



# Tuyid-Webinar: Creditor Relations in Tough Times

Why Creditor Relations matters

10<sup>th</sup> July 2020

## Speaker



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## Agenda

1

### **Why Creditor Relations makes a difference?**

Creditor Relations as the fundament of Capital Governance!

2

### **Why Secondary Market Coverage is Key?**

How are the primary and secondary markets linked?

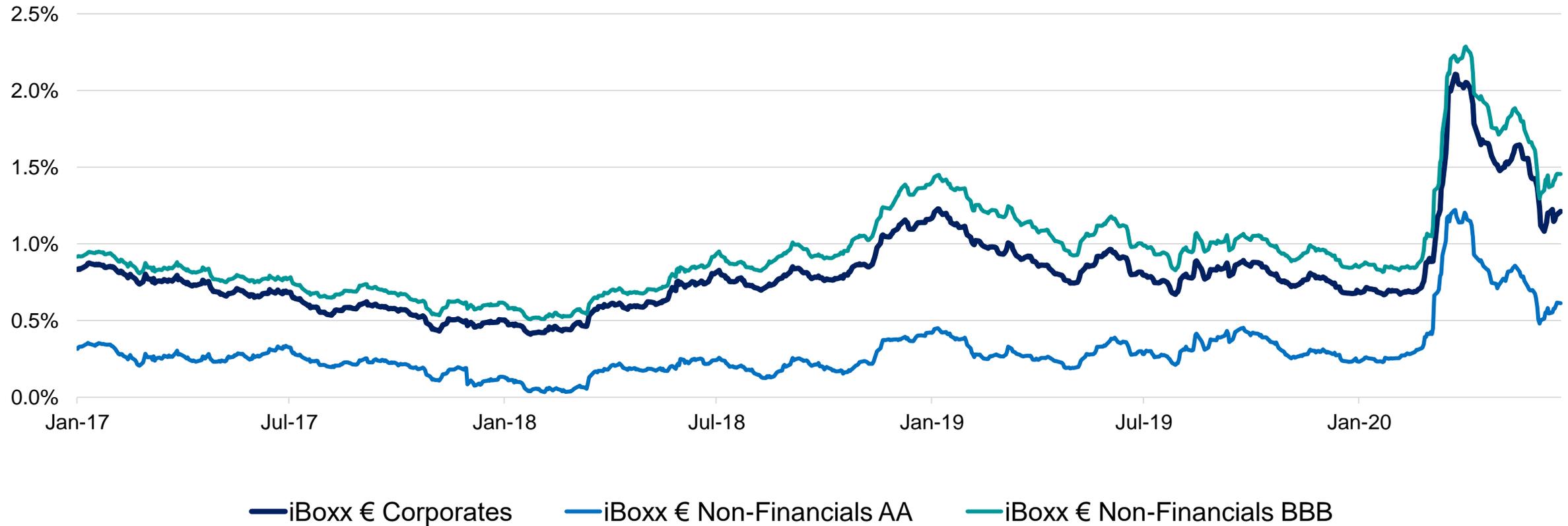
3

### **Know your Investors!**

How to identify prices and players in the secondary markets?

# Debt Market Update – Market Reaction to Outbreak of COVID-19

Credit Spread



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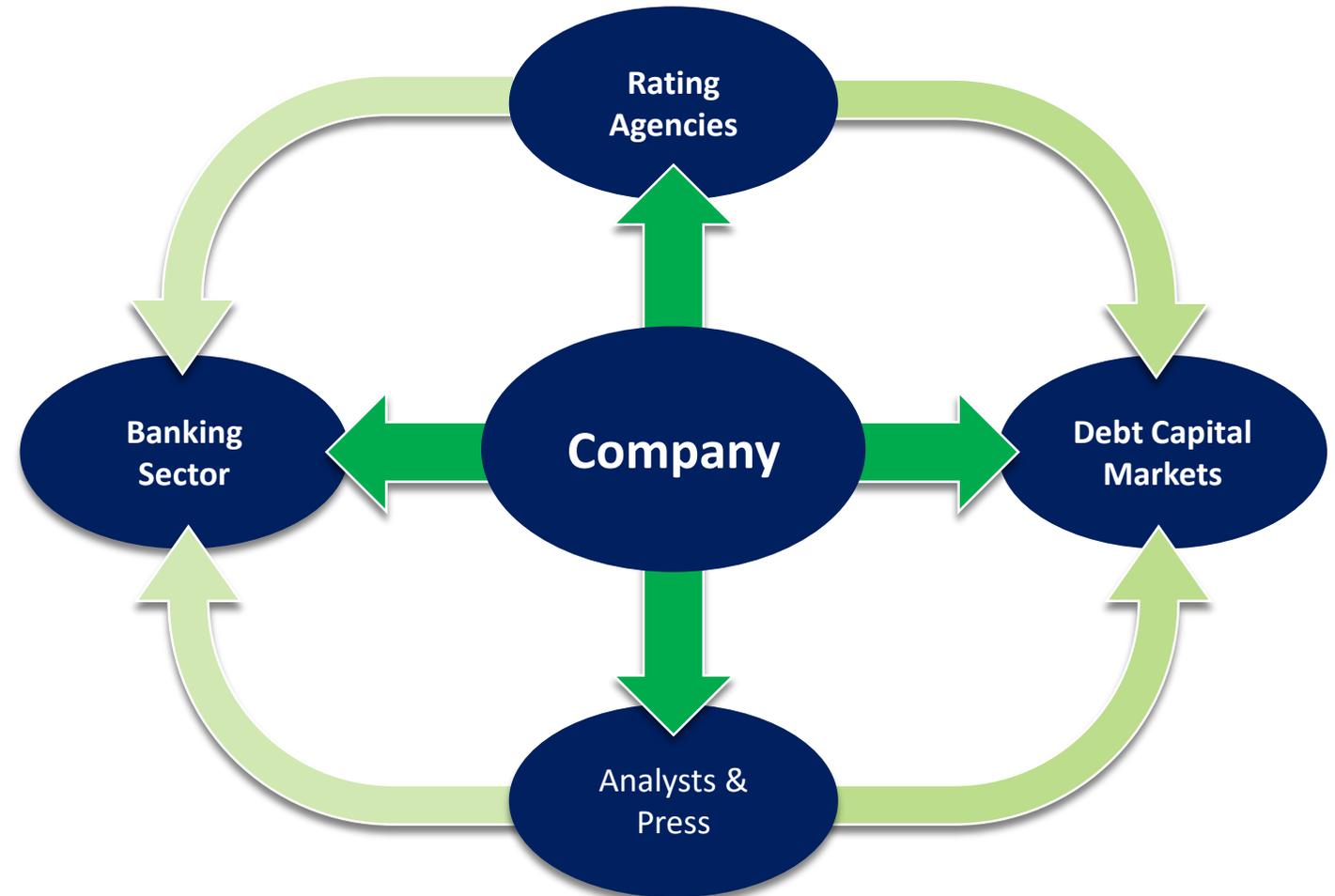
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## Creditor Relations is

