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HD **Arrium falls short by $284m**

BY BRIDGET CARTER, CAPITAL RAISING
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The retail component of Arrium's capital raising has resulted with the **company** netting just $6 **million** — almost $284m less than it hoped to secure — in what has proved to be a public relations disaster for its underwriter UBS and a bleak chapter for the **company**.

Arrium raised $465m from institutions on September 17, with the remaining $290m to be secured from retail investors.

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But the **company** revealed last night that the retail offer closed on October 8, resulting in only 12.8 **million** new shares purchased, locking in just $6.1m of the $290m it hoped to receive. It came as shares in the **company** closed at 33c — well below the price for which the **company** was raising **equity** — which meant the result was expected.

An auction began last night for the stock to be sold at 48c a share as part of the retail shortfall book build. But with the shares being sold at a price far higher than what the stock was trading at, it was thought that the sub-underwriters would be left with the **stake** in the business, equating to about 20 per cent.

Investment bank UBS, which had underwritten the deal, maintained that the raising had been fully sub-underwritten and that it would not be left holding any stock, despite suggestions that the bank would be left with shares in the **company**.

Sub-underwriters were understood to include offshore hedge funds and whether they would be burnt by the deal would depend on how effective they had been at hedging their own investments, sources said. Fears surrounding the dramatic drop in the **iron ore** price triggered a move by Arrium last month to tap the market and sources have suggested other **iron ore** miners are likely to follow suit.

The shares were offered at a 26 per cent discount to the 65c they were trading around at the time.

But the deal to raise $754m on September 15 went horribly wrong when its shares started trading lower than the price of 48c per share that the stock was being issued at.

After the trading halt was lifted, they crashed to 40c, which was a fall of 38 per cent and 17 per cent below the offer price, marking their lowest level since the **company** spun out of BHP Billiton as OneSteel in 2000.

In what was already at deeply discounted raising, the decision by the miner to raise funds surprised the market, given that less than a month before at its results, Arrium boasted about the performance of its **mining** division.

The slumping **iron ore** price has meant forecast cuts from many analysts, resulting in further pressure on Arrium's earnings forecasts and valuation.

Allan Gray fund manager Simon Mawhinney had previously said that he had met management with a view to getting involved in the placement, but elected not to.

This was on the basis that the **company** still had $1.2 **billion** in debt after the raising.

He had said that the **iron ore** market, where supply was growing rapidly, could get worse for miners if the **Chinese** pick-up in demand most expected did not eventuate.One analyst said the falling share price and poor institutional take-up had been influenced by lack of guidance in the **mining** business and the fact there had been expressions of confidence in the balance sheet just four weeks earlier.

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