

NMFA Drives Record Levels of Investor Interest with BondLink

The New Mexico Finance Authority combined new technology with modern best practices to have a wildly successful bond sale

Situated in Santa Fe, New Mexico Finance Authority (or “NMFA”) is the largest state-wide issuer in the Land of Enchantment through its Public Project Revolving Fund (“PPRF”) bond program. Over 250 diverse public entities and tribes ranging from fire districts to spaceports rely on projects the PPRF funds. The Authority’s strong digital presence highlights the PPRF’s benefit to local communities.

NMFA has come to market more than 30 times over the past 5 years, working with many of the top investors in the country on deals ranging from \$20M - \$100M.

With so much capital on the line, NMFA’s Chief Strategist, Michael Zavelle constantly looks for opportunities to form stronger relationships with the buy-side and demonstrate their strengths as an organization to increase demand for their offerings.

That’s why NMFA quickly launched an investor engagement program with BondLink after learning about the platform’s full suite of capabilities.

The ability to enhance their financial transparency, streamline regular investor communications, and track investor activity was all incredibly attractive to Zavelle.

Setting the Stage

Created by the state legislature in 1992, NMFA provides low-cost infrastructure financing for New Mexico through the PPRF and for NMDOT.

Despite already having one of the better issuer-created finance webpages in the municipal bond market, NMFA was drawn to BondLink’s unique investor analytics tools included in the IR websites. They were also impressed by the ease of managing printing, roadshows, and other bond sale marketing with BondLink.

NMFA joined the BondLink network in 2019 to take full advantage of these features, grow its investor base, and generate more demand ahead of its bond sales.

“BondLink has proven to be a powerful resource for reaching and retaining investors in ways that NMFA’s PPRF program could never do on its own.”

- Michael Zavelle, NMFA Chief Strategist

For months after launching its IR website, NMFA distributed financial documents, project updates, and more via their IR website. Investors performing surveillance saw these updates and easily signed up to receive notifications when similar materials were posted in the future.

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SOLUTION

NMFA took full advantage of BondLink’s IR websites, printing services, investor outreach capabilities, and analytics features to drive significant demand for their new-issue offering.

BENEFITS

- Centralized their bond program and sale information into one easy-to-use location for investors
- Produced and distributed their POS and roadshow via their IR websites and personalized outreach
- Received granular reporting on investor engagement that NMFA can now leverage to market future bond sales
- Directly attributed pre-sale activity to deal participation to measure effectiveness of marketing efforts

“A Remarkable Success”

In July 2021, NMFA issued \$234.6 million NMDOT subordinate lien bonds (AA/Aa2) through an underwriting syndicate to fund road projects across the state. The NMDOT only issues these bonds once every few years through NMFA, and these bond sales tend to be larger than their average.

NMFA leveraged BondLink’s digital printing services for the 2021A Preliminary Official Statement (POS). The POS was then disseminated by both BondLink and the banking syndicate. NMFA also posted it to their BondLink IR website, www.NMDOTBonds.com, alongside additional offering documents that investors could access all at once.

Despite macro concerns in the bond market about inflationary pressures, the NMDOT sale was a remarkable success.

Strong, diverse investor demand resulted in a total oversubscription of more than 6x. As a result, NMDOT benefited from 4 - 9 basis point reductions in final yields across the various maturities. The lower bond yields due to NMFA’s breadth of investor demand generated more than \$1 million in additional road project funds for the State.

New Investors, New Opportunities

Participants in the NMDOT bond offering included both existing holders of NMFA bonds (PPRF & NMDOT) as well as large, new investors.

Vanguard, an existing holder, put in an order for all \$234.6 million of the bonds. A new investor, Gannett, Welsh & Kotler, did the same.

New investors for NMFA like Lord Abbett, American Century, and Rochester Funds placed orders of \$110M, \$74M, and \$74M, respectively. Blackrock, an existing investor, also put in an order for \$87M.

60% of investor demand originated on NMFA’s BondLink IR website

As part of its post-sale analysis, NMFA worked with its lead underwriter to compare the pre-sale investor traffic captured by NMFA’s User Activity tool to the actual bond orders placed by buyers.

The bank’s analysis showed a substantial amount of investor demand that resulted in large orders was sourced through BondLink.

Adapting to the Future of the Muni Market

As the municipal market continues to evolve, NMFA can rely on their ability to engage with investors to access necessary capital.

They now own a best-in-class IR website that attracts a robust network of interested buyers who will learn about future deals. Plus, NMFA’s repeatable practices can keep bringing new buyers to the table and further diversify their holders.

Their openness to exploring new ideas, commitment to financial transparency, prudent understanding of what information investors want, and public display of strong management will continue to add value over time.

Other issuers can take a similar approach to achieve these results and feel assured that they’re doing everything in their power to financially support their communities.

Key Take-Aways

NMFA’s bond sale followed a number of additional best practices to maximize investor interest and demand. Other issuers - regardless of their size, focus, geography, or issuance frequency - could consider implementing similar practices to strengthen their bond programs. See below for two that are particularly noteworthy.

First, NMFA announced that it was returning to market significantly earlier than most issuers.

While the pricing took place on July 27th, NMFA first indicated the sale was coming a month earlier on June 22nd. BondLink started alerting investors via its email distribution list on June 25th, with social media posts starting July 1st. These alerts continued for the subsequent three weeks. NMFA posted its POS along with a virtual investor roadshow – recorded by BondLink – on July 16th, a full week earlier than when most issuers disseminate a POS.

Investors regularly ask for more advanced notice of a bond sale because of the high volume of deals each week.

NMFA was rewarded for their early communications and BondLink’s use of digital channels like email, LinkedIn, and Twitter. **44 new users** on NMFA’s IR website downloaded documents, including the new investors who placed orders in the bond sale - Fidelity, Celadon Financial, Aetna, and Offit.

Second, NMFA used BondLink’s digital printing services and centralized materials on their IR website.

By driving all investors to their single IR website for their roadshow, POS, and sale notifications, rather than multiple properties and third-party hosting services, they consolidated investor activity in a way that gave NMFA and its finance team comprehensive, real-time views of investor interest leading up to the deal. Granular analytics about document downloads, page views, notifications sign-ups, and more were clearly visible to NMFA and available to share with their bank syndicate and municipal advisors.

For NMFA, this data showed that **user activity grew 500% on its IR website from the time it announced its bond sale to the actual pricing. This included nearly 80 downloads of its POS and virtual roadshow.** While many factors go into determining the prices and yields on each maturity offered to the market, real-time views into investor demand ahead of the sale can give any issuer like NMFA more confidence as it builds its book of investor orders.