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*Bonds*  
*Deals of the Year 2025*

# EQUITY-LINKED DEAL OF THE YEAR

## CMA CGM ISSUES CONVERTIBLES AGAINST AIR FRANCE - KLM SHARES

*Transaction: CMA CGM Issues Air France-KLM Convertible Bonds*

*Winners: Citi, Société Générale, HSBC, Natixis*

**C**onvertible bonds are not foreign to shipping. The concept is rather straightforward, utilizing volatility to achieve a lower cost of capital. Investors purchase interest bearing notes which can eventually be exchanged for equity at a predefined conversion ratio that usually represents a premium to the market. In effect, this functions similarly to a call option and its strike price. In return, the issuer receives unsecured debt with a lower coupon representing the potential equity upside of conversion – resulting

in the issuer possibly never having to redeem the bonds in cash. The catch is that in a significant up-market, conversion can be significantly dilutive, an issue public shipping companies continually face when trying to raise equity capital from the markets. But what if we told you that convertible bonds could convert into another company's equity?

That's what makes this convertible bond issuance by CMA CGM interesting. CMA CGM, the world's third largest

container shipping company and logistics provider, became a significant 8.80% shareholder in Air France-KLM in 2022 when it formed an air freight partnership with the airline. Subsequently, in 2024, the two companies withdrew from the partnership under tighter regulatory environments, with CMA CGM's stake in Air France-KLM emerging from its lock-up agreement in early 2025. Instead of selling down its stake and forfeiting potential future upside for immediate cash, CMA CGM opted for a

more creative solution. The company sold EUR 321 million worth of .50% Reg S convertible bonds with an exchange premium of 35%, maturing in three years (non-callable for two) with flexibility of settlement either in shares or cash at redemption or exchange. By issuing these convertible notes, CMA CGM achieved extremely low-cost financing with a coupon of just .50%. Not only that, but the company has also secured potential upside on its equity stake in Air France-KLM, essentially selling call options with a strike 35% higher than the face value of the bonds, while also preserving flexibility at settlement.

Creative solutions to unique situations like this one are a testament to having good advisors and certainly worth of the Equity-Linked Deal of the Year. Congratulations to Citigroup and Société Générale as Joint Global Coordinators, and joint bookrunners, HSBC and Natixis!



Source: Bjoern Wylezich / Shutterstock



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