

Private placements provide a new boost to corporate financing

Every two weeks *L'Agefi Quotidien* will provide an update on this new market, which has already attracted more than EUR 3 billion in 2012

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Euro-denominated private placements are expected to become increasingly popular. 2013 is expected to build on a promising start in 2012 for these issues, which are mainly bonds of unlisted companies and are meant for a select number of private investors (portfolio management companies, insurance companies and family offices). More and more companies have freed themselves of traditional bank lending and are turning to this market in order to diversify their sources of financing or extend their debt maturities.

Since its true start, with Bonduelle's EUR 145 million issue in September 2012, the private placement market for euro-denominated bonds (Euro PP) for medium-sized and even smaller companies has expanded rapidly. In 2012, slightly more than EUR 3 billion in bonds and credit lines were issued via private placements by 22 companies, of which almost 80% between October and December. According to Société Générale, which is a leader in this new segment, alongside Crédit Agricole and Kepler for the smallest deals, Euro PP could be a EUR 15-20 billion annual market in the medium term and will account for half of the debt of major unlisted family-owned companies or small - to medium-sized companies.

Private placements got their start in the debanking trend that was, in turn, triggered by the future regulatory standards imposed on banks and insurance companies. Since summer 2012 they have been driven by a new process called an initial bond offering. To reassure investors, who have no issuer ratings to rely on, Euro PPs include clauses like those used for US private placements (change-of-control clauses, etc.). Spreads are slightly higher for private placements than for publicly traded bonds, due to their lower market liquidity.

Insurance companies are especially active buyers on this market. For example, Axa, CNP, Aviva ACM and Federis alone subscribed two thirds of the private placements of the Lactalis cheese company in December 2012.

The main private placements in France since 1 January 2012

Issuer	Date	Amount (€ m)	Maturity (years)	Instrument	Spread	Coupon	Advisor
Lactalis	19/12/2012	507	5.6 and 7	Bond	MS +2.34% / 2.45% / 2.57%	3.15% / 3.45% / 3.75%	SG
Financière Agache	25/11/2012	275	5	Bond	MS +2.15%	3.18%	CA CIB
Société Nationale Immobilière	03/05/2012	250	20	Bond	CMS 10 years +1.26%		Natixis
Plastic Omnium	11/10/2012	250	6.25	Bond	MS +2.60%	3.88%	BNP Paribas
Orpéa	01/11/2012	193	-	Bond	MS +3.10% / 3.25%	4.10% / 4.60%	CA CIB
Bolloré	09/10/2012	170	7	Bond	MS +3.00%	4.32%	SG
Fromageries Bel	19/12/2012	160	6 and 7	Bond	MS +1.75% / 1.82%	2.75% / 3.00%	CA CIB
Neopost	04/12/2012	150	7	Bond	MS +2.25%	3.50%	SG
Altaréa-Cogedim	28/12/2012	150	7	Bond	MS +2.85%	3.97%	NA
Bonduelle	10/09/2012	145	6.5	Bond	MS +2.50%	3.83%	CA CIB
Soufflet	21/12/2012	100	6	Bond	MS +3.25%	4.25 %	SG
Rallye	01/10/2012	100	6	Bond	MS +3.85%	5.00%	SG
Neopost	25/09/2012	100	5	Credit line	NA	NA	CA CIB
Altaréa-Cogedim	21/12/2012	100	5	Bond	MS +2.85%	3.65%	CA CIB
Orpéa	04/12/2012	90	14	Bond	NA	5.25%	Deutsche Bank