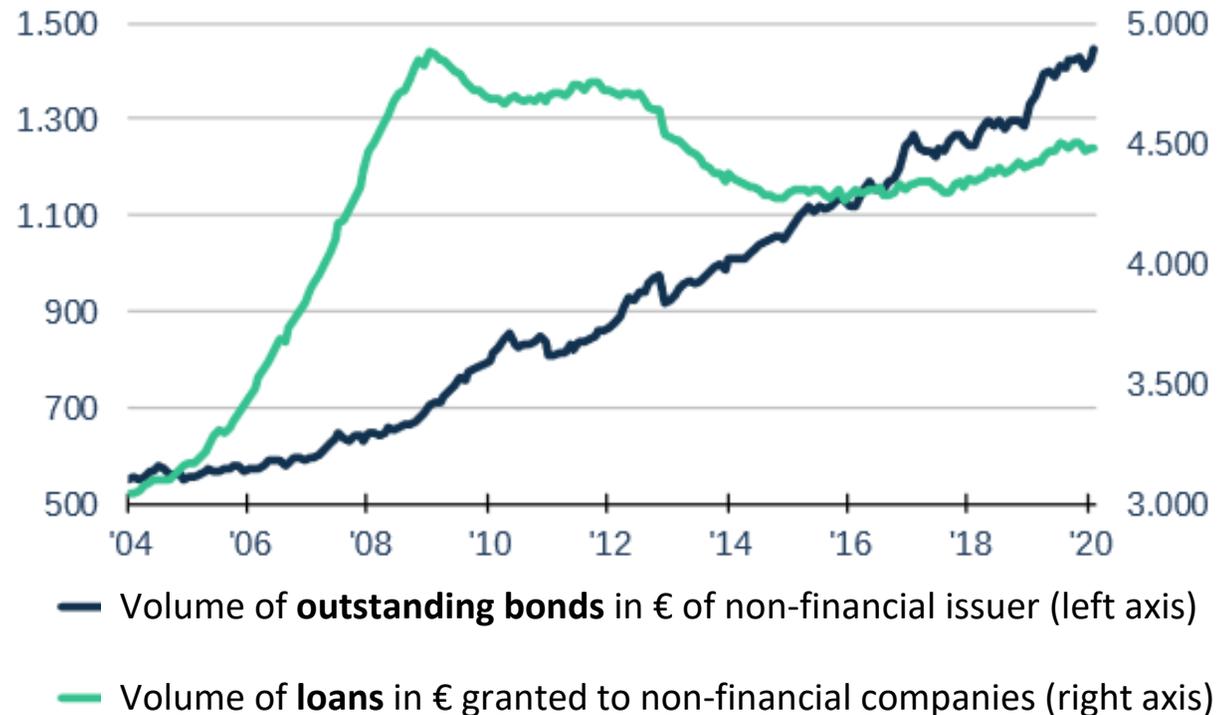
- Strategic
- Continuous
- Interaktive

### Relationship Management to

- **Lenders** (current and potential)
- **Intermediaries**
  - Rating Agencies
  - Fixed Income Analysts
  - Financial Market Press



