

FIN2010 Financial Management

The Business, Tax, and Financial Environments II- Raising Capital



Agenda – Raising Capital

- Debt and Equity
- Equity Financing
 - Venture Capital
 - Private Equity
 - Initial Public Offering
 - Seasoned Equity Offering
- Debt Financing
 - Different types of debt
 - Credit Ratings



Firms and the Financial Market

Example 1: the fundraising path of Meta (previously called Facebook)

Announced Date	Funding Type	Money Raised	Lead Investors	Valuation	
9/1/2004	Angel Round	\$0.5M	Peter Thiel		} → Venture rounds
5/1/2005	Series A	\$12.7M	Accel Partners	\$87.5M	
3/31/2006	Series B	\$27.5M	Greylock Partners	\$500M	
10/24/2007	Series C	\$240M	Microsoft	\$15B	
11/30/2007	Series C	\$60M	Horizons Ventures		
			Global Founders Capital		
1/15/2008	Series C	\$15M			
3/27/2008	Series C	\$60M	Horizons Ventures		
5/1/2008	Debt Financing	\$100M	TriplePoint Capital		
5/26/2009	Series D	\$200M	DST Global	\$10B	
			DST Global, Goldman Sachs		} → PE rounds
1/21/2011	Private Equity Round	\$1.5B		\$50B	
5/18/2012	Initial Public Offering	\$18.4B		\$104B	} → Public market: IPO and SEO
12/19/2013	Seasoned Equity Offering	\$4B			

Source: Crunchbase



Firms and the Financial Market

Example 2: the fundraising path of X (previously called Twitter)

Announced Date	Funding Type	Money Raised	Lead Investors/ Acquiror	Valuation	
2007/7/29	Series A	\$5 M	Brian Pokorny, Charles River Ventures	\$35 M	} → Venture rounds
2008/5/1	Series B	\$15 M	Spark Capital, Bezos Expeditions	\$100 M	
2009/2/13	Series C	\$35 M	Benchmark Capital	\$250 M	
2009/9/25	Series D	\$100 M	Insight Venture Partners	\$1 B	
2010/1/8	Series E	\$5.17 M			
2010/12/15	Series F	\$200 M	Kleiner Perkins Caufield & Byers	\$3.64 B	
2011/8/2	Series G	\$400 M	Digital Sky Technologies	\$8 B	
2013/11/7	Initial Public Offering	\$1.82 B		\$25 B	→ Public market: IPO
2022/10/28	Acquired and Delisted	Buyout Deal Value: \$44 B	Acquiror: Elon Musk		→ M&A activity

Source: Crunchbase; <https://www.nytimes.com/2022/10/27/technology/elon-musk-twitter-deal-complete.html>

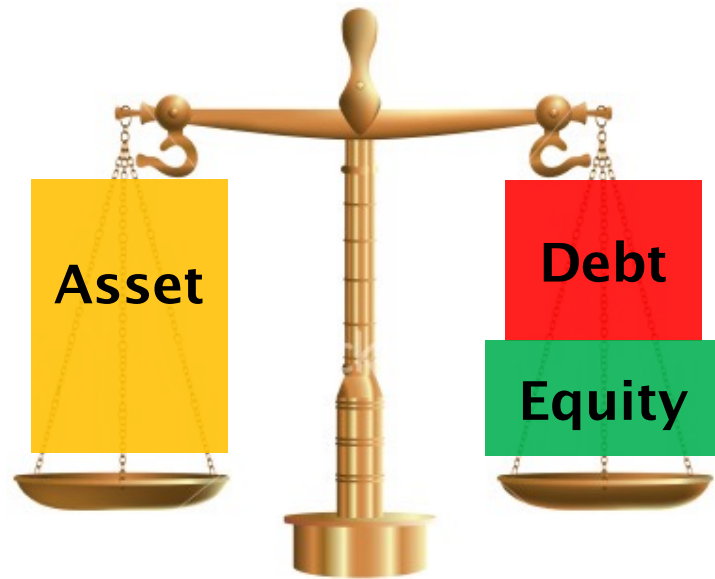


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Debt and Equity



- Debt: borrowing contract
 - Specific amount of money
 - Specific maturity date
- Equity: ownership contract
 - Grows (or shrinks) with firm earnings
 - Does not need to be paid back



How Debt and Equity Evolves



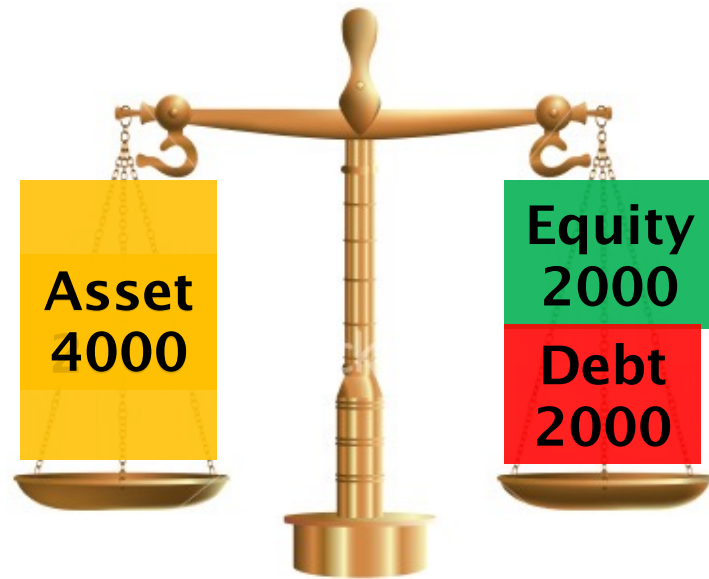
- Cuihua starts a new restaurant with ¥ 1000.



