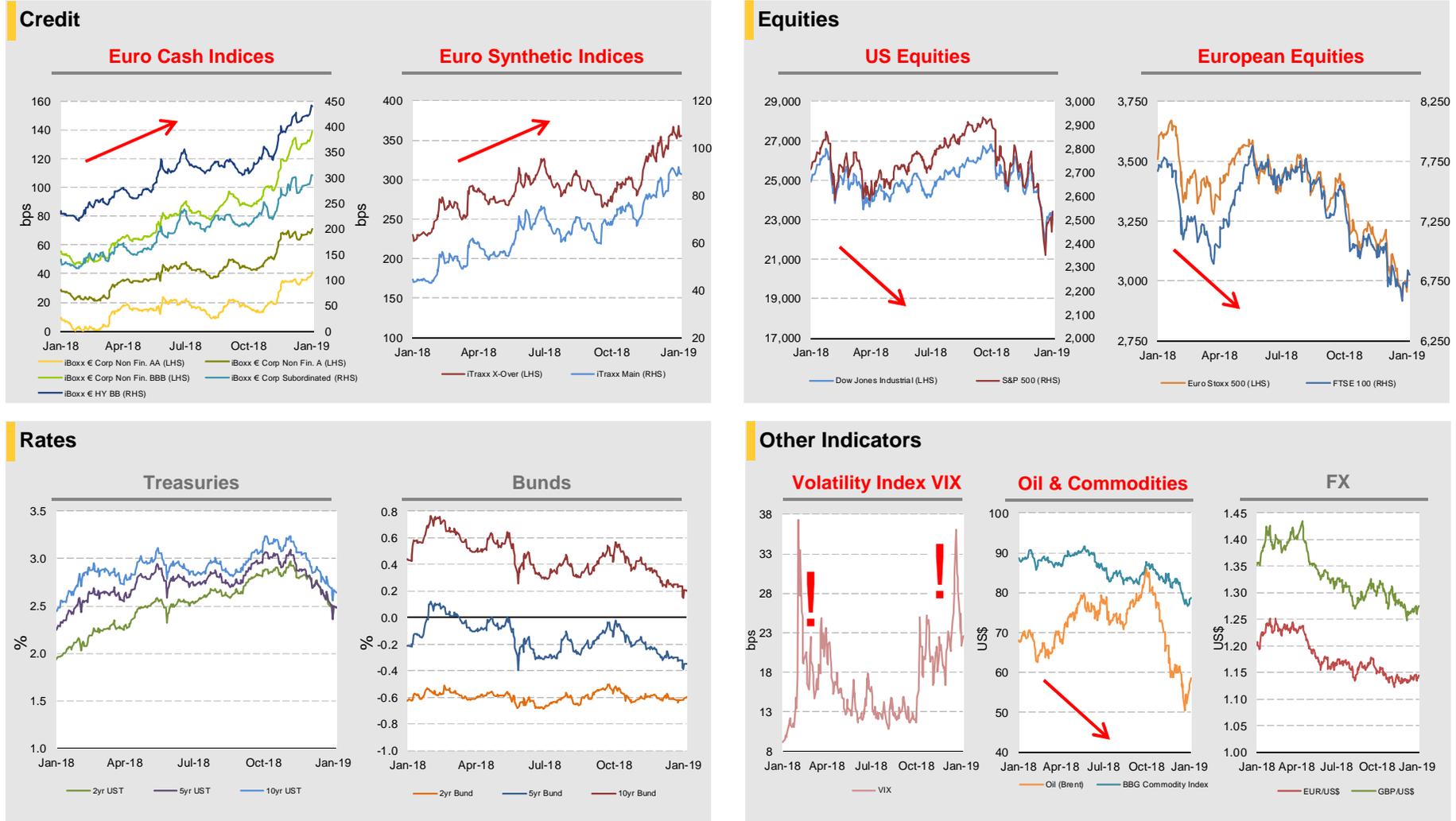
Capital Markets in 2019: Does money always find a way?

