

# Trends in Equity Capital Markets

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# 1 Trends in Equity Capital Markets

## Increasing deal security in IPOs – Cornerstone vs. anchor investors

*Deal security as early as possible becomes more and more of utmost importance to future issuers*

*Therefore, pre sounding activities, i.e. early look and pilot fishing meetings, are gaining importance*

Pre sounding activities positioned ahead of the IPO launch



### Advantages

- ✓ Strengthening general corporate image
- ✓ Gather feedback on equity story, comparable companies, valuation etc.
- ✓ Determine core group of target investors, who could form “cornerstone or anchor club” for the issuer

### Disadvantages

- ✗ Investors being cautious due to new MAR
- ✗ Too many meetings ahead of the PDIE and Roadshow might lead to a lower interest in the deal

### Key parameters of cornerstone and anchor investors

- **Cornerstone investors** are investors that irrevocably commit to take up a fixed number of shares
- **Anchor investors** are typically investors that place significant orders in the book “at open”, based on prior verbal commitments.

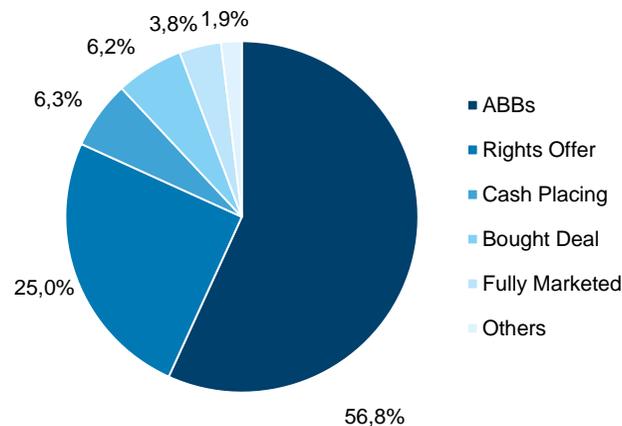
## 2 Trends in Equity Capital Markets

### ABB's as the predominant follow-up mode in Europe

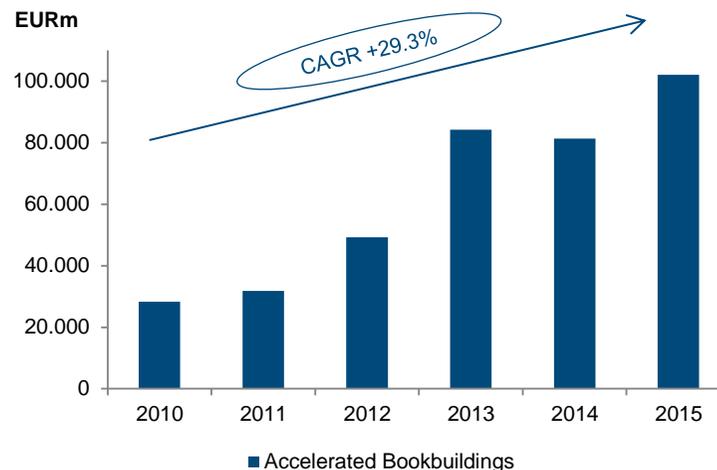
*Out of the total follow-on volume and activity in Europe YTD, 57% are executed via accelerated bookbuildings*

*Therefore, accelerated bookbuildings are the predominant mode when it comes to follow-ons in Europe*

Follow-on breakdown (by volume)



Development of ABBs 2010 – 2015



#### Key parameters of ABBs

- ABBs are conducted **within a few hours** “over-night”
- Usual **sizes** of straight secondary ABBs of 2 – 4% of the share capital
- **Discount** vs. previous closing price around 4 – 8% with straight secondary ABBs
- **Pricing**: either back-stop (with a discount, depending on the stock’s liquidity) or best effort
- **No documentation for straight secondary ABBs** (prospectus, due diligence, opinions/comfort letters etc.)
- **No prior alignment with/information to issuer** with straight secondary ABBs
- With straight secondary ABBs usually **no ad hoc announcement** by issuer or seller required
- In case of a **capital increase**, min. **50% free subscription rights** are recommended