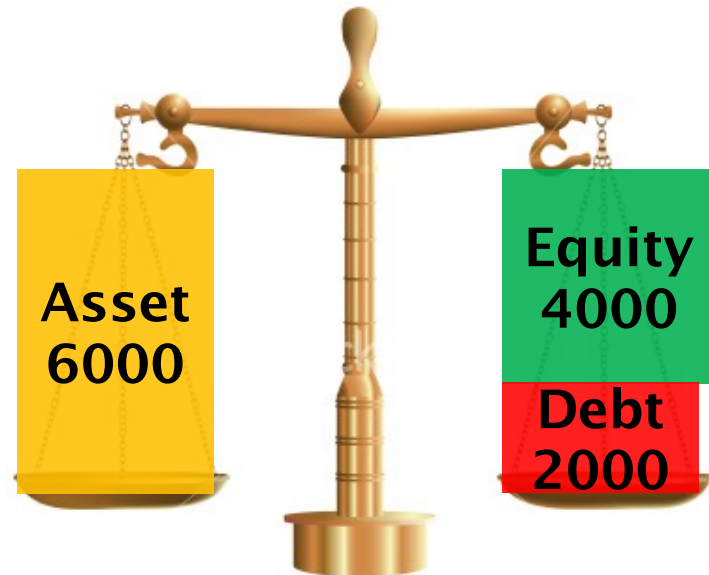
- She makes ¥ 1000 by selling pancakes.



How Debt and Equity Evolves (2)



- Seeing the growth of the business, Cuihua borrows ¥ 2000 from the bank.

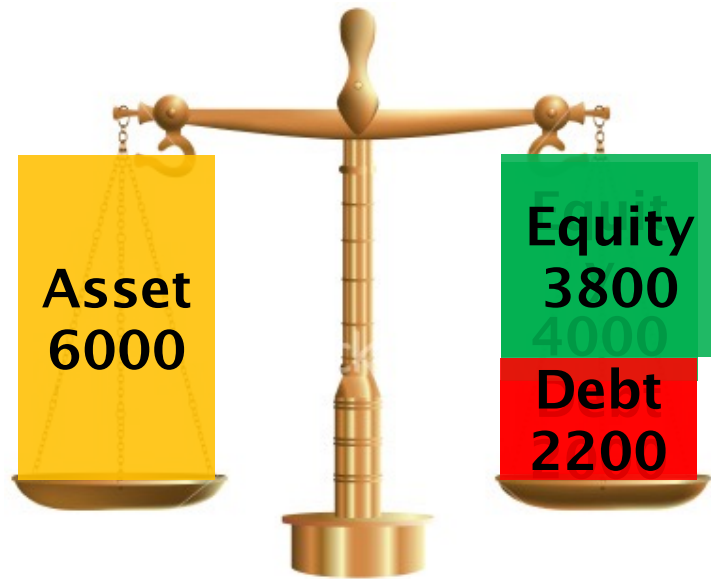


- Next year, she makes ¥ 2000.

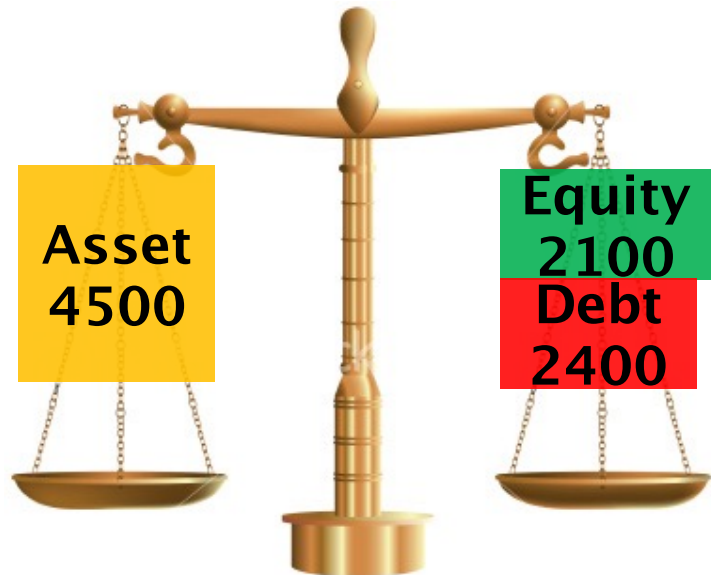
When a firm makes money, equity grows, and debt stays the same!



How Debt and Equity Evolves (3)



- In the meantime, the debt amount has grown to ¥ 2200 due to interest.





- Next year, she loses ¥ 1500. The debt grows to ¥ 2400.

Equity is equal to whatever is left over after paying the debt!



Debt vs. Equity Investing

	Debt	Equity
Cash Flow	 <p>Fixed Interest+Principal</p>	 <p>Uncertain</p>
Claim to profit	Paid First	Paid Last
Voting Rights	No	Yes
Claim to assets if bankrupt	Paid First	Paid Last
Upside Potential	Limited	Unlimited
Risks	Low	High
Required return	Low	High



Agenda – Raising Capital

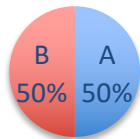
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How Does Equity Financing Work?

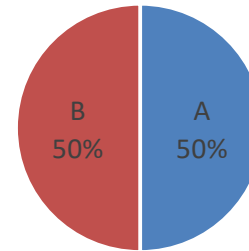
- Two owners A and B both invest \$1M to start a firm. Each owns 5 share.

Total value = \$1M



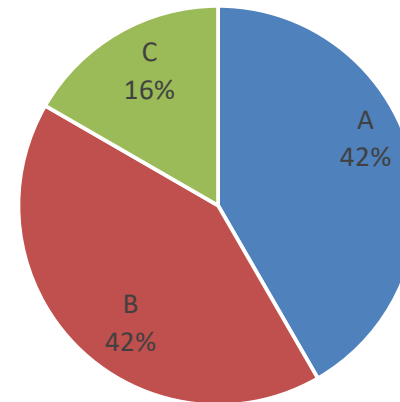
as the firm grows

Total value = \$10M



Handwritten calculation: $6 \overline{) 1.0} 6$

- To further grow, the firm need to raise capital by issuing **new shares**. Suppose C is willing to invest \$2M.
 - Based on a valuation of \$10M or \$1M/share, \$2M = 2 **new** shares.
 - Total # of shares = 12 shares
 - Total firm value = \$12M



How Does Equity Financing Work?

