

Market Insights Webinar:

“Engaging Debt and Equity Investors in Challenging Times”

Wednesday, 21 October - 4:00 PM GST



Presentation: Creditor Relations in Tough Times



Patrick Tobias

Director of Issuer Services

IHS Markit

Patrick.tobias@ihsmarkit.com

and

Dr. Markus Walchshofer

Managing Director

DebtBay

m.Walchshofer@debtbay.de

Equity vs. Bond Issuance Volumes

GCC Markets, 2020

“When it comes to looking at bond and equity markets in the Middle East, it is like Mars and Venus.”

- Richard Lacaille, chief investment officer at State Street Global Advisors**

\$734 M



raised from **3 IPOs** in H1 2020 across the GCC, compared to USD 986m in H1 2019.*

\$3.5 Bil



sukuk issued by Islamic Development Bank in H1 2020 on Nasdaq Dubai.*

\$ 5.4 Bil



sovereign sukuk issued by the Kingdom of Saudi Arabia in H1 2020 on Tadawul.*

*Sources: *PWC, "GCC Capital Markets Watch 2020"*

*** Arabian Business, "Global funds favouring bond over equity markets in the Middle East"*

Rising Demand for Creditor Relations

Situation from Investor's perspective



Investments in corporates in 2020 are more risky and yield lower

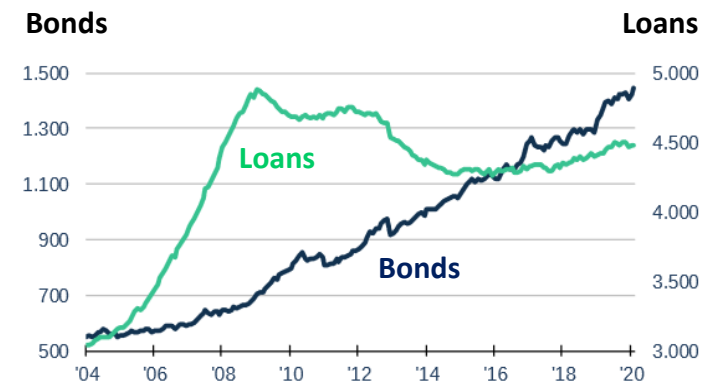
Debt Capital Markets on the Rise

Situation from Issuer's perspective



Global

- Traditional bank lending has become more expensive (compared to DCM funding) based on an increasing degree of regulation
- Strong shift from banking sector to debt capital markets described as “**Loan-to-Bond-Trend**”