Debt Finance in times of change



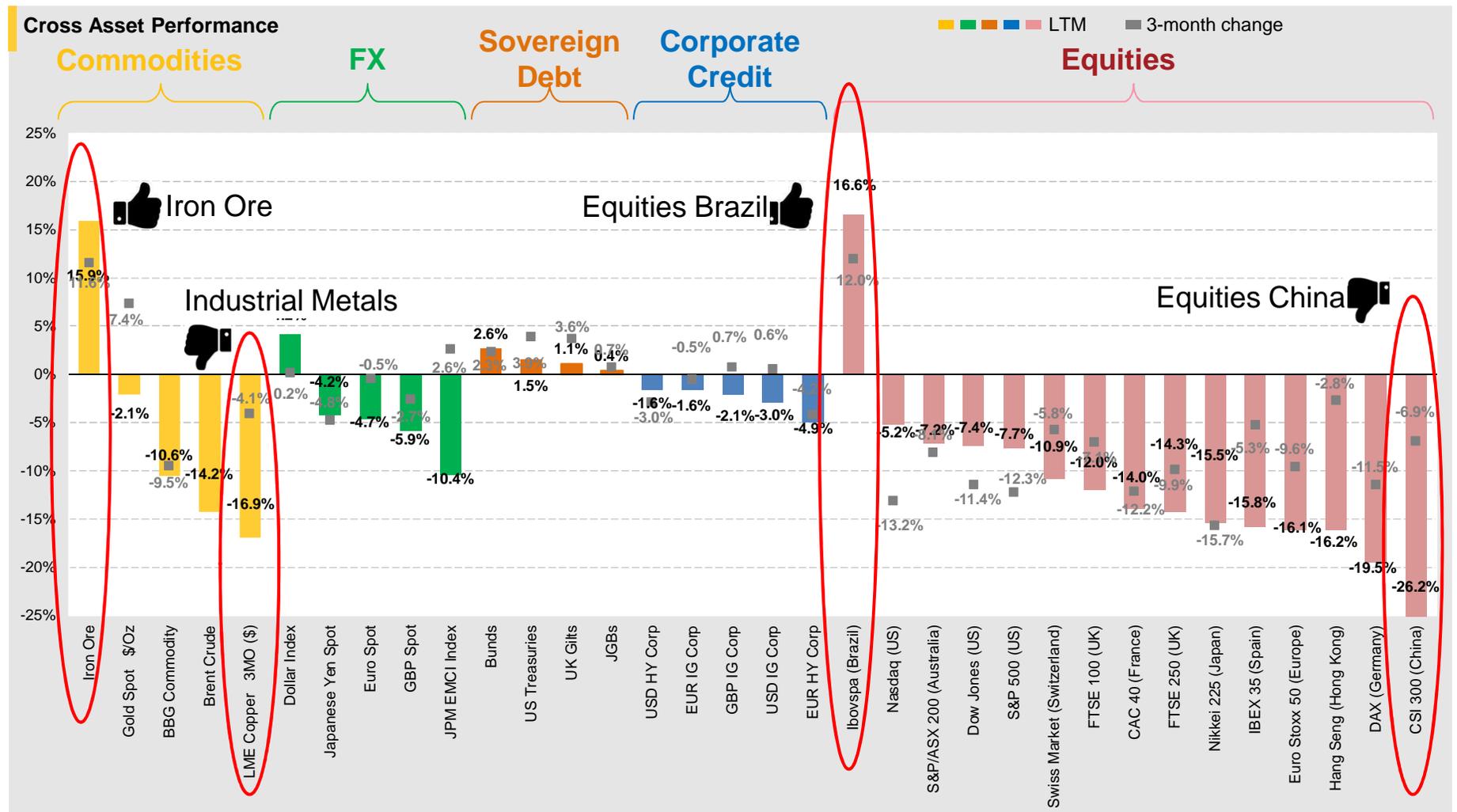
**2018 in retrospective:
How have the capital markets
developed?**

Market Monitor: some signs of volatility...