- What if C is only willing to pay \$1.5M for 2 shares?
 - Total firm value = \$10 + \$1.5M = \$11.5M.
 - A's wealth = \$11.5M * 42% = \$4.83M. Same for B.
 - Compared to before the new share issuance, A and B's wealth both shrink from \$5M to \$4.83M. This is called dilution.
- Selling existing shares: suppose B decides to sell a half of his shares to D.



Equity Financing

- Depending on the timing and objectives of the equity investors, equity financing is broadly classified into four types.
 - Venture Capital - 风险投资
 - Private Equity - 私募股权
 - Initial Public Offering - 首次公开发售
 - Seasoned Equity Offering - 股本发行



Venture Capital Financing

- What: a type of financing that individuals investors or financial institutions provide to small, early-stage, emerging firms.
- Goal: capture the explosive return from the very few companies that can succeed.
- Instruments used:
 - Equity
 - Convertible debt: can be converted to a **set** number of shares of a stock at certain dates
 - Protected on the downside, can capture the upside
 - E.g.: Peter Thiel gave Facebook \$500,000 for a convertible debt in seed round, which could be exchanged into 10.2% of the company



VC Financing

- Exit: a investor (e.g. VC) sells his or her stake in a firm to realize his/her gains (or losses)
- Exits options:
 - Acquisition (Sell shares to other institutions)
 - IPO (Sell shares to the public)
 - Liquidation (The firm goes bankrupt)

Table 1
Descriptive statistics

[Source](#)
[Return of VC funds](#)

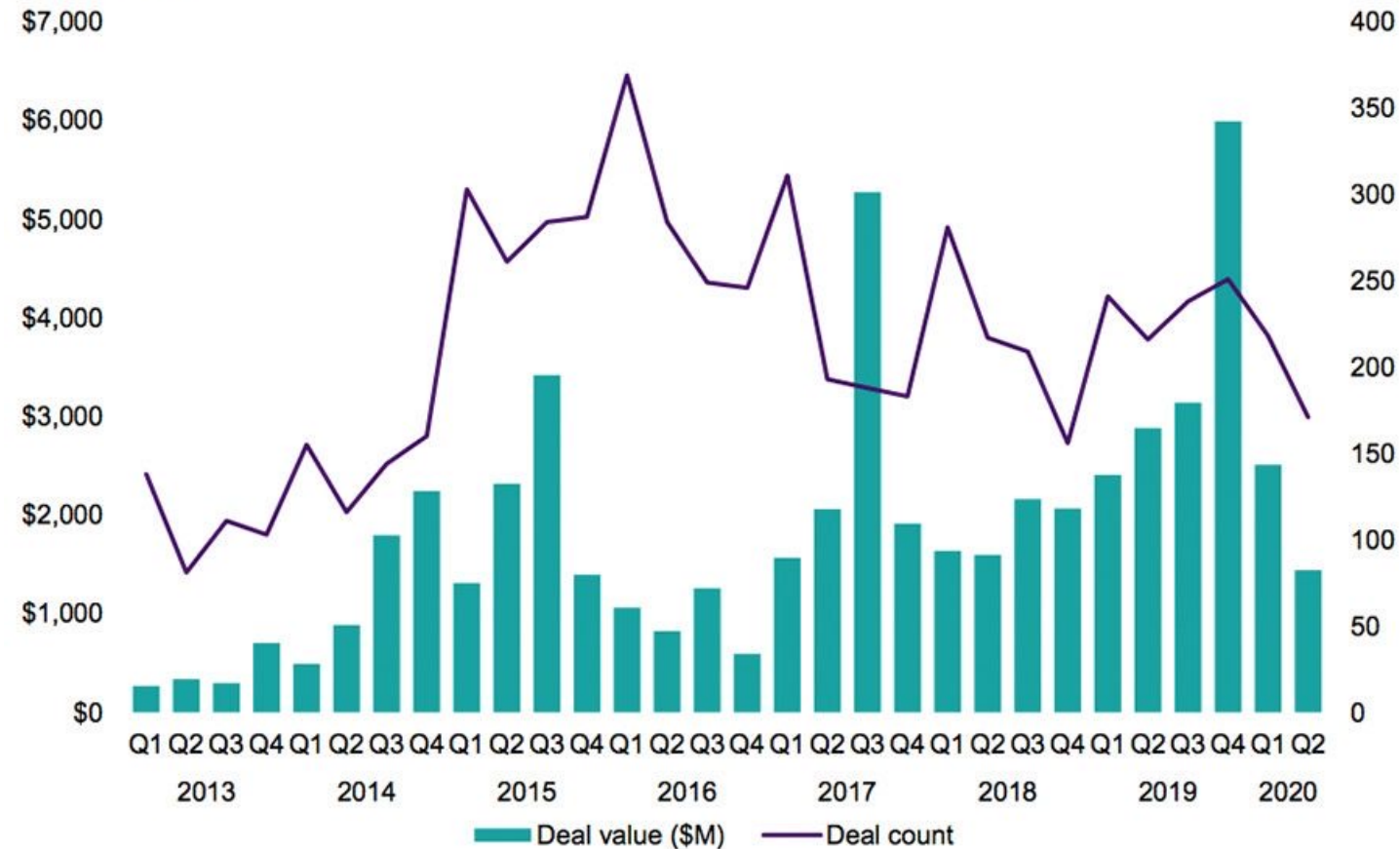
	Data
Rounds	61,356
Companies	18,237
Company Outcomes	
IPO	10.4%
Acquisition	23.4%
Liquidation	15.9%
Unknown	50.4%



China VC investment

Venture financing in India

2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Enterprise.

Bottom line: growing but volatile trend.