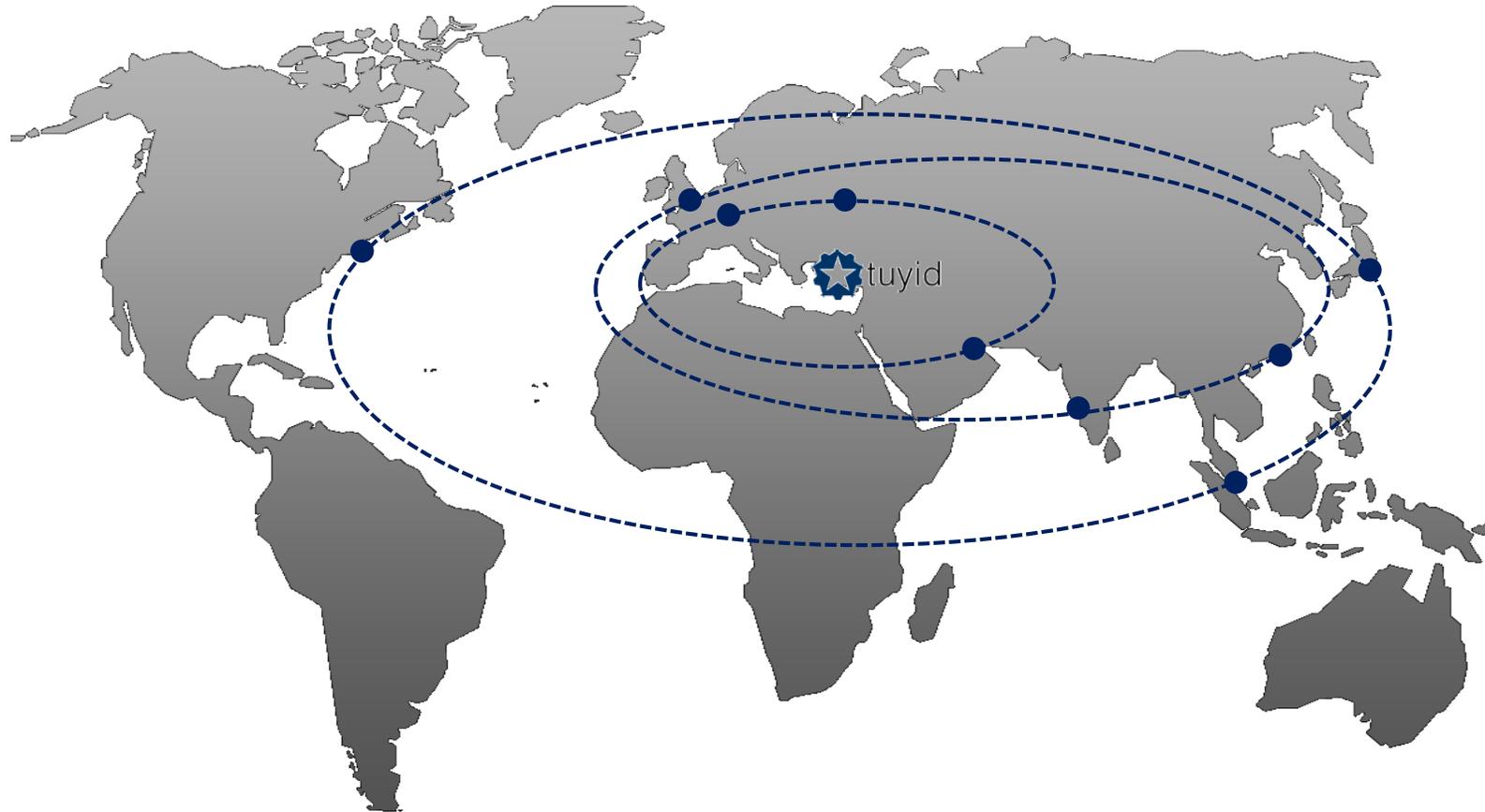
## Loan-to-Bond Trend: Increasing Importance of DCMs



Source: LBBW / EZB

## Key Drivers

- 1 Increasing regulation of banking sector
- 2 Increasing demand for corporate bonds
- 3 Increased financial freedom
- 4 Expanding the company's lenders base to lower interest expenses



**... Debt Capital Markets are international**

## 1 Ongoing access to Debt Capital Markets (DCM)

Debt has to be refinanced continuously. Ongoing access to different segments/markets of the DCMs is **key for corporate survival** – especially in a crisis.

## 2 Reducing Interest Expenses

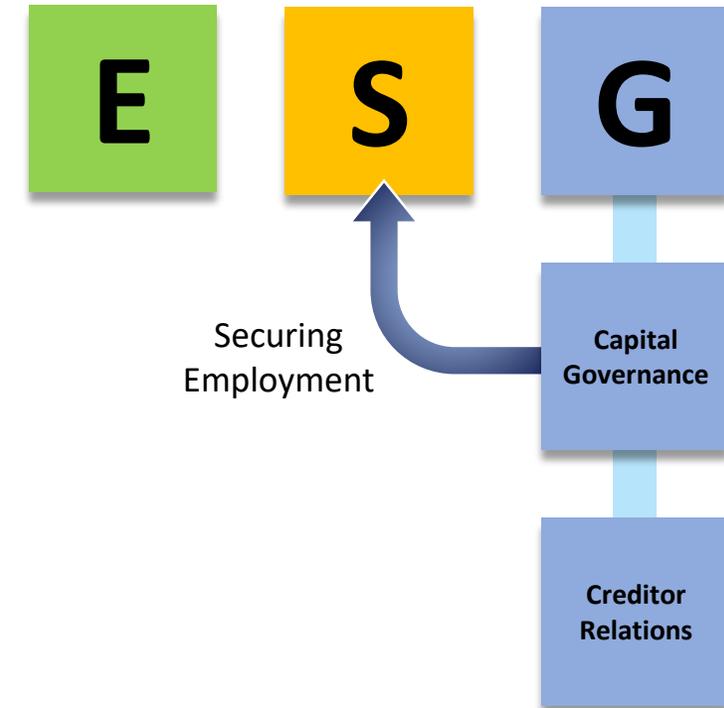
Interest expenses granted to lenders has a **direct impact on earnings**.  
DCMs offer access to international funding.

