Aliaxis leads charge of bottom rung IG corporates

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Issuer finds chunky demand with first Baa3 rated benchmark in weeks

Aliaxis, a Belgian water pipe company, showed on Thursday that there is still plenty of appetite for riskier investment grade credits, and the pipeline has already filled with another high beta name with a debut sustainability-linked bond from Atos.

Aliaxis, rated Baa3, is the lowest rated corporate in three weeks to bring a euro benchmark trade, after weeks dominated by issuers with A-bracket ratings.

Guidance for the November 2028 trade started at 115bp-120bp over mid-swaps. This offered a higher spread and shorter maturity than any other high grade corporate issuer so far this week.

Investors pounced at the chance for a bit more spread, putting €2.1bn into the books by the time the size was announced at €750m.

“Over the last few trades you’ve seen smaller books and people pushing a bit less on pricing for low beta deals,” said a syndicate banker off the Aliaxis trade. “Investors were getting a bit saturated with those types of deals.”

Around the time Aliaxis set the spread at 90bp over mid-swaps, it became clear that the European Central Bank was sticking to its monetary policy at its meeting on Thursday, and the Aliaxis book crept up to €2.3bn. “That’s not bad at all," said a second syndicate off the trade. "They won't be the most well known name and that's a great result for them."

BNP Paribas, Crédit Agricole and HSBC were global coordinators, while BBVA and KBC joined those banks in the active bookrunner slot.

Atos readies next test

Already, another issuer is lining up a trade at the lowest rung of the investment grade ladder. French digital information company Atos, rated BBB- with S&P, has mandated banks for its debut in the sustainability-linked bond market.

The issuer is looking at an eight year trade. It has hired BNP Paribas, Deutsche Bank and JP Morgan as global coordinators, with Crédit Agricole, HSBC, Morgan Stanley and Société Générale joining as active books. Sustainalytics has provided a second party opinion on the sustainability framework.

Atos has one key performance indicator: cutting greenhouse gas emissions across Scopes 1, 2 and 3.

The company is committing to cut greenhouse gasses from the combined Scope measures by 50% by 2025 from a 2019 benchmark. In absolute terms, this means slashing emissions from 3.3m tonnes of carbon dioxide equivalent to 1.65m over the period.

The coupon will step up by 17.5bp on the last three coupons paid on the proposed bond if the company fails to hit the 50% reduction target. This is less than the 25bp step-up many believe to be the industry standard, though green practitioners among the banking community and investors say that the market is still young enough that there is room to experiment with terms.

UK supermarket Tesco this week printed a £400m 1.875% November 2028 sustainability-linked bond that has a 37.5bp coupon step up if the company misses its target. Though it is worth noting that Tesco's euro sustainability-linked bond has a 25bp step-up.