

Carrefour SLB: market update

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Carrefour (ticker CAFP), a French multinational retail company, has issued four Sustainability-Linked Bonds (SLB) (see Table 1). The first three referenced two circular economy related Sustainability Performance Targets (SPTs).[1] The most recent, priced on 2 May 2023, used two new SPTs; the first was direct emissions but with a more stretching target than the financing framework, and the second was the portion of Scope 3 emissions from purchased goods and services.

Table 1. Carrefour SLBs. Source: Bloomberg, accessed 7 Jun 2023.

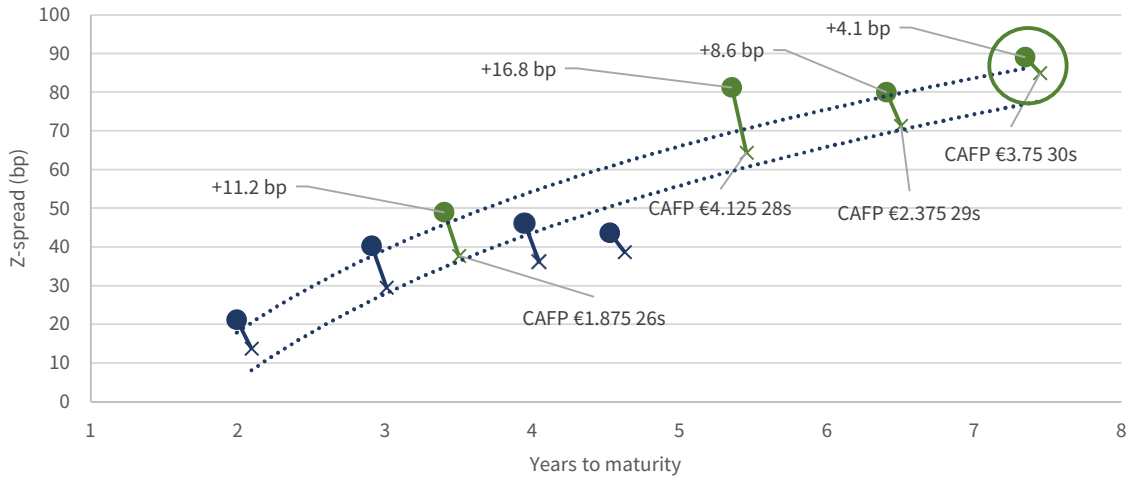
Description	ISIN	Issue Date	Maturity	Currency	Amount Outstanding
CAFP €3.75 30s	FR001400HU68	10-May-23	10-Oct-30	EUR	500,000,000
CAFP €4.125 28s	FR001400D0F9	12-Oct-22	12-Oct-28	EUR	850,000,000
CAFP €1.875 26s	FR0014009DZ6	30-Mar-22	30-Oct-26	EUR	750,000,000
CAFP €2.375 29s	FR0014009E07	30-Mar-22	30-Oct-29	EUR	750,000,000

We praised this SLB structure, but observed that it seemed to be priced flat or wide to the existing SLBs.[2] This pricing suggested the market was not assigning a material value to the potentially higher probability of receiving step-up coupons under a more ambitious framework.[3] When SLBs have higher chances of receiving step-ups, investors should accept lower spreads.

Updated pricing (in Figure 1) shows that the bond has outperformed the recent widening. Since pricing, the new SLB has widened 4.1bp compared to an average of 12.2bp for the existing three SLBs. Specifically, it has compressed to the 28s and 29s, the nearest maturity original SLBs.

This relative movement suggests market pricing could now be reflecting the more ambitious SPTs.

Figure 1. Carrefour bond spreads from 2 May 2023 (crosses) to 7 Jun 2023 (circles). SLBs are shown in green. Source: Bloomberg, accessed 7 Jun 2023.



[1] For details please see "Carrefour Sustainability-Linked Bond Framework", Carrefour, accessed 7 Jun 2023.
[2] For our initial note please see "Carrefour: 1 SLB, 2 KPIs, 3 Scopes of emissions included", AFII, 2 May 2023.
[3] Please see "An option pricing approach for sustainability-linked bonds", AFII, 8 Nov 2022.

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