## 3 Raise Company Profile

Creditor Relations offer a high potential to raise the company profile - like PR and IR.  
Creditor Relations is a substantial component of **Corporate and Capital Governance**.

## Creditor Relations is an integral part of Capital Governance

- **Capital Governance** is a segment of Corporate Governance and refers to the **capital structure**
- Digitalization and artificial intelligence enables financial markets to **analyze capital structure in every detail**
- Shareholder want to make sure that their money is well spent and a company pays only the **lowest interest possible**



**Creditor Relations is key – also for Shareholder**

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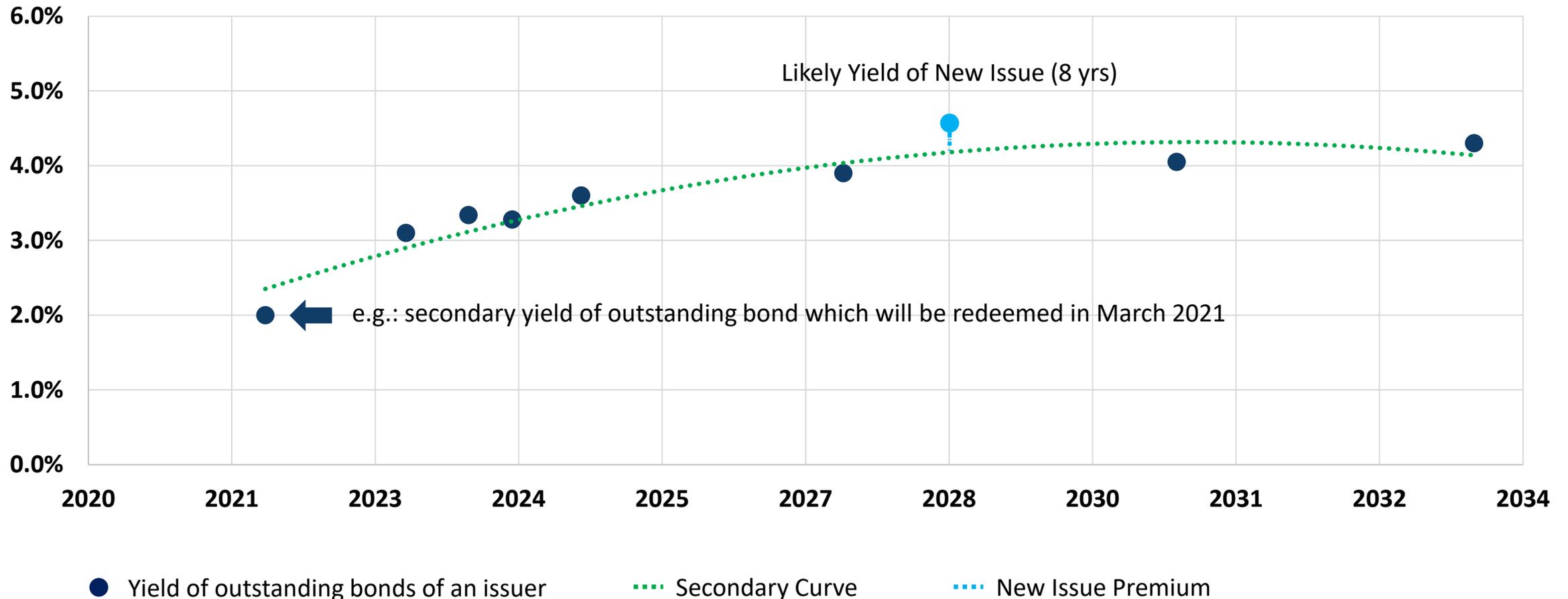
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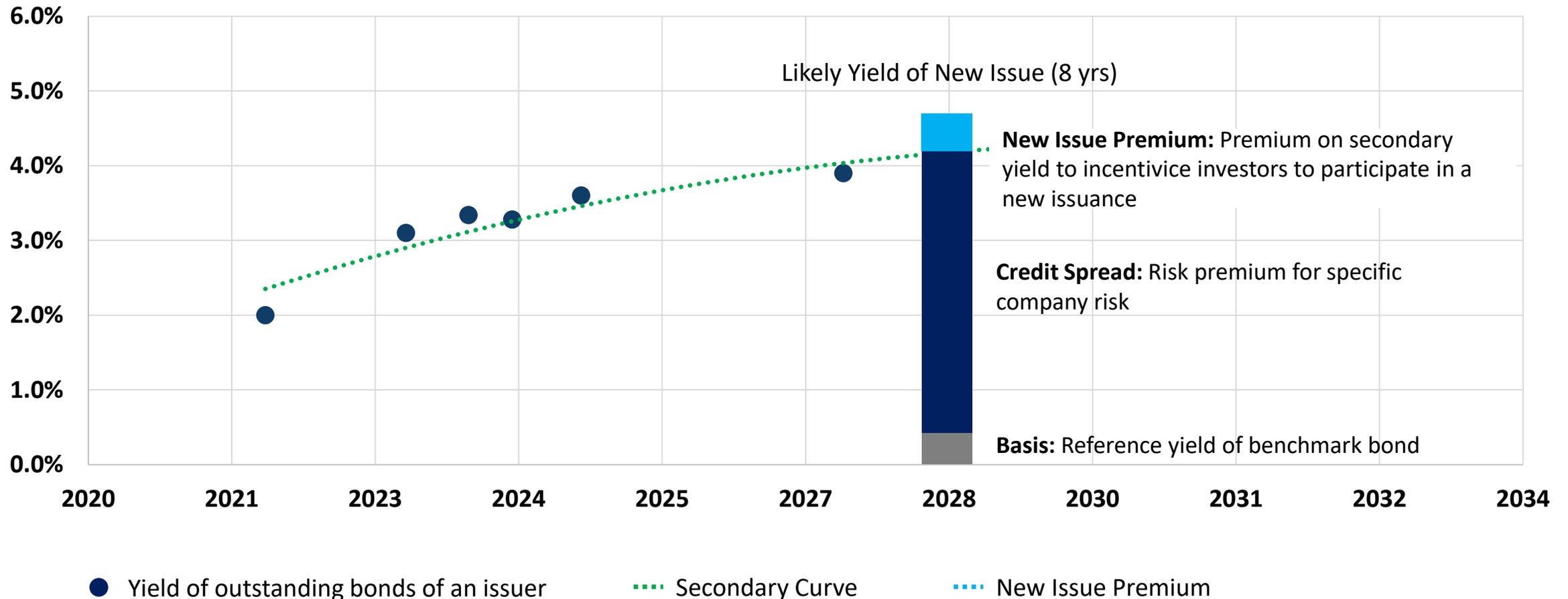
### **Know your Investors!**