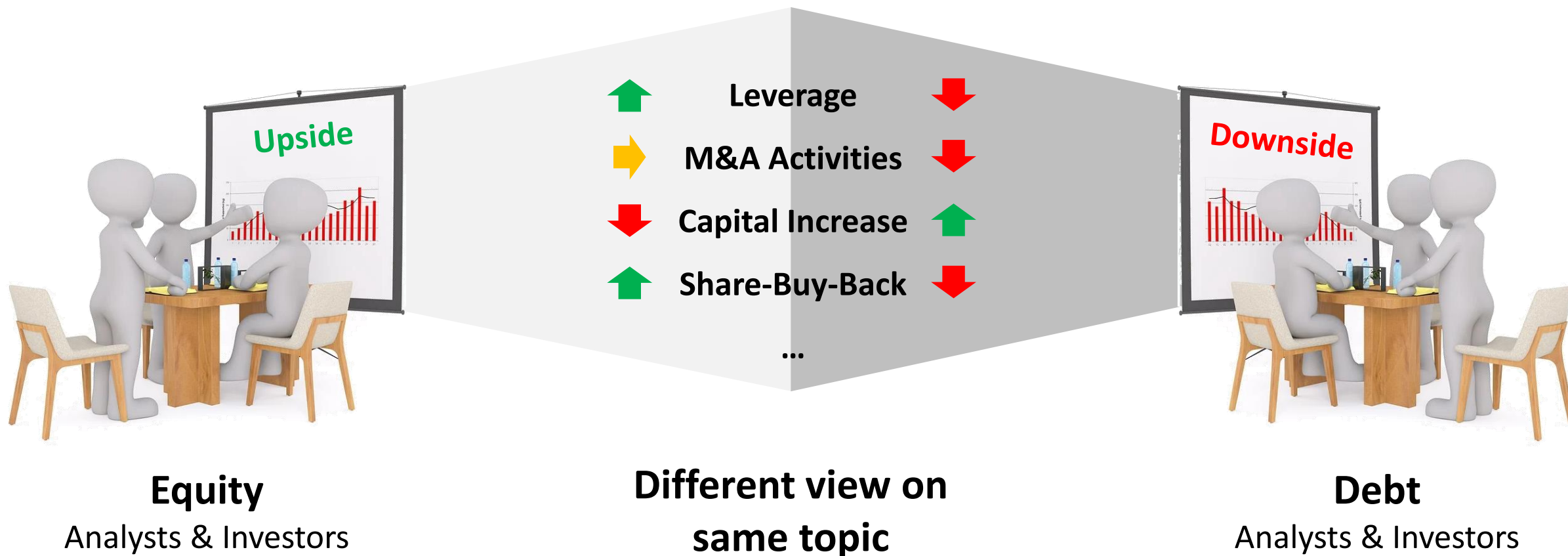
Euro Market, Source: LBBW/EZB

Middle-East Region

- **Oil & gas prices under structural pressure** based on lower global growth and international decarbonization efforts
- **Transformation & diversification efforts of ME economies** leads to rising demand of capital

Essence of Creditor Relations

Taking the specific view of Fixed Income Investors



Key Principals of Creditor Relations

Investment Story presented from view of Fixed Income Investor



- 1 ONE Investment Story for both types of investors**
“ONE VOICE POLICY” but highlighting the topics which are of major interest for creditors
- 2 Consideration of specific view of fixed income investors**
Analyzing & presenting the topics from the view of creditors
- 3 Equal attention to both groups of investors**
Applying the same standards to creditors which are common in the IR space since decades

Top 20 Equity vs. Bond Investors

Middle East Region, 2020 (Source: IHS Markit)



Top 20 Equity Investors in the Middle East 2020

| Investor Name | Country |
|---|----------------|
| The Vanguard Group, Inc. | United States |
| BlackRock Fund Advisors | United States |
| Norges Bank Investment Management (Norway) | Norway |
| BlackRock Advisors (U.K.), LTD | United Kingdom |
| APG Asset Management N.V. | Netherlands |
| Capital Assets Investment Management, Inc. | United States |
| Geode Capital Management, LLC | United States |
| Invesco Advisers, Inc. | United States |
| TIAA-CREF Investment Management, LLC | United States |
| J.P. Morgan Asset Management (UK), LTD | United Kingdom |
| Genesis Investment Management, LLP | United Kingdom |
| Charles Schwab Investment Management, Inc. | United States |
| State Street Global Advisors (SSgA) | United States |
| Robeco Institutional Asset Management BV | Netherlands |
| T. Rowe Price International, LTD | United Kingdom |
| BlackRock Investment Management (U.K.), LTD | United Kingdom |
| Schroder Investment Management, LTD | United Kingdom |
| Northern Trust Global Investments, LTD | United Kingdom |
| Acadian Asset Management, LLC | United States |
| State Street Global Advisors, LTD | United Kingdom |