Source: Bloomberg, iBoxx Indices

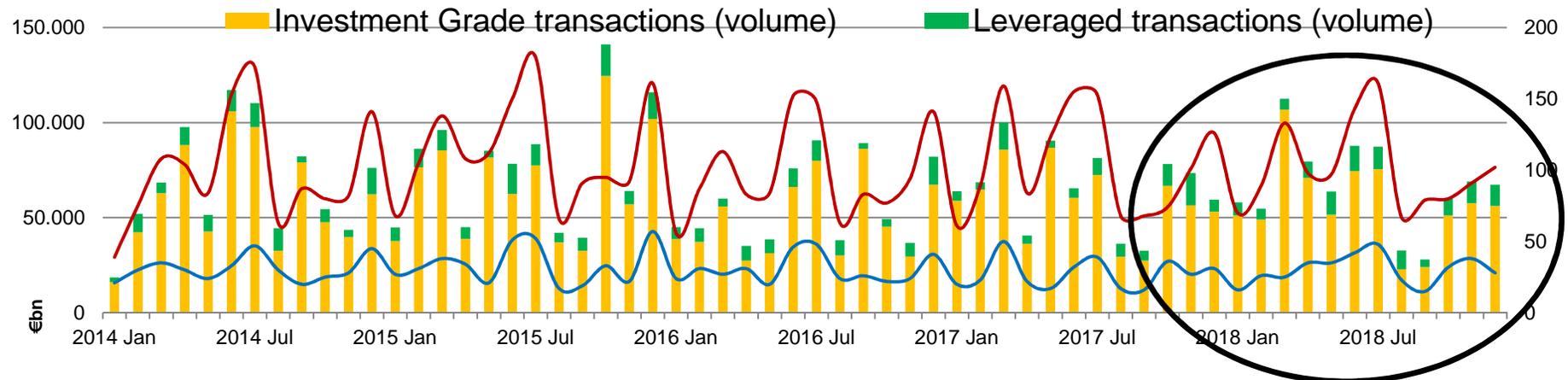
2018 Cross Asset Performance: only a few fared well...