How to identify prices and players in the secondary markets?

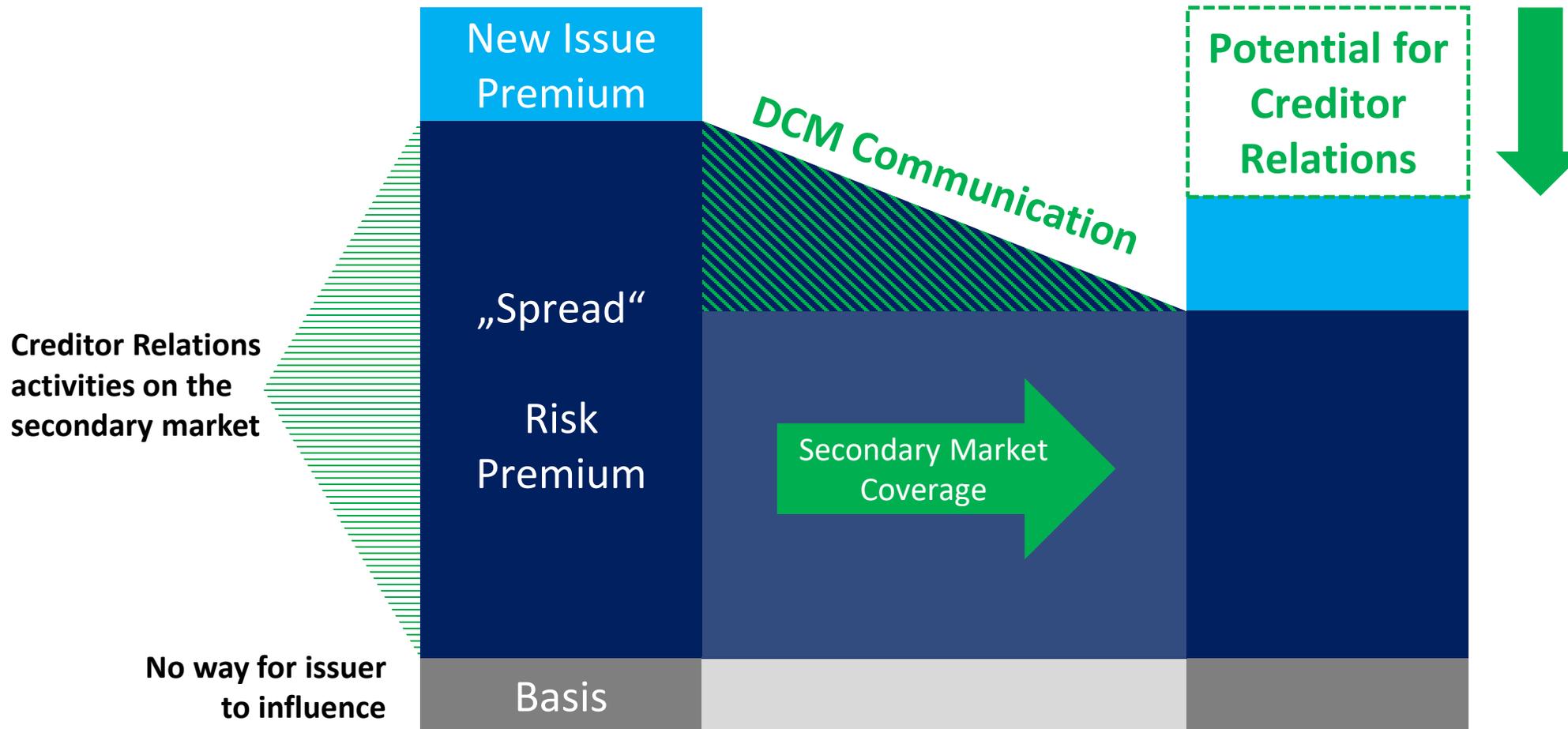
## Secondary Market is **ultimate benchmark** for pricing new issues



