

Legrand SLB: le grand objectif d'avoir un objectif

Josephine Richardson [(*)]

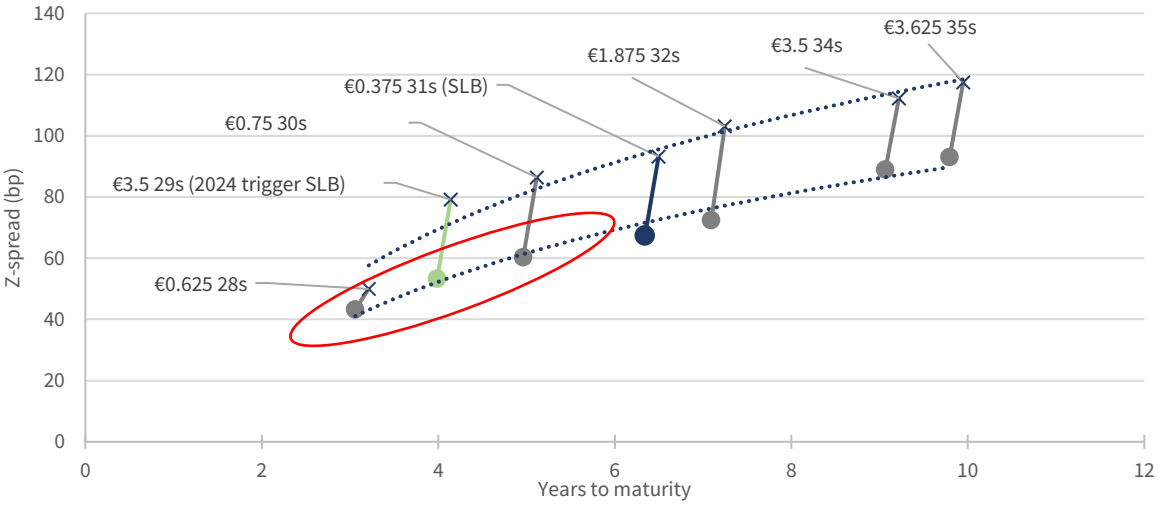
Legrand SA (ticker LRFP), a French industrial group, has two Sustainability-Linked Bonds (SLB) outstanding, one of which (LRFP 3.5% 29s ISIN FR001400I5S6) observed its Sustainability Performance Targets (SPT) at the end of 2024. In our earlier analysis we ranked this bond as 50:50,[1] because there was insufficient evidence to give us confidence that they would be met or missed.

Legrand's 2024 integrated report confirms that two of the targets (30% of managerial positions held by women, and 250 key suppliers engaged on emissions reduction targets) were met. However one target (supplier-committed emissions reduction targets to 2030 greater than 400 $ktCO_2e$) was not achieved; total targeted reductions came in at 341 $ktCO_2e$ instead.[2]

On the face of it, this target appears weak, as it is a 'target to set targets', and is not associated with any direct emissions reductions. However, that it was not met, despite engaging 327 key suppliers – well above the goal of 250 – highlights the challenges involved. It also suggests that the engaged supplier base may be weighted towards smaller suppliers, over whom Legrand may exercise greater influence.

The impacted bond steps up 12.5bp, effective 29 May 2025, if any targets are not achieved.[3] This step-up has not yet been applied in Bloomberg, and is worth 12.5bp running.[4] While the bond seems to have recently outperformed, it seems currently priced fairly to the curve (as shown in Figure 1). As the missed target is digested by the market, this could drive outperformance.

Figure 1. Legrand bond spreads from the local wides on 8 Apr 2025 (crosses) to 4 Jun 2025 (circles). Source: Bloomberg, accessed 4 Jun 2025.



[1] "SLBs: a summary of 2024 targets", AFII, 9 Jul 2024.
[2] P36 "2024 Integrated report", Legrand, 7 May 2025.
[3] "Prospectus 3.5% 29s", Legrand, 25 Mar 2023.
[4] Bloomberg step-up not applied as 4 Jun 2025. 12.5bp running means the impact on the trading spread of the bond. It is equal to the step-up coupon as that applies for the full remaining length of the bond.

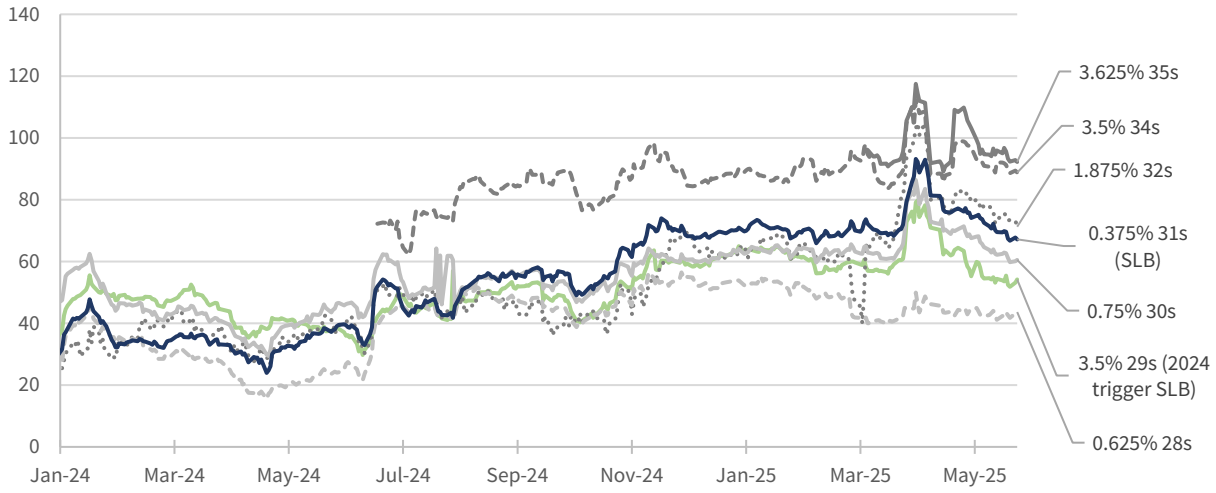
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Figure 2 shows a longer period of history for Legrand bond spreads, to analyse any longer trends.

The 31s (the SLB with 2030 observation date) seems to have been the underperformer; at the start of 2024 is was tighter than the 30s and 29s, both of which it is now wider than. The 31s and 30s both have low coupons, and therefore low cash prices, so the relative move can't be driven by this dynamic.

The 29s (the 2024 trigger SLB) widened versus the 29s during the market weakness earlier in 2025, but has tightened since (as shown in Figure 1). It also seems to have tightened versus the 30s over this period; trading at a close spread for much of the period but now has a differential of 6bp.

Figure 2. Historic Legrand bond spreads. Source: Bloomberg, accessed 4 Jun 2025.



In previous examples, the point at which Bloomberg adjusts the coupon (which mechanically causes the z-spread to be re-calculated for an unchanged price), has been associated with sudden moves in price where there was no move on the date the miss was announced.[5] This is potentially irrespective of any underlying bond curve dynamics.

[5] "London & Quadrant SLB: market update", AFII, 7 Oct 2024.

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