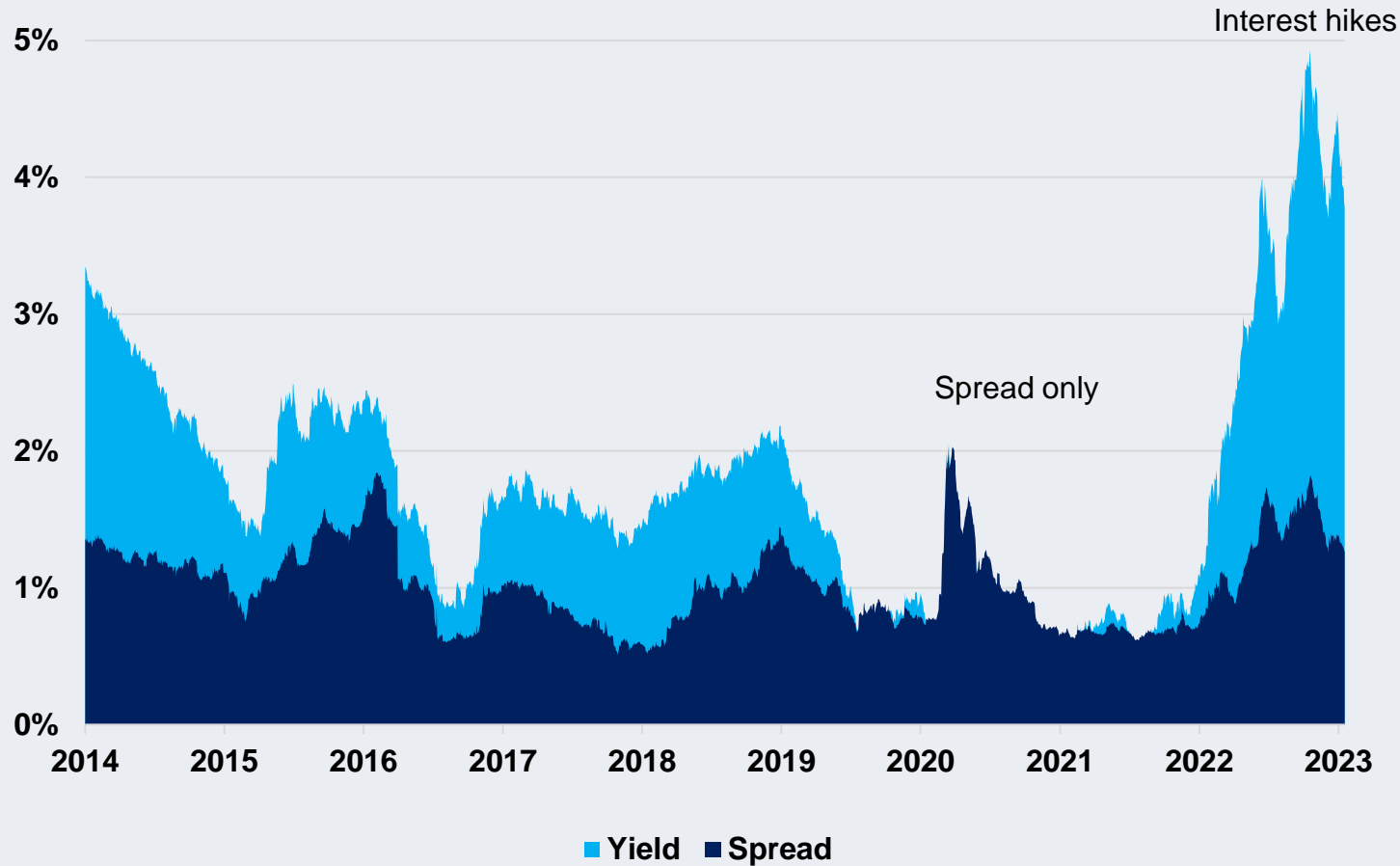


# Wie Pricing & Timing den Erfolg von Neuemissionen bestimmen

Prof. Dr. Dirk Schiereck  
TU Darmstadt

- 1 Why Corporate Funding is key now?**
- 2 Which difference BondRanking can make?**
- 3 Financial Impact of Pricing & Timing Outlier**
- 4 Empirical Evidence Austrian Issuer vs. European Peers**