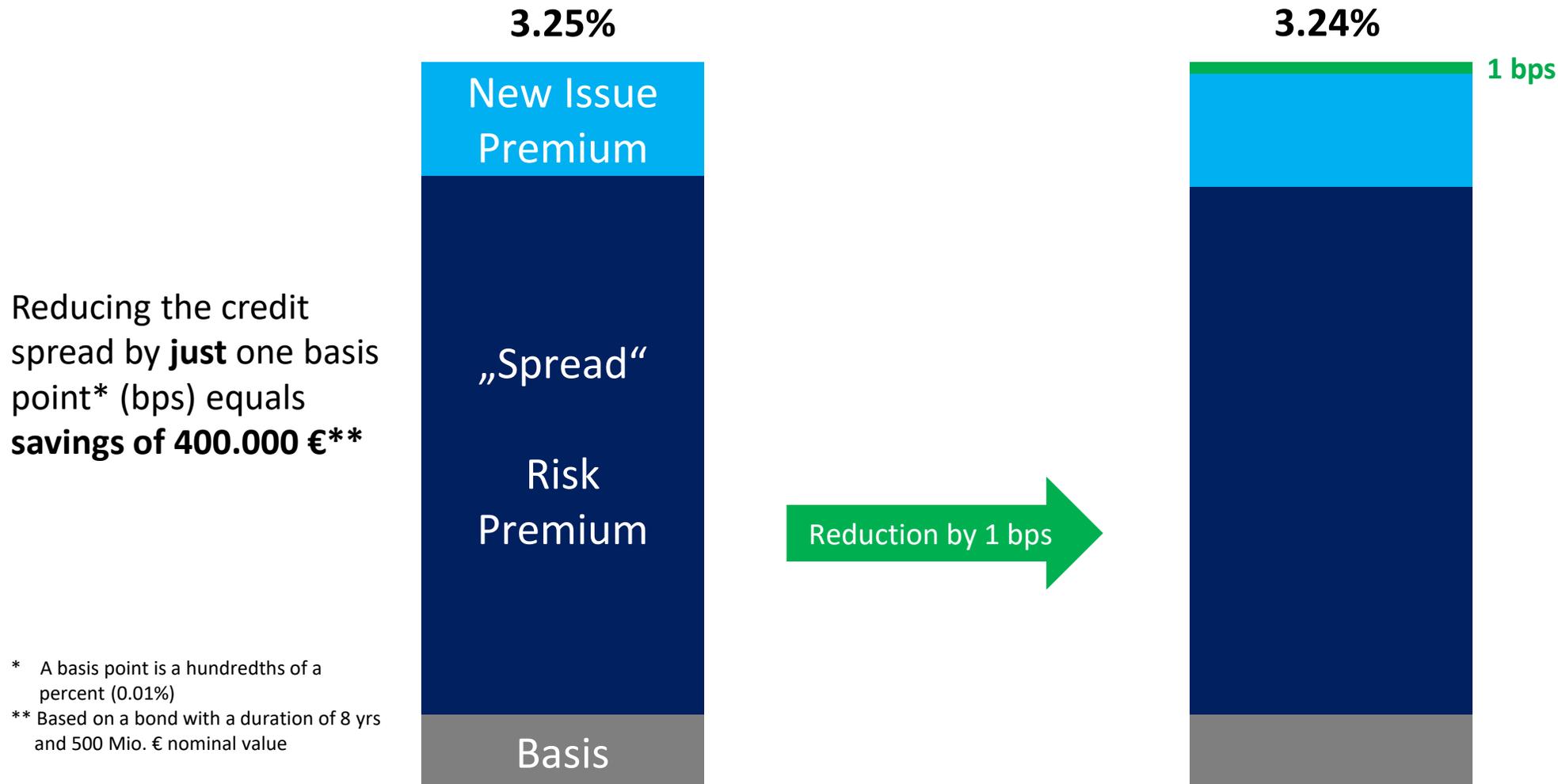
## Yield of corporate bonds consists of different components



