

Iberdrola launches a 400 million euro green bond issue benchmarked to the share price

- *The bonds will incorporate an option, allowing investors to benefit from the revaluation of the share at maturity of the bond.*
- *By purchasing a hedging option, Iberdrola eliminates the risk and obtains a cost advantage over traditional financing.*

Iberdrola has launched a green bond issue indexed to its share price. The company has raised 400 million euros at 5 years. The coupon has been set at 1.5%.

This type of bond is characterised by the fact that its return is indexed to the performance of the issuing company's shares (in this case, Iberdrola), and investors may therefore exercise a call option on the price of the company's shares within the 3 months prior to maturity. This option will always be exercisable by payment of the difference. In other words, Iberdrola will not issue or deliver shares in any case, so there will be no dilution effect on its current shareholders.

The deal was done with four leading international banks, JP Morgan, Natixis, Mizuho and Morgan Stanley.

In parallel, Iberdrola will acquire a hedging option identical to the one sold within the bond, which allows it to be covered against any risk of exercise by bondholders (in the event of a share revaluation above a certain level). This level will be determined in the next few days.

The combination of the share-linked bond and the purchase of the option provides cost advantages over traditional financing and is considered an opportunistic financing operation.

This is not the first time Iberdrola has placed a bond in the structured bond market linked to shares. In 2022, the company launched a green bond issue linked to its share price for an amount of 450 million euros and in 2015 it entered the market with a transaction of 500 million euros, which in 2020 it increased by an additional 200 million euros.