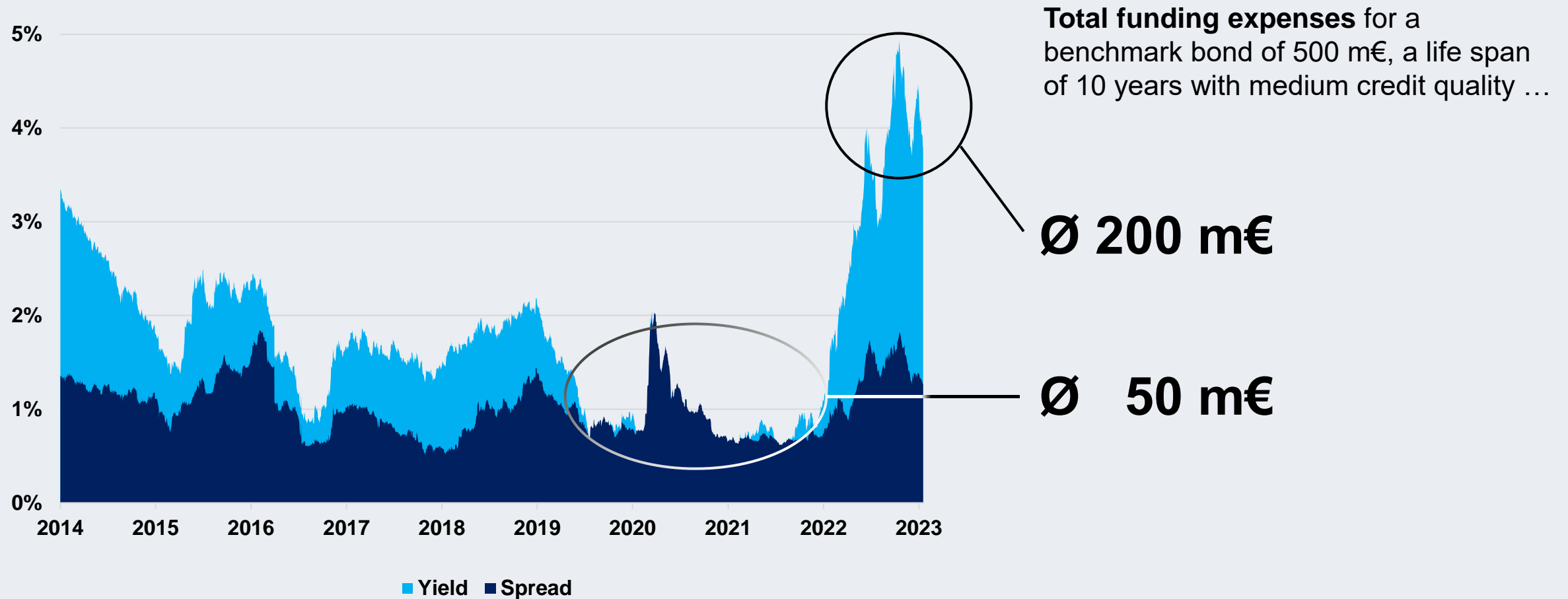
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