

CORPORATE BONDS ISSUANCE

The bond is a dressed loan

A bond is a security with the right of its Owner (the Creditor) linked to claim repayment of the owed sum and interest on the amount granted from the Issuer (the Borrower) to a defined period of time.

Bonds as a much more attractive option

Of course, companies as well as individuals may borrow from banks, under certain conditions, but issuing bonds is often more attractive. The interest rate paid by the company to investors and guarantee instruments are often lower than what would be required from the bank to obtain a loan.



The possibility to borrow large amount of money at attractive interest rates with the deferred maturity payment of the principal gives companies a chance to invest in their own growth, infrastructure or other projects, such as purchasing technology, machinery, equipment; financing of working capital and stock inventories; construction, reconstruction and development of new projects; mergers & acquisitions; research follow by go to market activities. Any kind of growth & business development.

Bond issuance represents a greater freedom to operate

Bond issuance also gives companies significantly much more freedom in how to deal with money, which is in its own way an exemption from restrictions that are often associated with bank loans. Bond issues allow companies to raise money without such restrictions and burdens.

Unlike the loan, bonds issued in the Slovak Republic are characterized by its unlimited transferability, so the owner can be changed without the Issuer having an influence on it.

Types of bonds

- **Fixed-rate bonds (coupon, interest)** – pays the same amount of interest for its entire term. The advantage is the ability to easily calculate profits, the disadvantage is their possible lack of profitability in the economy fluctuations (growth of interest rates in banks, inflation).
- **Floating rate bonds (variable/changing coupons)** - the coupon is dependent on the reference rate, often the interbank rate of the LIBOR type, the EURIBOR plus the surcharge.
- **Zero coupon bonds (pays null interest)** - during the life of the bond, but is instead issued at a deep discount from its value at maturity.
- **Convertible Bonds** - In addition to classical rights, this bond also includes the right to convert a bond into a predetermined amount of the underlying company's equity at certain times during

the bond's life (usually at maturity). Convertible bonds are a flexible financing option for companies and are particularly useful for companies with high risk/reward profiles.

- **Priority bonds** - give the owner the right to preferential subscription to the company's shares.
- **Redeemable bonds** - may be repaid prematurely under certain conditions or on the contrary, it may demand its early repayment.
- **Natural Bonds** - coupon are paid in a commodity or is an authorization for a bargain purchase.

You are buying time with bond issuance

The conditions for the bond issuance are regulated by **the Securities and Investment Services Act No. 566/2001** and **the Act on bonds No. 530/1990 Coll.** The issuance of corporate bonds is approved by the **statutory body** of the company, which determines the total volume of bonds.

Based on **current market conditions**, it is important to set a correct timing of the issuance, to determine its appropriate characteristics (volume of the issued bonds, nominal value, maturity, the method of interest rate and a periodicity of maturity dates). The specific conditions of each issue must be considered individually, depending on the financial situation of the company, the market conditions and the purpose for which an acquired resources will be used.

Advantage of the private placement bond issuance

- One major advantage of private placed bonds is that the issuer isn't subject to the SEC's strict regulations for a typical public offering and is exempt from EU Prospectus Directive. With a private placement, the issuing company isn't subject to the same disclosure and reporting requirements as a publicly offered bond. Furthermore, privately placement don't require credit-agency ratings.
- Another advantage of private placement is the cost and time-related savings involved. Issuing bonds publicly means incurring significant underwriter fees, while issuing them privately can save money. Similarly, the process can be expedited when done in a private manner. Furthermore, private placement deals can be custom-built to meet the financial needs of both the issuer and investors. Means issuer is actively participating on the bond issuance terms of drawing and repayment of funds, determining the level of interest, the duration period etc.
- The Issuer acquires credit resources not from a single but rather from multiple investors, enable him to obtain higher funds volume, diversify multiple resources.
- The Issuer will ultimately increase its prestige and publicity.

Scope of services for Bond Issuance

- Issuance consultation with the issuer (regular meetings)
- Setting Issuance parameters (based on issuer's requirements/needs)
- Drawing up the documentation of the issuance conditions in accordance with the Bonds Act, the Securities and Investment Services Act
- Drawing up the wording (certificates) bonds, visualization
- Legal support for approved issuance within the issuer's corporation (analysis of corporate issuer documents and setting up of necessary internal processes - e.g. preparation of a decision of the Board of Directors, preparation of accounting and legal documents, organization of the Shareholders and Supervisory Board' meetings)
- Bond Purchase Agreement with issuance conditions arrangement
- Infolist and Acceptance protocol preparation support
- Bondholders List arrangement and evidence
- Creating the strategy for bonds offering, placement and subscription
- Representation at the Central Securities Depository (allocation of ISIN, LEI code)