Source: Dealogic as of October 6, 2016

# 3 Trends in Equity Capital Markets

## Scrip dividend as innovation in Austria

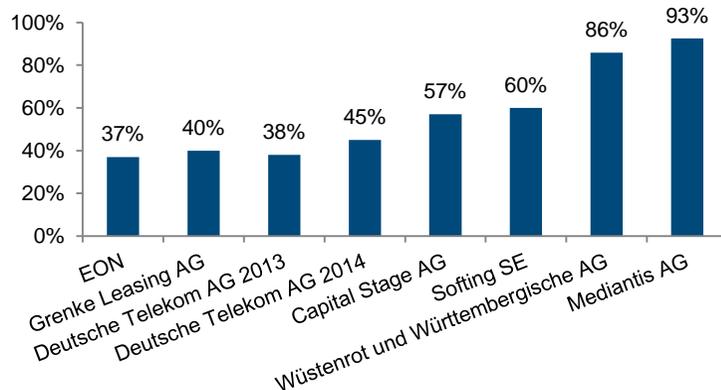
*The scrip dividend concept has been well-known and proven especially in the UK and the Netherlands*

*In 2016, PORR AG was the first and up to now only Austrian company offering the scrip dividend to its shareholders*

### Key parameters of the scrip dividend concept

- Issuer pays **new** or **treasury shares** instead of the classic **cash dividend** to its shareholders
- By doing so, the issuer's **liquidity** and **equity** is preserved
- Each shareholder has the right to **choose modality of paying out the dividend**, i.e. in cash or shares or a mixture
- In the case that the shareholder goes for the latter, his/ her stake in the company increases
- The capital increase or in other words the acquisition of treasury shares can be done either in
  - that way that those shareholders who want to receive their dividends in shares, **to contribute** their dividend receivable against the issuer **in kind** or
  - as way of **reinvestment** of the identical value date paid out cash dividend in shares
- **Prerequisite** is a valid resolution of the general meeting, a net profit or a free reserve as well as a document replacing the prospectus

### Shareholder's acceptance rate of the scrip dividend (in%)



2016  
**DORA**  
PORR AG  
n.a.  
Scrip Dividend  
Financial Advisor &  
Technical Agent

Source: Company information

# 4 Trends in Equity Capital Markets

## Convertible as alternative to a capital increase

An equity-linked bond is a debt obligation that gives the holder the option to exchange the bonds into the underlying shares

Payoff for the issuer:

- Low cost financing if share price at maturity < conversion price
- Sale of the underlying shares at a premium to spot if share price at maturity > conversion price

Payoff for investors:

- Downside protection (repayment of the bond)
- Upside participation (if stock price at maturity > conversion price at maturity)

Current market environment allows placement at 0% coupon and high conversion premium (e.g. BUWOG)

Convertibles offer advantages over straight debt and equity

	Advantages	Disadvantages
Versus straight debt	<ul style="list-style-type: none"> <li>✓ Significantly lower funding cost</li> <li>✓ Credit rating not required</li> <li>✓ Low execution risk Structurally more flexible</li> <li>✓ No covenants</li> <li>✓ Listing not required</li> </ul>	<ul style="list-style-type: none"> <li>✗ Potential issue of shares (if converted)</li> <li>✗ Size limited by number of underlying shares and stock liquidity</li> <li>✗ Potential short-term share price impact upon launch</li> </ul>
Versus equity	<ul style="list-style-type: none"> <li>✓ Achieves a higher price for the underlying shares than an equity sale at issue date</li> <li>✓ Cash settlement option provides flexibility Faster marketing execution</li> <li>✓ Coupon is tax deductible</li> </ul>	<ul style="list-style-type: none"> <li>✗ Additional leverage</li> <li>✗ Limited effect on shareholders' equity</li> </ul>

### BUWOG convertible – Key facts

Issuer:	BUWOG AG
Deal Type:	Convertible
Deal Execution:	Accelerated Bookbuilding
Deal Value:	EUR 300.0m
Conv. Debt Offer Price:	100.00%
Coupon:	0.00%
Conversion Premium:	35.00%
Conversion Price:	EUR 31.40
Reference Price:	EUR 23.26

Source: Company information

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