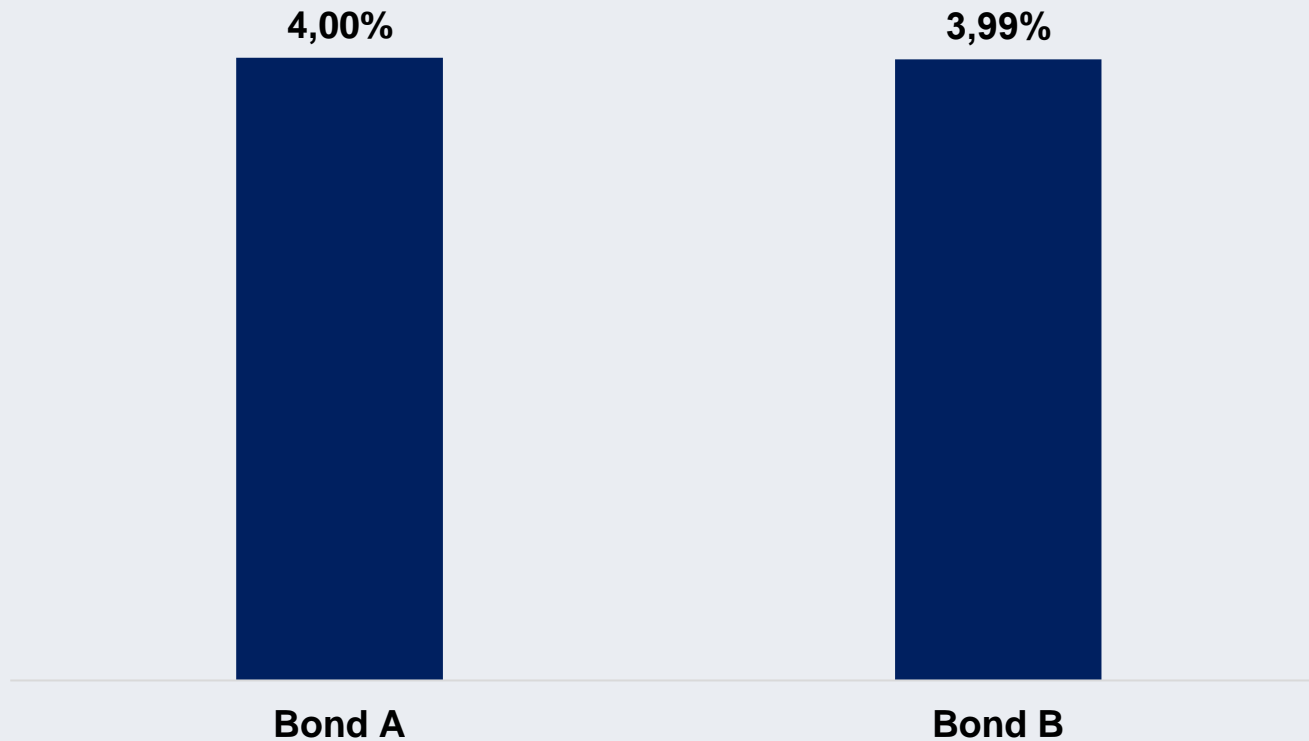
Bond Yield & Spread development with 10 years duration and medium credit quality

