



## Asian investors anchor Australia's largest university GSS bond

University of Tasmania executed 2022's first Australian dollar corporate green bond with the support of Asian investors anchoring the outcome in a challenging market. Demand for the use of proceeds format also facilitated a volume upsize, deal sources reveal.

**T**he University of Tasmania (UTAS) priced its inaugural bond on 15 March, a A\$350 million (US\$259.5 million) use of proceeds (UOP) green transaction comprising a A\$280 million 10-year tranche with a margin of 125 basis points over swap and a A\$70 million 20-year tranche with yield of 4.45 per cent. Spread on the 20-year note was not disclosed.

Commonwealth Bank of Australia (CBA) and National Australia Bank (NAB) were joint leads and sustainability coordinators.

David Clerk, chief operating officer at UTAS in Hobart, tells *KangaNews* Asian institutional investors provided solid bids during the bookbuild. He says one Japanese investor in particular had a keen focus on environmental, social and governance investments and was active in the green bond market.

UTAS's debut is the largest bond issued by an Australian university in vanilla or green, social and sustainability (GSS) format (see table). The notes adhere to International Capital Market Association Green Bond Principles, with proceeds aimed at construction of the university's new Hobart campus. The build is targeting a 20 per cent carbon footprint reduction over the course of its life, according to UTAS's green-bond framework.

### Largest Australian university bond deals

Pricing date	Issuer	Volume (A\$M)	GSS format	Tenor (years)	Pricing (s/q swap)
31 Aug 10	Macquarie University	250	N	10	170
10 Apr 14	University of Sydney	200	N	7	88
24 June 14	University of Melbourne	250	N	7	80
18 Aug 15	University of Sydney	200	N	10	95
11 Nov 15	Australian National University	200	N	10	105
11 Jul 17	University of Technology Sydney	300	N	10	97
25 Jul 17	Australian Catholic University	200	Y (sustainability bond)	10	97
29 Aug 18	Macquarie University	250	Y (sustainability bond)	10 & 25	92 & ND
19 Nov 18	University of Sydney	200	N	25	ND
8 Nov 19	Macquarie University	250	Y (sustainability bond)	10 & 25	93 & ND
1 Dec 20	Western Sydney University	200	N	7	105