VC Types: Affluent Investors

- Provide (1) seed stage (also called angel round) funding, and (2) guidance



Richard Li

Invested in the seed round and series A

Helped with timing and selection of the subsequent financing rounds



VC Types: Venture Capital Funds

- Funded by partners or the public, invest in startups

Investors in the Top 100 VC-Backed US Tech Exits

Q1 2013 - Q2 2015

Investor	# of Exits
Accel Partners	14
New Enterprise Associates	11
Sequoia Capital	11
Sapphire Ventures	10
Kleiner Perkins Caufield & Byers	10
Institutional Venture Partners	9
Battery Ventures	8
Norwest Venture Partners	7
Foundation Capital	7
Benchmark Capital	7
Insight Venture Partners	6
Index Ventures	6
Meritech Capital Partners	6
DAG Ventures	6
Redpoint Ventures	6
Felicis Ventures	6
Intel Capital	6
General Catalyst Partners	5
Spark Capital	5
US Venture Partners	5
Adams Street Partners	5

排名	机构中文名称 主要管理人	主要投资领域
1	深创投 倪泽望、孙东升	TMT、消费升级、生物医药、节能环保等
2	IDG资本 熊晓鸽	互联网与高科技、新型消费及服务、医疗健康、工业技术、文化旅游等
3	红杉资本中国基金 沈南鹏、周逵、计越	科技/传媒、医疗健康、消费品/服务、工业科技等
4	高瓴资本 张磊	消费与零售、科技创新、医疗健康等
5	金沙江创投 朱啸虎、丁健、林仁俊	消费互联网、企业服务、医疗健康等
6	达晨创投 肖冰、刘昼	TMT、医疗健康、消费服务、智能制造等
7	君联资本 朱立南、陈浩、王能光	TMT及创新消费、现代服务和智能制造、医疗健康、文化体育等
8	经纬中国 张颖、徐传陞、邵亦波	互联网、移动互联网、交易平台等
9	创新工场 李开复	人工智能、高科技、文体娱乐等
10	今日资本 徐新	消费品品牌、零售连锁、消费互联网等



VC Types: Large Corporations

- Corporate also plays a big role in venture capital funding
 - To acquire innovative technologies
 - To protect the company value by taking over competitors

Example:

Google Ventures

517 investments including

UBER

jet

slack

X 23andMe

阿里&腾讯合投项目

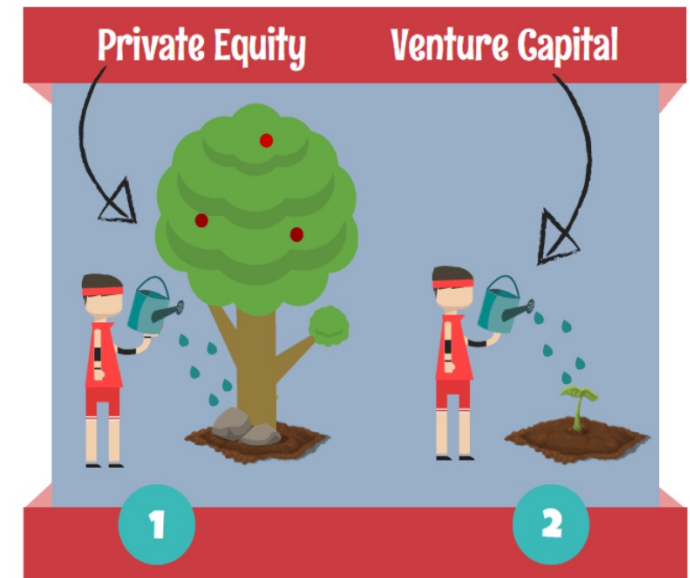
行业	时间	公司名	轮次	金额
电子商务	2018-06-01	小红书	D轮	3亿美元
工具软件	2013-12-01	LBE安全大师	A轮	数千万美元
金融	2015-12-09	中国邮政储蓄银行	战略投资	451亿人民币
	2014-06-15	众安保险	天使轮	未透露
企业服务	2018-07-23	WPP	战略投资	25亿美元
	2017-08-16	中国联通	战略投资	780亿人民币
汽车交通	2016-06-16	滴滴出行	F轮-上市前	45亿美元
	2015-07-08		F轮-上市前	30亿美元
文化娱乐	2018-07-03	华人文化集团CMC	A轮	100亿人民币
	2016-12-21	博纳影业	战略投资	25亿人民币
	2015-08-19	华谊兄弟	战略投资	36亿人民币
	2014-11-19		战略投资	36亿人民币
硬件	2015-08-14	微鲸科技	A轮	20亿人民币



Private Equity

直接投资私营公司或参与收购上市公司，导致公众股权退市的金融机构。

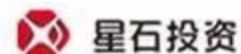
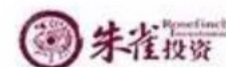
- **Definition:** financial institutions that directly invest in private companies or engage in buyouts of public companies, resulting in the delisting of public equity.
- Differences between PE vs. VC:
 - **Firm type:** matured firms vs. early-stage companies
 - PE also invests in early-stage firms, but typically in later rounds.
 - **Industry:** all industries vs. innovative industries (e.g. high-tech, bio-tech, clean energy...)
 - **Investment size:** large vs. small