- After a period of „spread only“ with historically low bond yields credit markets entered the “old normal” again, with a interest basis of currently ~3% and total yield of ~4%
- Regardless of whether the increase of total yield comes from: funding conditions dramatically worsened for all corporates
- **Result: management of funding will be key as it has a serve impact on financial KPIs**

# Consequences for corporate Funding



Bond Yield & Spread development with 10 years duration and medium credit quality



- A “**Basis Point**” is one hundredth of one percent – in other words: **0.01%**
- **Difference of one basis point** in issuing yield results in 500 m€ difference in total funding expenses\*
- **Issuer of Bond B has 500.000 € lower interest expenses**

\* Bond 10 years duration and nominal value of 500 m€



**Every single debt transaction has meaningful impact on EPS and Market Cap**

**Corporate Funding needs precise measuring instruments ...**

... to be prepared for **efficient funding transactions**

... to illustrate the **influence of funding on key KPIs** like EPS or share price

... as part of **risk management** in uncertain times

... as possibility to evaluate **performance of treasurer & advising banks**



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**BondRanking is a unique scientific methodology to ...**

**... make a quantitative assessment about the funding ability of a company**

**... quantify appropriateness of interest expenses**

**... review the pricing balance between issuer and investors**

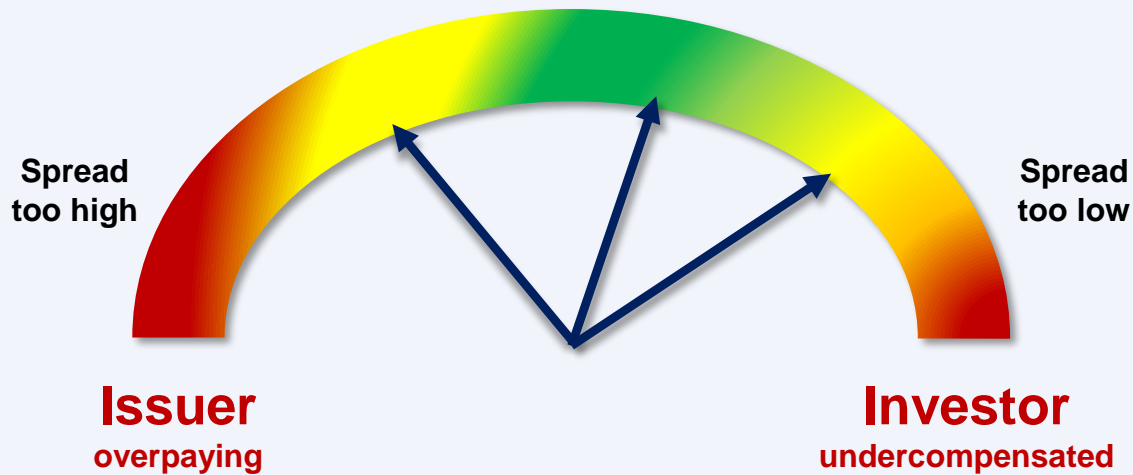
**... benchmark a primary transaction towards its peer transactions**

**... identify cases of best practice to learn from the Best**

**BondRanking is the first benchmarking tool for corporate funding efficiency**

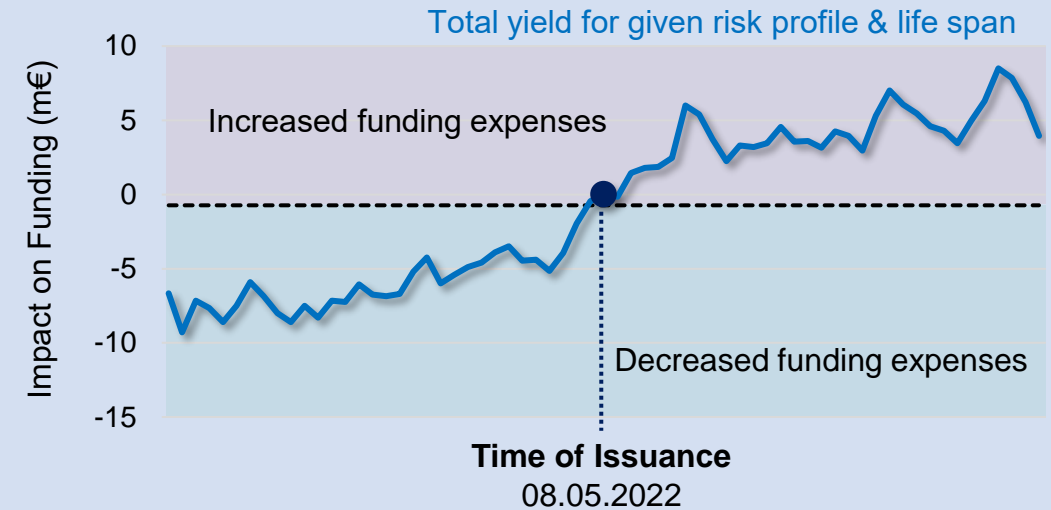
## Pricing

Right balance



An appropriate initial spread is met by the **optimal balance of interests** of investors – **attractive new issue premium** – and the interest of issuer – **low interest expenses**.