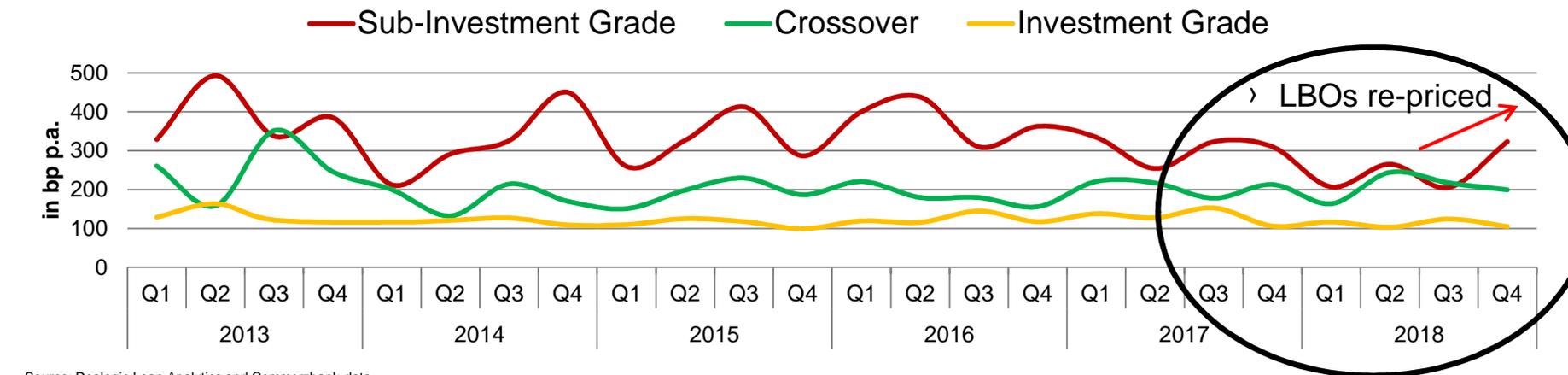
Source: Commerzbank, Bloomberg

Loan Market Overview: High Grade vs. LBO

Deal flow: flat markets, both in High Grade and LBO

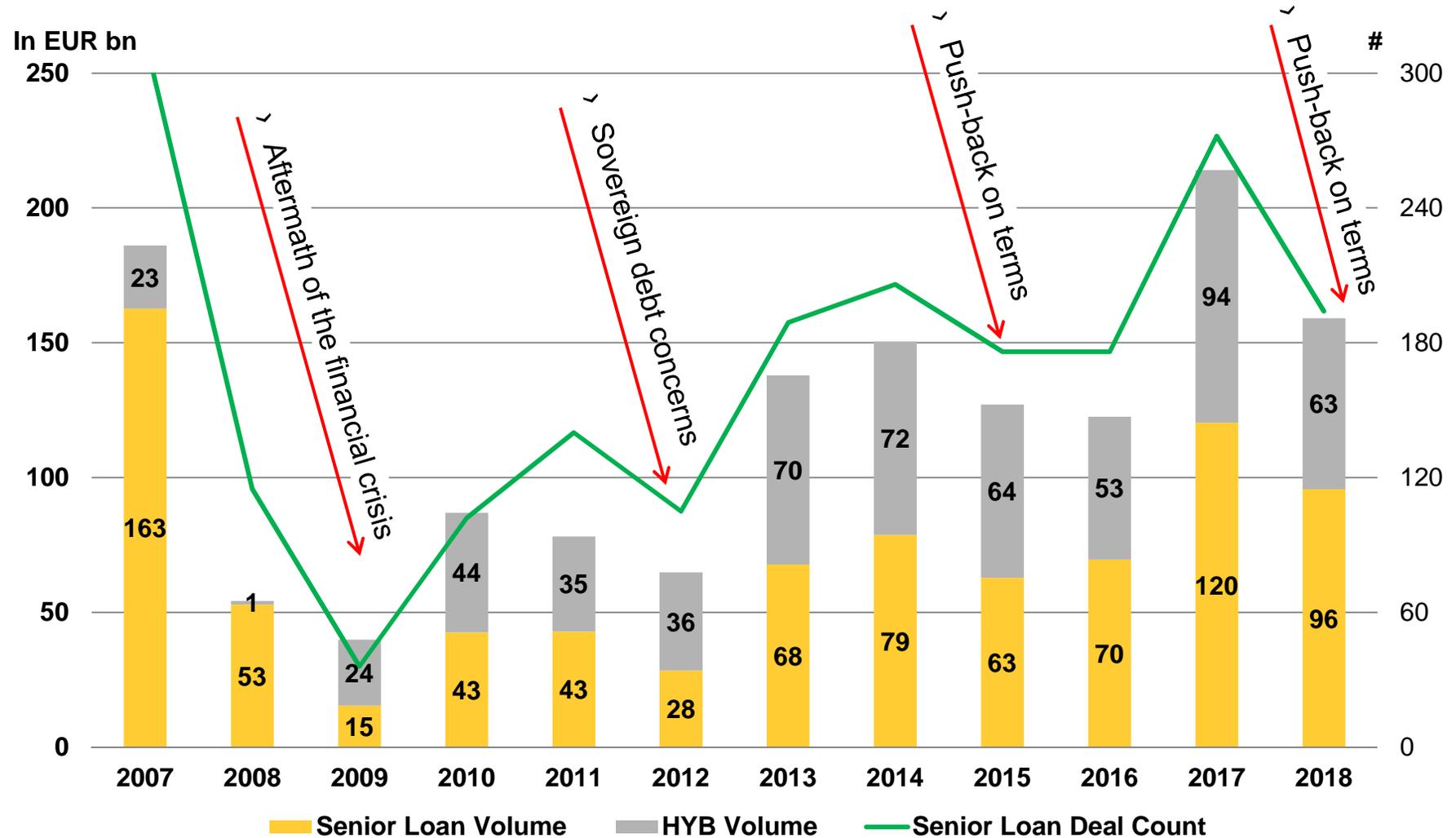


Interest margins: flat for High Grade, going up for LBO

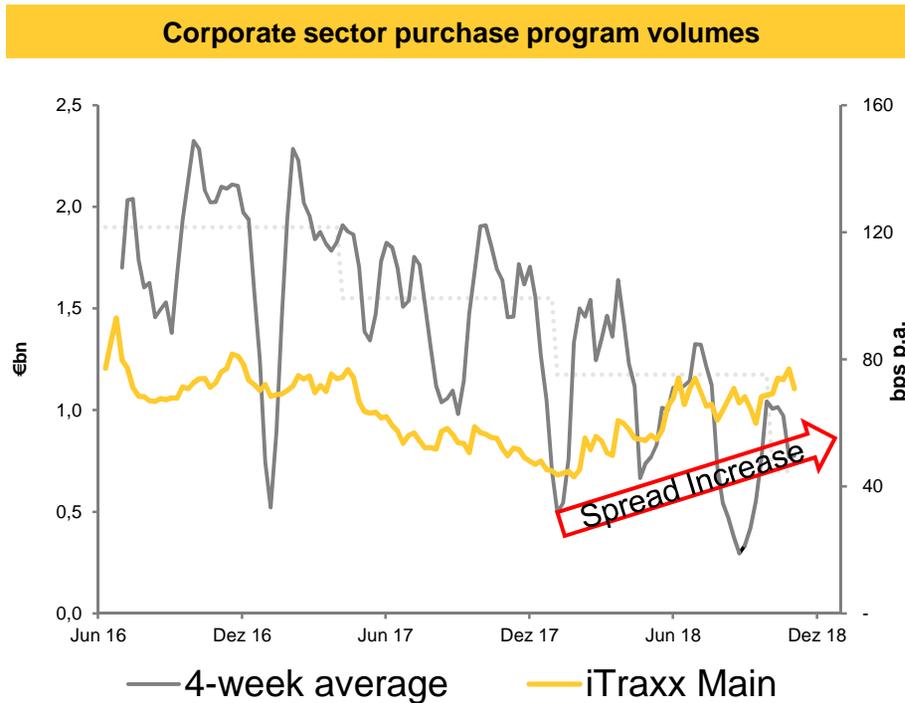


