

French corporates take Germany's Schuldschein private-debt market to heart

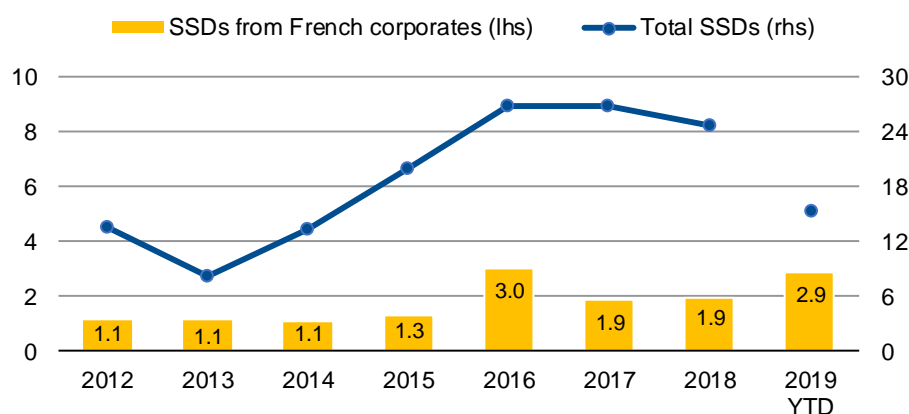


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French corporates have become enthusiastic users of Germany's Schuldschein market to supplement their funding requirements, reflecting both their appetite for debt finance and the growing international appeal of the private-debt segment.

French companies have become the biggest issuers of SSD paper, following German and Austrian companies, reducing the historical dominance of the segment by German and Austrian issuers. French corporates have placed around EUR 3bn in SSD paper so far this year, compared with around EUR 7bn from German issuers, EUR 2bn from Austrian, and EUR 3.5bn from other countries. With 45 different French SSD issuers over the years – many of them with more than one issues – the private debt instrument appears to be well established among corporates and arrangers.

Rising placement volumes of French corporates from the German SSD debt instrument (in EURbn)



Source: Scope Ratings

France's relatively large number of multinational companies have been among the most aggressive in Europe in taking advantage of ultra-low interest rates to fund acquisitions and refinance their balance sheets. And as more big names have shown that the SSD is a reliable and viable way to supplement their funding, mid-sized companies have followed in their wake.

French companies top the list of newcomers to the private-debt this year. Iliad SA, Lagardere SCA, Metropole Television SA - Groupe M6, Peugeot SA, Valeo SA and Vicat SA are all among the debut SSD issuers. Repeat issuers from France include Mersen SA, neopost SA, Tarkett SA, Orpea SA and Vilmorin Clause & Cie.

The internationalisation of the SSD market explains partly why placement volumes picked up strongly in H1 2019 compared with H1 2018. Around 80 transactions raised more than EUR 14.8bn, more than the first-half volume in the record years of 2016 and 2017 and significantly higher than in H1 2018: around EUR 8.5bn placed in roughly over 50 deals.

Competitive pricing is the latest attribute of the SSD segment that is attracting issuers, adding to the benefits of shorter placement periods, less onerous documentation, lower associated transaction costs, increasingly facilitated by digital platforms.

We also have the impression that the larger French corporates which intend to tap the private debt market tend to prefer the German debt instrument over the Euro-PP segment which is favoured by French SMEs. However, we believe that is more a question of time until also smaller French corporates will also more frequently address the SSD for smaller ticket sizes. Besides the appealing pricing conditions, we also see the advantage for corporates of leaner loan documentation compared with the more complex bond documentation for Euro-PPs.

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