PE Firms - Example



International PE firms



Chinese PE firms



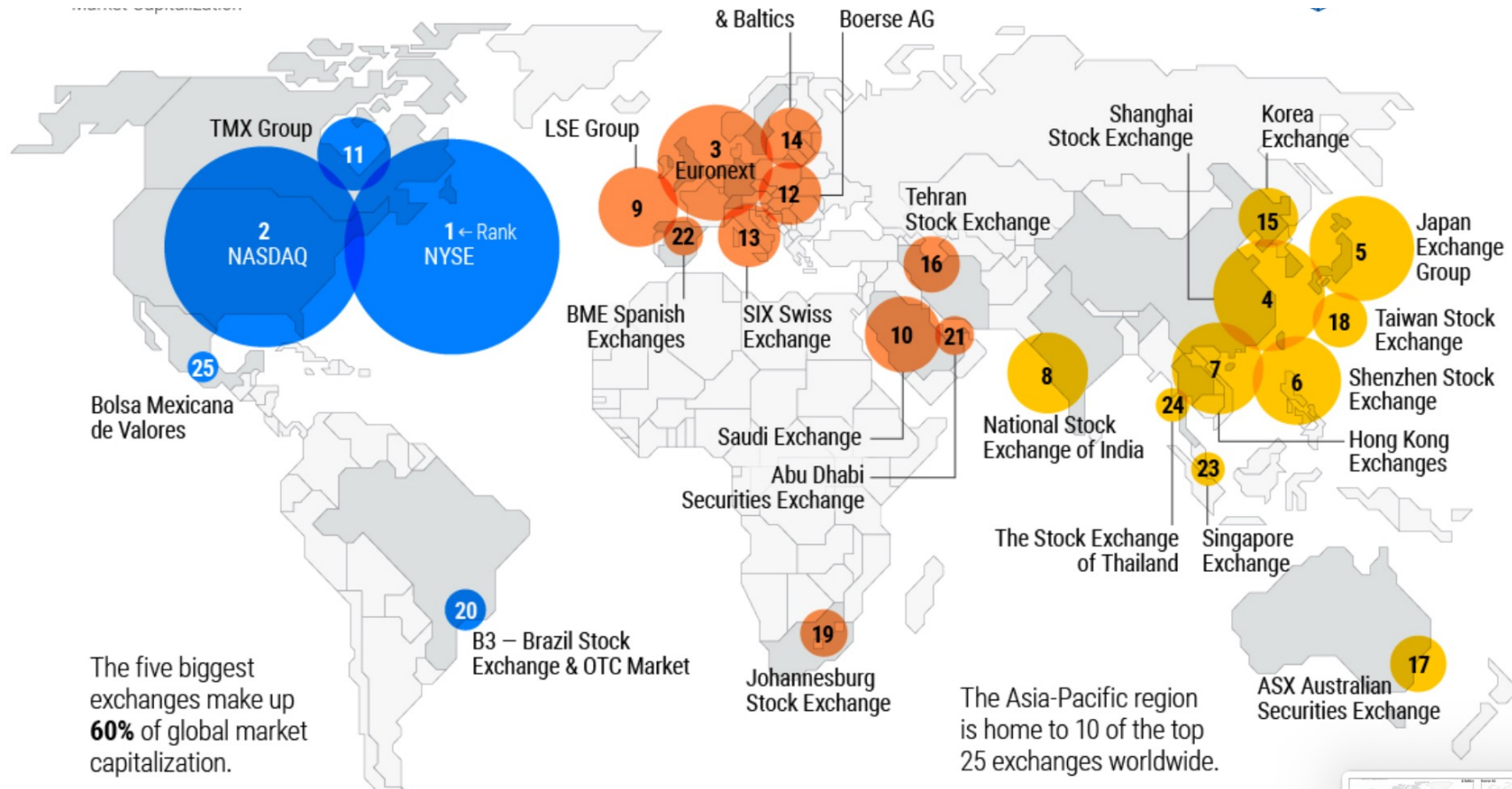
Initial Public Offering (IPO)

- What: the process that a private company goes public
 - Now shares can be traded on an exchange
 - Anyone (the general public) can invest in this company
 - The company is subjected to more stringent disclosure rules
- Why:
 - To have better access to financing
 - The value of the equity is typically higher
 - Why? (1) Increased demand. (2) Increased liquidity.
 - With higher valuation:
 - shares can be used to award employees;
 - shares can be used to buy another company
 - Better brand recognition

该公司受到更严格的信息披露规定的约束



Where do Firms Go IPO?



Mega size IPOs in HKEX:

- 2023: Midea(美的)
- 2021: Baidu, Kuaishou (快手)



IPO Process

1. Managers and the board approve



2. Find investment banks

CREDIT SUISSE

3. Conduct due diligence

4. File prospectus (招股说明书) and seek approval from the regulator (e.g. CSRC and SEC)

证监会 (CSRC)

[Filing of Alibaba](#)



Primary Market

5. Road show: find buyers, decide IPO price
6. Buyers buy at IPO price

Secondary Market

7. Shares start trading on exchanges



Alibaba Prospectus

- <https://www.sec.gov/Archives/edgar/data/1577552/000119312514347620/d709111d424b4.htm>

Filed pursuant to Rule 424(b)(7)
Registration No. 333-195736

320,106,100 American Depositary Shares
Representing 320,106,100 Ordinary Shares


Alibaba Group
阿里巴巴集团

Alibaba Group Holding Limited

This is the initial public offering of Alibaba Group Holding Limited, or Alibaba Group. We are offering 123,076,931 American Depositary Shares, or ADSs, and the selling shareholders named in this prospectus, including Yahoo, one of our principal shareholders, Jack Ma, our executive chairman, and Joe Tsai, our executive vice chairman, are offering, in the aggregate, 197,029,169 ADSs. Each ADS represents one ordinary share, par value US\$0.000025 per share. The initial public offering price of the ADSs is US\$68.00 per ADS. We will not receive any proceeds from the ADSs sold by the selling shareholders.

Pursuant to our memorandum and articles of association, a partnership, or the Alibaba Partnership, comprised of certain management members of our company, Small and Micro Financial Services Company and China Smart Logistics, will have the exclusive right to nominate a simple majority of the board of directors of our company. See "Alibaba Partnership" and "Description of Share Capital — Ordinary Shares — Nomination, Election and Removal of Directors."

Prior to this offering, there has been no public market for our ADSs or ordinary shares. Our ADSs have been approved for listing on the New York Stock Exchange under the symbol "BABA."

Investing in our ADSs involves risk. See "Risk Factors," beginning on page 25.

	<u>Per ADS</u>	<u>Total</u>
Price to public	US\$68.00	US\$21,767,214,800
Underwriting discounts and commissions	US\$ 0.816	US\$ 1,261,206,578
Proceeds, before expenses, to us	US\$67.184	US\$ 8,268,800,532
Proceeds, before expenses, to the selling shareholders	US\$67.184	US\$13,237,207,690

We, Yahoo, Jack Ma and Joe Tsai have granted the underwriters the right to purchase up to an aggregate of 48,015,900 additional ADSs.