Top 20 Bond Investors in the Middle East 2020

| Investor Name | Country |
|--|----------------|
| J.P. Morgan Investment Management, Inc. (Columbus) | United States |
| Goldman Sachs Asset Management International | United Kingdom |
| J.P. Morgan Investment Management, Inc. | United States |
| PIMCO - Pacific Investment Management Company | United States |
| AIG Asset Management (U.S.), LLC | United States |
| Pictet Asset Management S.A. | Switzerland |
| SCB Asset Management Company, LTD | Thailand |
| MetLife Investment Management, LLC | United States |
| DWS Investment GmbH | Germany |
| Wellington Management Company, LLP | United States |
| T. Rowe Price Associates, Inc. | United States |
| BlackRock Fund Advisors | United States |
| TIAA-CREF Investment Management, LLC | United States |
| Credit Suisse Asset Management (Schweiz) AG | Switzerland |
| Pictet Asset Management, LTD | United Kingdom |
| Capital Research & Management Company (U.S.) | United States |
| Amundi Ireland, LTD (London) | United Kingdom |
| Barings, LLC | United States |
| Union Investment Privatfonds GmbH | Germany |
| Ashmore Investment Management, LTD | United Kingdom |

Convergence between IR and CR?

Are debt topics in the focus of Equity Investors as well?



Debt topics are in the focus of equity investors as well because ...

... debt sourcing is a **key task of management** driving **financial results and earnings**

... debt management is part of **risk management**

... the **effective and transparent** sourcing of debt is more and more **focus of ESG considerations:**

E Is the sustainable transformation of the business model supported by Green Finance?

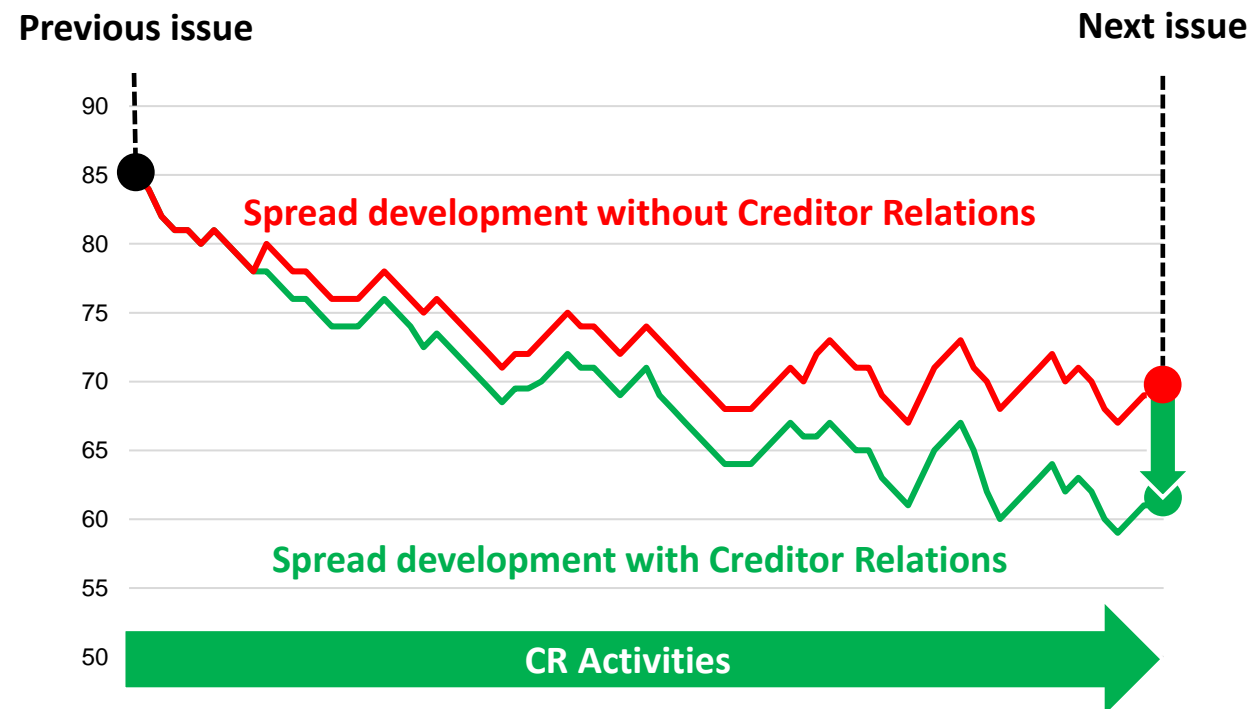
S Are “social” savings really necessary or can they be achieved in more agreeable areas?