## Timing



An **advantageous timing** can be determined by an ex-post analysis around the time of issuance.

## Massive spread Tightening

Initial spread granted by issuer tightens **meaningful stronger** compared to benchmark

**Problem:** Initial spread set too high over-compensating investors for risks taken

**Result:** issuer is losing unnecessary interest expenses to the detriment of shareholders

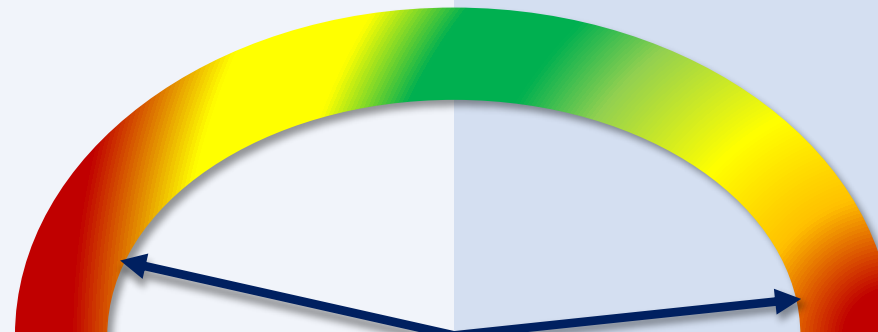
## Spread Widening

Initial spread is (strongly) widening during early secondary market

**Problem:** primary investors suffering a (relative) loss leading to negative capital market standing

**Result:** future bond issuances will end up in higher interest expenses for issuer & loss of reputation (Capital Market Standing)

**Issuer**  
overpaying



**Investor**  
undercompensated

1

Perfect equilibrium of Pricing satisfying all stakeholder in the issuance process  
Timing very favorable from issuer's perspective (~ Top 10%)

2

Good equilibrium of Pricing satisfying all stakeholder in the issuance process  
Timing favourable from issuer's perspective (~ Top 30%)

3

Average (~ Mid 45%)