Neither the United States Securities and Exchange Commission nor any state securities commission or any other regulatory body has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs against payment in U.S. dollars to purchasers on or about September 24, 2014.

Credit Suisse	Deutsche Bank	Goldman Sachs	J.P. Morgan	Morgan Stanley	Citi
BOCI	CICC	CLSA	DBS Bank		HSBC



IPO Issuing Costs - Direct

- Gross spread:
 - The fees that underwriters receive for arranging and underwriting an offering of debt or equity securities.
 - 7% is the norm
 - Larger (about 9%) for small offerings (<10M)
 - Smaller (about 5%) for large offerings (>500M). Facebook only paid 1.1% or \$176 million.
- Other expense: filing fee, legal fee, tax, etc.

Year	Number of IPOs	Gross Spreads			
		Mean EW	Mean PW	Median	=7%
1980	71	8.0%	7.2%	7.5%	3%
1981	192	7.9%	7.3%	7.5%	4%
1982	77	8.1%	7.3%	7.9%	9%
1983	451	7.7%	6.9%	7.3%	14%
1984	172	7.9%	7.3%	7.5%	15%
1985	187	7.7%	6.6%	7.5%	13%
1986	393	7.5%	6.2%	7.2%	15%
1987	285	7.5%	6.0%	7.1%	23%
1988	102	7.3%	6.3%	7.0%	28%
1989	113	7.3%	6.3%	7.0%	40%
1990	110	7.3%	6.5%	7.0%	44%
1991	286	7.1%	6.3%	7.0%	50%
1992	412	7.2%	6.3%	7.0%	52%
1993	509	7.2%	6.2%	7.0%	57%
1994	403	7.3%	6.5%	7.0%	55%
1995	461	7.2%	6.3%	7.0%	64%
1996	677	7.2%	6.2%	7.0%	68%
1997	474	7.2%	6.4%	7.0%	68%
1998	281	7.1%	5.5%	7.0%	68%
1999	477	6.9%	5.7%	7.0%	82%
2000	381	6.9%	5.6%	7.0%	82%
2001	79	6.6%	4.6%	7.0%	62%
2002	66	6.7%	5.2%	7.0%	71%
2003	63	7.0%	6.7%	7.0%	78%
2004	173	6.8%	5.7%	7.0%	78%
2005	159	6.7%	6.1%	7.0%	65%
2006	157	6.8%	6.1%	7.0%	69%
2007	159	6.7%	5.7%	7.0%	73%
2008	21	6.4%	3.4%	7.0%	62%
2009	41	6.4%	5.6%	7.0%	49%
2010	91	6.7%	3.5%	7.0%	69%
2011	81	6.4%	5.1%	7.0%	54%
2012	93	6.7%	3.6%	7.0%	72%
2013	157	6.6%	5.5%	7.0%	64%
2014	206	6.6%	5.4%	7.0%	72%
2015	115	6.7%	5.9%	7.0%	73%
2016	74	6.7%	6.1%	7.0%	69%
1980-2016	8,249	7.2%	5.6%	7.0%	54%



IPO Costs – Indirect

- The biggest IPO in history: Alibaba (2014-9-19) sold 368 million shares at \$68/share and raised \$25B in total
 - First day price in the secondary market : \$93.89
- IPO underpricing: first-day closing price - initial offering price.
 - Underpricing represents indirect cost for firms. Also called money left on the table.
- Indirect cost = $(\$93.89 - \$68) / \text{share} * 368 \text{ million} = \9.5 billion
- Direct cost (underwriter fee) = \$ 300 million