Source: Dealogic Loan Analytics and Commerzbank data

A closer look: movement in the LBO market and what that may mean...



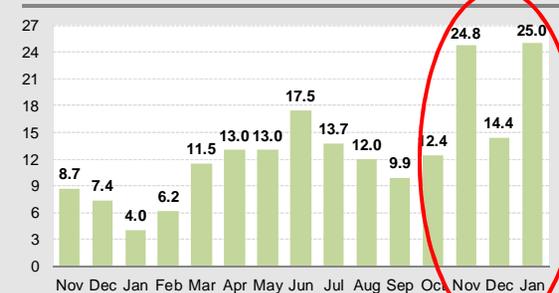
Corporate Bond Market: the end of Quantitative Easing



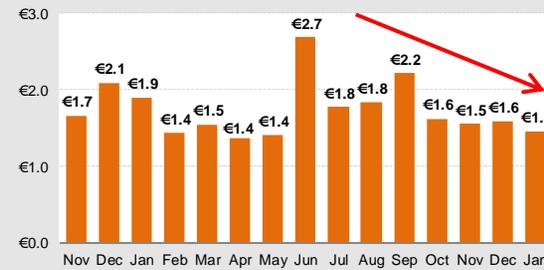
Source: Dealogic Loan Analytics, ECG and Commerzbank research | data criteria is corporates only