4

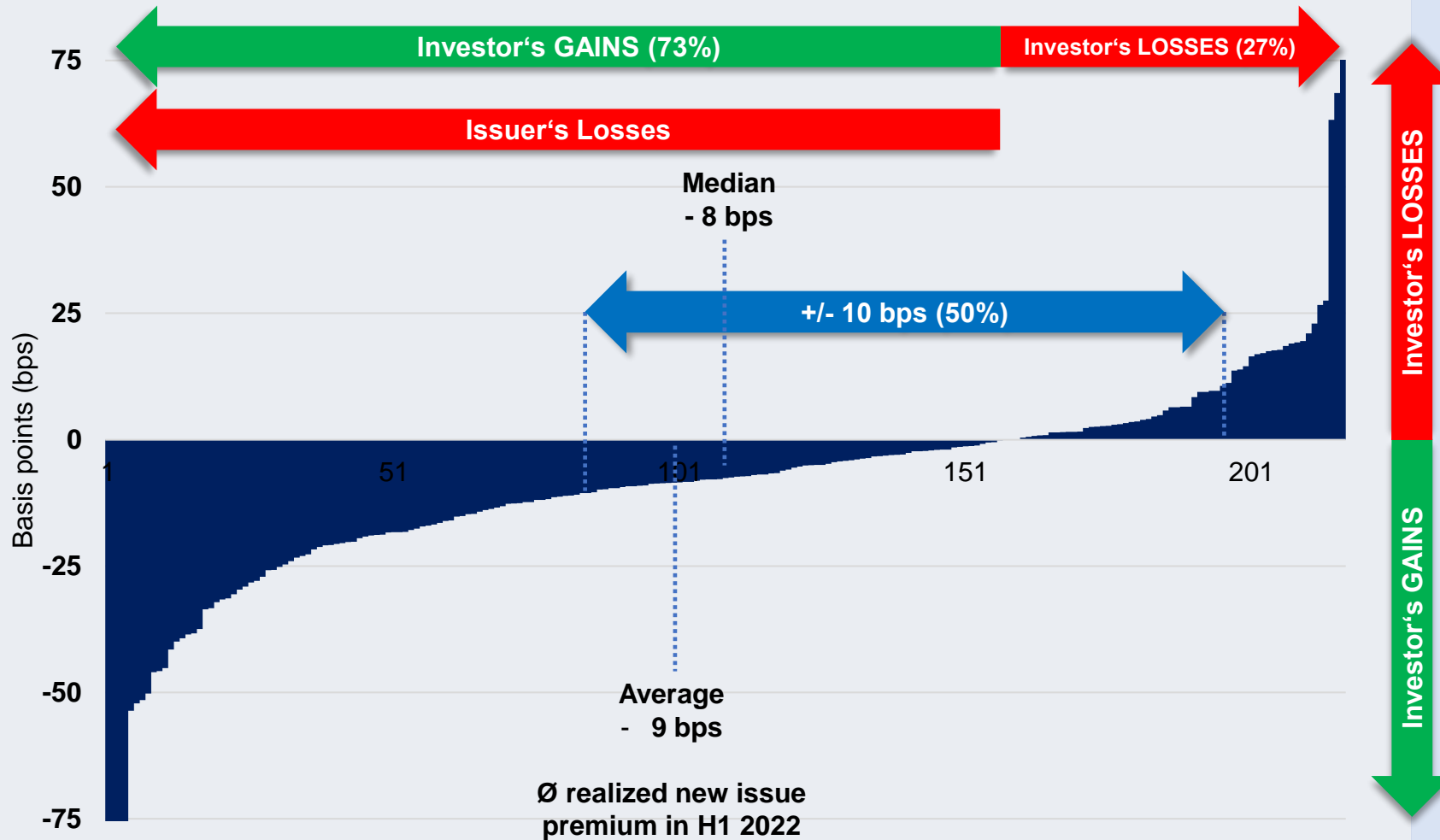
Pricing problematic, either for issuer or for investors  
Timing unfavourable, either for issuer or investors (~ Flop 25%)

5

Pricing very problematic, either for issuer or for investors  
Timing very unfavourable, either for issuer or investors (~ Flop 10%)

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# Early secondary Market Performance H1 2022



- Early secondary market **performance** (secondary development adjusted by market benchmark) was - 9 bps (vs. - 5 Ø 2019 – 2021)
- ~ 50% of bonds with an early secondary market performance of +/- 10 bps
- Investors have been rewarded for their participation in primary transaction in 73% (vs. 59% Ø 2019 – 2021) of bonds analyzed with a spread tightening of Ø 17 bps
- 27% (vs. 41% Ø 2019 – 2021) of new issues resulted in a negative effect for investors of Ø 12 bps spread widening
- **H1 2022 has been an “investor’s market”**