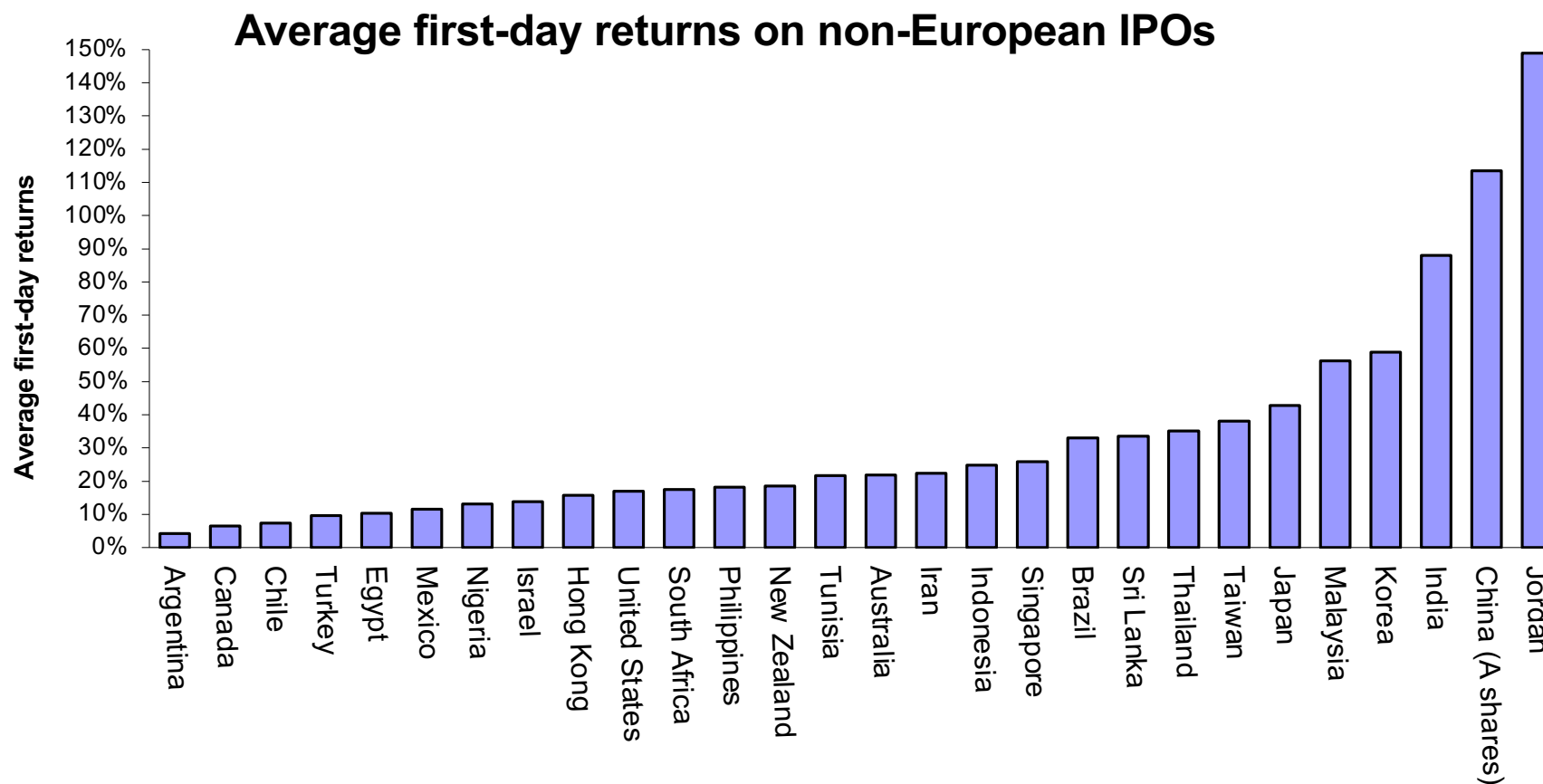
Underpricing History

Alibaba is not an isolated instance. There is a persistent trend of underpricing of about 18%

Year	Number of IPOs	Mean First-day Return		Aggregate Amount Left on the Table	Aggregate Proceeds
		Equal-weighted	Proceeds-weighted		
1980	71	14.3%	20.0%	\$0.18 billion	\$0.91 billion
1981	192	5.9%	5.7%	\$0.13 billion	\$2.31 billion
1982	77	11.0%	13.3%	\$0.13 billion	\$1.00 billion
1983	451	9.9%	9.4%	\$0.84 billion	\$8.89 billion
1984	172	3.6%	2.5%	\$0.05 billion	\$2.06 billion
1985	187	6.4%	5.3%	\$0.23 billion	\$4.31 billion
1986	393	6.1%	5.1%	\$0.68 billion	\$13.40 billion
1987	285	5.6%	5.7%	\$0.66 billion	\$11.68 billion
1988	105	5.5%	3.4%	\$0.13 billion	\$3.88 billion
1989	116	8.0%	4.7%	\$0.27 billion	\$5.81 billion
1990	110	10.8%	8.1%	\$0.34 billion	\$4.27 billion
1991	286	11.9%	9.7%	\$1.50 billion	\$15.35 billion
1992	412	10.3%	8.0%	\$1.82 billion	\$22.69 billion
1993	510	12.7%	11.2%	\$3.52 billion	\$31.44 billion
1994	402	9.6%	8.3%	\$1.43 billion	\$17.19 billion
1995	461	21.2%	17.5%	\$4.90 billion	\$27.95 billion
1996	677	17.2%	16.1%	\$6.76 billion	\$42.05 billion
1997	474	14.0%	14.4%	\$4.56 billion	\$31.76 billion
1998	281	21.9%	15.6%	\$5.25 billion	\$33.65 billion
1999	476	71.2%	57.4%	\$37.11 billion	\$64.67 billion
2000	380	56.4%	46.0%	\$29.81 billion	\$64.80 billion
2001	79	14.2%	8.7%	\$2.97 billion	\$34.24 billion
2002	66	9.1%	5.1%	\$1.13 billion	\$22.03 billion
2003	63	11.7%	10.4%	\$9.96 billion	\$9.54 billion
2004	173	12.3%	12.4%	\$3.86 billion	\$31.19 billion
2005	159	10.3%	9.3%	\$2.64 billion	\$28.23 billion
2006	157	12.1%	13.0%	\$3.95 billion	\$30.48 billion
2007	159	14.0%	13.9%	\$4.95 billion	\$35.66 billion
2008	21	5.7%	24.8%	\$5.63 billion	\$22.76 billion
2009	41	9.8%	11.1%	\$1.46 billion	\$13.17 billion
2010	91	9.4%	6.2%	\$1.84 billion	\$29.82 billion
2011	81	13.9%	13.0%	\$3.51 billion	\$26.97 billion
2012	93	17.8%	8.9%	\$2.77 billion	\$31.11 billion
2013	157	21.1%	20.5%	\$7.94 billion	\$38.75 billion
2014	206	15.5%	12.8%	\$5.40 billion	\$42.20 billion
2015	115	18.7%	18.7%	\$4.06 billion	\$21.72 billion
2016	74	14.6%	14.4%	\$1.75 billion	\$12.12 billion
1980-1989	2,049	7.2%	6.1%	\$3.30 billion	\$54.24 billion
1990-1998	3,613	14.8%	13.3%	\$30.10 billion	\$226.38 billion
1999-2000	856	64.6%	51.7%	\$66.92 billion	\$129.47 billion
2001-2016	1,735	14.0%	12.8%	\$54.84 billion	\$430.00 billion
1980-2016	8,253	17.9%	18.5%	\$155.13 billion	\$840.09 billion



Underpricing Around the Globe



Why is There Persistent Underpricing?