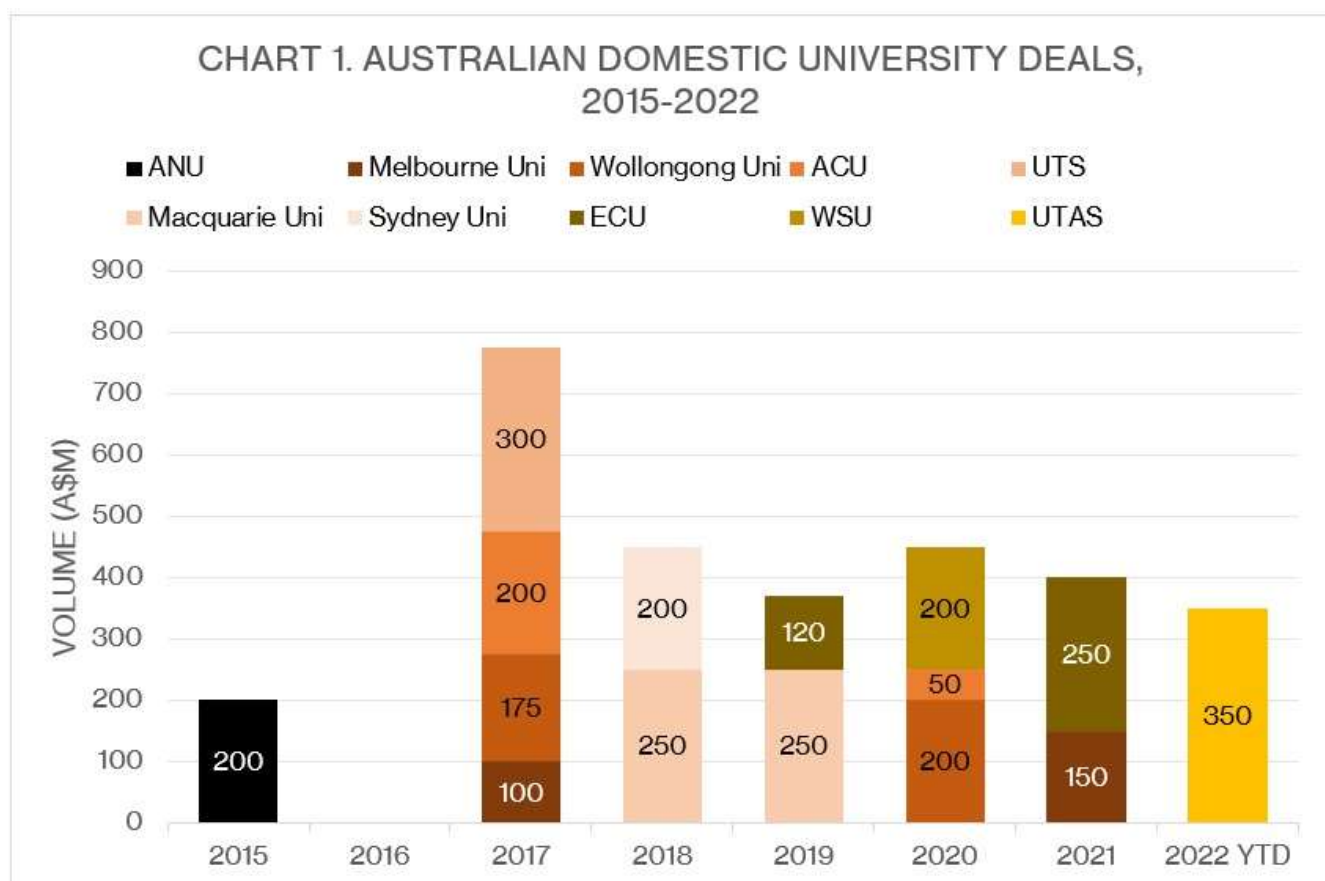
8 Dec 20	University of Wollongong	200	N	8	100
8 Jul 21	Edith Cowan University	250	N	12 & 20	120 & ND
15 Mar 22	University of Tasmania	350	Y (green bond)	10 & 20	125 & ND

Source: KangaNews 21 March 2022

“We are half-way through the same process in Launceston, where we are moving our campus into the CBD,” Clerk adds. “The first of our new buildings completed was constructed with a 30 per cent reduction in embodied carbon.”

## DEAL DYNAMICS

UTAS’s deal refinances the university’s existing debt with the Tasmanian government and is the first true Australian dollar domestic corporate issuance of 2022 alongside Toyota Finance Australia’s A\$150 million note, which priced on the same day at 80 basis points over semi-quarter swap. It is also the first local issuance from a university since Edith Cowan University’s A\$250 million 12- and 20-year notes in July 2021 (see chart 1).



