Tutorial #:	5	Student Name:	James La Fontaine	Student ID:	1079860

Only answers to **Part B questions** are to be submitted by 10:00 am on Monday of the tutorial week. Please note the following:

1. Only **handwritten** work on this hand-in sheet will be marked for reasonable effort. You can either write your answers on this hand-in sheet or write your answers on a piece of paper with your name and student ID written on the top of the page.
2. Only **one** submission per student will be marked. Please make sure that you upload only one file either as a scanned **PDF file** or as a **JPG/PNG picture file**. Other formats will not be accepted by the system.
3. Please fill out all the information before submission.

5. a) $P/E = \frac{\$5}{\$2M/4M} = 10$ b) $\frac{P}{0.55} = 10 \Rightarrow P = \$5.50$

Falcon's buyback should boost its earnings per share from 50 cents to 55 cents. However, while share price may increase due to the positive signalling of the buyback, the price-to-earnings ratio does not have to remain the same.

6. a) US$2 billion, A$500 million under the off-market buyback

b) Rio Tinto believed that the buyback was the most advantageous method of returning capital to its shareholders and that it was in the best interests of its shareholders.

c) The buyback was expected to improve Rio Tinto's earnings per share. Rio Tinto's debt-to-total capital ratio was expected to increase from 18.6% to 19.2% as a result of the off-market buyback.

d) The capital component buyback price was $9.44 and the rest of the payment would be treated as a dividend

e) Whether to tender shares as a final price tender or at one tender discount. Also whether a minimum price was desired or not.

f) Rio Tinto bought back around 11.6 million shares. Shareholders who tendered all of their shares at a 14% discount had priority allocation of 85 shares bought back. Of these shareholders those left with 35 shares had all of their shares bought back in full. Shares tendered at discounts less than or equal to 13% and tenders conditional upon a minimum price above the buyback price were not bought back. Therefore not all shareholders were able to sell as many shares as they wanted.