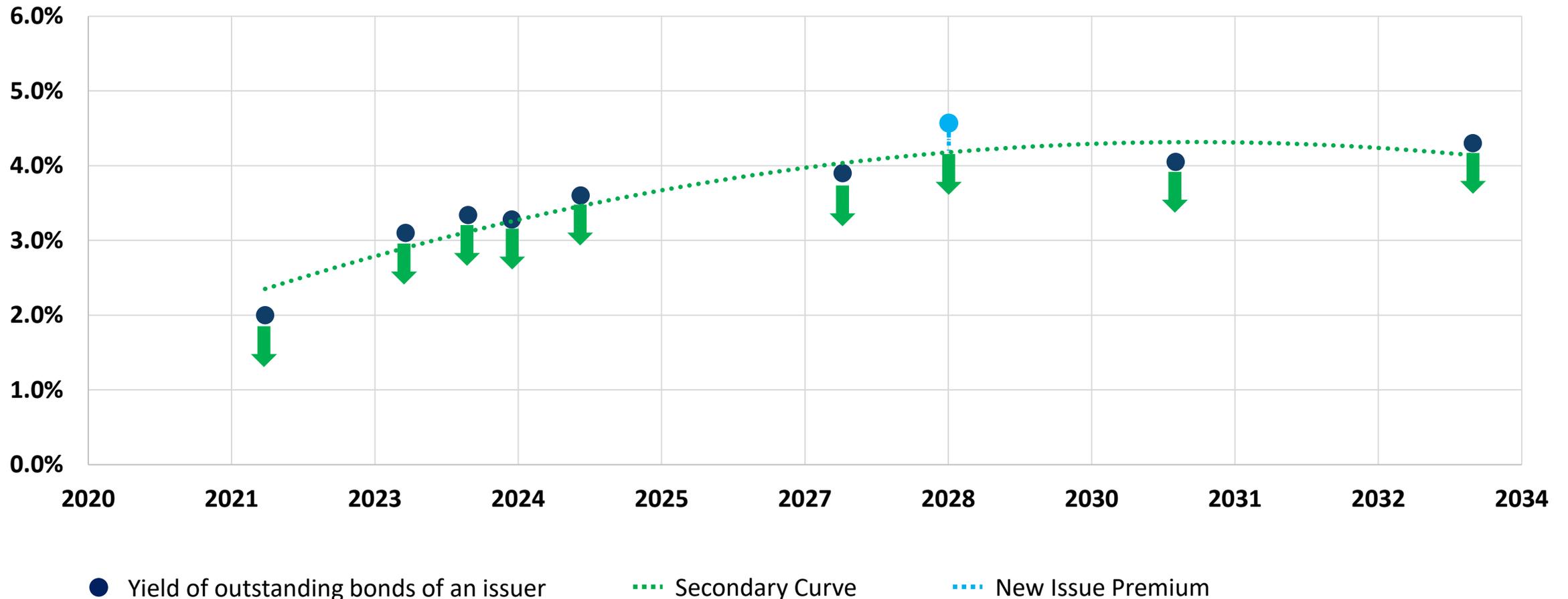
## Improved DCM Communication lowers risk premium



## Reduction of Issuance Yield through Creditor Relations



## Lowering an issuer's secondary credit curve key target of CR



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- 3 Know your Investors!**  
How to identify prices and players in the secondary markets?

# The Difference between Equity and Fixed Income

## Equity

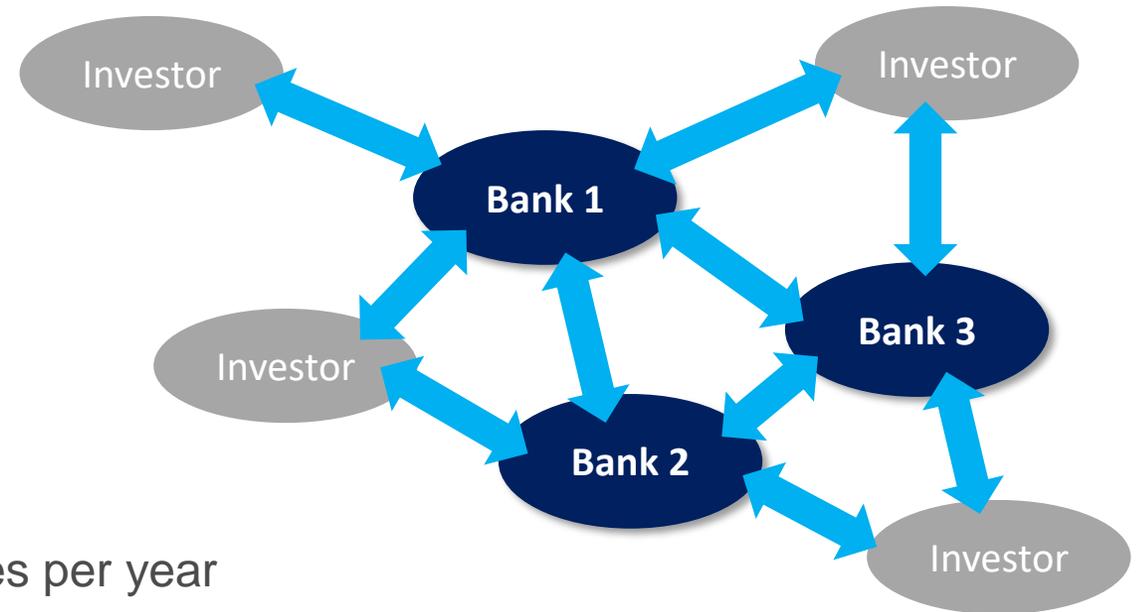
- **Frequently traded** on the exchange- high transparency
- **Constant dialog** with investors by the **Investor Relations** department
- **Company driven** engagement with investors (Mifid II)
- **Equity price easy to determine** and basis for a capital increase and company value
- **Investment Philosophy: Upside-Orientation**