Subscription Statistics

New Issue Premium Evolution (bps)



Average Orderbook Size (€ billions)

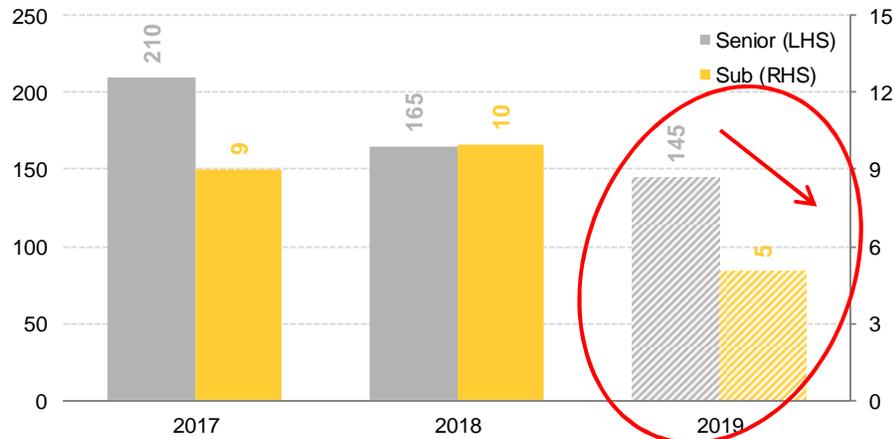


Average Oversubscription (multiple)



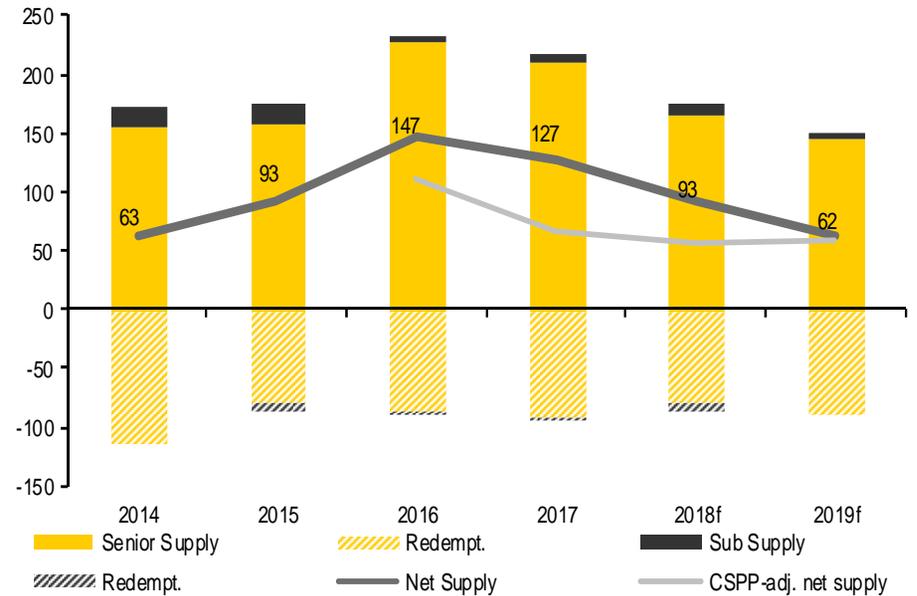
Overview: The European bond market

Euro IG Benchmark Supply (in EUR bn)



