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**PETRUSADVISERS**

# Wienerberger Perpetual Bond

January 2019



- In our view, Wienerberger (“WIE”) has too much cash. We estimate that €159m could be deployed, the Perpetual Hybrid Bond is an extremely expensive instrument, currently trading at depressed levels as some investors have lost faith in WIE and its ability to withstand any economic headwind.
- If WIE were to buy back the instrument, starting at a premium of 1.5% to current trading prices<sup>1</sup>, and if WIE were to fully refinance with its current achievable normal debt (like the retail bond issued in April 2018 at 2% interest rate for 6 years), EPS would accrete by 4.8 percent in 2019 and 3.8 percent in 2020<sup>2</sup>.
- Even if WIE were only able to partially buy back €100m of the total Principal Value of the Bond (€272m) using cash on the Balance Sheet (i.e. without raising more leverage) the EPS would accrete by 2.5 percent in 2019 and 2.0 percent in 2020<sup>3</sup>.
  - Getting rid of the Perpetual Hybrid bond is beneficial for all equity holders of WIE, whereas replacing it with a retail bond would improve WIE’s tax shield making the impact on EPS even more accretive.

1) As of 31/01/2019, WIE Perpetual bond is trading at €105.325.

2) Please see “Full Bond Buyback and Refinance Scenario” on page 5.

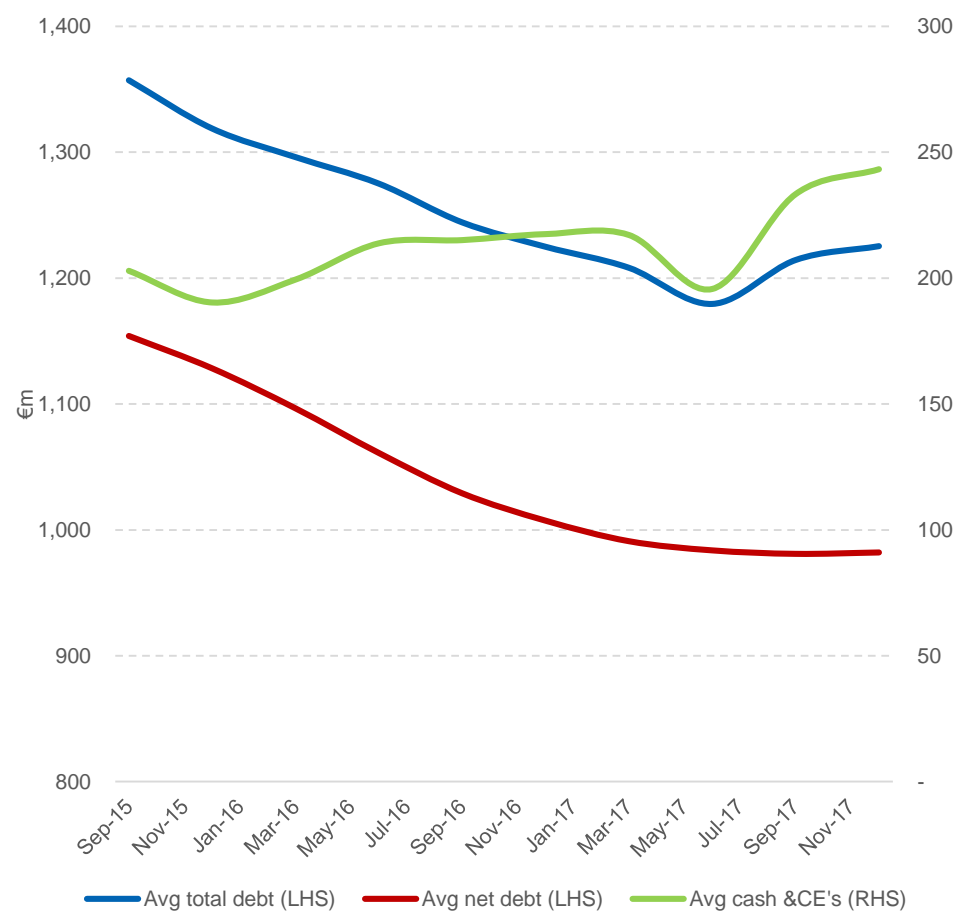
3) Please see “Partial Bond Buyback Scenario and No Refinancing Scenario” on page 6.