## Fixed Income

- Traded over the counter (OTC) – **low transparency**
- Focus on **deal related roadshows**
- Communication driven by **Treasury** (different focus)
- Trading in the **secondary market**
  - > Buyers and Sellers – **not known**
  - > Secondary market **not in focus**
- Mainly **institutional investors**
- **Investment Philosophy: Avoid risk!**

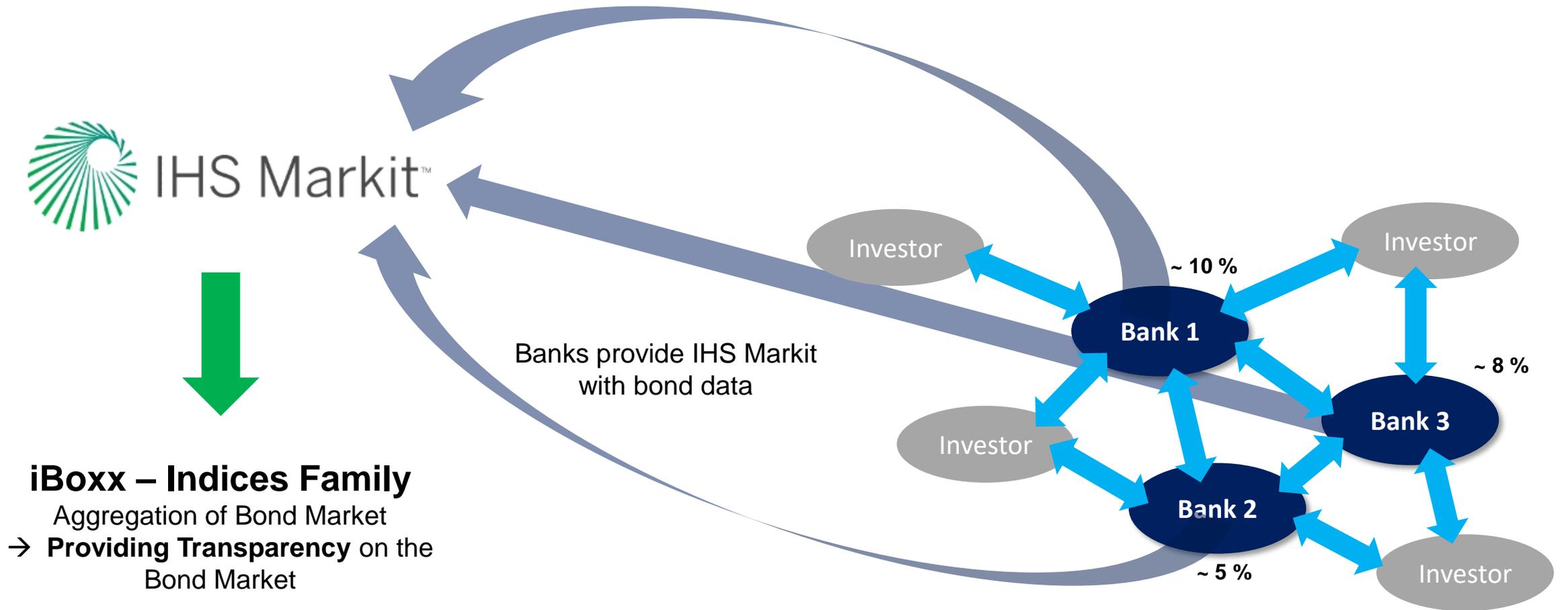
## BUY and HOLD? – Bonds are traded!

- OTC vs Exchange traded
  - > Bi-lateral trading → Interbanking market
  - > Decentralized
  - > Volume and prices are not publicly disclosed
- 70% - 80% of the bond (volume) is frequently traded:
  - > The total volume of a bond is traded (turn-over) 2-3 times per year
- Active investors (eg. Pension funds) have to trade to outperform the market
- Passive investors (ETF) have to trade to stay liquid



OTC-Trading of Bonds

## Data Sources of iBoxx



# Liquidity and Price in the Secondary Market – Price Viewer



## Bondholder Identification – accurate data is key

**Due to the low transparency it is crucial to identify the holders in the secondary market.**

*Publicly available data (Bloomberg etc.) represents only a very small and outdated portion of holdings.*

### **Identify your bonds on a regular basis**

- Bondholders in the secondary market **can** be identified (+85%)
  - Investor with full contact details of the **decision maker**
  - Fundament for roadshow planning
- Cross ownership Analysis
  - Allocation list (Primary Market) and Secondary market
  - Holders, Buyers and Seller

**The secondary market has a substantial influence on the interest of the next bond!**

## Key Take-aways

1

### Key Benefits of Creditor Relations

- Access to International debt capital markets
- Lowering Interest Rates
- Raising company profile

**Creditor Relations** is a key component for **Capital Governance**, as part of **ESG** extremely relevant for **shareholders**

2

### Secondary markets are the key benchmark for the next bonds interest rates

- 1 basis point (0.01%) has a **massive impact** on the company **earnings**

3

### Know your investors

- Price
- Liquidity
- **Holders** in the secondary market

## Contact Details



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