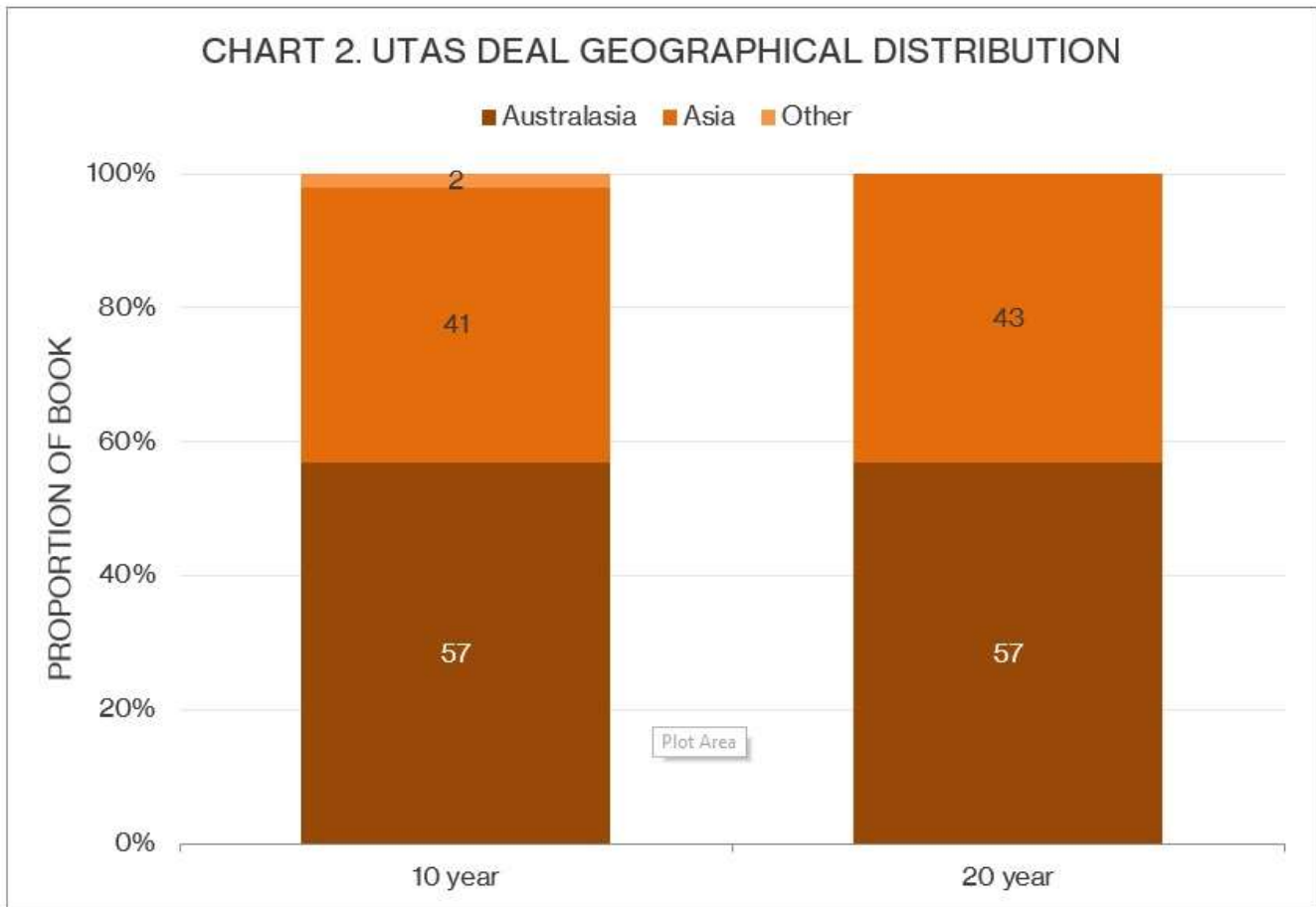
Source: [KangaNews](#), 21 March 2022

James Waddell, director, corporate finance at NAB in Sydney, says UTAS’s outcome demonstrates the value of the green label, particularly in times of market stress. “Investors are reluctant to let go of these transactions as price tightens in a normal market,” he explains. “In a challenging market, the same investors see an opportunity to acquire assets in a way that benefits them and the issuer. The issuer gets