G Is the money (interest expenses) spent well and sourced in a transparent way?

Key Benefits of Creditor Relations

Creditor Relations have strong impact on secondary markets

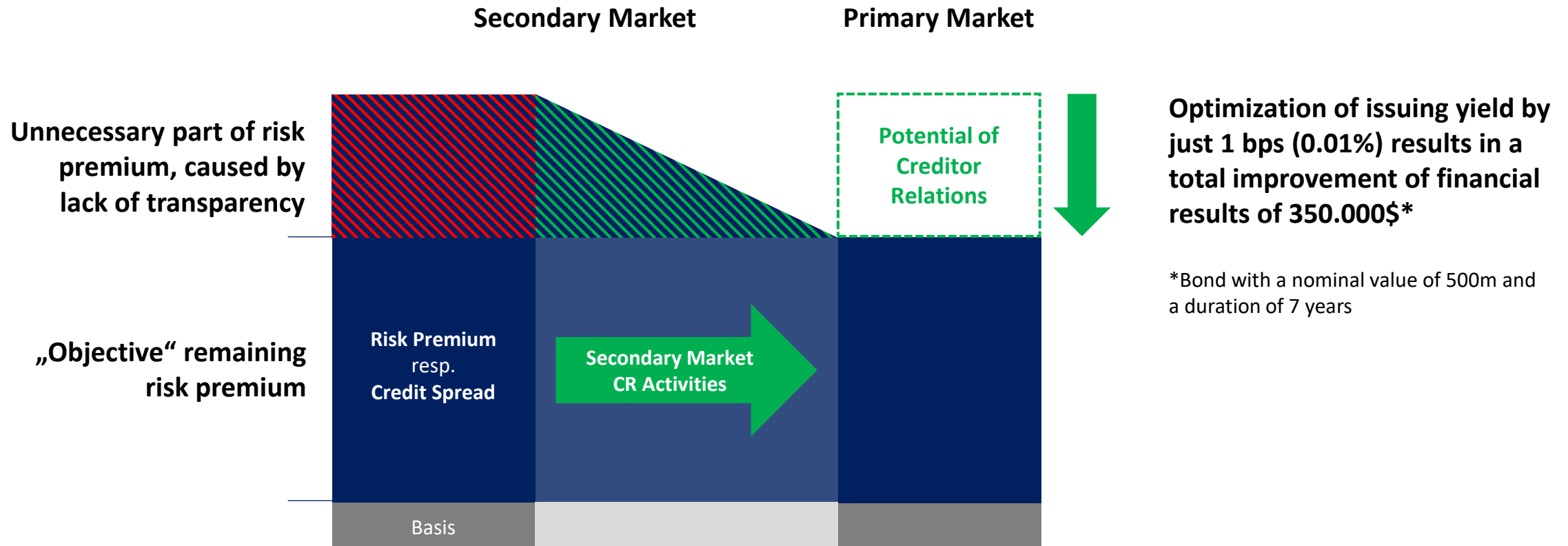
- 1 Know your Creditors**
→ Target investors directly
- 2 Lowering of Spreads**
→ Better starting point for future sourcing of debt
- 3 Better Pricing & Allocation**
→ More effective primary transactions



Effective Creditor Relations lower cost of debt

Strong Impact on Primary Market

Success of CR activities is harvested in future primary transactions



Summary

- 1** Investor's demand for Creditor Relations is rising due to increased global risk factors
- 2** Rising importance of Debt Capital Markets based on Loan-to-Bond trend
- 3** Consideration of specific view of creditors is key success factor for Creditor Relations
- 4** Creditor Relations is in the focus of equity investors as well → risk management & ESG
- 5** Success of Creditor Relations is harvested in future primary transactions → meaningful impact on financial results which can be proven by benchmarking

Thank you !



Please share further questions and comments via
events@gulfbondsukuk.org

For queries related to the presentation, you may also contact
Patrick.tobias@ihsmarkit.com or m.walchshofer@debtbay.de