# Cash Available on BS and Average Net Debt Evolution

## Cash bridge

Cash on BS (€m, Q3 2018)	231
Cash Spent on Share Buyback (€m)	22
Cash buffer (€m, seasonal NWC)	50
<b>Cash available to be deployed in Bond Buyback (€m)</b>	<b>159</b>

## Average Total Debt (LHS), Avg. Cash (RHS) and Avg. Net Debt (LHS) since Q3'2015



# Wienerberger Perpetual Bond

Bond is highly likely to be called in 2021 at 100.

Perpetual note Characteristics	
Type	Perpetual
Coupon Rate	5.0%
Coupon Payment (Annual)	09/02/2015
Call Date	09/02/2021
Call Strike	100
Coupon Rate from Feb/2021	5.95% + EUS5
Principal	272
Day count	ACT/360
YTCall Bid (Bloomberg)	2.50%
YTCall Ask (Bloomberg)	2.04%
YTMaturity (Perpetuity)	4.75%
Price (Bloomberg)	105.33

WIE Cash Flows - Perpetual bond			
€m	09/02/2019	09/02/2020	09/02/2021
Coupon Payment	13.61	13.61	13.61
Principal Payment @ 100			272.19
<b>Total</b>	<b>13.61</b>	<b>13.61</b>	<b>285.80</b>

# Bond Buyback: 1) Full Bond Buyback and Refinancing Scenario

1) Full Bond Buyback and Refinancing Scenario			
New Coupon Rate	2.0%		
Incentive Fee for Bondholders <sup>1</sup>	1.5%		
	<b>31/12/2019</b>	<b>31/12/2020</b>	<b>31/12/2021</b>
Coupon Payment (2% Coupon Rate) €m	5.1	5.4	5.4
Incentive for Perpetual Bondholders (1.5% fee) €m	4.3		
<b>Total €m</b>	<b>9.4</b>	<b>5.4</b>	<b>5.4</b>
<b>Interest saving / (cost) €m</b>	<b>4</b>	<b>8</b>	<b>8</b>
<b>Consensus Net Income (€m) <sup>2</sup></b>	<b>204</b>	<b>252</b>	<b>248</b>
Hybrid Holders Interest Payment (€m)	13.61	13.61	13.61
<b>Consensus Net Income without Hybrid Capital (€m)</b>	<b>218</b>	<b>266</b>	<b>262</b>
Interest Payment to Bondholders of New Bond (€m)	5.05	5.44	5.44
Tax rate	25%	25%	25%
<b>After-tax impact (€m)</b>	<b>3.79</b>	<b>4.08</b>	<b>4.08</b>
Impact on NPAT (€m)	214	262	258
<b>Improvement in Net Income Attributable to Equity Holders (%)</b>	<b>4.8%</b>	<b>3.8%</b>	<b>3.8%</b>

1) Incentive Fee of 1.5% would put the bond trading at €106.90.

2) Consensus from Bloomberg as of 23/01/2019.