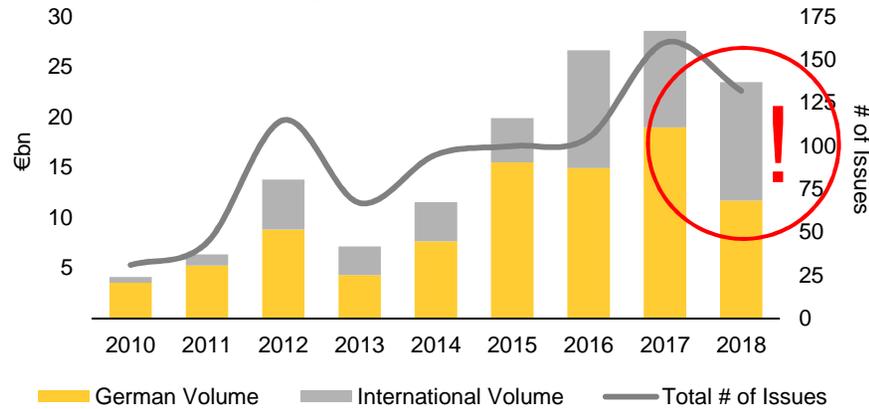
- There could potentially be a decrease in demand in anticipation of the credit cycle coming to an end.
- This would depend on volatility indicators to confirm a true trend
- It is likely that investors will be acting with more caution (“flight to quality”).

Euro Non-Financials Eligible Supply vs. Redemptions (in EUR bn)

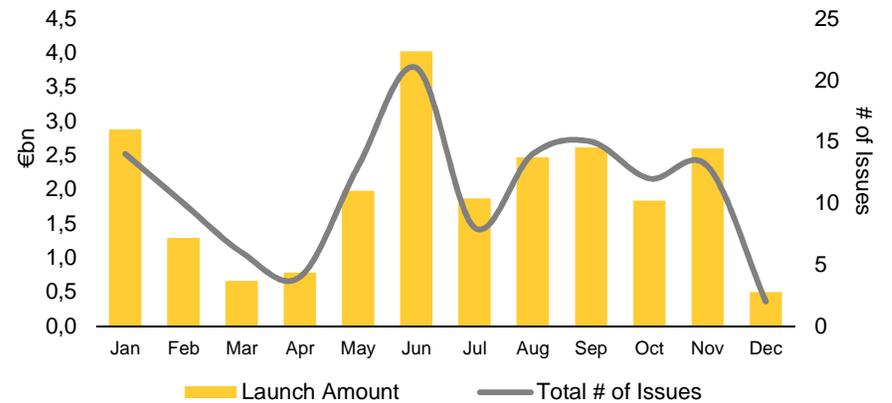


Schuldschein: The alternative Private Debt market

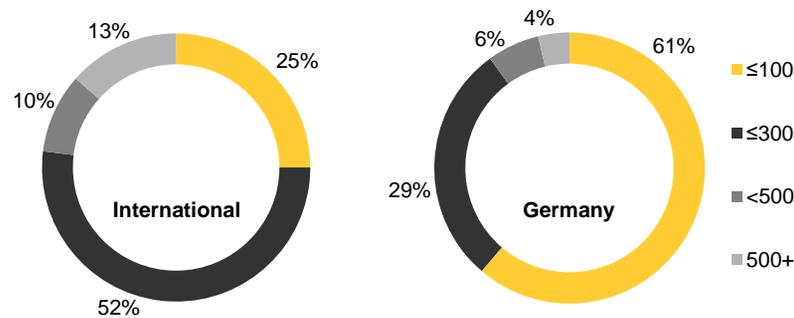
Annual market volumes



Monthly launch amounts in 2018



Distribution of deal size in 2018 (# of deals)



Example of International Schuldschein issues



Source: Commerzbank. Note: in such cases where the final issued amount was not made public, the launch amount has been used.



Debt finance in 2019: What to keep in mind?

Debt Finance in 2019: just a couple of known unknowns...



