

Erste Group is joint bookrunner for EUR 1 bn bond issue for OeBB-Infrastruktur AG

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The majority of the EUR 1 bn bond was placed with high quality institutional investors in Germany, Asia, Austria and France; offering was 3.0x over-subscribed within 30 minutes

OeBB-Infrastruktur's 20-year bond marks the longest dated Euro benchmark from an entity backed by the Austrian state; OeBB locks in its lowest ever coupon on a Euro benchmark issue

Guarantee for the bond by the Republic of Austria proves to be a key selling argument for investors

Erste Group sees significant growth potential for Austrian corporate and agency bonds

Erste Group Bank AG („Erste Group“), mandated as joint bookrunner, successfully issued a EUR 1 bn fixed rate 20-year bond for OeBB-Infrastruktur AG, the sole owner, constructor and operator of virtually the entire Austrian rail network. The issue was priced at a spread of mid-swaps +95 bps, maturing in May 2032 with a fixed annual coupon of 3.375%. The company is indirectly owned by the Republic of Austria and benefits from an explicit, unconditional and irrevocable guarantee from the Republic of Austria (AA+ negative / Aaa negative/ AAA stable).



Due to strong investors' interest, the issue was 3.0x over-subscribed within just 30 minutes, with the orderbook being dominated by insurance companies/pension funds (73%), fund managers (19%), and banks (8%). More than 100 high-quality investors supported the transaction, with major interest coming out of Germany (66%), Asia (14%), Austria (6%) and France (5%).

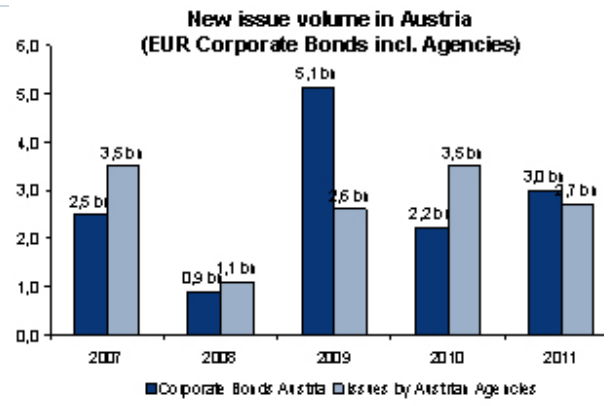
„The successful issuance of OeBB-Infrastruktur's EUR benchmark bond clearly demonstrates investors' confidence in the company's performance, supported by its predictable revenue streams and the debt guarantee by the Republic of Austria," comments Franz Hochstrasser, Deputy CEO of Erste Group. „The issue was also boosted by the recently successful auction of Austrian government bonds, as well as the fact that investments in infrastructure development are a key-priority for Austria's economy," added Franz Hochstrasser. Erste Group ranks 1st as bookrunner for corporate and sovereign bonds in Austria and CEE, with a market share of 11.7% and a volume of EUR 4,288 m in 2011.

OeBB-Infrastruktur AG owns the Austrian rail network, and is responsible for the planning, construction, maintenance and operation of the system. The company has scheduled annual investments in the range of EUR 2 bn – EUR 2.5 bn for the maintenance and expansion of the Austrian railway infrastructure between 2012 and 2017. Apart from the company's predictable operating cash flow, OeBB-Infrastruktur AG is financing its investments from external capital and subsidies granted by the federal government. OeBB-Infrastruktur AG's debt maturity profile is well balanced, with about 90% of the debt guaranteed by the Republic of Austria.

According to Erste Group analysts, the risk environment on the credit markets recorded a distinct improvement in the first quarter of 2012 reflected by the narrowing spreads, in the wake of the 3Y LTROs (long-term refinancing operations) of the ECB. Companies have been increasingly tapping the corporate bond market as a source of finance in order to diversify their creditor structure. The issue of long-term bonds helps them to optimise the maturity structure of their debt.

All recent issues by Austrian companies have triggered keen interest from the investors and were many times oversubscribed – the Telekom Austria issue 2x, the KTM issue 2,4x and the MIBA issue was 3,5x oversubscribed. This is due to the high cash reserves held by investors, the appeal of corporate bonds, and the high price and illiquidity of bonds on the secondary market.

For 2012, Erste Group analysts expect the volume of new issues to amount to approx. EUR 5bn on the Austrian euro corporate bond market (including agencies).



Source: Bloomberg, Erste Group Research

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