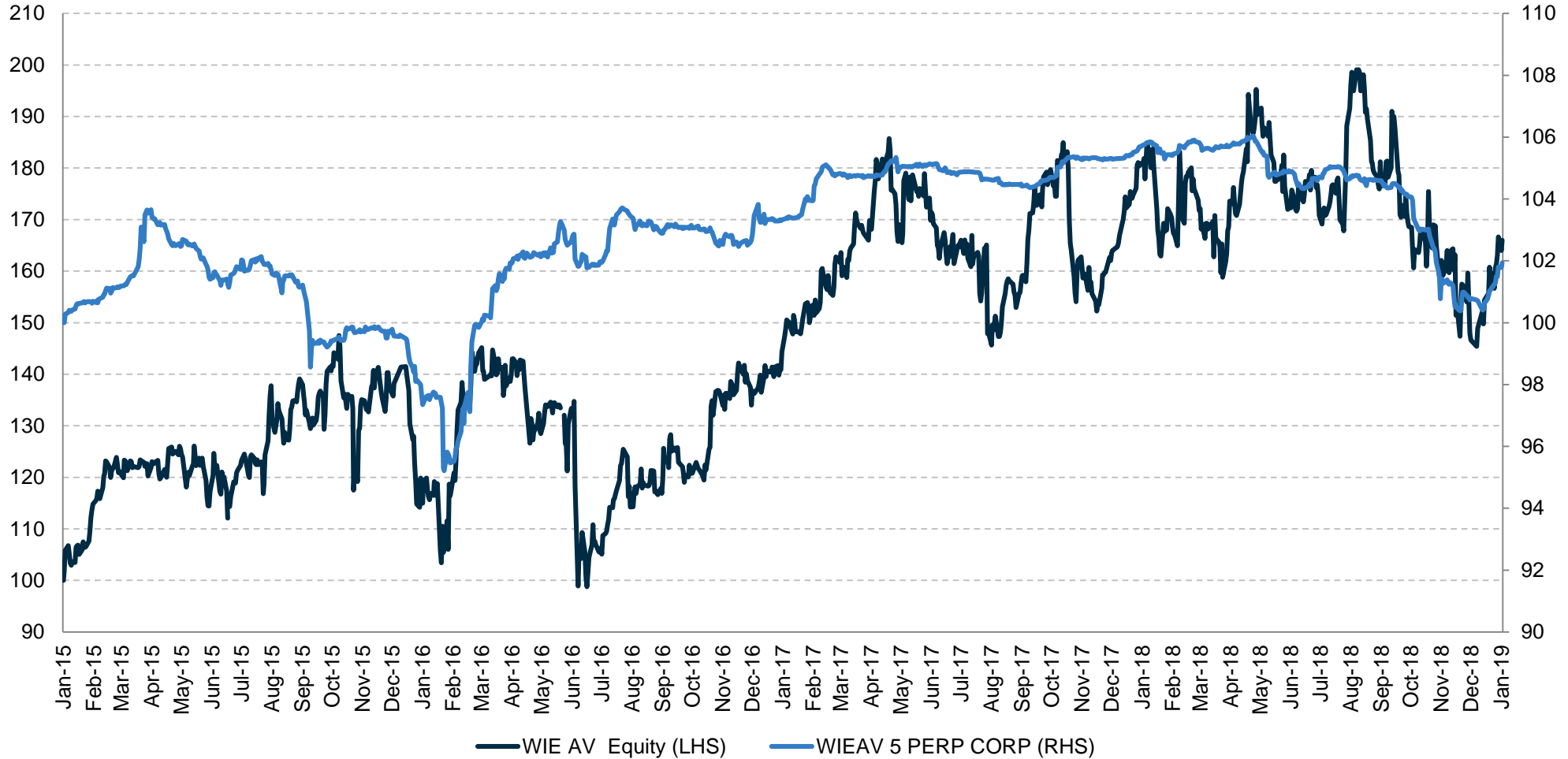
# Bond Buyback: 2) Partial Bond Buyback and No Refinancing Scenario

<b>2) Partial Bond Buyback Scenario and No Refinancing</b>			
Cash on BS (€m, Q3 2018)	231		
Cash Spent on Share Buyback (€m)	22		
Cash buffer (€m, seasonal NWC)	50		
<b>Cash available to be deployed in Bond Buyback (€m)</b>	<b>159</b>		
FV of HybridI repaid (€m)	100.0		
Current Hybrid Price (€)	105.3		
Premium offered <sup>1</sup>	1.5%		
<b>Cash out (€m)</b>	<b>106.90</b>		
<b>Cash remaining / (financing required) €m</b>	<b>52</b>		
FV perpetual remaining (€m)	172		
<b>Post-buyback changes</b>	<b>31/12/2019</b>	<b>31/12/2020</b>	<b>31/12/2021</b>
New interest payments on Hybrid Bond	8.6	8.6	8.6
<b>Total new interest payments</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>
Old Hybrid interest payments	13.6	13.6	13.6
<b>Interest saving / (cost) €m</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Consensus Net Income (€m) <sup>2</sup></b>	<b>204</b>	<b>252</b>	<b>248</b>
Hybrid Holders Interest Payment (€m)	5.0	5.0	5.0
<b>Consensus Net Income without Hybrid Capital (€m)</b>	<b>209</b>	<b>257</b>	<b>253</b>
<b>Improvement in Net Income Attributable to Equity Holders (%)</b>	<b>2.5%</b>	<b>2.0%</b>	<b>2.0%</b>

1) Incentive Fee of 1.5% would put the bond trading at €106.90.

2) Consensus from Bloomberg as of 23/01/2019

# 5Y Wienerberger Share Price Performance vs. Perpetual Bond



Source: Bloomberg as of 23/01/2019