BREXIT



Practical Considerations for Corporates



Be flexible

- › Ensure that your finances are flexible
 - avoid single lender dependency
 - avoid single market and/ or product) dependency
 - and avoid single geography dependency, if your business is international

Be prepared

- › Flexibility needs preparation
 - get permissions in place, get market-conform reporting in place
 - know your market, know your product, know the players
 - and, if possible, don't opt for a debut transaction in times of dire need

Adapt

- › Chose the right instruments and tenors:
 - It's in the mix: varying debt instruments leads to increased optionality

Investment Grade – Potential financing instruments

	Syndicated loan / Club deal	Schuldschein	Private Placement	Corporate bond (rated)	Corporate bond (unrated)
Type of funding	Term and / or RCF	Term	Term	Term	Term
Size	> EUR 100m	EUR 50-500m	EUR 100-500m	> EUR 200m	> EUR 200m
Investor type	Banks	Banks, Institutional investors	Insurances, Institutional investors	Institutional investors	Institutional investors
Tenor (years)	Up to 5 (multi-tranche possible)	3 / 5 / 7 (multi tranche common)	3 / 5 / 7 / 10 / 15 (multi tranche common)	3-10 years	3-5 years
Currency	Flexible	Mainly EUR; USD and CHF possible with limited liquidity	Mainly USD, GBP and EUR possible	EUR	EUR
Interest / Coupon	Floating; financing costs linked to financial ratio (margin-grid)	Fixed and floating	Fixed	Fixed	Fixed
Redemption	Bullet and amortising; early redemption at par	Bullet; early redemption at par for floating tranche(s)	"Make-whole" clause usually limits early redemption	Bullet	Bullet
Agency rating required	No	No; rating supports maturity and investor diversification	Non-public NAIC rating required	Min. 1 public rating; S&P or Moody's preferred	None
Financial covenants	Yes; typically 1-3 financial covenants	Limited; similar to bank loan documents	Typically 1-3	None	None
Amendments / Waivers	Possible and common; "Majority Lenders" concept	Limited flexibility; bilateral negotiations required	Limited flexibility; bilateral negotiations required	No changes to terms and conditions	No changes to terms and conditions
Time frame	8 - 12 weeks	8 - 12 weeks	6-9 weeks	8 - 12 weeks (if rating process included, rather at the longer end)	8 - 10 weeks
Documentation	Uniform documentation (LMA standard) with all banks; equal treatment of all lenders	Standard SSD agreement (German law)	Individual documentation, however equal treatment of all lenders	Standard Investment Grade Corporate Bond documentation	Investment Grade style documentation

Sub-Investment Grade – Potential financing instruments

	Syndicated loan	Corporate bond (rated)	High Yield Bond	Term Loan B	Mezzanine (debt)
Type of funding	Term and / or RCF	Term	Term	Term	Term
Size	> EUR 100m	> EUR 200m	> EUR 250m	> EUR 100m	EUR 30-100m
Investor type	Banks	Institutional investors	Institutional investors	Institutional investors	Specialised funds, family offices
Tenor (years)	Up to 5 years plus extensions (multi-tranche possible)	3-10 years	3-10 years; NC periods depend on the tenor	Up to 7 years	Up to 7 years
Currency	Flexible	EUR	EUR	EUR, GBP, USD	Flexible
Interest / Coupon	Floating; financing costs linked to financial ratio (margin-grid)	Fixed	Fixed	Fixed	Fixed or floating
Redemption	Bullet and amortising; early redemption at par	Bullet	Bullet	Bullet	Bullet or amortising
Agency rating required	No	2 public ratings Min. BB+/BB	2 external ratings	2 external ratings (non-public)	No
Financial covenants	3 financial covenants; further limitations on CAPEX, dividends possible	None	Incurrence covenants	None, or cove lite	Individual negotiations with lenders
Amendments / Waivers	Possible and common; "Majority Lenders" concept	No changes to terms and conditions	No changes to terms and conditions		Individual negotiations with lenders
Time frame	8 - 12 weeks	8 - 12 weeks	8 - 12 weeks	8 - 12 weeks	8 - 12 weeks
Documentation	Uniform documentation (LMA standard) with all banks; equal treatment of all lenders	Standard Investment Grade Corporate Bond documentation	Standard HYB documentation	Standard TLB documentation	Individual documentation

A happy and safe 2019 to all!



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