## Pricing Outlier Issuer

Worst 100 issues (4% of total) between 2017 – 2021\* ended up in a loss of

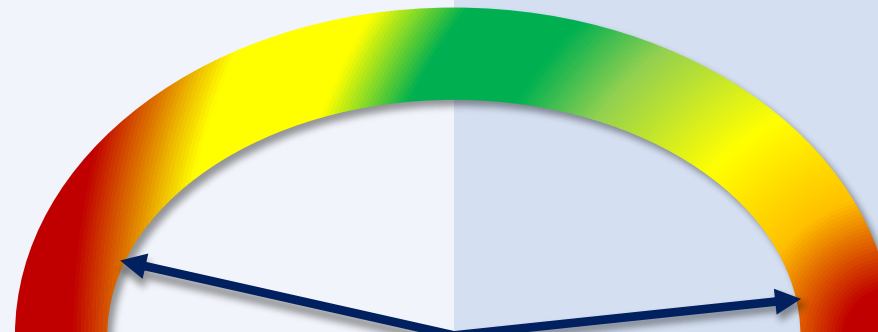
**Ø - 18.4 Mio. €**  
per issue

## Pricing Outlier Investors

Worst 100 issues (4% of total) between 2017 – 2021\* ended up in a loss of

**Ø - 15.7 Mio. €**  
per issue

**Issuer**  
overpaying



**Investor**  
undercompensated



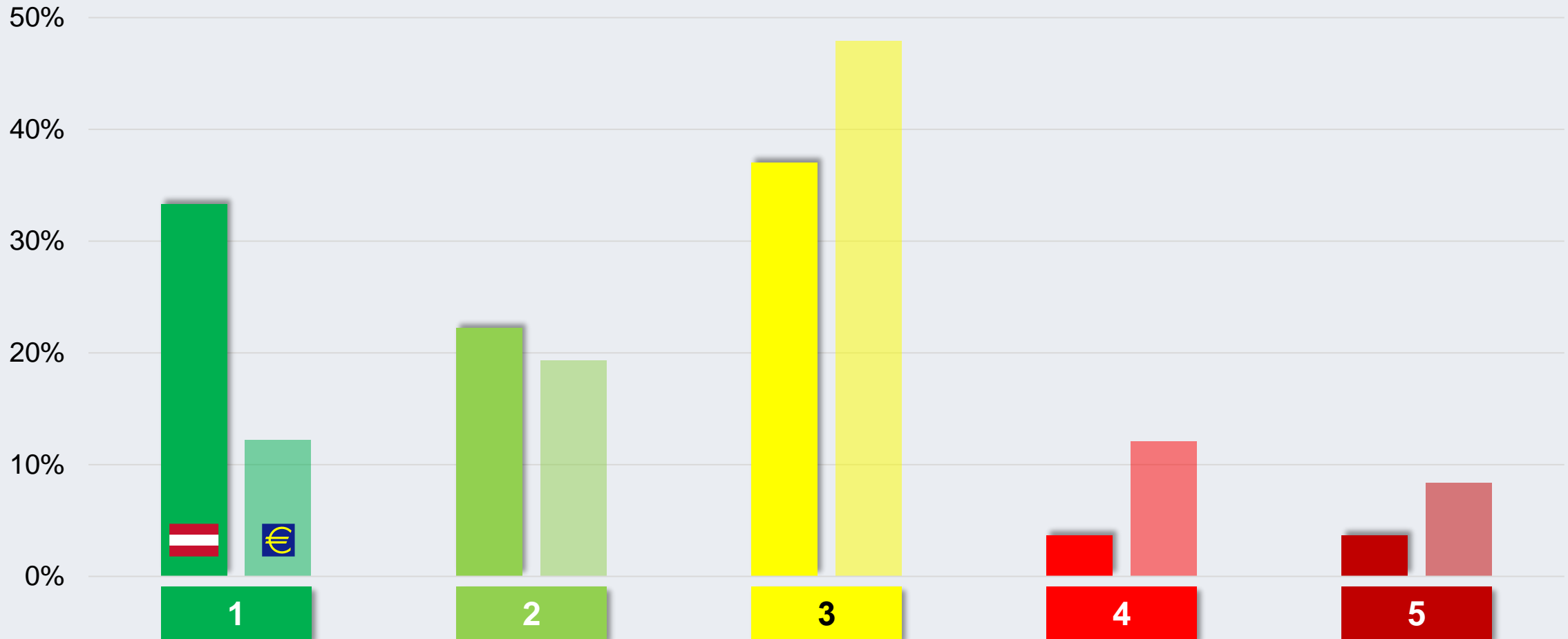
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# Austrian Issues vs. European Peers

