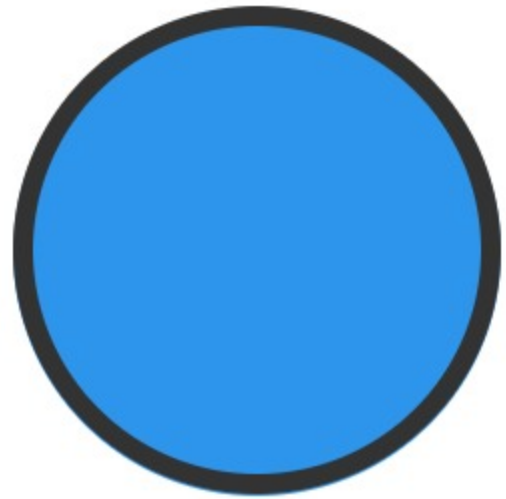


# ✓ Bond offerings - Advantages

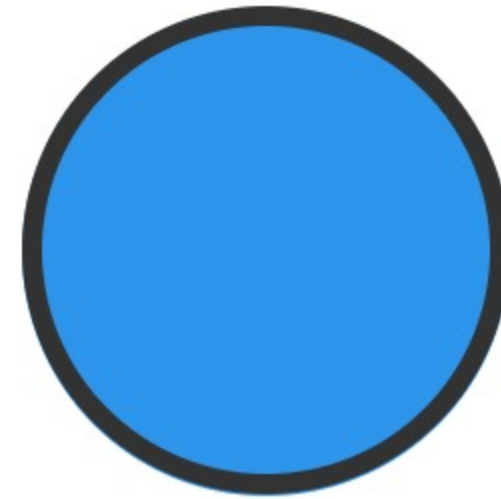
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Which are the advantages of issuing a bond compared to bank financing?



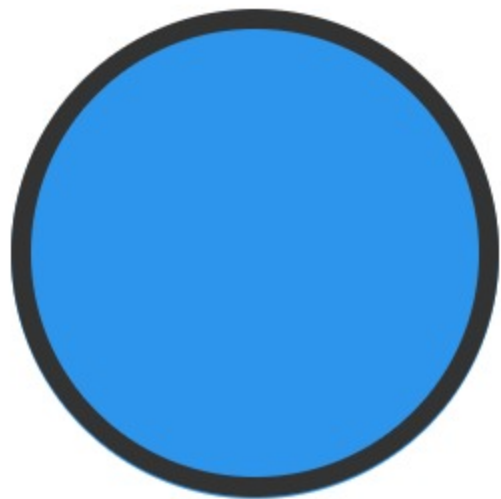
## Lower Cost of Debt

Bonds tend to be cheaper than bank financing in terms of spread charged to the borrower



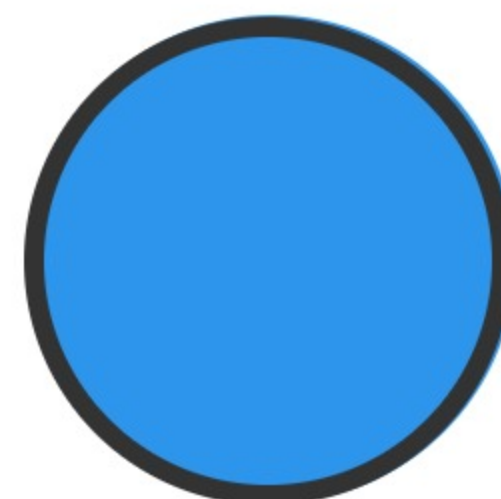
## Less Covenants

Bonds do not contain restrictive covenants like bank loans. Single investors have less bargaining power



## Strong Signal

Issuing a bond is a strong signal for the market. The company is confident that plenty of investors would be interested in its securities



## Diversification

Different sources of financing are healthy because they are also interchangeable

# Debt Offerings

You work in the DCM Division of a prominent investment bank. A client approaches you and asks what is the difference between bond offerings, securitizations, and loan syndication

**Provide a one-pager explanation**

## Bond offerings

Description: Bonds are debt notes offered to multiple investors

Advantages: Large market,  
Lower cost of debt,  
Not many covenants

1

3

2

## Securitization

Description: The company groups receivables and sells them as a debt security to investors

Advantages: Source of financing, Cleaner balance sheet, Less risk exposure

## Loan Syndication

Description: A pool of banks is the lender. A lead bank distributes the loan to other banks

Advantages: Suitable for larger quantities of debt, Certification