Gamma Explains – Episode 6 / 2026 – Bond issuance & capital markets

Financial education is about knowledge and behaviour. If you have more knowledge about the basic elements of financial education, you are likely to make better choices.

What Gamma hopes to do with this series is conveying a few basic elements of financial education in a very simple and entertaining way.

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Anchor:

Claudia Pensotti – Class CNBC

Guests:

Andrea Beltratti – Full Professor at Bocconi University and Chairman EFG Gamma Foundation

Tobias Schmelz – Head of Corporate Treasury, EFG International

Dario Bojocchi – EFG Talent

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Claudia Pensotti – Senior Anchor Class CNBC
Welcome to our sixth episode of Gamma Explains. Today we're going to talk about bond issuance and capital markets. Let me begin by welcoming our guests. Hello, first of all, to Andrea Beltratti, Chairman of EFG Gamma Foundation and Professor at Bocconi University.

Andrea Beltratti – Full Professor at Bocconi University and Chairman EFG Gamma Foundation
Thank you for having me.

Claudia Pensotti
And let's welcome also Tobias Schmelz, who is Head of Corporate Treasury at EFG International. Welcome, Tobias.

Tobias Schmelz – Head of Corporate Treasury, EFG International
Thank you for the invitation.

Claudia Pensotti
Let's begin this episode by going to hear what the EFG talent had to say on the topic. Let's begin by asking: what is a bond?

Dario Bojocchi – EFG Talent
A bond is a loan made by an investor to a borrower where the borrower promises to pay back a principal at a set date called maturity and makes regular interest payments called coupons.

Claudia Pensotti
Which are the main types of bonds traded in the market?

Dario Bojocchi – EFG Talent
There are different kinds of bonds, like government bonds issued by national governments, like US treasuries or German bonds, and they are generally considered risk-free bonds. We have then corporate bonds issued by corporates, and they are to raise capital and they are split into investment grade bonds, higher rated lower risk or higher bonds, lower rated higher risk.

We have then municipal bonds issued by local authorities and supranational bonds issued by entities such as the World Bank. And finally, we have inflation-linked bonds, where the principal is linked and affected with inflation.

Claudia Pensotti
So, Andrea, we've just heard an overview of what a bond is and the types of bonds that are traded in the market. What is a corporate bond?

Andrea Beltratti
Well, instead of borrowing money from a bank, a company can also raise funds by issuing bonds.

In the so-called primary market, the bond is initially sold to investors, money flows from investors to the corporation, and the corporations, of course, take obligations to pay periodic interest, called the coupon, and to repay the principal when the bond matures.

Claudia Pensotti
So how does the bond issuance process actually work?

Andrea Beltratti
Well, the issuance process actually works when the company realizes there is a financial need and that there is a variety of things that a company can do with cash, for example, growth, acquisitions, or simply investing.

When the company wants to sell a corporate bond, it usually consults with an investment bank and together they decide about the main characteristics of the bonds. For example, the amount to be raised, the maturity of the bond, and the size of the coupon that is periodically paid to investors. The bonds then are sold to investors in the primary market, after which there is a so-called secondary market.

When there are transactions among investors, the company is not affected in terms of new money going to the company because money flows from one investor to another investor.

Claudia Pensotti
So, there are different types of corporate bonds. What are the main types?

Andrea Beltratti
The basic distinction is between investment grade bond and high yield bond.

The basic difference being in the so-called rating of the corporation, the risk associated with the issuer that can be measured by a variety of indicators. They all have to do with the ratio between the total amount of debt and the own funds, the equity capital of the corporation. So, investment grade bonds are usually safer.

High yield bonds are issued by corporations that are less strong from a financial point of view and they have to pay compensation to investors through a higher coupon rate.

Claudia Pensotti
Well, so Tobias, having understood what a bond is, why do companies actually issue bonds?

Tobias Schmelz
In essence, companies issue bonds for various reasons to fund business expansions, to refinance existing debt. So, in general, to attract funding.

The question of whether a bond is the most suitable avenue to go very much depends on the cost efficiency. If we go through the different categories, equity, if you issue additional equity, obviously you give up ownership, you potentially increase or at least change your cost of capital. And often enough, the advantage of having a debt instrument is that coupons are tax deductible in most jurisdictions.

Then, if you take a step further, you could take out loans, syndicated. So basically, where you have several banks on the other side, several lenders, that is most of the time bilateral, provides you with less flexibility. And then if we go to bonds, either private placement or public placement. The big advantage is that you have a large number of investors.

The instrument itself can be transacted, so sold from one investor to the other investor. However, there are a few downsides to it. One of all is basically transparency. So, the financials need to be published, and often enough, they require a rating for investors to be interested. So in essence, companies issue bonds because they regard them as an efficient way to fund the business, expansion of business, or to refinance existing debt.

We at EFG are using high-quality liquid assets to transact in the market to place our excess liquidity and to remain healthy and maintain a healthy and sound balance sheet.

Claudia Pensotti
When is the most suitable time to issue a bond?

Tobias Schmelz
It very much depends on whether there is a possible investor base already existent or identified, whether the name recognition of the company, the business model, is already at least somewhat known in the market.

If that is the case, then ideally you want to go when the sentiment is intact, i.e investors are willing to take the time to understand the business model, the substance, the financials, and basically the transaction that the issuer is suggesting.

And overall, it very much depends on the micro and macroeconomics of the economic environment. In general, rule of thumb, I would say as early as possible, when there is no pressure to get the transaction out the door in place with investors.

Claudia Pensotti
Which factors should companies consider when they are in the process of issuing a bond?

Tobias Schmelz
I think as always, why do you want to issue a bond? What should be achieved? What is the purpose? And then based on that, the different options available to a company should be identified and analyzed, and basically should see what the all-in costs for the funding are.

Furthermore, there should be some basic market sounding done in advance to basically gauge a bit the investor demand to then decide on the best format and characteristics. If the bond is basically the best instrument for the company, one needs to get the team together. There is on one hand the lead managers, on the other hand, legal counsel, there might be depending on the format, a few other parties involved. And when doing so, the skill set that is necessary versus what you have put together in the team is the most important factor to consider.

I think, furthermore, the big question is do you want to issue one bond or do you want to do a series? So basically, a holistic view, a holistic perspective over the next few years along the budget, the forecast that is available, is fundamental.

And finally, I would say the willingness to pay for the funding, what are the limits and what would be the alternatives in case the timing or the coupon that is demanded by investors is not in line with what was expected.

Claudia Pensotti
So, can you give us the three main takeaways on bond issuance and capital markets?

Tobias Schmelz
First factor, very much again, should be what should be achieved: Is it purely funding? Is it the maturity, i.e. the term of the funding? Do you appreciate the flexibility and what are the costs of the funding? So, for example, we as EFG are issuing, since a few years now, senior unsecured transactions. And our clear goal is to diversify our liabilities, to steer capital ratios and liquidity ratios more precisely than otherwise possible and to have an orderly working access to the market, i.e. investors knowing us, investors following us, and staying on top of our equity and bond story.

The second factor is the bond market, i.e. the investor demand needs to be built, needs to be maintained, and it would say you can cultivate it. It's A multi-round game and investors are generally looking for substance and consistency also across the timeline and keeping that in mind is very important.

And I think I said it earlier, the third point for me at least, is issue when you do not need it because you have more bargaining power and whether a transaction takes place this week or the subsequent week is not changing the attractiveness of it.

Claudia Pensotti
So, thank you for being with us, Tobias, and also thank you to Andrea Beltratti for having participated in this sixth episode of Gamma Explains. Thank you for being with us.

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