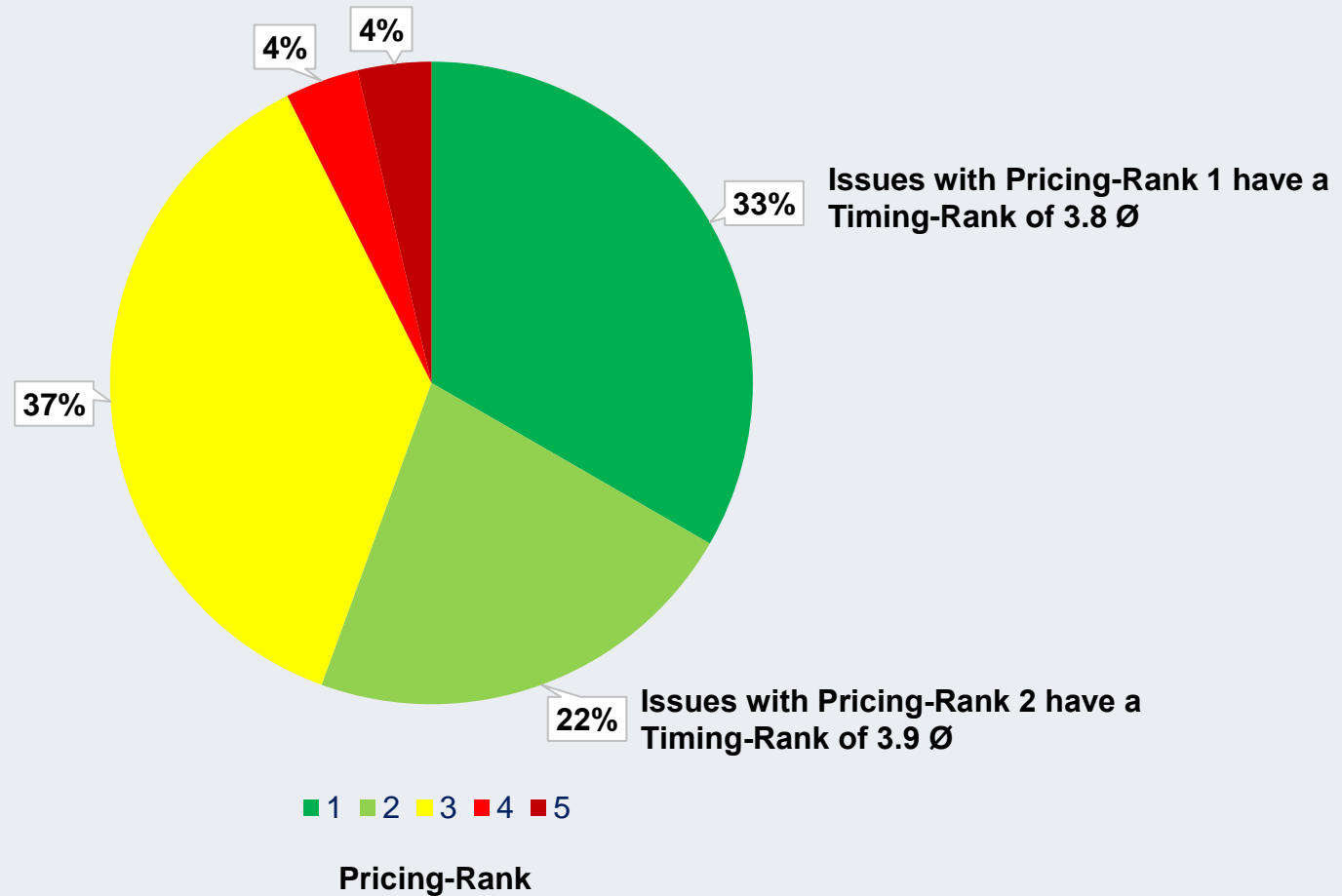
Issuer Ø 2019 - 2021	Pricing-Rank	Timing-Rank	DebtRay Ranking
€ IG Bond Issuer (1.511)	2.9	3.1	2.9
Austrian IG Bond Issuer (27)	2.2	3.3	2.6

- Austrian issues have a **strong pricing advantage** on average
- Austrian issues have a **slight timing disadvantage** on average
- **Pronounced negative correlation of pricing & timing**

# Significant better Pricing Performance



# Negative Correlation of Pricing & Timing



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Für die dargestellten Informationen wird keine Haftung übernommen.