- On average, it's impossible for there to be overpricing—there will be no buyers for IPO shares. Investing in IPO markets is risky, and underpricing compensates buyers for the risks
- Is the underpricing too much?
 - Probably true for China: 80% for the entire sample period [\[ref\]](#)

During IPO Pricing Regulation			
Time Period	Pricing Method	Pricing Ceiling	Regulated Or Not
Before Sep 1999	Fixed Price and Fixed PE Ratio	15 Times PE Ratio	Yes
Sep 1999 - Aug 2001	Cumulative Bid Pricing	None	No
Nov 2001 - Dec 2004	Fixed PE Ratio	20 Times PE Ratio	Yes
Jan 2005 - Jun 2009	Price Inquiry System	30 Times PE Ratio	Window Guidance
Jun 2009 - Apr 2012	Price Inquiry System	None	No
Apr 2012 - Mar 2014	Price Inquiry System	Refer to Peer Industry	Yes
Mar 2014 - Feb 2023	Price Inquiry System	23 Times PE Ratio	Window Guidance
After Feb 2023	Price Inquiry System *	None	No
* There is also another set of rules for IPO offering in a scale less than 20m, refer to http://www.csrc.gov.cn/csrc/c101953/c7121903/content.shtml			



Seasoned Equity Offering

- Addition equity issuance after IPO
 - Example: Facebook issued an additional 70M shares after it was included into S&P 500.[\[1\]](#)
- A stylized finding about SEO
 - Short term impact: stock price usually drops by about 3% upon SEO announcements.
 - Why? (1) Increased supply. (2) Adverse selection: investors would think that the manager would only issue shares if he/she thinks the stock is overpriced.
 - Long term: firms that have undergone SEO underperform peer firms in the next 5 years.[\[2\]](#)



Agenda – Raising Capital

- Debt and Equity
- Equity Financing
 - Venture Capital
 - Private Equity
 - Initial Public Offering
 - Seasoned Equity Offering
- Debt Financing
 - Different types of debt
 - Credit Ratings



Debt Financing-Different Types of Debt

- Private debt
 - Bank loan: borrowers v.s. banks
 - P2P: borrowers v.s. individuals
 - Trade credit: debt between suppliers and firms
 - ..
- Public debt
 - Publicly traded debt is also called **bond**
 - Depending on who the issuer is, bond can be classified as corporate bond (firms), treasury bond (central government), municipal bond (local government)



Corporate Bond Issuance Process

- Manager decides to issue long-term bond
- Talk to investment banks about the best strategy
 - Investment banks know what bonds (maturity, coupon type, callable or not, etc.) investors want
- (Get a rating from a rating agency)
- File registration with the regulatory body (e.g. CSRC or SEC)



Credit Ratings

- Definition: an evaluation of the credit risk of a prospective debtor, predicting their ability to pay back the debt.
- Major rating agencies
 - China : 大公、中诚信、联合、上海新世纪. US: S&P, Moody's, Fitch

Moody's		S&P		Fitch		Rating description				
Long-term	Short-term	Long-term	Short-term	Long-term	Short-term					
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime	Investment-grade			
Aa1		AA+		AA+		High grade				
Aa2		AA		AA						
Aa3		AA-		AA-						
A1		A+	A-1	A+	F1	Upper medium grade				
A2	A	A								
A3	P-2	A-	A-2	A-	F2	Lower medium grade				
Baa1		BBB+		BBB+						
Baa2	P-3	BBB	A-3	BBB	F3					
Baa3		BBB-		BBB-						
Ba1	Not prime	BB+	B	BB+	B	Non-investment grade speculative	Non-investment grade AKA high-yield bonds AKA junk bonds			
Ba2		BB		BB		Highly speculative				
Ba3		BB-		BB-						
B1		B+		B+						
B2		B		B						
B3		B-		B-						
Caa1		CCC+	C	CCC	C	Substantial risks				
Caa2		CCC				Extremely speculative				
Caa3		CCC-				Default imminent with little prospect for recovery				
Ca		CC								
		C								
C		D	/	DDD	/	In default				
/				DD						
				D						

Investment grade: 85% of money, 50% of issues (in the US)

[Default rates](#)



Can We Fully Trust the Rating Agencies?

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97%的债券获最高评级？国内债市评级引质疑

文 / 张福 2015年07月27日 08:57:28 45

97%的中国债券的评级不是AA就是AAA，而且同一公司的债券在国内外评级差别巨大，这究竟是怎么回事？

以恒大地产集团为例，其在国内发行的债券评级为AAA，但其在海外发行的30亿美元的债券评级却还不到投资级别。

像恒大这样在国内外发行的债券的评级出现巨大差别，让国际投资者对中国正在对外开放的债市感到怀疑。

投资管理公司Legal & General Investment Management信用分析师Ben Bennett向《华尔街日报》表示，他们对中国国内的评级公司表示怀疑，他们更愿意相信国际上的三大主流评级机构。

中国自2010年起至今向国际投资者开放了3%的债权市场，但只有中国评级机构才能对中国债券评级。目前，97%的人民币计价的债券拥有AA和AAA的最高评级。

SEC Announces Charges Against Standard & Poor's for Fraudulent Ratings Misconduct

FOR IMMEDIATE RELEASE
2015-10

Washington D.C., Jan. 21, 2015 — The Securities and Exchange Commission today announced a series of federal securities law violations by Standard & Poor's Ratings Services involving fraudulent misconduct in its ratings of certain commercial mortgage-backed securities (CMBS).

S&P agreed to pay more than \$58 million to settle the SEC's charges, plus an additional \$19 million to settle parallel cases announced today by the New York Attorney General's office (\$12 million) and the Massachusetts Attorney General's office (\$7 million).

Companies pay to get rated. -> Rating agencies want to please the company, but not the investors.

Another example of agency problem!



香港中文大學(深圳)
The Chinese University of Hong Kong, Shenzhen

经管学院
School of Management and Economics

Summary

- Debt vs equity
 - Debt: fixed maturity, fixed cash flow, paid first when bankrupt
 - Equity: no maturity, uncertain cash flow, paid after debt holders
 - Which one requires higher return? Why?
- Equity financing
 - VC rounds, PE rounds, Initial public offering (IPO)
 - Why does VC invest in a lot of firms? What instrument do they use?
 - What are the costs of IPO?
- Debt financing
 - Public debt: bonds
 - Issued with the help of investment banks
 - Credit rating