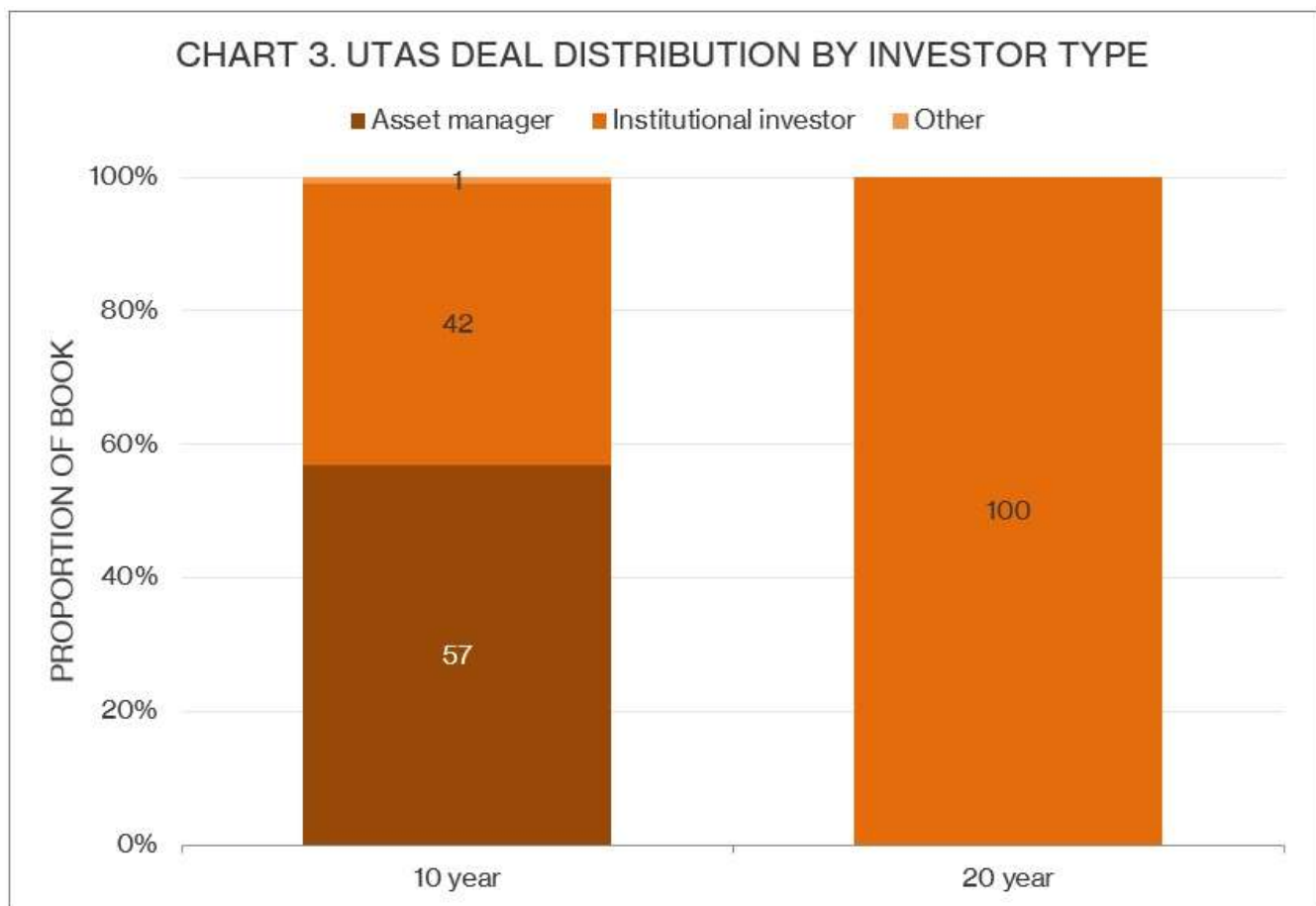
its deal away and the investor acquires an asset that is more highly sought after when market conditions are robust.”

The issuer elected to delay execution by a week due to the start of the Ukrainian conflict but the solid investor interest in both tenors – particularly once markets calmed – opened an issuance window. “We were looking for offshore money to secure the longer-dated paper,” Clerk explains.

The deal received strong interest with a book totalling about A\$500 million according to deal sources. Asia-based investors took significant allocations of each tranche (see chart 2), while institutional investors dominated the 20-year note (see chart 3).



Source: Commonwealth Bank of Australia 21 March 2022



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Penny Schubach, Sydney-based executive director, global capital markets at CBA, says a select group of offshore accounts provided certainty during the bookbuild. “The backdrop was obviously volatile at the time we launched the trade. Fortunately, we had an issuer that was prepared to be quite patient and wait until we had a reasonable market backdrop.”

Schubach adds pricing reflected the heightened market volatility, with the issuer prepared to meet current market pricing to achieve a successful offering. University of Melbourne was the last educational institution to execute a 10-year bond, a A\$150 million deal that priced on 12 January 2021 at 87 basis points over semi-quarter swap.

Schubach notes, however, that pricing tightened from the indicative 130-135 basis point area on the 10-year note during execution. “The idea was to get in and out of the market quickly to decrease execution risk. Fortunately, the offshore accounts firmed up early in the morning and then we found we had much broader engagement with the market and some very strong support. With the significant momentum post launch we were able to price the same day.”