

# Chameleon convertibles

The convertible bond is a master of disguise. It comes in many shapes and forms, owing to its remarkable flexibility as a financing tool. Convertibles span the financing spectrum from debt to equity, so can be tailored to meet the specific needs of the issuer.

Last year US\$40bn was raised via the flourishing international convertible market. Five themes are apparent, each set to unfold further this year – exchangeables, jumbo deals, combined offerings, the euro and reverse convertibles.

1998 was the 'year of the exchangeable'. Corporates have monetised shareholdings at a premium to prevailing market prices, while deferring capital gains liabilities. Issuance has exploded – exchangeables now represent half of all convertibles issued, compared

with just 5% in recent years.

## Jumbo exchangeables

1998 was also the year of the jumbo deal. Five issuers each raised over US\$2bn, including the largest ever issue – a US\$3.2bn exchangeable for Bell Atlantic into Cable & Wireless Communications. Another jumbo exchangeable issuer was Swiss Life, which in just 4 hours raised over US\$2bn with the first ever multi-stock exchangeable, comprising six deals in one.

Combined equity and convertible offerings are becoming commonplace. Issuers such as France Telecom and Ahold have issued convertibles in parallel with equity offerings, tapping distinct and competing investor bases to improve pricing.

The introduction of the euro will bring

with it an explosion of euro-denominated convertibles following a handful of precedents in 1998. The euro will become the currency of choice for all European issuers, where historically the US dollar has been the benchmark currency.

1998 marked the birth of reverse convertibles – essentially mandatory convertibles allowing the issuer to participate in the upside in its own share price. The buyers, predominantly European retail investors, accept downside exposure in return for a high yield. From a standing start, issuance has exceeded US\$10bn from more than 150 issues.

Convertibles are a rapidly evolving and innovative financing tool offering unparalleled flexibility for issuers. Demand is booming, as investors seek both downside protection and upside potential in an uncertain market environment.

Issuers can therefore expect both innovative financing and attractive terms. The chameleon looks set for a rosy future. ■

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## INTERNATIONAL EQUITIES

These are a selection of issues announced recently. The details, updated to the middle of last month, were supplied by IFR Securities Data, London and other sources.

Issuer	Amount raised (m)	Type of issue	No shares (m)	Offer price	Pricing date	Exchange listing	Fees (%)	Lead manager(s)
<b>AC-Service</b>	DEM95.527	P	3.184	DEM30	27 Nov/98	Frankfurt Neuer Markt	5.0	*Dresdner Bank AG
<i>Comment: AC-Service is an IT outsourcing services company.</i>								
<b>Computec Media AG</b>	DEM75	P, S	1.21	DEM62	26 Nov/98	Frankfurt Neuer Markt	5.0	*Deutsche Bank AG
<i>Comment: Computec is a PC and video games magazine publisher.</i>								
<b>EarthWeb</b>	USD29.4	P	2.1	USD14	10 Nov/98	NASDAQ	7.0	JP Morgan
<i>Comment: EarthWeb is an internet service provider. Net proceeds to expand sales and marketing capabilities.</i>								
<b>Teleplan International NV</b>	DEM62.1	IPO	1.35(a)	DEM46	20 Nov/98	Frankfurt Neuer Markt	ND	*DG Bank
<i>Comment: Teleplan is a computer monitor and printer repair company. (a) including greenshoe.</i>								
<b>theglobe.com</b>	USD27.9	P	3.1	USD9	12 Nov/98	NASDAQ	7.0	Bear-Stearns
<i>Comment: theglobe.com is a provider of on-line information. Net proceeds for general corporate services.</i>								

P = primary; S = secondary; IPO = initial public offering; D = demerger. \* Bookrunner.